

## US Companies Not Ready for Governance Rules



*Financial Times*

By Adrian Michaels

July 13, 2004

US companies have huge amounts of work to do on internal controls before new rules on corporate governance start in November, a survey has shown.

There is also still considerable uncertainty over the much-criticised costs of the new rules.

The Sarbanes-Oxley Act, passed two years ago in the wake of Enron's collapse and other corporate scandals, forces companies to upgrade their internal controls - functions that ensure that a company's financial numbers and compliance with regulations are reliable.

A survey to be released today says that almost half the companies polled were less than 60 per cent ready for the internal control rules.

Almost 70 per cent said no annual budget had been allocated for continuing compliance with the rules in later years.

Some 248 senior audit staff were polled by the Center for Continuous Auditing, an education group, and ACL Services, a financial consultancy based in Canada.

Harald Will, chief executive of ACL, said: "We're hearing that auditors are concerned about the lack of forethought on continual compliance."

The internal control provisions are costing companies hundreds of millions of dollars and have generated controversy as they come under attack from corporate leaders.

But Mr Will said companies would gain benefits from putting in systems that constantly monitored the financial numbers that were being generated internally: "The whole purpose of Sarbanes-Oxley is to equate good governance with good business. Continuous monitoring should increase confidence in the numbers on a timely basis."

He acknowledged that future budgets may not have been decided at many companies because they are at the wrong stage in their financial planning cycles.

Meanwhile, in spite of the lack of preparedness and commitment to spending, 73 per cent of respondents had a high degree of confidence in their company's "ability to maintain . . . compliance after your first filing requirements [this year]."