

How to organize an Internal Controls project in a EuroSox[®] environment.

The goal of all of the increased Governance, Risk and Compliance (GRC) requirements is to build greater investor confidence in public companies. Build a culture of integrity in internal controls by following these steps.

1. Tone at the top.

A prudent and ethical leadership tone at the top of the organization, is far more effective at earning shareholder confidence than is the best internal audit or internal controls function.

2. Create an up-to-date Risk Profile

Develop an appropriate risk profile based on the type of business, stage of development, current issues etc., with a clear objective to establish a risk-based approach to internal controls.

3. Scoping and Planning

Based on the risk profile and audit committee charter, identify the tasks and actions performed by internal staff, outside service providers, or the external auditor. Focus on elements like efficiency, availability and embedding the control procedures within the organisation. Allocate adequate time, effort and resources. Prepare a communications plan.

4. Establish an Audit Committee

An Audit Committee charter requires that management take an active role in establishing Audit Plan with focus on eliminating potential risk and control issues and problems, based on the specific risks involved, as prioritized in the risk profile. The role of the Audit Committee is also to ensure a culture of integrity and compliance.

5. Verify short and long term GRC competence and objectives

It takes authority and influence of all involved to steer the project and create manual and automated documenting and testing procedures. Develop work plans and work towards a more efficient internal controls audit using IT as a driving force for future improvements.

6. Establish Ownership, Roles and Responsibilities.

Create a culture of controls integrity related to establishing ownership, roles and responsibilities. Focus on training activities including clear understanding of ISO, COSO, CoBIT to build on knowledge, know how and processes.

7. Leverage experiences

Align with experienced firms that can provide the basis, tools and templates to expedite, reduce time and effort of the internal Controls project. Once again focus on IT and automation.

8. Pace your efforts but do not defer.

Realistic work-plans, time lines and adequate internal or external resources are necessary to effectively and efficiently manage the project. Last-minute efforts and pressure to accomplish established control and risk deadlines and goals significantly raises the cost of compliance and raises the risk profile of the success.

9. Maintain focus

Governance, Risk and Compliance is an activity-intense process. Identifying controls and fraud issues are an essential part and responsibility of the board and management.

10. Do not boil the ocean or re-invent the wheel

Remember that the goal of such GRC projects is primarily to establish an efficient and effective process that builds confidence in the integrity of the internal controls, financial disclosures and audits.

In short: Prepare a plan that identifies clear company objectives that improve the business culture and risk management policies and control strategies, obtain management buy-in at all levels of the organisation, consult throughout the business, monitor continuously, avoid overloads, focus on the essentials of EuroSox[®], keep it simple and straightforward.