

The Why and How of Leveraging Synergies Across Sarbanes-Oxley and Other Regulations

By Sanjay Anand, CFE, CCD

“SOX is becoming, and will overtime become, the de facto standard for the world.”

—Harvey Pitt, former US Securities and Exchange Commission (SEC) chairman

Whether or not one agrees with Pitt’s prediction, the Sarbanes-Oxley Act has most definitively altered the landscape of compliance in the United States, and has affected virtually every corporation that does business with and/or is listed in the US.

Specifically, Sarbanes-Oxley mandates that every company that lists securities on US stock exchanges must be in compliance with the 11 titles and 66 sections of the Act. However, as evidence has demonstrated, there are exceptions to this, and the enforcement of some of these sections of the Sarbanes-Oxley Act depends on laws and regulations in other countries. Specifically, for example, the whistleblower protection provision of Sarbanes-Oxley (section 806) has been deemed to be in violation of local labor laws in Germany, and even the constitutionality in the US of the creation of the Public Company Accounting Oversight Board (PCAOB) itself (Title I) as reporting to the SEC is now itself being questioned.

What does all this have to do with Sarbanes-Oxley as a strategy to meet international compliance regulations? The answer is quite simple. Sarbanes-Oxley is one of the most broad-sweeping and outreaching legislations enacted for corporate governance in the world, and most other similar legislations are, for the most part, subsets of the 11 titles and 66 sections of the Sarbanes-Oxley Act. While the goal of this article is not to go into the minutest of details regarding what these similarities and differences are, it will illustrate how complying with one regulation (such as Sarbanes-Oxley) can enable organizations to:

- Achieve a significant amount of compliance with other relevant legislation
- Achieve tangible business and technology benefits that have a payoff beyond compliance
- Use *Control Objectives for Information and related Technology* (COBIT) for the most comprehensive IT implementation of multiple regulations

Benefits of Leveraging Synergies

While some of the benefits of leveraging synergies across various regulations may seem obvious, there are some other not-so-obvious benefits as well. Some of the key benefits include:

- **Simplicity**—Complying with the first regulation is the hardest one to do. It gets much easier after that. The lessons learned from the first can be applied to subsequent ones,

thereby simplifying the ongoing processes related to regulatory compliance within the organization.

- **Cost**—Along with simplicity comes cost savings. In addition, several aspects of one regulation (especially one as broad-sweeping as Sarbanes-Oxley) help the organization comply with aspects of other regulations. Further, compliance in itself can help the business achieve a tangible return on investment (ROI). This is, in many ways, similar to the benefits derived from Total Quality Management (TQM), Six Sigma, business process reengineering (BPR) and other process improvement programs.
- **Assurance**—The organization’s confidence and its auditors’ confidence in the company’s compliance increases exponentially, thereby further reducing audit costs over a period of time.
- **Compliance**—There is a perceived increase in the extent of compliance, and in the event that certain aspects of a regulation may have been accidentally overlooked, complying with multiple regulations helps ensure that the oversight may be caught and corrected.
- **Relationships**—A not-so-obvious benefit of compliance with multiple regulations is that it does in fact help improve relationships between the company and its various stakeholders, including shareholders, customers and employees. This results in increased confidence in the company.
- **Image**—Stemming from relationships is the improved image of the company in the eyes of analysts and the media, which ultimately translates into intangible goodwill and tangible sales.
- **Profitability**—All of the previous benefits eventually result in increased revenue and lowered costs and, hence, increased corporate profitability, which is the ultimate objective of any corporation.

Road Map to Multi-regulation Compliance

The key to a successful, ongoing, cost-effective, multi-regulation compliance strategy is to view compliance as an ongoing process rather than a one-time project. While compliance typically starts out as a one-time project in most organizations, such a tactical and scattered, rather than strategic, approach to compliance is fraught with challenges, including high costs, low reliability and difficult maintenance.

The following steps help organizations view compliance strategically and implement multiple regulations:

1. **Begin with the end in mind.** Know exactly what the organization’s goal/outcome is. In particular, define the metrics that will help the organization assess whether it has reached its compliance objectives. This includes