

MEGA TRENDS

Fourth Issue: Compliance



EXPLORING TRENDS AND PROVIDING INSIGHT INTO YOUR OVERALL COMPLIANCE RISKS, PROGRAMS AND CULTURE



The recent Banking Royal Commission noted the need for organisations to gain a better insight into their employees' values and behaviours.

This concept of cultural auditing can seem challenging at first but consider a cultural survey exercise where employees are asked these five very simple questions. For the sake of simplicity let's define the term "values" (or culture) as honesty and fair dealing.

- ☒ I display our values.
- ☒ My colleagues in my direct work area display our values.
- ☒ My direct supervisor displays our values.
- ☒ The executive responsible for my Business Unit displays our values.
- ☒ The Board and Corporate Executive display our values.

Financial services and other regulated entities are also experiencing increases in their compliance costs. In response to these increases and to ensure the compliance function has the greatest impact on an organisation's residual risk profile, a best-practice model (Principal model) for compliance was developed with three core principles.

- 1 Enhance the role**
Under the new model the compliance department's role transitions from that of an 'enforcer' to one that emphasises active risk management and monitoring.
- 2 Test risk exposure and control effectiveness**
Focusing on residual risk exposure and critical controls ensures that all material risks are considered and provides the basis for risk-based, efficient oversight and remediation activities.
- 3 Integrate**
Compliance risks are often driven by the same underlying factors. As such, a compliance framework should be fully integrated with an organisation's operational risk view of the world.

