# Compliance frameworks

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## *An effective framework*

Management is responsible for day-to-day operations, including the design and implementation of an effective compliance framework. This framework is an essential element in ensuring the company is meeting its obligations. This makes it an important area for the audit committee to focus on.

The audit committee's role is not to design the framework, but to understand it and constructively challenge its effectiveness.

This section aims to increase audit committee members' understanding of the elements and components involved in the design of a compliance framework.

## *Components of a compliance framework*

When integrated with existing risk management, governance and management practices, a compliance framework will help an organisation achieve its business strategy and objectives.

The most commonly used reference about the elements of an effective compliance framework is the Australian Standard for Compliance (AS 3806).

This standard describes compliance concepts and is a useful point of reference when considering a company's compliance framework. However, it is necessarily conceptual in nature and requires considerable judgement, interpretation and customisation to be successfully applied.

# *Compliance frameworks*

The key components of a good compliance framework can include:

*Strategy and objectives*

An organisation's approach and commitment to managing compliance and risk by the board, committees, management and staff.

*Policy and process*

The approach an organisation uses to manage compliance. Policies should be aligned to the organisation's strategy and business objectives. Tools and procedures should be developed and embedded into business processes to ensure compliance.

*Resources and people*

How an organisation allocates appropriate resources to develop, maintain and improve its compliance program. This includes implementing an appropriate organisational structure, human resource mechanisms, change management, performance measurement, training, communication and education.

*Culture*

How an organisation creates and supports a culture of compliance to encourage business innovation while managing its compliance and risk objectives.

## *The audit committee's role*

Matters for the audit committee to consider in relation to assessing the effectiveness of the compliance framework, and setting a compliance scorecard, are set out in the Ethical, regulatory and compliance matters section of this guide. The Risk management and internal control section of the guide also provides some detail regarding integrating the compliance framework into the risk management process. The challenge for the audit committee is to understand the relationship between these elements and their impact on the company.