



Business Assurance

White Paper

When we were young(er) we all appreciated things that are not allowed: take the beer from the neighbor's garden, drive the car at the age of ten in the garden. Things that were not permitted were more attractive. Until we were caught! Life stays more or less the same even getting older. You can do things that are not allowed or tolerated until you are caught!

Public noted companies in the U.S. recently face huge challenges complying to the Sarbanes-Oxley Act (SOX), resulting in billions of dollars of effort in IT systems, methodologies, procedures and human effort. And the regulatory raised critical opinions about its usefulness. Recent regulatory in Europe such as the Tabaksblad in The Netherlands, Turnbull in the U.K. and others have all the same goal: regulate on one hand but – often overseen – benefit and to be assured in your business.

This whitepaper gives one view on the benefits and not only the burden of a regulatory such as SOX:

Sarbanes - Oxley Act

The Sarbanes-Oxley Act has several sections, specifically painful for organizations:

Section 302 – Certification of Internal Controls

Section 404 – Management Assessment of Internal Controls

Section 409 – Real-Time Disclosure of Material Events

Above order also gives the deadlines imposed by the government. Decision makers that have not implemented automation of internal controls, do so with risk management solutions or manual efforts.

Section 302: CFO's have to take full responsibility for correctness of financial filings, for having internal controls in place. Furthermore they have to state officially that all material events have been reported across the organization, thus have been known to everyone. Ever asked yourself as CFO: How do I know we have all internal controls in place? How do I know all

internal controls are effective? How do I know that the information IT is providing me from our systems is correct and at the first place: How

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shall I ever understand the IT language to be able to trust it? {a reason why most CFOs have a sound hunger for IT}

One solution may be to rely on your Information Technology systems and compliance teams, human efforts that describe business process, assign controls and report them to the CFO.

External auditors are not sufficient anymore the ultimate guarantee you are doing well. It is the time for internal auditors to report to decision-makers in understandable language.

Section 404: It becomes more tricky. Corporations need to provide information next to the annual financial report on how they arrived there. And corporations need to protect assets in order to avoid material effects on the next financial statements. One can look at it simplified as checking of account balances. More complex than that! External auditors need to attest the management has done everything in their mighty to avoid ineffective internal controls and control violations. Enormous pressure !

The result is inevitable: A more transparent auditing process and the external auditor requiring more accuracy from the audited company. The auditor cannot close an eye anymore to give a positive rating. Corporations are urged to spend more money on internal controls, systems.

Section 409: Corporations are put to disclose *"rapid and current basis additional information concerning material changes in its financial condition or operations necessary or useful for the protection of investors and in the public interest."*

Let us define rapid as 48 hours – two working days – and it is there impossible without tremendous investments into human force to comply to this section.

This has driven many organizations as well as ERP vendors into solutions to assure (close to) real time monitoring of controls.

The good news: using the right solution helps you sleep well, assuring your business instead of only giving you the compliance stamp.

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Compliance efforts may be enough for regulatory.

- *How to benefit from enormous spending?*
- *How to automate monitoring of controls and reduce human intervention?*
- *How to gain back from SOX efforts up to now?*

"Business Assurance is the automated monitoring of controls as they come across your business transactions" {Metagroup}



Business Assurance is 'nothing else' then bridging the gap between your procedures, processes and organizational data – the business framework and your day-to-day business data.

Business Assurance automates the manual control testing and alerts you in (close to) real-time when bad transaction happen.

Business Assurance allows to act instead of re-act (months later when it is too late and non-compliant).

The Business Assurance Cycle:



1. Collect data from any (back-office) system with non-invasive agent technology
2. Select controls and thresholds to create visibility on control violations and any KPI on the Business Assurance dashboard
3. Monitor/refer/link to any control defined in your framework (stored or referenced)
4. Alert in real-time with business rules on your core data for immediate management assertion and control improvement

We call it: 'the mature phase in compliance'.

So, although it is nice to stay young and - do things with benefits until we are caught – it is time to grow up!

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Which solution?

Point solutions for the one or other challenge during the long and painful process striving for regulatory compliance have found their way into a large customer base. None of them is fully integrated with the other, none of them is 100% core-system independent and therefore future safe.

Whether you have been storing your processes on a file server using a text processor to update them, whether you are using complex solutions to store control frameworks, whether you are compliant with checklists;

Point solutions solve you today one problem, tomorrow you cannot integrate them with the other one needed.

A handful providers to date provide you the one in all solution aimed at pure business assurance. Ba-PRO does not just claim the name, it is Business Assurance for Professionals.

What is the use?

Regulatory compliance is just one and the most bureaucratic point of view. Once y in the driver seat of your business you apply it for

- (Internal)Fraud Detection
- Credit Management
- Data reconciliation
- Consolidation of financial data

A classic example: Segregation of Duties (SoD)

The segregation of duties not in place means already violating section 404 of SOX.

No-one states this is done on purpose, more than than, most systems even nowadays allow you to violate SoD and the need for rapid implementations of business decisions nearly drives you into it. SAP test system authorizations are taken over into the life system over night. Forms get custom authorization concept in the workflow without assigning the standard role of e.g. Purchaser to a certain employee (user) et cetera.

Need info?

Ask us by sending a mail to info@smart-view.com

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