

Compliance in times of crisis

Risk mapping

7 April 2020

This paper is a summary of the "Compliance in times of crisis" session attended by the World Economic Forum's PACI Community. The findings, interpretations and conclusions expressed herein are a result of a collaborative process facilitated and endorsed by the World Economic Forum, but whose results do not necessarily represent the views of the World Economic Forum, nor the entirety of its Members, Partners or other stakeholders.

In light of the COVID-19 pandemic and with it, the developments and major transformations unfolding for businesses globally, the PACI community gathered for a brainstorming session on 7 April 2020 to discuss how good governance, transparency and integrity are essential to overcoming such challenges. The deliberations addressed important compliance risks and challenges, as well as highlighted successful mitigation strategies.

Compliance risks

- More **potential for violations** of rules while the government is busy responding to the COVID-19 situation.
- Increased **risk of abuse and misuse** with special requests for donations (medical equipment, devices, software, etc.).
- Pressures to conduct business in different ways, which could lead to higher likelihood of and vulnerability to **corruption**.
- **Cybersecurity and data privacy risks** with shifting business to online platforms and more exposure to online tools for communication within companies.
- Pressures to conduct procurement faster and weaker due diligence in the private and public sectors, could raise the **risk of conflict of interest**.
- Loosened rules in transactions and activities could give the wrong impression to employees, thereby increasing the **risk of fraud**.
- Working from home and less oversight could lead to an increase in **asset fraud risk**.

Challenges

- Difficulty in maintaining continuous **integrity awareness** within companies during times when the focus is on problems of liquidity and cashflow.

- The best approach **dilemma**: maintaining rules and processes versus to what extent they could be loosened. Post-crisis: ensuring that standards are re-established.
- Difficulty in guaranteeing the **ethical standards** of business partners – particularly if the economic fall-out of the pandemic limits the number of actors.
- With greater workload, sick leave and remote work, the compliance function can become under-staffed, hence **lower capacity** to conduct adequate checks and processes.
- Destruction of whole supply chains: **loss of control**.

Mitigation strategies

Adaptation of measures:

- Limit the duration of exceptional measures and ensure that they do not become the norm: exceptional measures should be **temporary** and must not remain after the emergency is over.
- Ensure that changes are **necessary** and **proportionate** to the objective: urgency must not allow all measures to change, only rules that need to be flexible in this context should be changed.
- Transparently **disclose** which rules/processes are modified and provide clear reasoning.
- Focus on existent processes that are **helpful** in this period.

- **Close monitoring** of supply chains: create internal lists on good and bad conduct and disseminate such information appropriately.

Collaborative approaches:

- Collaborate with WHO, governments and other businesses to create a sense of **community**.
- Ensure strong **team spirit** with stakeholders.
- Call on governments to ensure stimulus measures and launch campaigns to **support SMEs** while ensuring the responsibility to use funds in a transparent manner to galvanize trust.
- Collaborate with other businesses to **support SMEs** in the supply chain with practical assistance.
- Where governments have relaxed competition regulations to enable supplies of essential services, ensure that the processes are well understood and properly implemented.

Controls and accountability:

- Ensure the right **checks and controls** are in place as corruptors become more active in abusing the system during emergencies.
- Reinforce essential controls as a priority and maintain **accountability** to ensure obligations are fulfilled.
- Ensure that if projects and offices are closed, **appropriate measures** are in place to protect assets.
- Maintain a **greater focus** on high-risk sectors.

Communication and awareness building:

- **Build trust** within communities, communicate with empathy as well as facts and remain vigilant in protecting workers.

- The **“tone from the top”** is more important than ever – establish regular communications from the Chief Executive Officer/Board including on anti-corruption and ethics.
- **Advice and support** are more crucial than ever: ensure that the inflow of information from employees to management is effective (active listening) so that concerns can be raised in a timely way.
- Launch **education and awareness** campaigns for employees working from home, especially on data privacy and cybersecurity.
- Reinforce the importance of **speaking up** among employees and strengthen **whistle-blowing** programmes.
- Demonstrate **ethical leadership** by communicating the dilemmas and basis for difficult decisions wherever possible.

Transparency in donations:

- Assess **special requests** on the basis of three main principles: 1) Separation: no special action in this regard should be contingent on all past, present or future commercial transactions; 2) Everything has to be clearly documented; 3) Transparency is required in disclosures to entities and local authorities.
- Conduct **due diligence** on addressees of donations, do checks on possible conflicts of interest and don't allow the urgency of COVID-19 to be mis-used.

Support in supply chains:

- Devise **innovative** ways to maintain commercial relationships like adapting financial terms and payments for the benefit of SMEs.
- Provide **help** and extend credit to SMEs where needed.
- Communicate to supply-chains that contractual obligations, including codes of conduct, **apply** as usual.

When asked about the biggest concerns that compliance professionals are facing during the COVID-19 pandemic, the session participants highlighted the topics below:

