

Sarbanes-Oxley

Assessing the Agency impact



With the advent of the draconian new US laws on financial disclosure, agencies are asking themselves how they will meet the demands of compliance – and the cost.

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The Sarbanes-Oxley Act of 2002 introduced highly significant legislative changes to financial practice and corporate government regulation with the stated objective “to protect investors by improving the accuracy and reliability of corporate disclosures made pursuant to the securities laws.” The act is organized into eleven titles, but section 404 is the one that causes the most concern because it requires top managers to attest that they are responsible for the correct functioning of internal controls on financial reporting.

The hidden benefits of Section 404

Since Section 404 of the draconian act mandates an annual review of internal controls and procedures for financial reporting, ironically enough

it also provides the opportunity for agencies to improve their finance systems and their internal control structures. Challenging as this may seem at first glance – once finance systems and internal controls are up to standard and comply with those required by Sarbanes-Oxley, agencies will undoubtedly find that the benefits of upgrading their financial management systems extend far beyond mere compliance to Sarbanes-Oxley.

It is Maconomy’s experience that the implementation of a modern business management and finance system delivers far more benefits than mere compliance to Sarbanes-Oxley. Among the noticeable returns on the investment in improved financial management are the streamlining of operations, a better linkage



between project management and financial reporting, better management of resources, better and more timely information leading to better decision making, and most importantly, the freeing of staff from time-consuming administrative tasks so they can concentrate on their core business. All of which obviously influences productivity, the bottom line, and investor relations.

Fewer systems / shared services?

One of the other reasons that Sarbanes-Oxley is such a major concern for many agencies today is the fact that many agency groups are using far more than a handful of different finance systems. This unfortunately means compliance to Sarbanes-Oxley is not just going to be difficult – it is also in all probability going to be very costly. Seen in this light, the setting up a shared service that uses one finance system will be an excellent way to significantly reduce the cost of compliance. This is why at Maconomy, we believe that in the long term, the spin-off of Sarbanes-Oxley will prove profitable for many agencies because a shared financial service function will strengthen an agency group's finance function significantly in so many ways. Among other things, by setting up a shared financial service, agencies will be able to pool their finance resources and ensure a high-quality staff of finance professionals that is trained to meet the most stringent requirements of modern financial reporting.

How it works

When setting up a modern finance function, be it for a single agency or as a shared service for an agency group, the right enterprise application must absolutely ensure that a detailed audit trail is a standard feature. Only in this way will agency management feel confident that compliance to Sarbanes-Oxley has actually been achieved.

At Maconomy, experience demonstrates that a modern business management system that integrates job management and finance management into one seamless whole enables agencies to produce the accurate financial reporting on a timely basis required by Sarbanes-Oxley while providing the many other significant benefits mentioned above. This is extremely important, especially seen in light of the general trend in the industry, which is one of increased focus on financial management and administrative improvements. This trend has not been driven by Sarbanes-Oxley alone. Rather, the main driver is the increased client scrutiny on agency costs and inefficiency. Gone are the days when agencies could live on their creativity alone and on the glamour of landing new clients. With clients asking why they should pay for agency ineffectiveness, agencies are being driven to examine the efficiency of their operations, and finance management is an obvious place to start because major

efficiencies can be achieved almost immediately. The good news is that implementing a modern business management and finance system will in the end free agency management and staff to focus on their core business – advertising – instead of spending time on those tedious but necessary administrative tasks.

This is why at Maconomy we believe that in the long term, the hard-hitting consequences of Sarbanes-Oxley may well turn out to be a blessing in disguise for the industry as agencies scramble to become more cost-efficient and competitive.

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