

CASE STUDY

The real value of compliance

Some key names come to mind when refreshing the corporate memory bank of destroying, altering, or fabricating records in federal investigations, or attempts to defraud shareholders. The debacles that were Enron, WorldCom and others, brought about the Sarbanes-Oxley Act (2002), which introduced major changes to the regulation of corporate governance and financial practice. It has set a number of non-negotiable deadlines. This legislation sought to provide investor confidence by qualifying the adequacy of the companies' internal controls and processes. Specifically, Section 404 of the legislation requires the management and the external auditors of such companies to assess and certify the adequacy of their Internal Control over Financial Reporting (ICFR).

The Scenario

The client is the world's largest electronics distribution company, with a focus on electronic components including enterprise computer, storage products and embedded sub systems. They ended FY08 with global revenue of circa USD 18 billion, and are listed on the NYSE. They were required to comply with the requirements of the Sarbanes Oxley Act (SOx).

In mid 2004, Pierian was appointed to assist the client's Asia Corporate Audit team with the testing of Internal Controls for Singapore. A stronger partnership formed between the client and Pierian in 2006, and mandated Pierian to manage similar engagements across the APAC region.

The partnership enabled the client to reduce their risk of failure to achieve compliance whilst avoiding the investment to build an in-house capability.

The Solution

Pierian's multi-disciplinary team has been assisting the client's Asia Corporate Audit team to ensure SOx compliance, through a detailed review of all business processes and controls.

The client's Asia region was declared a "zero" deficiency region as a direct result of the most recent audit exercise.

The engagement entailed testing both manual and IT controls for over 150 processes across APAC Priority 'A' business units. This included reviewing existing documentation and associated workflows, testing controls, identifying deficiencies and presenting findings to the client's Asia Corporate Audit team.

Inconsistencies in process documentation resulted from different interpretations of control points vis a vis requirements. Initially, non-English speaking countries like China and Taiwan posed certain communication challenges, but through process maps and innovation, a common language emerged.

Pierian owns project governance and outcomes

Pierian works closely with the client's Asia Corporate Audit team. Pierian assigns teams with requisite skill sets, trained in the ICFR related processes to conduct SOx compliance testing for their business units across APAC.

Pierian devised a blueprint for the solutions framework

A blueprint to document the approach for testing controls was central to the success of the programme. This included key objectives to ensure effective testing, consistency in approach, and efficiency in execution. The blueprint also contains process-wise approach with detailed effort and time estimation.

Pierian designed the solutions framework

The key items of the framework are setting up the approach to compliance testing, communications management, and training personnel.

The framework also includes assessing the adequacy of process documentation, calibration of processes across regions, testing control performance through various metrics, collaboration with process owners to mitigate deficiencies, reporting and conclusion on effectiveness.

Pierian ensures that the solution is measurable

Pierian ensures that the outcomes are measurable and are monitored through a project plan. The project is divided into various work groups based on scope. An effort estimate (time + manpower budget) is projected at the beginning of each project, in consultation with the client's corporate audit team. Certain work groups prepare off site and in advance, allowing the on-site team to kick off the project without any delay. As the project progresses, weekly status updates are reviewed and shared with the Corporate Audit team.

In 2008, an onsite-offshore delivery model was proposed and agreed, which provides certain aspects of the service being delivered offshore, in a more cost effective manner, and therefore reducing the cost to deliver by circa 30%.

The client benefits from streamlined and improved process documentation across the APAC region. Overall awareness and understanding was achieved by educating process owners on the salient features of the organisation's Risk Control Matrix. Pierian's reporting for APAC region proves to be an effective tool for monitoring performance, not just the status reporting.

What started off as an engagement for the Singapore region now covers priority "A" regions in APAC, and is a testimony to the client's confidence in Pierian's ability and expertise. The engagement has grown and benefited both partners since 2004.

A Fortune 500 Company having global revenues of nearly \$ 18 Billion (FY08), the client operates in 70 countries, from over 300 locations. They create a vital link in the technology supply chain that connects more than 300 of the world's leading electronic component and computer product manufacturers and software developers with a global customer base of over 100,000.