

**INSTITUTE OF  
BUSINESS  
ETHICS**

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

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This report analyses the relationship between the Board of Directors and Ethics & Compliance Officers in the USA. For a compliance program to be deemed “effective” under the Sentencing Guidelines the organization’s governing authority must “...exercise reasonable oversight with respect to the implementation and effectiveness of the compliance and ethics program.”

This relationship is far from mature. Many compliance officers report concerns about whether the relationship is as strong as it should be, or even if it is serving its intended role of enabling the board to exercise sufficient oversight.

The Society of Corporate Compliance and Ethics (SCCE) and the Health Care Compliance Association fielded a study of the board relationship in April 2010. It revealed that boards and even CEOs have less contact with the Chief Ethics and Compliance Officers (CECOs) than would be expected. In order to assess how the relationship has evolved SCCE fielded a second survey in late 2013. It covered many of the same questions as the 2010 survey.

## **Methodology**

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- Survey responses were solicited and collected during the fourth quarter of 2013 from compliance and ethics professionals in the database of the Health Care Compliance Association and the Society of Corporate Compliance and Ethics.
- Responses were collected and analyzed using SurveyMonkey.
- A total of 626 responses were received, 69% from women.

## **Key findings**

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- **53%** of survey respondents stated that they report directly to the board, a number virtually unchanged from the 55% in 2010.
  - Among publicly traded companies, the percent reporting to the board increased from 41% to 53%.
- For those not reporting to the board, half reported directly to the CEO.
- Just 20% of those not reporting to the board reported that they reported to legal.
  - The one exception to the trend was publicly traded companies, where half reported to the GC and just 33% reported to the CEO.
- Four or more regularly scheduled meetings with the board is the norm.
  - Four meetings a year were reported by 34% of respondents, and 28% reported meeting five times or more per year.
  - Of note, while 66% of men reported four or more meetings, just 51% of women did so.
  - Companies outside of healthcare showed numbers lower (57%) than those in it (66%).

- Generally speaking, compliance officers' reports to the boards are not pre-screened or edited by the GC or others.
  - Overall 56.5% report that their reports are never pre-screened or edited.
  - Outside of healthcare (64%) the percentage was 44%.
  - In publicly traded companies, just 36% reported that their reports are not edited or screened, while 30% responded that their reports are always edited or screened.
- Approximately two-thirds (64%) of compliance professionals are satisfied with the regularity of board contact.
- Most compliance officers felt that the board values the compliance and ethics program a great deal (55%). The numbers were highest (63%) among publicly traded companies.
- Compliance officers generally rated the quality of the interaction with the board positively.
  - Overall 48% rated the quality of the interaction as very positive,
  - Another 27% gave a "somewhat positive" rating.
  - This quality of relationship was lower for privately held companies.

### **Conclusions/Implications**

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- A compliance department reporting to the board or the CEO is already the most common relationship, and it appears that the trend is growing, even for publicly traded companies.
- Generally speaking, the relationship with the board seems to be a strong one.
- Public companies pose an interesting conundrum.
  - On the one hand, compliance professionals express satisfaction with their relationship with the board at the same levels as others, and they are most likely to report that the board values compliance a great deal.
  - Yet, they are more likely to have their reports to the board filtered.
  - In addition, when compliance does not report to the board, they are less likely to report to the CEO.

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