

# The Relationship between the Board of Directors and the Compliance and Ethics Officer

*April 2018*

*A survey by the Society of Corporate Compliance and Ethics  
and the Health Care Compliance Association*



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## Introduction

The relationship between the compliance and ethics officer and the board of directors is both essential and often under developed. When the first version of the survey was fielded in 2010, many compliance professionals were struggling with how to manage what was to many a very new relationship.

Since then a number of factors have changed the dynamic. The Yates memo and increased scrutiny of individual (vs. corporate) actions gained the attention of senior leaders. Later, the Criminal Division of the US Department of Justice issued questions for prosecutors to use as guidance when evaluating compliance programs. Included in them were several about the activities of the board in overseeing the compliance and ethics programs.

To assess how the relationship between the compliance team and the board had evolved, as well as to examine issues of compliance officer influence, the Society of Corporate Compliance and Ethics and Health Care Compliance Association fielded this survey in 2014 and again in 2018.

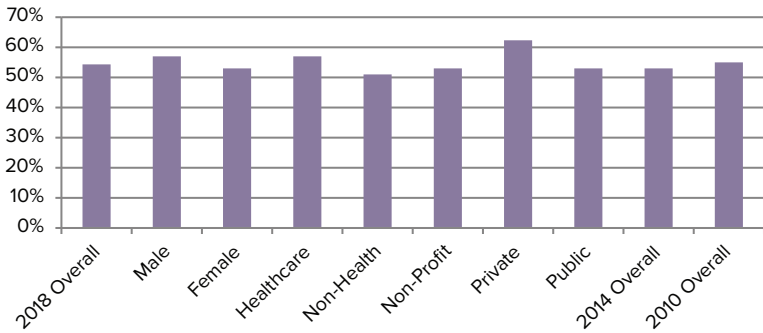
## Executive Summary

The data reveals that relatively little has changed since the survey results were last released in January 2014. In general, the relationship between boards and the compliance team is seen as a good one. Despite those who argue that compliance should fall under the General Counsel and treat it as the norm, that appears to be the case for only the minority of organizations. Compliance most often reports directly to the board and meets with the board at least four times a year.

## Key Findings

- **Approximately half of compliance officers report to the board.** This is true when looking at the data by industry, ownership (for profit and non-profit) and even by the gender of the compliance officer. Privately held companies were most likely to have a compliance officer reporting to the board (62%). Non-healthcare companies were the least likely (51%) but the difference versus the overall number of 54% was very small.

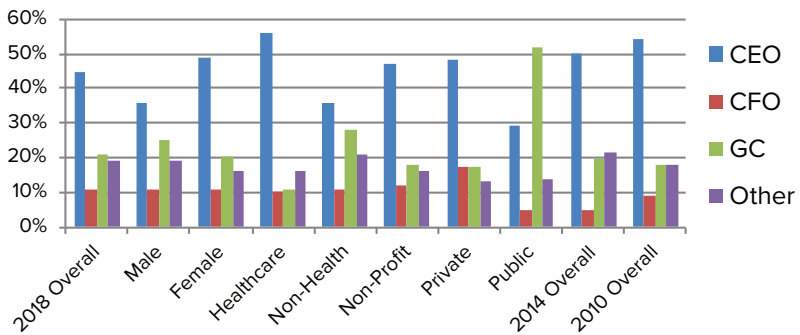
### Does the Chief Compliance and Ethics Officer of your Organization Report Directly to the Board?



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- Among compliance professionals not reporting to the board, the CEO was the position they were most likely to report to (45%).** There were some notable differences. In healthcare, 56% of those not reporting to the board reported to the CEO. By contrast, for publicly traded companies the figure was just 29%. Women (49%) were more likely to report to the CEO than men (36%). And most notably, only 21% of survey respondents not reporting to the board reported to the GC. Also, potentially of significance, the percentage of respondents who don't report to the board but do report to the CEO has declined over the years from 54% in 2010 to 45% in 2018.

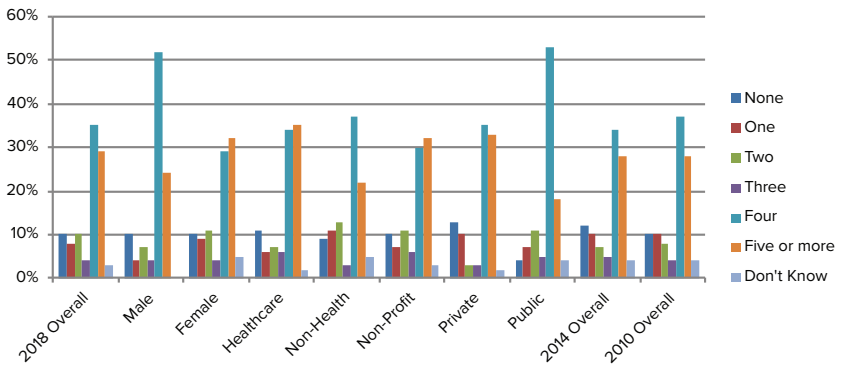
### If not to the board, to what position does the CEO report?



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- Meeting with the board four or more times a year is the norm.** Overall, 35% of respondents reported four regularly scheduled meetings per year, and another 29% reported five or more, bringing the total to 64% with four meetings or more annually.

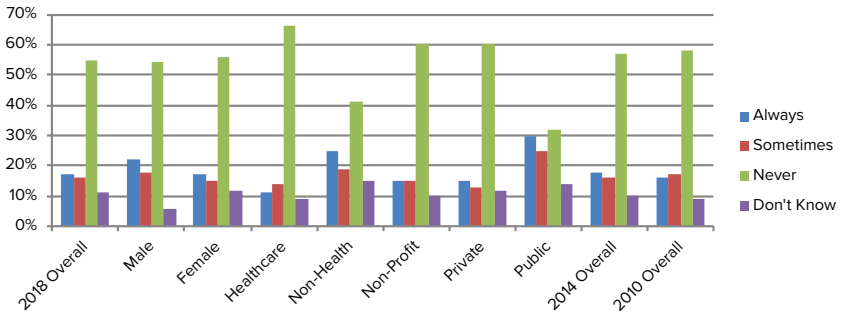
**How many regularly scheduled meetings per year does the Chief Compliance and Ethics Officer have with the board, including board committees?**



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- **The majority of respondents reported that their reports are not screened by the general counsel or others before being shown to the board.** Healthcare firms particularly stood out in this regard (66% vs. 55%). For publicly traded-firms, though, the likelihood of the report being pre-screened was substantially higher (55% vs 33% of respondents as a whole).

### How often are the Chief Compliance and Ethics Officer's reports to the board screened and substantively edited?



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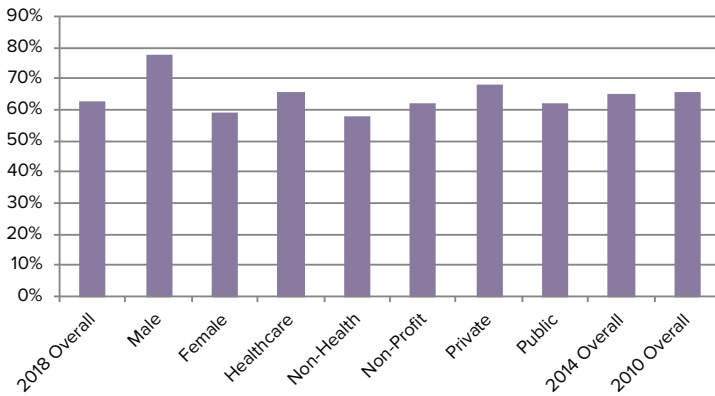
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- **Generally, compliance officers surveyed were satisfied with the number of meetings with the board each year.** Sixty three percent felt that there were sufficient contacts. Men (78%) tended to be more satisfied with the number than women (59%)

**Believe that there are a sufficient number of contacts between the Board and Chief Compliance and Ethics Officer**

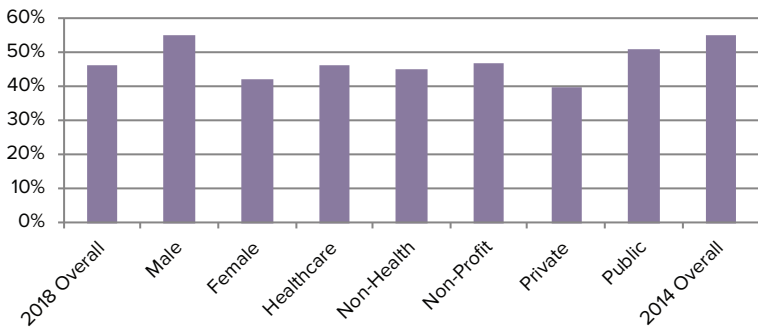


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- **One area of possible concern is a declining belief that the board values compliance a great deal.** In 2014, the first year the question was asked, 55% gave the highest mark on this measure. By 2018, the number had declined to 46%. The lowest score (40%) came from survey respondents at privately held companies.

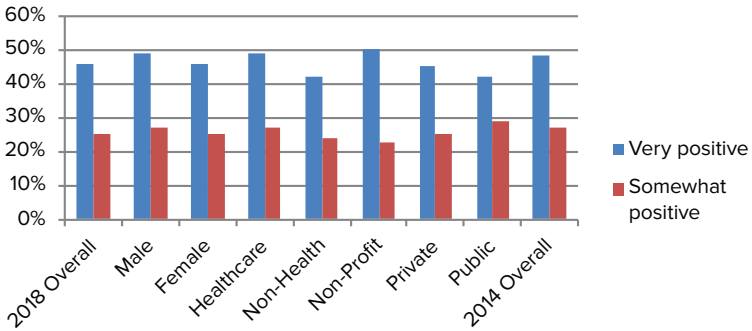
### Believe board values compliance a great deal



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- **In general compliance professionals felt that the quality of the interaction with the board is positive.** The interaction was described as “very positive” by 46% and another 25% rated it as somewhat positive. Only 5% rated it as somewhat or very negative.

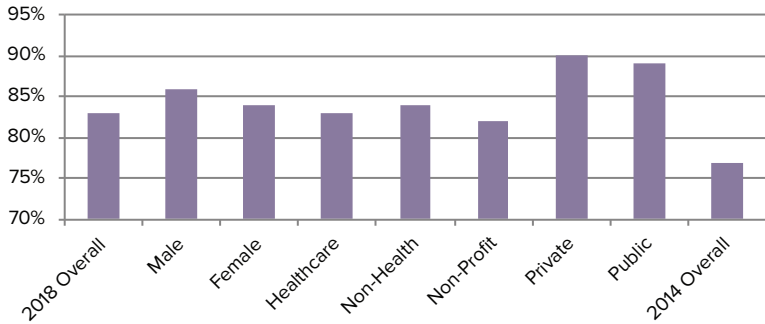
## How positively would you rate the quality of the interaction of the board with the Chief Compliance and Ethics Officer?



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- **Compliance is very much responsible for escalating serious allegations and investigations to the board.** Overall 83% said this was compliance's responsibility either as required by a formal procedure or as a practice.

### Compliance responsible for escalating to Board



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- When looking at the attributes for a successful compliance professional, men and women generally had similar opinions.** Survey respondents were given a list of attributes and asked to rate their importance on a 1 to 5 scale, with 5 being most important. While one gender or another might rate an attribute higher on the scale than the other, if looking at the top two highest ratings, they generally were very consistent.

ATTRIBUTES	MEN			WOMEN		
	4	5	4 & 5	4	5	4 & 5
Assertiveness/ Decisiveness	41%	48%	89%	26%	65%	91%
Consensus Building	31%	43%	74%	34%	47%	81%
Confidence	33%	61%	94%	27%	68%	95%
Empathy/Ability to Assess Situation	37%	48%	85%	30%	60%	90%
Independence	22%	69%	91%	17%	77%	94%
Relational/ Interpersonal	31%	53%	84%	22%	68%	90%
Ability to Influence	33%	53%	86%	28%	62%	90%

## Conclusions/Implications

- **The role of compliance in organizations seems to be solidified and strong.** The consistency of the data year to year and the overwhelming consistency across the various measures suggests that the position has become an integral one in most organizations with reporting lines to the governing body or very close to it.
- **The idea that compliance reporting to the general counsel is the norm is not born out by the data in the survey or previous ones.** Reporting to the general counsel is the exception, albeit a common one, rather than the rule.
- **Overall the relationship between the board and compliance seems to meet the needs of compliance professionals.** Their general high satisfaction levels with the quality and frequency of the meetings is encouraging.
- **There do appear to be some differences by gender.** Men generally view the relationship more positively and meet with the board more frequently. However, in those cases when compliance does not report to the board, women are much more likely to report to the CEO than elsewhere in the organization

## Methodology

Survey responses were solicited and collected during March and April 2018 from compliance and ethics professionals in the database of the Society of Corporate Compliance and Ethics and the Health Care Compliance Association. Additional outreach via social media was also used. Responses were collected and analyzed using SurveyGizmo, a web-based, third-party system. A total of 386 responses were received.



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