

Where do the Next SOX Opportunities Lie?



CMA British Columbia recently held a Sarbanes-Oxley (SOX) seminar on September 14-15, 2006 and due to the overwhelmingly positive response that we received from various CMAs, we invited Chairperson of the SOX Institute and seminar speaker Sanjay Anand and Director of SOX/Audit/Compliance for the Glenmont Group, Geoff Zodda, to share their knowledge on Canadian SOX.



Sanjay Anand,
Chairperson of the
Sarbanes-Oxley
(SOX) Institute



Geoffrey Zodda,
Director of
SOX/Audit/Compliance for
The Glenmont Group

It is well documented that since 2002, the Sarbanes-Oxley Act has changed the landscape of corporations, especially Internal Auditing departments globally. The positive and negative effects that SOX has had on the industry are well recognized and apparent to those in the trenches.

Over the past few years, several trends have emerged in the Audit and SOX world.

The main trend seen is the emergence of SOX departments within large corporations. This department is staffed with full-time employees, such as a SOX Director, Auditors, and Analysts. The Director is responsible for spearheading Sarbanes-Oxley compliance throughout the organization. If the corporation has been compliant for several years, then the Director would have a lesser role, but would ensure that similar processes are followed yearly. The Analysts have a number of responsibilities such as assisting in the planning of the annual SOX scoping, documenting processes and determining the effectiveness of internal controls. The Auditors have a similar role as they have within Internal Audit departments, except their focus is on conducting audits to ensure SOX compliance. The transition over to SOX based Audits can be tougher and more tumultuous than most would think. Extra time and possible training may be needed in order for Auditors to assimilate.

A second trend that coincides with growth of SOX departments is the expansion of Audit departments. The corporation begins with their core group of Auditors already in place and will add auditors that already have previous SOX experience. Charles Silvey, VP of Internal Audit for Cambrex Corporation said, "We've made it a core competency for our Internal Audit department to have these skill sets. Nearly 40% of our work done here is directly or indirectly related to SOX so it is imperative." According to a whitepaper published by the Institute of Internal Auditors

in 2005, this movement is hailed as the right approach. The article reads, "The IIA believes that oversight and responsibility for the internal audit activity cannot be outsourced."

Since auditing and compliance have become more of a hot button issue, the average Audit department growth is staggering. Departments are adding extra room in the budget in order to bring in more experts. This is a major change in the face of how the Audit department is structured and run. In the past, independent consultants have often been brought in to run the show on a project by project basis when the workload is heavily increased and the core team cannot handle it. As well, Audit and SOX projects have also been outsourced to 3rd party providers such as the Big 4 and large Outsourced Partners. Using such solutions gets the job done, but is being reconsidered by the management of large corporations.

According to the July survey taken in the SOX Institute newsletter, over the past three years, 24% of the hiring authorities surveyed have increased their ratio of full time employees to consultants. 38% have not changed the mix of personnel they already have. 33% of the hiring authorities surveyed are from corporations from \$250 Million-1 Billion in revenue, 14% between \$1-10 Billion and 19% less than \$250 Million. This indicates that most of the professionals surveyed are from smaller organizations. The numbers also point in the direction that companies are either satisfied with professionals they already have or are looking to further develop the larger Audit or create SOX departments as discussed earlier in the article. The larger the company is in revenue, the more likely they are in need of a SOX department or a super sized audit function.

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