

Case study:

Business Process Re-Engineering

Background

Major corporate accounting scandals in early 2002 resulted in very significant investor losses, with public markets suffering significant declines in share value across the board due to loss of investor confidence. To restore investor confidence, the Securities and Exchange Committee (SEC) and U.S. Congress implemented the Sarbanes-Oxley Act, which makes significant provisions on how companies must operate.

One of the key requirements of Sarbanes-Oxley is that a company must assert that it has adequate internal controls over financial reporting. In order to support this assertion, a company must maintain adequate documentation of control procedures and performance. These documents will be required by any SOX auditors to perform independent assessments of assertions. What this means in practice, is that companies must:

- Establish a standard to measure the effectiveness of control procedures.
- Establish a process to evaluate control effectiveness and to monitor internal control performance.

To meet these requirements our client established a project to document the key financial processes to release standardisation and simplification opportunities which would in turn finance the project.

Approach

We identified the financial process inventory and analysed the financial throughput and associated risk. Once prioritised within this framework, we set up workshop sessions with the various subject matter experts to understand the end to end processes (this often brings together individuals, who have ownership for only part of the process, and they can then understand better their inputs and outputs, and the group often identify opportunities for a simplified process).

We reviewed the end to end process from a control perspective to identify if any control gaps exist, along with further identification of any standardisation and simplification opportunities. We created a process document which was then ratified by the process owner and the subject matter experts.

The process owner was then charged with testing the process to confirm that the process was as per the documentation and that the controls were working effectively.

Additionally, we also project managed the closure of the controls gaps and realisation of any standardisation and simplification opportunities.

Outcome

Accurate, documented processes were created which are the base process documents for the Sarbanes Oxley attestation. These documents are also useful training aids and can be used in handover processes when job moves occur.

The subject matter experts within the process now understand how they fit into the end to end process and they understand the inputs and outputs from their sub set of the process.

Control gaps have been closed and the standardisation and simplification opportunities have been addressed which has increased control, and we have also reduced the costs to produce the process outputs.

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