

# MANY COMPANIES LACK THE RESOURCES TO DEVELOP A 'COMPLIANCE CULTURE' - PWC TAX & LEGAL SERVICES

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## **Companies should have an integrated compliance programme in place as it is costly, and problematic from a management perspective, to have numerous policies**

Clients need to embed compliance programmes into their culture, but many companies lack sufficient resources to do this effectively, says Patricia Manca Diaz, partner at PwC Tax & Legal Services in Madrid.

"The Supreme Spanish criminal court and General Attorney has said that a corporate compliance programme must be embedded in company culture," says Manca Diaz. "This means that compliance and ethics cannot just be a box you tick and that's it – it's about the company and all of the employees, suppliers and clients feeling that the company is compliant because of its culture," she adds. "However, how to build a compliance unit that can address key issues in terms of compliance and ethics is one of the major concerns of our clients."

According to Manca Diaz, such concern is partly caused by the fact that creating the necessary synergies across the organisation requires an overview of all aspects of the business, as well as an understanding of the fact that complex compliance rules not only aim to prevent criminal activity,

but also extend to many other aspects of the business. "We are currently facing legislation that follows the same path of compliance, such as AML (anti-money laundering) and data protection, as well as labour, tax and even banking regulation," she says. "This increase in compliance rules not only impacts large organisations, but medium-sized and small ones too, with some of them having deadlines by which they have to implement changes under the relevant legislation."

### **'Ethical alignment'**

It makes sense for companies to have an integrated compliance programme in place – largely due to the fact it is costly, and problematic from a management perspective, to have individual instructions for each area of corporate governance. However, the majority of smaller businesses have neither the resources nor sufficiently developed structures to implement what is required.

"Compliance has to be aligned with ethics and business as it's just not going to function otherwise," says Manca Diaz. "However, from conversations we are having with clients, it is clear that they now have a high volume of compliance needs but just don't have the necessary resources, and end up using in-house advisors who are not experts in this area." She adds: "Even bigger companies with sufficient resources still need to complement the internal audit with compliance people."

In Manca Diaz's opinion, it is this struggle to not only manage compliance, but also work out which resources are effective (in addition to demonstrating what works on a day-to-day basis), that provides a major opportunity for law firms. "The problem for companies that take preemptive steps is that they still need the resources and a very collaborative way of working within the company," she says. "Law firms such as ours can assist companies on the design, implementation and management of integrated compliance structures and programmes."

However, this is only effective if lawyers properly understand their clients' business and that requires knowledge of the internal workings of the company. "Clients need their lawyer acting as their compliance adviser to have an understanding that can only come from having a deep knowledge of the company based on a long-term relationship with them, so they know what they are talking about," Manca Diaz explains. "That's why we do suggest that lawyers acting as compliance external advisers must work at the company assisting the chief compliance officer and/or compliance body at least one or two days a week for a few months, otherwise it's just not going to work."

### **Properly maintained**

Having a lawyer who is heavily involved with the company in this way means that, in addition to legal advice, companies have automatic access to the law firm's other resources. "Building a compliance programme is not only about design and implementation, but ensuring it is effective and properly maintained," says Manca Diaz. "That's why law firms such as ours work with experts in risk or governance, for example, who understand the culture of internal control audits, which is important." Consequently, it's not just about firms giving legal advice, but complementing their offering with additional operational advice.