



Audit Leadership in a Disruptive World: Challenges and Opportunities DAY 1

Chief Audit Executive
(CAE) Forum Ethiopia

April 2025

kpmg.com/eastafrica



Programme of activities

Time	Agenda	Presenters
08:00am – 8:45am	Arrival and registration	Azeb Kibreab
8:45am – 9:00am	<ul style="list-style-type: none"> - Welcoming address & introduction of KPMG - Opening remarks by IIA president and Role of internal audit on Capital Markets - Opening Remarks by KPMG 	1. Mr. Daniel Karuga 2. Guest Speaker: President of IIA – Ethiopia; Ms. Genet Hagos
9:00am – 9:50am	2025 Global Internal Audit Standards <ul style="list-style-type: none"> - Structural and content changes to the standards - Strategic alignment of IAF to organizational strategic direction - What the changes mean to the CAE 	Ms. Faith Maina
9:50am – 10:40am	Integration of ESG into Audits <ul style="list-style-type: none"> - ESG Reporting Standards and Disclosures - Local Regulations on ESG - Auditing ESG Performance 	Mr. Peter Mwangi
10:40am – 11:00am	Tea break	
11:00am – 12:00pm	Regulatory Compliance and Governance <ul style="list-style-type: none"> - Local Governance and Regulatory Environment - Understanding and oversight of Capital Markets 	1. Ms. Hidaya Yusuf 2. Mr. Geoffrey Gikonyo
12:00pm – 12:30pm	<ul style="list-style-type: none"> - Q&A Session: Moderate - Closing Remarks 	1. Ms. Hidaya Yusuf 2. Mr. Daniel Karuga
12:30pm – 02:30 pm	Lunch and networking	

KPMG Presenters



Daniel Karuga
Head of Enterprise Risk Services



Bernard Amukah
Head of Business Consulting



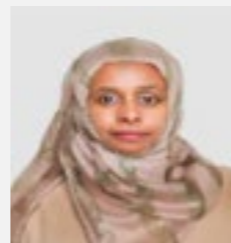
Peter Mwangi
Associate Director, Enterprise Risk Services



Vasken Hrair
Associate Director, International Development Advisory Services (IDAS)



Faith Maina
Senior Manager, Enterprise Risk Services



Hidaya Yusuf
Manager, Business Consulting



Geoffrey Gikonyo
Associate Director, Business Consulting



Abraham Tamiru
Manager, Audit and Assurance Services

About KPMG



KPMG in Africa

KPMG has a significant presence in Africa, structured into clusters for efficient client service:

- ✓ East Africa
- ✓ West Africa
- ✓ Southern Africa
- ✓ Francophone
- ✓ Angola (due to its Portuguese language).

We also have offices Egypt, Morocco, Libya & Tunisia.

We operate 29 firms across 54 countries, offering Audit, Tax, and Advisory Services.

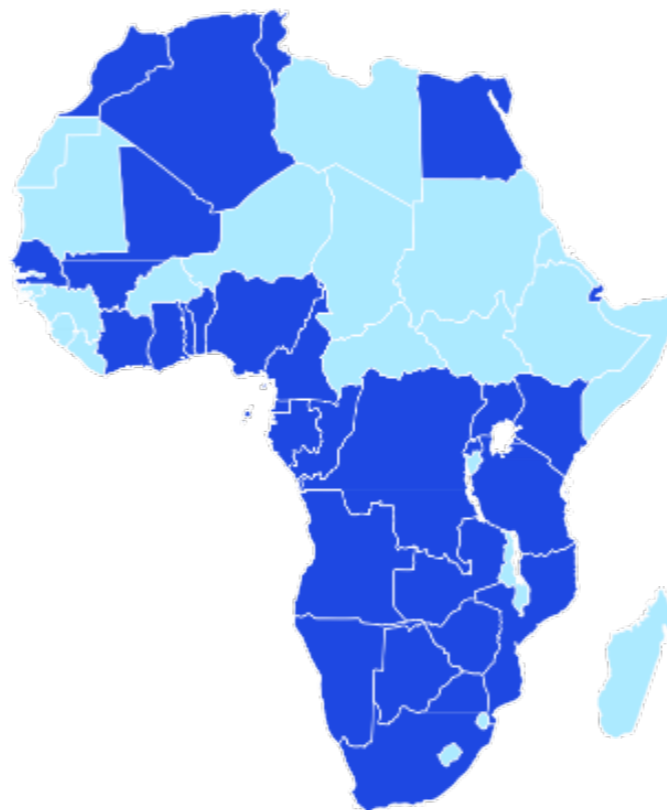
Our Africa footprint

29

Practices servicing

54

Counties



Serviced out of another country

Angola services

São Tomé, Príncipe

Cameroon services

Central African Republic, Chad

East Africa services

Burundi, Eritrea, Ethiopia, Somalia, South Sudan

Egypt services

Sudan

Ghana services

Liberia, Gambia, Sierra Leone

Ivory Coast services

Burkina Faso, Guinea, Niger

Mauritius services

Comoros, Madagascar, Seychelles

Portugal services

Cape Verde

Senegal services

Guinea-Bissau, Mauritania

South Africa services

Lesotho, Malawi, Eswatini, Swaziland

Tunisia Services

Libya



When insights drive action, **GREAT OUTCOMES HAPPEN**

KPMG consulting services

We adopt an enterprise based, client centric, data and technology driven approach to serving our clients. Whether it's helping you lead an ESG integration, risk mitigation, or driving digital transformation, our services are tailored to deliver value, drive innovation, and build stakeholder trust.

Our service categories:

01 Audit & Assurance

- Financial Statement Audits
- Private Audit Services
- Sustainability Reporting & Assurance

02 Tax & Regulatory Services

- Tax Compliance Services
- Transfer Pricing Services
- Tax Dispute Resolution Services
- Regulatory Compliance Services

03 Advisory Services

- Deal Advisory & Strategy Services
- **Consulting Services**
- International Development Advisory Services

Consulting Services

- Enterprise Risk Services
- Business Consulting Services
- Technology Risk
- Technology & Innovation



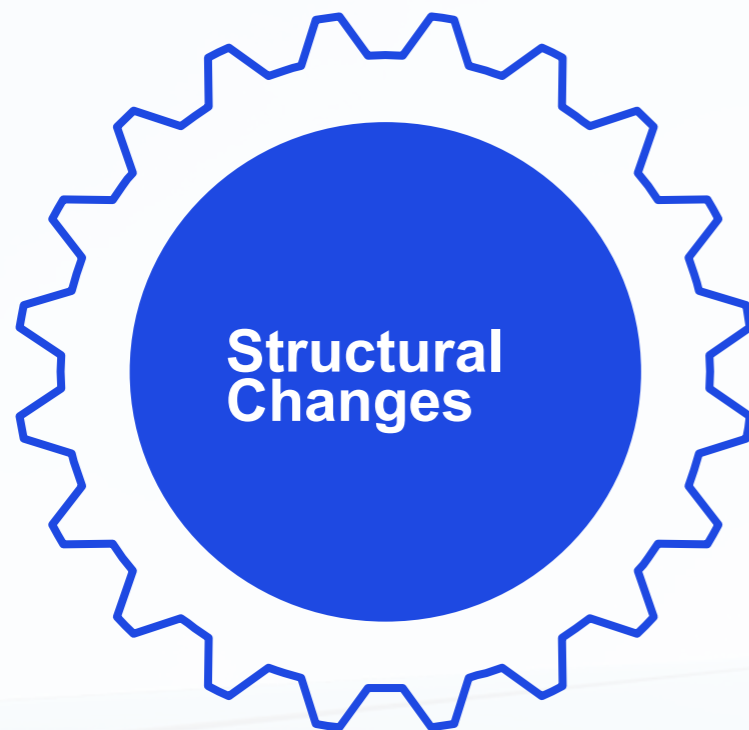
2025 Global Internal Audit Standards



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**Structural &
content changes to
the new standards**

Changes to the IPPF & the Standards



01

New Structure of the IPPF

- Mandatory Elements (GIAs & Topical Requirements)
- Global Guidance: Supplemental Guidance

02

New Structure of the Standards

- Unified document
- Structured into Domains, Principles and Standards

03

Purpose of IA

- Incorporates the Mission and Definition of IA as per 2017 IPPF

04

Ethics and Professionalism Domain










- Incorporates the 2017 Code of Ethics

Structure of the New Standards

Domain	Domain Description	Domain Summary
I	Purpose of Internal Auditing	<ul style="list-style-type: none"> Focuses on how the internal audit function achieves success and the environment that makes internal auditing effective. Articulates internal audit's role in providing independent, risk-based assurance and advice to strengthen organizations.
II	Ethic & Professionalism	<ul style="list-style-type: none"> Incorporates the code of ethics, including practitioner conduct, objectivity and competency while also addressing due professional care and confidentiality. Sets behavioral expectations for internal auditors regarding integrity, objectivity, competency, care, and confidentiality.
III	Governing the Internal Audit Function	<ul style="list-style-type: none"> Clarifies the board's role, the board's independence and its responsibility in overseeing the internal audit function. Outlines requirements for positioning and overseeing functions through collaboration between the CAE, the Board, and Management.
IV	Managing the Internal Audit Function	Focuses on the Chief Audit Executive (CAE)'s role in overseeing and governing the internal audit function, including planning, resource management, communication and quality management.
V	Performing Internal Audit Services	Addresses internal audit engagements and how to plan and effectively conduct the work while providing quality services to an organization.

Changes to the Standards & Strategic Alignment



-  Establishment of Internal Audit Strategy - Standard 9.2
-  Stronger Governance of IAF - Board and Senior Managements' Responsibilities & Oversight over IA – Domain III
-  Combined Assurance Framework - Standard 9.5
-  Building Relationships - Standard 11.1
-  Enhanced Quality Requirements - Standard 8.3, 8.4 and 12.2
-  Technological Resources - Standard 10.3
-  Consideration for small audit functions
-  Consideration for Public Sector Entities
-  Consideration for Public Interests

The background is a vibrant, abstract composition. It features a series of wavy, concentric lines in shades of purple and blue that create a sense of depth and movement. Overlaid on this is a staircase-like structure composed of numerous small, light-colored squares that ascend from the bottom left towards the top right. The overall effect is modern and dynamic.

Let's Engage

What the changes mean to the CAE

Critical Questions for Consideration



IAF Structures – Do we have the appropriate IA function oversight and support structures in place?



Stakeholder Engagement – How are we communicating across functions, and how are we monitoring IA's effectiveness?



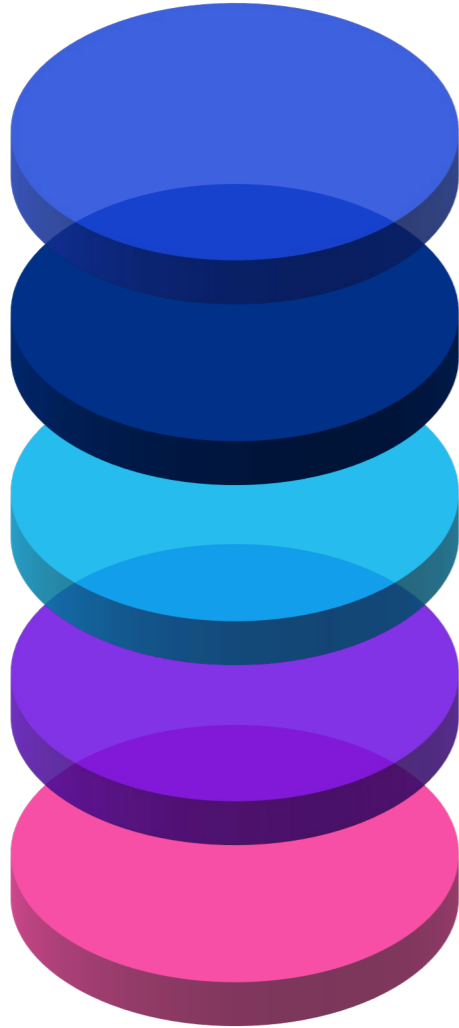
Resource Assessment – What technology, training and information does IA need to effectively carry out audits aligned with the organization's strategic objectives?



IAF Transformation

How can we leverage the new standards to drive transformative change in our organization?

How can KPMG Support?



01 Gap Assessment
- Against the requirements of the new Standards
- Implementation Process

02 Support on the Implementation Process
- Development of an implementation roadmap
- Development of tools, templates and processes to support implementation

03 Trainings and Capacity Building
- Classroom set up trainings on GIAs
- Capacity Building on implementation of the Standards

04 Stakeholder Engagement :Presentations to:
1. Board Audit Committee Members
2. Senior Management
3. Other Assurance Providers

05 External Quality Assessment
Review of conformance against the GIAs

Integration of ESG in Audits

ESG Risk: An introduction



ESG Risk

69%

of global CEOs have fully embedded ESG into their business as a means to create value.*

Effective Internal Auditing is essential in managing ESG risks and validating controls to mitigate these risks..



Despite increasing economic and political uncertainty, the latest survey findings reflect a growing sense of resilience and focus from CEOs on ESG. With continued financial and geopolitical pressures ahead, it will undoubtedly be a test of nerves for many CEOs, but **the data shows that the vast majority of senior executives are now fully onboard and recognize that E, S and G are no longer optional extras for successful, sustainable businesses.***

**KPMG 2024 Global CEO Outlook*

ESG elements and metrics

Why the drive for sustainable change now?

It's the right thing to do for planet, people and profit.



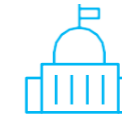
Environmental: Conservation of the natural world:

- Climate change and emissions
- Air and water pollution
- Biodiversity
- Deforestation
- Energy efficiency
- Waste management
- Water scarcity



Social: Consideration of people and relationships:

- Customer satisfaction
- Data protection and privacy
- Gender and diversity
- Employee engagement
- Community relations
- Human rights
- Labor standards



Governance: Standards for running an organization:

- Board composition
- Audit committee structure
- Bribery and corruption
- Executive compensation
- Culture and behavior
- Political contributions
- Whistleblower schemes

What are some of the emerging ESG Priorities?

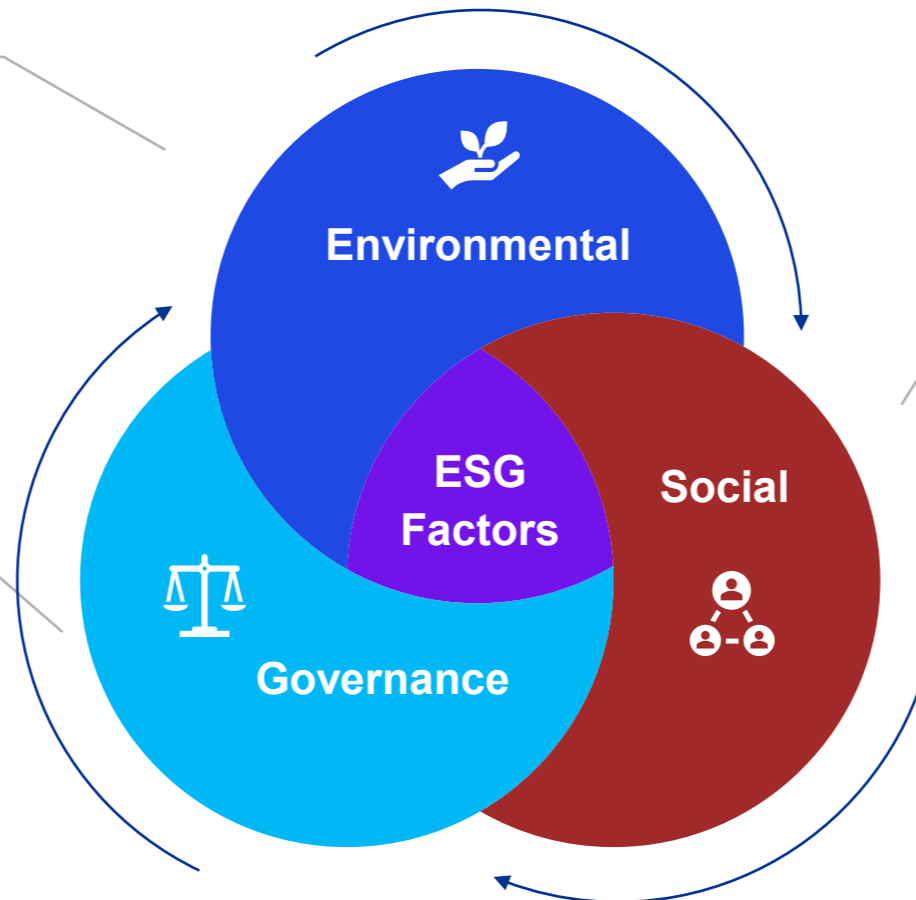
“E” is about more than climate

With the emergence of Taskforce on Nature-related Financial Disclosure (TNFD), **market leaders are looking to set ‘nature positive’ goals** and disclose nature-related risks and opportunities

Robust ESG governance is key

Entities are **committing to stronger governance and oversight** to enable ESG integration and manage risks within tolerance.

Although there is still room to **improve understanding of the governance taxonomy**



Stakeholder pressure and risk drive social topics

Increased focus is driven by **reputational and litigation risks**, including rising green and social washing

Topics go beyond workforce & skills and DEI to **include human rights, social contribution and the just transition**

Regulatory expectations, with significant social considerations are also driving entities to be **more socially responsible**

An alphabet soup of ESG standards, frameworks and ratings

Stakeholder groups of widely varying interests and geographies have their own respective demands of sustainability information. A whole universe of ESG standards, frameworks and ratings had emerged in the landscape, with the more dominant ones as follows (circa 2021):

Sustainability Reporting Standards & Frameworks



Sustainability Ratings / Tools



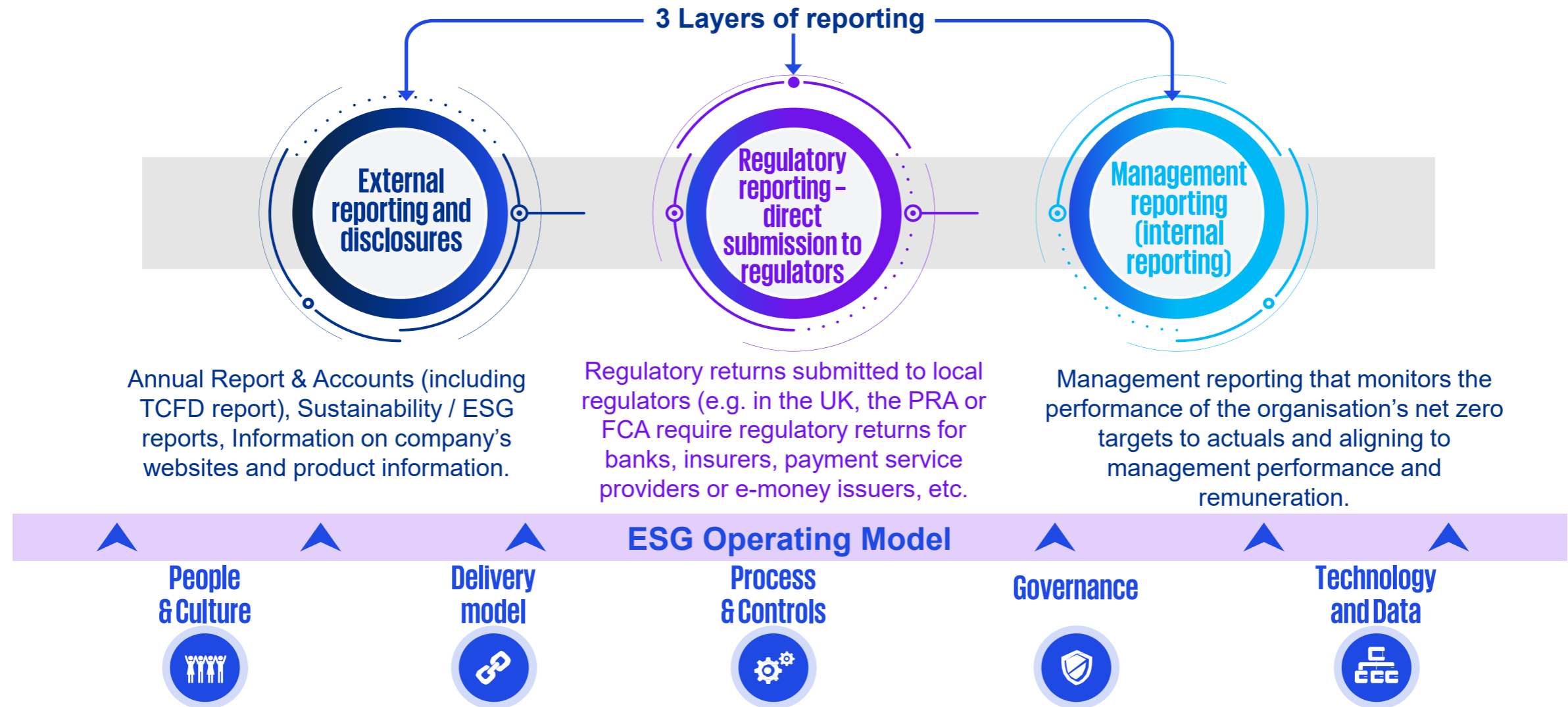
Sustainability Guidelines & Principles



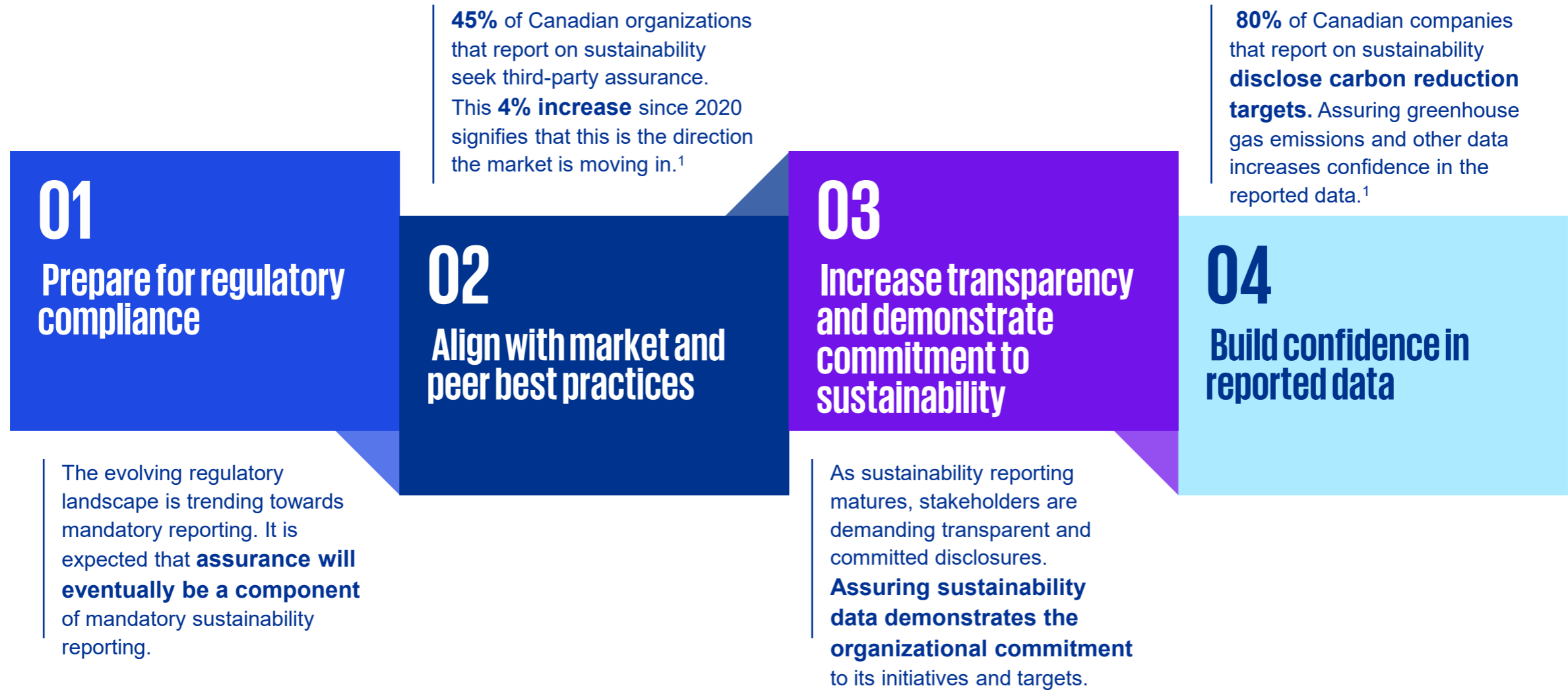
Lists are non-exhaustive.

ESG Reporting Requirements Drivers

Emerging ESG reporting requirements will impact companies cross three key pillars.



Importance of sustainability reporting assurance



1. *Big shifts, small steps*. Global Survey of Sustainability Reporting 2022 A look at global trends in sustainability reporting (October, 2022)

Local Regulations on ESG

ESG regulatory landscape and reporting drivers in the region

Central Bank of Kenya (CBK)

Issues Guidance on Climate Related Risks: Issued on 15 October 2021 guiding financial institutions to manage their climate-related risks by integrating climate related risk management into their business decisions and activities.

Kenya Green Finance Taxonomy (2025) and the Climate Risk Disclosure Framework

Intended to serve as tools to enable market participants classify their particular economic activities as to whether or not these are 'green' or environmentally sustainable and promote the transition to a low-carbon economy.

Capital Markets Authority (Kenya)

The CMA's Stewardship and Corporate Governance Codes issued in 2016.

Sustainable Finance Initiative (Kenya)

Kenya Bankers' Association (KBA) led the banking sector to put together the SFI Principles: a Kenya-specific set of harmonized guidelines for sustainable development in 2015.

Nairobi Securities Exchange

ESG Disclosure guidance manual

National Bank of Rwanda

Regulation No 28/2019 of 09/09/2019 relating to publication of financial statements and other disclosures by banks requires banks, on annual basis

Dar es Salaam Stock Exchange (DSE) -

Tanzania's stock exchange, joined the United Nations Sustainable Stock Exchanges (SSE) initiative in 2016

Bank of Uganda

Discussion on possible regulation is ongoing



Key Legislation – National Outlook

- **The Constitution of the Federal Democratic Republic of Ethiopia (the Constitution)** - Article 44 of the Constitution of speaks into **right to a clean and healthy environment**. Article 92 speaks into rights and obligations of both citizens and the Government in relation to the environment. Article 43 speaks of the right to sustainable development. This goes into the E & S aspect in ESG
- **Ethiopian Environmental Policy (EEP)** - issued in 1997, a Federal level policy spanning numerous sectoral and cross-sectoral areas. The EEP recognizes that natural resources form the foundation of the Ethiopian economy and aims to improve and enhance the health and quality of life of all Ethiopians, while also promoting sustainable social and economic development. To achieve these objectives, the policy requires the sound management and use of natural, human-made and cultural resources, and the environment as a whole.
- **Climate Resilient Green Economy Strategy (CRGE)** - Endorsed in 2011, the first national climate policy document. Under the strategy, Ethiopia aimed to achieve middle income status by 2025 while building a green economy. The CRGE strategy is incorporated in Ethiopia's TYDP for 2021-2030.

Other relevant mentions:

- **Integrated ESG Program** – Launched by the IFC in 2023, aims to boost sustainable business growth and private sector investment in the country with a focus on the banking, manufacturing, and agribusiness sectors.
- **Environmental Impact Assessment (EIA)** - Ethiopia adopted the EIA Proclamation in 2002, recognizing the value of EIAs in “harmonizing and integrating environmental, economic, cultural and social considerations into a decision-making process in a manner that promotes sustainable development”

In the pipeline

- Ethiopia's first ESG code and sector specific guidelines to be developed by the IFC in collaboration with the Accounting and Auditing Board of Ethiopia (AABE), the Addis Chamber of Commerce and Sectoral Association (AACCSA) and the Ethiopian Bankers Association (EBA) .

Key Legislation – Global Outlook

- **Global Reporting Initiative (GRI)** - The GRI framework is widely used for sustainability reporting globally, and many regional organizations have adopted it to structure their reports. GRI provides a set of standardized guidelines and principles for organizations to report on their economic, environmental, social, and governance performance.
- **United Nations Principles for Responsible Investment (UN PRI)** - UN PRI is a global initiative that **encourages institutional investors to incorporate ESG factors into their investment decisions and ownership practices**. Signatories commit to a set of principles that promote responsible investing and reporting.
- **Sustainability Accounting Standards Board (SASB)** - SASB **provides industry-specific ESG standards for companies to disclose material sustainability information** in their financial filings. It focuses on disclosing financially material ESG factors that are relevant to a company's industry.

Other mentions

- EU Sustainable Finance Disclosure Regulation (SFDR)
- European Union's Non-Financial Reporting Directive
- EU Sustainable Finance Disclosure Regulation (SFDR)
- Task Force on Climate-related Financial Disclosures (TCFD)

Auditing ESG Performance



A crucial role for Internal Audit in sustainability reporting

The added value of the Internal Audit function in the sustainability journey ranges from a more advisory role (such as assisting in the setting up of corporate culture and behavioral changes towards sustainability-embedded processes, decision-making and strategy) to the more traditional independent assurance role (especially in organizations where the initiatives are sufficiently embedded in the processes and systems). It is important to assess where Internal Audit provide support and add the largest value in the sustainability journey without jeopardizing their independence.

Assurance

- ☐ Audit effectiveness of ESG governance and risk management frameworks
- ☐ Audit design and effectiveness of ESG processes
- ☐ Audit design and effectiveness of materiality Assessment process
- ☐ Assess data collection and aggregation processes
- ☐ Internal assurance over ESG reporting process

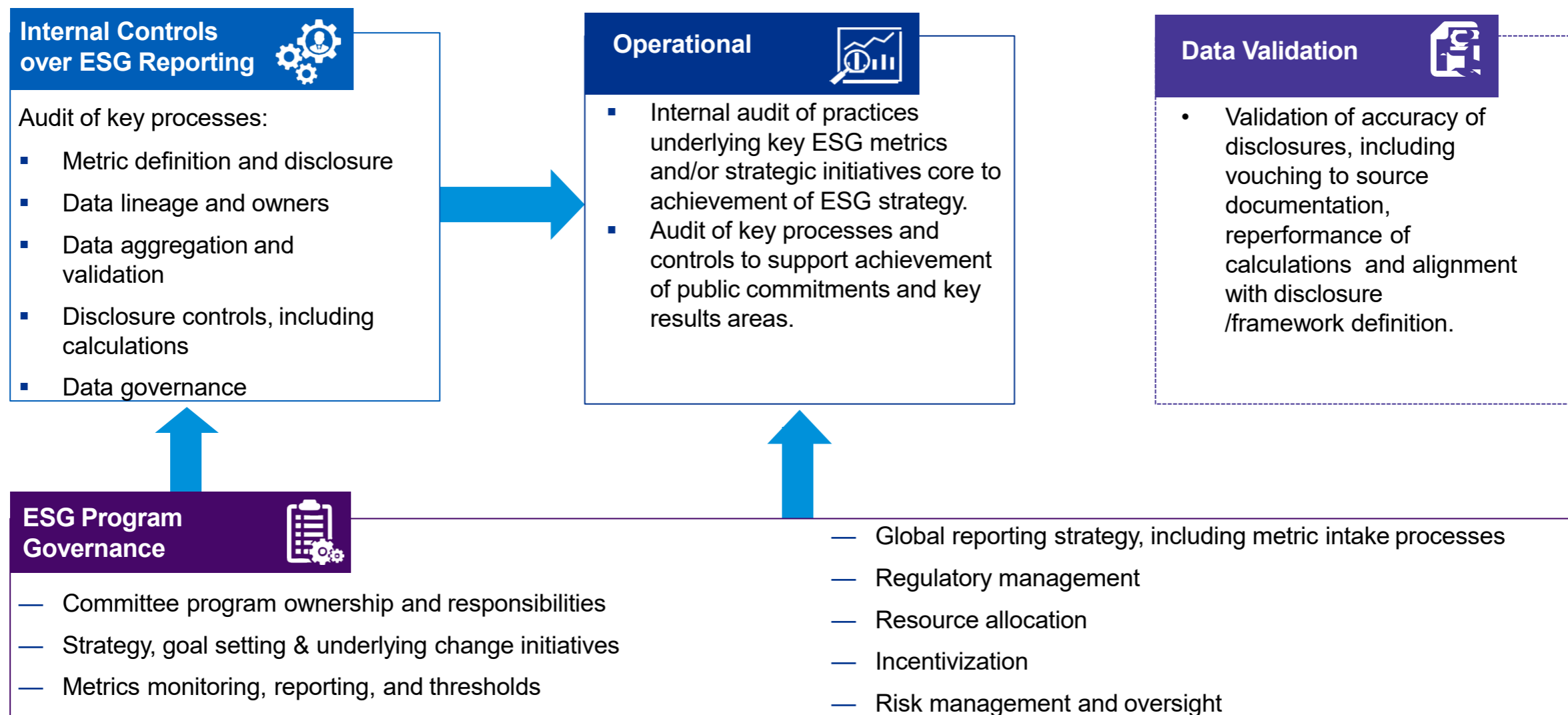
Advise

- ☐ Advice on establishment of ESG Governance Structures
- ☐ Advice on establishment of ESG Strategies
- ☐ Observations and recommendations on ESG processes (incl. audit evidence)
- ☐ Create awareness on sustainability culture
- ☐ Advise on ESG risk management regulations and supervisory expectations

Not for Internal Audit

- ☐ Define ESG impacts, risks and opportunities
- ☐ Define sustainability strategy and transformation roadmap
- ☐ Manage ESG risks and opportunities
- ☐ Adapt internal controls
- ☐ Define KPI's
- ☐ Accountability on sustainability goals and achievements

Potential Areas of Internal Audit Focus



ESG and Internal Audit - Risk Assessment

Don't just add an "ESG" risk to the IA plan – ensure that ESG risks are considered as part of the IA approach

- Identification of strategic ESG risks is critical. ESG risks are often interconnected with each other and core strategic and operational risks.
- ESG risks do not exist in isolation to other existing risks and processes.

ESG Risk Assessment

- Understand ESG strategy and key targets and metrics the organization is tracking and reporting
- Create/review inventory of ESG commitments and source of reporting
- For priority metrics, understand organization transformational efforts to achieve targets
- Identify key processes and controls underlying metric achievement, including role of second line monitoring functions e.g. health & safety or quality.
- Understand role of ERM in identifying and monitoring ESG risks

Key Questions IA should support management to answer

- Do we know where we are on our ESG journey?
- Do we know all the ESG exposures we are facing? How do we assess those risks?
- Are we prepared for upcoming/possible regulation?
- Do we have the right ESG culture and risk management that is aligned to our ESG strategies?
- Do we have policies, procedures, controls, and data to support our public ESG commitments?
- What future plans are in place for ESG strategy, transformation and reporting?
- Are there publicly committed targets to ESG metrics, and if so, are there plans to achieve stated targets?
- Are any ESG metrics tied to financial instruments or reporting?
- What metrics or targets are considered highest priority by the organization?

Tea break

10.45AM-11.05AM



A close-up photograph of a person's hand holding a green pencil over a laptop keyboard. The background is blurred, showing office papers with charts and graphs. A semi-transparent blue rectangle is overlaid on the left side of the image, containing the text 'Regulatory Compliance & Governance' in white.

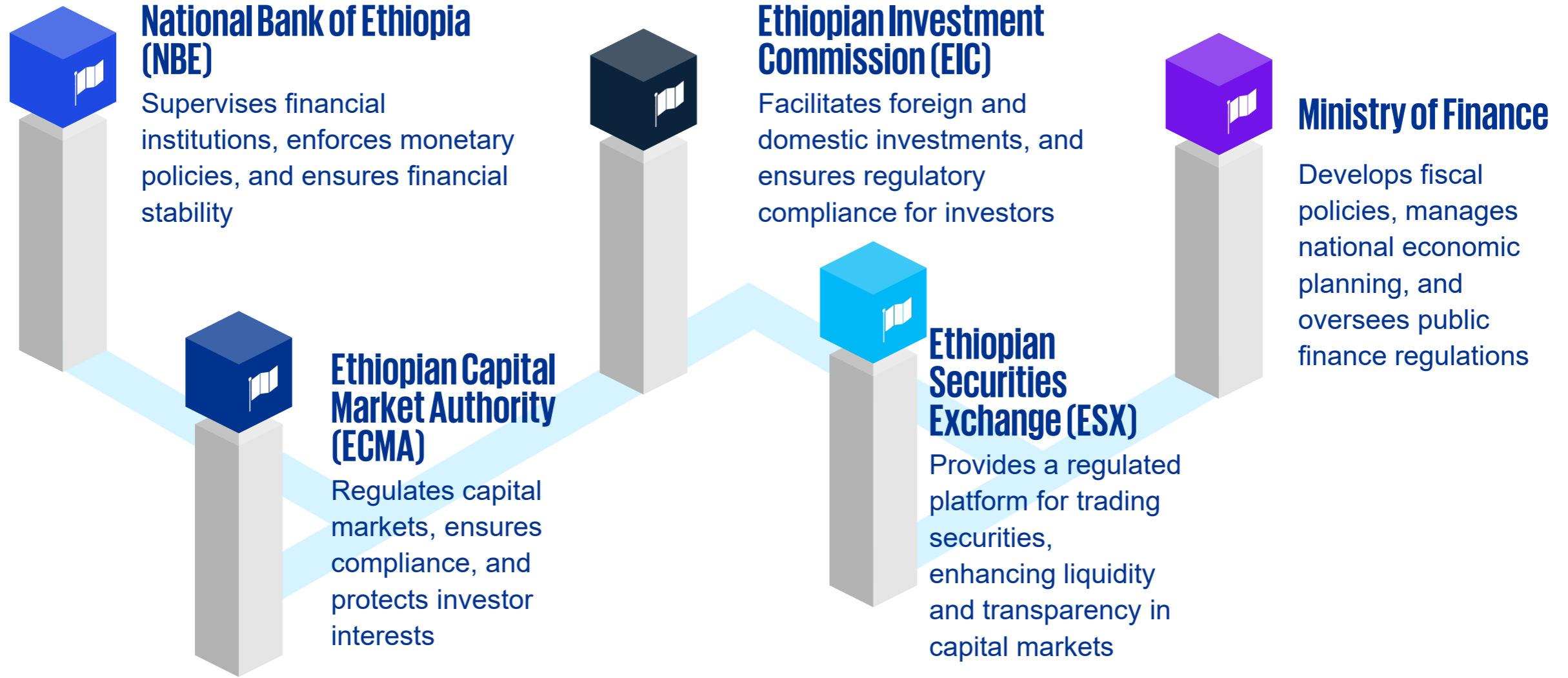
Regulatory Compliance & Governance

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01: Local Governance and Regulatory Environment

Local Governance and Regulatory Environment

Ethiopia's capital market is governed and regulated by the following bodies:



Local Governance and Regulatory Environment (Cont'd)

Other Regulatory bodies in Ethiopia:

1. Ethiopian Revenue and Customs Authority (ERCA): Manages tax collection and customs regulations.
2. Ethiopian Industrial Parks Development Corporation (IPDC): Regulates industrial park development and operations.

Banking & Insurance Sector Regulations in Ethiopia:

1. National Bank of Ethiopia (NBE): The central authority overseeing the financial sector.
2. Banking Business Proclamation No. 847/2014: Defines the regulatory framework for financial institutions.
3. Banking Supervision Guidelines: The NBE enforces guidelines for the operation of banks, credit institutions, and microfinance.
4. Foreign Exchange Control Regulations: Regulates the use of foreign currency and international transactions.



Local Governance and Regulatory Environment (Cont'd)

1. Bureaucratic Delays

Challenges in obtaining permits, licenses, and approvals

2. Complex Tax and Customs Systems

Issues related to tax compliance and navigating customs regulations.

3. Currency Restrictions

Limited access to foreign currency for businesses dealing internationally

4. Limited Foreign Ownership

Restrictions on foreign investments and the complexities of establishing foreign-owned businesses

5. Legal & Regulatory changes

Uncertainty regarding frequent changes to regulations and policies

02:

Understanding and Oversight of Capital Markets

What are capital markets

- These are financial markets where long-term securities are bought and sold.
- The main types of capital markets include bond markets, stock markets, derivatives markets, and currency markets.

Features of Capital Markets:

A public, open and transparent market

Capital circulation is represented by securities

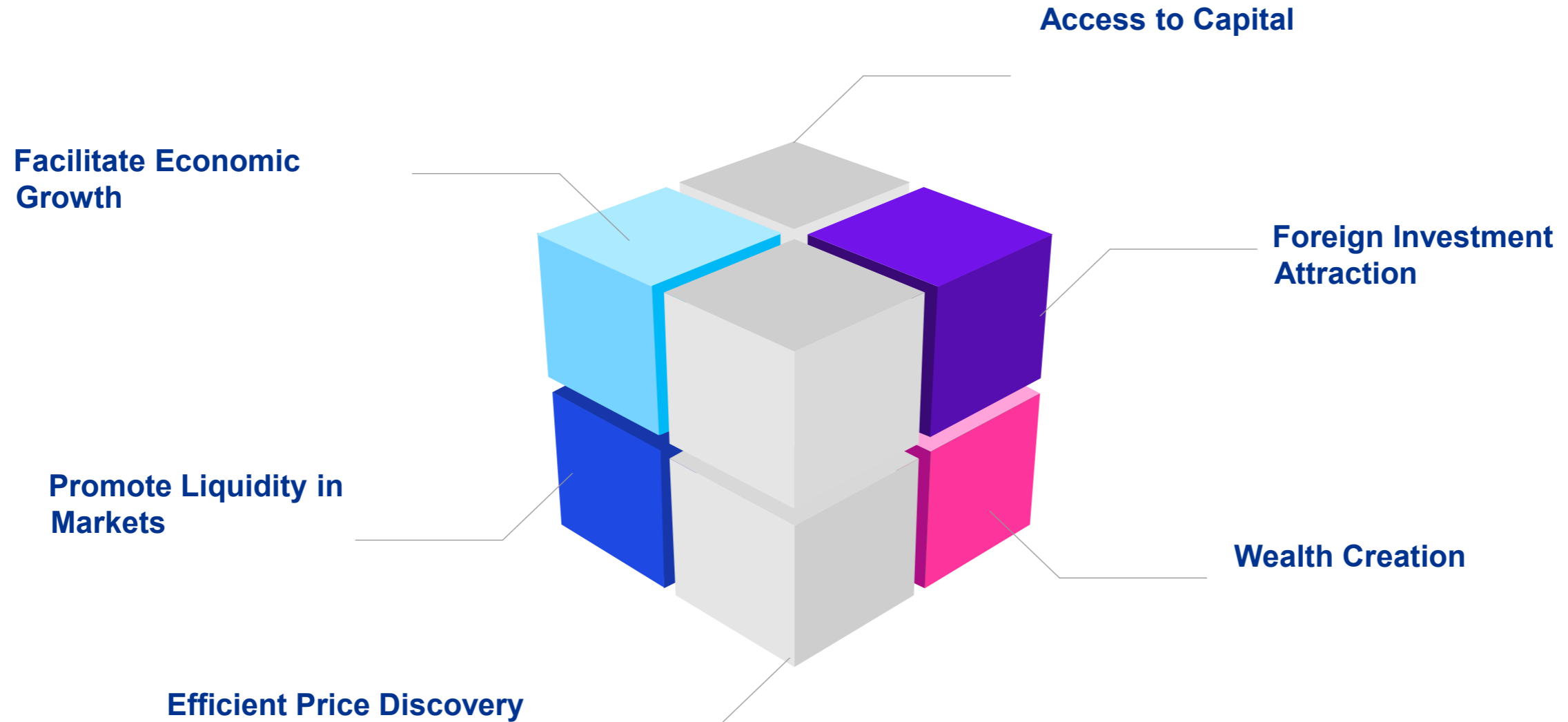
Organized market

Specialized markets with medium & long-term financial assets

Corporate actions

Transaction made through intermediaries

Role of capital markets



Capital markets Structure

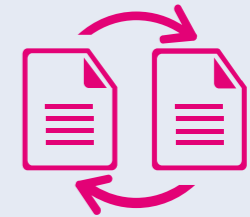
Primary markets

Consist of issuers and investors who purchase newly issued securities directly from the issuing company.

Secondary markets

Where the trade of already issued certificates between investors are overseen by regulatory bodies.

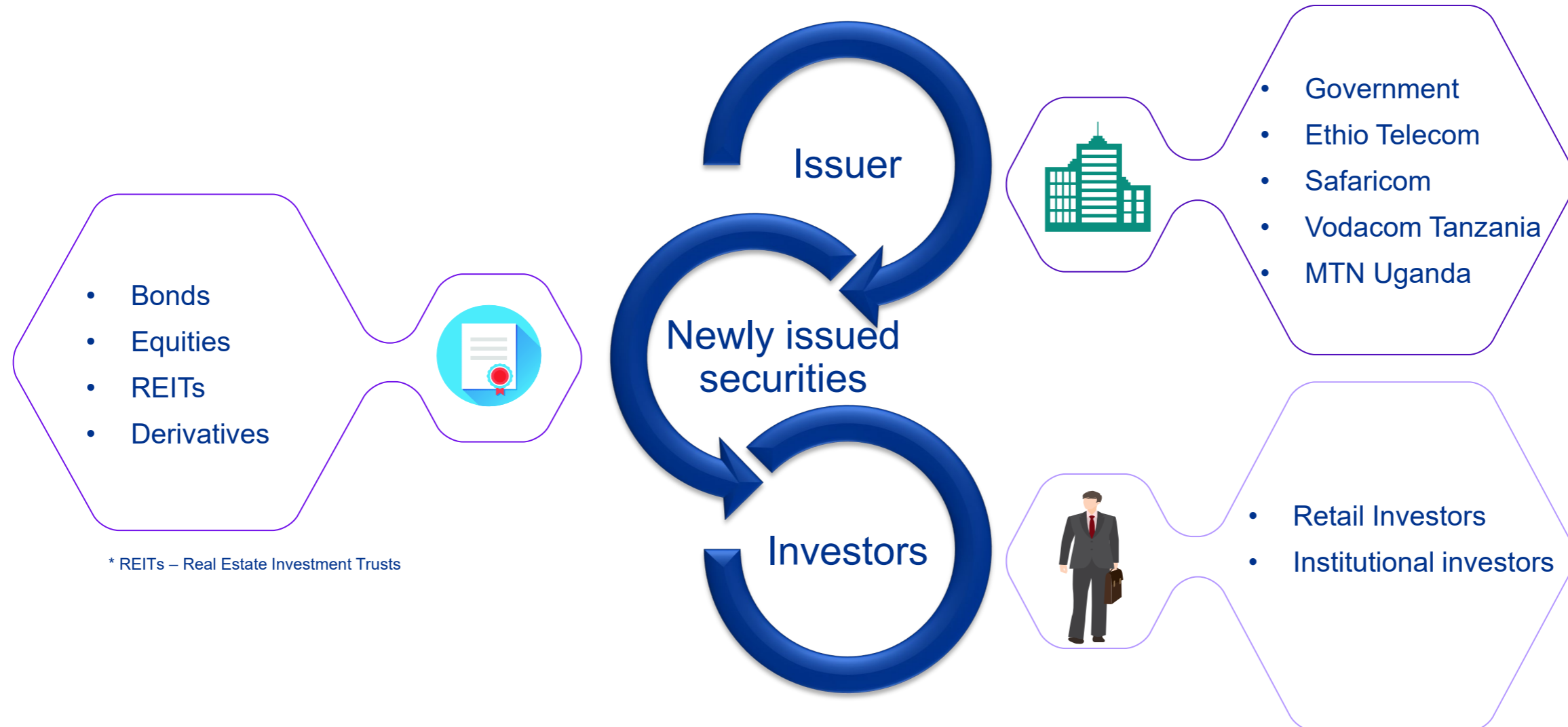
Trading products:



- Debt securities (e.g. infrastructure bonds issued by the Ethiopian government)
- Equity securities (e.g. Shares listed on ESX)
- Derivatives (e.g. FX Forward Contracts.)

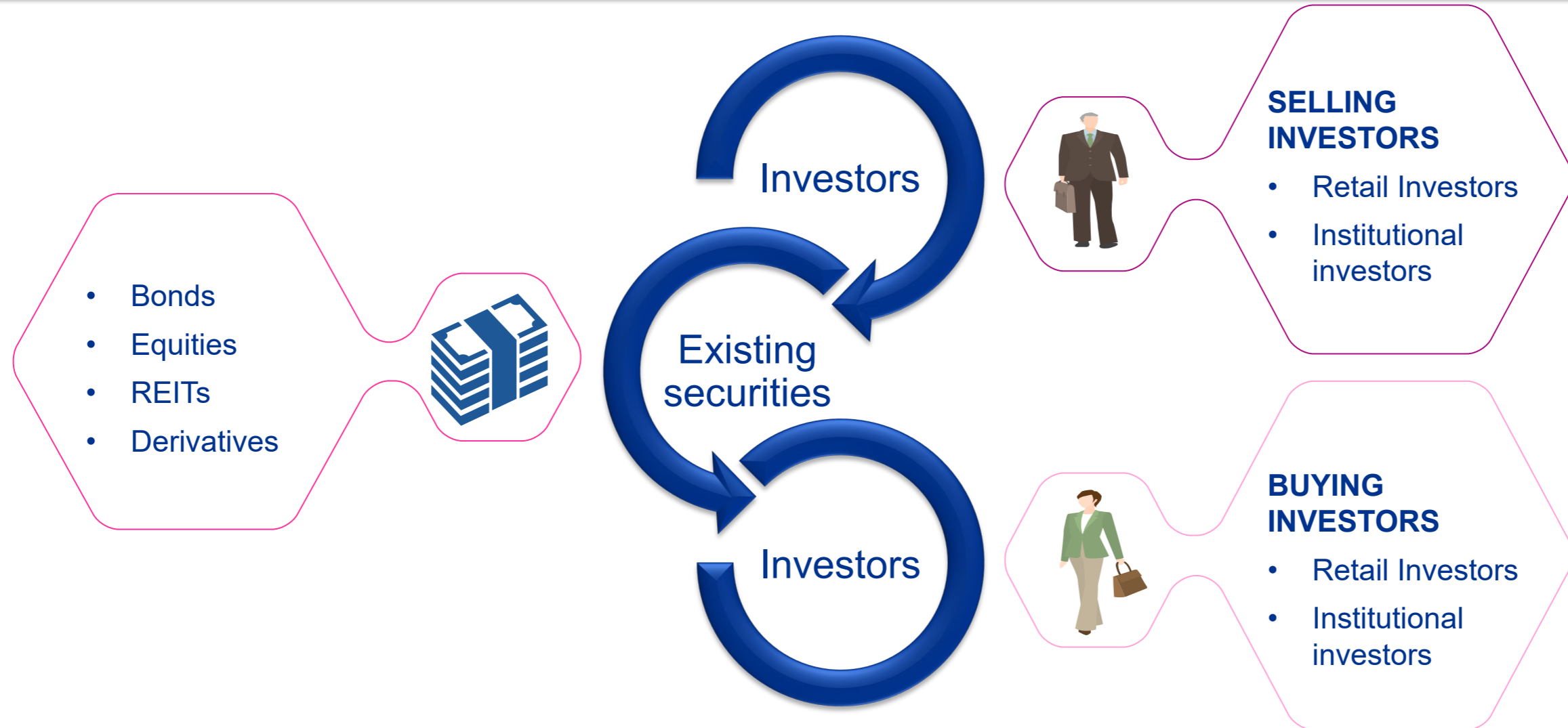
Capital markets Structure

PRIMARY MARKETS



Capital markets Structure

SECONDARY MARKETS



Key players in Capital markets

Intermediaries

- Facilitate transactions between issuers and investors. Examples: Stock exchanges, Investment banks, & Financial advisors.

Market Makers

- Firms or individuals that provide liquidity in the market by buying and selling securities.
- They help maintain an orderly market by ensuring there's a constant flow of trades.

Issuers

- Entities that raise capital by issuing securities (debt or equity) in the form of bonds and shares.
- Examples: Government, Corporations and Municipalities.

Regulators

- Oversee and regulate capital markets and ensure investor protection, maintaining fair and transparent trading.

Investors

- Individuals and institutions who provide capital to entities that need to grow and operate their businesses.



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03:

Capital Raising Options

Capital raising options

No	Capital raising option	What it entails
1	Initial Public Offering	Involves the first public issuance of a company's shares
2	Listing by shares introduction	Registering already existing shares to trade on ESX.
3	Rights issue	Additional new shares offer to existing shareholders.
4	Bonus / Scrip issue	Distributing additional shares to existing shareholders free of charge.
5	Employee share issuance scheme (ESOP)	Option for employees to acquire shares at the bank.
6	Mergers and acquisition	Consolidation of entities through financial transactions.
7	Convertible debentures	Combination of debt and equity allowing flexibility and conversion options for shareholders.

Route to listing

Step 1 - Decision to go public approved by Board and shareholders

Step 2 - Appointment of IPO advisors and team

Step 3 - Underwriter due diligence

Step 4 - Drafting of the prospectus and filing a registration statement

Step 5 - Allotment of securities

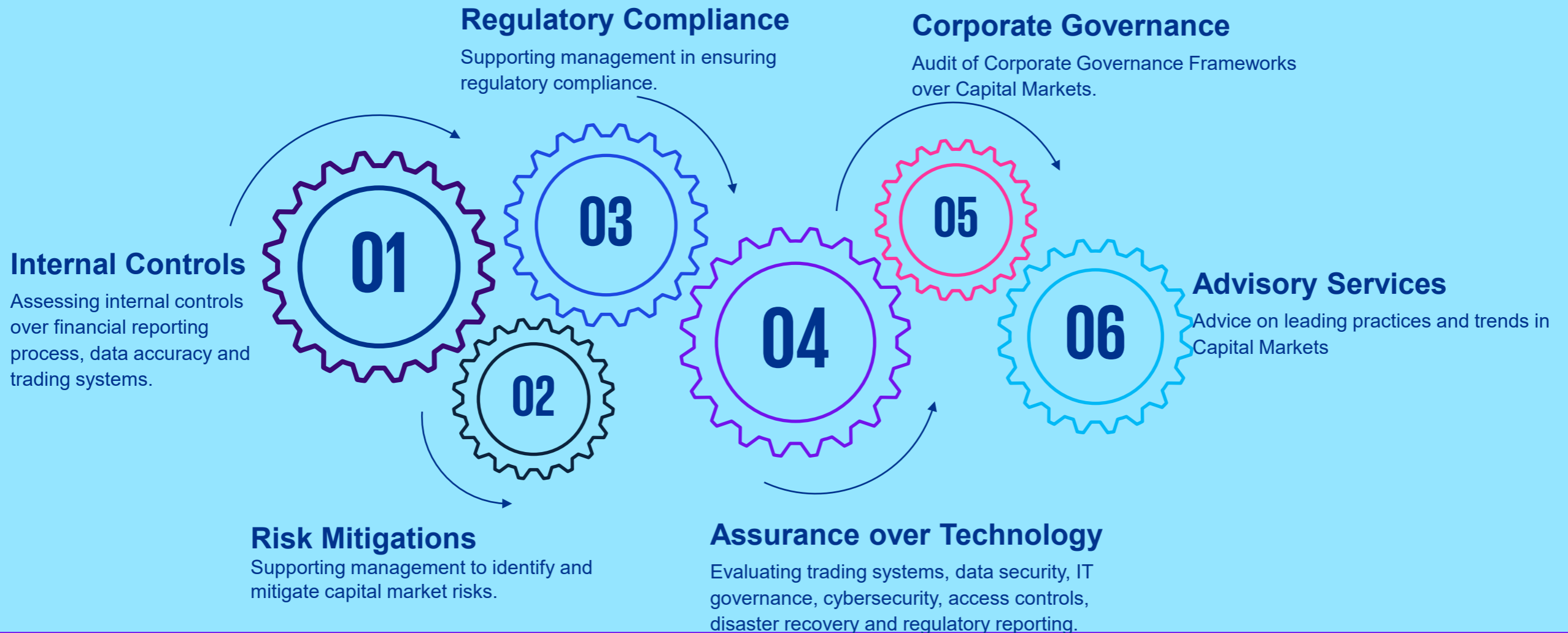
Step 6 - Publication of allotment results

Step 7 - Life as a listed entity

04:

Role of Internal Audit in Capital Market

Role of Internal Audit in Capital Market



What does a strong Internal Audit function looks like?

A strong internal audit function is essential for maintaining transparency, compliance, and risk management in capital markets. Key characteristics include:

Independence & Objectivity –
Operates independently from management to provide unbiased assurance

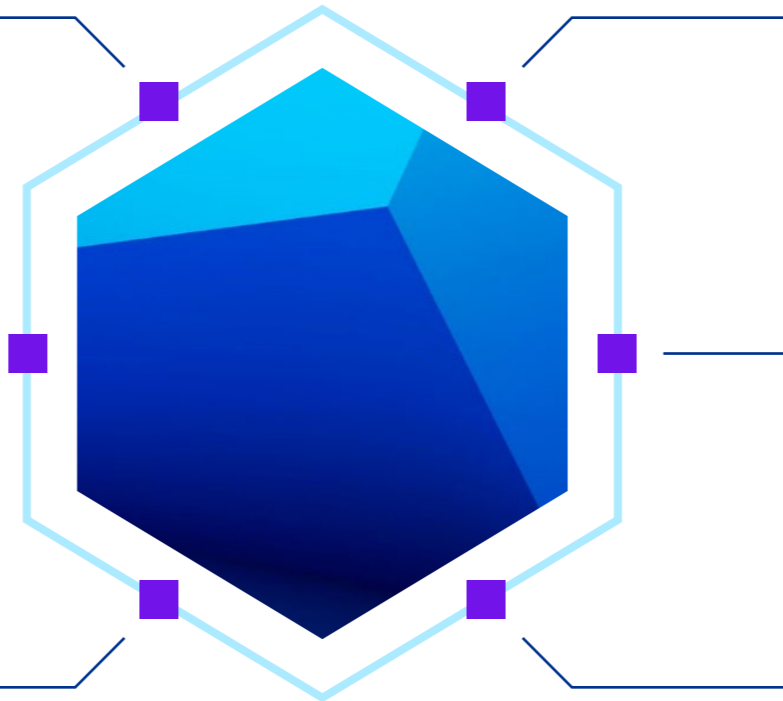
Regulatory Compliance –
Ensures adherence to Ethiopian capital market laws, IFRS, and AML/CFT regulations.

Technology & Data Analytics –
Uses advanced tools for continuous monitoring and risk assessment.

Risk-Based Approach – Identifies and manage key financial, operational, and compliance risks impacting capital markets

Fraud Detection & Prevention – Identifies irregularities, insider trading risks, and financial misstatements.

Stakeholder Communication –
Engages with audit committees, investors, and regulators for transparency



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Q&A

Thank you



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