Compliance in the spotlight
Challenges and opportunities for corporate compliance functions
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Clear progress has been made by corporate compliance functions in the past 12 months. Whether you look at the increased frequency with which compliance metrics are reported, the drive towards consistency in conducting risk assessments across business units, or indeed the progress made towards having a specific compliance risk assessment process, our 2013 survey revealed a function which has, in a short space of time, become central to the operations and strategy of a large number of corporates.

Yet, this survey also indicates just how much further compliance departments have to go, particularly in their monitoring and assurance activities and their quest to be seen as a ‘trusted advisor’. Our respondents reported a significantly increased exposure to risk, and, coupled with the growing interest in reputation risk management and therefore compliance from the Board that we are witnessing, this presents a significant and mounting challenge to those leading corporate compliance functions: how can they stay ahead of the compliance requirements of their specific industry while helping executives stay ahead of boardroom demands?

Quite simply, many feel that further investment is required to respond to this increased risk exposure and few will be able to rise to the challenge using the tools currently at their disposal. They need to build their armouries. The question is which tools should they be adding? Where should they focus their scarce time and financial resources?

The first place many look at is culture, and without doubt culture is the most important building block. Ensuring clarity over the corporate culture and then working to embed this culture throughout an organisation is where most compliance functions are looking to focus their attention over the coming year – and quite rightly too.

Reporting, management information and monitoring and assurance are other vital tools that can help to embed effective and consistent compliance capabilities across the organisation.

By taking a pragmatic approach, and finding synergies that already exist, compliance functions will be able to reinforce the positive work many are already doing around culture. This in turn will give them the best chance of getting ahead of the demands being placed on them.

Looking further ahead, focus on both embedding culture and reporting and monitoring progress will provide a platform for the compliance function to demonstrate its strategic value to the business and so build a strong case for sustained and significant investment to match its increased role and profile.

I would like to thank everyone who participated in this year’s survey. We received responses from 26 compliance professionals across a wide range of industries. I hope this report provides useful insights that can be used to help shape the compliance agenda and priorities for your organisation.

Kirsty Searles
Partner
A journey just begun

With the issue of compliance accelerating up the corporate agenda, we are seeing a rapid evolution of the compliance function. From a near standing start, with over 80% of respondents only establishing their compliance functions within the last five years, the initial focus has been on building compliance capabilities.

Financial services and life science sectors were the exception; they have historically recognised compliance as a fundamental component of business leadership due to the specific nature of their business. Today a growing number of companies across a wide range of sectors are seeing regulatory compliance as central to their achievement of corporate strategy and management of reputation risk.

Last year there was a real desire for a more integrated approach to tackling compliance risks, encouraging a cultural shift, developing compliance monitoring and assurance mechanisms, and providing stakeholders with the information they were increasingly demanding.

When we carried out last year’s survey we found that compliance was a relatively recent area of focus for many and only 21% described their compliance monitoring and assurance capabilities as ‘evolved’. Our 2012 survey highlighted this was a rapidly maturing area, with nearly 40% of respondents envisaging making major or significant change to their compliance functions.

This year’s report reveals just how much has changed in the past 12 months. We are seeing a maturing function with compliance risk remaining firmly under the spotlight presenting both opportunities and challenges to the executives tasked with leading compliance programmes.

With this year’s survey we see definite progress towards those goals. 83% of respondents carry out regular assessments of compliance risks (Figure 1), and 87% now use a consistent methodology across business units to identify those risks (Figure 2).

Figure 1. Do you conduct a regular, i.e. at least annual, specific risk assessment to identify compliance risks?

- Yes: 83%
- No: 17%

Figure 2. Do you use a consistent methodology across different business units to identify compliance risks within your company?

- Yes: 87%
- No: 13%
The incentives for organisations to comply with legislation, regulation and their own codes of conduct are more visible and compelling than ever.

The key driver for growth in the importance of compliance is clear: only 8% reported that their organisation’s exposure to compliance risks has decreased in the past 12 months (Figure 3). This is consistent with research we have undertaken recently with Forbes which showed that reputational risk is top of today’s boardroom agendas.

Those risks have a multitude of drivers: a greater number of ever more complex regulations, a mounting determination to enforce existing regulations, and to some extent, a shift in focus from saturated traditional territories to new and less mature markets that are rich in both opportunity and risk. The incentives for organisations to comply with legislation, regulation and their own codes of conduct are more visible and compelling than ever.

Despite this mounting exposure to risk, there are areas which the survey identified where more could be done. For example, last year 61% of compliance functions saw their second line of defence as still ‘evolving’. This year, 65% stated that less than a quarter of their time is dedicated to the key activity of compliance monitoring and assurance (Figure 11), indicating that many are still spending their time building and refining their compliance organisation and processes.

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**Figure 3. In your opinion, has your organisation’s exposure to compliance risks changed in the last 12 months?**

<table>
<thead>
<tr>
<th>% of respondents</th>
<th>Increased</th>
<th>No change</th>
<th>Decreased</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exposure to compliance risk</td>
<td>56%</td>
<td>36%</td>
<td>8%</td>
</tr>
</tbody>
</table>

**Figure 4. Who provides overall oversight and governance for management of compliance risks?**

<table>
<thead>
<tr>
<th>% of respondents</th>
<th>Audit Committee</th>
<th>Board</th>
<th>Executive Director (e.g. General Counsel)</th>
<th>Other</th>
<th>Risk Committee</th>
<th>Compliance Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oversight and governance provider</td>
<td>31%</td>
<td>27%</td>
<td>15%</td>
<td>15%</td>
<td>8%</td>
<td>4%</td>
</tr>
</tbody>
</table>

**Figure 5. How would you describe the structure of your compliance team?**

- Centralised model: 4%
- Focused at a divisional level: 4%
- Capabilities split evenly between group, division and business units: 15%
- Localised model in business units: 15%
- Other: 62%
Where once only companies in the financial services and life science sectors tended to see compliance as more than an unavoidable cost of business, today a growing number of companies across a wide range of sectors see achieving regulatory compliance as central to the achievement of corporate strategy.

Look at the codes of conduct in leading organisations and you will see that the alignment of business strategy to employees’ values and goals is a priority, that the organisation is striving for commonality of purpose, and that the organisation is focused on achieving a more transparent culture.

The challenge for those leading compliance functions is to harness the heightened executive interest in compliance to drive capability development, particularly around two fundamental areas:

1) Embedding a culture of compliance in a meaningful and measurable way.

2) Enhancing the capabilities around monitoring and assurance and the provision of management information.

Regardless of sector, regardless of company structure and history, regardless of corporate strategy, compliance depends on the organisation’s culture as well as the processes in place to ensure the provision of meaningful and accurate information to stakeholders and sufficient assurance over compliance risks. Both are necessary and neither is sufficient in isolation.

Compliance functions have come a long way in a short space of time, but they have much further still to go.
Taking compliance culture to the next level

Culture matters

It is clear from the survey that the most important building blocks for a sustainable compliance organisation are to secure strong support and stewardship from leadership and to establish a clear culture of compliance (Figure 7).

Figure 7. What are the most important building blocks towards creating and sustaining a compliance organisation?

Whilst culture has been a key area of focus within the financial services community in the recent past, we are now also seeing corporate boardrooms focusing on this topic. Many of the same drivers apply across sectors and include:

- Increasing regulatory focus on fair treatment of customers, employees and wider stakeholders.
- Increasing focus on culture by rating agencies and the investment community.
- Increasing stakeholder pressures – from politicians, Board members, shareholders, media and the general public – to strengthen organisations’ compliance risk management systems and controls via the behaviours of their people; crucially, that behaviour is strongly influenced by culture.
- Compliance functions being increasingly asked by their Boards, Audit Committee and Non-Executive Directors to lead the charge around ensuring that their organisation’s culture, strategy, conduct risk appetite and remuneration are all aligned.

There are clearly many reasons for an organisation to want to build a culture of compliance, yet it is difficult to do so. Respondents to our survey cited a wide range of obstacles that stand in their paths (Figure 8). No one obstacle predominated above all others; however, broadly speaking the three most common are:

1. An inability to measure culture.
2. A lack of incentive/motivation by employees.
3. An inability to attribute improved business performance to compliance culture.
The key levers to embedding culture

Whilst defining and articulating the organisational culture and values is a critical first step on the journey, the greatest challenge most organisations face is how to embed and sustain those values across the business.

So what are the key levers that organisations can focus on to truly embed their values?

1. Harnessing the right role models: Any individual worthy of imitation – at any level of the organisation – is a role model. Whether they lead by example, by personal charisma or by power of persuasion, role models can have a positive or negative effect on the organisation. Individuals who are seen to succeed while flouting the formal norms or cutting compliance corners will also be seen as role models, but not for the right reasons. To ensure leadership are harnessing the right people to embed compliance culture, organisations need to assess how well aligned the most influential role models are with the organisation’s cultural values.

2. Proactively setting the goal posts: People update their culture settings throughout their time with an organisation, but the first few weeks and months are particularly crucial because that is when staff are often most impressionable and their information needs are most acute. This is the most effective time to tell your staff exactly what kind of an organisation they are joining, what values they should espouse and what behaviour is expected of them. Staff handbooks, formal policies and manuals are all explicit attempts to guide behaviour. Making sure these messages are delivered by the right person in the right way are crucial parameters that need to be managed.

3. Providing the right incentives: Employees will use facts and perceptions about remuneration and incentives to discover what the organisation truly values. And not just in the management of their own performance. When push comes to shove, who is rewarded in this organisation? That kind of cultural information helps them to discover the firm’s ultimate values. If the staff handbook says one thing, while the bonus pool says another, your staff will tend to believe the bonus pool.

4. Symbols, fables and structures: Your staff are hungry to find meaning in the events that take place around them. Modest anecdotes can take on much wider symbolic importance and – for better or worse – can help spread values far across the organisation. Symbolic information of this kind includes the cultural cues your staff glean from physical and organisational structures. A simple event, such as the Chief Risk Officer coming down from the executive suite to shake the hand of junior analyst who has just received top marks in her exam or a Head of Compliance seen jumping over the security barrier because he is late for a meeting and has forgotten his pass, will have an impact on the behaviours and values held across the organisation.

5. Revealing organisational preferences: Regardless of the organisational stated values and principles, how you manage the inevitable tension between the competing priorities – excellent customer service, strong financial performance, shareholders expectations and a motivated and focused workforce – sends a clear message on what the organisation’s true values are. Imagine a star performer has exceeded all expectations and expects a hefty bonus. However his behaviour has been appalling and a number of colleagues have threatened to resign rather than work with him. What should the organisation do? The preferences it reveals in reaching a decision will linger long in the corporate memory.

Figure 8. What are the key challenges you are facing in developing and embedding a compliance culture?*

* Respondents selected multiple answers

Key challenges
Assessing and measuring culture

How can compliance functions assess and measure the progress they are making towards this objective? There is broad consensus around the need to do so — it has become a truism that what gets measured gets managed — yet, many compliance functions find it challenging to pin down a topic as intangible as culture into a set of concrete metrics. The metrics that are used tend to be reactive, with 65% of respondents reporting compliance breaches and whistleblower reports to assess their compliance culture and 25% reporting that they do not currently assess culture (Figure 9).

A first step to proactively assess an organisation’s compliance culture is to review the key influencers of compliance intelligence, such as:

- **Competence**: assessing the collective competence of the organisation to manage compliance risks.
- **Motivation**: assessing the reasons why people carry out their ‘day to day’ roles the way they do, e.g. the way they manage their compliance risks.
- **Organisation**: assessing how the organisational environment is structured and what is valued.
- **Relationship**: assessing how people in the organisation interact with others.

Leading the way in this practice are organisations that assess their culture against a framework underpinned by the company’s strategy, risk appetite and business objectives. This allows organisations to see how well their culture and values are being understood, embraced and effected across the business. Proactive compliance functions can then use this information to define their future or desired cultural state, supported by a tangible set of actions, to achieve a compliance-aware culture and measure its performance and progress.

The most evolved assessment processes are those that are supported by culture-related evidence, such as breaches, near misses and training records, to assess key indicators of compliance intelligence.

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**Figure 9. How do you assess the compliance culture within your organisation?**

<table>
<thead>
<tr>
<th>Assessment method</th>
<th>% of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Analysis of whistle-blower reports</td>
<td>65%</td>
</tr>
<tr>
<td>Analysis of compliance breaches</td>
<td>65%</td>
</tr>
<tr>
<td>Analysis of assurance results</td>
<td>35%</td>
</tr>
<tr>
<td>Compliance culture survey e.g. employee survey</td>
<td>30%</td>
</tr>
<tr>
<td>As part of the employee / engagement survey</td>
<td>25%</td>
</tr>
<tr>
<td>Not assessed</td>
<td>25%</td>
</tr>
<tr>
<td>Culture self-assessment e.g. Divisional / BU assessment</td>
<td>15%</td>
</tr>
<tr>
<td>Compliance culture audits</td>
<td>5%</td>
</tr>
<tr>
<td>Other</td>
<td>5%</td>
</tr>
</tbody>
</table>

* Respondents selected multiple answers

While many organisations have taken forward steps in their journey towards attaining a culture of compliance, it is clear that more could be done to proactively measure and embed culture.
Monitoring your achievements

“IT IS NOT ENOUGH TO SAY WHAT PEOPLE SHOULD BE DOING AND TO GIVE THEM THE INFORMATION, SKILLS AND MOTIVATION TO DO SO; AN ORGANISATION ALSO NEEDS TO FOLLOW THIS UP WITH AN ABILITY TO ASSESS AND REPORT ON WHETHER OR NOT PEOPLE ARE ACTUALLY DOING IT.”

**The importance of process**

With compliance functions focusing on keeping pace with organisational and regulatory pressures, there is a risk that efforts could be diverted from developing proactive monitoring and assurance mechanisms, leading to a reactive post event approach to managing compliance issues.

As a result, many may miss the opportunity to reinforce the good work they have started. It would seem that for many, monitoring and assurance is seen as something of an afterthought with few respondents ranking this as priority for the function in creating and sustaining a compliance organisation (Figure 7). Yet a programme of risk-based auditing, focusing on key risks and key locations/functions, can help to identify common compliance themes and examples of good practice which can be shared throughout the organisation.

By investing greater attention to establishing robust, dependable, monitoring and assurance processes, compliance functions would be better equipped to understand how they can more effectively achieve their compliance goals.

There are though significant challenges in achieving effective and efficient monitoring and assurance, including:

- **Cost and resource** – achieving sufficient coverage with monitoring and assurance activities across an organisation, particularly one that is geographically dispersed can require significant investment.

- **Consistency and quality of monitoring and assurance** – where monitoring is the responsibility of local business units, there is a real risk of variability in the quality of the activity being performed. Equally, more detailed audit and assurance work will require skills that may not be held by compliance teams.

**The inside track**

“The first step towards establishing a robust monitoring and assurance process is to put in place policies and procedures to start building culture through training and raising awareness. That’s where many organisations are on their compliance journey. But it’s important that they now begin to think about putting in place the monitoring and assurance structures and mechanisms to embed the policies and procedures.

It is not enough to say what people should be doing and to give them the information, skills and motivation to do so; an organisation also needs to follow this up with an ability to assess and report on whether or not people are actually doing it.”

Simon F Owen, Director, Deloitte

- **Co-ordination with other assurance activity/providers** – many organisations will have existing 2nd and 3rd line assurance teams, such as internal audit, and adding an extra layer of assurance may result in overlap or perceived overburdening of the organisation.
However, there are different strategies that compliance functions can adopt to tackle these challenges. Some of the most successful strategies that respondents use include:

1. Centrally co-ordinated programmes where monitoring is performed by local teams, either management, peers or local compliance representatives, with periodic audits from regional or group teams to confirm and validate the results of local monitoring programmes. This encourages compliance to be consistently driven down across the organisation with minimal group resource.

2. Better coordination between the various compliance assurance providers across the business, for example by sharing resources or seconding staff between teams.

3. Deployment of data analytic tools to enable a clear focus on matters of interest which pose the greatest risk to the organisation. This ensures the monitoring and assurance resources are directed at what really matters.

**Monitoring and Assurance: who assures?**

Our survey revealed that in over 70% of companies the compliance function undertakes compliance assurance activities. Typically this takes around 25% of their time (Figures 10 and 11), but the numbers vary with some functions spending less than 10% of their time and some spending over 50% of their time on monitoring programmes and delivering assurance on these activities.

The next most popular provider of compliance assurance is internal audit. Whilst it is encouraging to see compliance audit embedded in the broader assurance framework, only 15% of respondents reported that they have an approach to compliance assurance that is fully integrated with other assurance providers across the business (Figure 12). This is an area for further development where the compliance function could achieve significant efficiencies both in terms of obtaining more coverage from the assurance plan for the resources they deploy, and by reducing the audit burden on business units from multiple assurance functions.

In addition, 33% of respondents also look externally for assurance. It may be that some compliance departments need to look at this more carefully. External assurance can provide an assurance process with a fresh perspective and potentially greater credibility, especially in specific specialist compliance areas.
Assurance in practice: a view from the pharmaceutical industry

Global pharmaceutical organisations were quick to recognise the need for a global compliance assurance function. They became increasingly aware of regulatory actions against pharmaceutical firms, particularly in the US, and of a regulatory environment that was becoming more challenging in emerging markets. This was a clear incentive for the industry to act.

The industry’s focus for the past three years has been building a common language of compliance and making sure the information that emerges from monitoring activity informs the assurance plan. The combination of the monitoring programme and audit activity is vital to help reinforce the importance of compliance through the organisation, and communicate what good compliance looks like.

These mechanisms have also delivered a reliable and consistent set of measures which enable the organisation to gauge how well the message is being received and acted upon.

Driving efficiencies in monitoring and assurance

Whilst great progress is being made by the majority of compliance functions to evolve their monitoring and assurance capabilities, there are a number of quick wins to further enhance those capabilities and drive efficiencies through the compliance organisation. For example, we’re seeing the more mature compliance functions:

- Shift the focus of their monitoring and assurance activities from merely transaction testing to having a greater emphasis on behaviours and conduct – how it is understood, embraced and practised.
- Put greater focus on informing their assurance activities by the outputs of the monitoring activities.
- Deliver their assurance activities under the overall organisational assurance framework, thus ensuring consistency and efficiency.
- Deploy data analytics tools to sharpen the focus and increase the efficiency of their monitoring and assurance activities.

Whilst great progress is being made by the majority of compliance functions to evolve their monitoring and assurance capabilities, there are a number of quick wins to further enhance those capabilities and drive efficiencies through the compliance organisation.
Good progress on reporting

It is clear that Boards are becoming increasingly interested in compliance reporting. Once a company has made an investment in compliance strategy, training, monitoring and assurance, the Board and senior management will want to know whether or not the investment is producing the desired results as well as ensure that their personal reputation is not at risk.

We’re seeing good progress being made in many compliance departments, with the majority of our respondents now reporting to have systems and tools in place to facilitate compliance reporting (Figure 13).

Furthermore, while 10% report on an ad hoc basis, the vast majority do so quarterly or monthly, with an impressive 15% providing management information in real time (Figure 14).

Figure 13. Do you have systems and/or tools in place to facilitate compliance reporting?

48% Yes
52% No

Time to consider relevance

To some extent, however, this management information remains reactive, with the most popular metrics reported by our respondents being internal audit findings related to compliance breaches, analysis of whistleblowing calls, and reporting of direct breaches of compliance policies (Figure 17). Yet we’re starting to see a large number reporting on more proactive indicators, such as rates of completion of compliance training or on third party take on processes.

The next step for compliance departments is to provide more detail on those proactive metrics. The development of compliance reporting capabilities represents significant progress – five years ago reporting was rudimentary at best – but now compliance functions need to question whether this data is really providing the full picture or indeed telling the Board what they need to know about compliance in their organisation.

For example, whilst the Board may appreciate hearing that 99% of employees have completed compliance training, what really matters is that training has been carefully tailored to individual roles and locations, so that someone in a high risk role and location has had two days of detailed face-to-face training while someone in a less risky role has completed an online tutorial.

Figure 14. How frequently do you report against compliance metrics?

45% Quarterly
25% Monthly
15% Real time
10% Ad-hoc
5% Annually
Regardless of what it is the organisation needs to comply with, be it data privacy, anti-trust and competition, anti-bribery and corruption legislation, health and safety, or adherence to key company codes and policies, compliance functions increasingly need to report on the qualitative detail as well as the quantitative headline.

**Making an impact**

It is equally essential to present management information in a meaningful and useful way, so that it is consistent across time, location and topic, using the same language and methodology, and set against appropriate timescales. The information presented must be concise and straightforward, capturing the attention of Non-Executive Directors and other Board members who are deluged every day by a tidal wave of metrics. Above all else, management information must be linked to corporate strategy. Make it clear how a metric relates to the achievement of a corporate goal and the Board will pay more attention.

**Figure 15. How do you operate a consistent approach to reporting compliance management information across the business?**

<table>
<thead>
<tr>
<th>Approach</th>
<th>% of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fully integrated</td>
<td>26%</td>
</tr>
<tr>
<td>Collaborative but informal</td>
<td>26%</td>
</tr>
<tr>
<td>Separate approaches taken across organisation</td>
<td>48%</td>
</tr>
</tbody>
</table>

**Figure 16. How are your compliance reporting tools and systems used?**

<table>
<thead>
<tr>
<th>Reporting System Used</th>
<th>% of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standalone systems / tools</td>
<td>75%</td>
</tr>
<tr>
<td>Integrated governance risk and compliance solution</td>
<td>17%</td>
</tr>
<tr>
<td>Compliance requirements built into wider business systems e.g. HR / Procurement system</td>
<td>8%</td>
</tr>
</tbody>
</table>

**Figure 17. What compliance metrics do you report against?**

<table>
<thead>
<tr>
<th>Metric</th>
<th>% of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal audit findings related to compliance breaches</td>
<td>90%</td>
</tr>
<tr>
<td>Analysis of whistleblowing calls</td>
<td>71%</td>
</tr>
<tr>
<td>Reporting of direct breaches of compliance policies</td>
<td>62%</td>
</tr>
<tr>
<td>Completion of training plans</td>
<td>57%</td>
</tr>
<tr>
<td>Number / results of compliance audits performed</td>
<td>52%</td>
</tr>
<tr>
<td>Remediation of compliance weaknesses</td>
<td>48%</td>
</tr>
<tr>
<td>Feedback from employee engagement / culture surveys</td>
<td>33%</td>
</tr>
<tr>
<td>Complaint breaches reported externally</td>
<td>33%</td>
</tr>
<tr>
<td>Policy dispensation and waivers</td>
<td>33%</td>
</tr>
<tr>
<td>None</td>
<td>10%</td>
</tr>
<tr>
<td>Other</td>
<td>0%</td>
</tr>
</tbody>
</table>

* Respondents selected multiple answers

Whilst we’re seeing some functions build compliance requirements into their ‘business as usual’ systems, the most evolved businesses are moving to an integrated system, with 17% using integrated governance, risk and compliance solutions and 26% adopting a fully integrated approach with other compliance stakeholders, such as financial compliance or health and safety (Figures 15 and 16). This is something we are seeing more and more functions exploring, often starting with policy compliance, financial controls or risk management monitoring tools, and building out from there. However, for many organisations, implementing this type of integrated solution is still a long way off, with 75% continuing to use standalone systems/tools to report on compliance activities.
Gaining and maintaining stakeholder buy-in

Getting noticed
Compliance functions have come a long way in the past five years. Yet, paradoxically this now means that even more is expected of them. Success has bred higher expectations and compliance functions are now under pressure to maintain momentum.

With compliance functions now in the spotlight like never before, it is essential that they develop a more prominent internal profile that this mounting attention demands to secure stakeholder buy-in.

Enabler, not enforcer
Compliance functions in the main would see their role as an enabler, not an enforcer with the majority of respondents identifying the ability to provide a competitive-edge and enable enhanced decision making as the greatest value they can bring to the business (Figure 18). The rising profile of compliance functions indicates that organisations are beginning to understand this message.

Yet, our survey also revealed just how much more compliance functions have to do to achieve the internal profile their new prominence and importance requires. All of our respondents told us that they would like their departments to be seen as enablers and trusted advisers rather than enforcers or a back-room function. Yet, nearly half believe they are still perceived by many as enforcers or a back office function (Figure 19).

For that to change, compliance departments need to help their colleagues – and particularly those who allocate budgets – to see compliance as a crucial enabler to the achievement of long term objectives.

Figure 18. On a scale of 1-5, what value should the compliance function bring to the business?

- Provide a competitive edge e.g. reputation, integrity, attract best talent
- Enable better informed / risk aware decision making
- Champion of values and culture within the organisation
- Ensures maintenance of licence to operate
- Other

Figure 19. What is the business perception of the compliance function?

- How is the compliance function currently perceived by the business?
- How would you like the compliance function to be perceived by the business?
Compliance functions are working hard to demonstrate the impact they have with over 80% regularly communicating within the business and 73% deploying PR or internal communication strategies (Figure 20). By keeping their colleagues informed, particularly those who allocate budgets, the function will be able to reinvent its identity as a key enabler in the achievement of long term objectives.

There are still many other awareness-raising tactics which are not widely deployed by our respondents, such as undertaking road shows and conducting surveys of compliance stakeholders. One reason why these tactics may not be widely used is the cost and time investment associated with some of these activities.

More than half of our respondents feel that their organisation does not invest as much as it should in compliance (Figure 6). It is a major challenge for compliance functions to persuade their businesses to invest sensibly in them now so that in a few years' time they can avoid a crisis and the resulting expensive remediation activities which frequently result.

**The inside track**

“A strong compliance function can make trading legally something that is part and parcel of the way we work. Compliance functions need to help the business know what it needs to focus on and enable compliance to be achieved as efficiently as possible without being seen as an unnecessary burden.”

*Kirsty Searles*, Partner, Deloitte

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**Figure 20. Which of the following do you apply to maintain, improve or enhance the impact of the compliance function?**

<table>
<thead>
<tr>
<th>Method to maintain, improve or enhance compliance function</th>
<th>% of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular communication to the business</td>
<td>86%</td>
</tr>
<tr>
<td>Deploy PR / Internal communications strategies</td>
<td>73%</td>
</tr>
<tr>
<td>Agenda item on leadership team agenda</td>
<td>45%</td>
</tr>
<tr>
<td>Develop a distinct compliance brand</td>
<td>41%</td>
</tr>
<tr>
<td>Part of functional / business objectives</td>
<td>41%</td>
</tr>
<tr>
<td>Feature in newsletter</td>
<td>36%</td>
</tr>
<tr>
<td>Conduct survey of compliance stakeholders</td>
<td>36%</td>
</tr>
<tr>
<td>Offer secondments to / from the business</td>
<td>32%</td>
</tr>
<tr>
<td>Carry out road shows / town hall meetings</td>
<td>32%</td>
</tr>
<tr>
<td>Other</td>
<td>5%</td>
</tr>
</tbody>
</table>

* Respondents selected multiple answers
Building the case for investment

So how can compliance functions most effectively make the case for greater investment to foster stakeholder buy-in? We believe compliance officers need to focus on three areas if they are to build a compelling business case:

1. Building the brand

We are seeing some compliance functions appoint corporate communications and branding experts to tackle this issue. As one group head of compliance at a global conglomerate recently told us: “The creation of a strong internal brand was a key step in the development of our compliance programme. Having a striking logo and a simple core message provides a strong platform for communications on subjects that might otherwise appear unrelated.”

2. Aligning values to objectives

For most compliance functions, the key is to ensure that compliance activities are linked to corporate strategy. The embedded culture must be the embodiment of collective values, the indicators that are monitored and assured must be aligned to commercial objectives, and management information provided by the compliance department must be visibly connected to corporate strategy. It is reassuring to see that aligning compliance activities to the organisation’s strategic objectives is a tactic that the majority of respondents plan to deploy over the next 12 months in order to secure investment (Figure 21).

3. Educating your stakeholders

Devising a compelling message is important; delivering that message is equally so. Written communications such as direct internal communications, features in newsletters, and so on are the most popular tactics currently being deployed (Figure 20). But there is more that can be done. Appointing compliance ambassadors, presenting at “Town Hall” briefings, creating videos and hosting webinars are just some of the tried and tested methods used by organisations to educate their stakeholders. In addition, some stakeholders will respond in the desired way to hearing the potential cost of non-compliance. It is clear that multiple tactics are likely to be required to secure the investment that compliance functions need.

“The creation of a strong internal brand was a key step in the development of our compliance programme. Having a striking logo and a simple core message provides a strong platform for communications on subjects that might otherwise appear unrelated.”

Group Head of Compliance, Global Conglomerate

Figure 21. Over the next 12 months which tactics will you deploy to secure sufficient investment in compliance capabilities?*

<table>
<thead>
<tr>
<th>% of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>71%</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Tactics used to secure investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clearly align compliance activities to the organisation’s strategic objectives</td>
</tr>
<tr>
<td>Facilitate understanding of the compliance risk appetite across the business</td>
</tr>
<tr>
<td>Increased interaction with compliance stakeholders</td>
</tr>
<tr>
<td>Quantification of the cost of compliance failures</td>
</tr>
<tr>
<td>Engage executive management in the periodic compliance risk assessment</td>
</tr>
<tr>
<td>Provision of compliance training to the board / non-executives</td>
</tr>
<tr>
<td>Benchmarking e.g. effectiveness review, maturity assessment</td>
</tr>
</tbody>
</table>

* Respondents selected multiple answers
Looking ahead

Our survey highlighted just how much lies ahead for compliance functions in the next 12 months. It was encouraging to see that embedding compliance policies and compliance culture will be top priorities along with integrating compliance processes across the organisation (Figure 22).

Figure 22. Over the next 12 months, what are your key areas of focus, ranked in order of priority?

- Develop a compliance risk assessment process / framework
- Enhance and embed compliance policies and procedures
- Embedding the compliance culture across the business
- Develop a consistent compliance training and communications strategy
- Integrating compliance processes across the organisation
- Develop MI and Reporting mechanisms
- Enhancing compliance tools and technology
- Enhance the compliance monitoring and assurance capabilities
- Other

Yet it is critical that compliance functions continue to enhance their management information and monitoring and assurance capabilities, without which a compliance-aware culture will struggle to take root and deliver long-term strategic benefits. Above all else, compliance officers must recognise that the spotlight is firmly on them now, and they must work to clarify, articulate and communicate the value they undoubtedly offer to the broader business.

To achieve all that is far from easy, but the compliance functions that do achieve it are those who will become trusted advisers within flourishing businesses. In the coming months, compliance officers will find colleagues demanding ever more of them. They will find themselves much more front and centre in the boardroom. It will be a challenging time. But it will also be an incredibly exciting time.
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Compliance in the spotlight