

5 Key Elements for Effective Compliance Program Board Reporting

By NAVEX Global

Board members are generally highly sophisticated, business-focused professionals who are accustomed to being provided with customized, high-level data and information. Their expectation is that the data they receive in board reports has been vetted and analyzed for them, and that they can convert that information into specific business plans.

Excellence in board reporting helps create opportunities for deepening board engagement, improving the company's culture and helping to further cement the trust and respect the board has for the accomplishments of the company's compliance program.

The following best practices for board reporting create a strong, mutually-beneficial relationship between compliance officers and the board.

1. CREATE A COMPELLING, PROFESSIONAL FORMAT AND STRUCTURE FOR BOARD REPORTS

Be Consistent. The look, feel, format and data used for reports should be consistent from quarter to quarter and year to year.

Be Strategic. The report should support or explain gaps in the compliance program's and company's strategies.

Provide Context. Avoid supplying data with no context supporting its inclusion. Seize the opportunity to explain how KPIs are being reflected in the data.

Use Benchmark Data. Benchmark data can give the board comfort and context about how the company performance compares to peers. There is often safety in numbers and executives and boards are often on the lookout for benchmarking statistics which show consistency with peers.

Focus on Outcomes. It is helpful to the board's understanding of your compliance program to tie program goals to outcomes.

2. DELIVER REPORTS AT THE RIGHT FREQUENCY

The compliance officer report to board of directors should be delivered at least quarterly along with an annual report at the end of the year. This frequency meets or exceeds the standards of most companies. This might vary depending on the size and sophistication of the compliance program. Ensure you are meeting the board's expectations on timing by asking the board for feedback.

3. INCLUDE ONLY THE MOST CRUCIAL, RELEVANT CONTENT

Mature ethics and compliance programs never lack for content. However, the sheer amount of material and data may desensitize the board to the accomplishments and challenges a program has faced and overcome.

The following basic elements should be covered in some form or another:

Communication and Training. Unless the board has specifically requested an exhaustive level of detail, they only need to know basic information: that the program and standards have been communicated, and that employee or third party training has been completed satisfactorily in accordance with the CCO's learning and curriculum goals.

Compliance Program Elements. A good way to structure a board report is to follow the general categories for an effective compliance program outlined in guidelines such as the United States Federal Sentencing Guidelines for Organizations (FSG) or Organisation for Economic Co-operation and Development (OECD). At least on an annual basis, a board report on the compliance program should address in some way the status and effectiveness of: structure and leadership, standards and procedures, training and communication, integration with HR practices, auditing and monitoring, investigations, discipline, risk assessment and organizational culture.

Culture and Support for Compliance. This is an area often overlooked or ignored in most board reports. This is usually the result of board members' reluctance to step outside of their comfort zones. Board members read the bottom line, not between the lines. However, this is one of the most critical elements of discussion for board members, who really help set and drive tone at the top.

4. RISK ASSESSMENT

A risk assessment is one of the foundational elements of an effective compliance program. It provides critical information affecting the company's risk recognition, planning and mitigation process. This is one area that board members know well – particularly for public companies or issuers which must file a Form 10-K or an annual report. A heavily scrutinized element of these filings is always the risk factors.

Failing to address the risk assessment process in board reports may leave the board with the impression that compliance does not drive or participate in the risk assessment process.

5. ELEVATE BOARD ENGAGEMENT

The best compliance programs are often coupled with a very engaged board and a healthy relationship between the board and the CCO. In the best case, the CCO has regular, formal contact with board members and provides information on topics of interest between regularly scheduled board meetings.

This engagement is usually a sign that the board values the role of the CCO and the compliance program overall. A board that is genuinely interested in the compliance process and its outcomes is often due in equal measures to the dedication and professionalism of the board as well as the excellent job done by the CCO and the compliance team members.