

Best in Show: Cross-Industry Corporate Compliance Survey Results

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May 2012

OBJECTIVE:

This survey was conducted to understand how large corporations have implemented corporate compliance programs, identified key indicators of corporate compliance activities, and validated the applicability of those measures in companies across various industries. The survey would be able to provide companies with information about how to assess and improve their compliance activities.

METHODS USED:

83 companies from 11 different industries and four countries participated in this survey. Of the 65 companies who identified themselves, 38 are on the Fortune 1000 list of companies. 24 questions were asked, 17 of which were identified and scored as indicators of a highly developed corporate compliance program.

KEY FINDINGS:

- The financial services and aerospace industries had the highest average industry scores. The two companies with the highest score are in the financial services industry.
 - A long history of heavy regulation in these industries could be a factor as to why they have highly developed compliance programs overall.
- The highly regulated health and medical industry had the second lowest average.
- 65% of the companies reported they have a centralized compliance structure, meaning having a few or no compliance officers in business units.
- 35% responded as having a decentralized compliance structure where many compliance officers are embedded in the business units.
- 57% have integrated corporate compliance into their business risk management programs.
- 93% stated they report compliance activities to the Board, the Board Audit Committee, or a subcommittee.
 - Their most common job being reviewing audit reports, compliance risk assessment, and audit plans.
- Only 12% of the surveyed reported having an independent compliance reporting process.
 - A reason for most companies not meeting this measure is due to only a few having independent compliance officers.
- Involvement of compliance officers when implementing activities can increase the likelihood that new initiatives, products, or services will meet regulatory standards from the start.

- 85% establish compliance program goals and objectives on an annual basis.
 - 5% of respondents stated the goal setting process was completely up to the business units. While 95% stated the compliance officers play a role in the process.
- 86% reported that the compliance officer has a role in coordinating the purchase of compliance tools and services. This is to avoid duplication of resources among the different business units.
- Employees will use provided compliance resources to the extent that the resources are visible, available, and understood. On a scale from 1 to 7, 1 being the best, the mean score was 3 in assessing how visible, proactive, and clearly defined their programs are.
- 91% of the surveyed reported conducting an annual risk assessment of compliance issues.
 - 6% reported that compliance audits are never conducted under privilege.
- 28% of the reporting companies do not evaluate the effectiveness of their compliance and ethics training.

CONCLUSION:

- An independent corporate compliance officer with no role in the organization and who has independent reporting to the board should be appointed.
- Outside directors should be trained on corporate compliance and business ethics.
- Communication from executives about compliance and business ethics should be more frequent.
- Compliance program effectiveness measures should be developed and refined.

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