

IMPROVING CORPORATE GOVERNANCE THROUGH ICT RISK
MANAGEMENT

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ABSTRACT

Most of corporations have already adopted ICT for business administration and corporate governance. This is crucial to understand and implement because the risks posed by the use of ICT tend to be more complicated at unprecedented level. Among those risks are the threat to integrity, security and confidentiality of information systems within the corporate entities. Any slight mistake in this process will cause detriments to the corporations; ranging from network system failure, lost of informational assets, infringement of trade secret and intellectual property, to the loss of workforce productivity. As a country which recently started to involve ICT in corporate governance, National Welfare Fund “Samruk-Kazyna” in Kazakhstan urgently need in deep understanding of risks associated with using ICT in corporate governance. Therefore as a benchmark to further development they have chosen Khazanah Nasional Berhard in Malaysia, which has more experience in corporate governance. This project is developed to achieve the objective to establish an effective guideline in ICT risk management in corporate governance. The proposed guideline will be helpful to mitigate and reduce risks posed by using ICT in corporate governance in the biggest and the most important government investment holding in Kazakhstan.

ABSTRAK

Kebanyakan syarikat korporat telah ataupun sudah mengadaptasikan teknologi komunikasi maklumat didalam pentadbiran perniagaan dan pengkerajaan korporat. Ini adalah untuk memahami dan mengimplemen risiko yang dihadapi dengan kegunaan teknologi komunikasi maklumat yang mengelirukan pada peringkat yang ketidaktentuan. Kebanyakan risiko adalah dari integriti, keselamatan dan kesulitan dalam sistem maklumat dalam keadaan korporat. Apa-apa kesilapan dalam proses boleh mengakibatkan kerugian dalam syarikat dalam ketidakupayaan sistem rangkaian, kehilangan maklumat harta, kesulitan dalam perniagaan dan harta intelektual serta kehilangan keupayaan kerja berproduktiviti. Untuk negara yang baru melibatkan teknologi komunikasi maklumat dalam pengkerajaan korporat, Nation Welfare Fund “Samruk-Kazyna” di Kazakhstan amat memerlukan kefahaman yang mendalam dalam pengkerajaan korporat. Maka itu satu penanda untuk membangunkan perkara tersebut, mereka memilih Khazanah Nasional Berhada di Malaysia yang mempunyai pengalaman dalam pengkerajaan korporat. Projek ini adalah untuk membangunkan pencapaian pada objektif dalam merekabentukkan garis panduan yang berkesann dalam pengurusan risiko teknologi komunikasi maklumat dalam pengkerajaan korporat. Cadangan pada garis panduan boleh membantu mengatasi dan mengurangkan risiko yang telah dihadapi dalam kegunaan teknologi komunikasi maklumat dalam pengkerajaan korporat yang terbesar dan keutamaan pelaburan kerajaan dalam Kazakhstan.

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LIST OF ABBREVIATIONS

MMEs	-	Micro and medium-sized enterprises
ICT	-	Information & Communication Technology
IT	-	Information Technology
IS	-	Information security
NWF	-	National Welfare Fund

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CHAPTER 1

PROJECT OVERVIEW

1.1 Introduction

Corporate governance is now becoming a standard requirement for proper industrial conduct and effective organization. More so for micro and medium-sized enterprises (MMEs) vying for access to financial services, perimeters such as internal control, transparency, and disclosure of material information –among key areas of corporate governance – are something potential investors today would naturally like to see with particular interests.

What tends to be overlooked by many is that this ‘internal control’ does not only cover controls of financial aspects. In fact, such internal control has to cover also those aspects of operational control, compliance and risk management. These are among those aspects that pose significant and potential threats to companies’ assets and business operations.

The influences of ICT to the notion of corporate governance cannot be more obvious in today's enterprises that operate in the technological environment. The basic question to be posed in this research is how such corporate governance is implemented in the current pretext of e-corporations, i.e. those corporations that adopt ICT for business administration, operation and products and services – virtually every today's corporations. For this reason the title of the research was chosen.

1.2 Background of the Problem

Most of corporations have already adopted ICT for business administration and corporate governance. This is crucial to understand and implement ICT risk management of using ICT in corporate governance because the risks posed by the use of ICT tend to be more complicated at unprecedented level. Among those risks are the threat to integrity, security and confidentiality of information systems within the corporate entities. Any slight mistake in this process will cause detriments to the corporations; ranging from network system failure, lost of informational assets, infringement of trade secret and intellectual property, to the loss of workforce productivity. As a country which recently started to involve ICT in corporate governance, National Welfare Fund “Samruk-Kazyna” in Kazakhstan urgently need in deep understanding of risks associated with using ICT in corporate governance, because as a benchmark to further development they have chosen Khazanah Nasional Berhad in Malaysia.

1.3 Statement of the Problem

This research is conducted as an attempt to find the answers to some problems, relating to:

1. What is the role of ICT in corporate governance?
2. How ICT can enhance and improve corporate governance?
3. How risky is involvement of ICT in corporate governance to company performance?
4. How to mitigate risks posed by using ICT in corporate governance?
5. What can be an effective ICT risk management guideline for National Welfare Fund “Samruk-Kazyna”?

1.4 Research Objectives

The objectives of the research study are:

- 1 To identify the role of ICT in corporate governance;
- 2 To identify the risks posed by involvement of ICT in corporate governance to company performance;
- 3 To determine the ways to mitigate risks posed by using ICT in corporate governance;
- 4 To propose ICT Risk management guideline or policy to improve corporate governance.

1.5 Scope of the Project

The boundaries of the research will be the ICT risk management in corporate governance based on Khazanah Nasional Berhard in Malaysia. The data collection will be done by the observation of the secondary sources and collecting the primary data, having applied qualitative research method. National Welfare Fund “Samruk-Kazyna” and Khazanah Nasional Berhard will be involved in the survey. Qualitative study will be conducted through interview. The duration taken for the whole study to be carried out is short.

1.6 Importance of the Research Study

This project is developed to achieve the objective to establish an effective guideline in ICT risk management in corporate governance.

The proposed guideline will be helpful to mitigate and reduce risks posed by using ICT in corporate governance in Kazakhstan.

With the information at hand, more extensive studies could be planned for the future.

1.7 Chapter Summary

This chapter has covered about the introduction of the project including the background of the problem, problem statement, research objectives and scope of the project. This project will be done with literature review from some resources such as the Internet, books, conferences and journals and collecting primary data using different research methods.