



Sarbanes – Oxley

Sarbanes – Oxley Act

Sarbanes-Oxley (SOX) will have an impact on all UK businesses within the next two or three years. In the first instance it will affect all UK Organisations with US reporting requirements. However, Companies Audit, Investigations and Community Enterprise (CAICE), currently, passing through Parliament reflects most if not all SOX requirements and will be passed into law in the not too distant future.

The main requirements are disclosure statements by company directors & disclosure of Non-Audit Services provided by the company's accountant. In all cases, ignorance is no excuse and management must overtly state they have appropriate controls and comment on their effectiveness.

The development of controls to comply with Section 404 of SOX will be the initial major headache and will, invariably, focus on financial transactions. This, however, is the narrowest implementation of the requirements. Companies will need to establish much more substantive risk management methodologies to comply with Sections 409 & 906.

Finally, those who view SOX & CAICE compliance as the production of a list of procedures to be wheeled out once a year for audit will regret it.

So does SOX affect you?

The answer is a definite "yes" and, indeed, those of you with US exposure should be well ahead of the game for UK needs. SOX can be of huge benefit to any company if embraced properly as part of a Corporate Development programme. If a company tries to do "just enough to get by" it will find itself in a quagmire of bloated controls, burgeoning expenses and enduring headaches. If the spirit of the law is adopted, however, - strong ethics, good governance, reliable reporting, there will be a re-energised company and positive stakeholders.



Under SOX and, shortly, CAICE, companies can't afford not to implement a system of internal control. Penalties will be too severe and the market reaction too strong to consider anything other than compliance in accordance with the spirit of the law.

Given the reliance of today's businesses on information technology, virtually every system and process and related control will have some dependence on your IT system. Thus, CIO s must be deeply involved in your compliance work.

There is limited time to deal with SOX and CAICE and companies need to allow time to fully test controls, and to demonstrate that they are designed and functioning properly.

Dates for Compliance

Although the U.S Securities and Exchange Commission has said it will be extending the dates for issuers to comply with the requirement under section 404 of the Sarbanes-Oxley Act, it is critical that companies ensure they have the systems in place for compliance to avoid penalties.

Original date for accelerated filers ¹ to comply with the Sarbanes – Oxley Act – **June 15th 2004**

Revised date for accelerated filers to comply with the Sarbanes – Oxley Act – **first fiscal year ending on or after November 15th 2004**

Original date for non-accelerated filers to comply with the Sarbanes – Oxley Act – **April 15th 2005**

Revised date for non-accelerated filers to comply with the Sarbanes – Oxley Act – **first fiscal year ending on or after July 15th 2005**

'accelerated filers' are, generally, a US company that has equity market capitalisation over \$75 million and has filed at least one annual report with the SEC.