

*British Computer Society of Upper Canada
Playing with Fire: Corporate Governance Challenge
and the Responsibility of IT – June 9, 2004*

Temi Grafstein, founder and senior consultant

BetaWatch. com *digital due diligence™*



Agenda

One of the easiest ways to ensure your reputation, uphold your fiduciary duty to your manager, shareholders, and board to exercise due skill and care and not leave things to chance is to adhere to 'best practice' software development and maintenance.

BetaWatch's address will explain the corporate governance challenge using SEC de facto evaluation criteria – COSO

1. What is the Corporate Governance Challenge?
2. What are the laws?
3. Where do systems come in?
4. What does this mean to you as an IT professional?



BetaWatch Inc. *digital due diligence*TM

- ◆ Founded in 1999, BetaWatch provides technology audit services
- ◆ Based on 20 years of developing proprietary technology, product and service checklists, BetaWatch identifies, measures and manages risk



Corporate Governance Challenge

- ◆ Documenting
- ◆ Benchmarking
- ◆ Re-engineering



Background & Regulations

Timeframe

- ◆ March 2000 to July 2002, public companies lost \$7.7 trillion in market capitalization
- ◆ Sarbanes-Oxley Section 404 legislates an annual evaluation of internal controls to ensure that everyone adheres to corporate policies and procedures
- ◆ Process, documentation and monitoring was originally required for September 2003, but was delayed till November 2004
- ◆ Multinationals with a foot in Wall Street are required to comply by June 2005

Who must Comply

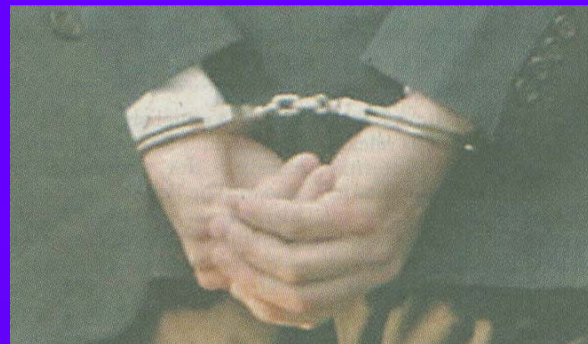
	Legally Required	Best Practice
SEC Registrant	✓	
Intend to be Listed on SEC	✓	
Regulatory Bodies Require Sign Off	✓	
Good Corporate Governance Principles		✓
An Outsourcer to an SEC Registrant	✓	



Misconceptions

- ◆ If my controls are deficient problems can always be fixed at a later date
- ◆ There's still a lot of uncertainty over rules and standards
- ◆ Management of Internal controls is my auditor's problem, not mine
- ◆ We only need to deal with the big picture, our auditors won't be interested in the details

What it is



- ◆ Management signs off on processes and people
- ◆ Corporate auditor files a report attesting to the accuracy of internal controls executed by management
- ◆ Deadline carved in stone: cannot re-file Section 404
- ◆ Transfers corporate liability to CEO + CFO who must personally sign
- ◆ Criminal prosecution for Chief Executive and Financial Officers violating section 404 is a fine of as much as \$5 million and imprisonment for up to 20 years



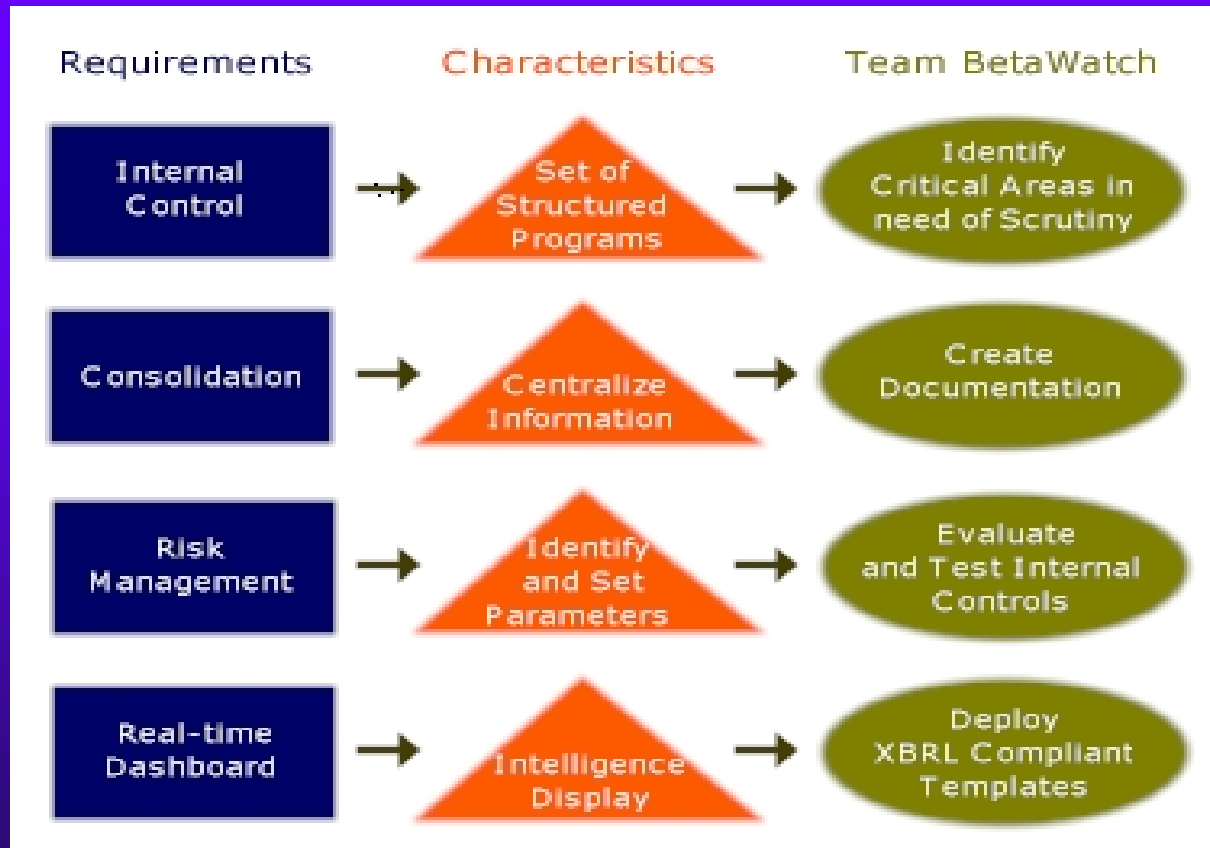
Where do systems come in

Every system, process and related control in your organization has some dependence on your IT infrastructure

Data Governance + Data Stewardship



Facilitate Certification



COSO

de facto SEC evaluation criteria

- ◆ Control Environment
- ◆ Risk Assessment
- ◆ Control Objectives
- ◆ Monitoring
- ◆ Wrap it up with Information and Communication



Corporate Governance Challenge

dominates the agendas of
senior executives in 2004

Playing with Fire: Corporate Governance Challenge

*Thank You for your time.
For more information
please call Temi Grafstein
1.866.638.2382
mobile 416.788.1836
visit betawatch.com*

