

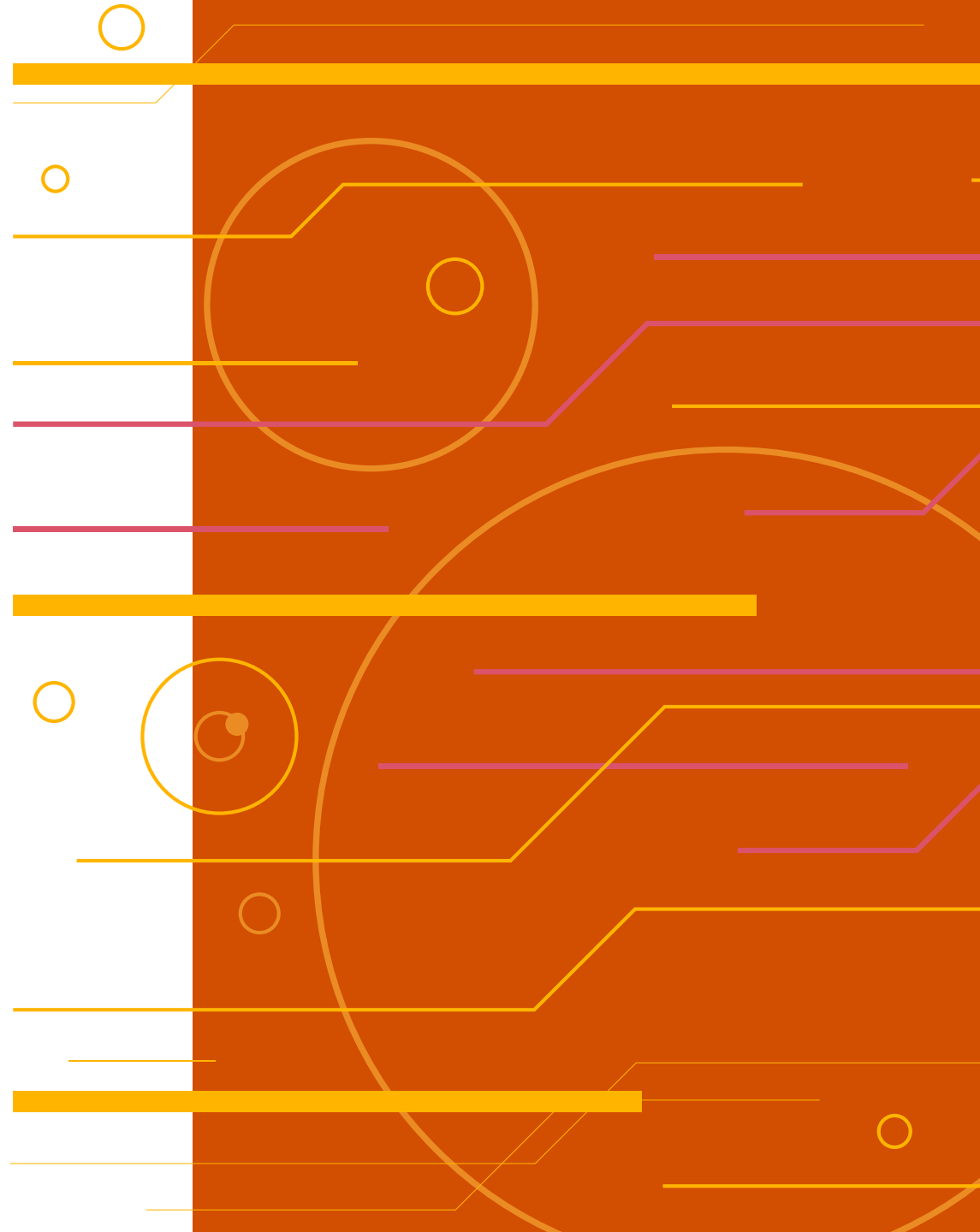
# Evolving your compliance monitoring with data analytics

Recommendations for building tech-enabled compliance in 2023 and beyond



**Risk Detect**

A PwC Product



Developing a mature compliance monitoring program to help mitigate risk can be an iterative process for many organizations. This ever-evolving journey is partly responsible for why larger US organizations typically have a more mature, sophisticated compliance program in place, compared to their small, mid-size or start-up counterparts who may have put compliance monitoring on the backburner while they ramp up operations and strive for profitability.

Regardless of their size, organizations should address compliance or risk scrutiny from the US Department of Justice, government watchdogs, shareholders and more.

Outside the US, an organization's compliance monitoring know-how depends heavily on their home country's emphasis on regulations and compliance. To do business in the US, however, foreign companies should get their compliance management systems up to speed with regulations in the various territories in which they operate.



# Jumpstart your compliance monitoring

Even though businesses often perform ongoing compliance monitoring, figuring out where to begin can be daunting — especially if your organization is young or new to the process. The goal is to set up a program that reaches across your operations and can stand the test of time. Start slowly and focus efforts on building an enforceable program with standards that reach across your operations.

**Here are six tips for getting started:**

## 01 Begin with basics

Determine or reinforce the purpose of the program and how it fits with your operations and company's corresponding risk profile. Conduct a risk assessment and prioritize issues. What do you hope to resolve?

## 02 Think small and build up

Pick one business unit, department or country in which you operate; plan and pilot that program first, then expand. You shouldn't try to build out a mature program from the get-go.

## 03 Build in extra completion time

If you think you can complete the analysis in six months, estimate a year or more because issues can arise during the data systems implementation. Be conservative with time estimates.

## 04 Don't get lost in the data

Prioritize and be strategic when analyzing data to help detect issues and determine what can help your compliance program.

## 05 Add structure to your risk assessments

Visualize them in a heat map to collect and track remediation efforts through a single system. This allows you to analyze each risk, compare them and note where the risk falls.

## 06 Conduct follow-ups and make strategic adjustments

Measure the awareness and effectiveness of your compliance programs across business units or groups. Incorporate tools, such as scorecards, to present data and help identify anomalies across those groups.



# Help boost your compliance monitoring and data analytics efforts

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Once an analytics-style approach has been applied to your compliance monitoring program, foster the right environment for the system to thrive.

## **How do you help you bolster your program's effectiveness?**

First, rally technical resources and dedicate program champions. Engage data scientists, IT technicians and other technical teams early and reserve their time to help assist with any alterations in the enterprise resource management and risk mitigation programs as they grow, develop and change. Determine the organization's data analysts and their specialty and adjust, if necessary. Dedicate an individual or a team to help drive implementation and execution of the total program. Compliance monitoring is not a part-time job that someone can simply add to their list of responsibilities.

Next, you should have a remediation and escalation plan ready. Once the program is up and running, there might be a significant amount of data pouring in, so take time to discuss how to remediate issues and how things may escalate in advance. Implement tools to allow global users to report issues and root causes to give your organization a full-scale view of the program. Dedicate a program champion to receive the analysis and report to company leadership as needed.



You also need to secure leadership buy-in from the top down. In most organizations, if the CEO or executive team believes in the importance of compliance monitoring, support should trickle down, preventing stalls in program implementation and maintaining appropriate levels of project resources.

If necessary, outsource some of the work to other firms and automate with technology for additional support. Sometimes system needs resonate more with corporate management when a third party discusses issues with them; and some technologies can solve the challenges outright.

Finally — centralize and standardize the program. Compliance monitoring and data analytics should be a centralized function, driven by a core team of data analysts. Local or regional teams can conduct hands-on monitoring and use the data tools, as they often understand the regional factors or nuances to risk for each unit or region that the central team may not be aware of. They can also be of great assistance when moving on to the next generation of compliance. In addition, visibility across a standardized program can be crucial for stakeholders to understand how the data is analyzed and risk mitigated on the organizational level.





# Top challenges to building a data analytics program

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Building upon those first steps and considerations, organizations should be prepared to face the following three challenges in building out a mature program:

## 1 | Driving adoption and change management

Spectacular dashboards can be very user-friendly and serve data up in ways that clearly benefit the users but getting employees to adopt the system may not be as simple as it seems. It may require a philosophical, change management solution. And changing the minds of users reluctant to accept new ways, even if the benefits appear clear, is tough.

**Tips to change their mindset:** Ramp up your training efforts around understanding data analytics, these dashboards and the options the data offers. Set up one-on-one sessions with the most reluctant users, ask them about their questions and demonstrate how the program addresses those concerns. Show them how to access the data and what the tools can provide them in real time.







## 2 | Convincing leadership there is return on investment (ROI)

Since compliance monitoring is an iterative process with levels of implementation, getting management onboard and helping them realize it can make the company stronger in the long run is both a primary challenge and should be the initiative's number one goal. Leaders who don't understand the ROI can't value the project, defer budget to it or establish its longevity. Without leadership buy-in, compliance monitoring can not be as successful.

**Tips to win over leadership:** Be transparent on implementation timelines from the start. Help leadership understand that ROI will likely not be visible in a couple months, but even as they're waiting for those returns, the organization can get stronger at risk mitigation.







### 3 | Accessing and utilizing clean data

True in-depth analysis of data across systems requires users to know how to extract and properly interpret data that is collected. Furthermore, data from different sources may be formatted differently and need additional treatment to be usable in the system. This can be the greatest challenge for large organizations operating across the globe with decentralized processes and procedures for data collection.

**Tips to retrieve data:** Automating the collection and interpretation of data from these systems can help ease the burden on the compliance monitoring and analysis team. Even data from external sources can be standardized to meet the needs of a standardized compliance monitoring program.





# Expansion of technology, compliance expected in 2023 and beyond

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The benefits of technology and automation, particularly with regard to artificial intelligence (AI), machine learning and natural language processing, can help organizations take the next step in creating more efficient compliance monitoring programs.

The uptick in interest in environmental, social and governance (ESG) and diversity, equity and inclusion (DEI) programs has driven increased monitoring of businesses in these areas. Some regulators have uncovered compliance issues with regard to data privacy rules and misuse of funding and have shown a propensity to go after those infractions. Organizations can develop more robust compliance programs to help address ESG, DEI and other emerging risks around data privacy.

**Predictive modeling also may help organizations manage immense amounts of data and associated risks. Some companies institute machine learning models that can predict an anomaly in one department or zone based on factors that led to the same anomaly in other similar situations.**

Third-party vendors offer products sophisticated enough to handle your programs over time, evolving to include built-in data analytics capabilities. These applications can help present a suitable option for organizations looking to establish a robust analytics program in lieu of building a home-grown solution from the ground up.





## How we can help?

Risk Detect, a PwC product, can help your organization engage in more proactive risk management. Using artificial intelligence to flag high-risk activity, Risk Detect potentially reduces both the frequency and impact of fraud, bribery and corruption by ingesting and analyzing large data sets to help detect risks at scale before they become a problem.

From digital datasets, to physical documents, assembling and reviewing data to find answers to complex problems can be challenging. Risk Detect can help do the heavy lifting for you. Detect high-risk activities in rapidly changing markets and better allocate your resources by leveraging advanced analytic algorithms and machine learning can help provide a clearer view of your risks, lower operational costs, meet the regulatory expectations — and build a future-forward risk management approach.

**Connect with us to learn more!**

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