

Board Compliance Risk Management

Is your Board aware that it is ultimately accountable for the governance of compliance with applicable laws, non-binding rules, codes and standards in a way that supports the organisation being ethical and maintaining good corporate governance.

Is your board assuming responsibility for the governance of compliance by setting the direction of how compliance should be approached and addressed in the organisation and maintaining ongoing oversight of compliance?

The Board is primarily responsible for ensuring the organisation is compliant with all applicable laws, rules, codes and standards and, in certain cases, Board Members can be held personally liable for such non-compliance. It is therefore incumbent on the Board to ensure that compliance risk is well managed and to ensure that there is continual monitoring of the regulatory environment and appropriate responses to changes and developments in the organisation's regulatory environment.

Before the Board can provide assurance to stakeholders, including regulators, that it has compliance risk management under control, it will require a thorough analysis of the organisation's external and internal compliance risk environment in order for the board to understand its risk and the appropriate strategy for managing this risk. Such compliance risk assessment should also form part of the organisation's enterprise-wide risk management plan and its corporate governance framework.

In order for the Board to provide assurance that its compliance risk is well managed, the Board must be able to demonstrate that it has followed generally accepted compliance risk management practice in the management of its compliance risk. The cycle of compliance risk management is demonstrated in the diagram below.



ETHICS & COMPLIANCE RISK MANAGEMENT PROCESS

FOLLOW-UP with a StratNovation team member

www.stratnovation.co.za

Office +27(11) 706 8999 OR +27 087 802 6256

+27(63) 662 6165

Skype Message or schedule a discussion: stratnovation

[StratNovation linkedIn.com](https://www.linkedin.com/company/stratnovation)

info@stratnovation.co.za /

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Some of the issues which may give rise to compliance risk are:

- You want to clearly define your business compliance risks and opportunities to improve strategic business decisions;
- You are facing penalties as a result of failure to manage your risks and comply with regulations;
- You are facing challenges in meeting the compliance demands and expectations of investors, legislators, regulators, customers, employees and other stakeholders;
- You are uncertain whether your company is complying with complex regulatory requirements, especially with cross-border issues;
- You need to improve business processes to embed compliance and mitigate inherent compliance risks;
- You want to reduce incidents of compliance failure; and
- You need to obtain a clear, consistent view on risk and risk appetite.

A **Compliance Risk Analysis** engagement typically includes:

1. assisting the Board to develop a regulatory risk universe which helps the Board to understand the applicable regulations that apply to the organisation;
2. analysing the level of risk that is associated with each applicable regulation by assessing the impact and likelihood of such regulations affecting the organisation;
3. analysing the effectiveness of the controls that the organisation has in place, or not, that will ensure compliance with such regulations;
4. providing advice on any gaps in the compliance control environment and how to address these gaps;
5. preparing action plans for approval of the board and implementation by management of the control improvements required to achieve compliance;
6. monitoring implementation of control improvements and testing of embedment of such control improvements;
7. providing regulator reports on any changes to existing regulations or any new regulations and advising on the impact of such changes or new regulations on the organisation and what steps need to be taken in order to comply;
8. where necessary, drafting the necessary policies, process and/or procedures that are required in order to ensure compliance with existing or new regulations;
9. providing compliance training arising as and when required;
10. assisting management to ensure that compliance risk forms part of the organisation's enterprise-wide risk management programme.


StratNovation has a highly skilled and experienced team that conducts Compliance Risk Management Assessments for clients to ensure that they are fully compliant with all applicable regulations.


The benefits of utilising a facilitated Compliance Risk Assessment engagement are:

- having the expertise of compliance professionals with over 20 year's experience in compliance risk management;
- having a compliance professional "on call" as and when required with the need for employing a full time compliance officer;
- being provided with regular compliance updates on changes to existing regulation or new regulations that may impact on the organisation and an analysis of their impact;

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- integration of compliance risk management into the overall entries-wide risk management framework;
- ad hoc or regular compliance reporting as and when required;
- external compliance risk assessment as and when required; and
- policy, process and procedure drafting as and when required.

Using the StratNovation approach to establish board priorities will better align the board with the organisation in ensuring that performance is realised. This will enable more effective board oversight of compliance risk.


For an exploratory discussion with one of our discipline experts who would be willing to guide your organisation, contact us through our TEAM contacts on our website or through one of the following:

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 Skype Message or schedule a discussion: [stratnovation](https://www.skype.com/people/stratnovation)

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