# Regulatory Compliance
## ENTERPRISE INITIATIVE MANAGEMENT

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**Documentation Leads to Compliance**

**In Canada:**

Securities regulators in Canada are releasing three new rules to address investor confidence and uphold the reputation of Canada's capital markets.

National Instrument 52-108 *Auditor Oversight* has been adopted in all Canadian jurisdictions. Multilateral Instruments 52-109 *Certification of Issuers' Annual and Interim Filings* and 52-110 *Audit Committees* have been adopted in every Canadian jurisdiction except British Columbia.

**In the U.S.A:**

The Sarbanes-Oxley Act (SOX) is just the latest legislation mandating corporate compliance to new laws and regulation. Other regulatory statutes, notably OSHA (Occupational Safety and Health Act), EPA (Environmental Protection Act), EEOC (Equal Employment Opportunity Commission), C.F.R. (Code of Federal Regulations) and HIPAA (Health Insurance Portability and Accountability Act), require proactive compliance.

Failure to comply is a very serious omission of corporate governance. The result can be both fines for the corporation and possible criminal liability for senior executives.

Senior executives face two major problems when attempting to achieve compliance. First, compliance is never clear - there are multiple interpretations of each regulation and regulatory agencies continuously announce new guidelines. Second, for senior executives to achieve compliance both the letter and spirit of adherence must become part of the entire corporation's operations and management culture.

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*Emagineering*™ is the first enterprise management tool that can assist senior executives in leading and directing the process of achieving and maintaining regulatory compliance.

*Emagineering*™ allows compliance teams to clearly define potential non-compliance issues; invites and requires input and advice from senior executives, subject matter experts, and legal staff; and electronically stores all discussions, documents, and decision making processes associated with the resolution of the issue.

By using *Emagineering*™ to comprehensibly document their corporation's compliance efforts, senior executives will be implementing best-management practices for achieving compliance and protecting the interests of the corporation.

As the requirements for achieving SOX compliance continue to unfold, senior executive recognize that there are three major, continuing challenges that they must effectively manage. First, they must assure that subsidiary, divisional (including overseas divisions), departmental and other data feeding into their corporate financial accounting system is accurate (Section 302).

Second, they must accurately report on the effectiveness of their internal control systems (Section 404).

Third, they must report "on a rapid and current basis" events that might result in material changes to the financial condition of the corporation. The time between when an event occurs (such as the loss of electrical power at the firm's major manufacturing and distribution facilities) and when a company is required to report the projected financial impact may be 48 hours - or it may be 15 days, the requirement is not yet clear (Section 409).

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And because a company's CEO and CFO must prepare a statement certifying financial statements and disclosures, it is imperative that they both can show that they have personally led, directed, and thoroughly reviewed the work efforts required to achieve SOX compliance. According to a July 2, 2003 Price Waterhouse Coopers' survey:

*A majority of executives listed several aspects of compliance as being at least "somewhat costly," including: documentation (mentioned by 74 percent); legal requirements (72 percent); detailed policy development (65 percent); self-assessment (62 percent); attest requirements and certifications (59 percent); and staff training (56 percent).*

**How *Emagineering*™ Can Help**

*Emagineering*™ can significantly assist senior executives in achieving Sarbanes-Oxley compliance in five key areas.

**1. Provides Comprehensive, Cost-Effective Documentation of Processes, People, and Policies.**

Documentation is both the most important and most costly aspect of achieving SOX compliance. *Emagineering*™ is built on an enterprise-level document management system that stores all documents, discussions, team directories, individual work efforts and decision-making workflows in one centralized repository. *Emagineering*™'s centralized enterprise solution to SOX documentation is both more effective and less costly than alternative departmental approaches.

**2. Allows the CEO and CFO to Personally Lead and Direct Policy Issues.**

Because *Emagineering*™ provides role-based collaboration, CEOs and CFOs can choose how they want to participate in issues.

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They can be Executive Sponsors on issues they want to closely supervise; Project Leaders on those they want to pro actively lead; Reviewers when they want to provide guidance on specific policies; and Observers when they want to monitor an issue and occasionally provide a comment to keep it on track. This personal leadership will fulfill both the spirit and letter of the law for SOX compliance.

**3. Functions as the Workspace for Rapid Response and Disclosure Teams.**

After an unexpected event that could have a material impact the company's business operations has occurred, *Emagineering™* allows organizations to quickly build teams; formally request information from Content Experts (a role within *Emagineering™*) who can provide the best projections of the financial consequences; gather in one place all the background information and analysis necessary for making a disclosure; formally identify issues and create associated discussion areas; and establish a time-based decision-making workflow for issue resolution.

*Emagineering™* stores this entire rapid-response process so that the company can demonstrate during an audit that it took all reasonable efforts to comply with Section 404. This rapid response process is stored so executives can retrieve the established process flow and duplicate it when the next event occurs.

**4. Quickly and Effectively Retrieve Audit Documents.**

*Emagineering™* has an integrated Full Text Retrieval search capability. It can search on every word in every text, PDF, and HTML document in the system and retrieve it on demand. This makes compliance audits both comprehensive and cost- and time-effective.

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**5. Reduces Cost and Time to Train New Financial Staff.**

Staff training is a major cost for SOX compliance today and will continue to be in the future as new financial executives join the company.

By storing all policy statements and procedures within *Emagineering™* for review by those authorized to access them, learning costs will be reduced as individuals can review both the policy and annotations regarding the policy when they need them.

**For Legal and Compliance Departments**

With the issuance of a new business regulation or passage of a new commercial law, it is the responsibility of a corporation's legal staff, often assisted by outside experts, to analyze the potential impact on how the enterprise conducts business. This often results in the requirement to issue new guidelines and policies for conducting business.

Most importantly, the legal department must take all reasonable steps to ensure that these new corporate responsibilities are communicated to and reviewed by the appropriate executives throughout the organization.

*Emagineering™* has a formal process for allowing the legal department to initiate the review process and track time-mandated executive responses to ensure that the enterprise can attest to the fact that it has effectively communicated compliance requirements throughout the organization.

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*Emagineering™* **Provides Secure Collaboration**

Anybody who can surf the Internet and use e-mail can master *Emagineering™*. *Emagineering™* encourages and allows senior executive involvement to a greater degree than any other enterprise-level management tool available today.

*Emagineering™* is a multi-tier, J2EE-compliant Web-services application. This architecture allows it to scale up to support thousands of concurrent users who need only Microsoft Internet Explorer 6.0+ and an Internet connection to take full advantage of all its functionality. Systems administrators do not have to install and maintain any *Emagineering™* -specific software on end-user PCs.

*Emagineering™* provides a comprehensive set of security features. Each authorized user must have a password to enter the system and all his or her actions are recorded in an activity log. To ensure that each user only sees that part of the initiative, which is appropriate, the initiative leader may limit a user's access rights to specific issues.

We suggest you to request one of our professional to contact you to help you understand Enterprise Initiative Management within the context of business strategy setting and execution of your organization. Just fill in an e-mail at info@webtechmanagement.com with necessary contact information and a few details and we will contact you ASAP.

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