

# Governance Guardianship: Spotlight on Internal Controls under SCA Regulations

The webinar will start at 12pm



# Governance Guardianship: Spotlight on Internal Controls under SCA Regulations



# Webinar Guidelines

## Recording



This webinar is being recorded.

Microphones and video will remain disabled for all participants.

## Posting queries



Use the chat window to post your questions.

When posting questions, please include the person for whom the question is intended.

# Agenda

## 1. Webinar Presentation

- 1.1 Corporate governance rules reinforced
- 1.2 Navigating the IC journey
- 1.3 External audit perspective

## 2. Panel discussion



# With You Today – Presentation



**Nigaar Joaffur**

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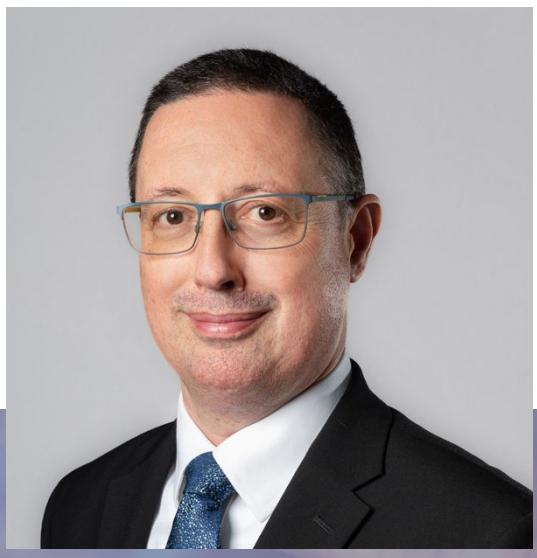
Associate Director, Advisory  
KPMG Lower Gulf



**Raajeev Batra**

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Partner, Advisory  
KPMG Lower Gulf



**Richard Ackland**

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Partner, Audit  
KPMG Lower Gulf

# With You Today – Expert Panel



**Mohammad  
Junaid Essa**

Head of Corporate  
Governance Section  
Securities & Commodities  
Authority

**Guest Speaker**



**Luisa v. Esterházy**

Partner, Audit and EMA  
SOX Lead,  
KPMG Germany



**Richard Ackland**

Partner, Audit  
KPMG Lower Gulf



**Sudhir Arvind**

Partner & Head of  
Governance, Risk and  
Compliance Services  
KPMG Lower Gulf

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# Webinar Presentation – Setting the Context



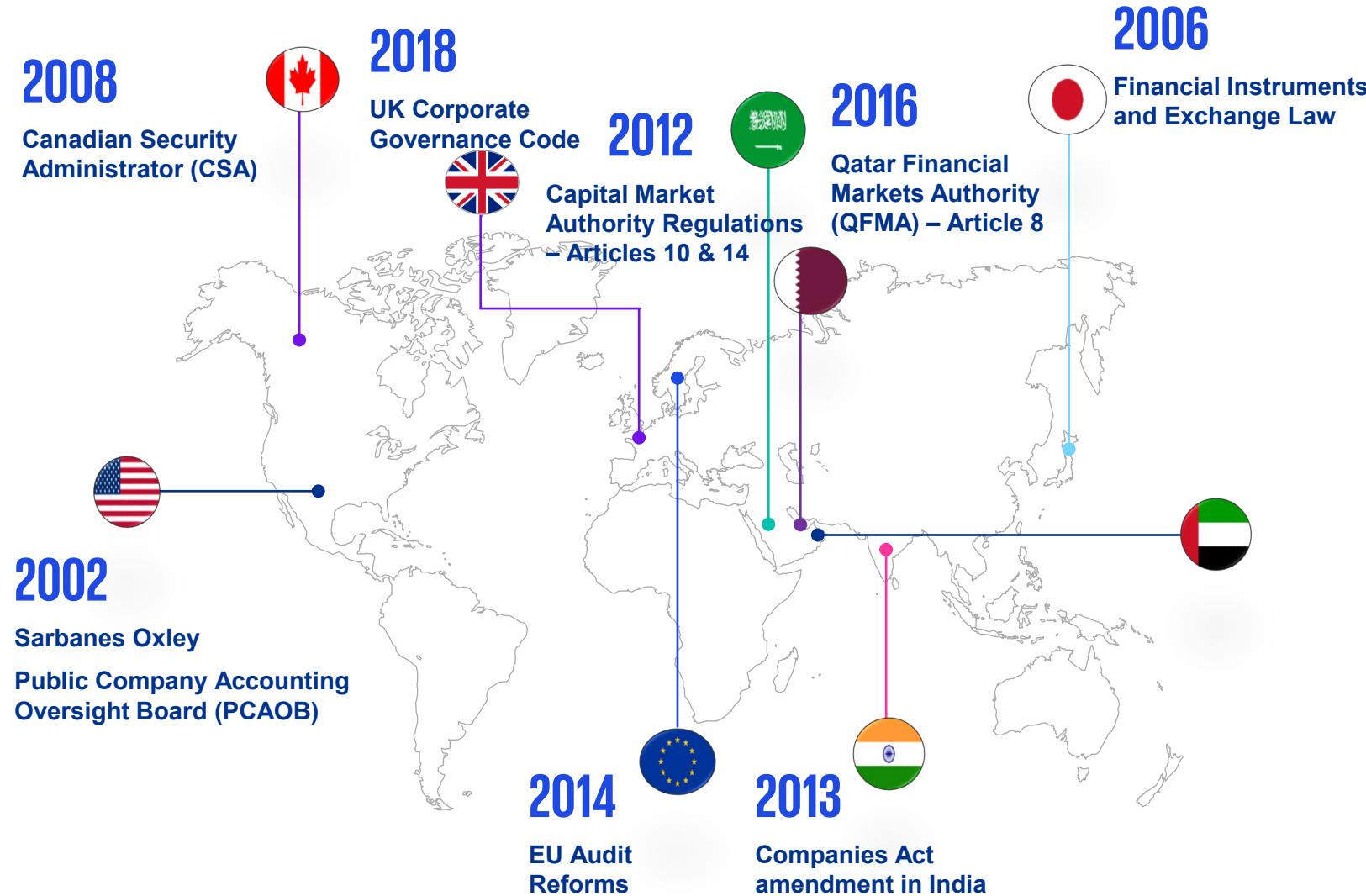
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# Corporate Governance Rules Reinforced



# Internal Control Regulatory Landscape



2016

SCA Decree No.7: Standards of  
International Discipline and  
Governance of Public  
Shareholding Companies

2017

ADAA Resolution No.1

2019

Insurance Authority's Circular  
No. (21) of 2019 and its  
subsequent circular on ICFR

2020

SCA Corporate Governance Code

2021

ADAA Resolution No. 88

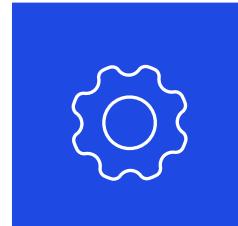
2023

UAE Accountability Authority

2024

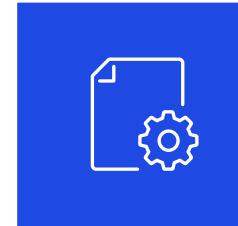
SCA Corporate Governance  
Code (Decision no. 2/R.M of 2024)

# Amendments to the SCA Governance Code - Decision no. 2/RM of 2024)



## Applicability

- Local Public Joint-Stock Companies listed in the UAE
- Excludes foreign, Financial Free trade zone companies, free zone companies
- Effective and applicable for year ending from 30 June 2024 and 31 December 2024 onwards



## Key Amendments Areas

- Board composition
- Board obligations
- Definition of Related Parties
- Audit Committee report
- Governance Committee
- External Audit Report on IC

Scan Barcode to access the SCA Decision no. (3/Chairman):

English



Arabic

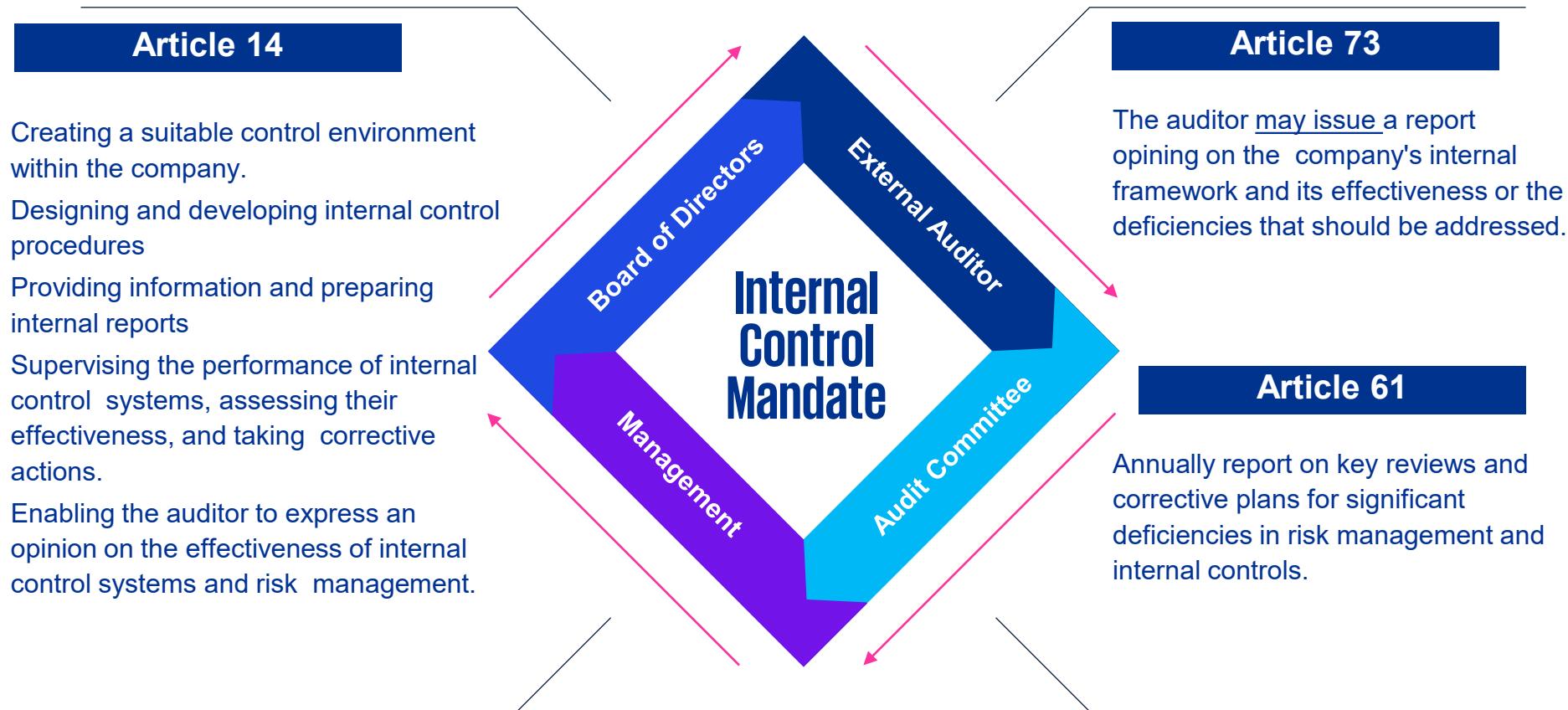


## Key Management Considerations

- Internal Controls and Risk Management Framework (preferably COSO)
- Internal policies and guidelines covering all operations
- Internal Audit policies, procedures and plan
- Independent role of the Internal Audit function and Compliance Officer

# Internal Control Mandate

The duties and obligations of the company's Board of Directors, Audit Committee, Management, and directives for the external auditor are as follows:



# In comparison to ADAA Resolution

Regulators	Securities and Commodities Authority (SCA)	ADAA Resolution No. 88 of 2021
 <b>Regional Scope</b>	UAE	Abu Dhabi
 <b>Applicability</b>	All listed PJSC entities in the UAE	Abu Dhabi Subject Entities – More than 25% Government owned entities (both directly & indirectly)
 <b>Domain</b>	Extended Mandate (Entity wide risks and controls)	Financial reporting risks and controls (ICFR)
 <b>Management Scope</b>	Comprehensive covering governance, risk management, internal controls covering all aspects of operations	Focused on financial reporting risks and controls, including regulations and procedures related to key processes
 <b>Industry Standards</b>	COSO is recommended as the framework for internal controls, promoting excellence in governance and risk management practices.	Company based guidelines that ensures integrity and reliability of financial reporting
 <b>Approach</b>	A systematic and adaptable approach for internal controls, relevant to a range of operational, compliance and financial areas	Focuses on internal control mechanisms particularly concerning financial reporting processes
 <b>Statutory Auditor Opinion</b>	Statutory Auditors may express an opinion on the overall effectiveness of internal controls.	Statutory Auditors are mandated to review and provide an opinion on the effectiveness of ICFR.

## Our perspective....

“

Since the mandate for the Board of Directors is clear, companies should begin by immediately scoping the requirements for implementing the COSO internal controls framework (Reporting, Operational and Compliance controls) and commencing the exercise. Once there is clarity from SCA, there can be discussions with the statutory auditors for their scope of work.

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1.2

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## Navigating the IC journey

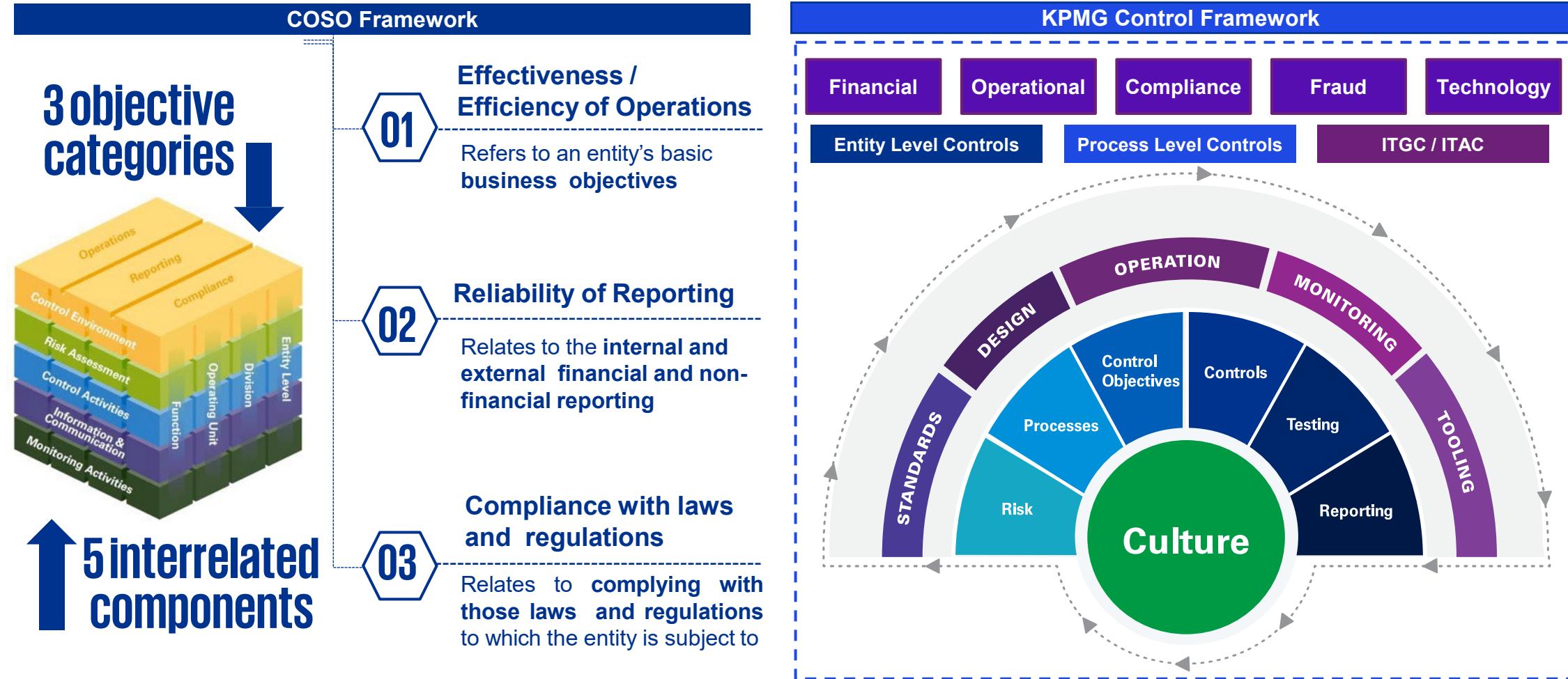




# The Three Line Model



# Key Elements of an Effective Controls Framework



# Types of Internal Controls

The controls can be categorized in the following three major categories:



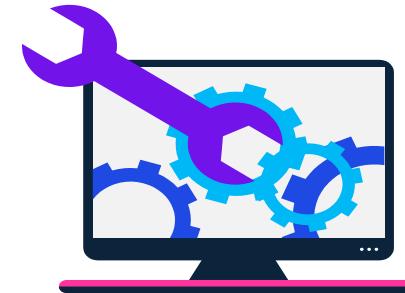
## Entity Level Controls (ELCs)

- **Organizational level controls** that defines the tone at the top, operating style and ethical values.
- **Management directives** carried out by assessing **5 components of COSO framework**.



## Process Level Controls (PLCs)

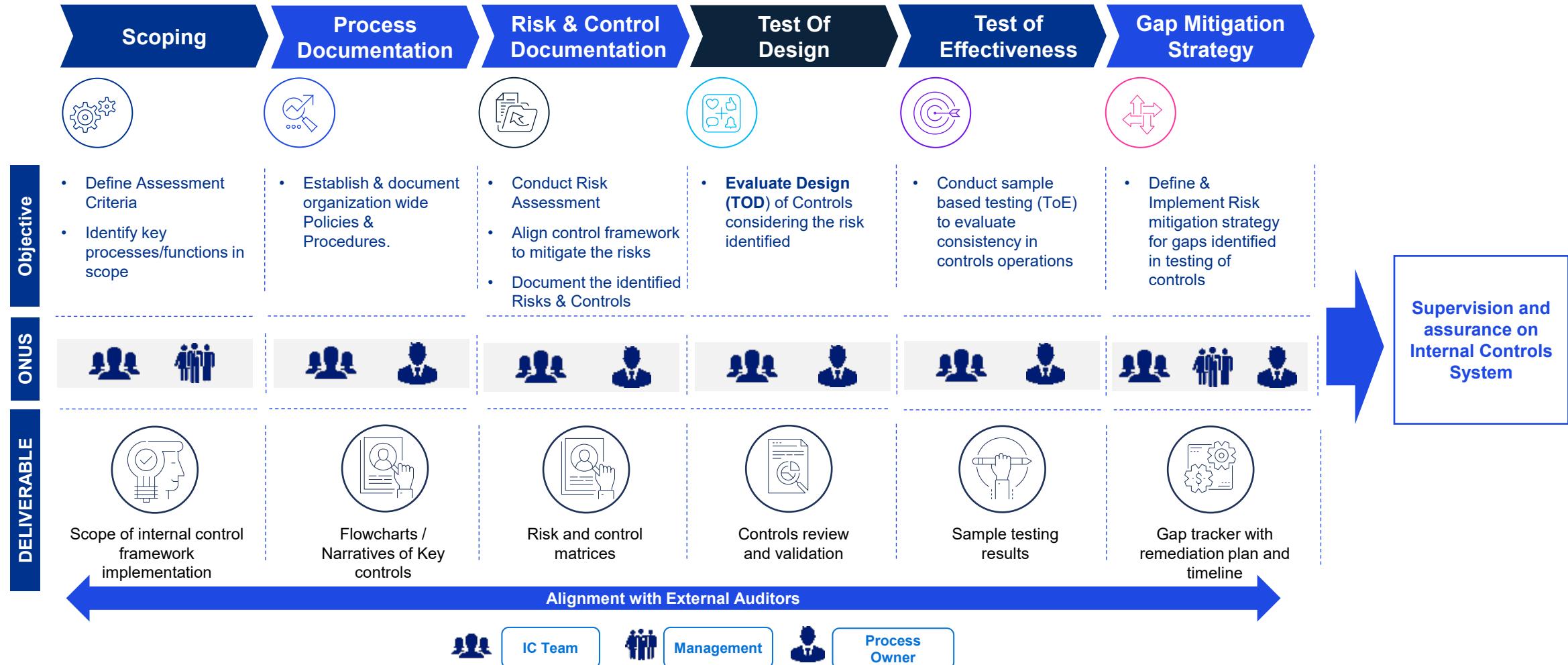
- Policies, procedures, and activities implemented within **business processes** to ensure that objectives related to **operational efficiency, reliable reporting, and compliance with laws and regulations** are achieved.



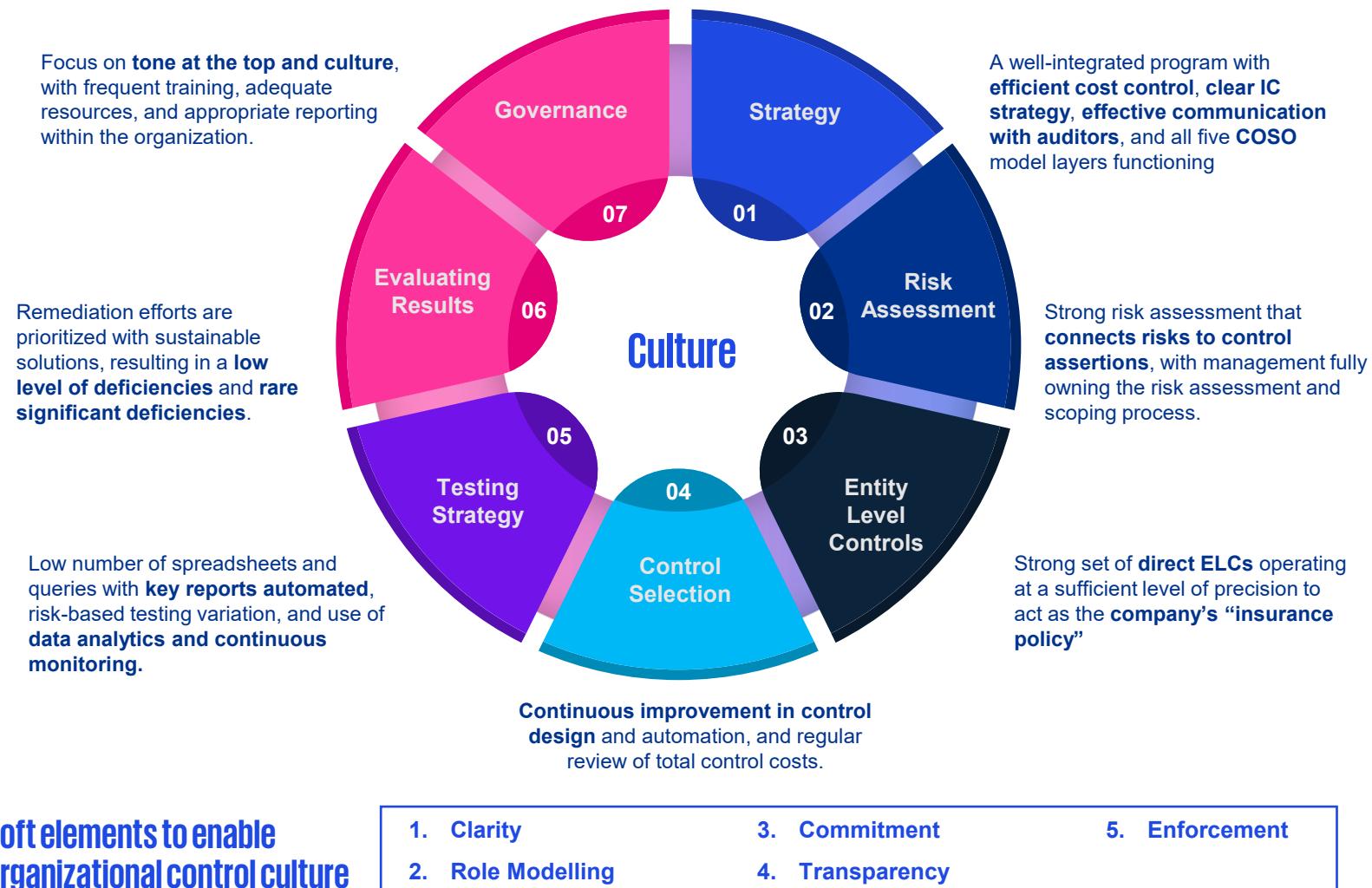
## IT General Controls/IT Application Controls (ITGCS/ITACs)

- Financial and non-financial information generated from a **company's application system**
- **Application controls** are embedded within software programs

# Internal Controls Implementation Approach



# Key Attributes of a Healthy IC Program



## Beyond Compliance: Cultivating a Culture of Control Excellence

As compliance progresses through **fragmented** to **embedded** states, **accountability** shifts from **Compliance/Finance** to **Operations**, fostering a **culture of control excellence**.

## 1.3

# External Audit Perspective



# External Audit Perspective

01

External Auditors may issue a separate opinion on the effectiveness of Internal Control Systems

02

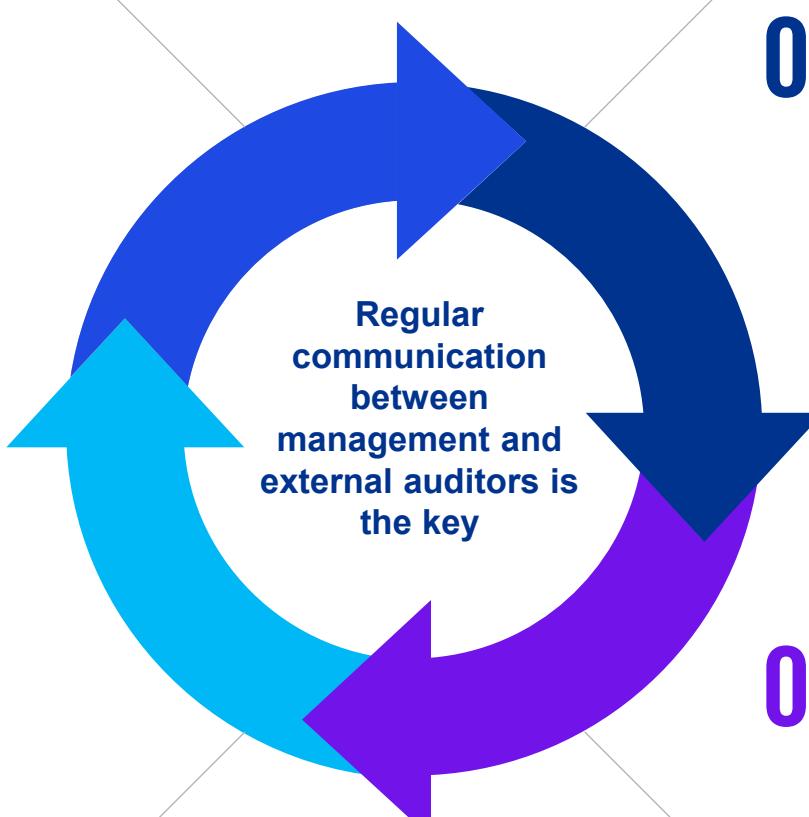
External Auditors provide negative assurance on the compliance framework

03

External Auditors evaluate the whole financial reporting system using a risk-based approach

04

Typically, External Auditors focus on financial reporting controls and not operational controls so any assurance expectation needs to be aligned with organization's management



# Are you ready?

## 1. Board Oversight

Board of Directors and Audit Committee providing robust oversight on internal control processes.

## 4. Delegation of Authority

Defined Delegation of Authority with established segregation of duties that is regularly reviewed and updated.

## 7. Internal Audit

Independent Internal Audit providing assurance on the organization's governance, risk management, and controls.

## 2. Ethics Framework & Policy

Code of conduct and whistleblower policy clearly and regularly communicated to all employees.

## 5. Enterprise Risk Management

ERM framework that has oversight of the Board Directors ensuring effective risk identification, mitigation, and ongoing monitoring.

## 8. Compliance Framework

Independent compliance function and a framework enabling compliance with applicable laws and regulations.

## 3. Organization Structure

Organizational structure with distinct lines of authority, and clarified roles and responsibilities.

## 6. Policies and Procedures

Documented policies, and procedures encompassing key business operations.

## 9. Resilience Management

Defined and documented Business Continuity Management plan that is regularly tested.

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# Panel Discussion



# Panel Discussion



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Junaid Essa**

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Governance Section  
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**Guest Speaker**



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Partner, Audit and EMA  
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KPMG Lower Gulf

# Thank you

Please scan the QR code to watch an overview video on navigating the latest SCA Regulations

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