Compliance Risk Assessment and Management Workshop

Society of Corporate Compliance and Ethics and Health Care Compliance Association

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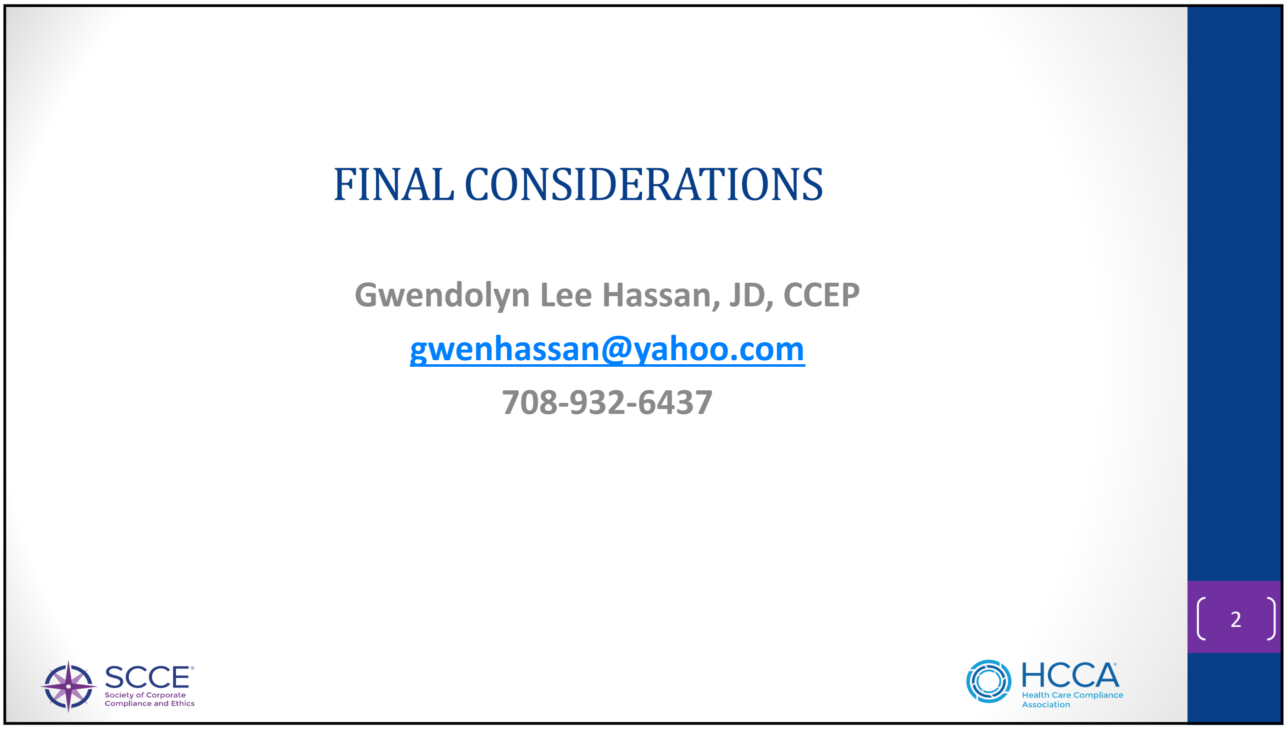

FINAL CONSIDERATIONS

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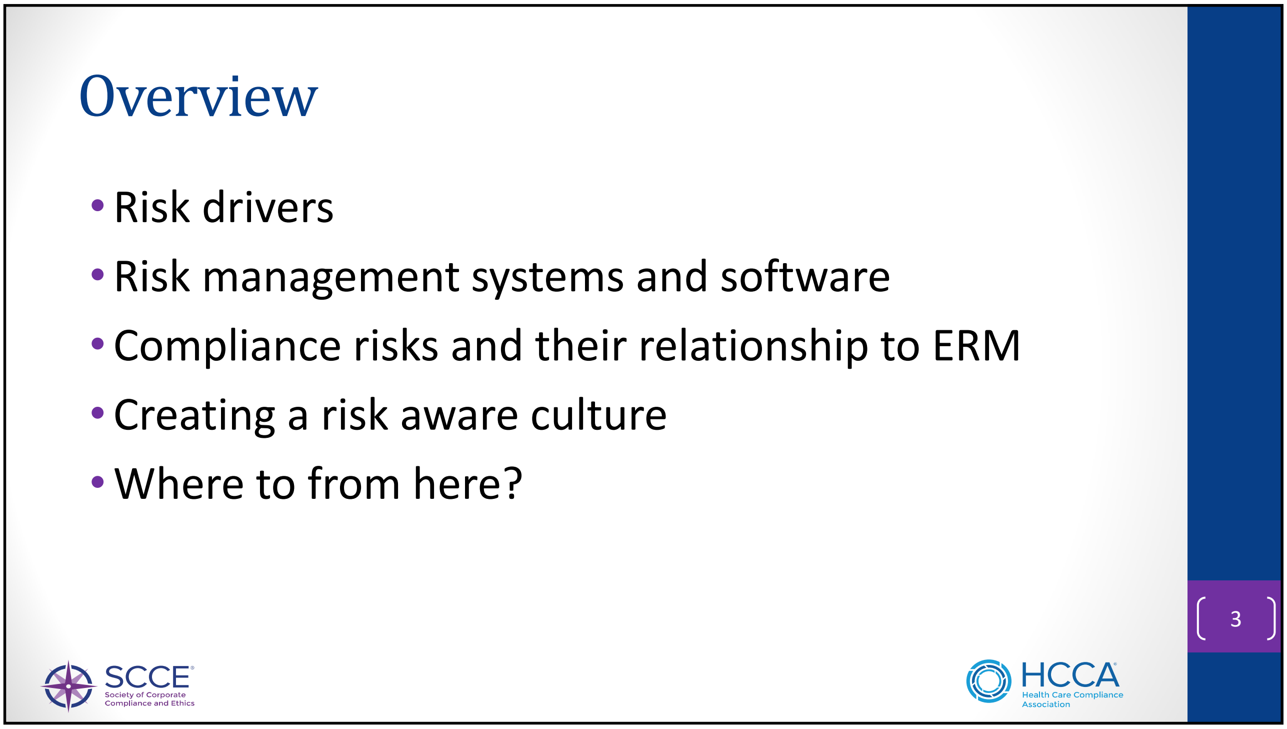
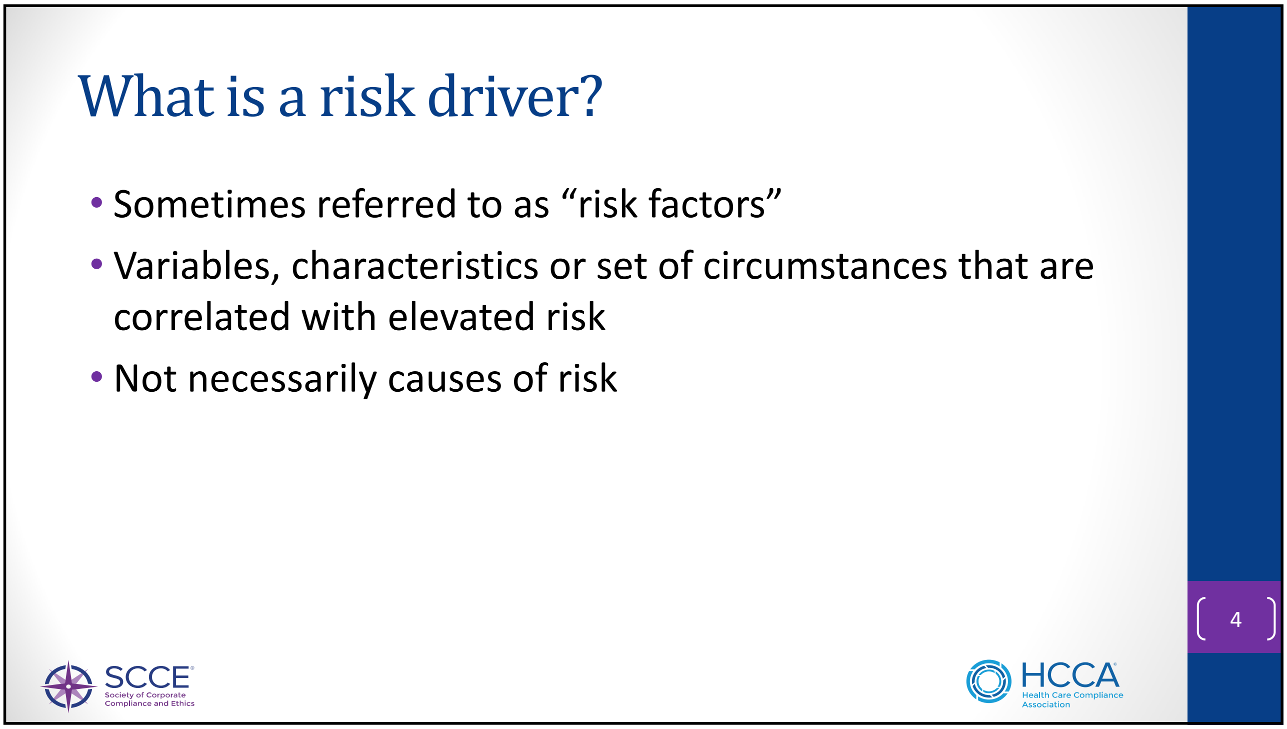


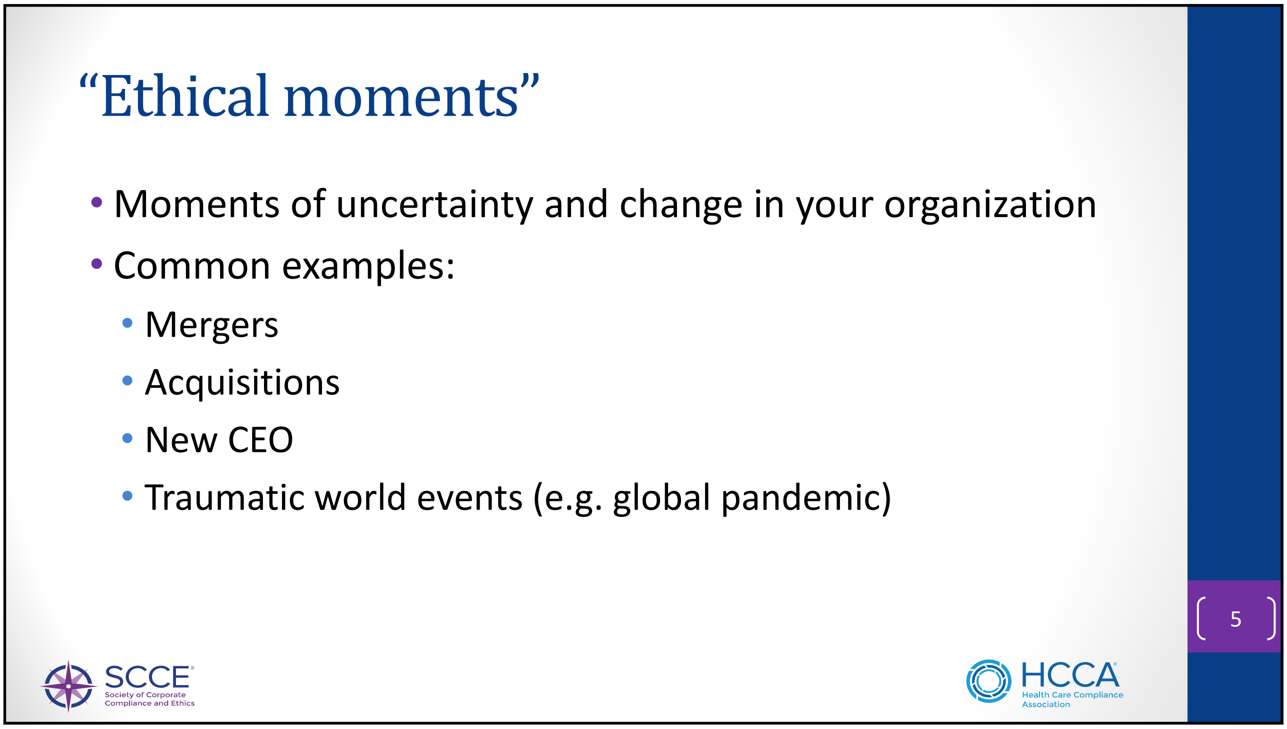
Overview

- Risk drivers
- Risk management systems and software
- Compliance risks and their relationship to ERM
- Creating a risk aware culture
- Where to from here?



What is a risk driver?

- Sometimes referred to as “risk factors”
- Variables, characteristics or set of circumstances that are correlated with elevated risk
- Not necessarily causes of risk



“Ethical moments”

- Moments of uncertainty and change in your organization
- Common examples:
  - Mergers
  - Acquisitions
  - New CEO
  - Traumatic world events (e.g. global pandemic)

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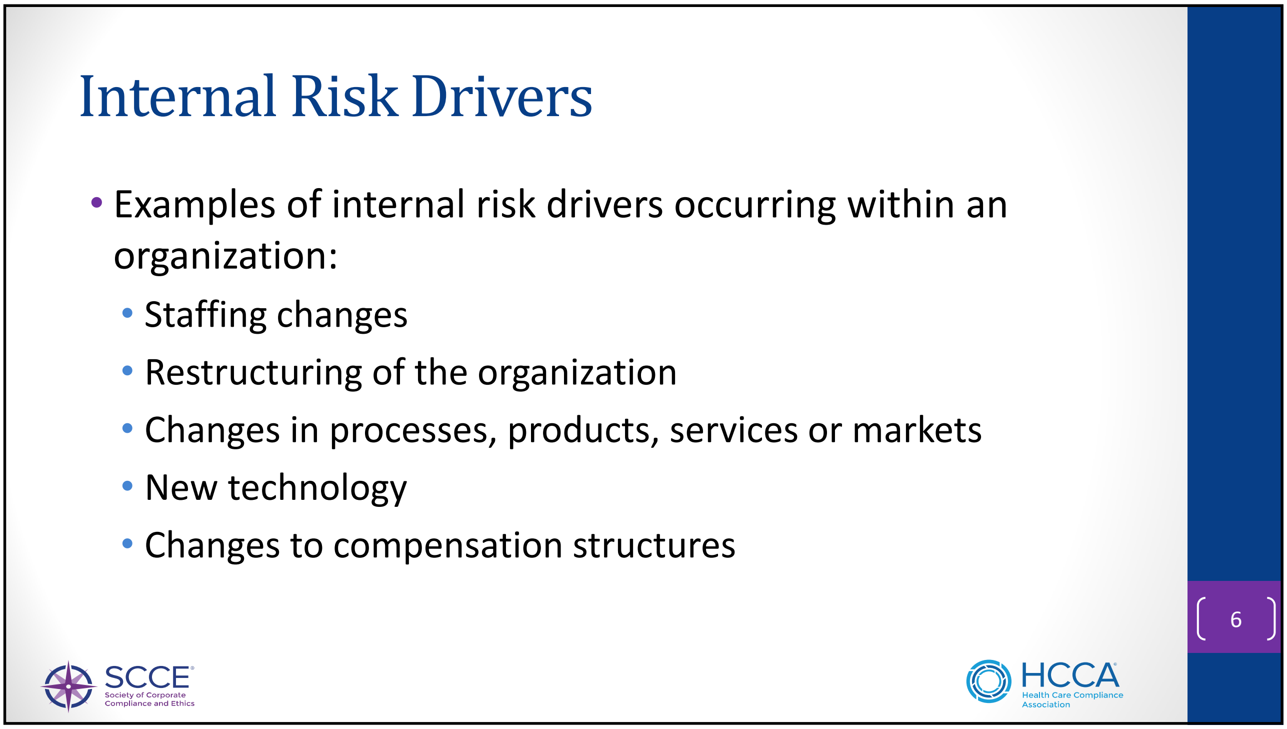

Internal Risk Drivers

- Examples of internal risk drivers occurring within an organization:
  - Staffing changes
  - Restructuring of the organization
  - Changes in processes, products, services or markets
  - New technology
  - Changes to compensation structures

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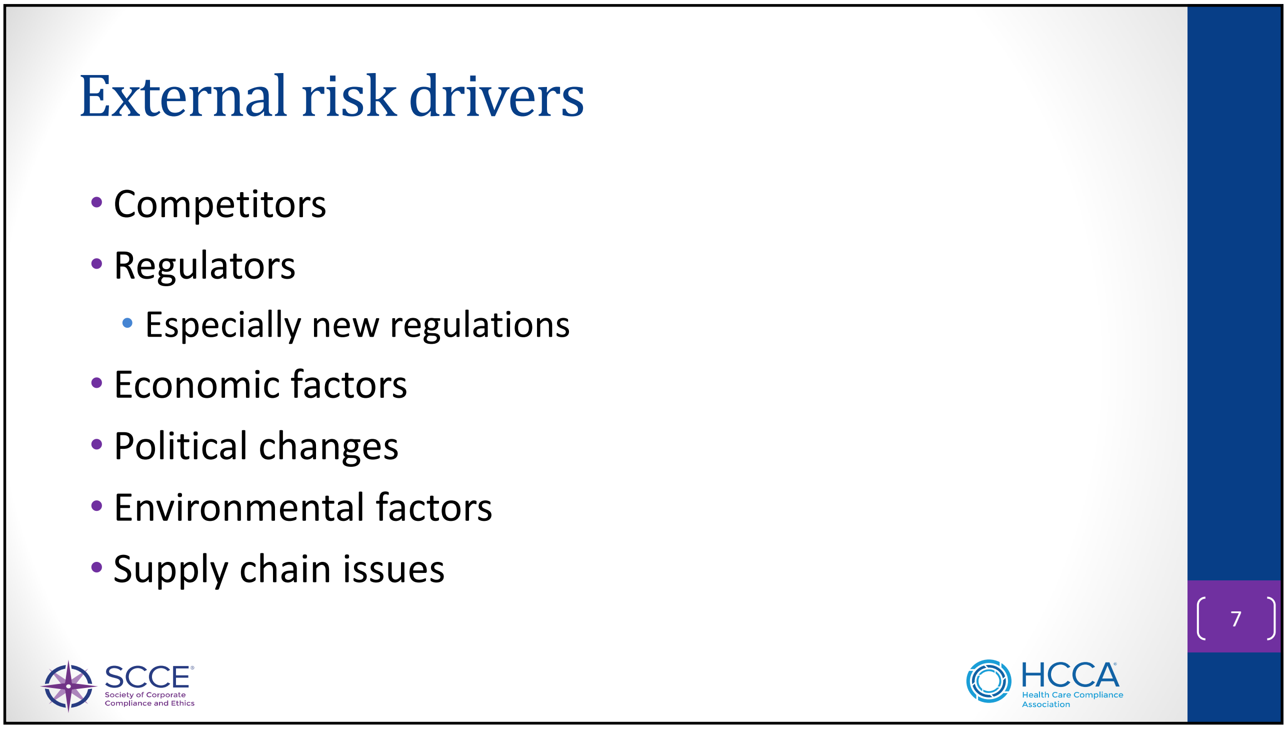

External risk drivers

- Competitors
- Regulators
  - Especially new regulations
- Economic factors
- Political changes
- Environmental factors
- Supply chain issues

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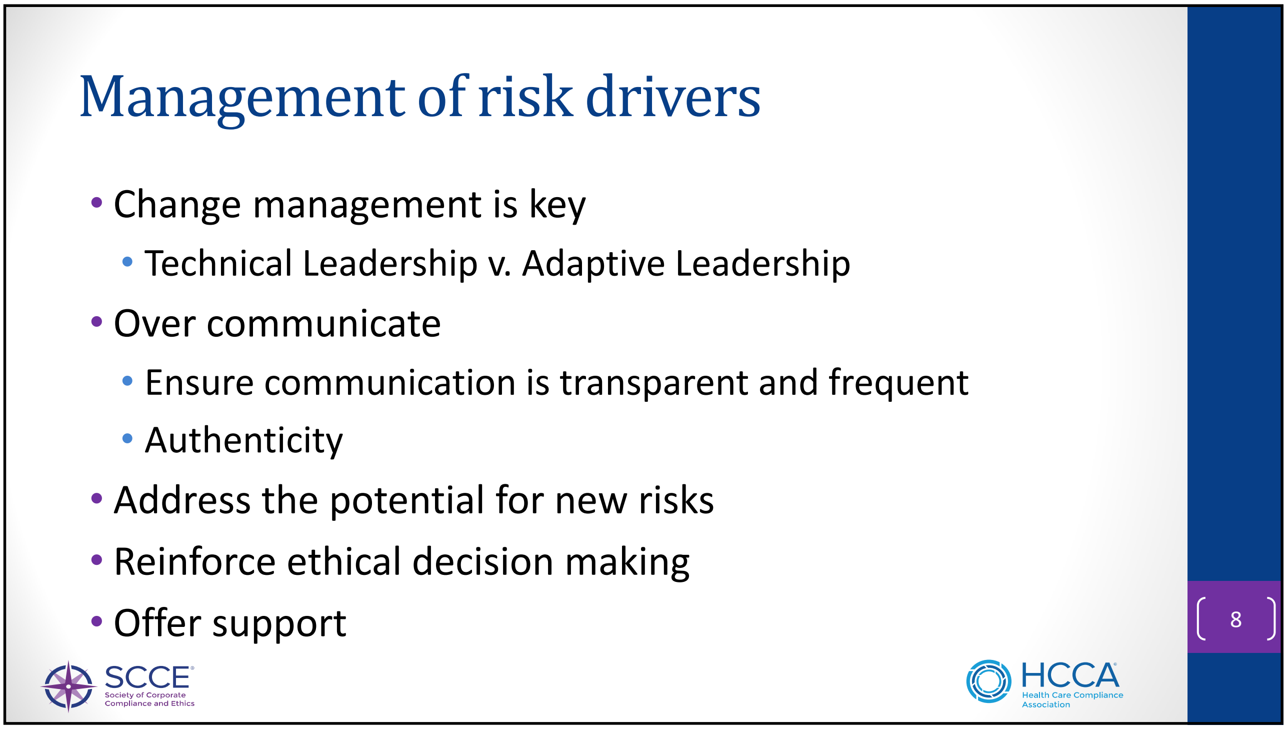

Management of risk drivers

- Change management is key
  - Technical Leadership v. Adaptive Leadership
- Over communicate
  - Ensure communication is transparent and frequent
  - Authenticity
- Address the potential for new risks
- Reinforce ethical decision making
- Offer support

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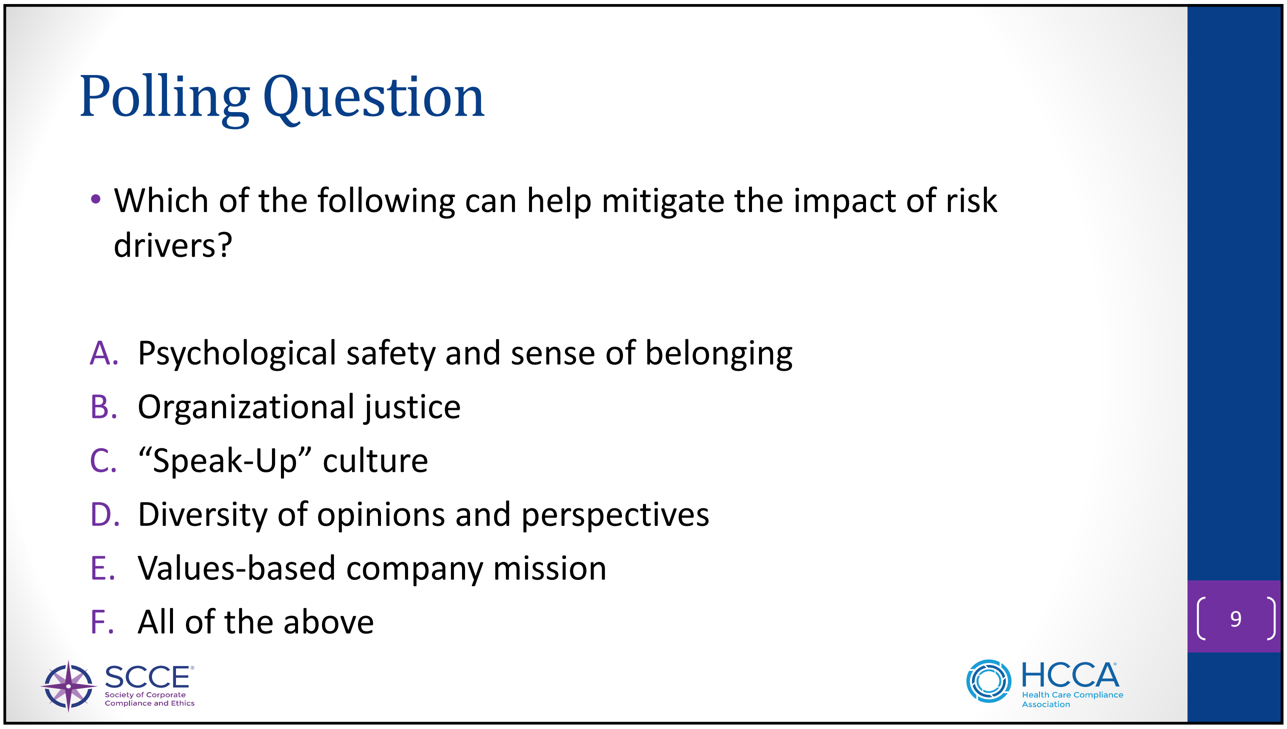

Polling Question

- Which of the following can help mitigate the impact of risk drivers?

A. Psychological safety and sense of belonging
B. Organizational justice
C. “Speak-Up” culture
D. Diversity of opinions and perspectives
E. Values-based company mission
F. All of the above

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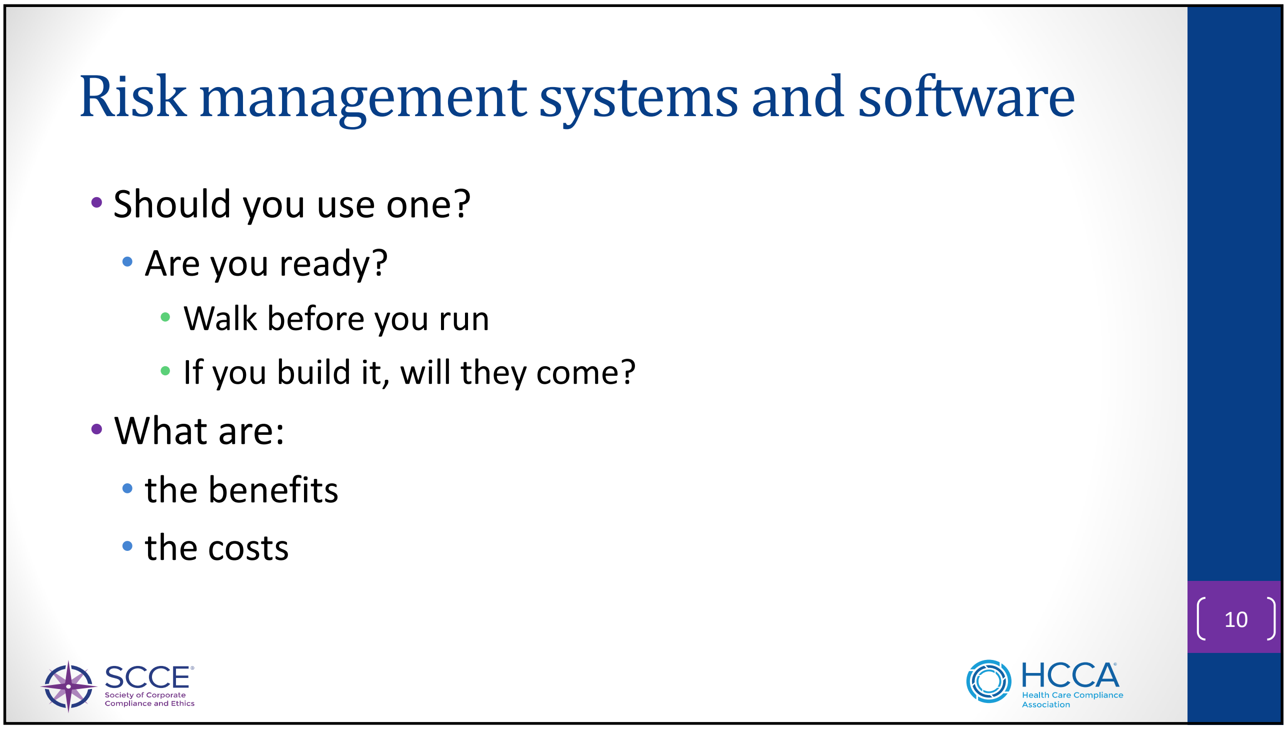

Risk management systems and software

- Should you use one?
  - Are you ready?
    - Walk before you run
    - If you build it, will they come?
- What are:
  - the benefits
  - the costs

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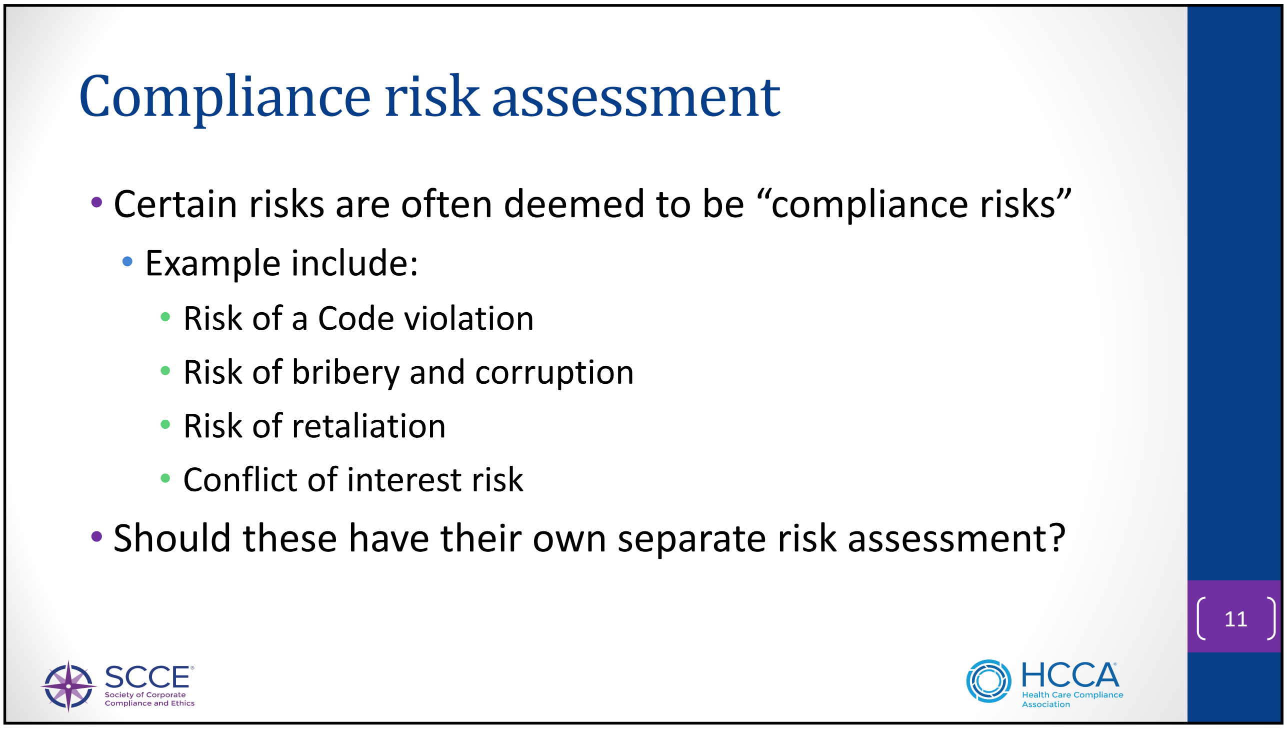
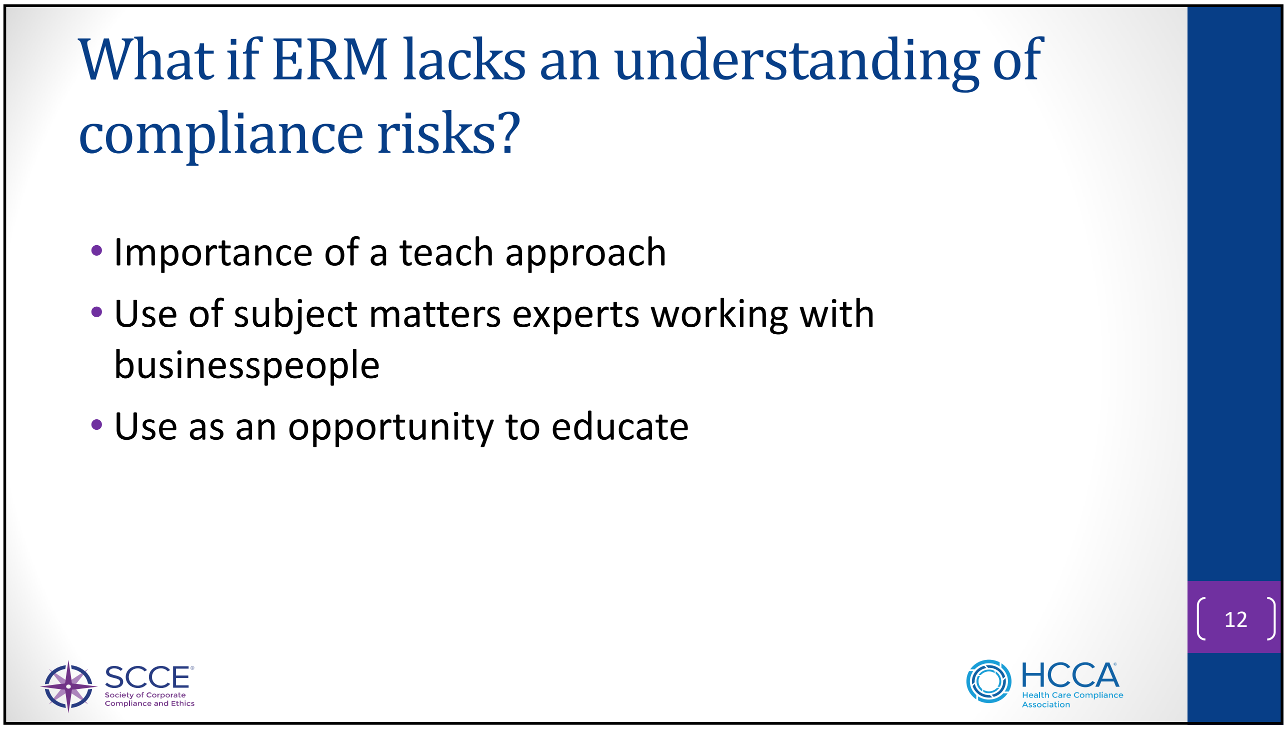


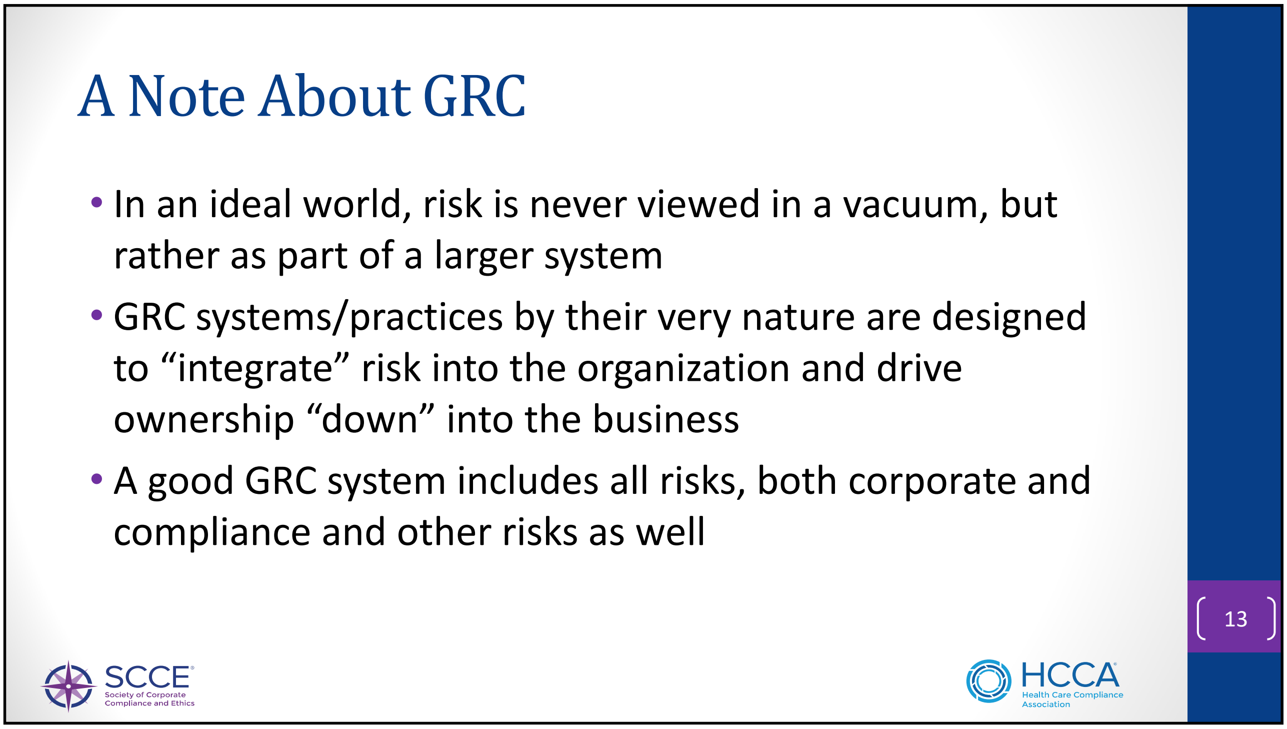
Compliance risk assessment

- Certain risks are often deemed to be “compliance risks”
  - Example include:
    - Risk of a Code violation
    - Risk of bribery and corruption
    - Risk of retaliation
    - Conflict of interest risk
- Should these have their own separate risk assessment?



What if ERM lacks an understanding of compliance risks?

- Importance of a teach approach
- Use of subject matters experts working with businesspeople
- Use as an opportunity to educate



A Note About GRC

- In an ideal world, risk is never viewed in a vacuum, but rather as part of a larger system
- GRC systems/practices by their very nature are designed to “integrate” risk into the organization and drive ownership “down” into the business
- A good GRC system includes all risks, both corporate and compliance and other risks as well

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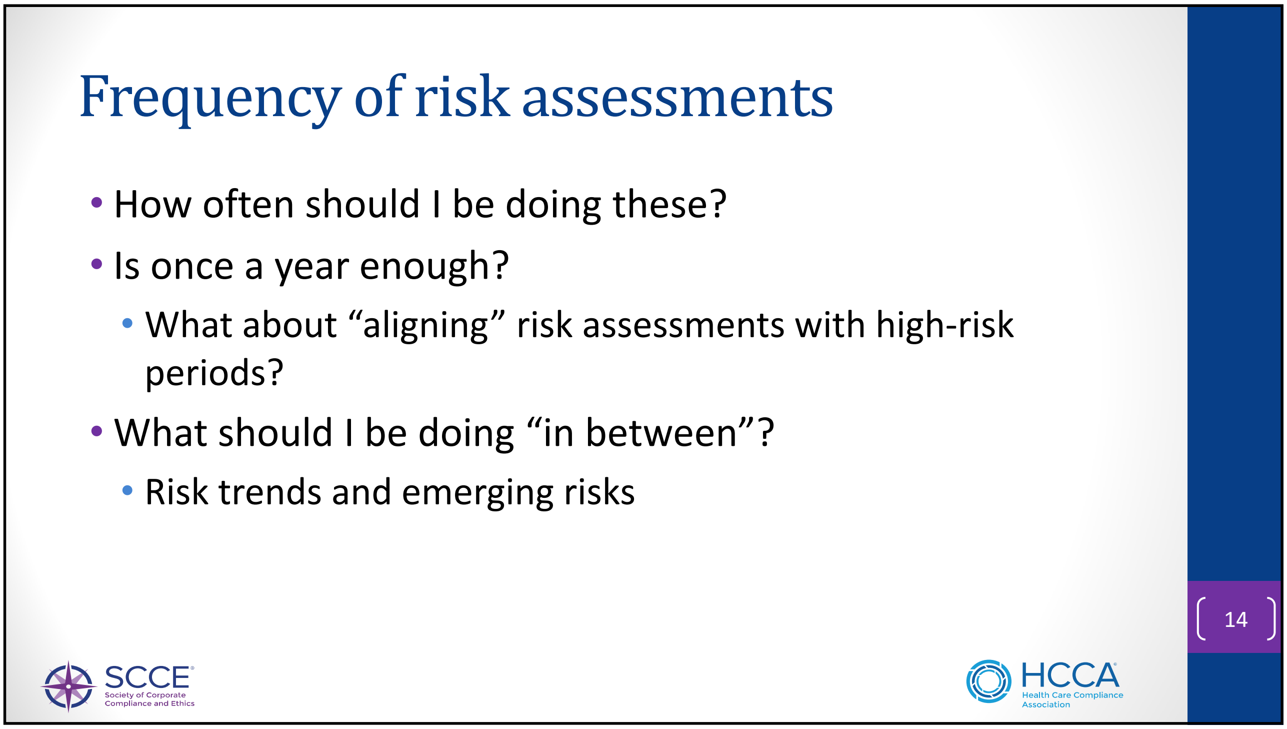

Frequency of risk assessments

- How often should I be doing these?
- Is once a year enough?
  - What about “aligning” risk assessments with high-risk periods?
- What should I be doing “in between”?
  - Risk trends and emerging risks

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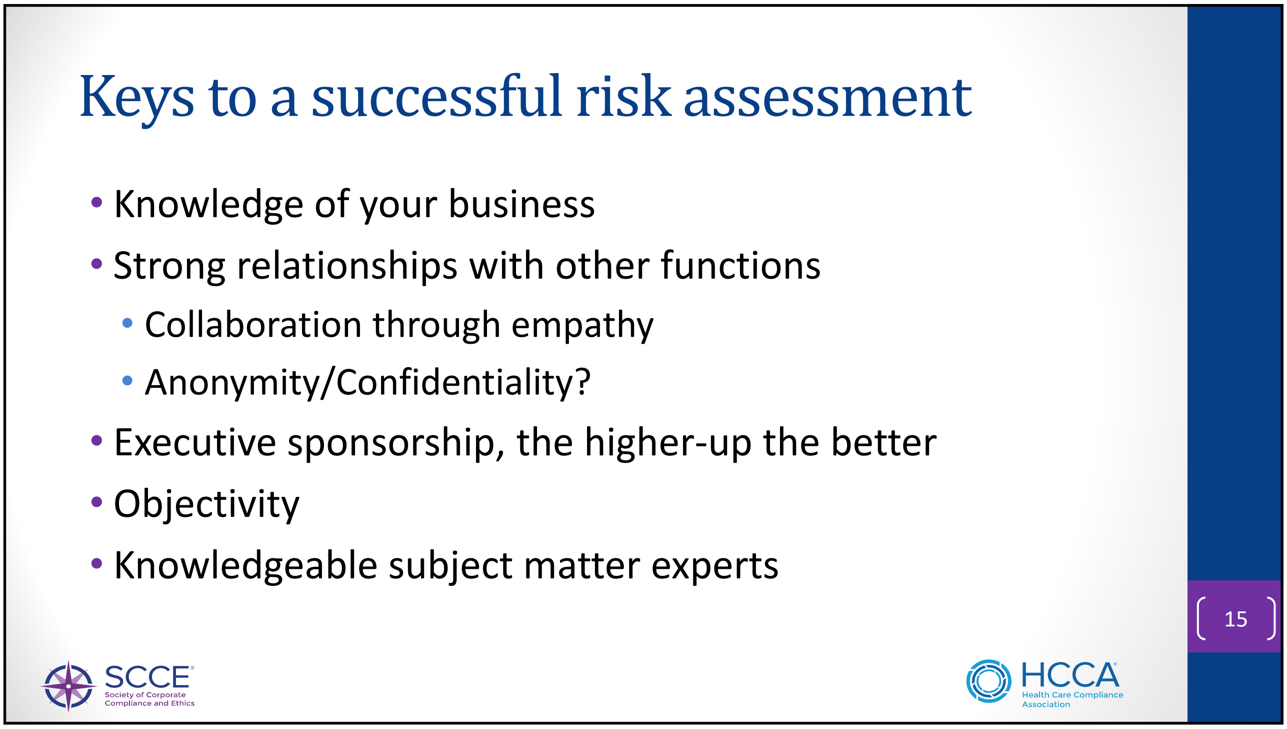

Keys to a successful risk assessment

- Knowledge of your business
- Strong relationships with other functions
  - Collaboration through empathy
  - Anonymity/Confidentiality?
- Executive sponsorship, the higher-up the better
- Objectivity
- Knowledgeable subject matter experts

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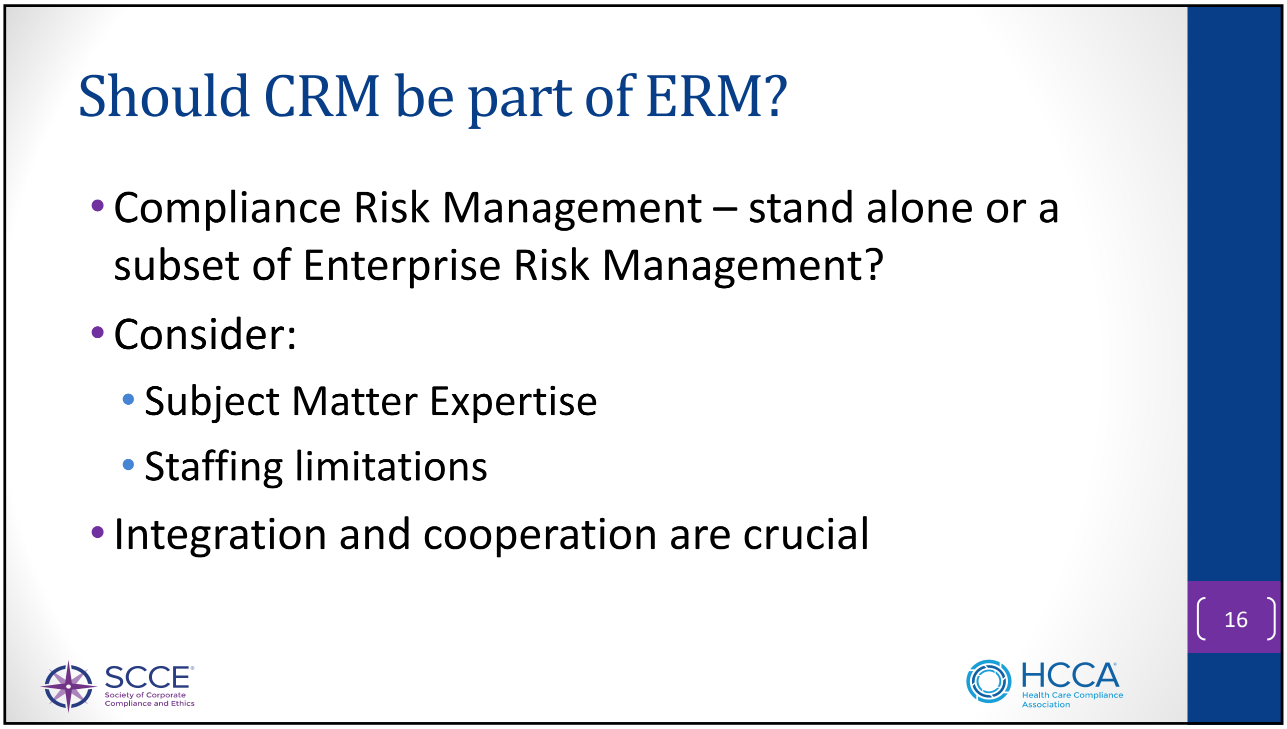

Should CRM be part of ERM?

- Compliance Risk Management – stand alone or a subset of Enterprise Risk Management?
- Consider:
  - Subject Matter Expertise
  - Staffing limitations
- Integration and cooperation are crucial

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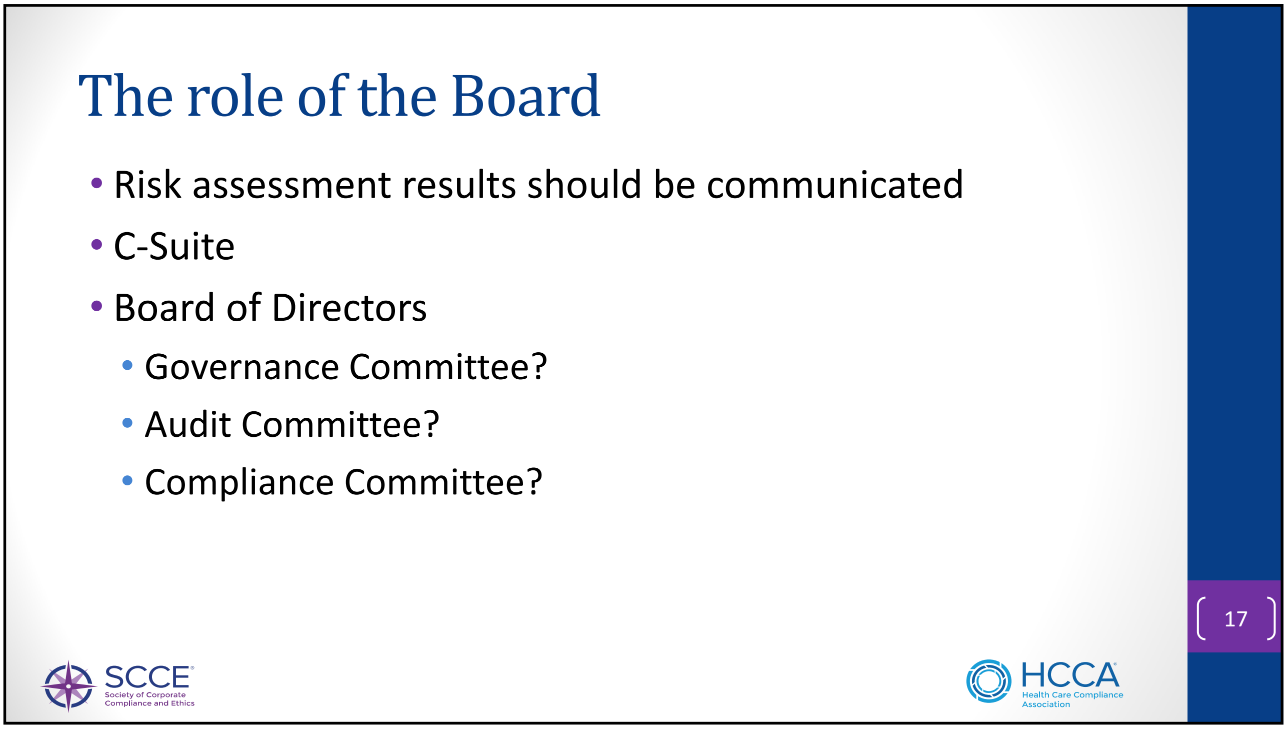

The role of the Board

- Risk assessment results should be communicated
- C-Suite
- Board of Directors
  - Governance Committee?
  - Audit Committee?
  - Compliance Committee?

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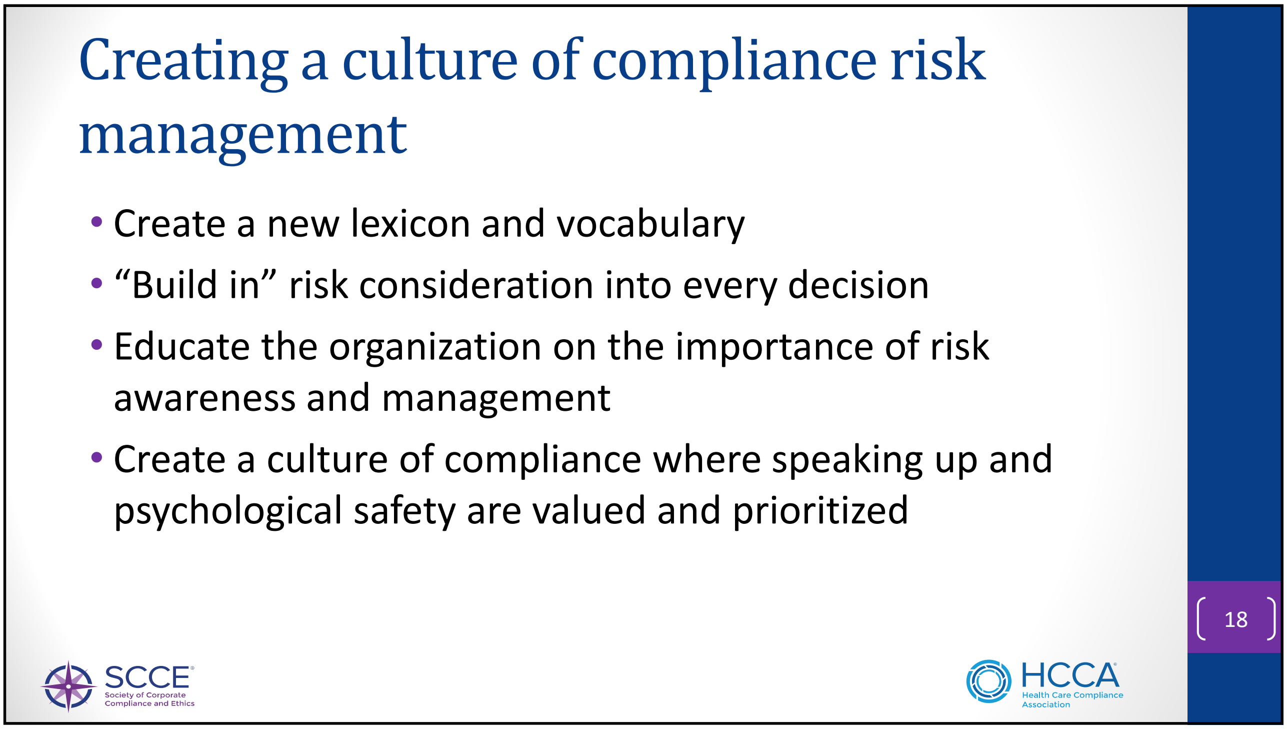

Creating a culture of compliance risk management

- Create a new lexicon and vocabulary
- “Build in” risk consideration into every decision
- Educate the organization on the importance of risk awareness and management
- Create a culture of compliance where speaking up and psychological safety are valued and prioritized

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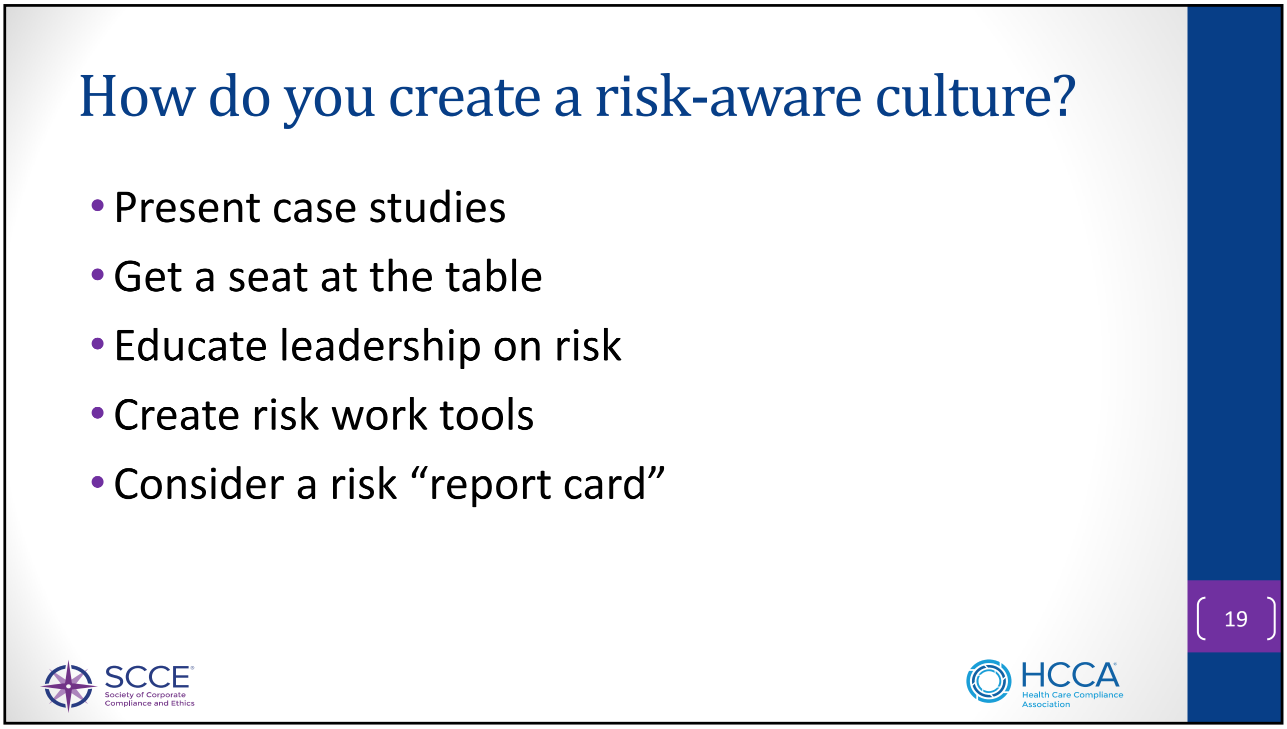

How do you create a risk-aware culture?

- Present case studies
- Get a seat at the table
- Educate leadership on risk
- Create risk work tools
- Consider a risk “report card”

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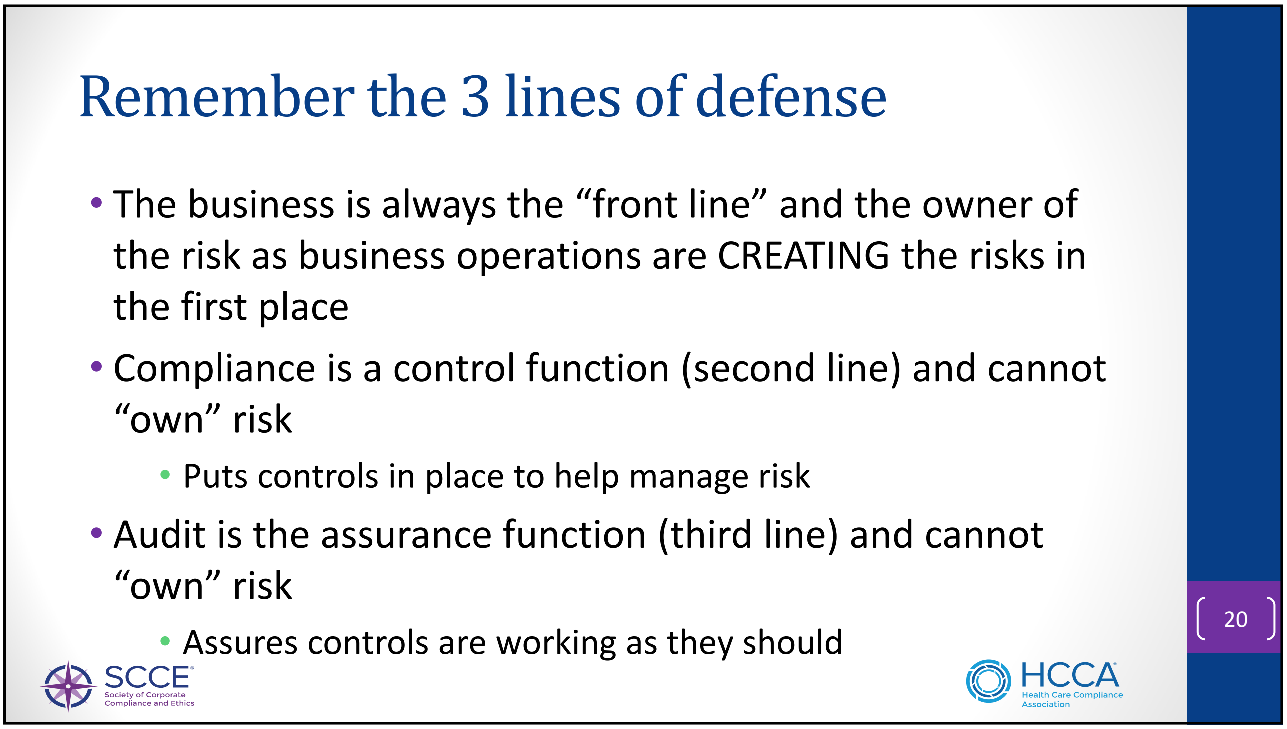

Remember the 3 lines of defense

- The business is always the “front line” and the owner of the risk as business operations are CREATING the risks in the first place
- Compliance is a control function (second line) and cannot “own” risk
  - Puts controls in place to help manage risk
- Audit is the assurance function (third line) and cannot “own” risk
  - Assures controls are working as they should

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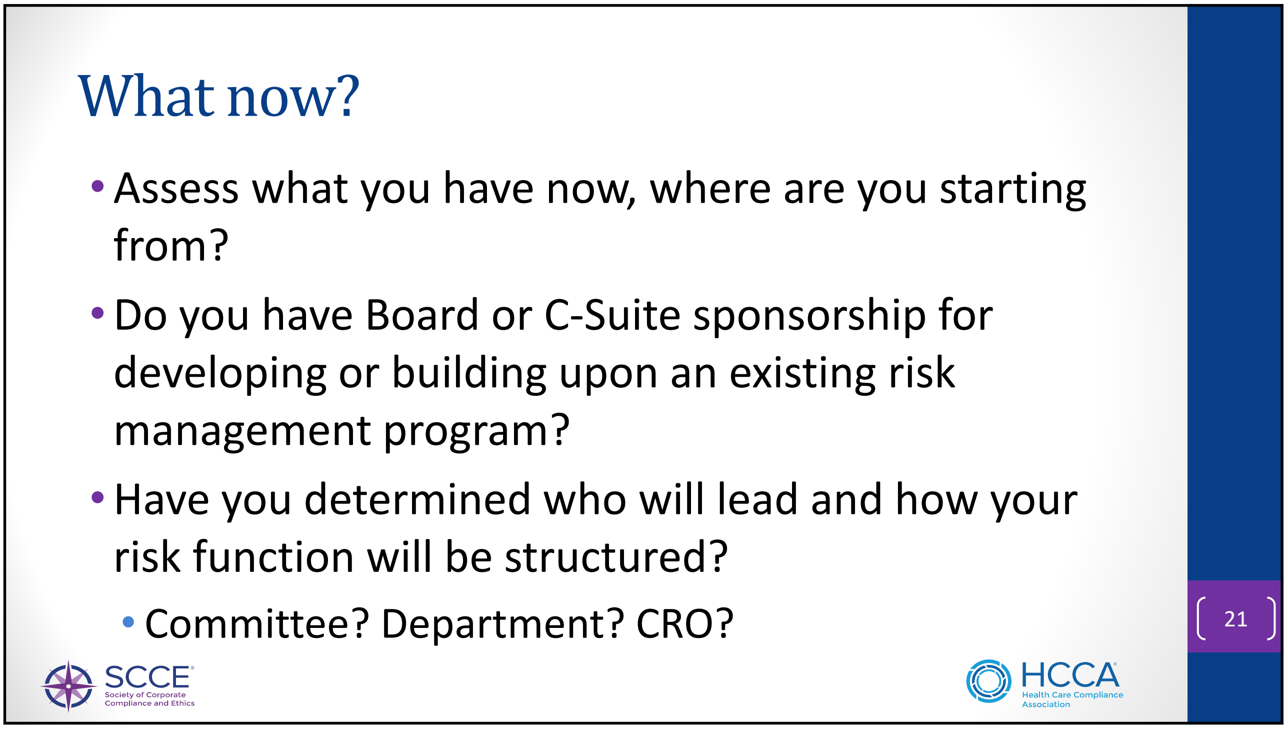

What now?

- Assess what you have now, where are you starting from?
- Do you have Board or C-Suite sponsorship for developing or building upon an existing risk management program?
- Have you determined who will lead and how your risk function will be structured?
  - Committee? Department? CRO?

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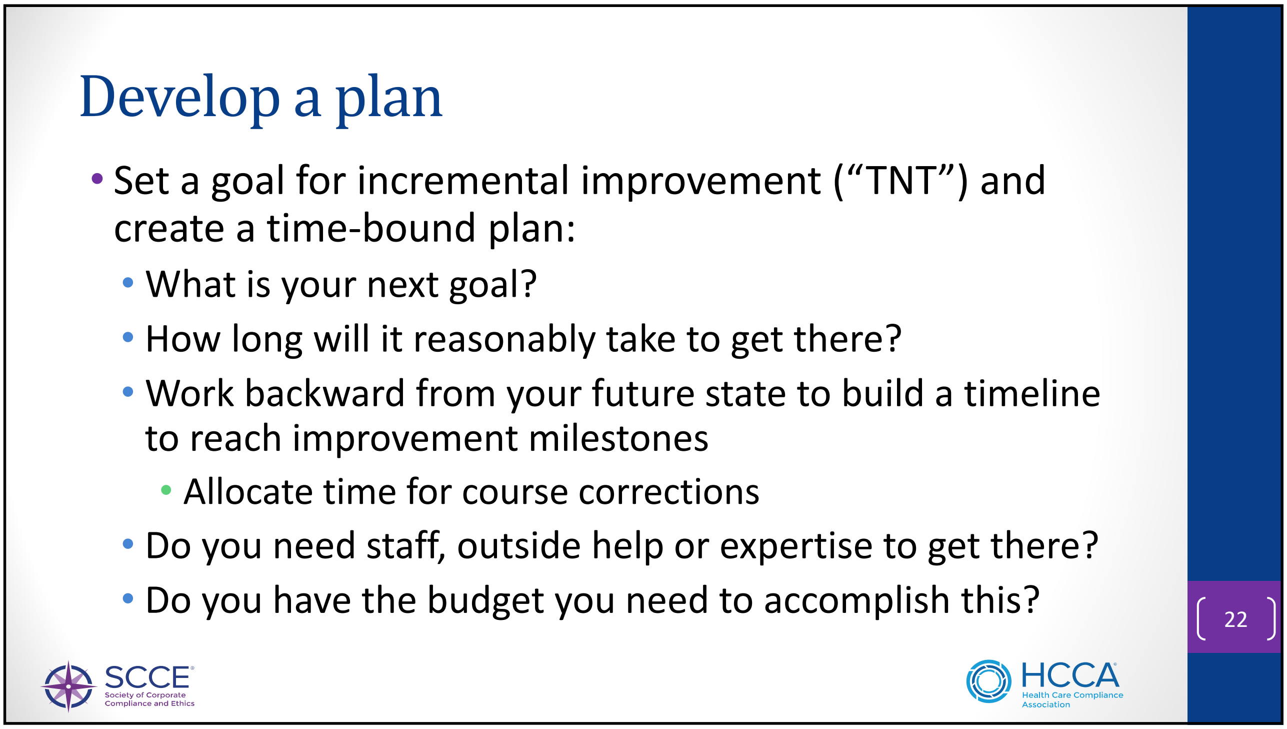

Develop a plan

- Set a goal for incremental improvement (“TNT”) and create a time-bound plan:
  - What is your next goal?
  - How long will it reasonably take to get there?
  - Work backward from your future state to build a timeline to reach improvement milestones
    - Allocate time for course corrections
  - Do you need staff, outside help or expertise to get there?
  - Do you have the budget you need to accomplish this?

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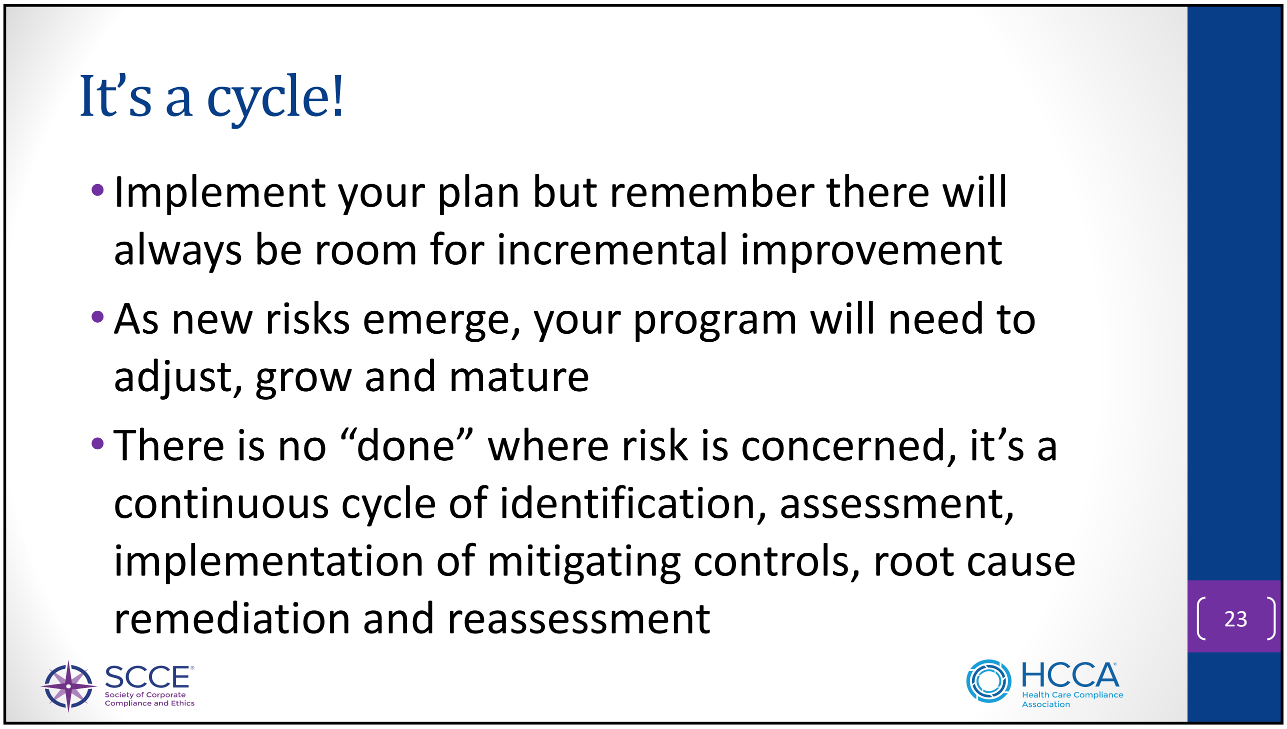

It’s a cycle!

- Implement your plan but remember there will always be room for incremental improvement
- As new risks emerge, your program will need to adjust, grow and mature
- There is no “done” where risk is concerned, it’s a continuous cycle of identification, assessment, implementation of mitigating controls, root cause remediation and reassessment