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Figure 1: Schematic representation of Enron's use of partnerships and Special Purpose Entities page 8

Table 1: Demographic details of companies which respondents represented page 56

Appendix I: Questionnaire

Note to respondent: The information collected as part of this survey is confidential. The information will be used to identify trends and to report on that. No actual amounts linked to individual companies will be quoted in the survey results.

1. Company profile

Position and function/department of respondent	
Annual turnover of your company	
Total assets	
Number of employees	
Industry type	
Financial year end	
Are all your key business locations/units that are in-scope based in SA? If not, in which other countries is your key business locations (please indicate relative size i.e. 20% etc.?)	
SOX classification: <ul style="list-style-type: none"> • FPI • Foreign subsidiary of SEC registrant • Voluntarily adopted SOX/implemented an Internal Controls over Financial Reporting (ICFR) Framework 	
For voluntary adopters, what are the main reasons you decided to go ahead with such a programme e.g. King III?	
Please note your first year of reporting to market/compliance/implementation.	

2. Implementation partners/parties involved in your SOX implementation process

The following table sets out the main activities to establish an internal financial controls framework and parties possibly involved with the implementation. Please indicate below the level of involvement of management, consultants and/or your external auditors in your effort:

Activity	Management		Consultants		External Auditor	
	Sign-off role only	Extensive involvement	Sign-off role only	Extensive involvement	Sign-off role only	Extensive involvement
Risk Assessment and determining scope						
Identification, design and documentation of processes and controls						
Design effectiveness assessments including walkthroughs						
Testing operating effectiveness of controls						
Remediation						
Establishing a compliance function						
Reporting to management and board						

3. Implementation costs

3.1. Please indicate what your costs of implementation were. Implementation cost are defined as internal costs (if your organisation quantified it), external consultant and/or external auditor costs directly attributable to your compliance exercise, costs to upgrade existing information systems and/or implementing new technology to comply with the requirements.

	Internal costs		External Costs	
	People/time	Investment in technology	Consultants	Auditor
Year 1	R	R	R	R
As % of turnover				
Year 2 (if initial implementation ran over more than one financial year)	R	R	R	R
As % of turnover				

3.2. Did you see a reduction in your cost of compliance since year one? Please indicate the reduction – you can express it as at the actual cost; a percentage of costs or man days saved.

	Internal costs		External Costs	
	People/time	Investment in technology	Consultants	Auditor (excluding the cost of the external audit)
Year 2				
As % of turnover				
Year 3 and beyond				
As % of turnover				

3.3. Do you expect a further decline in your SOX compliance costs in future years and to what extent do you expect further decrease in future years?

Extent of decline as a percentage of current costs	Future years
0%	
1 – 25%	
25 – 50%	
50 – 75%	
75 – 100%	

3.4. Impact of SOX compliance on your external audit fee (excluding implementation cost)

	FY prior to implementation	FY of implementation: Y1	Y2	Y3	Y4	Y5
Audit fee (Statutory audit fee)						
Audit fee attributable to opinion over ICFR	n.a.					

4. Internal Audit involvement

4.1. Was Internal Audit involved with the initial implementation? Please indicate their role/level of involvement in the typical phases of the implementation of an ICFR below:

	Sign-off role only	Extensive involvement
Risk Assessment and determining scope		
Identification, design and documentation of processes and controls		
Design effectiveness assessments including walkthroughs		
Testing operating effectiveness of controls		
Remediation		
Establishing a compliance function		
Reporting to management and board		
Quality Assurance		

4.2. Ongoing involvement of Internal Audit. Please indicate Internal Audit's involvement in your ongoing compliance process. Please indicate their role/level of involvement in the typical phases of the implementation of an ICFR below:

	Year 2		Year 3 and beyond	
	Sign-off role only	Extensive involvement	Sign-off role only	Extensive involvement
Risk Assessment and determining scope				
Identification, design and documentation of processes and controls				
Design effectiveness assessments including walkthroughs				
Testing operating effectiveness of controls				
Remediation				
Establishing a compliance function				
Reporting to management and board				
Quality Assurance				

4.3. Did Internal Audit's focus change after the implementation of SOX?

4.3.1.	They focus on key financial reporting controls only?	
4.3.2.	They have a more operational focus due to key financial controls being tested by management through a management self-assessment (MSA) process?	

5. Risk Management process

	Risk Management process	Yes/No	Comments
5.1.	<p>Did you see an improvement in your Risk Management process as a result of implementing the SOX/an ICFR Framework?</p> <p>If so, what would the main improvements be?</p>		
5.2.	<p>Are your risks relating to ICFR managed as part of your overall risks managed by your Enterprise Risk Management function?</p> <p>If not, why?</p>		

6. Methodology

	Methodology	Comment
6.1.	<p>Did you use a top-down risk-based approach or update your original coverage/rules based approach to a principle based approach as recommended by the Guidance to Management issued by the Securities and Exchange Commission (SEC) effective June 2007?</p>	
6.2.	<p>Did you use the Committee of Sponsoring Organisations (COSO) framework as a framework to document your controls for SOX compliance or your ICFR Framework?</p> <p>If not, please specify framework used.</p>	
6.3.	<p>How regularly do you update your Risk Assessment to determine your scope for the ICFR Framework?</p>	
6.4.	<p>Is there a difference between the scope as determined by management versus the scope as determined by your external auditors?</p> <p>How did you resolve it?</p>	

	Methodology	Comment
6.5.	<p>Entity level controls:</p> <ol style="list-style-type: none"> 1. Do you make use of entity level controls to assess financial reporting risks and the adequacy of controls? 2. Have you implemented or relied more on direct entity level controls to monitor your processes and eliminate the number of key controls at process level as suggested by the Guidance to Management issued by the SEC? 3. What is preventing you to make better use of entity level controls to prevent material misstatement? (i.e. level of precision is not at the correct level or other factors) 	
6.6.	<p>Have you implemented a risk-based approach in the evaluation of evidence, i.e. determined the nature of the evidence needed to evaluate the effectiveness of controls based on risk?</p>	
6.7.	<p>Do you have formal testing cycles (quarterly/bi-annual formal testing periods) during your financial year or do you assess the operating effectiveness of controls during one cycle plus update testing at year-end?</p>	
6.8.	<p>Do you have a central SOX compliance function that manages and oversees the SOX compliance process, or is it decentralised with ownership for managing and overseeing the process vested in your business units, with no or minimal involvement of a central SOX compliance function?</p>	

6.9. Who in your organisation performs the operating effectiveness testing (OET) of the controls? Please select appropriate choice

Who performs OET	Yes/No	Comment
Line management – Control owners/control operator		
Line management – person independent from the control owner/operator, in same department		
Cross- departmental		
Risk Management		
Internal Audit		
Consultants		

	Methodology	Comment
6.10.	In your testing strategy of automated controls – do you make use of a benchmarking approach? If not, why not?	
6.11.	Do you have a cascading approach in assigning responsibility for the sign-off of the effectiveness of the control environment, i.e. control owner, process owner, BU representative/Financial Manager, Head Office Compliance function, CFO and CEO? If not, please summarise your approach?	

7. Software

	Software	Comment
7.1.	What key accounting system(s) do you have in place e.g. SAP, Oracle, Other?	
7.2.	<p>Did you use a software solution for your SOX process?</p> <ol style="list-style-type: none"> 1. Please state name of the software solution if purchased from a 3rd party 2. Please state if the solution was in-house developed 	
7.3.	<p>What best describes your documentation and ongoing solution:</p> <ol style="list-style-type: none"> 1. Word and Excel documents centrally maintained 2. Word and Excel documents maintained at in-scope business units 3. Combination of Word and Excel documents with data capturing functionality in a central repository; reporting functionality to manage your process effectively (no workflow)? 4. Intelligent system with built-in workflow and notifications and detailed reports? 	
7.4.	<p>How do you retain your testing evidence?</p> <ol style="list-style-type: none"> 1. Paper based files 2. Scanned and electronic documents centrally saved 3. Scanned and electronic documents saved in the central repository. 	
7.5.	<p>Would you select the same solution again? Please provide reasons for positive and negative responses.</p>	

	Software	Comment
7.6.	Does your existing software solution for your SOX process still fulfil your needs?	
7.7.	What improvements to your software solution would you like to see to enhance your SOX compliance process and reporting?	

8. Control environment

	Control environment	Yes/No	Comment
8.1.	<p>Did you see an improvement in your overall control environment as a result of implementing SOX/an ICFR Framework?</p> <p>Please provide a brief summary.</p>		
8.2.	<p>Have you seen a decline in the number of key controls since the first year of implementation/compliance to subsequent years?</p> <p>Percentage reduction in controls:</p> <p>Reasons for decline:</p> <ul style="list-style-type: none"> • Better understanding of risks of material misstatement • Better use of entity level controls and/or monitoring controls at entity and process level • Optimisation and standardisation of controls • Better use of automated controls to limit manual controls • Other (please specify) 		

	Control environment	Yes/No	Comment
8.3.	<p>Automated controls:</p> <p>(i) Do you make adequate use of automated controls, or is there opportunity to optimise your processes and controls by making better use of automated controls as key controls?</p> <p>(ii) What factors are preventing you to increase the number of automated controls/what could assist you to make better use of automated controls?</p> <p>(iii) Do you make more use of automated controls now subsequent to the implementation of SOX?</p> <p>(iv) If you make use of automated controls, what is the estimated percentage of automated versus manual controls in your total number of key controls over financial reporting?</p>		
8.4.	<p>Did you see an improvement in process knowledge and awareness within the organisation as a result of implementing SOX/an ICFR Framework? Please provide detail i.e. were those immediate benefits or were they realised over a period of time?</p>		
8.5.	<p>Did you see an improvement in control owners taking ownership for their controls, enhancing the control environment as a result of the implementation of SOX/an ICFR Framework? Please provide detail i.e. were those immediate benefits or were they realised over a period of time?</p>		

	Control environment	Yes/No	Comment
8.6.	<p>Would you say that as a result of the implementation of SOX/an ICFR Framework that you have seen an improvement in the efficiency and effectiveness of your processes and controls by eliminating unnecessary or duplicated controls? Please provide detail i.e. were those immediate benefits or were they realised over a period of time?</p> <p>If not, why?</p>		
8.7.	<p>Would you say that as a result of the implementation of SOX/an ICFR Framework that the organisation has better data for decision making and strategic planning?</p> <p>Please provide details in your response.</p>		
8.8.	<p>Did you standardise processes and controls as part of your compliance program across business units?</p> <p>Please provide a detailed response i.e. standardisation could only be achieved in certain processes and or business units etc. What were those processes?</p> <p>If not, why?</p>		
8.9.	<p>Information Technology General Controls (ITGCs)</p> <ul style="list-style-type: none"> • Was there a significant improvement in your ITGCs supporting your key financial applications? • Did you implement automated solutions to manage your access and segregation of duties issues of users within your key financial applications as a result of your SOX program? • Are there components of your ITGCs that are considered in-scope for SOX that are outsourced to third party service providers? <ul style="list-style-type: none"> • If so, do you make use of a report in terms of ISAE 3402 (previously referred to as SAS70) to provide you comfort over those controls? 		

	Control environment	Yes/No	Comment
	<ul style="list-style-type: none"> • If not, how do you gain comfort over those controls? • Did you identify specific themes in the ITGC deficiencies you identified and remediated? Please rank the ITGC themes listed below to reflect the most relevant to least relevant that you have experienced. <ul style="list-style-type: none"> • Access security and segregation of duties • Change Management • Operations 		
8.10.	<p>What were the typical control deficiencies or issues that your organisation had to remediate as a result of the organisation implementing SOX/an ICFR Framework?</p> <ol style="list-style-type: none"> 1. No formalised process descriptions and documented controls. 2. Lack of formalised evidence to support operating effectiveness conclusions. 3. Accounting issues: <ul style="list-style-type: none"> • Tax • Application of GAAP/IFRS • Revenue recognition • Impairments etc. 4. Financial close process including journals 5. Tone at the top/control environment 6. Information Technology issues 		

	Control environment	Yes/No	Comment	
8.11.	<p>1. Have you identified significant deficiencies and/or material weaknesses during year one of compliance and subsequent years, please classify the issues in any of the following categories:</p> <p style="margin-left: 40px;">a. Accounting issues:</p> <ul style="list-style-type: none"> • Tax • Application of GAAP/IFRS • Revenue recognition • Impairments etc. <p style="margin-left: 40px;">b. Financial close process including journals</p> <p style="margin-left: 40px;">c. Tone at the top/control environment</p> <p style="margin-left: 40px;">d. Information Technology issues</p> <p>2. Would you attribute the majority of the deficiencies identified to:</p> <p style="margin-left: 40px;">a. inadequately skilled personnel</p> <p style="margin-left: 40px;">b. inadequate oversight</p> <p>3. Have you seen an impact on your share price after disclosing a material weakness?</p>	Year 1	Subsequent year/s	Comments

9. Use of spreadsheets

	Use of spreadsheets	Comment
9.1.	Did your organisation make use of a high number of spreadsheets in your key processes prior to the implementation of SOX?	
9.2.	Do you now have control over the number of key spreadsheets used in your organisation in key processes and are they adequately controlled (i.e. a spreadsheet policy, register and/or software solution to control the key spreadsheets)? (please provide detailed information)	
9.3.	Did you reduce the number of spreadsheets in your organisation as a result of the implementation of SOX?	

10. Continuing with SOX efforts

	Continuing with SOX efforts	Comment
10.1.	If your company would de-list from the NYSE, would you continue with your SOX compliance effort? (Please provide reasons for your response)	
10.2.	<p>If your company has de-listed from the NYSE and listed on alternative exchanges, are you: (Please provide reasons for your response)</p> <ol style="list-style-type: none"> 1. Still continuing with your ICFR effort. 2. Continued with effort but with a more scaled-down version of it. How did you scale it down? 3. Not at all. 4. Did you change your approach as a result of King III and are reviving the initiatives? 	
10.3.	If your company is an in-scope subsidiary and as a result have implemented SOX, if your position would change or have changed, would/did you continue with your SOX efforts? (Please provide reasons for your response)	

11. General

	General	Comment
11.1.	In your opinion, do the benefits outweigh the costs and effort? (Please provide reasons).	
11.2.	In your opinion, what can be done within your company and industry to increase the effectiveness of SOX compliance and/or maintaining an ICFR Framework?	
11.2.	Will you recommend to your peers in your industry to voluntarily adopt SOX/implement an internal controls over financial reporting framework? Please provide reasons.	
11.3.	<p>For voluntary adopters – do you disclose in your annual financial statements that you have voluntarily adopted SOX/implemented an ICFR framework?</p> <p>If so, have you seen an improvement in your share price that could be attributable to that?</p>	

Definitions:

Foreign Private Issuer:

Any foreign issuer other than a foreign government except an issuer meeting the following conditions:

(1) More than 50 percent of the outstanding voting securities of such issuer are directly or indirectly owned of record by residents of the United States; and

(2) Any of the following:

(i) The majority of the executive officers or directors are United States citizens or residents;

(ii) More than 50 percent of the assets of the issuer are located in the United States; or

(iii) The business of the issuer is administered principally in the United States.

Large accelerated filer:

An Exchange Act reporting company with a worldwide market value of outstanding voting and non-voting common equity held by non-affiliates/public float of \$700 million or more. They were required to file their annual Form 10-K and quarterly Form 10-Q earlier than other issuers.

Accelerated filers:

Accelerated filers as companies that have a public float of at least \$75 million but less than \$700 million. They were required to file their annual Form 10-K and quarterly Form 10-Q earlier than other issuers.

Entity Level Controls ("ELC's")

Entity level controls ("ELC's") are controls that are operational throughout the entire organization and often have a pervasive impact on controls at the process, transaction, or application level. ELC's vary in nature and precision and could have a direct or an indirect effect on the likelihood that a misstatement will be detected or prevented on a timely basis.

Direct Entity Level Controls

Direct ELC's are designed to operate at a level of precision that would, by itself, prevent or detect on a timely basis material misstatements to one or more relevant financial statement assertions.