UNIVERSITY OF TOLEDO INTERNAL AUDIT DEPARTMENT
MANAGE COMPLIANCE (GOVERNANCE)

Risk and controls matrix (compliance)

Overview

Companies confront a magnitude of risks in compliance operations, the sources of which are varied and companywide. Leading companies implement control measures to manage those risks and to lessen the potential for noncompliance, which could have serious consequences, including regulatory fines, business interruption, and even loss of reputation.

The risk and controls matrix below identify many of the risks inherent in compliance functions as well as the sources of those risks, their possible consequences, and control measures to help
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companies will need to go beyond generic models to address the spec
support the financial and nonfinancial disclosures being made. You c
this business risk and control information with your industry-specific
understanding of your company's environment when conducting inter
designing and implementing recommendations.

Compliance efforts are duplicated across the organization	x Lack of clear-cut

strong compliance leadership, or "tone at the top," at the executive level	board are indifferent or impervious to compliance responsibilities x Lack of focus on the importance of ethical conduct x Lack of education at the executive and board levels about compliance responsibilities x Criminal intent x Abuse of executive stock options incentives x Short-term value management	x High employee turnover x Reputational damage x Fines and sanctions x Greater regulatory scrutiny x Inability to achieve business objectives x Revenue losses x Legal costs x Loss of profitability

	compliance efforts x Lack of compliance-related awareness x Budget constraints x Failure to identify key compliance responsibilities in each job x Alternative senior management priorities	mindset x Miscommunication to the marketplace x Negative perception among customers and investors x Emerging compliance issues and changes will not be recognized or addressed	x Centrally coordinate all compliance activities x Seek guidance from external regulators to improve efforts x Increase ethics and compliance training for all employees and board members x Benchmark against companies with strong compliance and reporting processes
Company's compliance functions are stagnant or ineffective	x Failure to regularly assess and refine compliance activities x Poor monitoring of emerging compliance issues 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	x Not prepared to address new regulatory or reporting requirements x Surprised by a significant compliance lapse x Damage to reputation and stock price x Legal action against senior management x Declining employee morale	x Regularly assess and refine compliance activities x Monitor the regulatory and reporting environment on an ongoing basis 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
Business risk	Source of risk	Consequences of risk	Control measures
Compliance roles and responsibilities are not defined for employees at all levels of the	x Failure to create an organizational chart that clearly defines compliance roles and responsibilities	x Duplication of compliance efforts throughout the organization x Greater risk of	x Define and communicate compliance roles and responsibilities for

organization	x