

Five Keys to Effective Board Oversight of Ethics and Compliance Programs

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New risks — including cyber-attacks —and old – tone at the top — underscore the importance of strong compliance and board-management partnerships, says Panel.

Fact: 35 years ago, learning about ethics simply meant taking a philosophy class in college, said moderator Keith Darcy, independent senior advisor to Deloitte & Touche LLP. Today, ethics has taken on a much more important meaning with even business schools offering compliance and ethics focused programs. This situation can be understood by a fast forward review of decades of corporate implosions. This history makes it clear why compliance, ethics, risk and strategy must be married to avoid these past catastrophes and to be prepared to evade future ones.

With major corporations, especially global financial institutions, facing historic fines and potential litigation related to regulatory compliance failures, what are some timely and critical topics you should be aware of when becoming a board member?

Here are five takeaways from “Diversifying the American Board: Ethics and Compliance,” a Panel discussion sponsored by Financial Women’s Association and hosted by Deloitte & Touche LLP.

1. Ethics and compliance must move into mainstream: It is a must that major corporations and their boards adhere to compliance mandates, placing compliance-related issues at the top of a board’s agenda. “Compliance can’t be last on the agenda.....it needs to be moved to the top with strategic discussions,” said panelist Irena Gecas-McCarthy, principal, Governance, Regulatory & Risk Strategies practice at Deloitte & Touche LLP.

2. Share a sense of responsibility between the board and senior management: To create and maintain an effective ethics and compliance program, both the board and senior management must work in tandem to protect shareholders. “This compliance culture must be owned by all throughout the entire organization, without exception,” according to a [June 2014 Deloitte report](#). “The entire organization is accountable. Words without actions are an empty chalice,” the report added.



Andrea Esposito, co-chair of the Directorships & Corporate Governance Committee, panelist Irena Gecas-McCarthy, principal, Governance, Regulatory & Risk Strategies practice at Deloitte & Touche LLP; panelist Keith Darcy, independent senior advisor to Deloitte & Touche LLP; panelist Cynthia Krus, partner, Sutherland, Asbil & Brennan LLP; Joanne Pace, panelist and board member at Oppenheimer Funds and Horizon Blue Cross Blue Shield; and Nicole Sanford, partner and the national practice leader for Deloitte & Touche LLP.

“Understanding the compliance rules and regulatory framework that governs the company for the board you serve on requires a major commitment and focus. A board needs to stay current to effectively fulfill its oversight role,” Joanne Pace, panelist and board member at Oppenheimer Funds and Horizon Blue Cross Blue Shield revealed, stressing the importance of staying current.

3. Leverage lessons learned through root causes: From time to time, mistakes are made. Therefore, it’s important to identify the root cause of an issue and then immediately understand why the situation occurred to prevent it from happening in the future.

“More introspection into such components as ‘did a loss happen and how’ can dictate understanding root causes,” Ms. Gecas-McCarthy said. “It becomes about discipline in knowing laws and regulations and, therefore, which policies and controls are most important.”

4. Understand potential risks through assessments: With major corporations being hacked on what seems like a daily basis and everyone worried about being the next victim of a potential cyber-attack, ethics and compliance risk assessments have never been more important. Not only do they provide the foundation for what next steps need to be taken to avoid, mitigate or remediate these risks, but they also act as a tool for how to allocation scarce resources across these risks. “You must monitor implementation via the testing format to truly see the impact of an action rather than the activity,” said Cynthia Krus, partner, Sutherland, Asbil & Brennan LLP s and the third panelist of the night.

5. Get a sense of the organization: Undertaking comprehensive due diligence on the overall culture of an organization at which you may want to become a board member is crucial. Speak individually with as many board members as possible. Walk the hallways and try both informal and formal ways to get to know the management team to see if your skill set and qualities fit with what the board is looking for in terms of value.

Keep these tips in mind and you’re ready to join any board you wish!

Special thanks to President’s Circle member Deloitte for hosting this great event!