SARBANES - OXLEY ACT- THREAT OR OPPORTUNITY FOR AUDITORS?

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Recent events of financial publication revealed a need for introduction of an effective reform process of the traditional control methods and processes of decision-making entities.
The crisis of corporate governance systems, the need to introduce new codes and self-binding and legislative rules, have pushed the legislature to the U.S. issued Sarbanes –Oxley Act model. Accountants and financial specialists describe the benefits of implementation of the SOX model, saying that the quality of the area contributed only marginally in the creation of such benefits. If there would be no coercion of attitude towards implementing the ISO 14001 or ISO, including requirements for integration of best practice financial, SOX would have had reason to exist.

Key words Sarbanes Oxley, quality, standard ISO 9001:2001 compliance, financial scandals, audit

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Sarbanes-Oxley Act of 2002 was issued to respond to financial scandals involving the biggest U.S. companies. These scandals have led to serious loss in public confidence, especially firms in the Accounting and Reporting
The financial scandals of Enron, WorldCom, Global Crossing, Qwest Communication International, All First, Rite Aid, Republic Securities, Im Clane have created a wave of mistrust among investors on the North American market.
President G.W. Bush has had to adopt a firm position on how and techniques used to confront the biggest crisis of American companies and the confidence of market operators. American President has managed to do so by imposing a high respect for the rules and principles of ethical conduct adopted by business and management companies, but also through the development of legislative intervention known as the so-called "10 points" (ten -point plan).
Ten-point plan proposed in March, when it was triggered only scandal is a type of motion response of the U.S. president to get back that confidence in financial markets and regulations related to their confidence that Americans have been lost. This Plan may be summarized as follows: more severe penalties (imprisonment up to 10 years) who commit fraud and certify false balances or who obstructs justice for destroying documents: establishment of a new Corporate Fraud Task Force (which seems to be substituted by the Board The law created Sarbanes Oxley), increased powers SEC (Securities Exchange Commission) on the “freezing” profits unlawfully managers and administrators; delay contracting company of appropriations leaders, a more comprehensive development of the transactions and operations of purchase -- sale of shares of administrators and managers, strengthen the SEC position by raising funds.
This proposal is fully the republican concept on regulation of financial markets: the market regulates itself. Republican ideology is based on that concept to make operational and efficient market, the legislature should intervene as little as possible, showing how this proposal, in fact, the law adopted so far will not be changed, but only worsen. After World Com scandal, the Senate has passed beyond the proposal of the President. Committee on Banking, Housing and Urban Affairs of the Senate chaired by Senator Paul S. Sarbanes proposed new Bill, known as Public Company Accounting.

Reform and Investor Protection Act of 2002 (S2673) which has ongoing work that led Congress to adopt Sarbanes- Oxley law Act. This Bill was characterized by cutting regulatory changes, which differ from the proposals made by the President. On 16 July 2002, the Senate unanimously approved the Sarbanes Bill and later Oxley Bill but there is discussion conference committee, how to find a point of agreement between the 2 versions. However, President Bush announced since then the public would be signed any text approved by Congress, even if it had not been consistent with the proposal of president.

Press comments at that time, said that because of the approaching date of elections and the electoral loss of Bush's popularity among Americans, who had been involved in these financial scandals (friend of the president of Enron), it was clear willingness to cooperate and do something concrete to solve the problem and even play the U.S. investor confidence.

He incite the Congress to speed the time, because he proposed that the final test to be ready for August. On 2 July 2002, Bush signed into East roam the White House, the new Sarbanes-Oxley Act in 2002, so called because the resulting combination of the 2 Bills, mentioned above. The new law follows the same structure and content of the Sarbanes Bill, to which were added to the end (Title VIII and IX) - the rules relating to penalties provided by Bill Oxley.

Sarbanes-Oxley model provides new standards, more advanced for Corporate Accountability, and penalties for non-ethical behavior, becoming a reference parameter for reforms to protect the economies of the population, more and more countries.

Sarbanes-Oxley Act of 2002 became law on 30 July 2002, consisting of 130 pages and includes 11 sections. This act creates a new control body "Compagnie Public Accounting Oversight Board (PCAOB), which controls the revizors of public companies. Section 13-aa Act, advise the Board to determine the activities of auditing and attestation standards appropriate standards of quality control standards for audits of companies that will be used in setting the rules committee, or if necessary to protect the interests of investors. These responsibilities include the establish of profesional normes which regularized the independence of revisors and effective system of internal control.

The purpose of the Sarbanes-Oxley Act is to protectof the investors through a system of information on:

- Accuracy;
- Comprehensibility
- Integrity;
- The best corporate guvernance;
- Strengthening of control systems by creating Public Company Accounting Oversight Board (PCAOB) the best system of internal control;

PCAOB - as a result of Sarbanes-Oxley Act, was created April 18, and in turn delivered as "iterate Auditing Standards' revision of the" GAAS "- proposed and promulgated by the AICPA and the ASB, already on April 16 2003. On 7 October 2003, the PCAOB issued "auditing standards" entitled "An International auditing of control over performing in financial Reporting Confection with an Audit of Financial Statements".

The audit covered the standards mentioned above, is known as "Integrated Audit", because the audit of the financial statements is combined with the audit of internal control on financial reporting.

The basic key points of these standards relate to:

- Introducing the concept of "integrated audit";
- Recognition that the internal control is not the measure of all realities "and that implements the internal control in entities in various ways;
- Description of the responsibilities of management and documentation required;
- Description of the responsibility of auditors and reporting requirements;
- Establish criteria for evaluation of weaknesses and gaps,

- Describes the management of internal control quarterly in accordance with oxo Act, Section 302
- Provide evidence on auditor independence.

What is new in the model of "integrated audit"?

Section 404 b of the Act states that a certification of an auditor which will assess the internal control system of management should not be subject to separate tasks. This operation, making the audit of the annual financial statements and the auditors of internal control, closely correlated with each other.

The proposed standard is an integrated standard, making use of the operation required for the audit of internal control and the relationship between the audit of the annual financial statements.

The result of implementation of the Integrated Audit model includes 3 opinions:
- An opinion on the effectiveness of internal control over financial reporting;
- An opinion on the effectiveness of management's own assessment of internal control of financial reporting;
- An opinion on the preparation of the annual financial statements.

The PCAOB standard describes the responsibilities of management, namely:
- Responsibility for the effectiveness of internal control;
- The evaluation of effectiveness of internal control, using a model appropriate control structure (COSO);
- The base support of the assessment, with appropriate records and documentation relating thereto;
- Written report on the effectiveness of control - if the responsibility is not satisfactory, the independent auditors will have to communicate through a dispute with Committee audit and issue a negative opinion on the internal control system.

Management must assess the effectiveness of internal control, using the concept of basic “Responsibility assurance”. As auditors, the management should obtain a reasonable level of assurance (eg a high level of confidence) on the overall effectiveness of internal control system, by this management will get the same records of the auditors on the structure and operational effectiveness of internal audit of the financial statements. However, the work of auditors not absolve the management of their compliance responsibilities of the internal control effectiveness on the market.

Responsibility Assurance is based on the concept that there is a possibility that internal control system to not identify or not to show significant errors in the balance sheet and any type of survey error to be significant in time. It is important to emphasize that Responsibility Assurance is not the same as "absolute Assurance", but refers to a high level of confrontation.

Sarbanes Oxley - has created Public Company Accounting Oversight Board (PCAOB) to oversee auditing of public companies' balance sheets in the U.S. through stringent records, applying the standards, controls and disciplinary programs.

This Sarbanes Oxley requires SEC (Securities Exchange Committee) in collaboration with government bodies and others organisms, such as Secretary of Finance Minister and head of the U.S. Federal Reserve Council of State, to selected board members (the Council).

The purpose of PCAOB

PCAOB was created by the U.S. Congress for "Overseeing of public audit companies - which are the subject of law and security issues, in order to protect the interests of investors and the public , interests in the preparation and presentation of financial statements, of acting independently of creditors against the company whose securities are dealt on a regulated market.

Structure PCAOB

- Sarbanes Oxley Act states that the Committee is based in Washington and is a non-profit organism.

The PCAOB structure is as follows:

- PCAOB is comprised of 5 members;
- Members are elected by the SEC;
- Members fulfill this task for 5 years;
- Two members must be CPA;
- The member's position of this body is "full time".

The financing PCAOB

Is funded by companies listed on American Stock Exchange.
PCAOB is currently looking how can have access to foreign companies.
Expenditure incurred is borne by the audit companies.
SEC approval: SEC must approve on PCAOD:

- Annual budget
- The proposed regulations, including auditing standards

The ***PCAOB functions*** are presented in ACT and include the Register of Audit Companies with sets standards for: audit, quality control, ethics, independence, preparation of audit reporting-improve audit quality through inspection companies to audit; investigation of work and discipline of auditors, imposing sanctions against audit firms and persons associated with it.

The standards for Quality Control and sanctions

PCAOB has the task of improving the audit quality through inspections of companies in the audit conducted annually for those who have the greatest number of tasks (operations and applications) and every 3 years for other company carrying on a normal or minimum audit. The quality control standards must include: the overseeing the rules of ethics and independence; the procedures relating to the functions, training and staff development; the internal inspections;other topics required by the PCAOB

The penalties for non conformity in the credit company or individual concerns: censoring (failure or exclusion from society partenership audit or require the company to close with the person in question).

- Limiting the activity of the audit or persons;
- Suspend or revoke the registration of the audit;
-To impose criminal or civil: $ 15 million for companies and for 750000 $ for person An audit company can not audited the internal control of listed companies, as required in section 303 of the Act, without the prior audited financial statements. Auditor's work should not only concern the management to determine whether internal control has been effective, the auditor must go beyond this, testing the effectiveness of internal control and, in addition to assessing the adequacy of the managerial process.

Sarbanes Oxley - Corporate Guvernance

Companies listed on the NYSE must adhere to new rules on Corporate Guvernance since 2004. Several NYSE new rules include: requirement that a majority of Board members be independent; establishing regular meetings separate for independent components for the Board; council must nominate the following committees should be compose by Committee of compensation; nominate The Governance Committee Corporate Audit

SARBANES OXLEY ACT - threat or opportunity for auditors

Introduced as follow of financial scandals SOX outbreak is in the center of attention of top management and in the world of finances. Although underlying SOX exists the excellence process, as in the ISO 9001 ,quality professionals do not seem to evaluate opportunities that can be born from the integration between quality and funding level of management.

SOX was signed and introduced in the U.S. legislative body on 30 June 2002, as following the outbreak of financial scandals and Enron WorldCom, taking birth in order to protect the shareholders and public in generally by the accounting errors and fraudulent practices, using accuracy and reliability of economic operations .

If I had to quote him by President G. Bush, this law aims "to prevent and punish fraud and administrative corruption, on hand to give justice to those who commit errors and project for interests of shareholders and addiction."

The financial world is mandated, through SOX, to develop the practices of excellence, implementing and integrating a similar process to ISO 9001:2000; this things realizing without to a minimum involvement of quality professionals.

The benefits of SOX compliance with ISO9001: 2001

The SOX compliance legislation is a legal responsibility for the major U.S. listed companies, while ISO 9001:2000 is an international standard of quality. Those who operate in large companies, who have strong links with business in the U.S. or working in overseas subsidiaries, they know that SOX had a significant impact on activity in many areas.

Obviously, those who operate in the financial sector companies have the most different tasks in this new instrument, although many of these organizations only a little time could resume strides normal.Also, the process has been sometimes difficult and expensive to implement, not missed in many companies the positive results.

As can be read in the financial reports drawn up by managers or those who operate as auditors, the SOX compliance, in particular at section 404, seems to have given an advantage. Based on section 404, 'improved financial statements, on "Evaluation of internal management controls", those who prepared the reports are obliged to publish in their annual reports the information regarding the purpose and the adequacy character of internal control structure and procedures for financial reporting. In this way must be evaluated the efficient of internal control and adequate procedures. Of audit companies, are also required to the same report to attest and to reporting of assessment on the structure efficiency and internal control procedures, with reference to financial reporting.

The benefits that involves, demonstrating that the conformity with such measures is to:

-contribute to the centralization and standardization of several important economic processes-which could reveal an advantage in next acquisitions and growth in generaly -help to increase the level of knowledge of internal control in all organizations-difusing under Section 404 of content, the concepts of control, not only to financial aspects, but also to the staff for any type of activity -represents an opportunity for those responsible for IT to develop an important role in the company, knowing their value in the eyes of management.

These examples underline the fact that SOX, as a factor for change, as a necessity of excellence practice and as a way means of increasing respect to appropriate controls. However, the question remains which should be made of "world" qualities if these observations were made by company managers when implementing ISO 9001 and ISO 14001. Given that SOX implementation has been done successfully, emphasis to the quality with a totally role on secondary or null, the benefits have often been cited in the company without having to remember the synergy of the Sarbanes Oxley Act and management quality.

The audit according SOX and to ISO 9001:2000

Financial World continue to assess compliance rather than excellence practicesor details in favor of further, his attention has been directed toward a careful recording of data, while the tendence of quality is oriented to testing results in a whole and between related processes. In theory, the company managers had to think immediatly about the approach to standards of excellence established in the international quality standards ISO 9001:2000, at the same time as compliance with SOX.But top management, affected by the traditional network and confident, regardless of the potential synergy between the Sarbanes Oxley Act and rules of management for quality has almost totally ignored the quality sector, including the most qualified auditors, when implemented SOX.There have been American companies that have eliminated the position of audit quality, encompassing quality auditors in the financial sphere, inside which are in fact trained internal financial auditors. The reason is that the operation of a regular audit, to verify compliance will lead to the same result, but in doing so will avoid double competence and will consent of company to save the costs which would be allocated to traditional quality management and whose value is less defined.

Conclusions

Sarbanes Oxley Act, may represent the way that the quality can reach the top management, but higher costs than those foreseen, could - as has already happened in some cases - reverse this equation. The time has come that development of financial processes to be integrated with the requirements for quality, reporting, with flows, with the methods of risk assessment, the operations audit, and a number of other activities. Reduce costs and eliminate redundant elements are of prime importance and, depending on synergies, quality management professionals can provide a significant number of tools for those involved in the operations audit, and those which operate at top management level. Several organizations already combined teams of audit, sharing economic hardships, mutual learning, given that you must perform the audit operations in the areas in the past were evaluated separately.

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