

Assessment of the Current Compliance Management System to Enhance the Quality of the Smart Ration Card in Accordance with the International Standard (ISO 37301:2023)

Shaimaa Salah Saifi Gomair Elias¹ and Ghani Dahham Al-Zubaidi²

¹General Company for Trading Construction Materials, Ministry of Trade, 10011 Baghdad, Iraq

²Department of Business Administration, University of Baghdad, 10071 Baghdad, Iraq
shimaa7@gmail.com, ghani@coadec.uobaghdad.edu.iq

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Abstract: This study evaluates the effectiveness of the Compliance Management System (CMS) implemented by the General Company for Foodstuff Trading in Iraq, with a focus on improving the quality of the Smart Ration Card system in accordance with ISO 37301:2023. A mixed-method approach was adopted, combining a structured compliance checklist, semi-structured interviews with 31 department managers, and descriptive statistical analysis including mean scores, standard deviation, and gap analysis. The results indicate that the overall compliance level is moderate, with a total mean score of 3.50 and a corresponding gap of 70%, reflecting partial alignment with ISO 37301 requirements. The strongest performance was observed in defining the scope of the compliance management system (mean = 3.82), while compliance obligations and system implementation recorded the lowest scores (mean = 3.25 and 3.29 respectively), indicating critical implementation gaps. The findings suggest that although the organization demonstrates an acceptable level of compliance awareness, deficiencies remain in risk assessment integration, stakeholder alignment, and system-wide implementation. The study concludes that full compliance with ISO 37301:2023 requires strengthening internal governance structures, enhancing compliance culture, and improving digital integration within the Smart Ration Card system.

1 INTRODUCTION

Your management process for any activity requires strict adherence to regulatory guidelines, ensuring continuous follow-up and compliance with instructions and controls. From this standpoint, the concept of "compliance" has emerged as a modern approach to ensuring that standards and laws are met, especially in the legal, financial, and regulatory fields. However, its applications have expanded to include various fields, including services and quality applications. Compliance reflects an approach that aims to achieve a high level of institutional discipline, thereby enhancing transparency and operational stability [1]. In this context, the concept of compliance management and its importance have been addressed, along with the dimensions and components on which it is based, to ensure optimal performance and harmony with the required quality standards.

The current reality shows a significant weakness in controlling food security in Iraq, where ambiguity prevails, and procedures lack clarity and efficiency. This confirms the urgent need to adopt clear compliance instructions, implement them, and document them, especially considering ISO 37301:2023 [2]. The research addressed several pivotal questions, including: How can adopting the ISO 37301:2023 standard improve the quality of the innovative ration card system? What is the current management's efficiency level in implementing smart ration card technologies in the company? What are the challenges and gaps facing the company in implementing this standard? Also, does the company can evaluate the compliance management system to support the development of the smart ration card? The research aims to develop a theoretical framework for ISO 37301:2023 that guides the company towards efficient compliance management, analyses the challenges facing the General Company for Foodstuff Trading in implementing the smart ration card system, identify the gaps between the requirements of

ISO 37301:2023 and the smart ration card system with a focus on social and economic impacts, provide solutions to address current weaknesses and design an integrated model for the smart ration card in line with international requirements.

2 MANAGEMENT OF FRAUD

The evolution of methods and techniques has led to changes in fraud assessment and prevention. Identifying which addresses fraud risks involves continuous monitoring, analysis, and the use of fraud-related indicators. [2] notes that an independent fraud management function reports directly to the board, which is essential for assisting executive management in improving and applying fraud management and control strategies and steps. Fraud monitoring, due to the goal-setting track [3], depends on audit oversight [4], in which specific objectives are set, advice is provided, and early warning signs are established regarding the organisation's fraud risks. Non-compliance with these procedures may result in financial and reputational loss for the organisation. Commitment to regulations, ethics, and professional standards of ethical conduct is a key factor in reducing fraud risk, enabling the organisation to use integrated strategies, control frameworks, and procedures. This ensures that the fraud management outcomes are achieved and accountability and responsibility requirements are met.

Responding to fraud cases and incidents [4] must be immediate, with a focus on preventing recurrence through effective monitoring and precise reporting mechanisms. The objective is to provide practical direction grounded in theory and experience, resulting in better behavior and professional practices. [5] pointed out that establishing a clearer controlling culture and applying ethical behavior is essential for improving governance and commitment to professional standards.

The organization's capability to respond to fraud and its accountabilities are evaluated by determining whether it has complied with its ethical standards and by reviewing reports that highlight early warning signs of potential fraud risks. The organization must adhere to laws, rules, and professional standards to lessen fraud-related reputational and financial risks. Maintaining a continuous review process and adhering to critical ethical and professional standards are necessary to ensure transparency, monitor risks, and submit reports to the board and executive management [6].

Therefore, Fraud management aims to maintain trust in the financial and administrative systems by engaging stakeholders, protecting their rights, and enhancing transparency in all economic data and associated information. Fraud management is also essential for ensuring governance related to financial and social accountability and for addressing operational gaps in control and internal error systems [7].

The Basel II Committee resolutions (2005) established specific requirements and goals for fraud management, and one of the most important goals is to assess and mitigate fraud risks within organizations [8]. This involves evaluating the organization's operations and activities and ensuring compliance with the applicable laws and regulations. Additionally, fraud management offers guidance on compliance with reporting and ethical obligations. It also ensures that the higher authorities apply the necessary standards and requirements for fraud management, especially regarding transparency in clarifying sources of risk and issuing precise guidance, oversight, and recommendations. According to [9], there is a continuous need to develop fraud management procedures and mechanisms, including engineering controls, recommendations for anti-money laundering efforts, and confirmation of the legitimacy of funds and the nature of activities and related practices.

Moreover, an essential part of fraud management involves assessing and identifying internal and external risks. This includes ensuring compliance with international standards [3] and developing effective mechanisms for communication and coordination between relevant internal entities. An example of this is risk management within the organization.

The Fraud Control Directorate provides periodic reports on fraud cases and associated activities, which are escalated in accordance with the organization's fraud management agreements under Basel guidelines. It also works to develop training programs for employees to improve their professional competencies and to diagnose the training needs of staff involved in fraud management [10].

3 ADVANTAGES OF COMPLIANCE MANAGEMENT

Compliance management has become an urgent need for all organisations, as it helps prevent problems and enhance the benefits of achieving their goals [9].

Compliance enhances security in an environment of increasing technological challenges, enabling the development and implementation of tools to combat fraud and establishing the organisation's success [10]. Using compliance management has many advantages, including data protection, which is essential to making compliance a tool for preventing it [11] and reducing legal risks by reducing the risks of lawsuits and penalties associated with breaching laws and regulations [12], in addition to ensuring a safe work environment by creating one that enhances productivity and quality and reduces risks in advance.

Another advantage of compliance is employee retention, as it protects employees' rights and supports their stability within the organization [13]. Moreover, enhancing the organization's reputation increases the trust of existing and new customers. 6. Building good trust with customers: Compliance enhances customer trust by establishing quality principles and protecting their privacy, an essential factor for survival in the market [14].

4 RULES OF COMPLIANCE

The compliance process involved essential rules agreed upon by specialized professional committees, including:

- **Accountability.** The head of the compliance function is responsible for managing daily tasks and establishing a practical compliance framework as part of the organisation's compliance policy.
- **Duties.** This includes identifying, monitoring, and assessing the organisation's compliance risks [15].
- **Cross-Border Application.** The compliance function must be structured in organisations operating across different areas or jurisdictions to meet local needs.
- **Employees.** Suitable training must be provided to the employees to fulfill compliance responsibilities.
- **Personal and Professional Experience.** Employees must demonstrate competence in fulfilling tasks.
- **Independence.** The compliance function must be independent of other organisational activities.
- **Compliance Strategy.** Senior management is in charge of developing the compliance strategy, overseeing its application, and reporting its efficiency and suitability to the board.

- **Mistake.** The board oversees the compliance risk management and should approve the compliance policy.
- **Formality.** The compliance function must have a formal standing within the organisation, established through a charter or official document approved by senior management [16].

5 ISO/IEC 37301-2023 AND ITS PURPOSES

The Compliance Management System (CMS) standards are established by ISO, primarily through ISO 19600:2014. This standard has been updated to ISO 37301:2021 to provide requirements and guidance for use, enabling certification by documentation bodies [16]. The standards structure differs from specification to specification, making application challenging, particularly for organizations adopting several standards. To address this, ISO standardized all specifications and structures and harmonized terms, definitions, and core texts [17]. This integration among standards aims to ensure consistent outcomes across multiple specifications, simplifying application across organizations [18].

The standard provides measures for reducing the probability of non-compliant behavior and is suitable for organizations of all sizes and structures. It could be adapted to the size, structure, nature, and complexity of an organization's activities [17]. In 2021, ISO released the compliance management system standard [19], which is a key factor in economic development and organizational success.

6 DESCRIPTIVE STATISTICAL ANALYSIS OF THE COMPLIANCE CHECKLIST

The company context encompasses the assessment of organizational understanding of its internal and external environment, stakeholder requirements, definition of the compliance management system (CMS) scope, compliance obligations, and risk assessment. The study employs arithmetic mean, standard deviation, and gap analysis to evaluate compliance performance. All indicators related to these dimensions are presented in Table 1.

Table 1: Descriptive variables.

Criterion	Mean	Standard Deviation	Gap Size	Relative Importance	Ranking by Gap
Understanding the company and its context	3.55	0.577	71	29	4
Understanding the needs and prospects of stakeholders	3.42	0.744	68.4	31.6	3
Defining the scope of the compliance management system	3.82	0.488	76.4	23.6	6
Compliance management system	3.29	0.754	65.8	34.2	1
Compliance obligations	3.25	0.923	65	35	2
Compliance risk assessment	3.67	0.655	73.4	26.6	5
Total Company Context	3.50	0.499	70	30	

The “Understanding the Company and its Context” criterion reflects the extent of organizational awareness of internal and external factors influencing performance. The mean score of 3.55 indicates a moderate level of implementation, while the standard deviation of 0.577 suggests low variability in responses. A gap value of 71 highlights the need for improvement to achieve the desired optimal level. The relative importance of 29% indicates comparatively lower prioritization. This criterion ranks fourth in terms of gap size, suggesting the need for enhanced contextual awareness to improve decision-making efficiency. Overall, the findings indicate a satisfactory level of environmental understanding; however, further refinement is required to incorporate comprehensive operational determinants and strengthen adaptive capacity.

The “Understanding the Needs and Expectations of Stakeholders” criterion reflects the organization’s awareness of stakeholder requirements, with a mean score of 3.42 indicating a moderate level of implementation. The standard deviation of 0.744 demonstrates moderate dispersion among responses. A gap value of 68.4 indicates the existence of improvement opportunities, while the relative importance of 31.6% suggests medium significance within the overall assessment. This criterion ranks third in terms of gap magnitude, emphasizing the necessity of strengthening stakeholder engagement mechanisms. Although the organization demonstrates a reasonable level of stakeholder awareness, further enhancement is required to improve responsiveness to evolving expectations and to reinforce long-term relational stability.

The “Defining the Scope of the Compliance Management System” criterion indicates a relatively high level of clarity, with a mean score of 3.82 and a standard deviation of 0.488, reflecting low response variability. However, the gap value of 76.4 suggests substantial room for improvement. The relative importance of 23.6% indicates lower prioritization within the overall framework. Ranked sixth in terms

of gap size, this criterion highlights the need for more precise delineation of CMS boundaries to ensure comprehensive regulatory alignment. While the organization demonstrates a structured approach to defining CMS scope, further expansion is required to eliminate potential operational gaps and enhance regulatory coverage.

The “Compliance Management System” criterion records a mean value of 3.29 with a standard deviation of 0.754, indicating moderate implementation and variability. A gap value of 65.8 highlights the need for further development, while the relative importance of 34.2% classifies it as the most critical factor in the assessment. Ranked first in terms of gap size, this criterion underscores the necessity of prioritizing CMS enhancement to ensure full alignment with organizational requirements. The results suggest that the current CMS is partially effective; however, strengthening its structure and implementation is essential to improve compliance performance, enhance stakeholder confidence, and mitigate organizational risk.

The “Compliance Obligations” criterion presents a mean score of 3.25 and a relatively high standard deviation of 0.923, indicating moderate implementation with noticeable dispersion. A gap value of 65 reflects the need for improvement, while a relative importance of 35% positions it as the second most significant factor. This criterion also ranks second in gap analysis, indicating the necessity of reinforcing compliance adherence mechanisms. Although the organization demonstrates a satisfactory level of regulatory compliance, further strengthening is required to ensure full alignment with legal and regulatory frameworks and to reduce exposure to compliance-related risks.

The “Compliance Risk Assessment” criterion reflects the effectiveness of the organization’s ability to identify and evaluate compliance-related risks. The mean score of 3.67 indicates a relatively high level of implementation, while the standard deviation of 0.655 suggests low variability in responses. The gap

value of 73.4 highlights a notable need for improvement, whereas the relative importance of 26.6% indicates medium significance within the overall framework. This criterion ranks fifth in terms of gap magnitude, emphasizing the necessity of enhancing risk assessment processes to ensure full alignment with compliance standards. Although the organization demonstrates the capability to identify and evaluate compliance risks, further refinement is required to improve the accuracy, comprehensiveness, and predictive capacity of risk assessment mechanisms. Strengthening this dimension would support more proactive risk mitigation strategies and reduce potential adverse impacts on organizational performance.

The “Total Corporate Context” criterion reflects the overall level of organizational understanding of its internal and external environment. The mean score of 3.5 indicates a moderate level of implementation, while the standard deviation of 0.499 suggests low dispersion and high consistency among responses. The gap value of 70 indicates room for improvement in achieving an optimal contextual understanding. The relative importance of 30% places this criterion at a medium level within the overall assessment and ranks it fourth in terms of gap size. This result underscores the need to strengthen integrated awareness of the organizational environment to support more informed decision-making and effective operational planning. While the organization demonstrates an adequate general understanding of its business context, further development is required to enhance its ability to respond to dynamic environmental changes and to improve long-term strategic adaptability and sustainability.

7 RESULTS

The study evaluates the current Compliance Management System (CMS) at the General Company for Foodstuff Trading in Iraq, with a focus on enhancing the quality of the innovative ration card system in accordance with ISO 37301:2023 requirements. The analysis emphasizes the identification of compliance gaps, assessment of stakeholder requirements, and evaluation of risk management practices.

The “Understanding Organisational Context” dimension indicates a moderate level of awareness regarding internal and external environmental factors, with a mean score of 3.55. This suggests that while the organization demonstrates a reasonable understanding of its operational context, further

improvement is required to enhance adaptability and contextual responsiveness.

The “Stakeholder Requirements” dimension records a mean score of 3.42, reflecting a moderate level of stakeholder awareness. The results indicate the need for deeper engagement with stakeholders to better capture their expectations and strengthen external relational performance.

The “Scope of Compliance Management” dimension shows a relatively higher level of clarity, with a mean score of 3.82. However, further expansion of the CMS scope is required to ensure full alignment with organizational processes and regulatory requirements.

The “Compliance Obligations” and “Risk Assessment” dimensions present mean values of 3.25 and 3.67, respectively. These results indicate moderate compliance performance, suggesting the need for enhanced regulatory adherence mechanisms and more comprehensive, proactive risk assessment practices to improve preparedness and compliance effectiveness.

In addition, the study highlights the importance of structured fraud management, which involves the implementation of preventive controls, systematic risk identification, and adherence to international compliance standards. Emphasis is placed on transparency and ethical conduct as key factors in mitigating reputational and financial risks.

From an organizational perspective, improvement measures should include the restructuring of internal policies, processes, and resource allocation to ensure alignment with compliance objectives. The integration of advanced technological solutions is recommended to strengthen the overall compliance culture.

Furthermore, enhanced stakeholder engagement is necessary to ensure that compliance strategies are aligned with evolving expectations. A formalized risk management framework should be established, supported by updated documentation and continuous monitoring mechanisms to prevent compliance breaches.

The implementation of advanced fraud detection and prevention systems is also essential, alongside continuous employee training programs focused on compliance and fraud risk awareness.

Finally, the findings underscore the importance of aligning organizational practices with ISO 37301:2023 standards to enhance compliance maturity, improve operational efficiency, and support long-term sustainability and governance excellence.

8 CONCLUSIONS

The findings indicate that the organization demonstrates an adequate level of understanding of its internal and external context. However, limitations were observed in adapting internal structures, policies, processes, procedures, and technological resources to fully align with compliance management system (CMS) requirements. Despite these limitations, the organization shows a clear commitment to developing a compliance-oriented culture and actively identifies internal and external factors that influence the achievement of CMS objectives and outcomes.

The results also reveal a generally satisfactory understanding of stakeholder needs and expectations. Nevertheless, deficiencies remain in clearly defining which stakeholder requirements are addressed through the CMS. In addition, the organization exhibits limited capability in systematically identifying and engaging stakeholders directly associated with the electronic (smart) ration card system, which may affect the effectiveness of compliance implementation.

Furthermore, the organization demonstrates the ability to define the scope of the compliance management system in a satisfactory manner. This is reflected in its capacity to determine the boundaries and applicability of the CMS, supported by the availability of documented information related to the electronic ration card system.

However, the study identifies that the compliance management system currently receives only moderate attention, resulting in implementation gaps. These gaps are primarily attributed to insufficient efforts in establishing, implementing, maintaining, and continuously improving the CMS and its associated processes and interactions. This includes integration with the electronic (smart) ration card system. Additionally, the current CMS does not fully reflect the organization's values, strategic objectives, and operational priorities within its legal, regulatory, and socio-economic context, indicating the need for further system maturity and alignment.

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