



Anti-Corruption Compliance: The Board's Critical Role



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Discussion Topics

- Foundational Elements of an Effective Compliance Program
- Role of the Board
 - Model Practices for Compliance Program Oversight
 - Roles and Responsibilities
 - Control Environment
 - Corruption Risk Assessment
 - Control Activities
 - Information and Communication
 - Monitoring

Foundational Elements of an Effective Compliance Program



Source: United States Sentencing Commission

Role of the Board In a compliance program



Role of the Board

Model practices for compliance program oversight

The Board should use a risk based approach for compliance program oversight in order to focus attention and effort. The Board's role in the risk based approach should include oversight, advice and guidance in all COSO elements.

The COSO framework contains 5 elements for effective internal control systems:

1. **Control Environment**
Driving continuous improvement and accountability
2. **Risk Assessment**
Focusing attention on critical risk areas
3. **Control Activities**
"Owning" the anti-corruption compliance agenda
4. **Information and Communication**
Communicating tone at the top, internally and externally
5. **Monitoring**
Assess the sufficiency of monitoring procedures including the retaining of third party specialists

Role of the Board

Control Environment

"Culture" is a critical element in an organization's ability to sustain effective ethics and compliance programs.

The Board should obtain a periodic view of the organization and its culture by hands-on observation and working with management

The Board should:

- Review metrics and key performance indicators around the company's compliance with law and policy
- Obtain an understanding of the compliance monitoring, auditing and issue resolution processes
- Assess the sufficiency of management's response to specific issues and areas of internal control weakness
- Assign responsibility for anti-corruption compliance and tie the responsibility to compensation

Role of the Board

Questions to ask – Control Environment

- How can the Board help to establish the proper “tone at the top”?
- Is Internal Audit able to communicate concerns or findings regarding management directly to the Board?
- How is Internal Audit funding determined?
- Does Internal Audit sufficiently review management’s anti-corruption programs and controls?
- Is there a comprehensive code of conduct currently in place, and is it effectively communicated to all covered persons?
- Are there mechanisms in place for employees to report corruption concerns independent of the authority of their supervisor or management (i.e. Whistleblower program, hotline)?
- Have individuals in positions of trust been subject to adequate background checks?
- In the event that an alleged wrongdoing has been brought to the Board’s attention, has proper consideration been made to involve other experts (legal, accounting, etc.) as needed to investigate?

Role of the Board

Corruption Risk Assessment

A corruption risk assessment identifies corruption risks not mitigated by controls. How an organization implements compliance procedures and controls is based on the proportion of risk it faces. The Board should understand the critical corruption risks of the company and obtain updates as the control environment changes.

The Board should:

- Understand the entity’s corruption risk philosophy and concur with the entity’s risk appetite.
- Know the extent to which management has established effective anticorruption risk management
- Be apprised of the most significant risks, and whether management is responding appropriately

Role of the Board

Questions to ask - Corruption Risk Assessment

- Does the Board know how much risk the organization is willing to accept?
- How can the Board ensure that management has a mutual understanding of the organization's overall appetite for risk?
- Is management keeping the Board apprised of critical corruption risks?
- How and how often does management update the corruption risk assessment?
- Are there mechanisms in place in order to effectively minimize risk exposure?
- Has management demonstrated the effectiveness of these mechanisms?
- What is the organization's anticorruption risk management program?

Role of the Board

Control Activities

Control activities are the policies and procedures that help ensure that management directives are carried out. It is the responsibility of the Board to ensure that these activities are being properly executed.

The Board / Audit Committee should:

- Consult with internal audit staff regarding their ongoing assessment of the organization's corruption risks at least annually
- Review external auditor's assessment of the effectiveness of the organizations policies and controls
- Inquire specifically about any fraud, corruption or control weaknesses identified by internal or external auditors

Role of the Board

Questions to Ask – Control Activities

- Has management adequately mapped specific control activities to identified corruption risks?
- Has management implemented both preventative and detective controls?
- Are there controls in place designed to address the risk of management override?
- Has management adequately assessed the design and operating effectiveness of anti-corruption control activities, and is the Board satisfied with their assessment?
- Has management's assessment been properly documented?
- Has the board established its independence from management?

Role of the Board

Information and Communication

Written policies are not enough — individuals need to know what is expected of them. The Board should ensure that an appropriate tone at the top is communicated and filtered down to all levels of the organization.

- Ensure that the organization has someone who is responsible for the oversight of anti-corruption compliance processes and activities
- Determine that an individual has been made accountable for the overall anti-corruption program
- Ensure that the organization has channels of communications where employees can get answers on policies and procedures for anti-corruption
- Inquire of management on a regular bases (e.g. quarterly) about anti-corruption in order to provide reminders about expectations

Role of the Board

Questions to Ask – Information and Communication

- Is there adequate capability to collect and share information about corruption across the organization?
- Has management implemented adequate training to employees regarding ethical behavior, code of ethics and other corruption areas?
- Has management adequately assessed the design and operating effectiveness of information and communication, and is the Board satisfied with their assessment?
- Has management's assessment been properly documented?

Role of the Board

Monitoring

The Board should provide oversight to ensure that the following procedures are performed as part of an overall anti-corruption strategy:

- Monitor the results of both internal and external audits
- Inquire about any fraud or corruption that has been reported
- Ensure that the organization considers third party corruption during their risk assessment
- Assess the sufficiency of anti-corruption monitoring procedures including the use of data analytics for high risk areas
- Review the accounting principles and policies used by management, and monitor any changes to these policies
- Monitor any changes to the Code of Conduct employed by the organization

Role of the Board

Questions to Ask - Monitoring

- Does management routinely consider the possibility of corruption in its day-to-day operations?
- Has management adequately assessed the design and operating effectiveness of monitoring activities, and is the Board / Audit Committee satisfied with their assessment?
- Has management's assessment been properly documented?
- Does the Internal Audit plan include sufficient provisions for corruption auditing?
- Do Internal Audit personnel have adequate knowledge and training with respect to corruption?
- Has the Board reviewed the accounting principles and policies used by management in determining significant estimates?
- Has the Board reviewed all the significant non-routine transactions management has entered into?
- What findings / weaknesses have been identified through the monitoring process, and have these been incorporated back into the risk assessment as well as the design of anti-corruption control environment and activities?

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