



## 24. Include soft controls in risk analysis and management

### Challenge

Soft controls are, unlike hard controls, intangible control measures that monitor the personal behavior and functioning of employees. An example is the exemplary behaviour of managers. More information can be found here:

<https://assets.kpmg.com/content/dam/kpmg/pdf/2016/04/20160218-acht-basis-soft-controls.pdf>

Involve soft control in compliance monitoring without radical changes in the existing working method of you as a compliance professional. The biggest challenge for the compliance professional is probably mastering the eight soft controls and always being able to make a link with behavior in practice. This requires observational skills and practice.

### Solution

The existing method for compliance monitoring uses analyses of compliance risks. It is examined to what extent these risks have been identified (people are aware of them) and to what extent they have been covered in practice, e.g. with policies and procedures.

The chosen solution consists of 2 elements:

1. For example, a maximum of 3 soft controls are linked to the defined compliance risks that, in the opinion of the compliance professional, have the greatest influence on the successful management of the relevant risk. Another option is to ask the attendees during an SIRA session (or another form of risk assessment, such as a PIA) about their ideas about the soft controls per risk that is discussed.
2. In the analysis of the results of compliance monitoring, it is explicitly investigated to what extent shortcomings in soft controls are (partly) caused, or to what extent the functioning of the soft controls has contributed positively to the results.

Subsequently, during discussions with representatives of the business (management, employees), you will be explicitly asked about certain soft controls and to what extent they contribute to managing risks. It also asks what shows whether or not these soft controls function effectively. The way of questioning by the compliance professional (open, non-colored questions) and the attention to non-verbal communication are important aspects here. To this end, the compliance professionals must be specifically trained in advance.



Think about clarity whether it is sufficiently clear to each employee what the goals are. Do they actually know how they should be achieved? Where does this organization draw its boundaries? What does this organization expect from the behavior of its employees and how to make choices in difficult, business dilemmas?

Transparency can also be important: are behaviour and decisions sufficiently visible (because the lower the chance of detection, the greater the violation)? Do you do what you say and say what you do? More transparency also gives more opportunities to question each other and hold each other accountable for their own behavior as well as to adjust / correct each other.

Furthermore, the negotiability can also play a role: does the organization stimulate a positive critical attitude of employees and thus a culture in which difficult business dilemmas may be addressed? By doing this regularly, you promote the interpretation of the core values and code of conduct and desired behavior. In a culture where such dilemmas are negotiable, the step can be made more quickly towards daring to hold each other accountable for non-compliance with ethical principles. Exemplary behaviour also plays a role in this: is there good behaviour at the top and by management? Behavior that reinforces the core messages?

Think of the high pressure under which some employees have to operate, especially if the department makes losses. Is it more inclined to disregard the ethical principles for a moment in order to get back into the black figures? Is the manager clear about the way in which black grades should be achieved? Or are employees pressured to achieve the goals, regardless of how? Do employees in their department see cross-border behaviour increase if the pressure is increased? Do the employees feel sufficiently supported to achieve the goals and have they received sufficient training in the required competencies?

Enforcement, e.g. as a result of monitoring by the compliance officer, can also contribute to the application of soft controls. What consequences for non-compliance with ethical principles?

By formulating a list of open questions for each of the eight soft controls and using them in interviews and analyses in case of violations, the compliance professional can hold up a mirror to the organization and jointly look for points for improvement.

### **Actors**

- Compliance professional
- Colleagues for sparring/sounding boards
- Obviously the business to which the compliance monitoring relates



## **Techniques**

Risk assessment, root cause analysis.

## **Role Compliance Professional**

Compliance professional involves soft controls in the risk analysis, performs compliance monitoring and involves soft controls in the analysis of the results.