

# A Comprehensive Guide to Compliance Management



## What is compliance management?

We all know what it means to comply. However, what is compliance management?

Compliance management is the ongoing process of monitoring and assessing systems. Which business management systems: the systems that have been established at your business to ensure you comply with industry and security standards, regulatory requirements, as well as your own internal policies.

Simple enough, sure.

Yet, some organisations believe they can coast by without effective compliance management practices.

## Compliance management challenges

Times of regulatory upheaval, though, only heighten the risk of compliance infractions.

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The cost of adhering to those regulations also rose. Compliance with the Dodd Frank Wall Street Reform and Consumer Protection Act cost banks USD 36 billion, according to the publication, Trade.

The sheer volume of regulations isn't the only challenge to effective compliance management. A lack of compliance management system software is another.

Without an online compliance management system, teams become more reliant on manual structures, i.e., spreadsheets, Word documents, shared folders, etc.

These home-spun structures don't, however, scale as firms get larger – their regulatory burden more onerous.

Too many companies are also managing compliance risks in silos – on an individual, risk-by-risk basis<sup>ii</sup>. What's more, individual teams don't always have the internal (communications) tools they need to properly integrate their knowledge base of compliance risk into their systems for managing risk.

As a result, business managers don't get visibility into enterprise-wide risk, limiting them to a fragmented view of (sector-specific) risk, despite the high probability of bleed over between business lines.

## Compliance management solutions

What can be done, instead, to achieve efficient, cost-effective compliance management? For starters, senior leaders should redirect their company's compliance efforts and resources away from piecemeal interventions.

Instead, they should focus on implementing an enterprise-wide strategy. Pursuing that strategy entails identifying the areas in the organisation with the highest compliance risk, then recalibrating the compliance function to monitoring those risks.

Here, some concrete steps to turn enterprise-wide compliance management into a reality include developing a single, overarching framework for compliance across the organisation. That unifying thread, in turn, will govern processes taken and tools procured.

But how to achieve a comprehensive understanding of your company's compliance risk? We suggest the following:



### Run regular risk assessments.

The best practice in the field is to run regular risk assessments, particularly after major business changes (e.g., COVID). Barring largescale shocks, businesses should run assessments at least annually, looking out for minor tweaks to statutes, standards, regulations, and court rulings that can affect compliance requirements.



### Introduce standardised risk methodologies.

Then comes prioritisation. That means triaging risk based on pre-established criteria. Companies don't have infinite resources to deal with identified compliance risks. Instead, they will have to use a standardised risk methodology, usually a risk matrix, to determine which risks they will seek to control. That assessment is often made based on (proportional) levels of risk.



### Factor in third-party risk.

Business partners need to be part of this calculus, as well. Vendors and contractors deemed unethical in the past also increase compliance risk. They should be factored into a company's risk-monitoring framework.



### Sign off on appropriate risk controls.

The compliance decision maker, usually a C-level executive reporting directly into the Board's audit committee, will need to sign off on risk controls. Those are the actual strategies and tools teams will implement to manage high-level risk and promote compliance, either by mitigating the risk or eliminating it altogether.



### Move on to analysis.

After isolating all potential compliance risks, teams will move ahead and analyse those risks, asking themselves how likely an individual risk is to occur, and the potential impact of that risk were it to become an incident.



### Ensure constant improvement.

To make this staged approach work, teams will need to ensure that their processes, policies, and procedures are all standardised. Further, they will need to ensure that the centralisation of the compliance function is reinforced by training and education, as well as clear reporting methods and mechanisms, which keep due diligence and risk assessment efforts current.

# The benefits of governance, risk and compliance software

How to operationalise the best-practice compliance management solutions above? That's where digitised governance, risk and compliance software comes in.

These platforms collect real-time risk data from multiple stakeholders, across the organisation. They are also based on ISO standards, as well fully customisable.

With everything from a simple pre-task assessment through to an organisational risk register, the solutions make it easy to capture risk data and provide the analytics to derive rich insights.

What else? These solutions also provide better bang for your buck, a consistent set of common GRC features that can be used in out-of-the box, safety and security management software.

Relevant features include:

<b>Controlled documents</b>	<ul style="list-style-type: none"> <li>• Primarily used for policies and procedures, but can be used for any document type</li> <li>• Includes a document approval workflow (reviewer/owner)</li> <li>• Includes a document review &amp; archival workflow</li> <li>• Supports automatic document version control and links to previous versions from current version dashboard</li> <li>• Supports stakeholder email notifications &amp; acknowledgements that documents have been read &amp; understood</li> <li>• Supports links between documents and risk controls</li> <li>• Supports a controlled document register search</li> <li>• Allows filtering of documents</li> <li>• Documents are accessible from web browser and mobile devices</li> </ul>
<b>Audits</b>	<ul style="list-style-type: none"> <li>• Audit projects consisting of multiple sections and questions that can be configured by authorised users</li> <li>• Audits can be scheduled to occur on a user-defined cycle</li> <li>• Multiple auditors can work simultaneously on the same audit project</li> <li>• Each audit can consist of multiple questions, each of which can be weighted for importance</li> <li>• Each question can include guidance notes</li> <li>• Audit responses are automatically converted into a percentage that facilitates consolidation, comparisons, and trend reporting</li> <li>• Non-conformances can be recorded for follow-up action</li> <li>• Photos and files can be captured as evidence</li> <li>• Corrective actions can be raised and tracked through to completion</li> </ul>
<b>Risk assessments</b>	<ul style="list-style-type: none"> <li>• Can be used for any type of risk assessment</li> <li>• Risk assessments are created from a library of pre-defined risks and controls that users can extend</li> <li>• A Risk Assessor can automatically calculate the Inherent risk severity when the likelihood and consequences are entered</li> <li>• An Assessor can rate the contribution of each control toward likelihood and consequences, which automatically calculates the Target risk severity level using the contribution of multiple controls</li> <li>• The Risk Owner can approve the risk assessment</li> <li>• Once implemented, the effectiveness percentage of each control is used to automatically recalculates the Residual risk severity level</li> <li>• Risk assessments can be scheduled for periodic review</li> <li>• Users can generate ad-hoc risk reports that explains what has changed within a date range</li> </ul>

Finally, effective compliance management is most difficult in moments of crisis and regulatory upheaval, like the present. But that doesn't negate the reality of everyday threats to compliance management.

Understanding those threats is the first step to mitigating their effectiveness. After that, implementing cohesive compliance risk management strategies, in tandem with technology investments, is the best way to capture the risk data that provide the requisite analytics and insights needed to keep your organisation safe and compliant.

### Sources

- i. Tom Groenfeldt, *Forbes: Taming The High Costs Of Compliance With Tech*. Available at <https://www.forbes.com/sites/tomgroenfeldt/2018/03/22/taming-the-high-costs-of-compliance-with-tech/?sh=531894495d3f>.
- ii. Norlida Abdul Manab, *International Review of Business Research Papers: Enterprise-Wide Risk Management (EWRM) Practices: Between Corporate Compliance and Value Creation*. [https://www.researchgate.net/profile/Norlida\\_Manab/publication/267817755\\_Enterprise-Wide\\_Risk\\_Management\\_EWRM\\_Practices\\_Between\\_Corporate\\_Governance\\_Compliance\\_and\\_Value\\_Creation/links/57c2742508aeb95224d749b7/Enterprise-Wide-Risk-Management-EWRM-Practices-Between-Corporate-Governance-Compliance-and-Value-Creation.pdf](https://www.researchgate.net/profile/Norlida_Manab/publication/267817755_Enterprise-Wide_Risk_Management_EWRM_Practices_Between_Corporate_Governance_Compliance_and_Value_Creation/links/57c2742508aeb95224d749b7/Enterprise-Wide-Risk-Management-EWRM-Practices-Between-Corporate-Governance-Compliance-and-Value-Creation.pdf)



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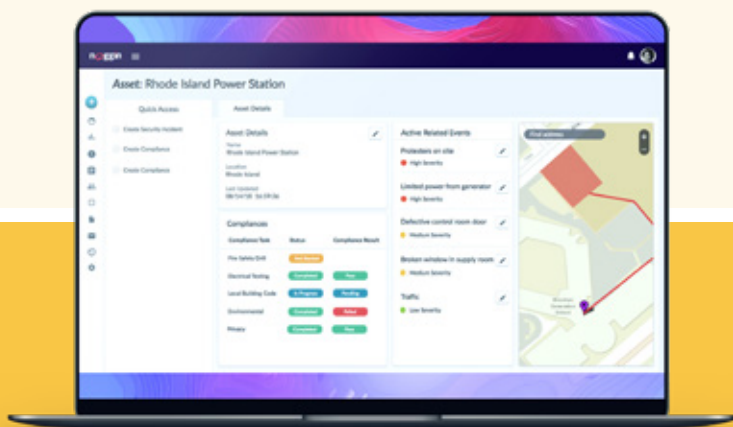
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