

2023

THE  
**SOX**  
MANAGEMENT  
PLAYBOOK

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# THE SOX PLAYBOOK OVERVIEW

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## CHAPTER 1

SOX Compliance in Volatile Times: The Importance of a Risk-First Approach



## CHAPTER 2

Three Keys to a Successful SOX Risk Assessment



## CHAPTER 4

Best Practices for Effective Testing



## CHAPTER 3

Tips for Turning External Auditors into Internal Audit Allies



## CHAPTER 6

Optimizing Your Issue Management Program



## CHAPTER 7

Streamlining Your Certifications



## CHAPTER 8

Streamlining Audit Committee Reporting



## CHAPTER 9

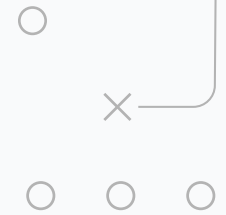
Transforming Your SOX Program Through Automation

## CHAPTER 5

Engaging with Control Owners for Efficient Testing



# 01. SOX COMPLIANCE IN VOLATILE TIMES: THE IMPORTANCE OF A RISK-FIRST APPROACH



## THE CHALLENGE

Though Sarbanes-Oxley (SOX) compliance addresses financial reporting risks to significant accounts, disclosures, and assertions, many business processes touch upon operations and IT. In fact, operational, IT, and financial risks are often more interconnected than independent of each other. Viewed in this light, an effective SOX controls environment can give organizations an advantage in managing enterprise-wide risks. However, this can only be true if practitioners approach SOX from a risk-first perspective, rather than a check-the-box task that occurs in a silo.

In reality, in the process of ticking off SOX items, auditors can lose sight of the big picture. For example, during the risk and control mapping process, the control is often designed before the risk, even though best practice would dictate that the risk should drive the design of the control. Even the most seasoned SOX practitioners can fall prey to this, despite a risk-first approach being more conducive to revealing control gaps and weaknesses.

Risk must come first, because risk drives everything. A risk-

first approach is even more important considering the rapidly changing risk environment following the events of 2020. If your risks are changing, your processes and controls should change with them — including those that fall under SOX.

## Typical Risk Mapping Approach

Identify process



Map to controls



Deduce which controls mitigate risks

## Risk-First Approach

Identify risk



Identify process



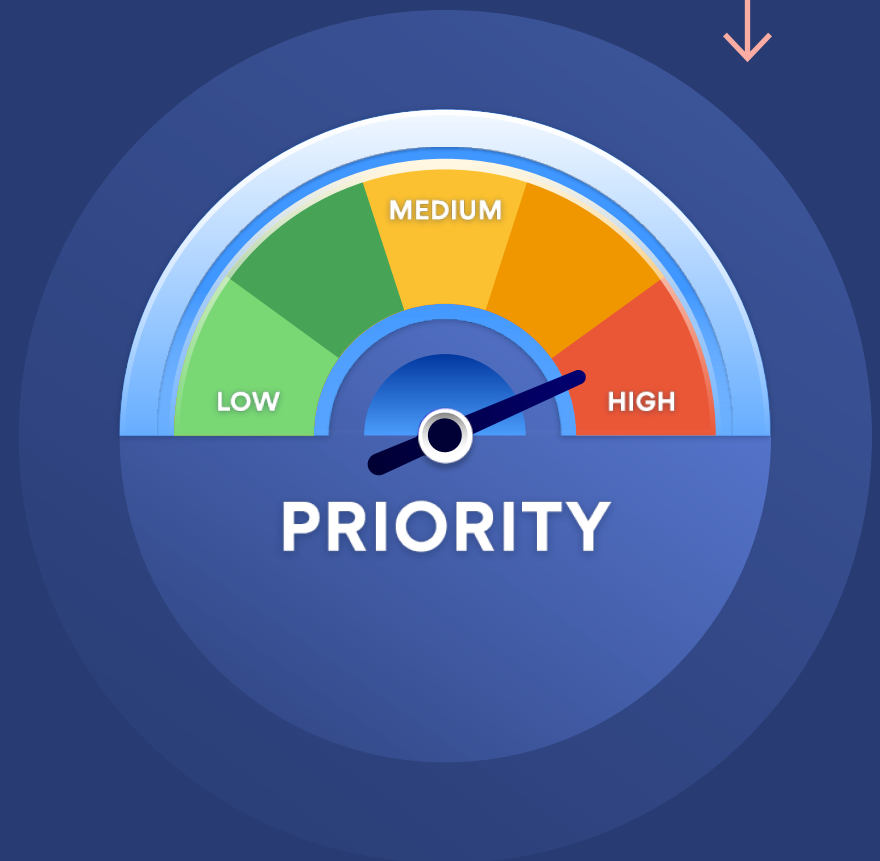
Identify controls that mitigate the risk

# SOX COMPLIANCE IN VOLATILE TIMES: THE IMPORTANCE OF A RISK-FIRST APPROACH

## THE SOLUTION

Keeping risk top of mind is the first step to a more informed, effective, and efficient SOX program. Just as internal auditors are performing risk assessments more frequently, SOX practitioners should meet with their risk and audit counterparts more frequently to understand changes to the risk environment. This allows the SOX team to adapt its risk assessment and scoping efforts to reflect new risks. In return, they can provide valuable input to the ERM program and ensure that ICFR is appropriately identified across the risk portfolio.

In addition, this playbook contains a carefully curated menu of resources intended for SOX practitioners to leverage, share, and discuss with their teams. Each section has been written with the goal of providing the most valuable considerations and best practices for each stage of the SOX lifecycle, as well as practical tools and checklists to help auditors drive efficiency throughout their engagements.



# PLANNING AND SCOPING

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## 02.

# 3 KEYS TO A SUCCESSFUL SOX RISK ASSESSMENT



The SOX risk assessment is the foundation for the entire SOX program. An auditor's goals when performing the SOX risk assessment are:

- Determine the materiality and the risks of material misstatement in the organization's financial reporting processes.
- Refresh risk and control mappings to reflect the current control environment.
- Design test procedures to effectively test controls, based on a deep understanding of management's expectations and risk tolerance levels.

In addition to following the guidance outlined in [Auditing Standard 2110](#) and other relevant resources, the following are three keys to a successful SOX risk assessment.

### 1 Gain a baseline understanding of management's risk tolerance and expectations

Auditors will sometimes roll forward their SOX controls from year to year without a proper review of management's estimates and expectations. When performing in-depth

analysis of financial and operational data, seek to understand management's level of risk tolerance by asking questions such as:

- What will cause you to investigate a certain result or trend in company performance measures?
- What kinds of issues have you encountered, and what red flags have you looked for?
- What do you see as a risk to meeting your initiatives and goals?

Doing so will reveal the level of precision at which tasks or controls are being executed. You can then use this information to drive the basis of your risk assessment to understand what a control will (or should) identify.

#### Audit Leader Tip

Use your best judgment and don't be afraid to push back and ask follow up questions.

# 3 KEYS TO A SUCCESSFUL SOX RISK ASSESSMENT

## 2 Understand the company's objectives and strategies for the year

Seek to understand management's main concerns and strategic initiatives for the year through interviews with executive stakeholders and other assurance providers. Doing so will help create a more holistic picture of the objectives and strategies of the organization that drive material line items. Review the results from other risk assessment procedures (enterprise risk assessment, fraud risk assessment, IT risk assessment) to further enhance and inform your understanding of business risks that could result in risks of material misstatement. Although the SOX risk assessment is separate from the enterprise risk assessment, there can be — and often are — related risk areas.

### Audit Leader Tip

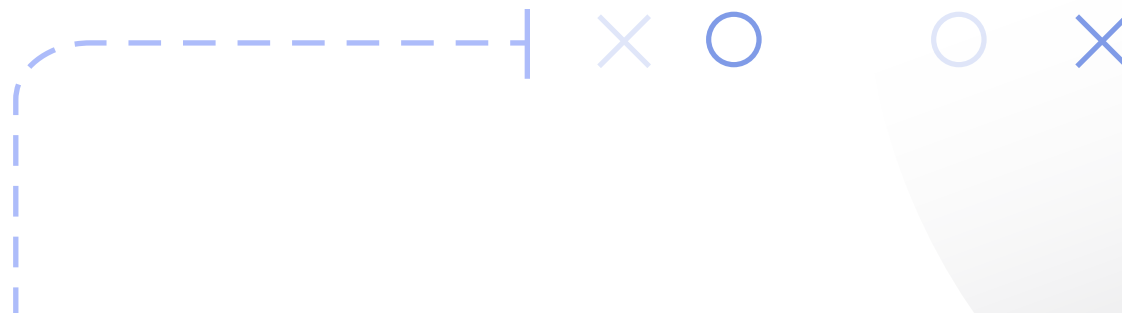
Approach SOX through a risk-first lens. Step back and ask yourself if something should be in scope because it is higher risk, even if the financials would indicate it is not in scope for the year or high on the priority list.

## 3 Coordinate with other assurance functions to aggregate relevant information from all assurance activities

In the spirit of efficiency, collaboration, and agility, it is important to take stock of relevant work that has already been performed in your organization. Are you coordinating with related functions — e.g. internal audit, risk management, information security, compliance — to determine whether emerging risks are being considered as part of your SOX scoping efforts? Make an effort to meet regularly with other assurance team leads, as doing so can reveal insights relevant for your SOX program that may create efficiencies. For example, if your organization has a risk management function, syncing with them may help you determine whether a certain process is low risk or requires additional testing.

### Audit Leader Tip

Expedite the interview and meeting process by using surveys to reconfirm risk assessment results with other assurance functions.





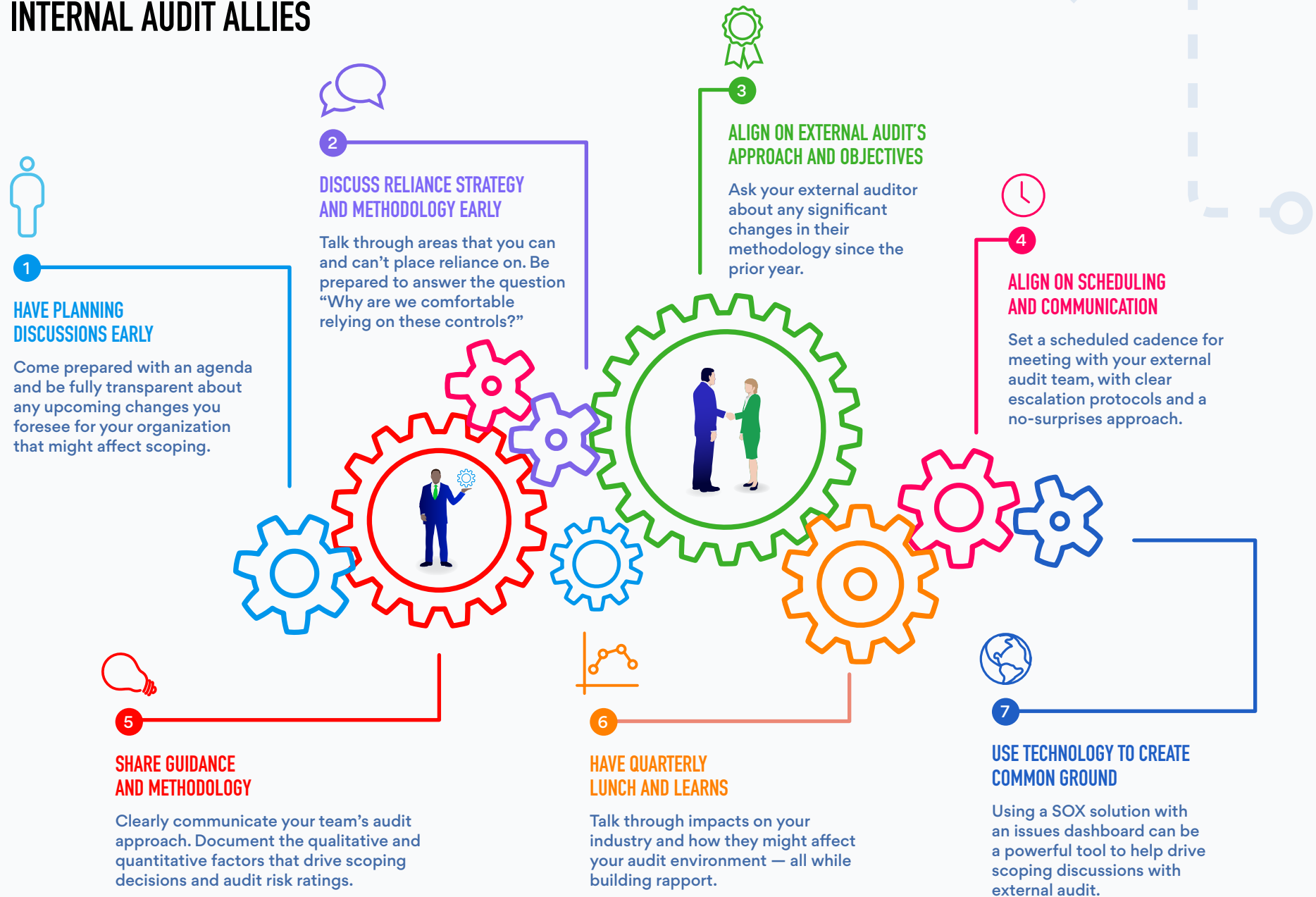
# 03. TIPS FOR TURNING EXTERNAL AUDITORS INTO INTERNAL AUDIT ALLIES

An often overlooked SOX improvement area is the relationship between a company and its external auditors. Often, what is deemed acceptable from the internal audit perspective may differ from the external auditor's perspective. Bridging this gap is challenging if the relationship lacks trust, especially toward year-end when auditors are trying to meet deadlines and address last-minute areas that have come into scope. The stronger the trust, transparency, and communication between internal and external audit, the easier it will be to have difficult conversations — regarding deficiencies, for example — and tackle unprecedented challenges together.

A strong relationship also brings with it the biggest benefit of all: greater efficiencies and cost savings when external audit is able to rely on internal audit's work.



# TIPS FOR TURNING EXTERNAL AUDITORS INTO INTERNAL AUDIT ALLIES



# TIPS FOR TURNING EXTERNAL AUDITORS INTO INTERNAL AUDIT ALLIES

## 1 Have planning discussions early

Come to the planning meetings prepared: have an agenda and be fully transparent about any upcoming changes you foresee happening to your organization, e.g. an acquisition or new systems coming into scope, and how that might affect scoping. While there are always unforeseen circumstances, the more you can predict and communicate challenges with your external auditor, the easier it will be to work through them together.

## 2 Have conversations around reliance strategy and methodology early

Set time aside in your planning schedule to discuss reliance strategy, reliance methodology, and talk through areas that you can and can't place reliance on. Having these conversations earlier in the year is key to providing ample time to build the understanding that is crucial for external audit to rely on your work. Be prepared to answer the question "Why are we comfortable relying on these controls?"

## 3 Align on external audit's approach and objectives

Ask your external auditor whether there have been any significant changes in their methodology since the prior year. Some questions to ask are: How has your guidance changed?

What can we be looking out for to make this process easier for everyone this year? What are your scoping objectives and areas of focus for the year?

## 4 Set expectations around scheduling and communication

Align on how frequently you will meet with your external audit team throughout your engagement. Setting a scheduled cadence is essential for communicating through changing situations, and is also important for building working rapport as the engagement unfolds.

## 5 Share guidance and methodology

Depending on the size, industry, and maturity of an organization, there are many different frameworks and approaches to accomplishing the same audit-related objectives. This is why it is necessary to establish a strong understanding of the thought processes behind your team's audit approach in the beginning — as well as on an ongoing basis. Carefully documenting the qualitative and quantitative factors that drive scoping decisions and the rationale behind audit risk ratings can help external audit better assess the risks and interpret your team's work.

## TIPS FOR TURNING EXTERNAL AUDITORS INTO INTERNAL AUDIT ALLIES *Cont'd*

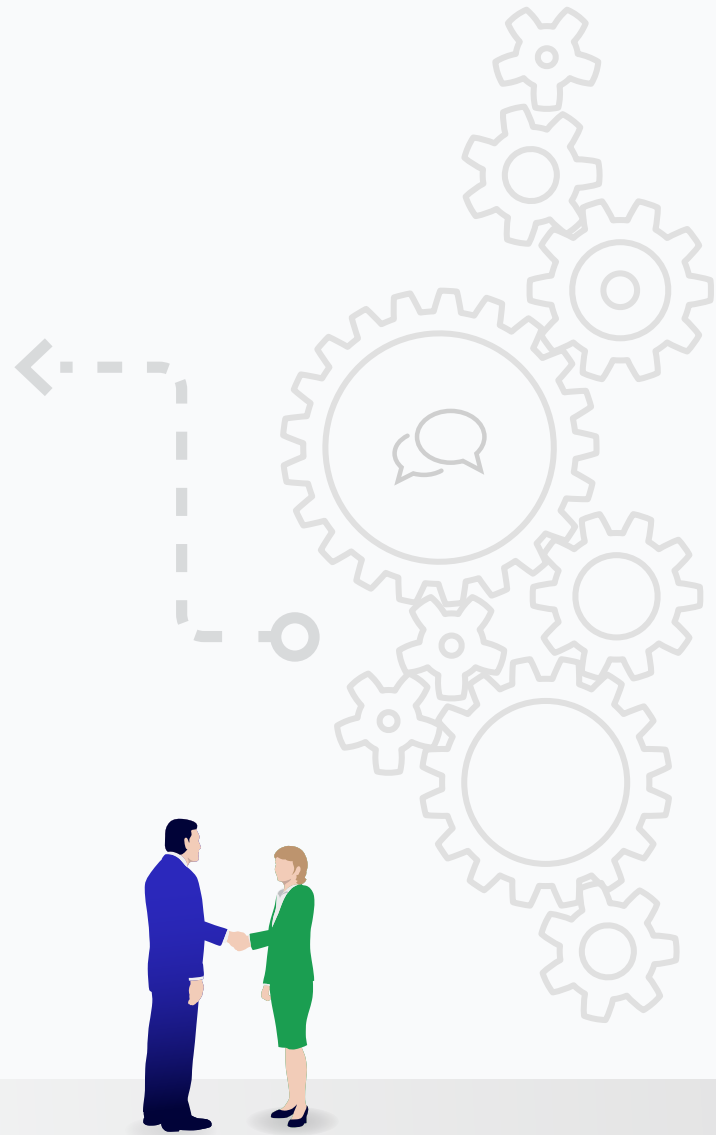
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### 6 Have quarterly lunch and learns

In addition to fostering rapport, lunch and learns are an opportunity to discuss trends in the market as well as to talk through areas that are impacting your industry and how they might affect the audit environment at that point in time.

### 7 Use technology to facilitate and enhance understanding and common ground

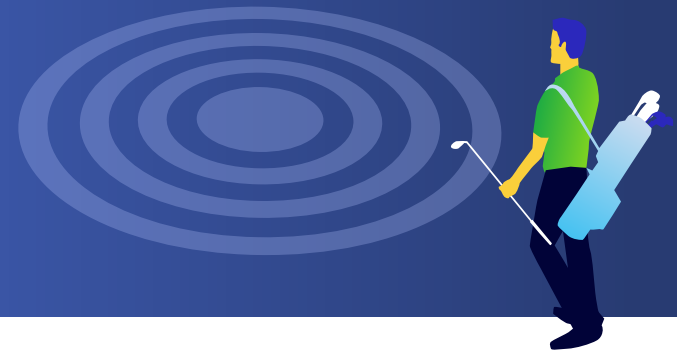
One of the benefits of having a SOX solution is that it can be a powerful vehicle for facilitating scoping discussions with external audit. For example, a SOX platform with an issues dashboard can allow you to easily highlight prior year deficiencies, what the remediation effort is, and why it is or is not likely to happen again.



# TESTING



# 04. 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:

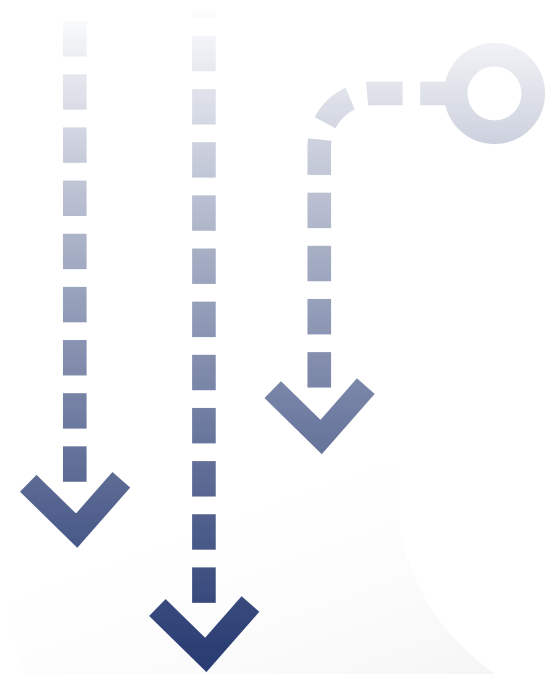
1. Ensure staff members understand the scope of work to be performed and create a timeline of estimated due dates.
2. On a daily to weekly basis, hold check-ins with the team to see how staff members are progressing against the projected timeline. Reviewers should be held accountable for their timelines 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.

## 05. 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.

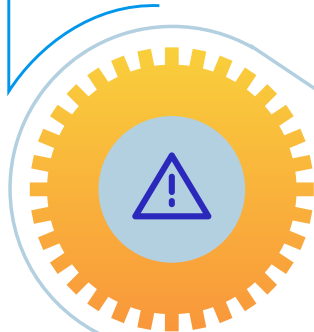




# TIPS TO ENGAGE CONTROL OWNERS FOR STREAMLINED TESTING

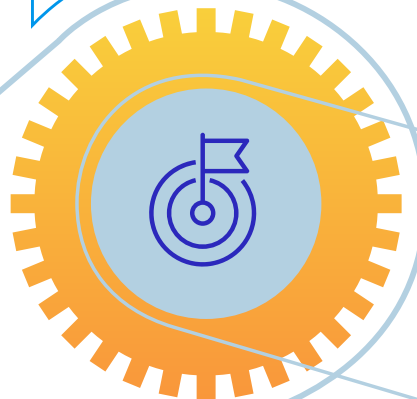
## PHASE 1 ANNUAL SCOPING

- 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.



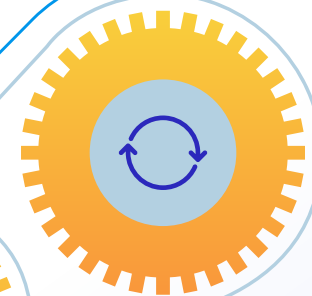
## PHASE 3 TESTING

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



## PHASE 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 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 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.



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# MANAGING DEFICIENCIES

# 06. OPTIMIZING YOUR ISSUE MANAGEMENT PROGRAM

No matter how well your controls are managed, deficiencies can still arise. When this occurs, it is essential to have an action plan in place to remediate issues swiftly. To ensure there is ample time to identify and remediate an issue before year-end, establishing an effective and efficient issue management infrastructure should be a high priority for any SOX team.

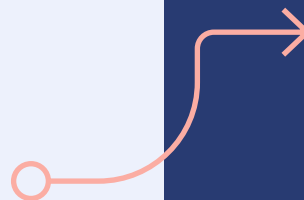


## THE CHALLENGE

Lack of transparency and coordination between the SOX team, external audit, and control owners is one of the greatest barriers to efficient issue management. This is most often caused by multiple issue logs, lack of a centralized issues register, and inconsistent methodologies leading to time-consuming debates.

## THE SOLUTION

Standardizing your issue management program can improve communication and coordination between the SOX/internal controls team and external audit, as well as reduce the number of last-minute surprises when consolidating issues at year-end. The following are best practices for building an effective issue management program.



# THE SOLUTION

## 1 Standardize

Apply a standardized risk rating and issue identification framework consistently across SOX, internal audit, and other groups that are capturing and identifying issues. This helps prevent duplicate administrative work from being performed, and strengthens the organization's ability to report on issues uniformly across the business, correctly identify root causes of issues, and assign the appropriate remediation action plans to issue owners.

## 2 Align

Aligning with your external auditor on methodology at the beginning of the year is crucial for a smooth issue management program. Have a dedicated session during kick-off devoted to reviewing the post-mortems for prior-year issues. This is a perfect opportunity to brainstorm strategies and best practices for the current year, as well as to mutually refresh your understanding of protocols and set expectations upfront before beginning work.

## 3 Sync

Set up frequently recurring touchpoints with your external auditor and internal management stakeholders during busy periods of the audit. Use these touchpoints to follow up on coordination efforts, ensure remediation efforts are moving

forward on schedule, and troubleshoot any hurdles. Have an effective and collaborative mindset when workshoping these challenges and always be open to improving upon processes throughout the engagement.

## 4 Automate

Utilizing a software solution to centralize your issues and controls data in a single source of truth can greatly facilitate collaboration between the many different parties involved in driving issue management forward. A cloud-based SOX solution can help the internal controls group and external audit to easily validate issue identification, follow up with issue owners during remediation, and leverage issue dashboards and list views to facilitate weekly touchpoint meetings. An ideal SOX software solution should:

- 1. Enforce the issue management methodology.** A standard issue rating and identification framework is either applied (if there is none to begin with) or formally standardized during implementation, which provides the basis for organization-wide compliance with the standard issue methodology.
- 2. Have a validation workflow.** The solution automates the issue followup process, letting auditors initiate an automated workflow that sends notification reminders to issue owners.

## THE SOLUTION

**3. Have agile reporting capabilities.** Issues should be automatically reportable anytime they are logged, and status will update in real time as issues move through the remediation process (validated, outstanding, overdue).

### 5 Tailor

Provide different levels of reporting to department leaders, the executive team or risk committee, and the board of directors. Department leaders directly influence issue remediation, the executive team or risk committee has the power to provide the full scope of issues and identify issue themes, and the board should be aware of issues at a high level so that it can help enforce issues remediation.

### 6 Lead

While different functions track issues, the SOX/internal controls team is optimally positioned to drive the issue management program because it is credible and can provide independent assurance to the business.



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# QUARTERLY CERTIFICATION

# 07. STREAMLINING YOUR CERTIFICATIONS



## THE CHALLENGE

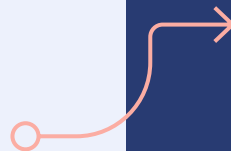
Certifying controls in a manual environment is an extensive effort that takes time away from control owners, management, and auditors, many of whom are already experiencing audit fatigue. A single change to a control must be manually updated across spreadsheets, narratives, any PBC documentation, and individual test worksheets — and any changes must be reconciled to ensure that all documentation matches. Unreconciled changes can have dire consequences: the wrong control being tested, control gaps, and ultimately even deficiencies.

## THE SOLUTION

Best practice indicates control owners should be certifying their controls on a quarterly basis. Not doing so can lead to a greater chance of control misalignment, potentially resulting in control failure that requires additional effort in remediating issues. Despite this, many companies only manage to certify their controls on a semi-annual or annual basis.

Using a SOX technology solution to automate certification workflows can greatly streamline the process of quarterly certifications and return valuable time back to the SOX group and control owners. Automated reminders can reduce time spent on manual communication and follow up, while the linkage of controls data ensures a single update is reflected throughout the system.

In addition to leveraging automation technology, the following pre-certification checklists can help certifying personnel prepare for efficient certifications.





## QUARTERLY CONTROL CERTIFICATIONS

- ☐ Be aware of any changes to controls, such as control description, frequency, type of control, and if it is detective or preventive.
- ☐ Be cognizant of any promotions or role changes that have resulted in changes to control ownership.
- ☐ Understand if any changes have altered a control's ability to meet its control objective.
- ☐ Understand how any changes to controls might impact audit procedures.
- ☐ Determine if any changes to controls result in a control gap that would need to be mitigated.
- ☐ Coordinate with your internal audit & compliance teams to surface ICFR-related potential issues from their assessments and testing.
- ☐ Leverage the power of an integrated platform to surface risks early to allow for careful evaluation and disclosure.



## 302 CERTIFICATIONS

- ☐ Understand the underlying control environment, and be able to describe and note any changes. A newly-hired certifying person should gain a general understanding from personnel familiar with the control environment and processes.
- ☐ Be aware of any major changes in the organization such as changes to IT systems, major personnel changes, and major control changes as a whole.
- ☐ Be aware of any immediate risk concerns — i.e. anything that might dramatically impact your control framework for the upcoming quarter or year — that require attention from control owners or management.
- ☐ Have an overall perspective as well as a consistent approach to your control strategy.



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# REPORTING

## 08. BEST PRACTICES FOR PRESENTING TO THE AUDIT COMMITTEE

A great audit committee update is one that clearly communicates the objectives, scope, and findings of a SOX engagement, and in doing so, motivates its audience to take the SOX team's recommended actions. In this section, we will cover best practices for preparing SOX team board updates that achieve their desired outcome.



# TIPS FOR PREPARING AN EFFECTIVE EXECUTIVE SNAPSHOT

## 1 Know your audience

Understand who will be present at the quarterly update meeting. The executive summary of your presentation should provide a snapshot of what the SOX team completed that quarter. Remember not every person in the Audit Committee meeting will be a technical subject matter expert, even if they are an executive or department head. For example, if your report is being viewed by the CFO and you have IT audit findings, make sure that you don't have to be an IT expert to understand what the issue is.

## 2 Cut the fluff

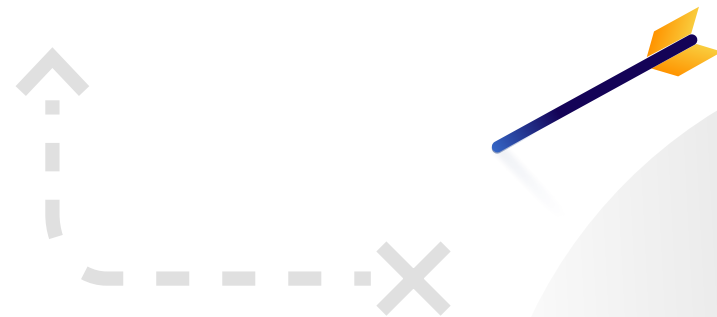
The executive snapshot should be 1-2 pages or slides in your presentation. Aim for brevity as much as possible. Consider the best way to summarize each point, as you can provide more detailed takeaways later in your report/presentation. Wherever possible, use numbers and percentages to help drive points home. Eliminate any unnecessary descriptive adjectives and adverbs.

## 3 Explain it to the company

A good rule of thumb is to try to explain every point in a way that all levels of experience and expertise at your company would understand.

### Audit Leader Tips

- Stay away from big words. If someone has to have a dictionary to understand your report, this hurts your case.
- Avoid acronyms and functionally esoteric terms not everyone at the organization will understand.
- For important ideas or concepts that are likely to be missed, try using analogies. When tested and done right, this not only facilitates understanding, but can help drive the point home.
- Use bullet points wherever possible.



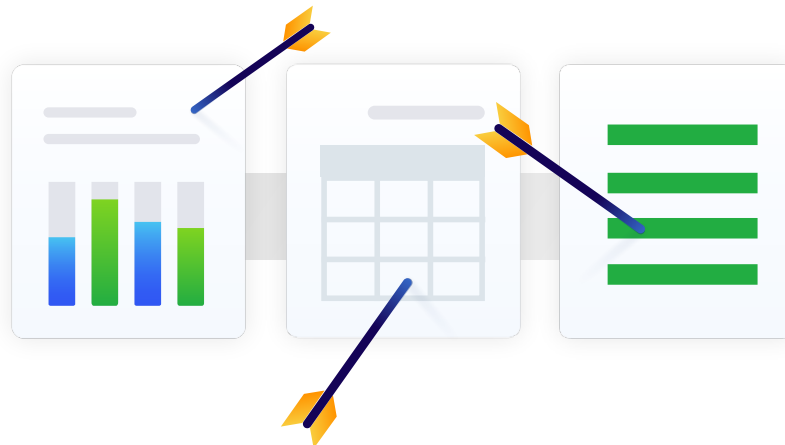
## TIPS FOR PREPARING AN EFFECTIVE EXECUTIVE SNAPSHOT *Cont'd*

### 4 Make it digestible

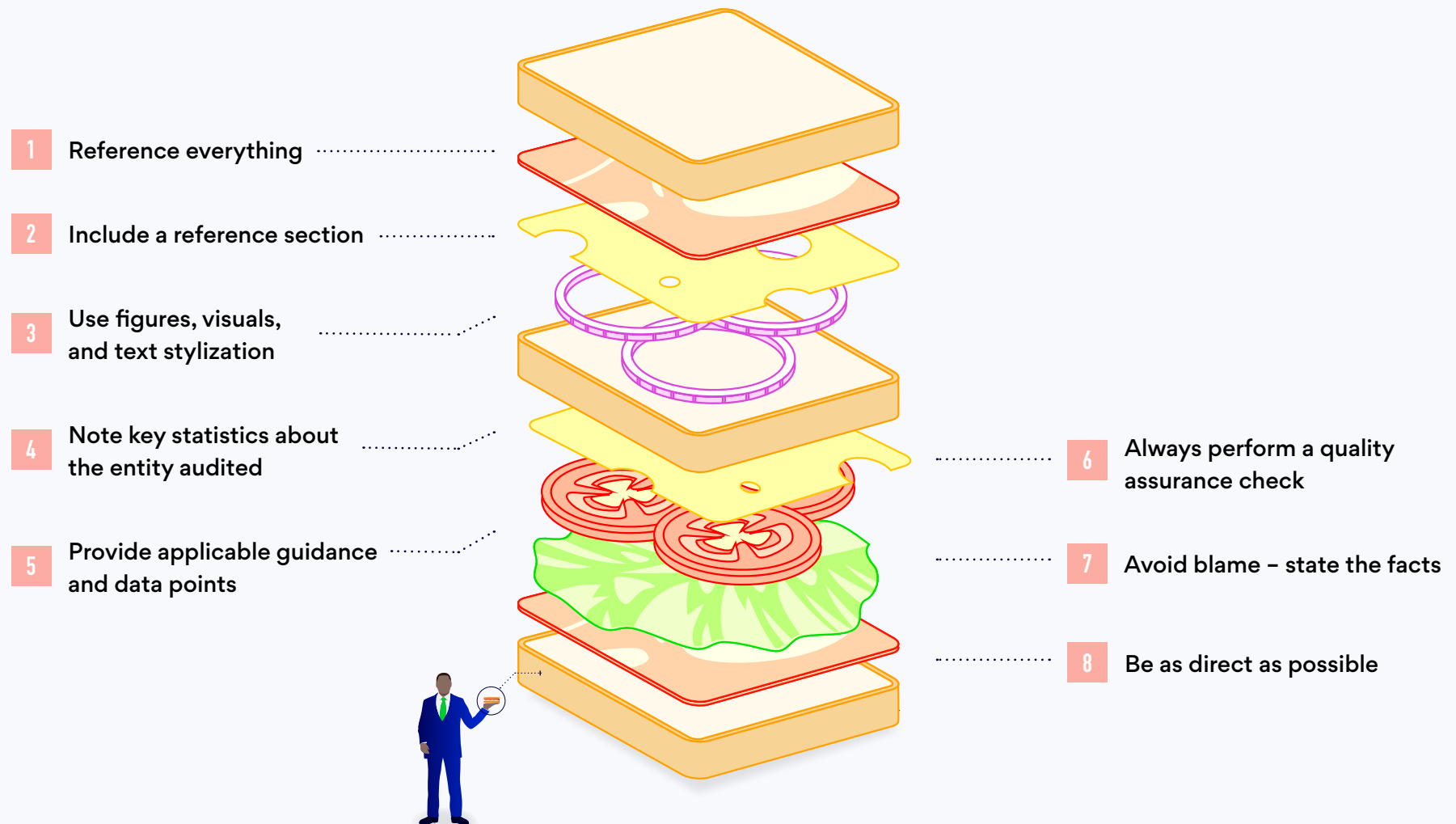
For any key point, whether it is a big, scary finding or a positive one, bring the reader's or viewer's attention to the information as concisely as possible. Decide on your most important takeaways or messages, then leverage visual formatting to draw your audience's eyes to each message.

#### Audit Leader Tips

- Tables can be more effective at illustrating a finding than a block of text.
- If you can use a number or percentage to describe a fact, do so.
- Circle or highlight the key points you want to convey, and draw attention using bolding, underlining, italicization, or color.



# TIPS FOR PRESENTING DIGESTIBLE DETAILS AND FINDINGS



# TIPS FOR PRESENTING DIGESTIBLE DETAILS AND FINDINGS



## 1 Reference everything

Avoid unverifiable claims and make sure to bridge any gaps of information by referencing where you obtained key facts and figures.

## 2 Include a reference section

Use of indices, appendices, and tables in this section is very helpful.

## 3 Use figures, visuals, and text stylization to make the report as digestible as possible

- **Numbers and percentages.** If you can put a number behind a fact or use a percentage to describe it, do so.
- **Circle or highlight the key points** you want to convey, as well as bold, underline, italicize, or use color to draw attention to key facts and figures.
- **Use tables or graphs** to summarize and draw attention to key trends or important data, wherever possible.

## 4 Note key statistics about the SOX environment

In the Background/Overview, if applicable. This puts things in perspective and gives context and relevance to your audit findings.

## 5 Provide applicable guidance and data points on observations

Note the latest [PCAOB Standards](#) if referencing guidance, and always be data driven when detailing observations.

## 6 Always perform a quality assurance check

Seek someone who does not have a direct connection to the audit so they can provide fresh eyes. If possible, ask someone from the department or function audited to review the report as well.

## 7 Avoid blame — state the facts

Aim to preserve the relationship with control and process owners by being as objective as possible and avoiding blame. Simply state issues and recommended actions.

## 8 Be as direct as possible

Avoid soft statements when making recommendations (such as “Management should consider...”) and opt for solid recommendations and calls to action instead.

# SCALING



## 09. SOX AUTOMATION TECHNOLOGY: THEN AND NOW

Specialized Computer-Assisted Audit Techniques (CAATs) software has evolved greatly over the last 35 years. Beginning with spreadsheets and text editing programs, its evolution has spanned legacy GRC (governance, risk, and compliance) tools, modern cloud-based audit management solutions, data analytics, and business intelligence tools. Unfortunately, due to complex scripting, lack of resources to helm complicated tools, and alienating user experience, SOX technology investments far too often wind up languishing on the shelf.





# SOX AUTOMATION TECHNOLOGY: THEN AND NOW

In recent years, the advent of more accessible, user-friendly data analytics and audit automation platforms began to offer a viable alternative to traditional legacy software. Thanks to more intuitive user experience enabling high user adoption rates, many SOX and internal audit teams began aligning their toolkits with the business by adopting these next-generation audit management solutions.

According to [Protiviti's 2022 SOX Compliance Survey](#), only 25% percent on average of a SOX compliance program utilizes technology tools such as automated workflow technology and audit management software in the testing of controls for their fiscal year. A separate AuditBoard poll of 860 SOX teams reveals 97% of teams who implemented a cloud-based SOX solution experienced one or more of the following advantages: improved productivity, real-time reporting, and elimination of version control issues.



# AUDIT TECHNOLOGY

## SOX DEPARTMENT TECHNOLOGY USE AT A GLANCE

On average, only 25% of a SOX compliance program utilizes technology tools.

2022 Protiviti SOX  
Compliance Survey



97% of SOX teams using technology experienced increased efficiency.

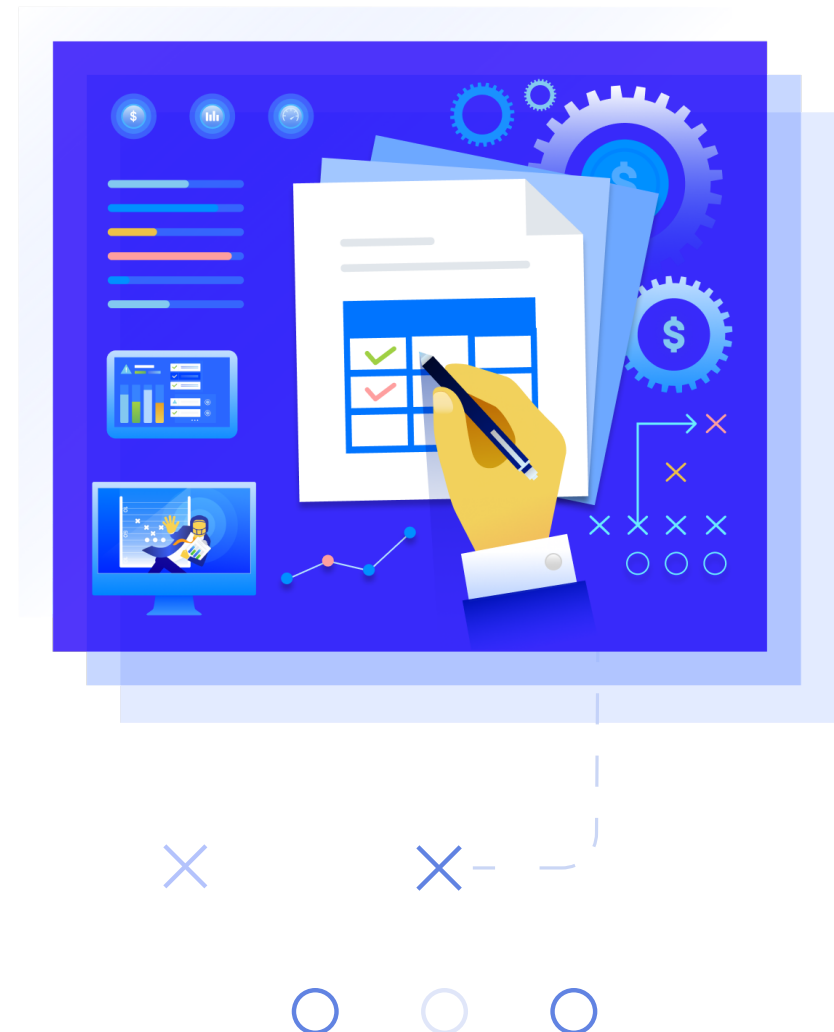
AuditBoard Industry  
Survey 2020



## SOX AUTOMATION TECHNOLOGY: THEN AND NOW *Cont'd*

Despite this, the audit industry as a whole has been slow to adopt these next-generation technologies. [Protiviti's](#) SOX Compliance Survey reveals that in 2022, 54% of companies surveyed reported using audit management and GRC platforms to facilitate their SOX compliance programs. This means the remaining 46% of SOX departments are still managing their programs using traditional methods, despite their associated administrative pain points, e.g., version control issues, manually updating controls data, and manual reporting. Companies that have adopted SOX management solutions are now well positioned to start automating evidence collection and control testing.

Even though most managers and staff would eagerly welcome the efficiencies and time savings brought on by implementing SOX automation technology, the motivation to pursue digital transformation often gets pushed to the wayside among other, more immediate priorities. As a result, even though many auditors might be digital advocates at heart, any intentions to advocate for digital transformation can quickly become de-prioritized.



# LEADING PRACTICES FOR SOX TEAMS TO PREPARE FOR DIGITAL TRANSFORMATION



For any audit team approaching digital transformation, it is important to identify the obstacles to technological adoption in your department and understand the concerns of your stakeholders and skeptics. According to [Protiviti](#), the top challenges preventing SOX departments from utilizing automation technology are:

- Overall effort to research and implement a technology solution.
- The belief that many areas of SOX are not conducive to automation.
- A lack of funding and/or executive buy-in.

Once you have a solid grasp of the challenges to digital adoption, you can begin to address them. Brian Christensen, Protiviti's Global Head of Internal Audit, suggests building a case for technology by starting small:

**“Identify a simple, small-scale process to automate and present the use case to leadership to pave the way for broader applications across the organization.”**

For SOX teams in the early stages of their automation journey, here are five additional ways to pave the way for digital transformation.

## 1 Define Your Objective

Before you even start looking at audit management solutions, understand where your business is going, if and how it is already leveraging transformational technologies, and ultimately what you would like to achieve within your SOX program. All too often, teams embark on extensive, complex projects, only to have wasted their time and efforts due to poor adoption or insufficient resources to adequately support digital adoption. Setting small, achievable goals within defined sprints will go a long way to attain your larger objective, and will give you the flexibility to adapt or change paths if things aren't working out.



## LEADING PRACTICES FOR SOX TEAMS TO PREPARE FOR DIGITAL TRANSFORMATION *Cont'd*

### 2 Ask for Help

If your organization has a data analytics and RPA Center of Excellence or related resources — use them. Better to start small with a basic proof of concept built on borrowed technology than to go all-in on a digital initiative — only to realize your hypothesis on time savings is way off.

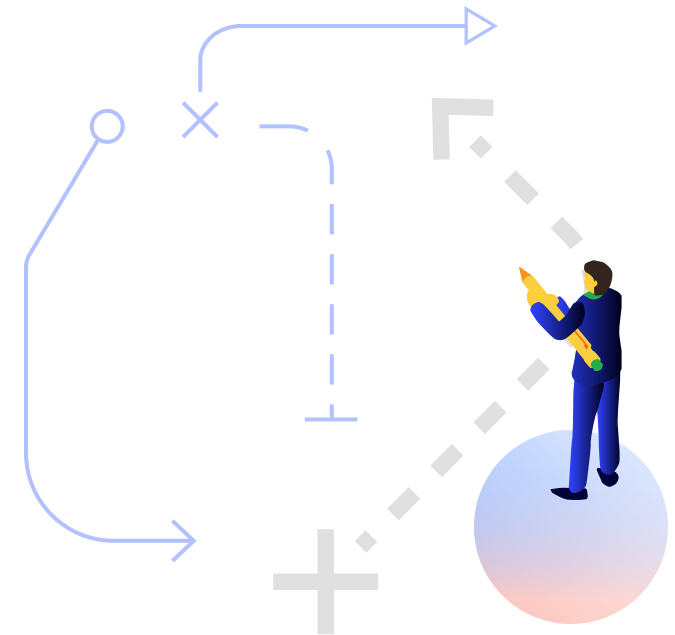
Before you hire that dedicated, full-time data analytics workflow designer, try a contractor or consulting firm to test it out initially. Tap into relationships with your SOX and audit network and local chapter meetings; after all, auditors are always eager to share their lessons learned, and you may even identify talent to hire once your program is established. An additional source of help may be the software vendors themselves. If your business is important to them, they'll be eager to demonstrate how they can automate your control test or evidence collection process.

### 3 Understand the Data

The success of most data analytics solutions is contingent on access to, and the quality of, the system data used. Too often, SOX teams are two steps removed from this data and are at the mercy of their control owners to furnish it. This is why understanding the flow of transactions and key financial reporting data structures within your organization will rapidly accelerate your success. Ultimately, a solid transformation

strategy will reduce the barriers and friction caused by the SOX evidence collection process and lay a strong foundation for leveraging this data in automated control testing.

When source system data is difficult to extract or too complex to interpret — call in help. For example, deciphering role-based access in most ERPs requires the use of a specialist, specialized software, or both; don't be afraid to use these resources and integrate them into your automation strategy. Leveraging technologies like Fastpath Assure can help demystify ERP-sensitive access permissions and segregation of duties.



## LEADING PRACTICES FOR SOX TEAMS TO PREPARE FOR DIGITAL TRANSFORMATION *Cont'd*

### 4 Explore What's Possible

There are multiple ways to perform a control test or automate manual processes; therefore, exploring the most efficient and effective approach is encouraged. Once you have the data and a foundational knowledge of a software solution's capabilities, you will quickly realize the many ways you can extend your analysis to gain insights into the business or simply test a control more efficiently and effectively.

Don't be afraid to validate your approach and documentation methodology with your external auditor — they are eager to leverage your work and are making significant investments in these exact same technologies. While full population testing is viable with these technologies, auditors' interpretations of their own audit methodologies and PCAOB guidance is less clear. SOX teams will want to discuss the implications and methodology with their external auditor before going too far down this path. However, we believe the benefits offered by automation technology will outweigh the burden of defining expected error rates for full populations or anything else your auditor may require.

### 5 Report and Celebrate Results

Making the choice to embark on digital transformation takes courage and determination, and any encouraging proof can go a long way in getting everyone on board. In the beginning

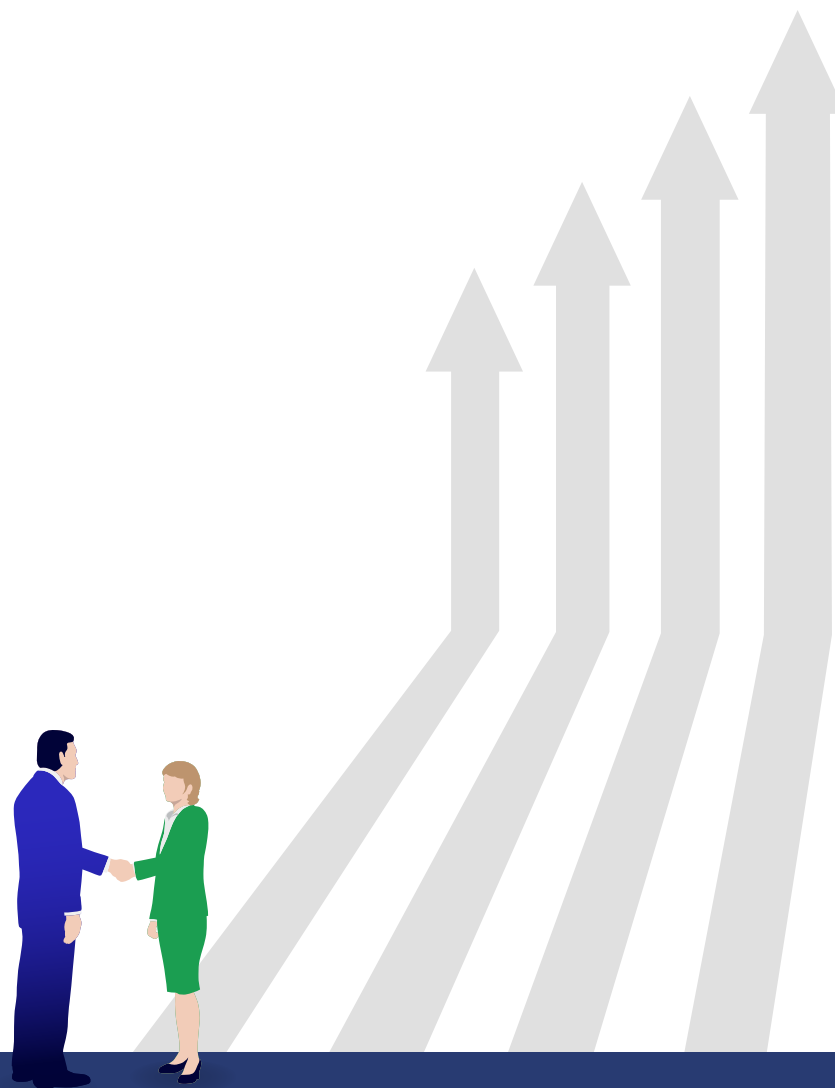
stages of technology implementation, promote your efficiency gains to help boost momentum and buy-in. The organizational impact of these technologies is significant, and you will need all the self-promotion and internal support you can get. Moreover, reducing your team's and control owners' SOX audit fatigue by automating previously manual processes is a significant accomplishment — and should be measured and celebrated accordingly.



## IN CONCLUSION...

As audit, risk, and compliance leaders continue to navigate an unpredictable risk environment in 2023 and beyond, SOX requirements march forward. Despite internal auditors' best efforts to drive effective and efficient compliance, SOX remains one of the most complex, time-consuming, and high-stakes efforts involving multiple stakeholders across the business.

On the other hand, SOX is also one of the best places for audit practitioners to begin making improvements and creating value for the business. Forward-thinking SOX and audit leaders should strive to improve collaboration, streamline processes and workflows, and enhance visibility into status at every opportunity that arises. In addition to employing a risk-first approach to SOX planning and scoping, audit leaders who embrace automation and digital transformation have a much better chance at driving efficiencies in their SOX programs than those who continue to rely on manual processes and older technologies. What separates true audit leaders from the rest is their ability to adapt to change by embracing its many possibilities.



To learn how AuditBoard can help you [automate your SOX program](#) and digitally transform your internal audit department, visit [auditboard.com](https://auditboard.com) to schedule a tailored demo.

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# THE **SOX** MANAGEMENT PLAYBOOK

2023



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