

# Compliance Audit Intelligence

Measuring the Overall Effectiveness



**Iyad Mourtada**

CFE, CIA, CRMA, CCSA, CMA, CSX,

# The Three Lines of Defense Model



Adapted from ECIIA/FERMA *Guidance on the 8th EU Company Law Directive, article 41*



Culture eats  
strategy for  
**breakfast!**



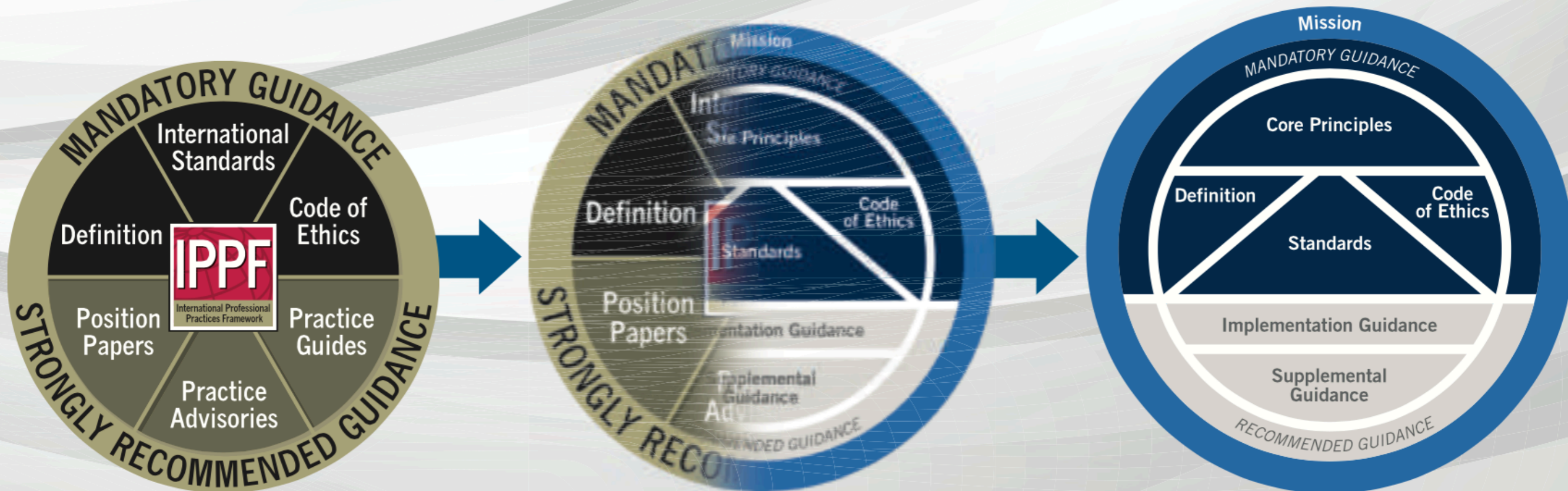
International Professional  
Practices Framework

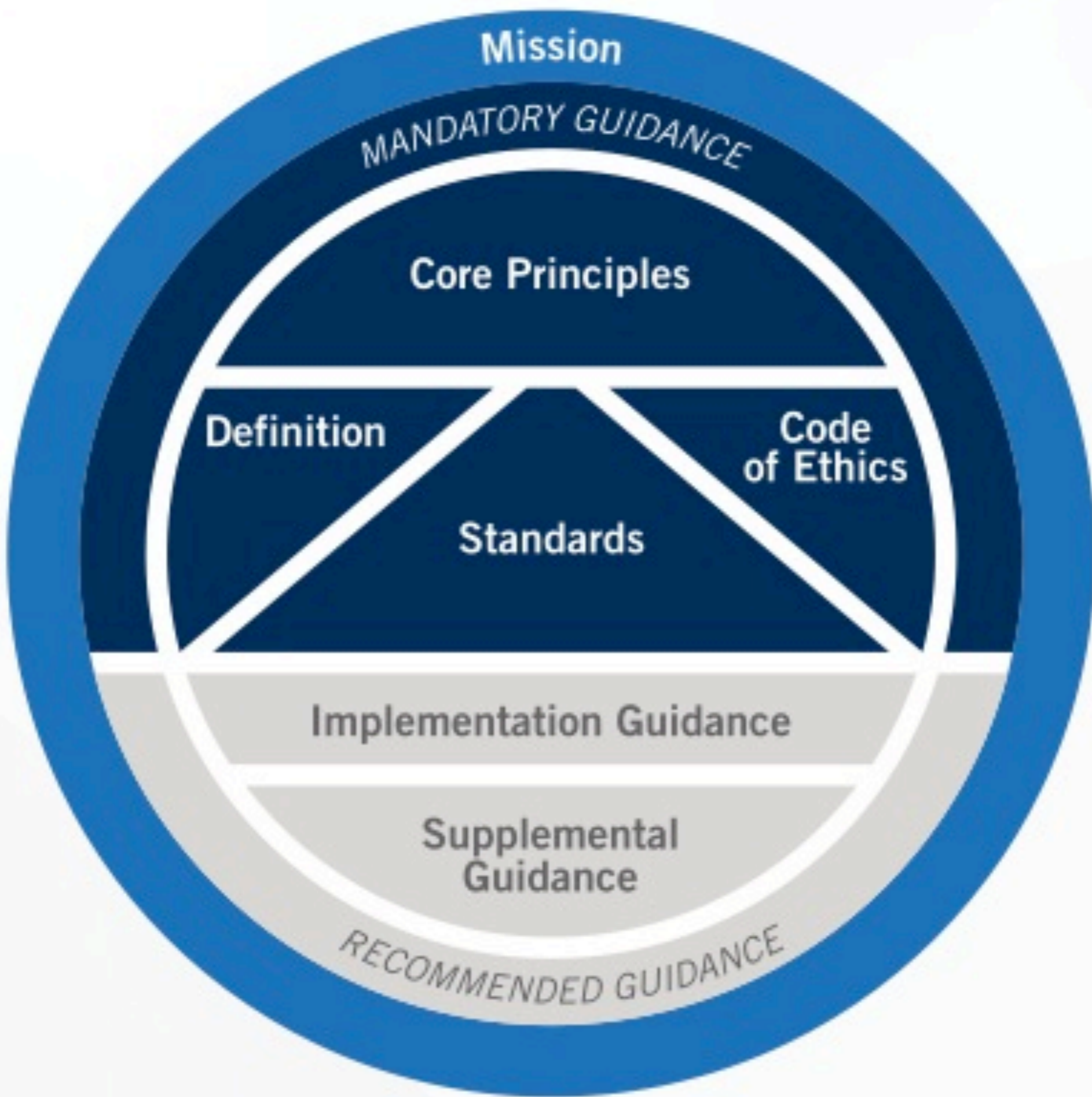
# The Framework for Internal Audit Effectiveness: The New IPPF

**Effective on Jan 1, 2017**



# International Professional Practices Framework





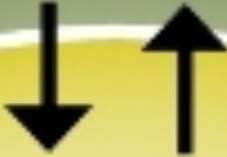
International Professional  
Practices Framework

# Mission of Internal Audit

To enhance and protect **organizational value** by providing risk-based and objective assurance, advice, and insight.



**Governance**



**Risk Management**



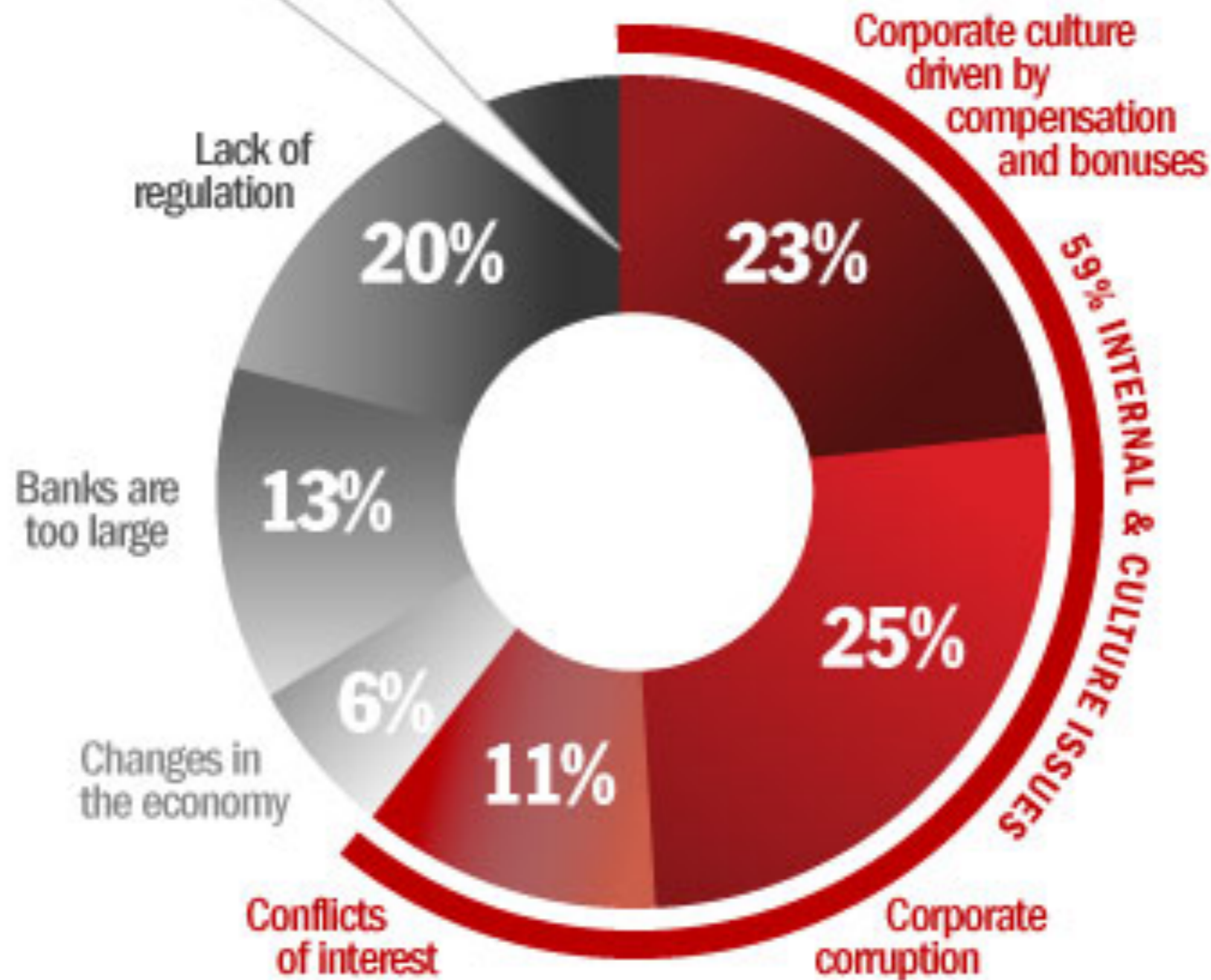
**Internal Control**



Life Cycle Stages	Management's role	Internal Audit's Role
1. Objectives Setting (& Assumptions)	Set enterprise-wide objectives.	<p>Identify, question, and challenge the assumptions management makes as they are setting strategic objectives.</p> <ul style="list-style-type: none"> <li>• <i>Audit Awareness Assumptions.</i> IA ensures that each business unit is aware of enterprise objectives as well as understanding its own role in helping achieve these objectives.</li> <li>• <i>Audit Information Assumptions.</i> IA validates information that informs enterprise objectives.</li> </ul>
2. Plan Strategy	How it will act in order to meet enterprise-wide objectives.	Use cross functional purview to question whether BU strategies, on an individual and aggregate level, adequately align to enterprise objectives.
3. Execute Strategy	Get resources and other necessary factors in order to implement strategy	Identify external and internal factors that will prevent strategy from being successfully implemented.
4. Evaluate Outcomes	Review strategy outcomes and whether it met goals or not. Use analysis to inform follow year's objectives.	<p>Benchmark the success and failures of enterprise and BU initiatives as well as why there was a specific outcome.</p> <ul style="list-style-type: none"> <li>• <i>Audit Outcomes and Reasons for Outcomes.</i> Internal Audit verifies the reasons for the success or failure of a strategy. For example, after an M&amp;A, a Chemicals company reviews management's post-deal review report to ensure that the information management provides is correct and that management is doing what it claims.</li> </ul>



# What do consumers think are the biggest causes of recent financial scandals?



ENTERPRISE RISK MANAGEMENT

Mission, Vision,  
and Core Values

Strategy and  
Business Objectives

Enhanced  
Performance



Risk Governance  
and Culture



Risk, Strategy,  
and Objective-Setting



Risk in Execution



Risk Information,  
Communication,  
and Reporting



Monitoring Enterprise  
Risk Management  
Performance



Issue 3

# GLOBAL PERSPECTIVES AND INSIGHTS: Auditing Culture – A Hard Look at the Soft Stuff

“...the breakout

hit of the year...”

- New York Times

# UNDERCOVER BOSS

The toughest job the boss  
will ever do is yours.

SEASON PREMIERE  
SUNDAY SEPT 26 10/9c ONLY CBS 

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# **Control-Self Assessment**



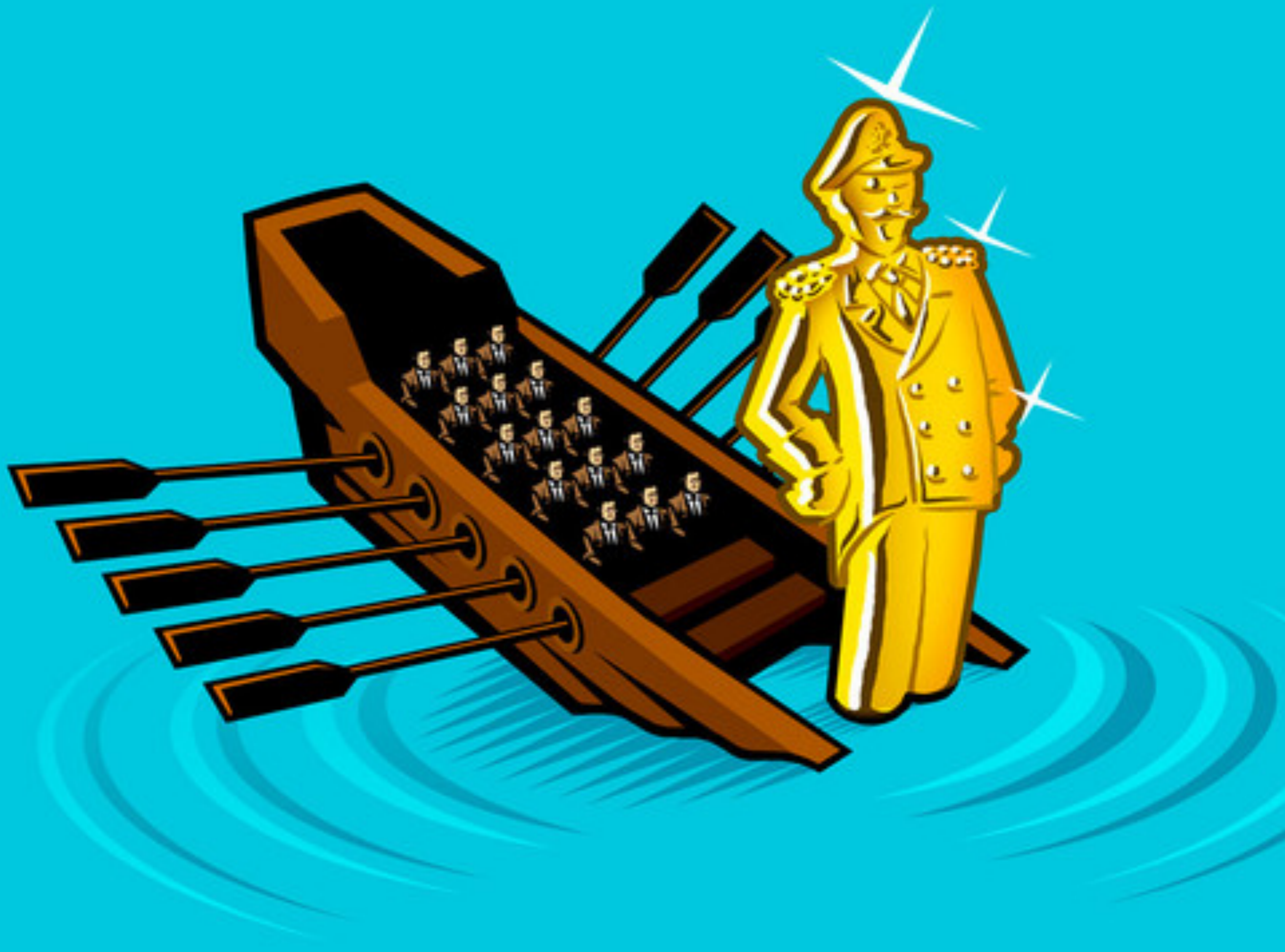


**Governance Umbrella**  
***Board of Directors***

**Strategic  
Direction**

**Governance  
Oversight**





C

CHEAT

E

EVERY

O

ONE



[www.rechtes-regensburg.net](http://www.rechtes-regensburg.net)

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**maxwell** COMMUNICATIONS

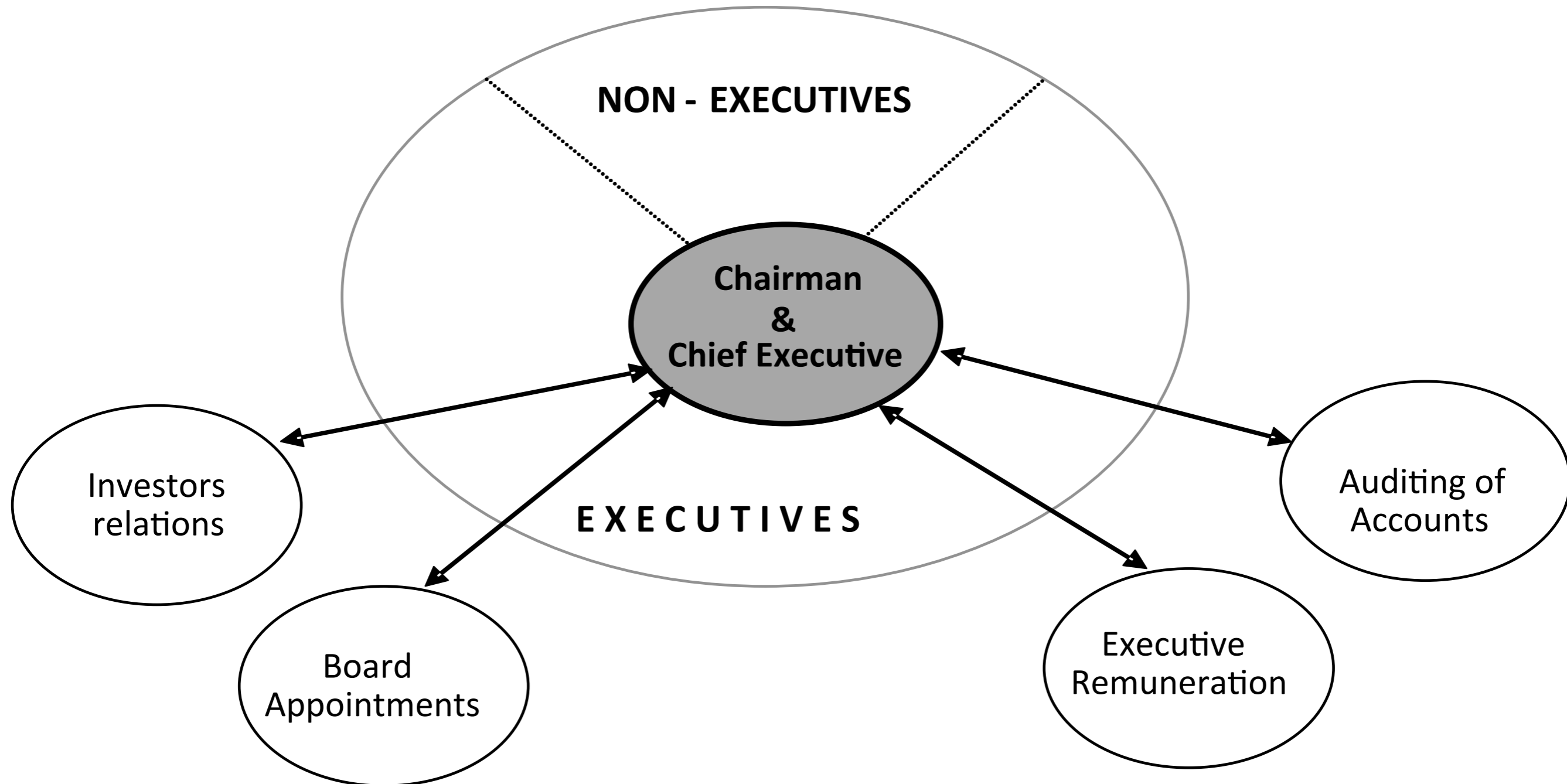
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# The Separation of Ownership and Control



# The Transformation from Management Control to Independent Boards

## Management Controlling the Levels of Power



A man in a dark suit, white shirt, and blue tie is shown in profile, looking towards the right. The background is a blurred city skyline with several tall buildings. A faint, stylized graphic of a globe or sphere is visible in the background behind the text.

**'SENSATIONAL'**  
Jon Snow,  
Channel 4 News

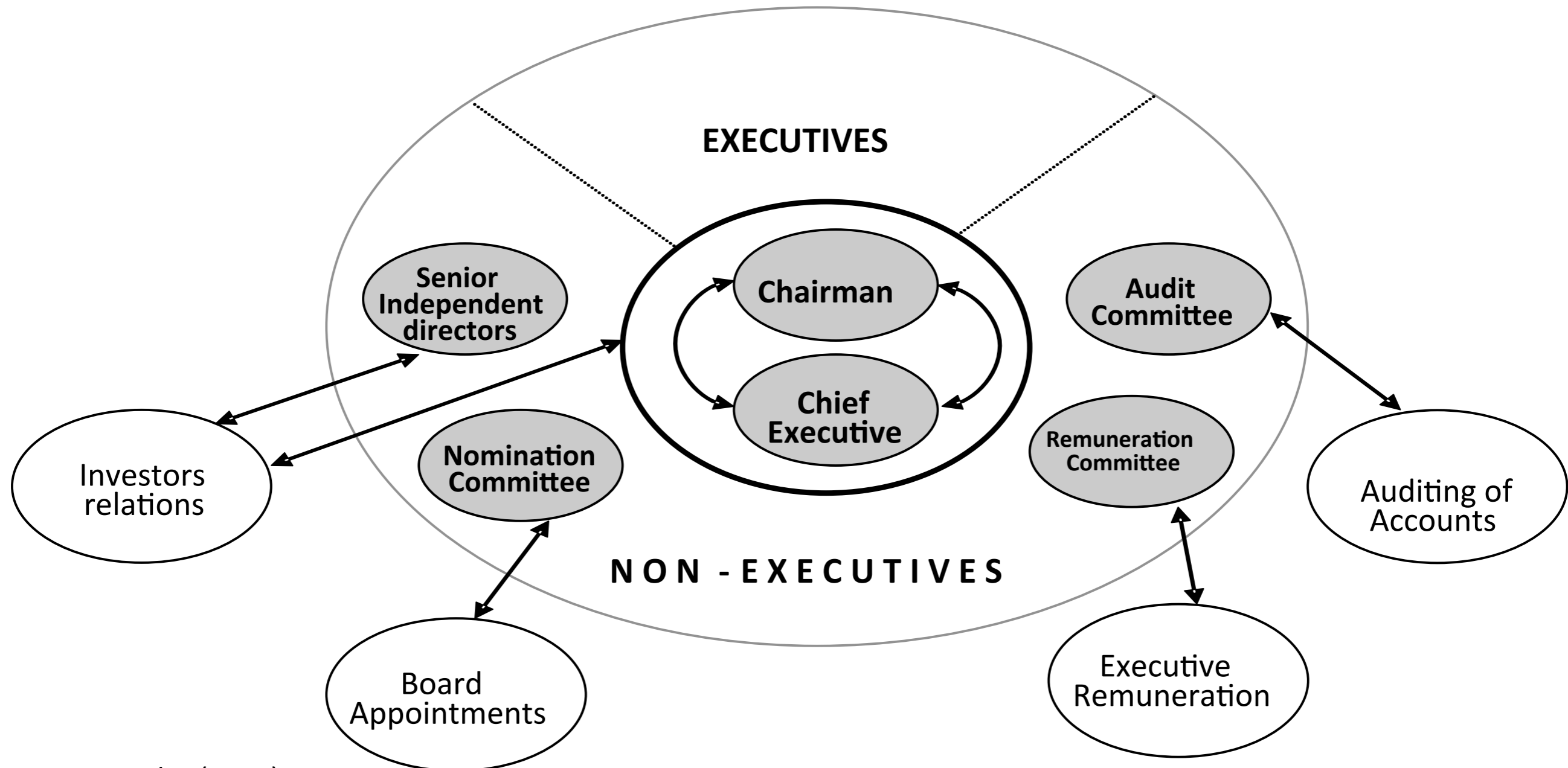


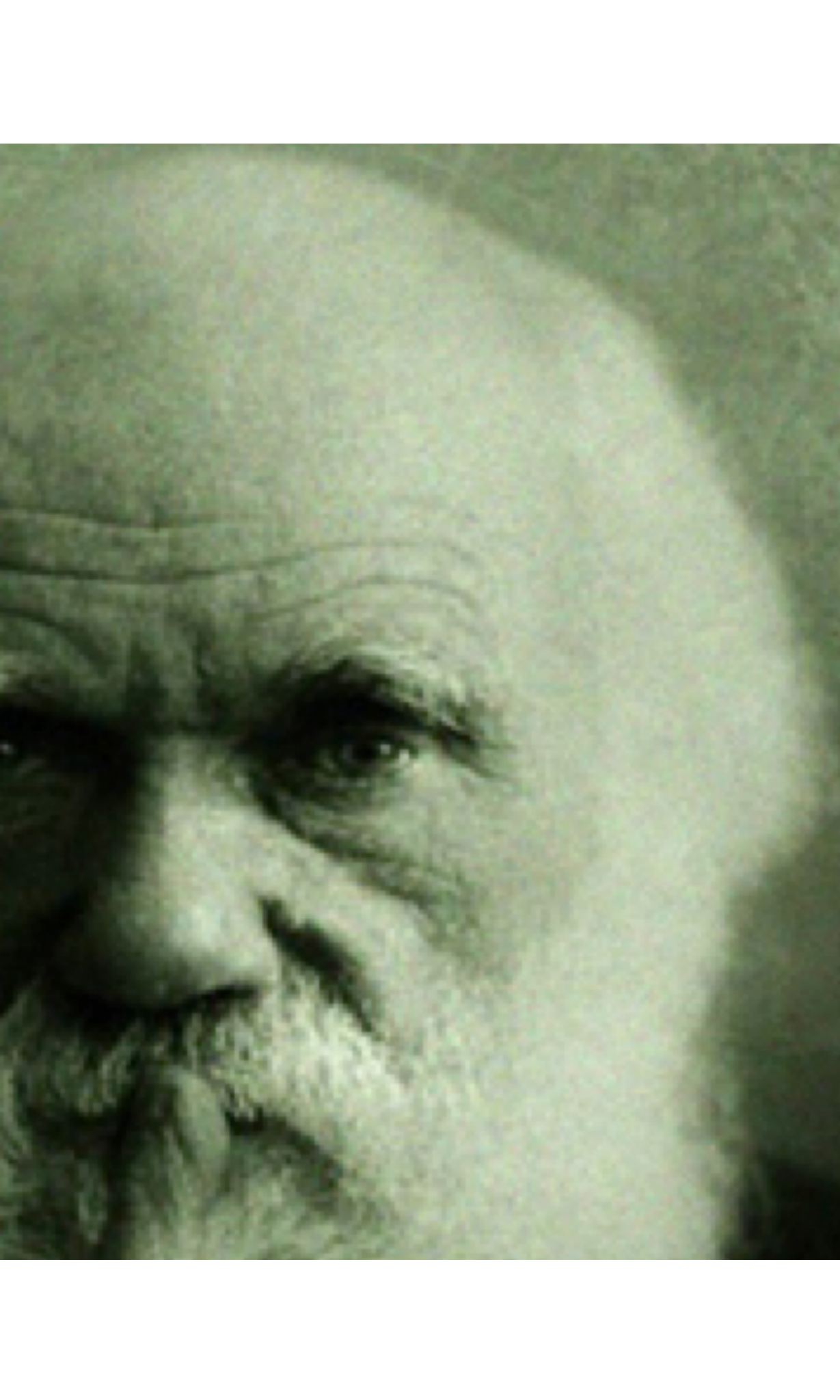
# EXPOSURE

INSIDE THE OLYMPUS SCANDAL

# The Transformation from Management Control to Independent Boards

## The Board Controlling the Levers of Power





“It is not the strongest of the species that survives, nor the most intelligent, but the one most responsive to *change*.”

-Charles Darwin, 1809



# Future-Based Auditing

**What had gone wrong?**



**What could go wrong?**



Performance



Conformance



Assurance

# Value and Risk

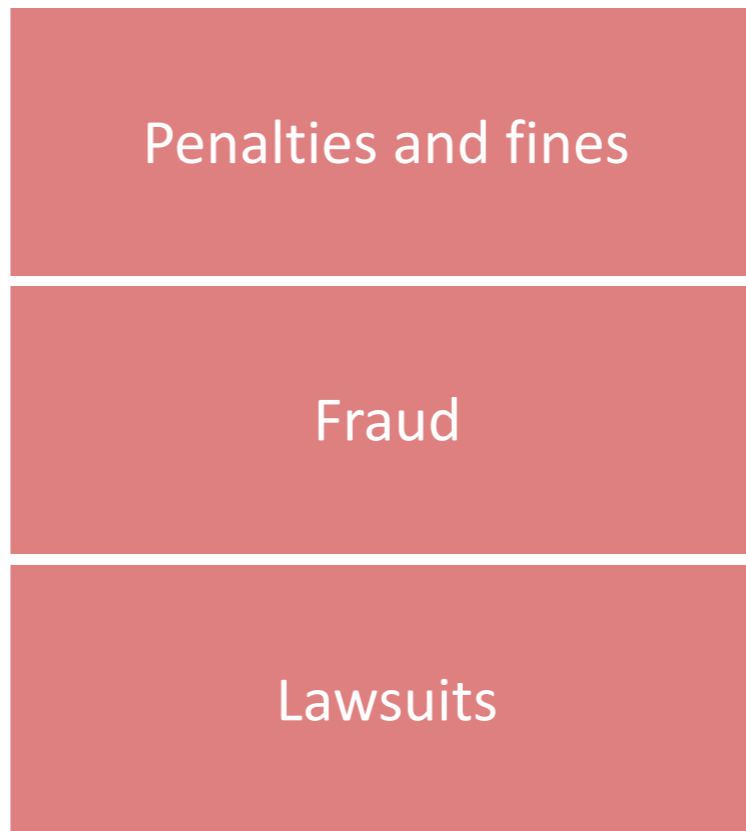
Creating  
shareholder  
value



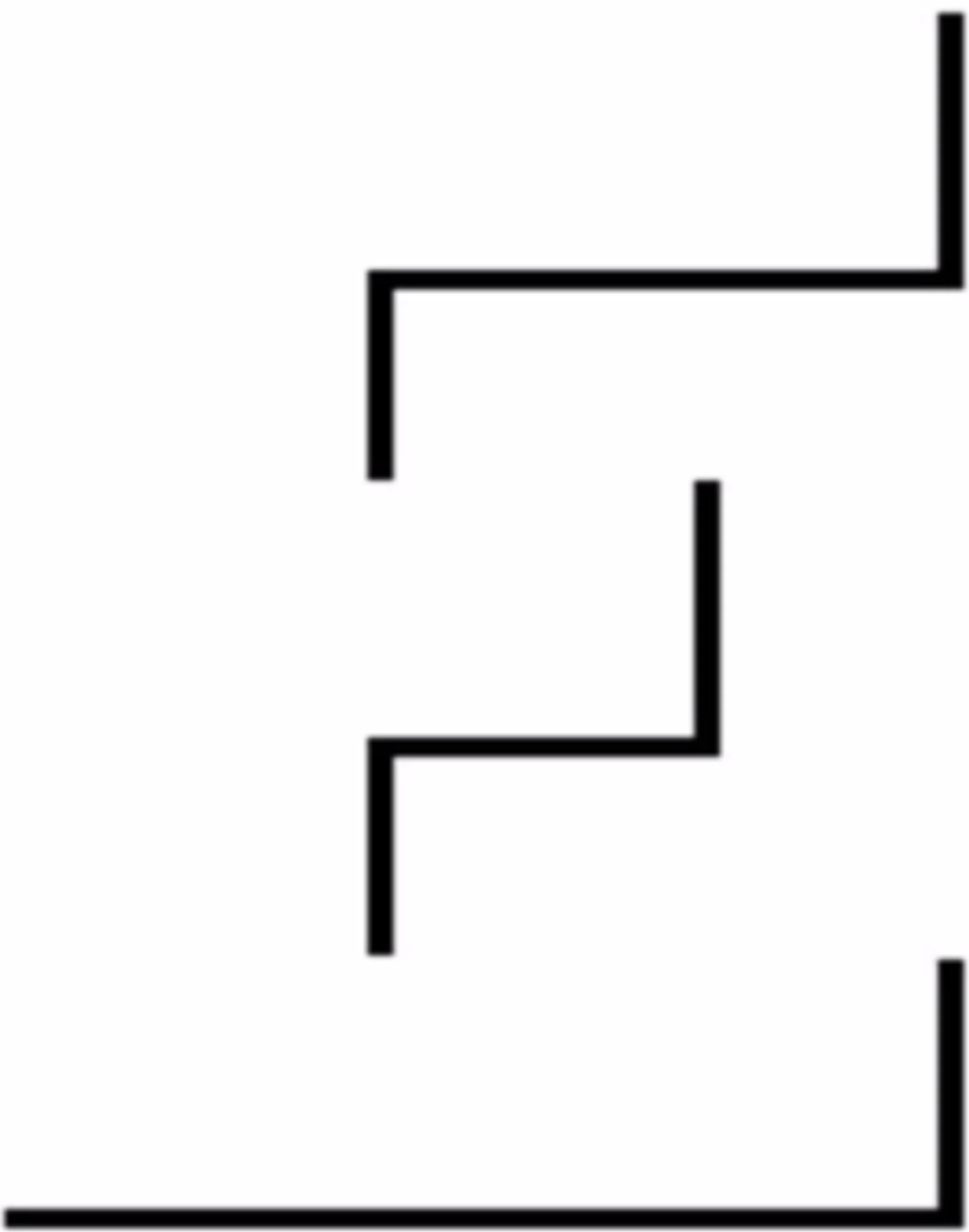
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Preserving  
shareholder  
value

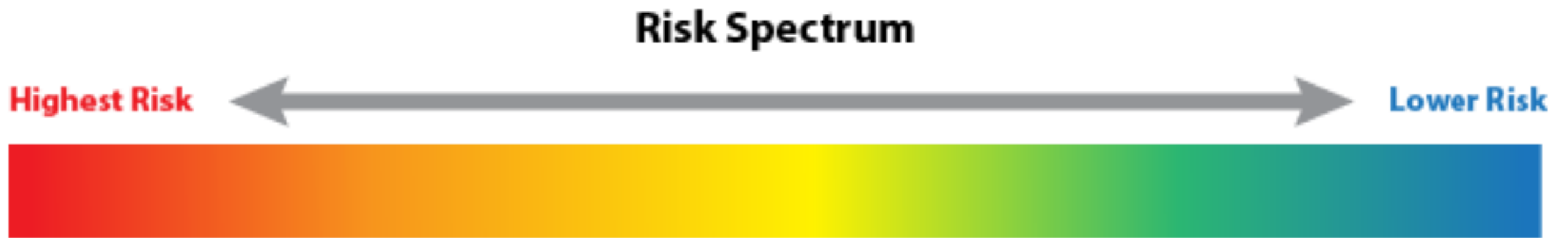


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# *Risk Intelligence*

**A mental capability that involves the ability to identify, assess, evaluate and manage risks**





**“AI IS THE NEW  
ELECTRICITY.”**

ANDREW NG





# Key Performance Indicators (KPI)

MEASURE



SUCCESS

# Key Risk Indicators (KRI)

## Lead indicator:

A measure of something that will impact the organization.

## Lag indicator:

A measure of something that has already impacted the organization.

Less Orders  
INCIDENT



Less Demand



Less Sales

## Key Risk

### Indicator (KRI):

A lead indicator of risk-triggering events or conditions.

**Key risk:** A risk with the potential for significant impact.

## Key Performance Indicator:

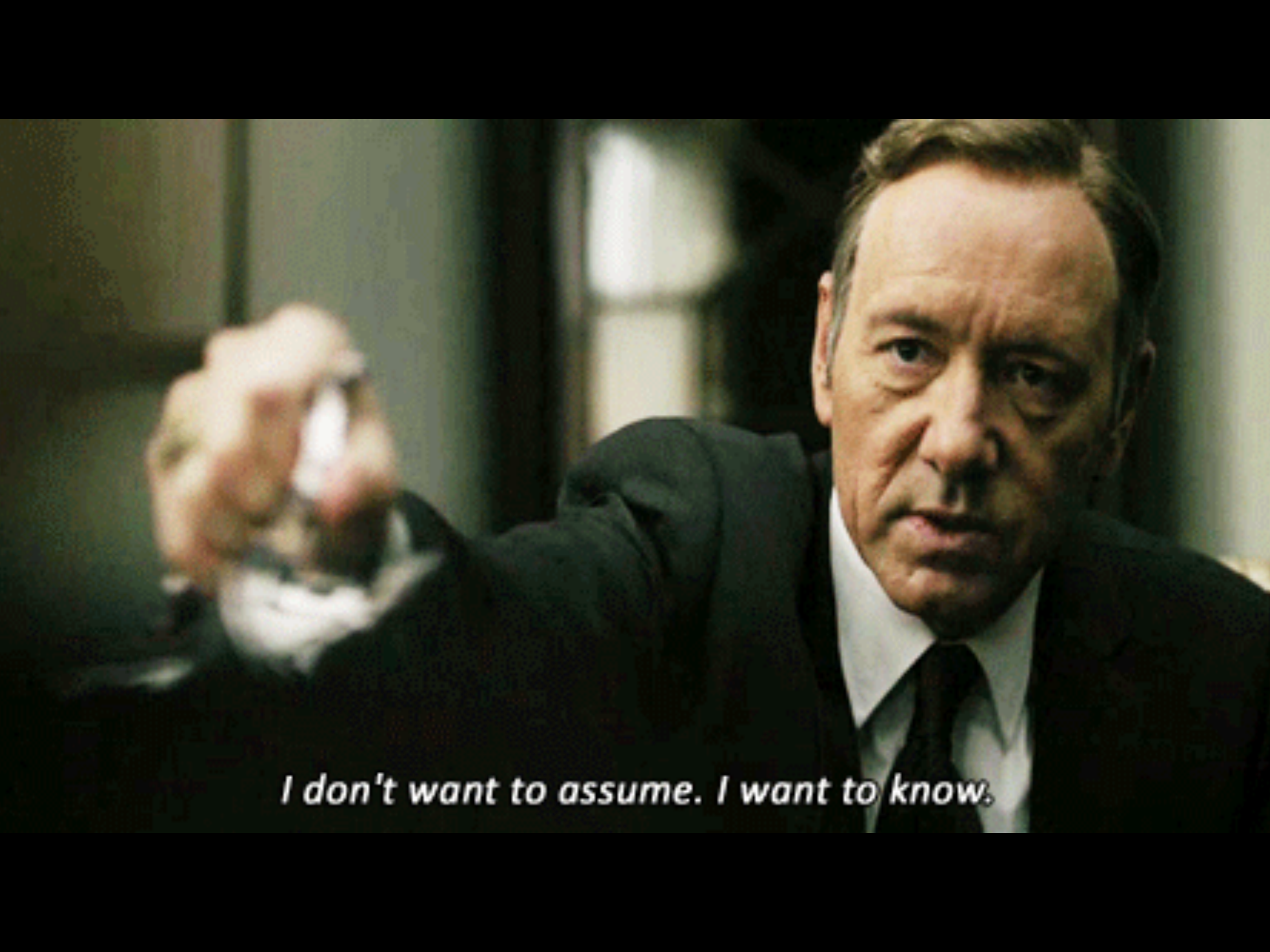
A metric or other form of measuring whether a process or individual tasks are operating within prescribed tolerances.

Less Demand



Less Sales





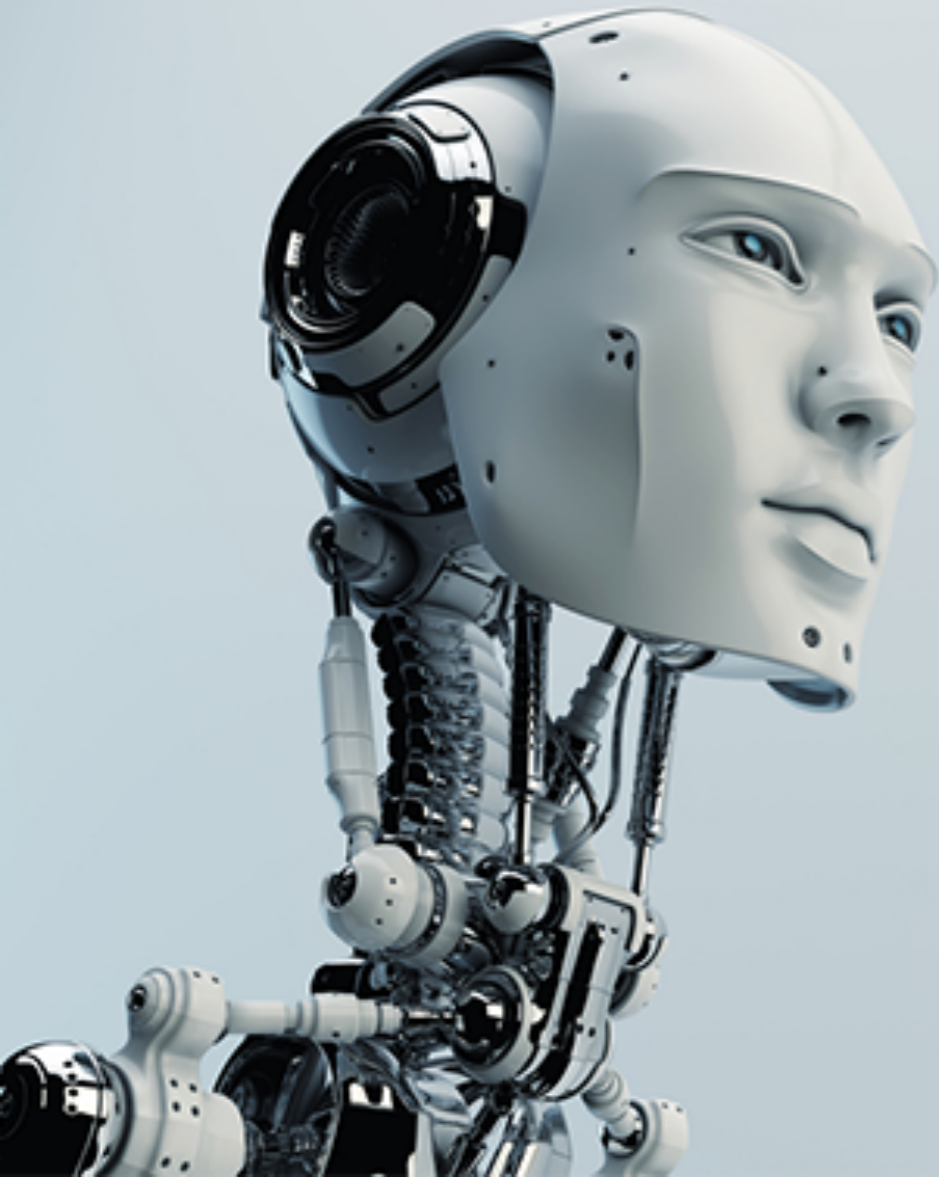
*I don't want to assume. I want to know.*

# **FRAUD-OLOGY**

**The art of fraud and the science  
behind uncovering it**

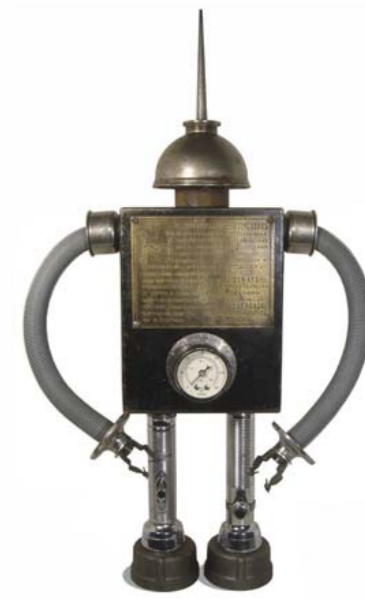
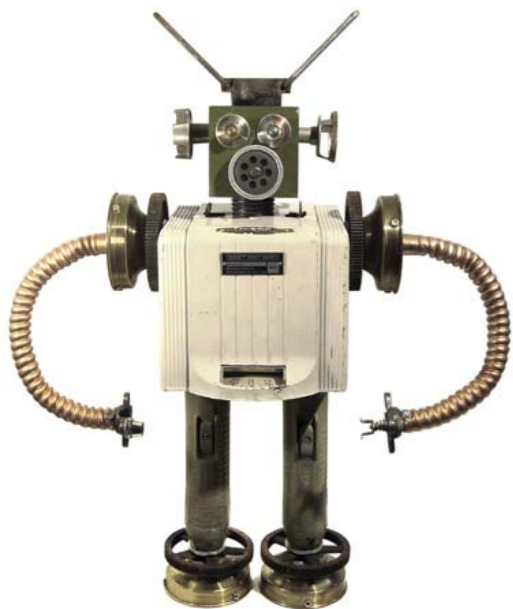
**Iyad Mourtada**

# Do we need auditors & compliance officers in the future?



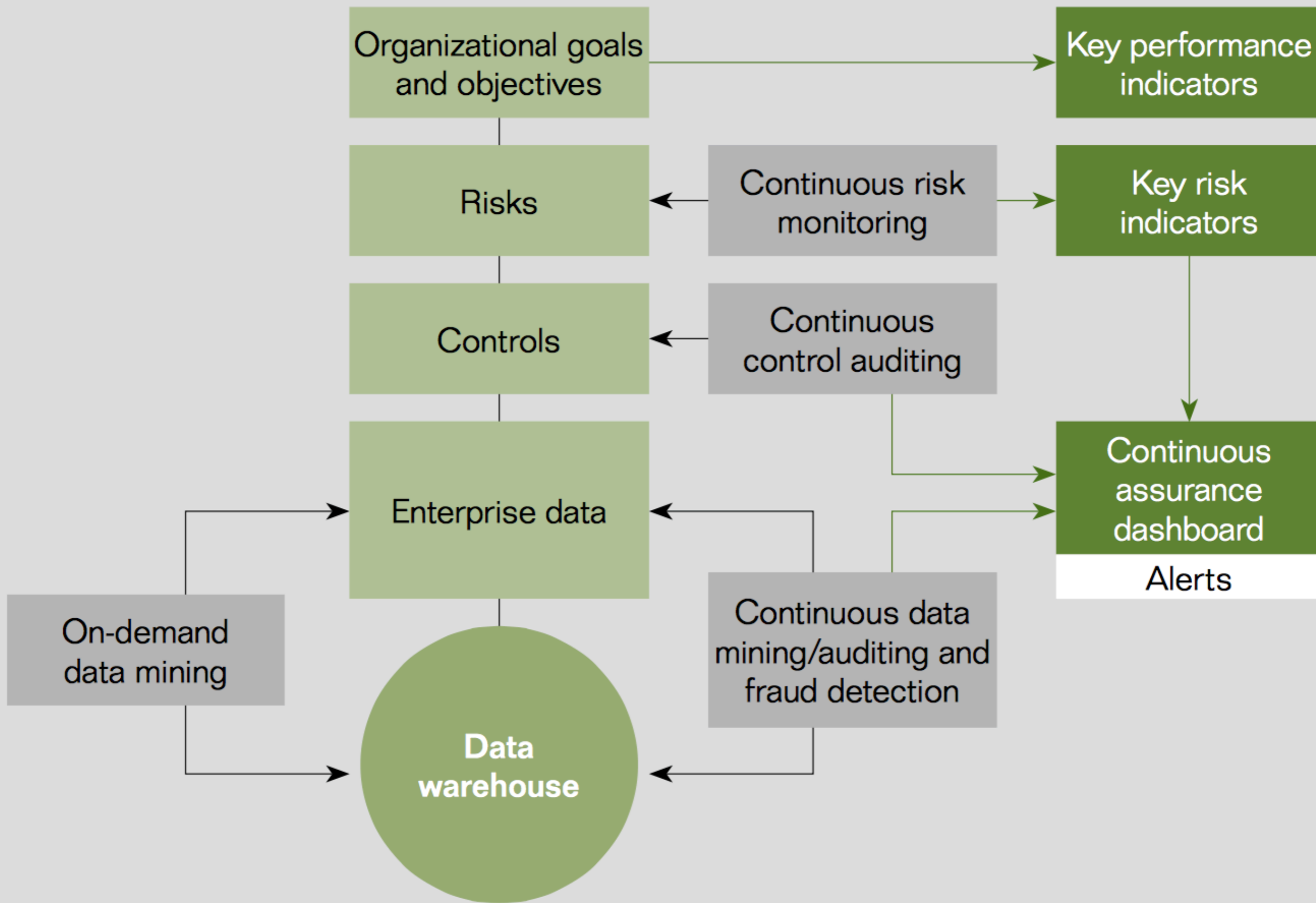
WORKPLACE LEARNING  
IN A WORLD "BEYOND AUTOMATION"

# Can machines replace them?





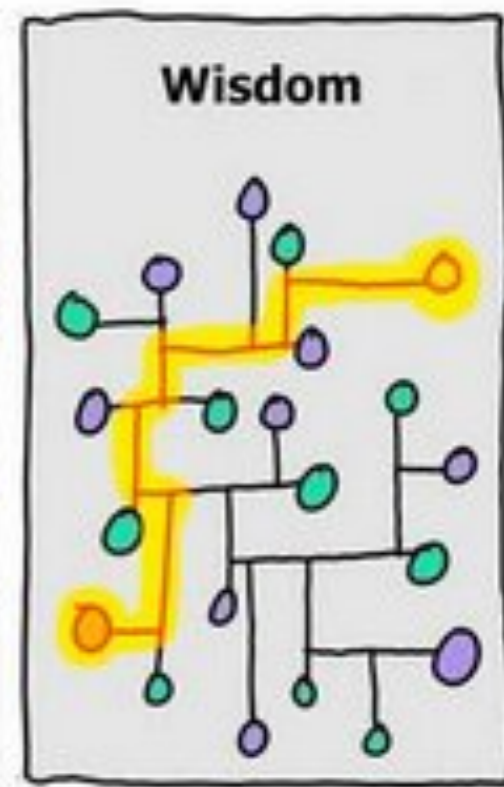
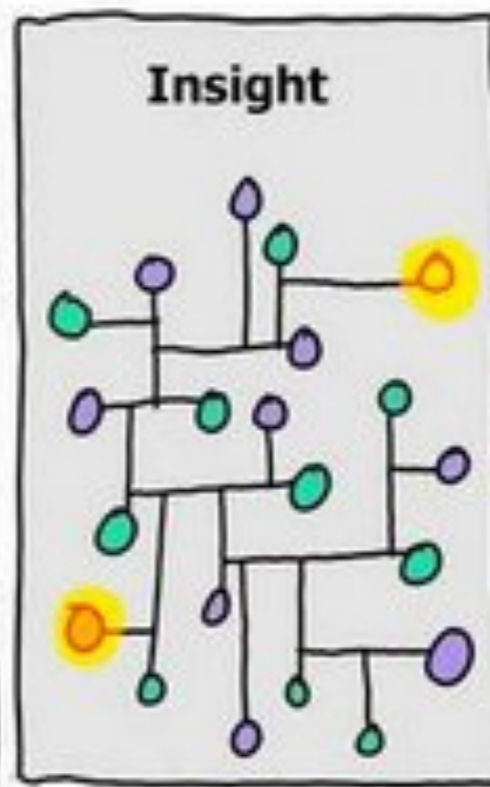
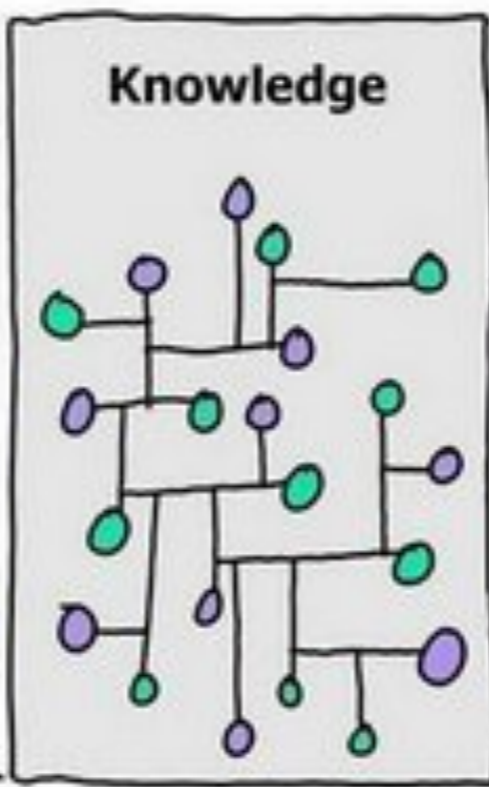
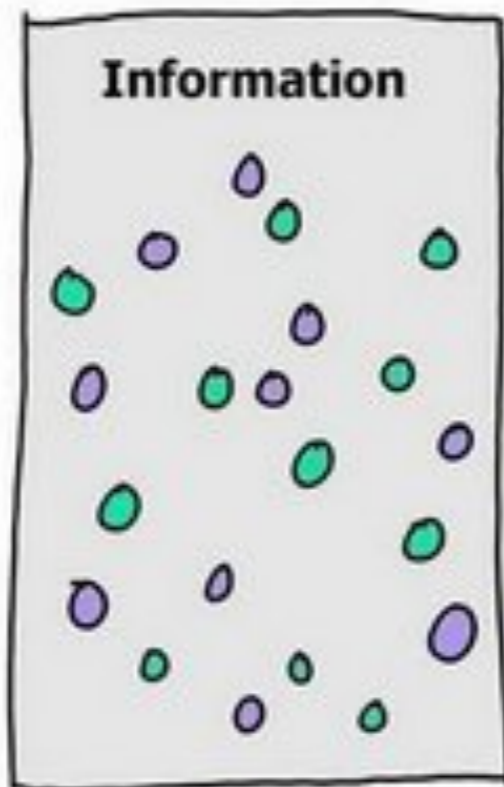
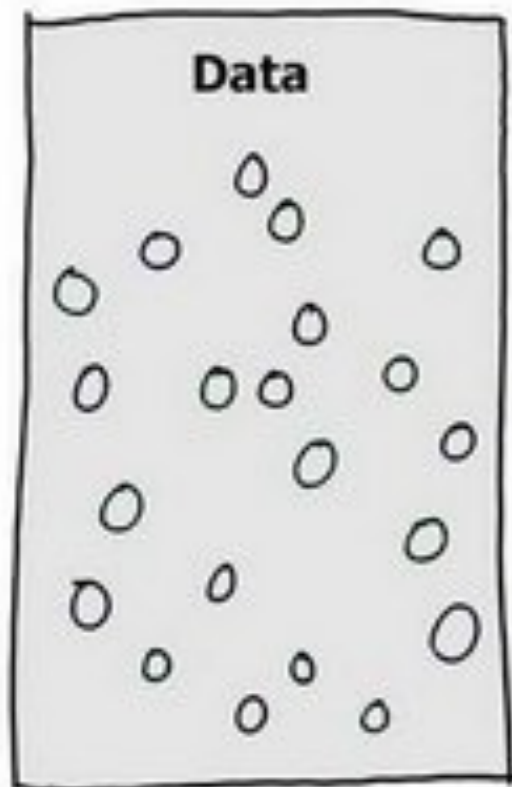




**The Continuous Risk and Control Assurance Model**







# Intelligence-based Compliance and Audit

- **Culture**
- **Governance**
- **Performance**
- **Risk Indicators**
- **Artificial Intelligence**
- **Continuous Auditing**
- **Gamification of Compliance**





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