

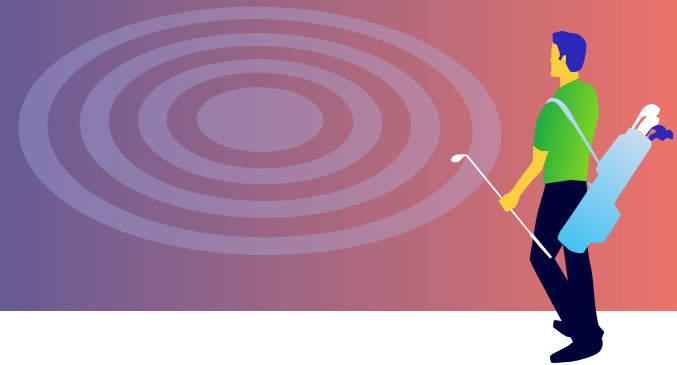


BEST PRACTICES FOR

EFFECTIVE SOX TESTING



BEST PRACTICES FOR EFFECTIVE TESTING



Managing SOX testing procedures and documentation can quickly become cumbersome without organization and centralized data. Using a SOX solution to house your data in a single source of truth — ideally one that is cloud-based and purpose-built for streamlining SOX project management — can greatly reduce inefficiencies during testing. In addition, the following are best practices for managing SOX testing:

TEST OF DESIGN/WALKTHROUGHS

1. Ensure the control is well defined prior to testing

Understand the control definition and ensure it is specific enough to discern the granularity of the control, its frequency of operation, and the person or system responsible. During walkthroughs it is best practice to go over one sample in detail with the control owner so that both parties are in agreement over what was provided. This helps you focus on what to look for when testing the control, as well as how to request complete evidence upfront in your PBCs without additional follow up.

TEST OF OPERATING EFFECTIVENESS

2. When sending out PBC requests, ask for all aspects of evidence

This helps to minimize follow ups or secondary requests, which result in more work for you and the control owner. A PBC request should not always be requesting a report or screenshot; where necessary, it is important to ask for full evidence of a review of the attributes you are looking for. For example, if you are requesting evidence of a key report, clearly state the report name as well as whether you need evidence of sign off and review.

3. Do not delay the review of the evidence

While formal documentation might take a while, do not delay the initial review of evidence to ensure what was provided matches what was requested and is sufficient to perform testing. If evidence is not sufficient, you can quickly communicate the issue, allowing for a quick turnaround back to the control owner. More importantly, if issues are identified, you will have a buffer window to remediate them prior to year-end,

BEST PRACTICES FOR EFFECTIVE TESTING

rather than leaving them for the end of the audit when there may not be enough time for remediation.

4. Reviews should happen soon after testing is complete with minimal delay

This way, if any items were not picked up by the tester, the reviewer still has the chance to communicate any deviations to control owners, rather than waiting until the year-end. This is also a great teaching opportunity, giving testers the opportunity to learn from their reviewers and sharpen their auditing skills during the process.



THROUGHOUT TESTING

5. Have consistent status meetings using real-time dashboards and reporting

Establish a regular meeting cadence upfront that will last throughout the lifecycle of the engagement. This enables managers to keep track of what their staff is performing and to stay on top of exceptions, while also ensuring the team is progressing along the same timeline as defined and can reallocate resources if necessary. A SOX solution with real-time dashboards and reporting is a great way to drive and facilitate these meetings.

6. Coach on a regular basis

Ideally, coaching should be ongoing throughout the engagement to ensure staff members are honing their auditing skills and learning more about the organization in the process of testing. This can be achieved through weekly internal SOX team status meetings. Coaching goals can include:

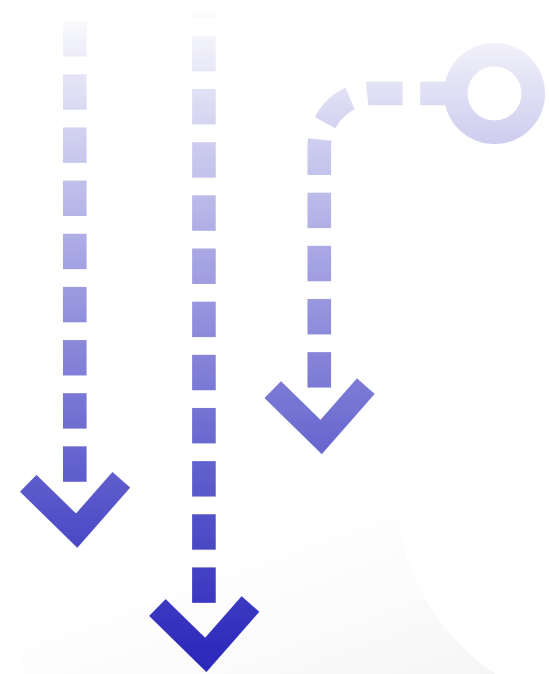
1. Ensure staff members understand the scope of work to be performed and create a timeline of estimated due dates.
2. On a daily to weekly basis, hold check-ins with the team to see how staff members are progressing against the projected timeline. Reviewers should be held accountable for their timelines as well.
3. When a learning opportunity arises, seize the real-time example to provide guidance and coaching.
4. Discuss any issues identified or delays to the project plan so that the team can manage resources accordingly, as well as manage communication with the C-suite and control owners early on.

ENGAGING WITH CONTROL OWNERS FOR EFFICIENT TESTING

Oftentimes, control owners may not fully understand they own their controls and believe they are instead owned by the SOX or internal audit team. This can be due to a limited understanding of the overall control environment, which can result in control owners viewing their control responsibilities as check-the-box exercises without fully understanding why they must perform them.

To overcome this challenge, build rapport with your control owners throughout the year. Set the stage for them at the start of testing to ensure they understand not only what they need to do, but why. Throughout testing, help them buy into the process of control ownership by finding ways to illustrate its overall importance to the business, and the role they play in the big picture of SOX compliance. After your audit is complete, continue the relationship by inviting control and process owners to your debriefs. This contributes to a spirit of being on the same team, provides enhanced cross-functional insights to the business, and can even establish a collaborative tone for the upcoming year. Ultimately, a strong overall control environment has the added benefits of effective collaboration between control owners and audit, as well as efficient issue remediation.

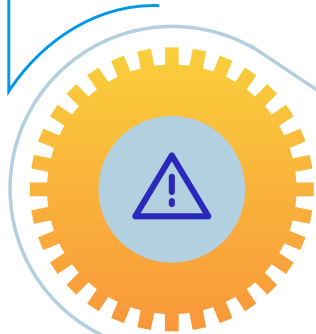
The following are ways to engage your control owners for streamlined testing during each phase.



TIPS TO ENGAGE CONTROL OWNERS FOR STREAMLINED TESTING

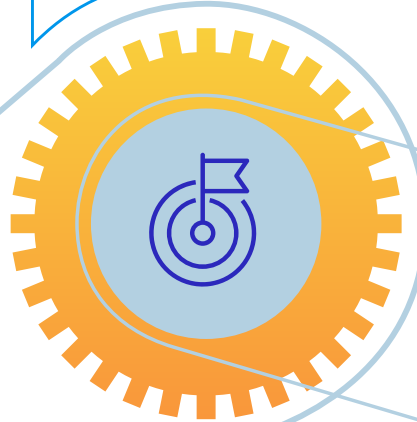
PHASE 1 ANNUAL SCOPING

- During the qualitative assessment, engage control and process owners by providing context and encouraging questions.
- Lay out a clear and concise plan for communications, including dates of meetings and check-ins.
- Don't push back meetings or announce unexpected meetings.



PHASE 3 TESTING

- Break down testing into phases to give control and process owners ample time to rectify issues and enhance their control environment.



PHASE 2 WALKTHROUGH

- Tie the design of each control back to the risk and how it impacts the organization. This helps stakeholders see and understand the big picture.
- Encourage questions to ensure stakeholders understand why the implementation of their controls is important.
- Give stakeholders the opportunity to rectify any issues or findings as they arise during the test of design or implementation.

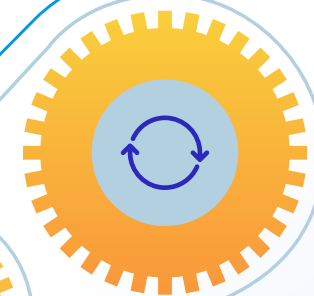
PHASE 5 DEBRIEF AND BEST PRACTICE INSIGHT

- Invite your control and process owners to join your debriefs and lessons learned sessions.
- Give your stakeholders time to speak and offer suggestions for future testing periods.



PHASE 4 REPORTING

- Walk through the report collaboratively with stakeholders to reach agreement on issues identified, impacts to the organization, and remediation efforts.
- Look for opportunities to mutually embed best practices within the business and enhance the culture of control compliance.





Connect Risk. Connect Your Teams.

AuditBoard's highly collaborative, top-rated platform empowers and elevates internal audit teams while holistically connecting risk across the business.

[Learn More](#)



Trusted by 1,200+ Audit, Risk, and Compliance Teams

Top-Rated by Customers On





GET THE FULL SOX MANAGEMENT PLAYBOOK

auditboard.com