

Compliance, Ethics and Fraud

Current issues

Greater Houston Business Ethics Roundtable

17 July, 2014



EY

Building a better
working world

Topics

- ▶ Recent developments
 - ▶ EY 13th Global Fraud Survey – key findings
 - ▶ COSO Framework 2013 – fraud, compliance and ethics
 - ▶ Product safety – ethics and compliance
- ▶ Compliance risk assessment
- ▶ Board reporting
- ▶ Compliance program assessment

EY 13th global Fraud Survey



Methodology

- ▶ EY's 13th Global Fraud Survey was published in June 2014.
- ▶ Between November 2013 and February 2014, our researchers conducted 2,719 interviews with executives in 59 countries and territories.
- ▶ Interviewees were selected from a sample of the largest companies in each country. Executives interviewed included chief executive officers (CEOs), chief financial officers (CFOs), chief compliance officers (CCOs), general counsel and heads of internal audit, among others. Interviews were conducted on an anonymous basis in the local language by telephone or in person. Details of the full survey are shown below:

Revenue*	% of respondents
More than US\$5b	6%
US\$1b-US\$5b	18%
US\$500m-US\$0.99b	13%
US\$100m-US\$499m	30%
US\$99m or less	31%
Above US\$1b	24%
Below US\$1b	73%

Job title	% of respondents
CFO	28%
Other finance	23%
Head of internal audit	9%
Other audit/risk	9%
General counsel	7%
CEO	6%
Head of marketing/sales	4%
CCO	3%
Other	11%

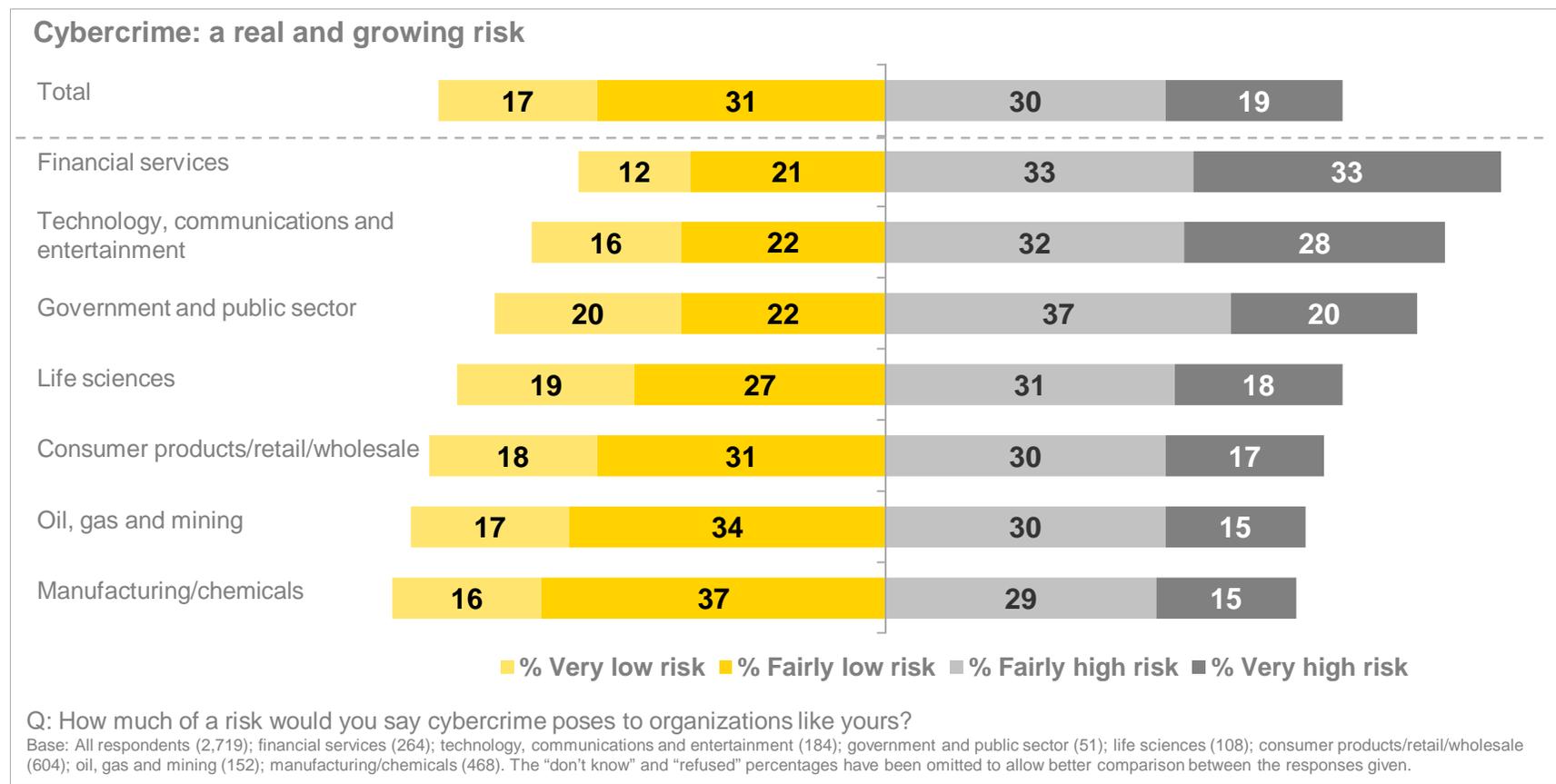
- ▶ Please note that, due to rounding, some figures in the charts that follow may not sum to 100%.

* Respondents that did not provide a response to this question have been omitted. Base: All respondents (2,719)

Challenges in addressing new risks - cybercrime

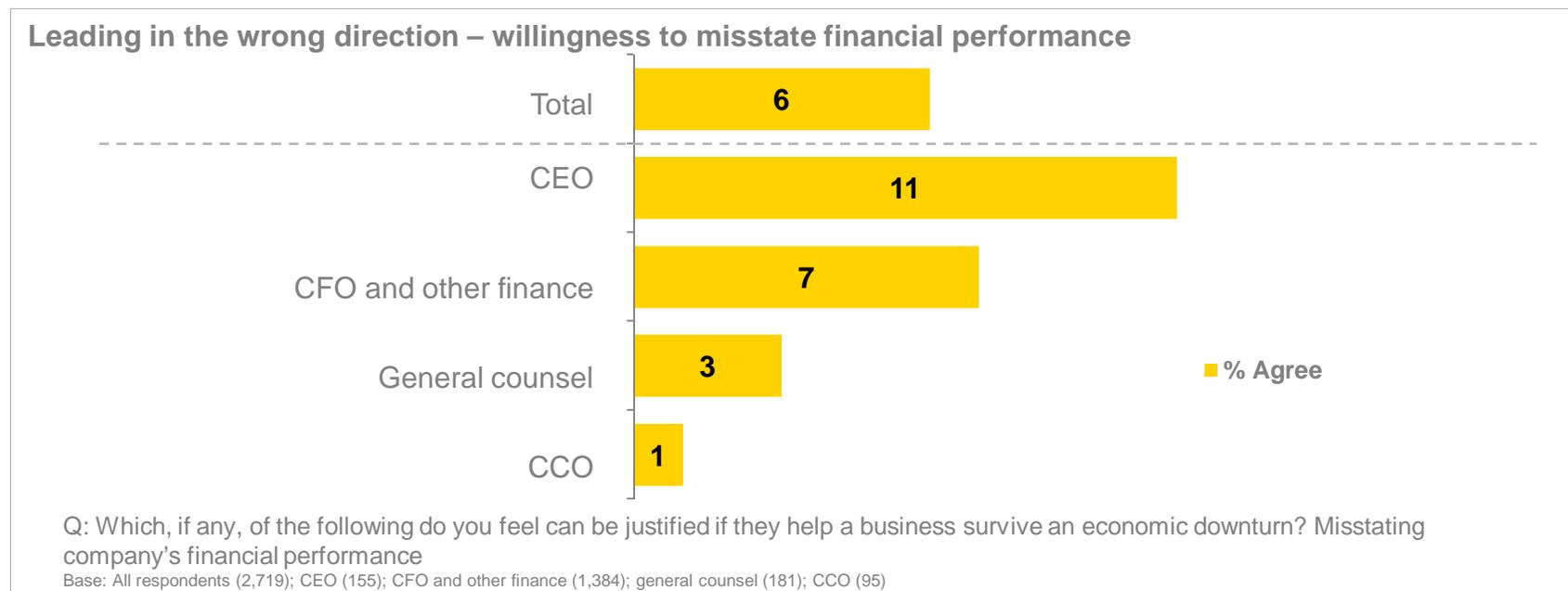
One of the most significant examples of a developing threat is that of cybercrime.

Cyber attacks are now a fact of life for business, posing a dynamic, relentless menace for leading companies. The threat is growing, and our survey suggests organisations may not be keeping pace.



Fraud – risks throughout the organization

Executives at senior levels are as likely to justify certain questionable or unethical acts as their more junior colleagues. This should be a significant concern given their ability to override internal controls.

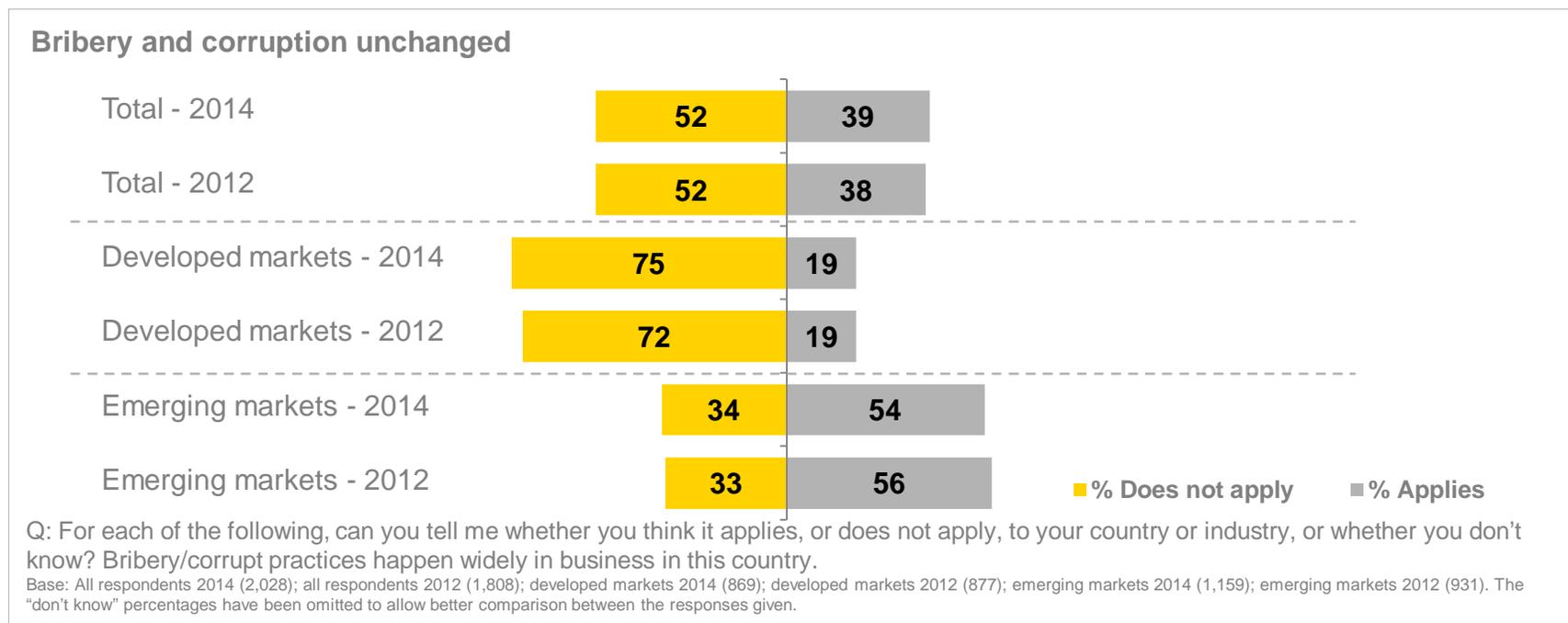


- ▶ Six percent of respondents stated that misstating financial performance is justifiable in order to survive an economic downturn. This is an increase from 5% two years ago, and is driven by responses from emerging markets where, in some jurisdictions, a significantly higher proportion of respondents stated that they could justify such actions: in Singapore, 28% thought misstating performance is justifiable; in India, 24%; and in South Africa, 10%.
- ▶ In general, C-suite respondents are as likely to justify misstating financial performance, but of particular note, CEOs are more likely to justify it than other colleagues (11%).

Executives remain exposed to bribery and corruption risks

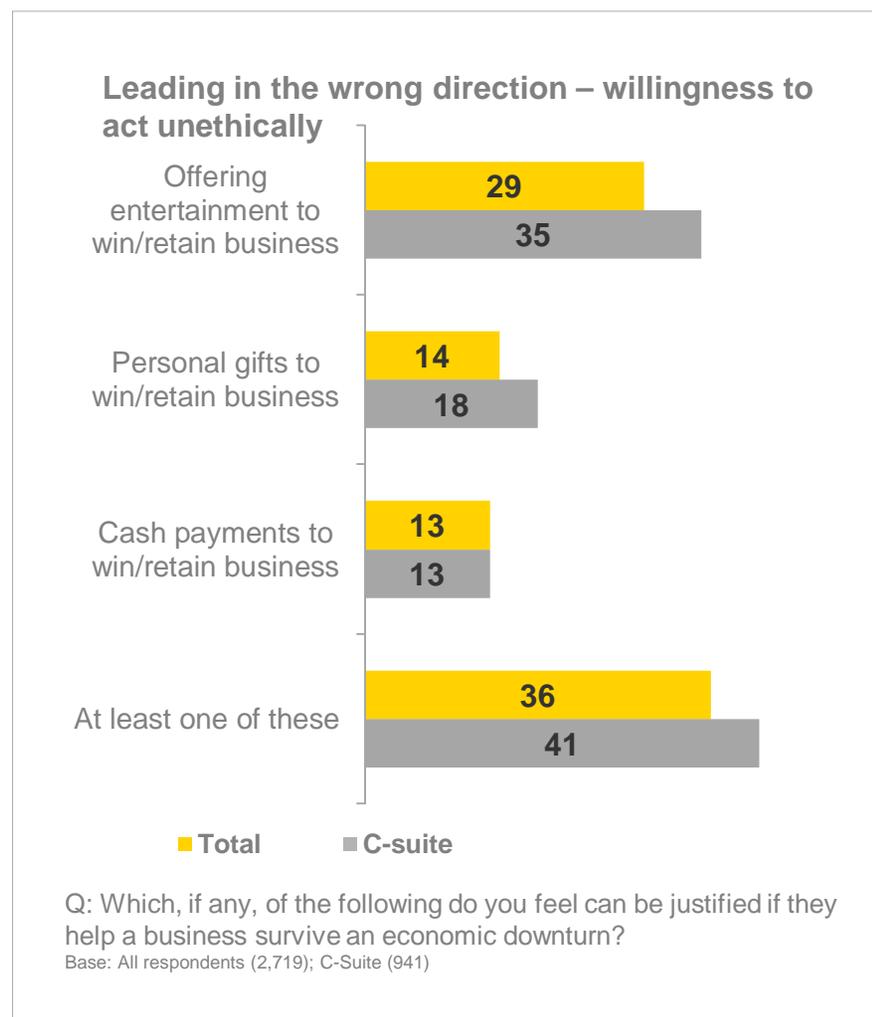
According to our respondents, there has been no reduction in the perceived level of bribery and corruption since our last survey.

- ▶ In 40% of the countries we surveyed, more than half the respondents said corruption was widespread.
- ▶ In Egypt, Kenya and Nigeria, the proportion who think that corruption is widespread is over 80%.
- ▶ Consistent with our last survey, people continue to believe that bribery and corruption are less likely in their industry or sector (13%) than in their country (39%).



Executives are willing to act unethically to win or retain business

- ▶ Not only are executives exposed to risks – our survey shows their apparent willingness to take them.
- ▶ Over 1/3 of respondents felt unethical actions were justifiable to help a business survive.
- ▶ In the case of offering entertainment and giving personal gifts, C-suite executives appear more willing than other executives to justify these actions in order to support the survival of the business.
- ▶ 18% of C-suite respondents feel offering personal gifts can be justified compared to 14% of all respondents.



Are compliance efforts running out of steam?

- ▶ Over 80% of respondents said that their companies have ABAC policies and codes of conduct. In the vast majority of cases, senior management were perceived to have strongly communicated its commitment to the policies.
- ▶ But this should not distract from the fact that a persistent minority of businesses have not yet taken the basic steps.

Has compliance stalled?

We have an anti-bribery/anti-corruption policy and code of conduct

82

81

Senior management has strongly communicated its commitment to our anti-bribery/anti-corruption policies

83

84

There are clear penalties for breaking our anti-bribery/anti-corruption policies

73

71

People have been penalized for breaching our anti-bribery/anti-corruption policies

35

44

■ Applies for 2014 ■ Applies for 2012

Q: For each of the following, please tell me whether it applies, or does not apply, to your organisation, or whether you don't know?

Base: All respondents 2014 (2,028); all respondents 2012 (1,808)

- ▶ Over 70% stated that there were clear penalties for violating these policies.
- ▶ Business in developed markets are more likely to have ABAC measures in place than those in emerging markets, but the margin is less than 10% in all cases – the differences between markets are becoming smaller as the consensus around best practice strengthens.



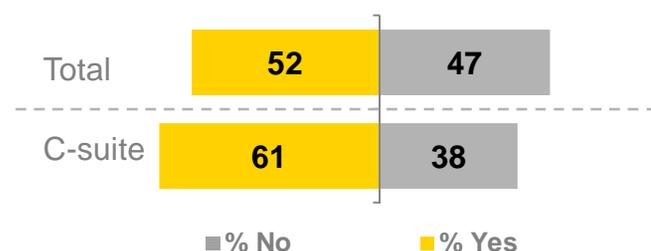
One-fifth of respondents say that either their business still does not have an ABAC policy or that they do not know if there is a policy.

Are compliance efforts running out of steam? (cont.)

- ▶ In some markets, there has been a reduction in the perception that senior management has communicated its commitment to policies.
- ▶ There has been a reduction in the number of respondents who have attended ABAC training: it is now below 50%.
- ▶ Only 38% of C-suite executives have attended training.
- ▶ Only 30% of C-suite respondents have been asked to participate in ABAC risk assessments in the last two years.

Demonstrating commitment, or not?

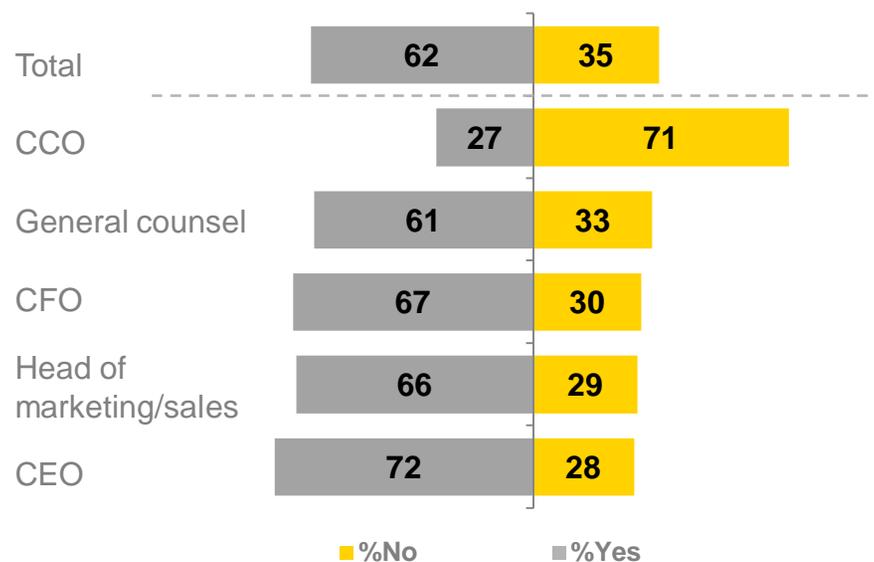
Have you attended anti-bribery/anti-corruption training?



Q: Have you attended ABAC training?

Base: All respondents (2,719); C-suite (941). The "don't know" percentages have been omitted to allow better comparison between the responses given.

Risk assessments – reflecting the breadth of experience?

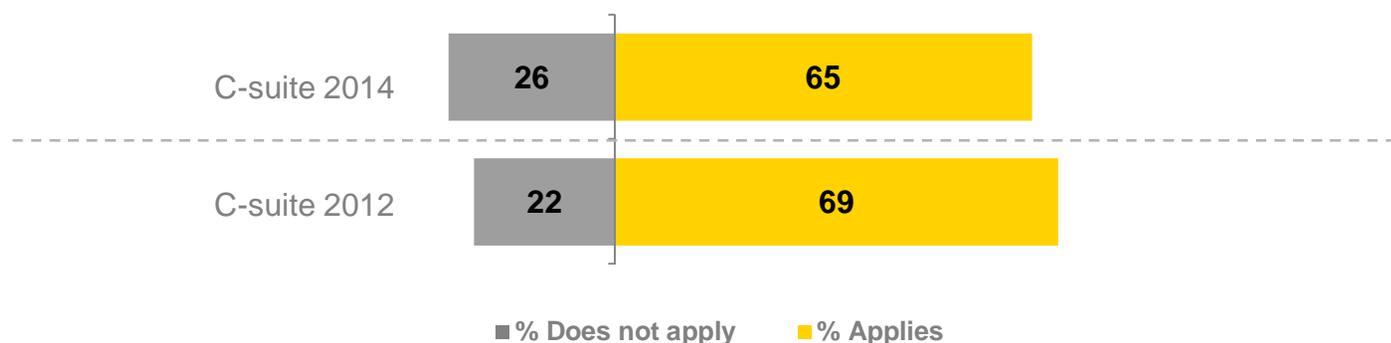


Q: In the past two years, which, if any, of the following had your company asked you to participate in? An ABAC risk assessment?

Base: All respondents (2,719); CCO (95); general counsel (181); CFO (752); head of marketing/sales (108); CEO (155). The "don't know" percentages have been omitted to allow better comparison between the responses given.

Are compliance efforts running out of steam? (cont.)

Focus now or pay later



Q: Does your board receive regular updates on fraud and compliance allegations or investigations?

Base: Extended C-suite 2014 (824); extended C-suite 2012 (762). The "don't know" and "refused" percentages have been omitted to allow better comparison between the responses given.

- ▶ Our results show that in companies where the leadership is most engaged and demanding, there is a higher level of compliance activity across the firm. It is essential that the board sets a challenging plan, continues to ask tough questions and actively holds senior management accountable for the results.
- ▶ This level of scrutiny will drive a higher level of engagement among senior executives and reduce the risks of compliance activities being delegated too far.

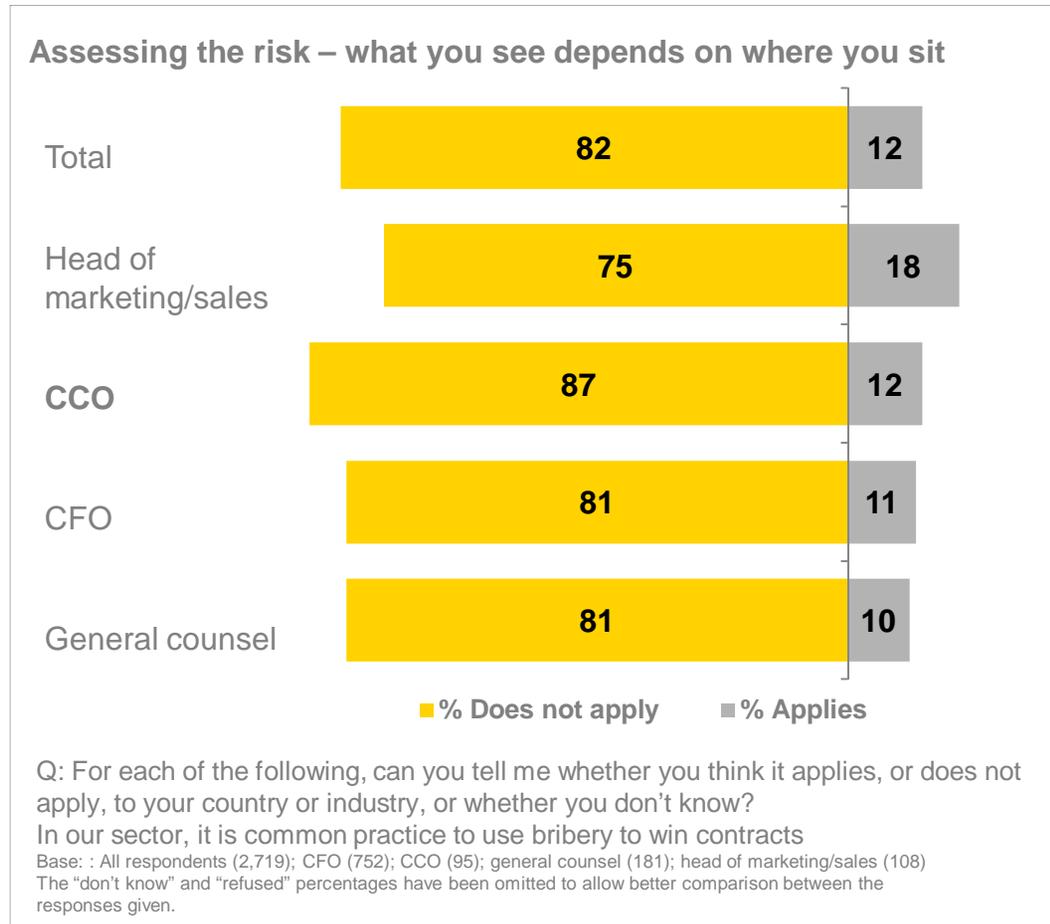


61%

of C-suite executives have not attended ABAC training.

Risks old and new require a dynamic response (cont.)

- ▶ Sales and marketing respondents were 50% more likely than compliance respondents to believe bribery is commonly used in their sector.



Learn from those most exposed

- ▶ Compliance efforts need to focus on teams most exposed to risk. The survey results show this is not always the case.
- ▶ ABAC training is more likely to be attended by executives in mature markets, where corruption is perceived to be lower.



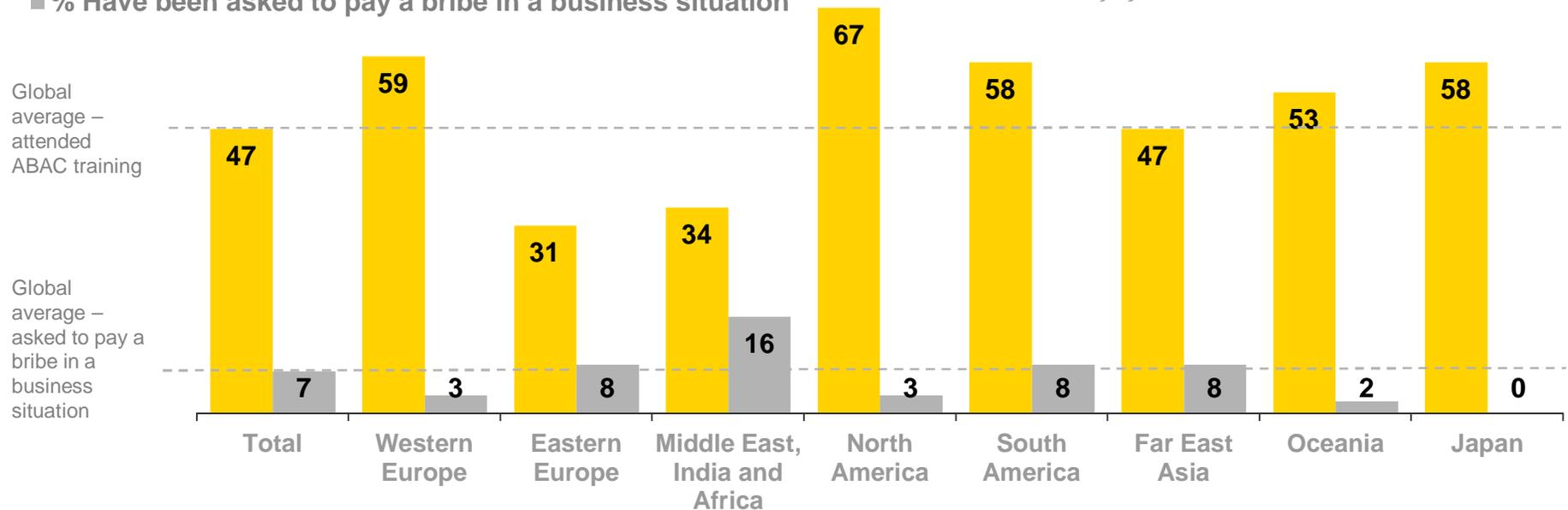
58%



40%

58% of respondents in developed markets had received ABAC training, compared with just 40% of respondents in emerging markets.

- % Have attended anti-bribery/anti-corruption training
- % Have been asked to pay a bribe in a business situation



Q: Have you attended ABAC training?

Q: Have you ever been asked to do any of the following? Pay a bribe in a business situation

Base: All respondents (2,719); Western Europe (852); Eastern Europe (608); Middle East, India and Africa (403); North America (100); South America (252); Far East Asia (403); Oceania (51); Japan (50)

COSO Framework 2013 – fraud, compliance and ethics



COSO Framework

1992 Components

Control Environment

Risk Assessment

Control Activities

Information & Communication

Monitoring Activities

2013 Principles

1. **Demonstrates commitment to integrity and ethical values**
2. Exercises oversight responsibility
3. Establishes structure, authority and responsibility
4. Demonstrates commitment to competence
5. Enforces accountability
6. Specifies suitable objectives
7. Identifies and analyzes risk
8. **Assesses fraud risk**
9. Identifies and analyzes significant change
10. Selects and develops control activities
11. Selects and develops general controls over technology
12. Deploys through policies and procedures
13. Uses relevant information
14. Communicates internally
15. Communicates externally
16. Conducts ongoing and/or separate evaluations
17. Evaluates and communicates deficiencies

Principle 1 – Integrity and ethical values

Principle 1: The organization demonstrates a commitment to integrity and ethical values

Points of focus:

- Sets the tone at the top
- Establishes standards of conduct
- Evaluates adherence to standards of conduct
- Addresses deviations in a timely manner

Principle 8 – Fraud Risk

Principle 8: The organization considers the potential for fraud in assessing risks to the achievement of objectives

Points of focus:

- Fraud risks are considered in the context that individuals or entities may act outside of the organization's expected standard of ethical conduct
- General risks under principle 7 are considered in the context of management, employees and third-parties adhering to the entity's expected standard of ethical conduct

Consider various types of fraud

Fraudulent reporting – Includes fraudulent financial reporting, fraudulent non-financial reporting, misappropriation of assets and illegal acts

Safeguarding assets – Protecting against the unauthorized and wilful acquisition, use or disposal of assets, includes theft, theft of IP and money laundering

Corruption – Relates to illegal acts considered in government statutes, includes oversight of third-party providers

Product safety – ethics and compliance



Product recalls are regulated

Medical devices

- ▶ Who recalls medical devices?
 - ▶ Mandatory for manufacturers, importers, device user facilities
 - ▶ Voluntary-In most cases, a company (manufacturer, distributor, or other responsible party) recalls a medical device on its own (voluntarily). When a company learns that it has a product that violates FDA law, it does two things:
 - ▶ Recalls the device (through correction or removal)
 - ▶ Notifies FDA.
 - ▶ Legally, FDA can require a company to recall a device. This could happen if a company refuses to recall a device that is associated with significant health problems or death. However, in practice, FDA has rarely needed to require a medical device recall.
 - ▶ <http://www.fda.gov/MedicalDevices/Safety/ListofRecalls/ucm329946.htm>

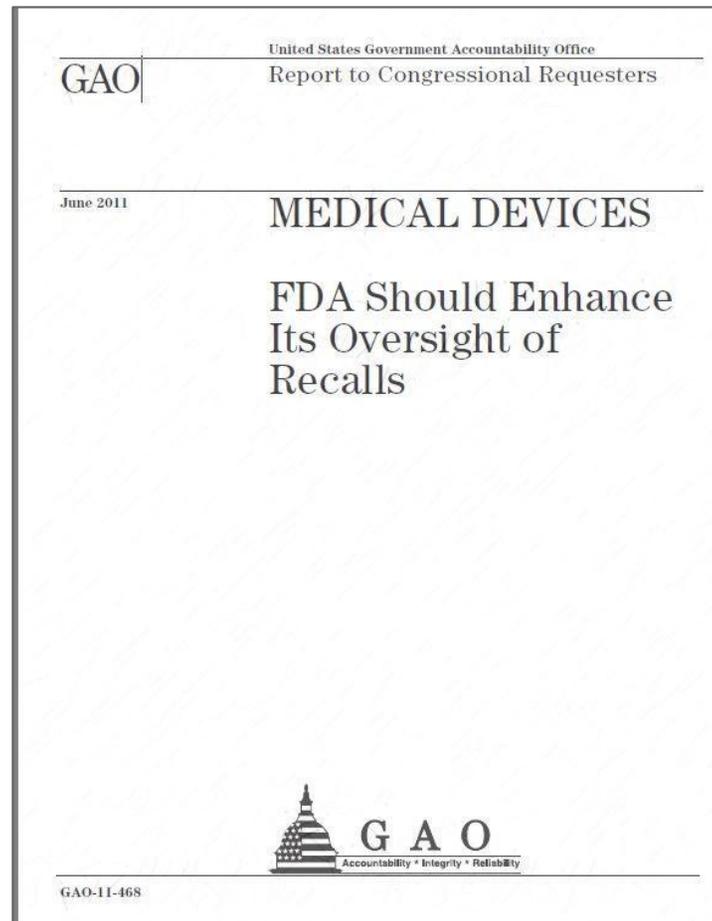
Product recalls are regulated Automobiles

- ▶ “The National Traffic and Motor Vehicle Safety Act . . . gives the Department of Transportation’s National Highway Traffic Safety Administration (NHTSA) the authority to issue vehicle safety standards and to require manufacturers to recall vehicles that have safety-related defects or do not meet Federal safety standards.
- ▶ “Manufacturers voluntarily initiate many of these recalls, while others are either influenced by NHTSA investigations or ordered by NHTSA via the courts. If a safety defect is discovered, the manufacturer must notify NHTSA, as well as vehicle or equipment owners, dealers, and distributors.
- ▶ <http://www-odi.nhtsa.dot.gov/recalls/recallprocess.cfm>

Violation of disclosure or recall requirements can be a felony

- ▶ Justice Department Announces Criminal Charge Against Toyota Motor Corporation and Deferred Prosecution Agreement with \$1.2 Billion Financial Penalty
 - ▶ Toyota Motor Corporation Admits to Misleading Consumers and U.S. Regulator About Safety Issues Related to Unintended Acceleration in Its Cars Independent Monitor to Be Appointed to Oversee Toyota's Public Statements and Reporting of Safety Issues
 - ▶ <http://www.justice.gov/opa/pr/2014/March/14-ag-286.html>

But regulatory programs have gaps



Ethical principles are not always clear

- ▶ “ I . . . argue that because safety is a relational concept whose definition is inherently a matter of subjective evaluation, the concept of an obligation to produce safe products is not well-formed, and hence that businesses do not have an ethical obligation to produce safe products.
- ▶ “I conclude by arguing that businesses do have an ethical obligation not to produce deceptively dangerous products, but that this obligation derives from the general duty of honest dealing, not a distinct duty of product safety.
- ▶ “The Mirage of Product Safety” John Hasnas,
<http://faculty.msb.edu/hasnasj/GTWebSite/SafetyFinalDraft.pdf>

And ethical choices are not always easy

- ▶ “Proponents of a surgical tool used for a common uterine procedure will argue at a hearing next month that the device's benefits—facilitating a less-invasive operation—make it too important to take it off the market.”
- ▶ “Showdown for Surgical Tool FDA Panel Will Hear Proponents and Opponents of Uterine Device at Hearing”
Wall Street Journal, June 17, 2014,
<http://online.wsj.com/articles/showdown-for-surgical-tool-1402958775>

Publicity and rumors induce caution

- ▶ “Audi Case Set Template for Toyota's Troubles”
 - ▶ The Audi case helped set the template for the high-stakes auto-safety scandal Toyota faces today. Audi, a unit [Volkswagen AG](#) Germany was ultimately exonerated of building defective cars, but not before its sales and reputation took a pounding at a strategically critical moment.”
 - ▶ <http://online.wsj.com/news/articles/SB10001424052748704349304575115952186305536>

So does fear of lawsuits

The screenshot displays the website for The Gilbert Law Group, a national law practice. The header features the firm's name in large, stylized letters and the tagline 'A NATIONAL LAW PRACTICE' with the phone number 1-877-431-4529. A navigation menu includes links for Home, About, Practice Areas, Verdicts and Settlements, Helping Those in Need, FAQs, and Blog. A 'Contact Us' button is also present.

The main content area is titled 'Automotive Product Liability' and includes a breadcrumb trail: 'You are here: Home / Practice Areas / Automotive Product Liability'. The text describes the firm's success in litigating cases against major automobile manufacturers. A list of common defects is provided:

- Sport utility rollovers;
- Seat belt and restraint system defects;
- Defective airbags;
- Roof crush;
- Structural defects;
- Seatback collapse;
- Dangerous conversation vans;
- Defective tires;
- Door, lock and lift-gate failures;
- Faulty electronic stability control;
- Vehicle fires;
- Defective windows; and
- Sudden unintended acceleration.

The text further states that the firm has helped change the automotive industry by forcing manufacturers to design safer vehicles and components. It also offers a free consultation and provides a contact form with fields for Full Name, Email, and Phone, along with a Case Summary dropdown menu.

Organizations do not perform optimally

- ▶ “Many of the problems I have seen in companies over the years can be attributed to what might be called, at least from the perspective of today’s performance standard, organizational design defects.
- ▶ In many instances, a failure of corporate responsibility occurs because a company’s guidance systems are poorly aligned with today’s expectations.
- ▶ The incentives are skewed, the controls are inadequate, the information base is too narrow, and so on.”

Lynn Sharp Paine, *Value Shift* page 181 (2003), writing about the Ford / Firestone SUV tire recall in 2000.

But can and must face into their ethical performance

New Recalls and More than 80 Lawsuits: The Future of General Motors.

General Motors CEO Mary Barra meets with shareholders today. It's her first public appearance since GM's internal review made public last week detailed the company's 11-year failure to recall cars with defective ignition switches. In recent months GM has been changing course: so far this year there have been 34 recalls involving 2.6 million cars. Mary Barra has promised the company will 'do the right thing' for families of those killed or injured as a result of the defective switches. But some say she faces an uphill battle in efforts to build trust in the company and its products.

Mary Barra: 'Today's GM will do the right thing'

Members of Congress on Tuesday pressed General Motors CEO Mary Barra on why apparently glaring signals over the years failed to prompt an earlier recall of potentially deadly cars.

Compliance risk assessment



Compliance risk universe*

Legal/regulatory requirements			Business requirements
<p>Competitive practices (FTC, DOJ)</p> <ul style="list-style-type: none"> ▶ Antitrust ▶ Customer, competitor, supplier relations ▶ Consumer protection <p>Corporate governance (SEC)</p> <ul style="list-style-type: none"> ▶ Board structure and processes ▶ Audit committee structure and processes ▶ Ethics <p>Employment (EEOC, DOL)</p> <ul style="list-style-type: none"> ▶ Executive compensation ▶ Compensation ▶ Benefits ▶ Hiring ▶ Employee Info privacy ▶ Reductions in force ▶ Whistleblower protection ▶ Harassment prevention ▶ Accommodation (discrimination prevention) ▶ Workplace violence ▶ Global migration (immigration) ▶ Contingent workforce ▶ Labor ▶ Leave ▶ Employment torts <p>Environmental (EPA)</p> <ul style="list-style-type: none"> ▶ Management systems ▶ Reporting ▶ Hazardous material management ▶ Laboratory practices ▶ Permit management <p>Workplace health/safety (OSHA)</p> <ul style="list-style-type: none"> ▶ Employees ▶ Contractors 	<p>Financial (SEC)</p> <ul style="list-style-type: none"> ▪ Tax ▪ Treasury <p>Fraud</p> <ul style="list-style-type: none"> ▶ Financial statement fraud ▶ Occupational fraud (Intellectual Property, trade secrets) ▶ Revenue and expense recognition <p>Corruption (DOJ)</p> <ul style="list-style-type: none"> ▶ Foreign corrupt practices act (FCPA) ▶ Commercial bribery ▶ Consumer protection ▶ Insider transactions <p>Third parties</p> <ul style="list-style-type: none"> ▶ Due diligence ▶ Oversight ▶ Contract administration <p>M&A, Ventures</p> <ul style="list-style-type: none"> ▶ Due Diligence ▶ Integration ▶ Governance <p>Government contracts (DOD, OMB)</p> <ul style="list-style-type: none"> ▶ US government contracts ▶ Other jurisdictions (state and country) <p>International dealings/trade (FTC, DOC)</p> <ul style="list-style-type: none"> ▶ Export ▶ Financial transactions (OFAC) ▶ Import ▶ Boycott <p>Money laundering</p> <ul style="list-style-type: none"> ▶ Know your customer ▶ Know your vendor ▶ Financial intermediaries 	<p>Industry Regulations</p> <p>External relations</p> <ul style="list-style-type: none"> ▶ Government policy/product standards ▶ Industry associations ▶ Consumer relations ▶ Community relations <p>Product quality/liability</p> <ul style="list-style-type: none"> ▶ Safety regulations ▶ Quality management system ▶ Recalls <p>Data privacy</p> <ul style="list-style-type: none"> ▶ Data collection, transmission, retention ▶ Commercial use <p>Cyber security</p> <ul style="list-style-type: none"> ▶ Network protection ▶ Hacking and attacks ▶ Breach and contingency plan <p>Intellectual property</p> <ul style="list-style-type: none"> ▶ Brand creation and protection ▶ Copyright ▶ Trademark ▶ Trade Secret ▶ Patent <p>Information management</p> <ul style="list-style-type: none"> ▶ Data and record classification ▶ Information access ▶ Information availability and recovery ▶ Information management monitoring ▶ Information disposition ▶ Litigation discovery rules <p>Social media</p> <ul style="list-style-type: none"> ▶ Company reputation ▶ Marketing and sales ▶ Employee use 	<p>Internally-focused requirements</p> <ul style="list-style-type: none"> ▶ Mission ▶ Values ▶ Code of conduct ▶ Policies and procedures ▶ Quality management certifications (ISO, Six Sigma) ▶ Crisis preparedness <p>Externally-focused requirements</p> <ul style="list-style-type: none"> ▶ Corporate social responsibility ▶ Sustainability ▶ Public commitments ▶ Contractual obligations ▶ Vendor management ▶ Exchange listings <p>Voluntary standards</p> <ul style="list-style-type: none"> ▶ US federal sentencing guidelines ▶ Industry codes ▶ Trade associations <p>Emerging Issues</p> <p><i>Aside from mandatory requirements, organizations make choices regarding their brand, their values, and the commitments they make to customers, business partners, employees, and other stakeholders. Although voluntary, consequences for non-compliance could be more serious than non-compliance with mandatory requirements</i></p> <p><i>* Illustrative US example (note: US regulatory agency listing)</i></p>

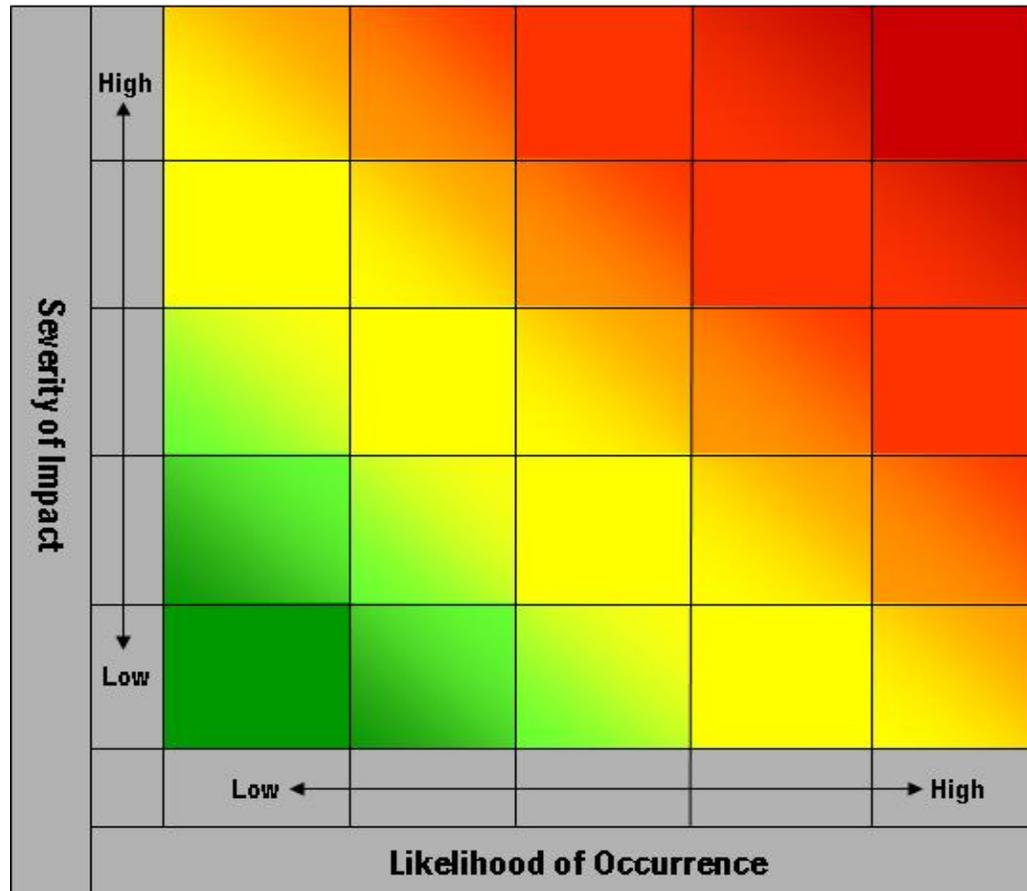
Risk assessment

What is it and why should you care

- ▶ Risk: any event or circumstance that creates uncertainty or volatility around an expected outcome or the achievement of business objectives
- ▶ Risk assessment: an approach used to identify, analyze and prioritize risks
- ▶ Expectations
 - ▶ U.S. Federal Sentencing Commission's Federal Sentencing Guidelines for Organizations (2004 Amendments)
 - ▶ Periodically assess the risk of occurrence of illegal conduct
 - ▶ Periodically evaluate the effectiveness of the compliance and ethics program
 - ▶ OIG focus on routine assessment of program effective in recent Corporate Integrity Agreements

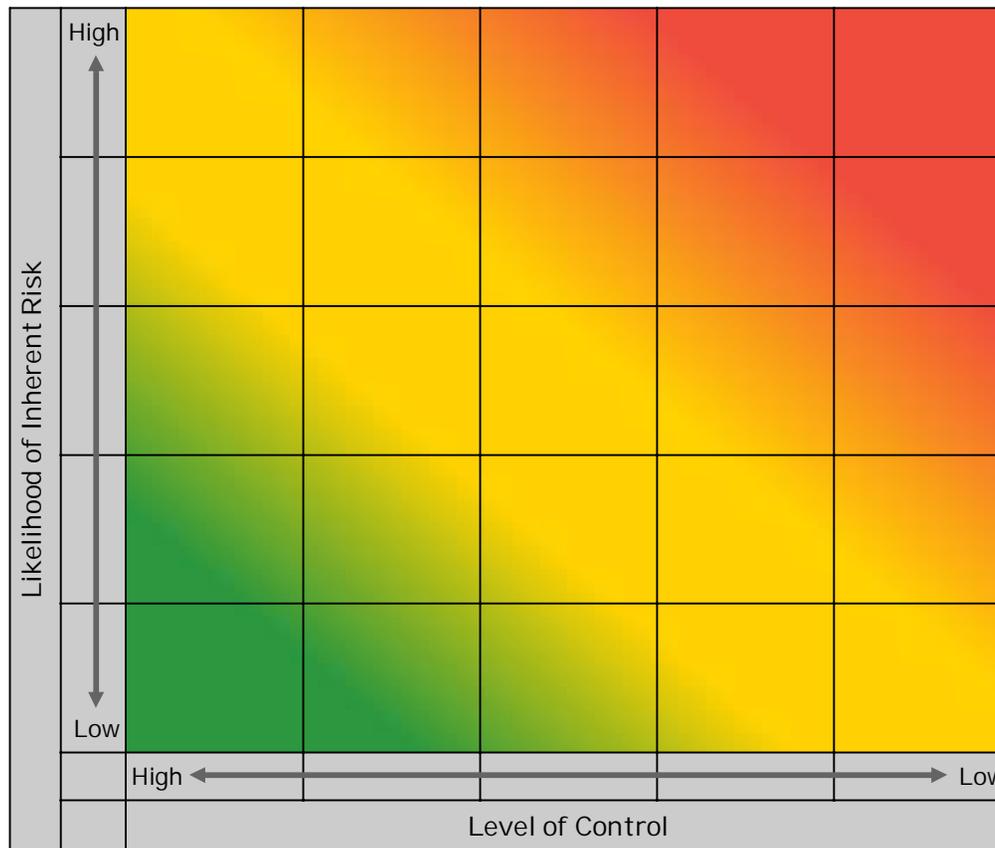
Measuring risk

Level of Risk = Likelihood + Impact



Assessing likelihood

Likelihood = Likelihood of inherent risk – Level of control



Assessing likelihood

Key considerations

- ▶ Define universe of inherent risks relative to scope of the program
 - ▶ Laws, rules and regulations
 - ▶ Legislative/enforcement activities
 - ▶ Business customs
 - ▶ Corruption perception
- ▶ Evaluate likelihood based internal factors
 - Company-specific activities
 - Product/therapeutic areas of focus
 - Identified compliance/ethics violations

Assessing likelihood

Key considerations

- ▶ Assess level of control relative to the inherent risks identified
 - ▶ Activity/initiative-specific controls
 - ▶ Accountability
 - ▶ Clear written guidance
 - ▶ Training and ongoing education
 - ▶ Monitoring/auditing
 - ▶ Clear and consistent discipline for violations
 - ▶ Assessment approach
 - ▶ Assertions
 - ▶ Assessment
 - ▶ Verification

Assessing likelihood

Sample criteria

Likelihood of inherent risk

Score	Rating	Probability	Frequency
5	Expected	> 90%	Daily
4	Highly likely	≤ 90%	Weekly
3	Likely	≤ 60%	Monthly
2	Not likely	≤ 30%	Annually
1	Slight	< 10%	Every 1-3 years

Level of control

Score	Rating	Action
5	Very high	Effective
4	High	Limited improvement opportunity
3	Moderate	Moderate improvement opportunity
2	Low	Significant improvement opportunity
1	Very low	Critical improvement opportunity

Assessing impact

- ▶ Legal/regulatory
- ▶ Strategic impact
- ▶ Operational impact
- ▶ Financial

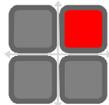
Assessing impact

Sample criteria

Score	Rating	Compliance	Strategic	Operations	Financial
		Legal/regulatory	Reputational	Scope and duration	Value
5	Critical	Management indictments, Large scale class actions, Regulatory sanctions	Loss of confidence by all stakeholder groups	Enterprise-wide; Inability to continue normal business operations across all business units	>25% loss of market value
4	Significant	Management challenged, Large legal liabilities, Regulatory fines/CIAs	Loss of confidence by many important stakeholder groups	Significant interruptions to business operations within 3 or more business units	>20% loss of market value
3	High	Management reviewed, Legal reserve established, Regulatory investigation	Loss of confidence by a number of stakeholder groups	Moderate interruptions within 2 or more business unit(s).	>15% loss of market value
2	Moderate	Management unaffected, Minimal liabilities, Regulatory attention	Loss of confidence limited to 1 stakeholder group	Interruptions restricted to 1 business unit.	>10% loss of market value
1	Low	Limited liabilities or regulatory impact	Smaller/temporary loss of confidence limited to 1 stakeholder group	Limited interruptions within 1 business unit	>5% loss of market value

Risk assessment

Using the result



Improve

- High risk exposures with low levels of control form the priorities for improvement opportunities.



Verify

- High risk exposures with strong controls and management efforts form the focus for audit to provide assurance that controls are adequate and efficient.



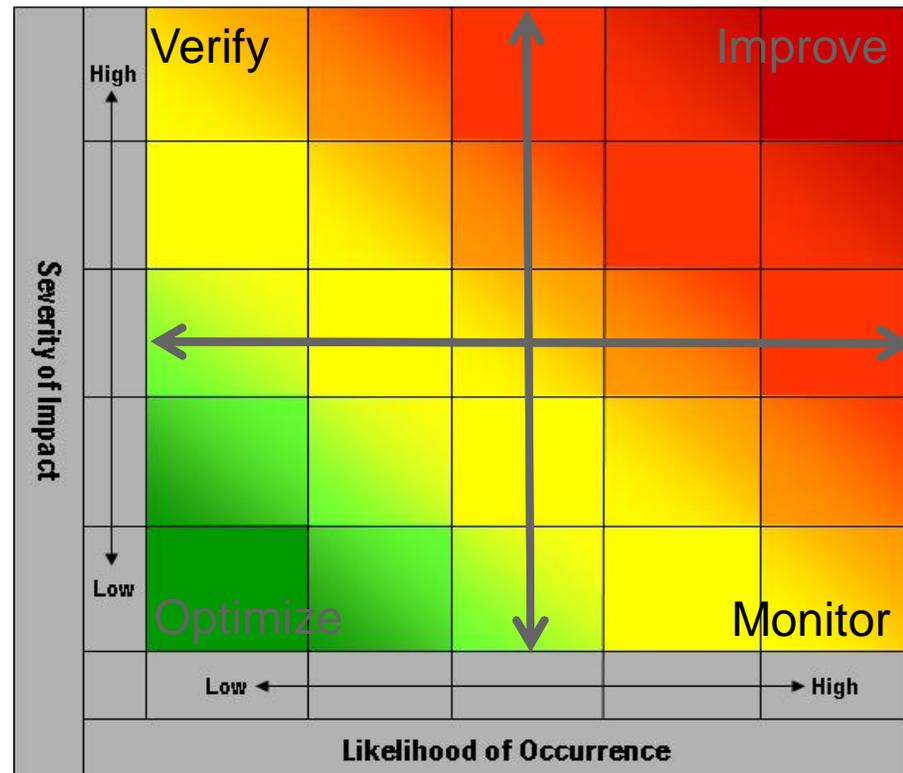
Monitor

- Low risk exposures accompanied by a lower level of control are often considered emerging and must remain a focus of ongoing monitoring efforts



Optimize

- Low risk exposures with a moderate level of control may be consciously accepted or may be a focus to optimize the processes and controls for greater efficiency.



Risk assessment – the “8th Element”



Benefits:

- ✓ Define desired outcome
- ✓ Create accountability
- ✓ Prioritize initiatives
- ✓ Determine resources
- ✓ Evaluates program effectiveness

Board Reporting



Board reporting

- ▶ On-going updates throughout the year to the Board, or appropriate subcommittee, regarding core program elements, including:
 - ▶ Compliance performance (identification of core compliance areas, report card on compliance program implementation, core metrics)
 - ▶ Core compliance risk mitigation efforts (tied to ERM process)
 - ▶ Training
 - ▶ Helpline (core operational statistics such as number of cases, case handling, trends and themes)
 - ▶ More advanced Helpline reporting includes themes from core allegation categories, corrective action trends stemming from investigations, remedial action taken, and processes updated or modified
 - ▶ Investigations
 - ▶ Including any cases of significance
 - ▶ Code development and certification
- ▶ Status on identified improvement efforts tied to strategic planning regarding program development and implementation – status on corporate compliance goals
- ▶ Annually, present plan to improve or mature compliance program

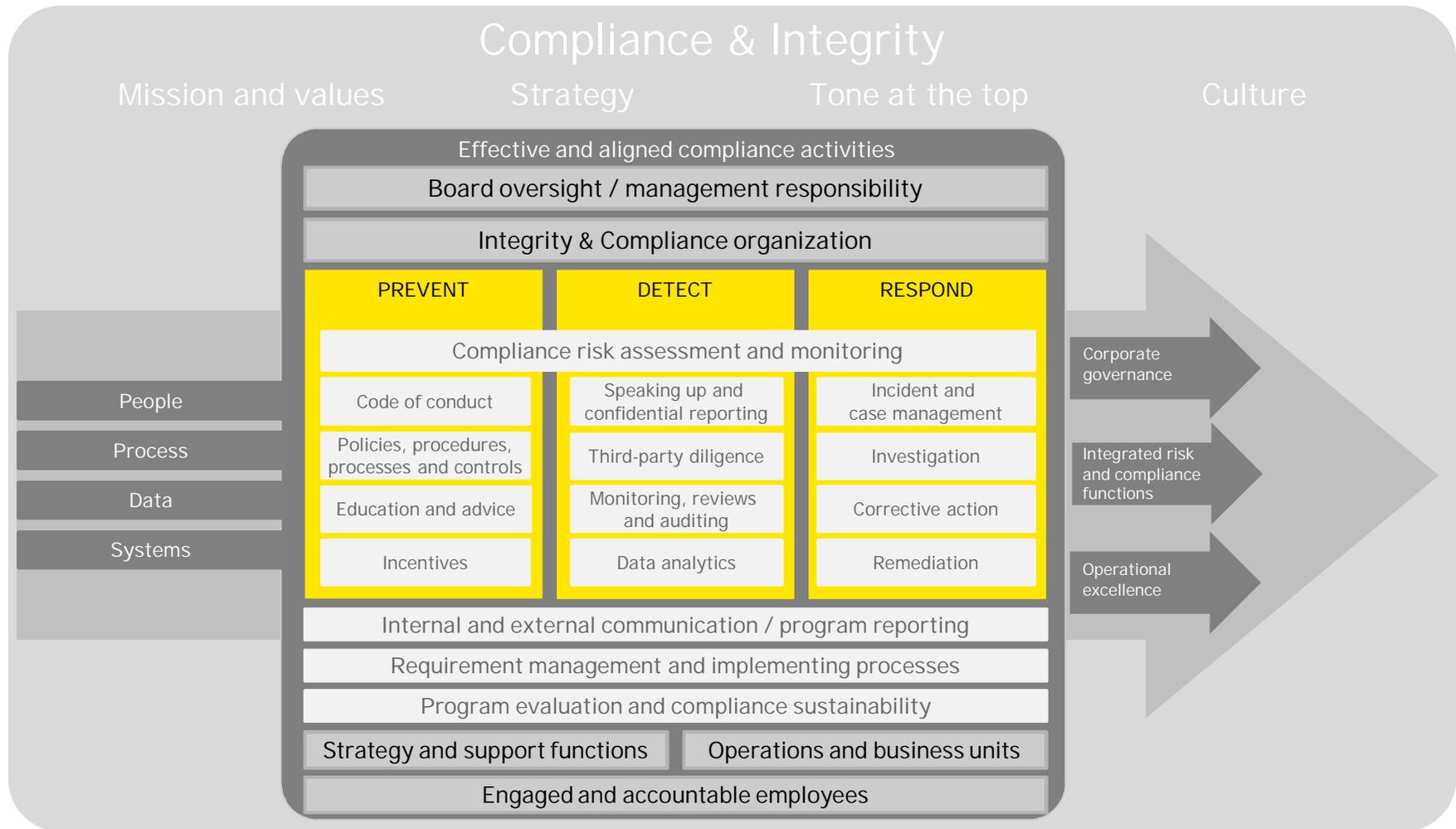
Board reporting – annual checklist

- ▶ Risk management
 - ▶ Heat map, highlighting changes since last report
 - ▶ Gaps and improvement initiatives
- ▶ Governance
 - ▶ Structure evaluation: roles, responsibilities in compliance functions and business operations
 - ▶ Alignment of compliance with other risk functions
 - ▶ Adequacy of management resources
 - ▶ Adequacy of compliance officer resources, independence and authority
- ▶ Tone at the top
 - ▶ Evaluation of leaders; key gaps
 - ▶ Code of conduct certification results
 - ▶ Ethics attitude surveys
- ▶ Compliance Office operations (metrics)
 - ▶ Communications / training / code certification
 - ▶ Case log
 - ▶ Significant cases and resolution
- ▶ Risk area compliance operations
 - ▶ Operations of controls (metrics)
 - ▶ Adequacy of personnel and technology
- ▶ Monitoring of controls (metrics)
- ▶ Audit reports

Compliance program assessment



Use a comprehensive program framework



Focus on the outcome

From Assessment to Program Enhancement

Assessment	Potential Recommendation Topics
Program Vision <ul style="list-style-type: none"> ▶ Ethics and compliance objectives ▶ Integration with program strategy and risk management 	Program Vision <ul style="list-style-type: none"> ▶ Communicate ethics and compliance as a competitive advantage ▶ Understand on a spectrum of risk avoidance versus value creation
Governance <ul style="list-style-type: none"> ▶ Strategy ▶ Organizational model ▶ Roles and responsibilities; committee charters 	Governance <ul style="list-style-type: none"> ▶ Facilitate Board oversight with information and insights ▶ Establish management accountability at all levels, in all operations ▶ Program charter with compliance roles and responsibilities ▶ Empower compliance officers, with authority and independence
Risk Management <ul style="list-style-type: none"> ▶ Ethics and compliance risk assessment (include risk universe) ▶ Monitoring of new laws and regulations ▶ Continuous risk monitoring 	Risk Management <ul style="list-style-type: none"> ▶ Assessment methodology for company and business units ▶ Establish risk tolerance ▶ Early warning of emerging risks ▶ Risk prioritization to guide program initiatives
Operational Excellence <ul style="list-style-type: none"> ▶ Prevention (policies, procedures, education, advice) ▶ Detection (monitoring, auditing, confidential reporting/hotline) ▶ Response (investigation, discipline, process remediation) 	Operational Excellence <ul style="list-style-type: none"> ▶ Policy management system ▶ Ethics and Compliance Office process charters, maps, roles ▶ Compliance steps in business processes
Values, Culture and Investment in People <ul style="list-style-type: none"> ▶ Code of Conduct ▶ Communication and validation ▶ Employee selection ▶ Incentives and discipline 	Values, Culture and Investment in People <ul style="list-style-type: none"> ▶ Code communication and certification processes ▶ Management communications materials ▶ Ethics attitude survey ▶ Human Resources policies and procedures
Performance Management (Metrics) <ul style="list-style-type: none"> ▶ Compliance and ethics reports ▶ Compliance and operations process data ▶ Facilitates periodic evaluation of program operations 	Performance Management (Metrics) <ul style="list-style-type: none"> ▶ Reporting schedule from operations to Ethics and Compliance Office ▶ Process operations metrics ▶ Criteria for program effectiveness reviews
Technology <ul style="list-style-type: none"> ▶ Ethics and Compliance Office technology tools ▶ Integration with business operations systems 	Technology <ul style="list-style-type: none"> ▶ Ethics and Compliance Office technology enhancement ▶ Leverage of other systems to manage and monitor compliance

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