



# Fostering trust, embracing agility

Emerging themes and opportunities  
for Internal Audit in 2024



Sultanate of Oman

Governance, Risk and Compliance Services

—  
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# Foreword

Internal Audit (IA) activities in Oman must remain agile when developing their 2024 audit plans as their organizations face evolving challenges. The uncertainty and disruption seen across the global business landscape last year continue to intensify pressure on the risk and control environment. Most organizations continue to navigate supply chain uncertainties, impacts of inflation, evolving regulations, and geopolitical uncertainties. The audit plan needs to be flexible, and the methodology and audit approach needs to be consistently challenged.

A practical and sound risk-based IA plan is one of the most critical components for determining IA's success as a value-adding and strategic business partner. According to the Global Internal Audit Standards as issued by the Institute of Internal Auditors (IIA) Standard 9.4 'Internal Audit Plan' – The Chief Audit Execution (CAE) team must base the Internal Audit plan on a documented assessment of the organization's strategies, objectives, and risks.

This publication aims to assist CAE's and wider stakeholders during their annual audit planning process. It should help your IA consider a broad range of emerging themes and opportunities in the current context.

We hope it will provoke thought and facilitate discussion. If you would like to explore further the topics covered within this report, please contact us.



**Aqeel Al Lawati**  
Partner, Corporate Services  
KPMG Lower Gulf



**Sudhir Arvind**  
Partner, Governance,  
Risk and Compliance Services  
KPMG Lower Gulf

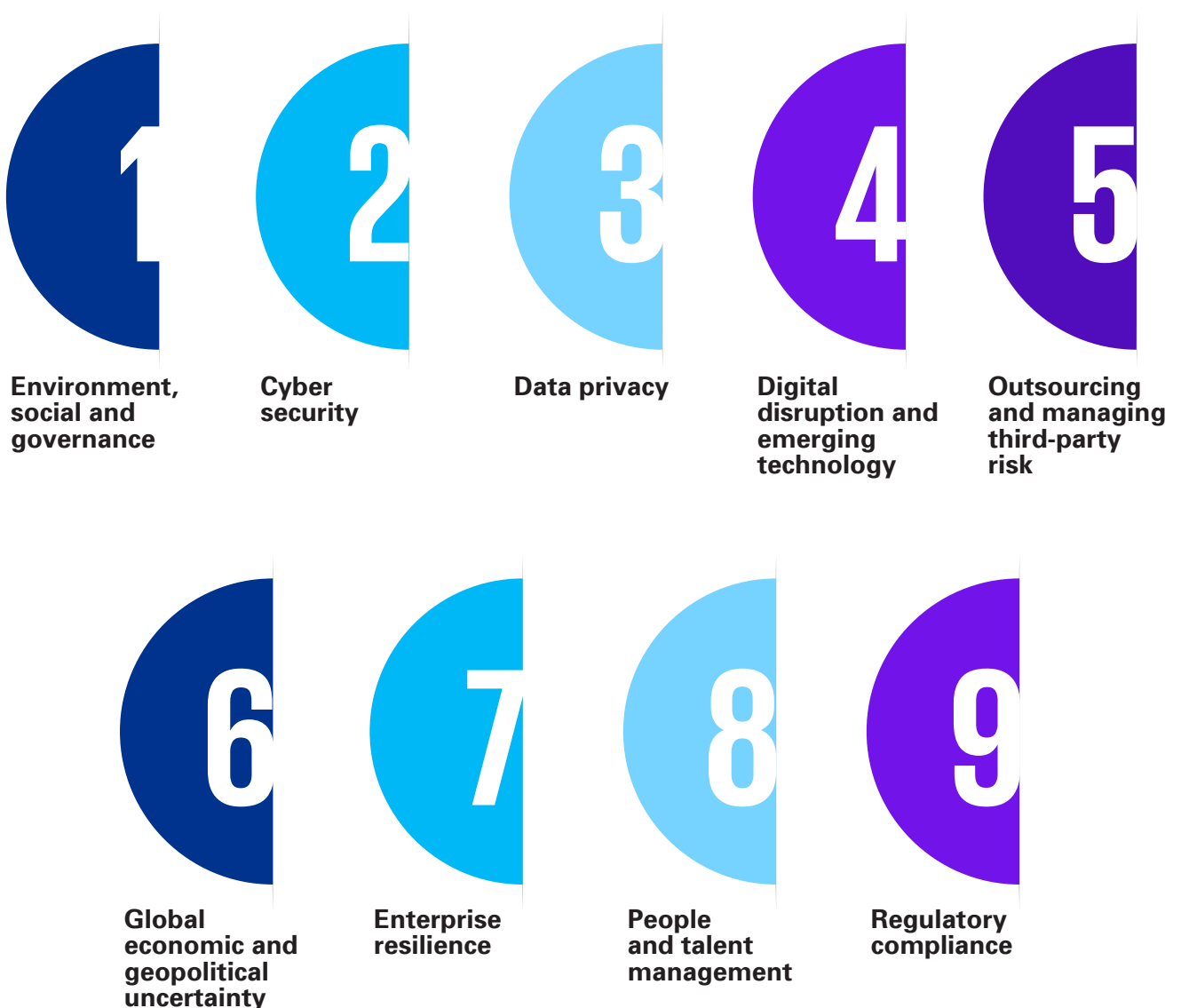


**Harris Matin**  
Partner, Advisory  
KPMG Lower Gulf

IA functions must remain agile when developing their 2024 audit plans as their organizations face evolving challenges. The uncertainty and disruption that was seen across the global business landscape last year continue to intensify pressure on the risk and control environment. Most organizations continue to suffer from supply chain uncertainties, the impact of inflation, and geopolitical uncertainties.

To support heads of IA, we have identified and compiled the key thematic areas and related risks that IA functions should consider. The areas below include both emerging and established risks that IA should consider when preparing its agile annual IA plan for 2024.

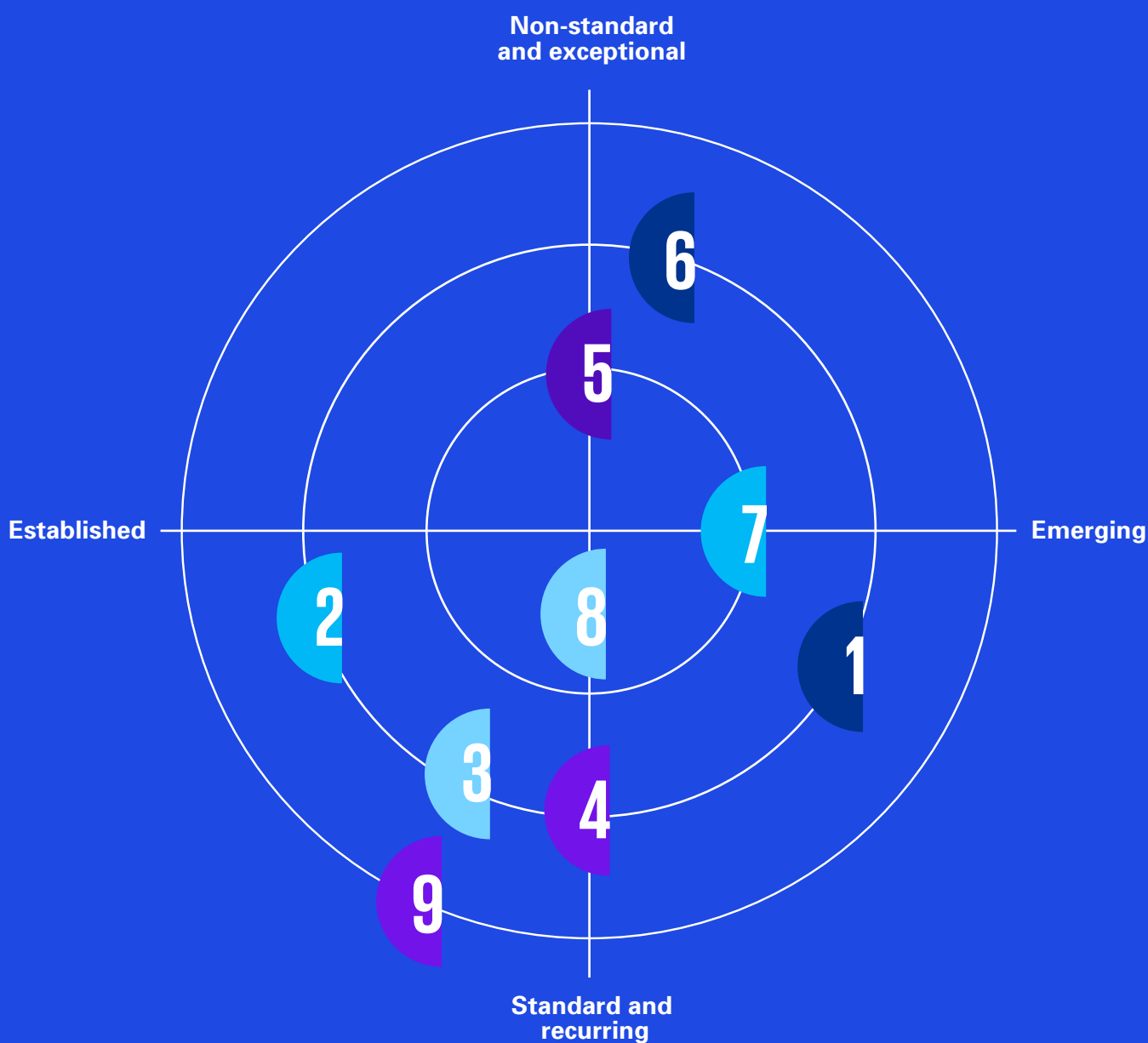
While this is not an exhaustive list, it can serve as a starting point from which the IA functions can leverage when assessing the organization's risk profile and control environment throughout 2024.



We have mapped the emerging themes and opportunities on a risk radar (refer to visual 1). The Radar presents two spectrums:

**Established key risk areas** that should have been identified and understood by the IA function versus emerging risk areas that are developing, but whose full understanding has yet to be obtained.

**Non-standard/exceptional risk areas** that should be considered for a one-time audit versus standard/recurring risk areas that should be considered on an ongoing basis.



# 01 Environmental, social and governance (ESG)

## Emerging themes and opportunities

ESG is a broad concept covering corporate governance, human rights, labor practices, environment, operating practices, customer issues, community involvement, and development. ESG's importance is underlined by customers, investors, regulators, and other stakeholders, who expect actions and reports beyond financial results.

Many organizations in Oman have included ESG initiatives in their strategic plan and mission. ESG impacts all levels of an organization, from its strategic goals to its operations. Given the overarching character of the concept, ESG initiatives must be consistently managed. Organizations should evaluate their ESG impact, risks, and opportunities across the value chain. They also should think beyond the 'traditional' reputational risks.

Issues and malpractices related to ESG can pose environmental, compliance, financial, and reputation risks that can severely damage the company. Mandatory ESG requirements are expected to take effect as the International Sustainability Standards Board (ISSB) finalizes its comprehensive global baseline of Sustainability and climate Disclosure Standards.

During 2023, the Muscat Stock Exchange (MSX) issued guidelines for listed entities to report on their environmental, social, and governance performance. The policies promote transparency and robustness of ESG reporting by encouraging voluntary reporting in 2024 (for activities conducted in 2023). Reporting will be mandatory for listed companies from 2025 onwards, with the first mandatory reports to be filed by 31 March 2025.

## Key considerations



IA should review MSX guidelines (reporting in 2024 where the organization is required to be compliant by 1 January 2024) and prepare a readiness assessment where the implementation date is later, by providing advice and assurance over the governance and control frameworks for non-financial reporting, as well as the review of processes for acquisition, aggregation, quantification, and reporting of ESG metrics.



IA can also advise on broader risk management capabilities to align ESG risks, strategies, and organizational objectives to ESG initiatives, such as the UN Sustainability Goals and the European Green Deal.



IA must reflect on internal skills, capabilities, and capacity required to provide independent assurance on ESG.







# 02 Cyber security

## Emerging themes and opportunities

Cyber security will remain a top focus for organizations in 2024 due to the ever-growing volume of sensitive data moving across interconnected and integrated networks and the increasing reliance on digital technology to operate efficiently.

We have continued to see a rise in cyber-attacks and data breaches in 2023, and these attacks can affect organizations of all sizes and industries. Cyber security breaches can harm an organization's bottom line and reputation. Furthermore, considering today's remote or hybrid working, where controls and security principles are often ignored or forgotten, the IA function should also be mindful of accelerated emerging risks. In 2024, business leaders will raise their expectations of the IA function as management and governance committees continue to pull IA resources into more strategic initiatives and standard technology audits.

Key regulators in Oman such as the Central Bank of Oman (CBO) and the Ministry of Transport, Communications and Information Technology (MTCIT) publish new guidelines related to management of cyber security practices that organizations must follow. These new regulations provide a set of minimum requirements that are a must to build industries that are resilient against evolving cyber security risks and attacks.

Organizations must implement robust IT security measures and increase awareness of cyber security risks to their workforce to resist the constant threat of cyber-attacks.

## Key considerations

The IA activity should partner with the business, working with the three lines of defense to identify new technology risks and conduct random, quick-hit audits over the design and implementation of new technologies as needed. In 2024, IA should consider:



Performing a risk assessment of the organization's cyber security processes concerning best practice industry standards and providing process improvement recommendations.



Conduct penetration testing of selected IT assets.



Assess how the organization complies with relevant cyber security laws, regulations, and industry standards and is prepared for the impact of upcoming rules.



Evaluate the effectiveness of cyber security controls in the first and second lines and for the organization's key assets.



Evaluate the organization's cyber security awareness and training programs and assess against desired outcomes.

# 03 Data privacy

## Emerging themes and opportunities

Customers, employees, and regulatory bodies have all become more aware of their data privacy rights concerning personal information and the measures organizations take to safeguard such data. This heightened awareness amplifies organizations' potential risks, necessitating their commitment to compliance with regulations such as the General Data Protection Regulation (GDPR). Failure on the part of an organization to effectively manage and govern its data practices may result in reputational damage, and it could also lead to financial penalties and sanctions.

Several GCC states have adopted privacy laws. On review, many regional privacy laws appear to be similar to the GDPR. In Oman, there have been advancements in regulation regarding information security and data privacy regulation, these include:

- In February of 2022, the Sultanate of Oman issued the Personal Data Protection Law, which sets stricter data privacy and protection standards. Further, it increased awareness of the importance of data protection compliance. The Law became effective on 13 February 2023. Additionally, the Executive Regulations were recently passed by the Sultanate of Oman with respect to the Personal Data Protection Law. These regulations provide guidelines and directions that organizations need to follow to adhere to the privacy law of Oman.
- Circular No. E/1/2022, 'Information Security Guidelines' issued by the Capital Markets Authority issued in January 2022 and effective April 2022.

## Key considerations



Evaluate the Data Privacy and Protection controls implemented within an organization, ensuring clarity on the purpose of data collection, proper security measures are in place, data disposal is in line with the relevant regulations, as well as verifying where the data will be stored and how long they plan on retaining it.



Ensure a comprehensive understanding of third-party access to the organization's data and establish effective monitoring and control mechanisms.



Assess compliance with applicable laws and regulations in Oman.



# 04 Digital disruption and emerging technology

## Emerging themes and opportunities

Technology is constantly evolving and has become an integral part of an organization's success. In 2023, we saw an increase in the use of AI technology. Another significant technological advancement in recent years is the integration of Cloud Computing, which will continue to increase further.

The proliferation of digital business models and the growing dependence on technology within organizations has given rise to the amount of personal data being handled by organizations as part of their operations. This increases the risk of data privacy breaches and the likelihood of cyber-attacks. Organizations therefore need to implement robust IT security to mitigate these risks.

AI, algorithms, cognitive computing, and robotic process automation (RPA) are among the top technologies that will continue to significantly impact how we conduct business in the future. As digitalization continues to disrupt operations, business processes, and business models, it ultimately brings new risks and challenges in this digital age.

## Key considerations



Assess the digitalization strategy and program along with associated risk management controls.



Provide assurance over specific digitalization projects, including AI design integrity, algorithm testing, exception management and remediation, change management controls, third-party provider and software vendor management.



Provide advice on governance and control frameworks to ensure that AI and bot related risks are monitored and mitigated in the long-term (after implementation).



Understand how and why organizations are using AI and what controls are in place to mitigate the risks associated with its usage.






# 05 Outsourcing and managing third-party risk

## Emerging themes and opportunities

Third-party risk management remains important as organizations in Oman outsource their business functions to third-party vendors, emphasizing an existing need for contract management. While traditionally IA has assured the organization, the focus quickly turns outward.

Relationships with third-parties are evolving as the current geopolitical context disrupts many companies' supply chain and business service setups. Businesses today are facing considerable risks in their third-party relationships on account of:

-  Complexity of outsourcing or third-party agreements, mainly due to outsourced services' increasingly bespoke and complex in nature.
-  Third-parties being granted access to organization networks further increases the potential for data security breaches.
-  Third-parties may operate in areas of political uncertainty, increasing the severity and broadening the nature of risks to which an organization is exposed.

In the context of these risk exposures, organizations must implement controls to mitigate the risks and effectively benefit from relationships with third-parties.

## Key considerations

-  Evaluate the organization's third-party risk management, governance, and controls framework and understand how third parties are identified, risk assessed, and managed end-to-end.
-  Evaluate the contract management processes used to track third-party relationships.
-  Perform audits commensurate with 'right-to-audit' clauses.
-  Assess and evaluate the outsourcing risks related to tax, regulation, accounting, technology, and other areas.
-  Assess third-party compliance with the company's information security standards.
-  Develop, implement, and calibrate a continuous monitoring system of self-reported data from third-party business partners.
-  Develop an assurance map to assess the effectiveness of third-party controls and assurance of subcontractors.



# 06 Global economic and geopolitical uncertainty

## Emerging themes and opportunities

The recent years have been described as the age of the 'poly-crisis.' The term coined by the World Economic Forum (WEF) describes the interaction between the pandemic and the war in Gaza, Ukraine, and the energy, cost-of-living, and climate crises.

These events have maintained the higher prices of gas, oil, and other commodities, which has resulted in sticky inflation and subsequent cost of living increases in 2023. In response, central banks in the EU, UK, and US have recently raised interest rates to their highest level. While inflation is stabilizing and forecast to drop due to the tightening monetary policy, macroeconomic challenges are expected to impact 2024.

Elevated levels of economic, geopolitical, and environmental uncertainties create new risks, threats, and opportunities. These risks evolve at an unprecedented rate and impact global economies in many ways, including disruptions to supply chains, monetary policy adjustments, and stakeholder expectations.

## Key considerations



IA needs to consider how their organization's first and second lines of defense manage the increased risks, as well as the impact on operations associated with geopolitical factors.



IA needs to evaluate the effectiveness of the organization's mechanisms to identify, assess, and monitor changes in the macroeconomic and geopolitical environment.



IA should assess whether the organization has adopted strategies and is adaptive and resilient where risks continue to be fast-moving and unpredictable.

# 07 Enterprise resilience

## Emerging themes and opportunities

The existing economic, geopolitical, and environmental conditions have confronted organizations with a changing landscape, presenting new threats and opportunities. These developments have highlighted the importance of robust and resilient systems adapting to and responding to disruption. Organizations throughout the Sultanate are demonstrating an increased focus on resilience by investing in people, processes, data, and technology. This shift in focus is crucial to ensure preparedness for disruption not only to survive, but to thrive through the challenges.

In the recent years we have seen Regulators and competent Authorities in Oman drive the importance of business resilience through updated regulation. In 2021, Oman Investment Authority (OIA) mandated its entities, through its Code of Governance to adhere to Risk Management and Business Continuity Management guidelines.

Organizations must consider the risks associated with enterprise resilience, as well as maintaining disaster recovery (DR), business continuity (BC), and cyber response (CR) plans.

Internal auditors play a vital role in providing organizations with areas for enhancement and associated recommendations as part of their consulting practices, in addition to needed assurances to the Board of Directors (BoD) on the efficiency and effectiveness of the implemented controls to mitigate any business resilience associated existing or emerging risks.

## Key considerations



Conduct an independent review of the entire crisis management system by ensuring that critical threats have been identified, appropriate response plans (DR, BCP, and CR) are in place and are fit for purpose, and emerging risks and evolving critical threats are considered. The review should include governance, processes, and risks and evaluate the quality and extent of coverage of various crises.



Assess the leadership's readiness for crisis by surveying critical questions to determine the level of preparation for emergencies.



Assess the organization's knowledge and effectiveness of crisis response plans through simulations of crisis activities and evaluations of the business response.



IA should conduct a design and effectiveness review of the Risk Management and Business Continuity Program.







# 08 People and talent management

## Emerging themes and opportunities

Central to the success of any organization is the ability to attract, retain, nurture, and efficiently deploy the right talent. Organizations are grappling with several challenges in this area, including culture, hybrid working, talent acquisition, and well-being.

To maintain competitiveness, HR leaders must remain well-informed about the latest trends in talent management. As we look ahead to 2024, these trends reveal a notable shift towards more employee-centric approaches such as employee experience, employee engagement, prioritizing mental health, enhancing work-life balance, promoting positive career growth, and more.

The new Oman Labor Law was recently issued on 25 July 2023 through Royal Decree 53/2023. The new law, which came into effect on 26 July 2023, brought several changes to Oman's labor regulatory landscape, to further the country's objectives set out in its Vision 2040 national agenda.

The new law replaces the previous Royal Decree 35/2003. Some of the changes introduced by the new law include provisions on employment contracts, restructured leave provisions, termination, redundancy, Omanization, revision to social security, and gratuity schemes.

## Key considerations



Assess the organization's approach to workforce planning and future skill demand, talent acquisition, and talent retention strategies.



Understand the ramifications of employee departures and hiring freezes on the internal control landscape and how these factors may affect the organization. Additionally, IA should evaluate how management oversees and plans to enhance the employee-centric factors.



Assess the organizations' succession plan – does it align with the Omanization agenda?



Assess the design, organizational setup, and effectiveness of learning and development programs.



Audit the 'hire to retire' processes and evaluate the efficiency of HR processes. For example, assess the design and effectiveness of the recruitment and selection process to ensure that the right people are hired.



Review and assess compliance with the new labor law as issued by the Ministry of Labor.

# 09 Compliance and regulation

## Emerging themes and opportunities

The compliance and regulatory landscape in Oman continues to evolve. Managing compliance and regulatory risks is becoming increasingly complex, and companies need a structured approach to identify, measure, examine, implement, and monitor critical compliance and regulatory risks. Internal auditors can play a pivotal role in regulatory and compliance risk management by providing objective and independent assurance on the effectiveness of the company's compliance and regulatory frameworks and internal control systems surrounding them.

In today's complex and rapidly evolving regulatory environment, it is increasingly important that organizations demonstrate good governance and culture, robust controls, and effective compliance with local laws and regulations. Traditionally, organizations have persisted with essential compliance requirements in a decentralized fashion.

However, organizations today are taking the opportunity to incrementally improve the management of their local and global compliance requirements and transform the entire regulatory compliance through technology such as governance, risk, and compliance (GRC) systems to automate compliance and monitoring and testing programs.

## Key considerations



Assess whether the organization has a regularly updated inventory of the regulatory bodies and laws applicable to their operations.



Evaluate the company's approach to managing its local and global compliance obligations, including the integration of the requirements of any acquired assets.



Gauge the organization's response to notable issues of non-compliance.



Ensure an effective internal reporting mechanism exists for the board committee and senior leadership to oversee the compliance program and regularly receive reports on regulatory compliance matters.



Assess the effectiveness of management's efforts in fostering a culture of ethical and legal compliance.



Include a review of discrete 'at risk' compliance activities at a micro level. This means ensuring whether established controls over compliance risks are operating in line with the established policies and procedures.



Ensure the compliance training programs offered to employees and other stakeholders are appropriate for their roles and the geographies.

# About KPMG in Oman



## Establishment

KPMG in Oman is a part of KPMG Lower Gulf's regional network and KPMG International Cooperative's global network. For almost 50 years, KPMG Lower Gulf Limited has been providing audit, tax and advisory services to a broad range of domestic and international, public and private sector clients across all major aspects of business and the economy in the Sultanate of Oman. We work alongside our clients by building trust, mitigating risks and identifying business opportunities.

**Established in 1973, the Lower Gulf firm now employs 1,783 people across four offices, including 192 partners and directors in Oman and the UAE.**

## An international network of professionals

KPMG Oman LLC is part of KPMG International Cooperative's global network of professional member firms. **Entering its 152nd year, the KPMG network includes approximately 236,000 professionals in over 145 countries worldwide.** KPMG in Oman is well connected with its global member network and combines its local knowledge with international expertise, providing our clients' sector and specialist skills.

KPMG is widely represented in the Middle East: along with offices in Oman, UAE, Saudi Arabia, Bahrain, Kuwait, Qatar, Egypt, Jordan, Lebanon, Palestine, and Iraq.



# How KPMG can help

**Our GRCS practice helps clients in Oman strengthen 'governance', manage 'risks', and ensure 'compliance' to navigate today's complex business environment. We help our clients enhance and streamline their operations through financial and operational internal auditing, practical risk assessment, building model business processes, creating an ERM framework, and testing internal controls.**

## Key considerations



**Resilience Services** - Our Enterprise Risk Management offering helps clients assess and manage risks and set up processes that make risk management sustainable. As part of our Business Continuity Management practice, we help build an organization prepared for crises. Our effective risk and resilience management program is based on leading industry standards, ISO 22301:2019.



**Corporate Governance** - We assist directors and management in identifying the applicable regulations to understand the regulatory environment better. Our approach combines an analysis of the regulatory framework with an assessment of the systems and processes that can help to ensure compliance and sound corporate governance.



**Internal Audit and Financial Controls**—The solution helps clients establish their IA functions and undertake risk-based internal audits through outsourced and co-sourced arrangements.



**Environment Social Governance**— We assist our clients in driving sustainable innovation across their businesses and help them gain a competitive edge. With deep experience across critical issues—including climate change, decarbonization, ethical supply chain, circular economy, DEI (diversity, equity, and inclusion), governance, ESG reporting, and measurement —KPMG professionals help create the blueprint for your ESG journey. A blueprint that simplifies your strategy guides its full implementation and enables you to manage and report on your ESG journey.



**Regulatory Compliance** - We perform diagnostic reviews to benchmark our clients' compliance framework practices with KPMG regional and global leading practices to identify critical deficiencies and develop an implementation roadmap to strengthen their compliance frameworks.

# KPMG as an Internal Audit partner

Whether you opt for an outsourcing, co-sourcing or insourcing solution, we can provide the following services:



Act as sparring partner for all issues related to the role, position and audit agenda of the Internal Audit function.



Provide the latest audit methodology (KPMG Internal Audit methodology, DA, Internal Audit tools).



Support all process steps of an Internal Audit function, from planning to execution of audits, reporting and tracking.



Provide access to best practice and benchmarking.



Offer worldwide local support with specific language skills and knowledge regarding local regulatory requirements.

**Through our proven methodology, our experience and extensive expertise, we are the right partner for you to fully exploit the potential of your Internal Audit function in an increasingly complex environment.**

# Contact us



**Aqeel Al Lawati**  
Partner, Corporate Services  
KPMG Lower Gulf  
aqeelallawati@kpmg.com



**Kenneth Macfarlane**  
Partner-in-charge | Oman,  
KPMG Lower Gulf  
kmacfarlane@kpmg.com



**Sudhir Arvind**  
Partner, Governance,  
Risk and Compliance Services  
KPMG Lower Gulf  
sarvind@kpmg.com



**Raajeev Batra**  
Partner, Private Enterprise  
KPMG Lower Gulf  
raajeevbatra@kpmg.com



**Mohamed Aylouche**  
Partner, Governance,  
Risk and Compliance Services  
KPMG Lower Gulf  
moaylouche@kpmg.com



**Fadi Alshihabi**  
Partner, Governance,  
Risk and Compliance Services  
KPMG Lower Gulf  
falshihabi@kpmg.com



**Harris Matin**  
Partner, Advisory  
KPMG Lower Gulf  
hmatin1@kpmg.com



**Abhishek Bhattacharya**  
Partner, Tech Assurance  
KPMG Lower Gulf  
abhattacharyya1@kpmg.com



**Anuj Agarwal**  
Partner, Financial Services  
and Technology  
KPMG Lower Gulf  
aagarwal35@kpmg.com



**Tejas Mehta**  
Partner, Governance, Risk  
and Compliance Services  
KPMG Lower Gulf  
tmehta4@kpmg.com



**Saeb Mouaget**  
Partner, Governance, Risk and  
Compliance Services  
KPMG Lower Gulf  
smouaget@kpmg.com

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

Follow us on:



@kpmg\_lowergulf

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