



# Sarbanes-Oxley Section 404 Assistance

## KPMG Nonaudit Clients

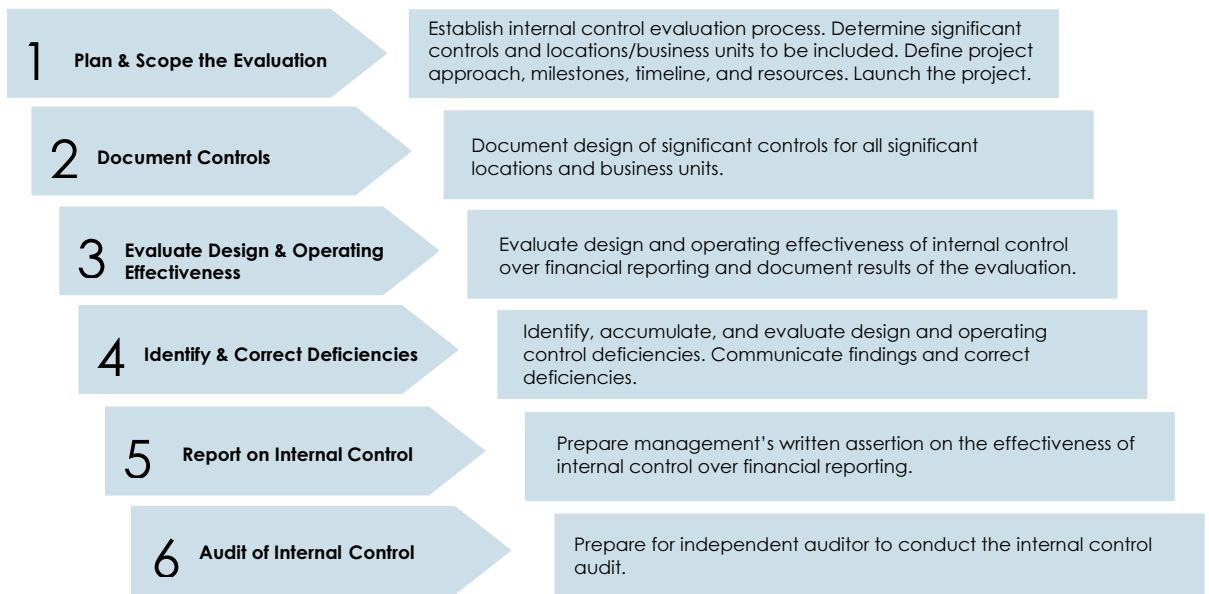
Section 404, *Management Assessment of Internal Controls*, of the Sarbanes-Oxley Act of 2002 requires management to annually assess the effectiveness of the company’s internal control over financial reporting, report on the assessment, and subject the assessment to an audit by the company’s independent auditor. To address these new requirements, CEOs and CFOs need a process to effectively document, assess, and monitor internal control — typically across multiple business units, entities, and technology platforms. The challenges are formidable — and the risks significant.

### Developing an Internal Control Evaluation Process

Your organization’s management team will need to plan, execute, and maintain an internal control documentation and evaluation capability that effectively addresses the requirements of section 404. The activities described below provide an example process that management may consider while designing its approach.

In designing the process that management will follow, many executives ask themselves these questions:

- Where do we start the evaluation planning process?
- How will we establish the scope of the evaluation (e.g., identifying business units or locations and significant controls)?
- Does the organization have the capacity and capability to handle what is required?
- What type and extent of documentation are required?
- What is COSO and how does it apply at the entity and specific control levels?
- What types of supporting tools and templates will be necessary to capture and maintain information?
- How will findings be aggregated and reported throughout the organization?
- Will there be enough time to take corrective measures before the financial year-end audit?





## How KPMG Can Help

We understand the significant effort that your organization will expend to comply with section 404. Leveraging our extensive background with internal control, broad experience with risk and various industries, focused methodology, and proprietary Control Assessment Template, KPMG can assist as you address the uncertainty, risk, and burden your organization is facing.

### *Extensive Background with Internal Control*

KPMG has a long history of providing services that focus on an organization's financial statements and internal control environment.

### *Broad Experience*

Our professionals can provide the breadth and depth of experience and knowledge it takes to help you implement an effective internal control evaluation process. Steeped in the regulatory and business challenges that are

specific to your industry, our interdisciplinary teams bring an array of skill sets and resources to the table — from risk-based internal and external audit approaches to in-depth understanding of how tax, information risk management, and forensics knowledge can enhance the internal control process.

### *Focused Methodology*

Our methodology guides our professionals in helping clients design and implement their processes for evaluating internal control over financial reporting. From initial planning and documentation to identifying and correcting design deficiencies, our professionals are prepared to assist your organization in meeting its objectives.

### *Control Assessment Template*

Enhanced by KPMG's knowledge, experience, and methodology, our Control Assessment Template addresses an organization's need for technology-based documentation and assessment capabilities, and helps enable management to track progress across the organization in real time.

## Contact Us

To learn more about how KPMG's Sarbanes-Oxley Assistance Services team can help you address the business and regulatory challenges of section 404, please contact your usual KPMG contact or email us at [cga@kpmg.com.hk](mailto:cga@kpmg.com.hk)

