

# SOX 404 PROGRAM FOR EMERGING GROWTH COMPANIES

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A PHASED APPROACH TO  
COMPLIANCE



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# SOX 404 Compliance- EGC's

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## **Management's Assessment- SOX 404A**

The Principal Executive Officer and Principal Financial Officer for publicly traded companies must provide their assessment of internal controls over financial reporting as a part of their 2<sup>nd</sup> 10K filing. This assessment is typically governed by the criteria set forth in the *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

## **External Audit- SOX 404B**

Management's internal control over financial reporting must be audited by the Company's external auditor. The external audit requirement is only necessary upon meeting certain criteria such as, a five year time period subsequent to an Initial Public Offering for companies with a public float in excess of \$75 million but below \$700 million, attaining \$700 million in public float or annual revenues of more than \$1 billion.

# Advaion's Approach

## Risk Based

What is Advaion's risk based approach?

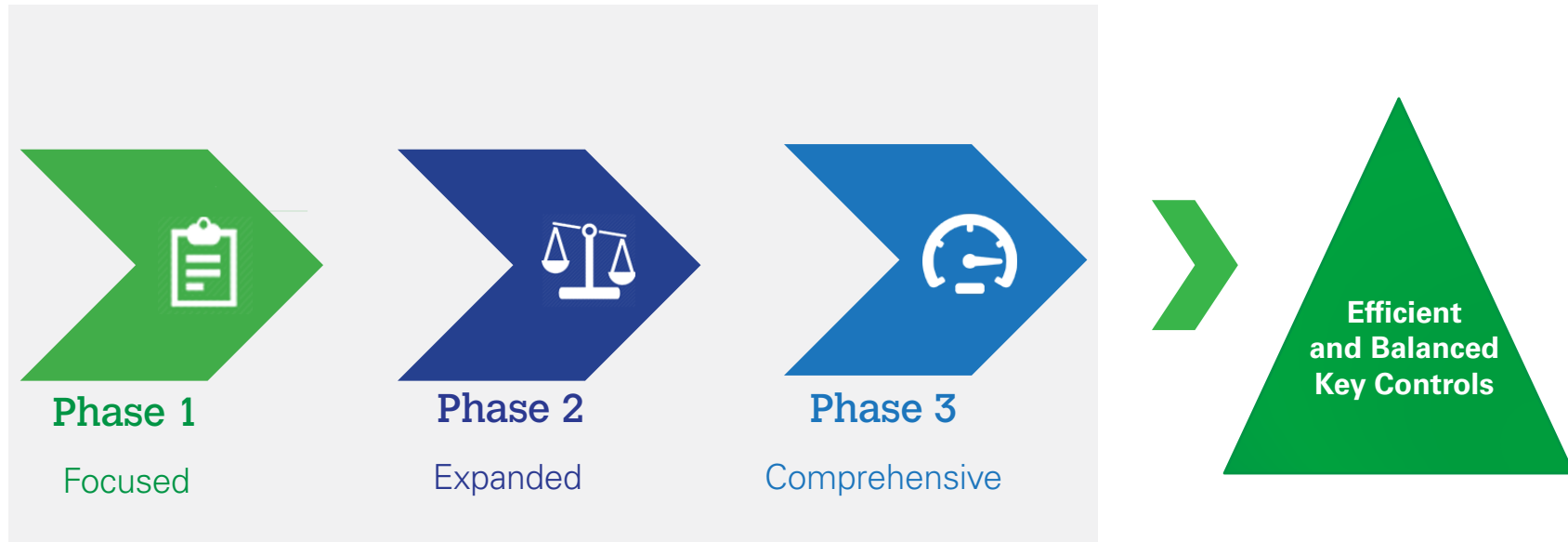
Advaion's risk based approach is a top-down, risk-based approach to implement a lean and balanced control program along with the most effective and efficient controls to address financial reporting risks.

An effective risk based process includes the following activities:

- A **top-down, risk-based** scoping approach as a foundational first step toward control optimization.
- An informed understanding of the organization's **financial reporting risks** in order to drive control optimization efforts.

# Advaion's Approach

## Phased Approach



# Advaion's Approach

## Phased Approach Cont'd

Phased approach	Phase 1 Focused	Phase 2 Expanded	Phase 3 Comprehensive	(*)
Planning (*)	✓			Planning includes: <ul style="list-style-type: none"> <li>• Materiality &amp; Scoping</li> <li>• Risk Assessment</li> </ul> Documentation includes: <ul style="list-style-type: none"> <li>• Process Control Matrix and Flows</li> <li>• COSO Mapping</li> </ul>
Documentation (*)	✓			
Role evaluation (SOD)	✓			
<b>Walkthroughs</b>				
COSO mapping controls WT	✓			
Financial reporting control WT	✓			
High risk control WT	✓			
Medium risk control WT		✓		
Low risk controls- cycle			✓	
<b>Testing</b>				
COSO Mapping		✓		
Financial reporting	✓			
High risk controls	✓			
Medium risk controls		✓		
Low risk controls- cycle			✓	