

UNIVERSITY OF TOLEDO INTERNAL AUDIT DEPARTMENT

MANAGE COMPLIANCE (COMPLIANCE)

Risk and controls matrix (compliance)

> Overview

> Key risks and controls

> Supporting material

Overview

Compa77.3 (m)53.m-3mO77fi77m-32f EMC B28c2--6 (a).8 (77.30 Tw 3-0.031 Tc 0.0 Tc 0.0 T223.m6D[(OM
companies will need to go beyond generic models to address the specific business processes that
support the financial and nonfinancial disclosures being made. You can combine the insight of
this business risk and control information with your industry-specific knowledge and
understanding of your company's environment when conducting internal control assessments and

UNIVERSITY OF TOLSON 0-2.6 ()-077 (8)-0.7 (YNT)2.3 (L)-0.7 (ERNAO)2.3 (L A

**UNIVERSITY OF TOLEDO INTERNAL AUDIT DEPARTMENT
MANAGE COMPLIANCE (COMPLIANCE)**

strong compliance leadership, or "tone at the top," at the executive level

board are indifferent or impervious to compliance responsibilities
xLack of focus on the importance of ethical conduct
xLack of education at the executive and board levels about compliance responsibilities
xCriminal intent
xAbuse of executive stock options incentives
xShort-term value management

xHigh employee turnover
xReputational damage
xFines and sanctions
xGreater regulatory scrutiny
xInability to achieve business objectives
xRevenue losses
xLegal costs
xLoss of profitability

compliance mind-set from the senior leadership level
xEstablish an independent board
xRequire greater board involvement
xPenalize executives for improper or unethical conduct
xSeparate the CEO and Chair positions
x

**UNIVERSITY OF TOLEDO INTERNAL AUDIT DEPARTMENT
MANAGE COMPLIANCE (COMPLIANCE)**

compliance efforts
xLack of compliance-
related awareness
xBudget constraints

**UNIVERSITY OF TOLEDO INTERNAL AUDIT DEPARTMENT
MANAGE COMPLIANCE (COMPLIANCE)**

	<ul style="list-style-type: none"> x Complacency due to prolonged period without problems or new developments x Lack of emphasis on compliance from senior management x Turnover among key compliance personnel 	<ul style="list-style-type: none"> x Damage to reputation and stock price x Legal action against senior management x Declining employee morale 	<p>reporting environment on an ongoing basis</p> <ul style="list-style-type: none"> x Establish and maintain relationships with regulators, lobbyists, and investigators x Provide ongoing training as needed x Capture the knowledge and best practices of key compliance staff
<p>Compliance roles and responsibilities are not defined for employees at all levels of the organization</p>	<ul style="list-style-type: none"> x Failure to create an organizational chart that clearly defines compliance roles and responsibilities x Lack of emphasis on compliance activities from senior leadership x Lower-level employees are not recognized for their critical role in the compliance equation 	<ul style="list-style-type: none"> x Duplication of compliance efforts throughout the organization x Greater risk of noncompliance x Low employee morale x Loss of reputation x Financial penalties 	<ul style="list-style-type: none"> x Define and communicate compliance roles and responsibilities for all employees x Convey a compliance mind-set at the senior leadership level x Ensure lower-level employee involvement in key compliance functions