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IT Compliance - Good Business Practice or Just More Red Tape?

The previous articles focused on the selection and deployment of an appropriate Information Technology (IT) solution for use within the fresh produce industry. The fresh produce industry is becoming increasingly aware of having to comply with a spate of new regulations governing the monitoring and traceability of food products. The current scare on Sudan 1 will ensure that traceability will once again come under intense scrutiny. As IT is now deeply embedded in the processes of most organisations, it will come as no surprise that the IT industry is itself coming under increasing pressure from the regulators. In this article, we take a look at just some of the implications.

From a global perspective, one of the most important and business intrusive Government initiatives in recent years was the US Governments introduction of the Sarbanes–Oxley Act of 2002. This was written and enacted in response to large and public failures of corporate governance. The names of Enron, WorldCom and Tyco came to prominence for all of the wrong reasons. In response, Sarbanes–Oxley was introduced to protect investors by requiring accuracy, reliability and accountability of all corporate exposures. It is one of the most complete American corporate anti crime laws ever introduced. The act places responsibility unambiguously in the hands of the CEO. Failure to comply exposes senior management to up to 20 years in prison and fines of up to \$5 million.

Sarbanes–Oxley has a significant impact on IT controls since many of today's processes are IT driven. For example, the internal compliance team should include a core team member with an IT background to ensure that informed IT related decisions are considered during implementation. Since financial data resides on servers, the security and documentation of IT systems is imperative to ensure the integrity of the data held there.

In addition, the company must have reliable, replicable and audit proof details about the control of and access to the infrastructure that supports financial data. This has wide



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ranging implications as changes to financial data can be triggered by a variety of information sources. Applications such as EDI, spreadsheets, databases, contract documents, faxes and e-mail services will all come under scrutiny. This will mean that every organisation involved in compliance with the act will have to implement a series of internal controls and procedures designed to store, protect and audit that data.

The IT industry has been aware for some time of the need to get its act together from an auditing and accountability viewpoint. CobiT (Control Objectives for Information & Related Technology) is a framework and set of best practices that has been developed over the past 10 years to improve IT management and provide a model for auditing IT. It is increasingly being adopted by organisations around the world and it has also been generally accepted as the framework for demonstrating compliance of IT controls to the Sarbanes-Oxley regulations.

So, what has this got to do with the UK fresh produce industry? The reality is that some may be affected in the near future if they deal with US listed companies. There is also a general consensus in the UK that for companies to compete in the global economy, compliance with an EU introduced equivalent scheme is inevitable (when did they ever miss a chance to introduce new legislation?). Furthermore, as consolidation in the fresh produce industry continues, there will be fewer but larger suppliers left to service the major multiples. Some may already be part of a stock exchange listed group while others may seek floatation as a means of raising further expansion capital.

The message is that Sarbanes-Oxley in one form or another is coming to Europe. Forward thinking companies are already considering its implications when investing in new technologies. The IT industry leaders have already introduced wide ranging measures to put its house in order to ensure that its customers can implement compliance measures. The new Enterprise Resource Planning (ERP) solutions from the major global suppliers already have built in traceability of all transactions. Security and the ability to verify information sources are high on the list of infrastructure suppliers' core products. Providers of document management solutions are making it easy to track and trace all documentation sources.



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It is difficult to argue that such measures are just more red tape that adds to the burden already experienced by business. The reality is that in today's information age, high quality integrated IT solutions are a vital business aid in an increasingly competitive marketplace. Having built in traceability is just a by product of a fully integrated business management system from a global supplier. The real benefits are the ability to dynamically monitor and manage customer service quality and product profitability. Built in IT compliance is just the icing on the cake. However, it would be prudent to explore this aspect as part of the selection process where new investments are involved.

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