



A Sarbanes-Oxley Training Framework for User Awareness and Roll-out

An Industry-wide Issue

Sarbanes-Oxley

The Sarbanes-Oxley Act was passed by the US Congress in July 2002 and protects investors by ensuring the reliability of external information. Management must ensure that all material information is reported to the investing public.

There are obligations on senior management and external auditors. Procedures must prevent the alteration of financial data, retain relevant documents for five years, install controls against significant and material risks, and report when controls are violated.

For all companies publicly quoted in the US, this must be part of the audit in the year ending from 15th November, 2004. Foreign private issuers have from 15th July 2005.

Non-US companies

Overseas companies who have a secondary quotation on one of the US exchanges (ADRs) are also affected. There are nearly 2,000 of these.

Significant and critical suppliers must meet the same internal control standards as their customers if they have a material impact on their customer's risks.

No hiding place!

- If you are quoted on an US Exchange you must comply with the obligations.
- If your services are significant to an US company you could be asked, as part that relationship, to demonstrate Sarbanes-Oxley controls compliance.
- If shares are to be attractive to global investors you must show compliance with risk governance standards.

Good corporate governance, risk controls and disclosure of information are key to any quoted or regulated company. Sarbanes-Oxley is what governments, counterparties, analysts and investors now expect.

The Challenge for Organisations



Sarbanes-Oxley requires that each part of an organisation understands its obligations under the Act and the activities it needs to carry out for compliance. A **Risk Culture** needs to be created.

- Following initial **Awareness** and understanding of the Act, the best way forward will have been selected from the options. A **Strategy** will have been created and the processes and systems – the **Implementation** programme – put in place.
- No programme can be considered successful unless it has been accepted and willingly adopted by all relevant users – the whole organisation in this case. This involves both winning the hearts and minds of the users, and the installation of the necessary maintenance and support processes – **Deployment** is key to success:
 - Senior management needs to know their legal and fiscal obligations and to be able to manage the risk profile of the organisation,
 - Middle management must be able to assess risks and controls, take formal preventative actions and manage incidents,
 - Supervisors and staff must be able to collect the necessary control and event data,
 - Client-facing staff must be able to explain their organisation's position with regards to risk, controls and the Sarbanes-Oxley Act.

Training is too important a component to be left to chance. Only through a successful training program can the necessary **Risk Culture** be achieved.

The DXL Solution

DXL approached the requirements for Sarbanes-Oxley by building a portfolio of training courses and components. We accelerate **awareness** through standard off-the shelf courses. To facilitate **strategy** and **implementation** we design bespoke courses for planners and developers building on the content of the standard courses, and provide risk categorisation workshops (see *DXL's Fast Track Risk Framework*).

To **create the culture** we design customised training from standard components for: supervisors involved in risk identification and assessment, users to know the regulations and their obligations in risk incident handling, and customer facing staff who must explain the company's risk policies.

Structure

We work with you on a training needs assessment to confirm the best form of Sarbanes-Oxley roll-out, who should be trained, to what level and how the training should be carried out.

Different organisations will implement risk management in different ways. Who will identify and assess risks? Who will record the initial risk events? Who will collect risk event data? How will "whistle-blowing" be handled in the organisation?

Format

Each organisation requires an individual approaches - simple instructions on procedures or detailed explanations of the drivers and benefits that result from the risk processes.

Training can be delivered in many formats. Distance learning or face-to-face, classroom, PC or web-based courses, interactive or exam-based: all these possibilities need to be considered.

Content

Pre-reading material, course overviews and case studies must be provided. DXL provides these from their extensive libraries and will develop new material for the organisation's chosen approach to risk.

Testing will demonstrate compliance. Interim and formal accreditation testing topical to the organisation's business will also be developed.

Delivery

DXL trainers can deliver the training or can train local or internal trainers. We are experienced in training overseas and across different nationalities.

Benefits of the DXL Solution

- ✓ Experienced trainers with knowledge of the regulations
- ✓ Pre-prepared courses and components
- ✓ Understanding of the issues in rolling out risk awareness and a risk culture, and
- ✓ **A rapid, focused and cost-effective approach to mobilisation of an enterprise-wide risk management programme.**

An example of a Sarbanes-Oxley classroom-based training course

Day 1 – The Act and its implications

Opening Test

Background

History and drivers - legal situation and applicability - consequences of non-compliance - contents of Act

Major implications and impact

Treatment of auditors - corporate responsibilities, reporting and data management - assessment of internal controls - issuer disclosures - conflicts of interest - retention of records

Facilitated Discussion

The Programme

Processes - incorporation of existing control activities - interaction with other regulatory requirements - the risk culture - user communications - training and accreditation - corporate, regulatory and reputational benefits – the messages to clients, counterparties and the public

Changes to procedures

Risk identification/assessment - controls identification and assessment – communications – responsibilities – legal.

Facilitated discussion

End of Day 1 Test

Day 2 – Implementing a risk and control framework

Review Day 1 followed by Test

Practical usage of the risks and controls system

Hands-on demonstration of risk and control reporting

Practical risk scenario assessment

What is a scenario? - demonstration of risk scenario assessment - how to review the results.

Facilitated Discussion

Test of risk, control and scenario handling

Situation management

Know your rights and obligations - information retention and security - conflicts - communications

Facilitated Discussion of all issues

Test of all aspects (including accreditation)