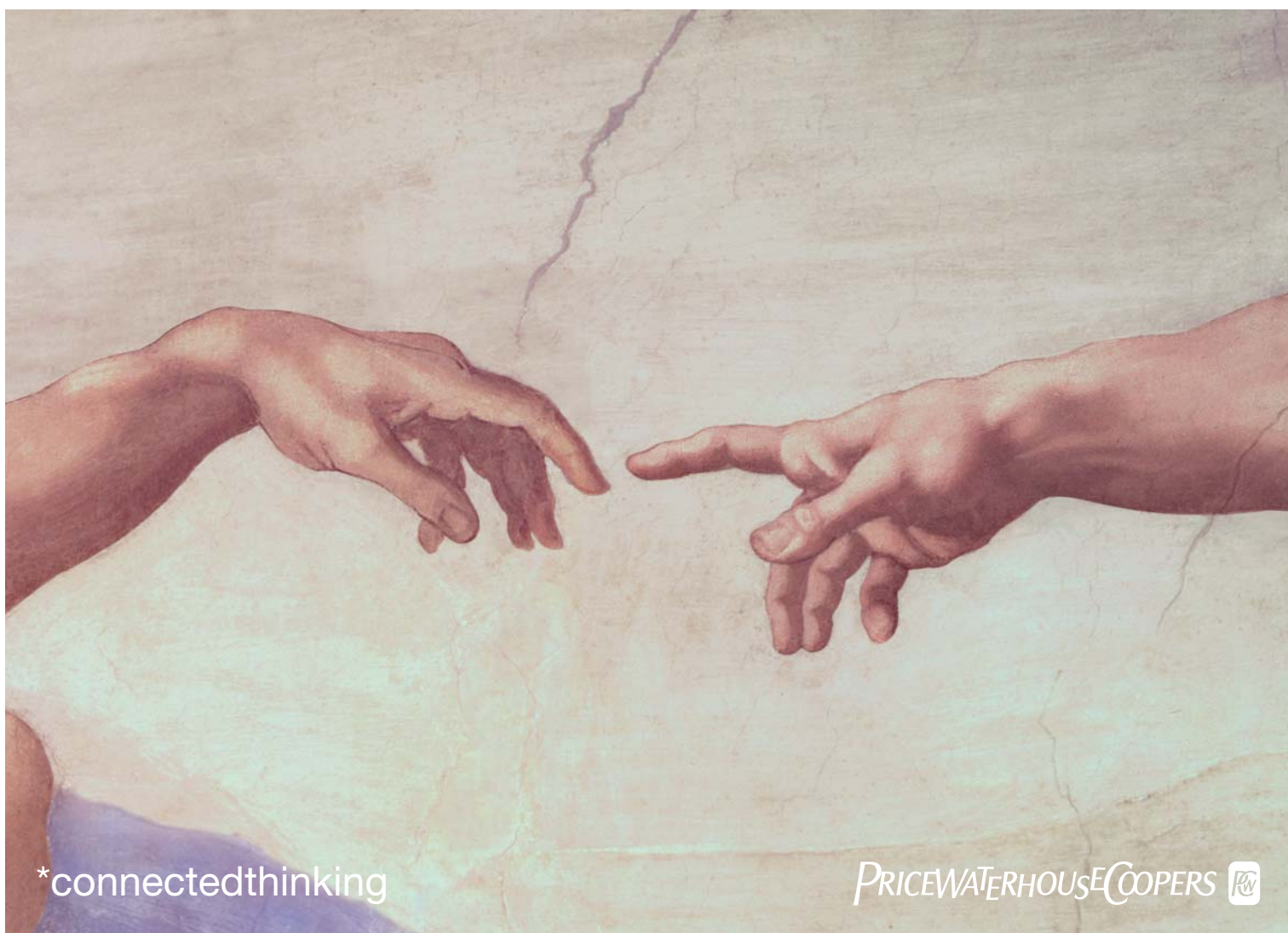


The art of effective business*

Making it work



01 The art of effective business

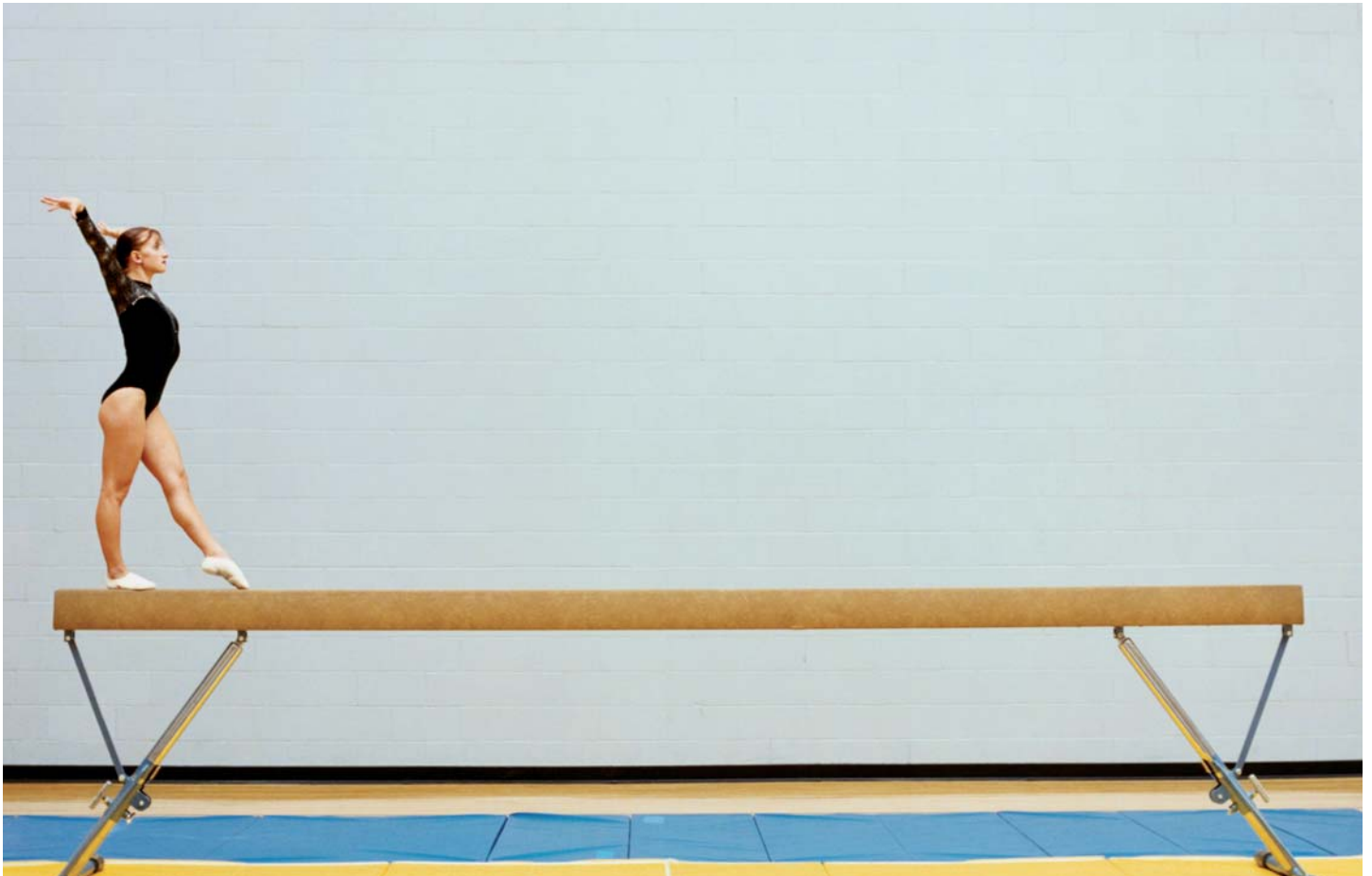
Most companies are on a journey with their governance, with the intended direction of travel being towards more efficient and effective management of business opportunities and risks. The same levers of governance which are used to manage risk and ensure compliance are also used to drive high performance and successfully deliver strategic initiatives. Lack of attention to these can impact corporate and personal reputations, lead to fines and cause loss of revenue.

The impetus for change is often a high profile incident of non-compliance, or evolving legal requirements (e.g. US Federal Sentencing Guidelines, Foreign Corrupt Practices Act, Sarbanes-Oxley Act). However, the response usually goes beyond legal compliance, takes account of the need to win hearts and minds, and seeks to achieve the wider performance benefits which have been shown to be correlated to good governance.

Our experience has shown that management exercises control over a business in three ways:

- **Culture and values** – which establish an individual's sense of appropriate personal behaviour, set by the “tone at the top” and supported by the code of conduct;
- **Management systems** – providing instructions and guidance on how particular types of task should be achieved, and the process and technology to achieve them; and
- **Oversight** – ensuring the right people are asked to do the right tasks, that they have sufficient resource to support them, and are properly supervised and monitored.

Each of these three mechanisms informs the day to day decisions made by the people within an organisation. The emphasis of the mix varies widely between companies, and also within individual companies. In practice, most companies use all three mechanisms, though the degree of formality around them varies. In areas of high risk, all three elements of the governance mix are likely to be used in combination to ensure risks are appropriately mitigated.



02 How can we support our clients

Our focus is on working with clients on the Governance, Regulation and Compliance (GRC) agenda. This agenda encompasses the financial, operational and commercial aspects of a business. Our opportunity is to help clients understand and manage risk across this broad agenda in a consistent way, and with a focus on driving business performance.

By delivering the Connected Thinking that is the hallmark of PricewaterhouseCoopers and drawing on the capabilities of the entire firm, we can help organisations get real value from their compliance frameworks; not merely compliance.

In addition, when the going gets tough, we are there to support and guide our clients.

PwC's own services cover all three elements of the art of effective business.

01 Culture and Values

Our **people and change services** help management to build appropriate culture and values as well as ensure optimal resource allocation and management capabilities.

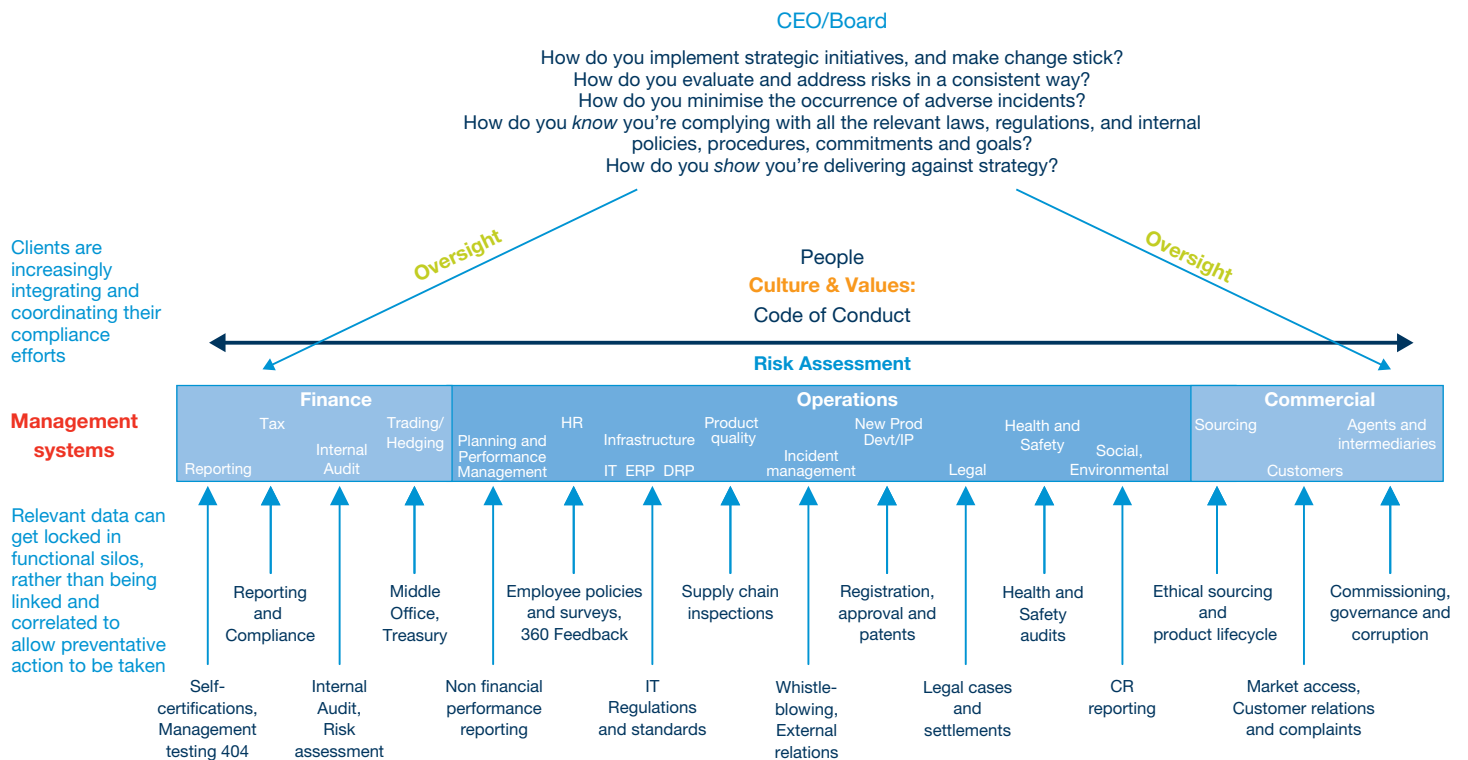
02 Management systems

Our services around **Risk, Performance Improvement and Tax** focus on the process and technology supporting financial, operational and commercial management systems.

03 Oversight

And **good quality and objective information**, should allow management to exercise effective oversight and give the board and other stakeholders assurance that all of these three elements are operating effectively.

This is about running the whole business more effectively. Our competitors are still delivering disaggregated services, but we've already joined our approach to governance, regulation and compliance, which will make it easier for our clients to do the same.



Research has shown that an integrated approach to Governance, Regulation & Compliance that properly utilises culture, process and technology can enhance reputational value (by 23%), employee retention value (by 10%) and revenue (by 8%).

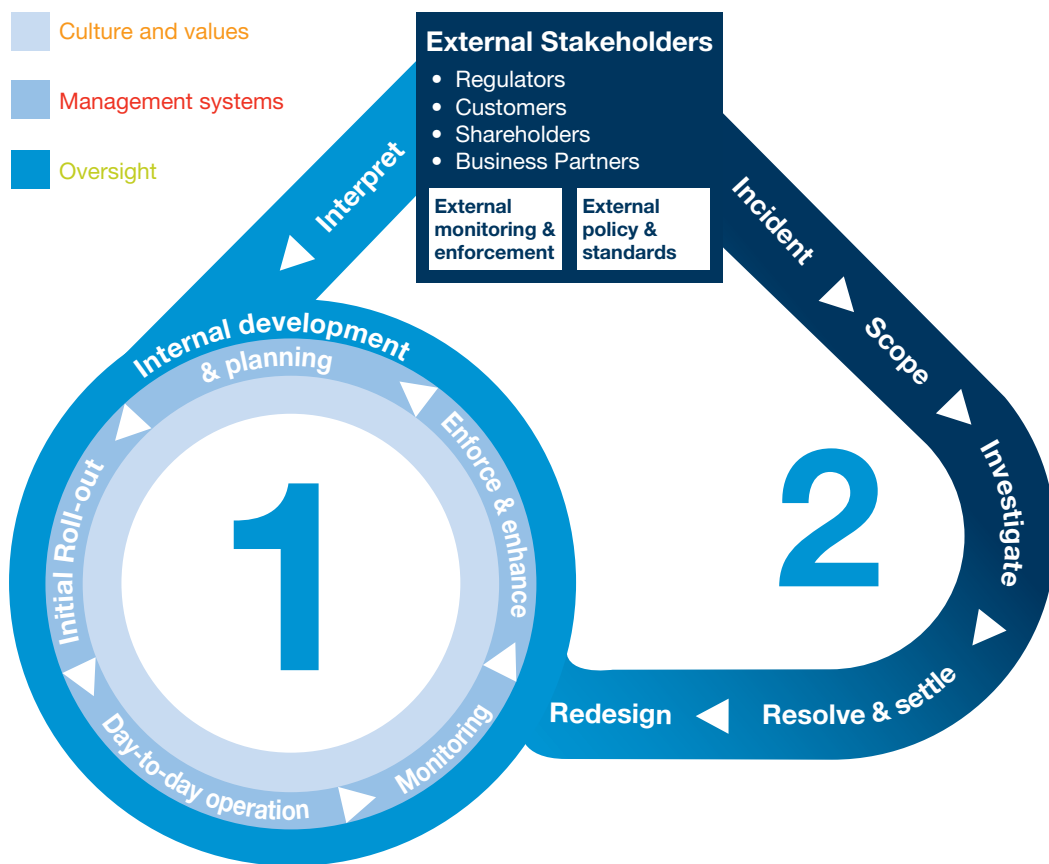
03 Implementing effective governance

There are two main areas of activity for companies, which are represented in the diagram below.

01 The first is the normal cycle of developing and maintaining culture and values, management systems, and oversight mechanisms around governance, regulation and compliance.

02 The second loop is triggered by the intervention of regulators or other stakeholders, in the event that a fast, effective remediation programme should be necessary.

Our relationship with regulators across many disciplines positions us well to both advise and represent our clients in development and interpretation of new and complex regulatory requirements. Regulators and other stakeholders listen to us, and respect our brand and our people.



The art of effective business is avoiding rather than reacting to problems

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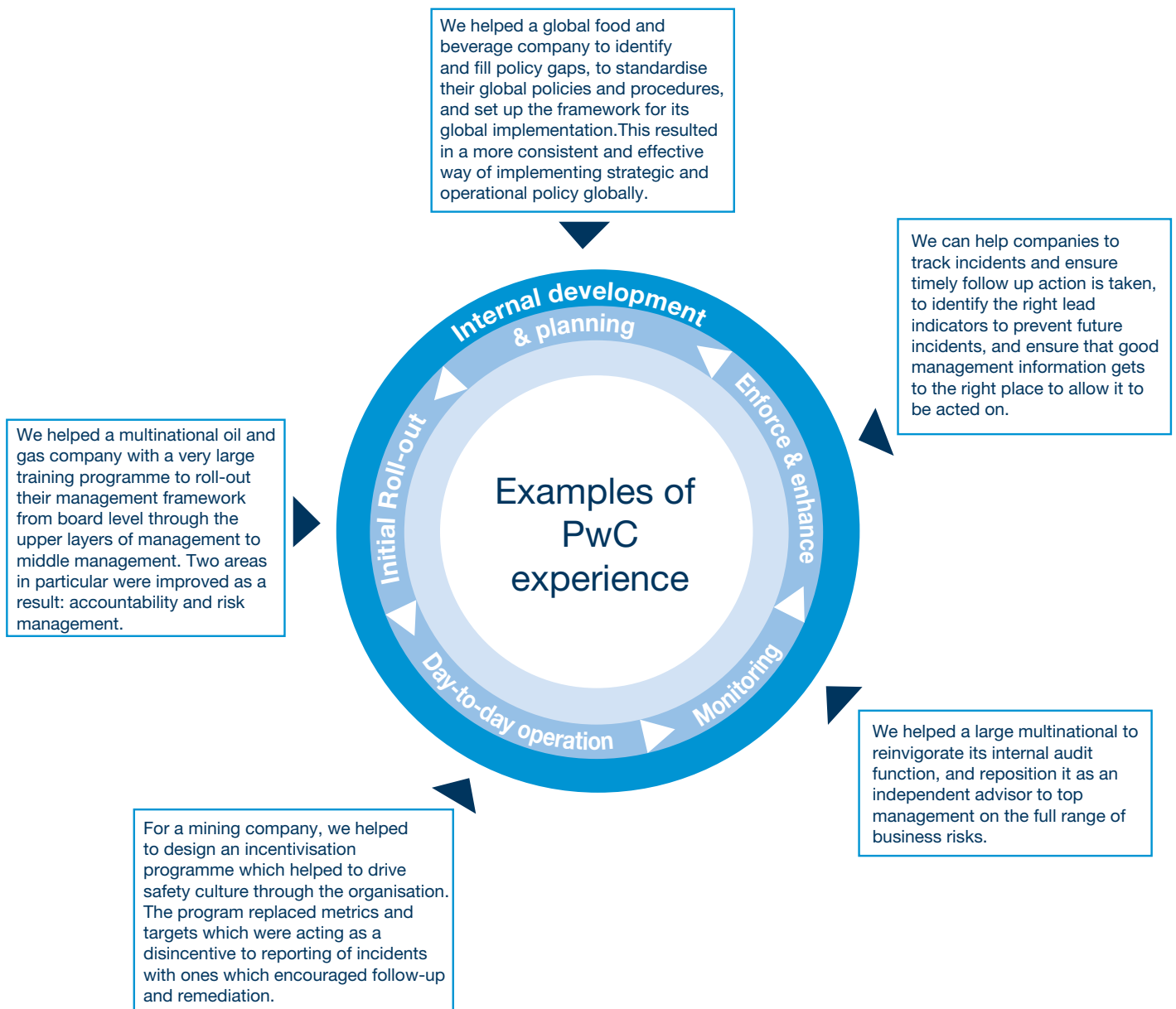
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04 Our methodology and expertise

Each of the three elements of the governance mix are implemented through a five-stage process:

	Examples of client considerations
01 Internal development and planning	Ranging from a centrally developed mandate to decentralised and devolved process of consensus
02 Initial roll-out	Translation into local languages, consultation with unions or other employee representatives, training for staff
03 Day-to-day operations	Reward, and refreshing and reinforcing key messages
04 Monitoring	Self-certifications, employee surveys, whistle-blowing and ethics helplines, compliance functions, external monitoring by regulators
05 Enforce and enhance	Taking appropriate enforcement and follow-up action is crucial when there are breaches as well as near misses

Bringing our cross line of service experience together



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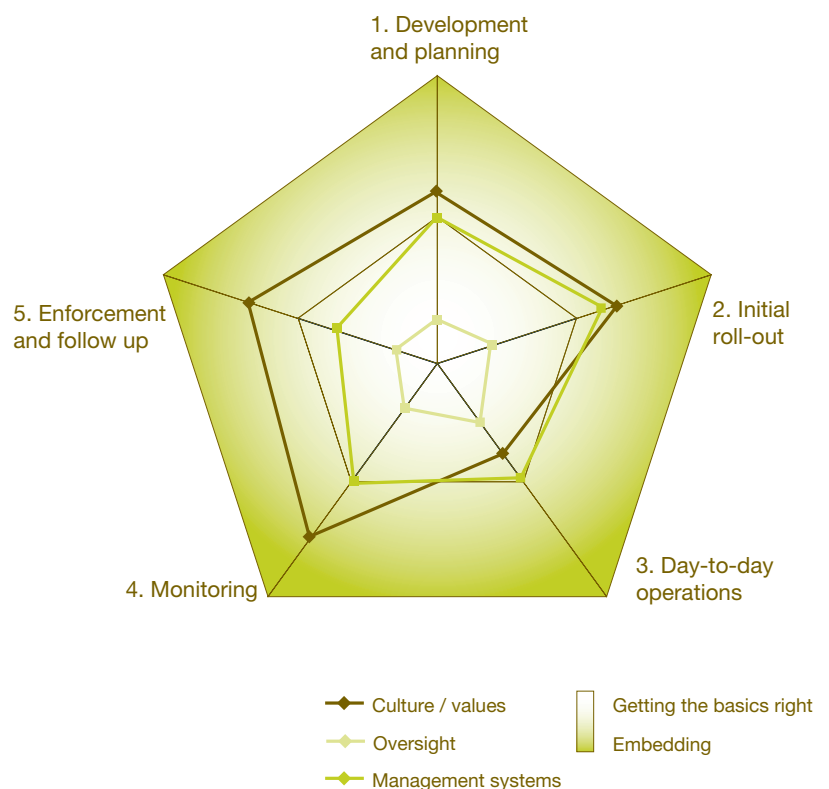
Measuring effective business management

High profile incidents and evolving legal requirements (e.g. US Federal Sentencing Guidelines, Foreign and Corrupt Practices Act, Sarbanes-Oxley Act) are leading many boards to question whether they have sufficient visibility of the effectiveness of management control throughout the organisation. However, the response may need to go beyond legal compliance and take account of the need to win hearts and minds to achieve the performance benefits associated with good governance.

We reviewed 16 of the largest multinationals, and found that management exercises control over a business in three ways:

- **Culture and values** – which establish an individual’s sense of appropriate personal behaviour, set by the “tone at the top” and supported by the code of conduct;
- **Oversight** – ensuring the right people are asked to do the right tasks, that they have sufficient resource to support them, and are properly supervised and monitored; and
- **Management systems** – providing instructions and guidance on how particular types of task should be achieved, from operational tasks through strategic planning.

Summary of companies’ maturity in the five key stages used to establish effective business control



In order for executives to properly assess the effectiveness of management control, measurement needs to be aligned with each of these elements. Our study found in practice that:

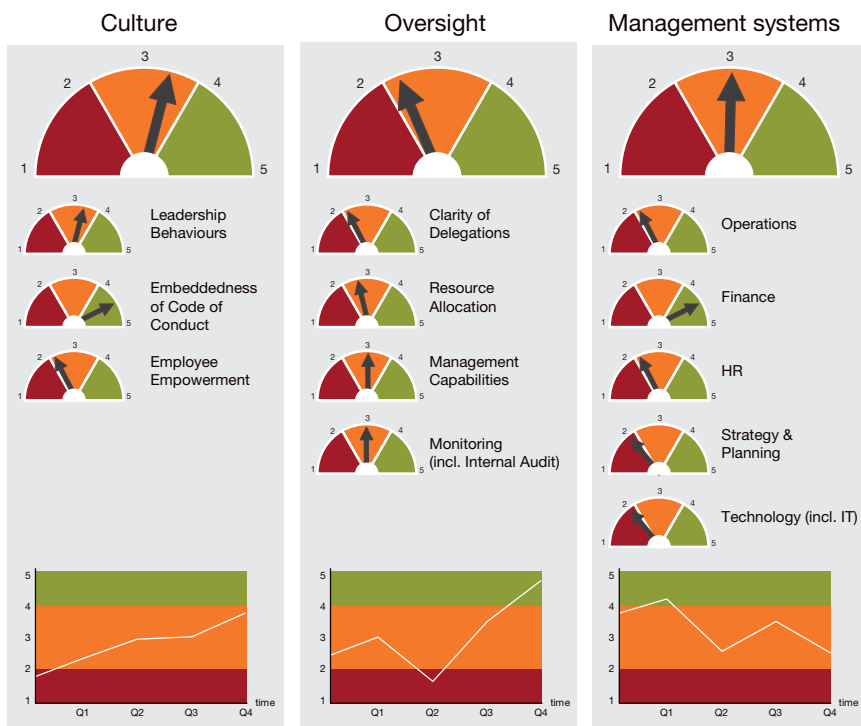
- Measurement of the implementation of culture and values is usually the best measured element of the governance mix overall, particularly in terms of the effectiveness of the Code of Conduct;
- Measurement of management systems related to financial matters is often better than even the most critical non-financial areas; and
- There is often a wealth of information available which can be used to measure the effectiveness of management control but not enough use is made of lead indicators to identify areas where intervention could prevent serious incidents.

Measuring effective business management

Case study

The CEO of a major oil and gas company wanted to know whether one of the key internal governance mechanisms was working effectively. We designed a hierarchy of key measures in a governance dashboard, which allowed him to compare the performance between different parts of the organisation, with various risk overlays. The presentation of data employed statistical techniques to highlight locations where action needed to be taken to prevent serious incidents, and the use of existing measurement mechanisms was optimised to prevent any additional burden of data collection on the business. The project went on to codify best practice in board reporting in governance, compliance and ethics.

Sample of a summary dashboard



We have helped companies to:

- Benchmark their measurement of management control against comparable companies;
- Identify, source and incrementally improve existing sources of information to give a view of the effectiveness of management control throughout the organisation (see adjacent dashboard);
- Make the most of existing sources of information to identify areas of high risk where intervention may prevent incidents; and
- Build measurement mechanisms to address important information gaps.

Case study

Following a high profile incident, the CEO of a global UK based food manufacturer took a personal interest in driving more efficient, effective and broader governance arrangements, supported by appropriate measurement mechanisms, to the point where it underpinned sustainable growth and contributed positively to competitive strategy. We helped the company through this process through training for board members, workshops for functional policy owners, and a series of focused studies.

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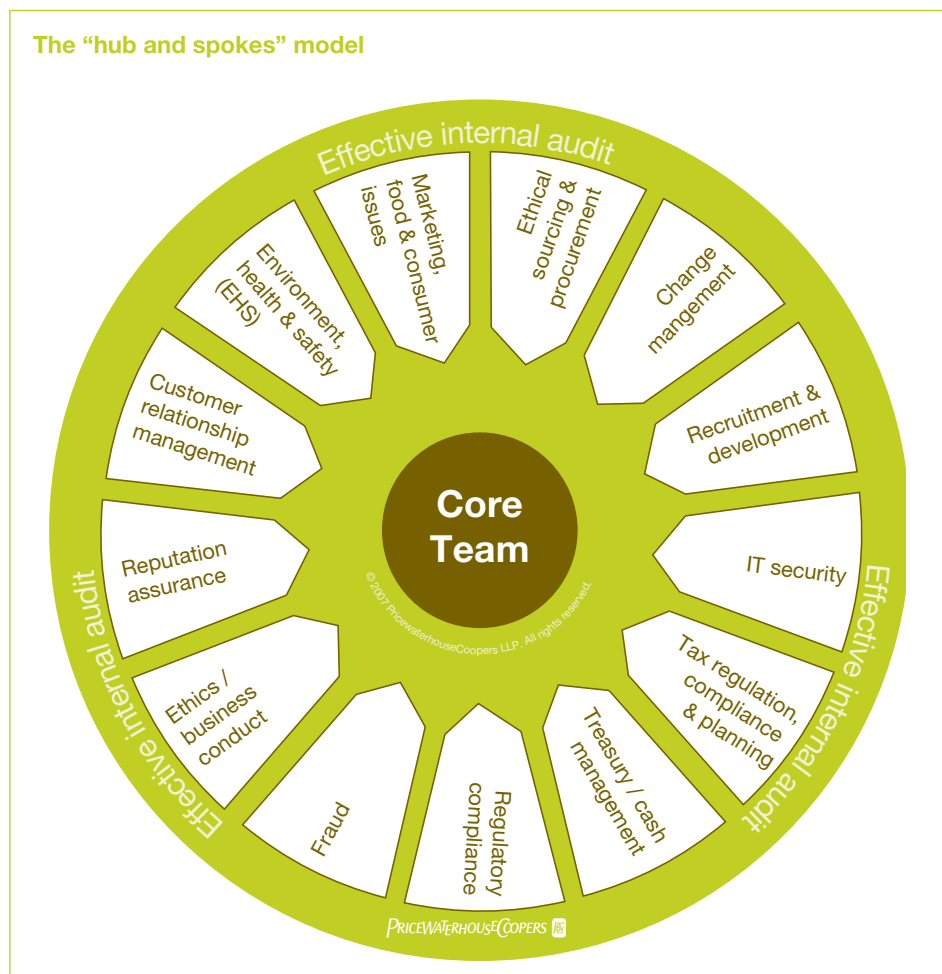
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Improving independent monitoring

A key part of most boards' independent monitoring of governance is Internal Audit. An increasing number of companies are recognising the benefits of working with a third party to support their Internal Audit needs. We have a dedicated Internal Audit team with extensive experience in managing outsourced and co-sourced Internal Audit contracts. Our services are typically delivered through a "hub & spokes" model (see below), under which a dedicated core team of Internal Audit professionals (the "hub") manages the overall relationship, quality assurance and delivery to the client, drawing in PwC specialists (the "spokes") for particular areas where required.

By using specialists who are used to working with Internal Audit functions on appropriate assignments, we have found that opportunities for improvement, better ways of working and greater efficiencies can be driven out of core processes. Additionally, Internal Audit will truly be able to audit to identified risks, as opposed to auditing only within the limits of the skill sets resident in the core team.



The key benefits of the co-sourced hub and spokes approach are:

- Ability to "turn the tap on/off" i.e. getting resources that allow for peaks and troughs of demand
- The depth and breadth of knowledge and experience available
- Ability to bring fresh ideas from other organisations
- Wide range of language/cultures/skills across territories
- Independent and impartial resources
- Ability to engage staff at the planning stage who have experience of the risks each audit addresses

Improving independent monitoring

Case studies

Internal Audit Outsourcing

Our IA team have been working with this client (UK hospitality & leisure business) in an outsourcing relationship for over three years. As part of the engagement, PwC undertakes the annual planning process for IA, executes the agreed projects and reports to management, the Board and the Audit Committee. The scope of work is broad and varies from financial and compliance reviews to projects which are more operational in nature. To carry out the operational reviews effectively, we draw on specialists from throughout the firm (for example, HR services, process improvement, valuation and strategy, treasury and IT) to work as part of the IA team; this is one of the key benefits of the outsourcing arrangement for the client. Additionally, the company has benefited from a tried and tested approach to IA, which we have tailored to reflect the culture and the working practices of the organisation, and is continually evolving.

Internal Audit Process Improvement

We worked with a global transport organisation to dissolve its existing internal audit function and establish a new function aligned to its objectives for control improvement across the Group. We have deployed a range of specialists to examine areas such as IT security and systems change, fraud investigation and prevention, project management, business continuity planning and treasury. Our client has been very impressed by what has been achieved in the 3+ years we have been working with them and in particular how we have supported the group's management in its goals to improve the professionalism of the finance functions.

Internal Audit Induction and Behavioural Training

We worked with our client's global Internal Audit team to develop an innovative blended learning strategy for new joiners to Audit. The highly interactive, online "Jump Start Kit" is completed by all new Auditors during their first week, and guides them through all the information they need such as the role of Audit, Auditing standards, and the Audit methodology and tools. This is followed by a five day classroom course, which reinforces the methodology while developing the interpersonal skills needed through a full Audit simulation with roleplays, practice interviews and team exercises. The programme has been running for 4 years now and has been very successful in quickly building the competence and confidence of new Auditors.

Internal Audit Transformation

Following extensive change in a global airline, it was recognised that the traditional Internal Audit function was not responsive to the needs of a changed organisation. We confirmed the business case for change in the function by interviewing key stakeholders, assessed the current environment, including existing personnel, using a structured evaluation process and aligned the Internal Audit mission, scope and working practices with stakeholder needs and demands. Recognising that change needs to be firmly embedded to add real value, an ongoing support agreement is now in place to ensure that Internal Audit have access to both the support and technical expertise that they require to turn them into a World Class organisation.

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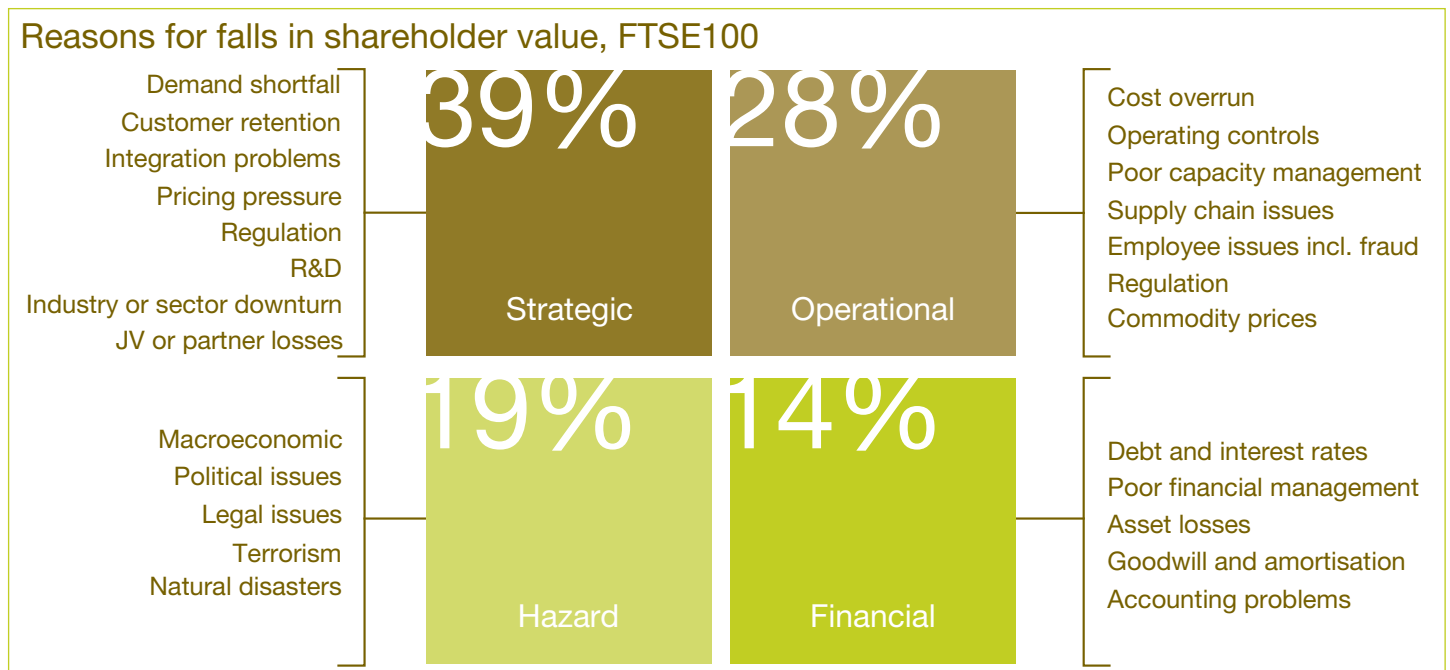
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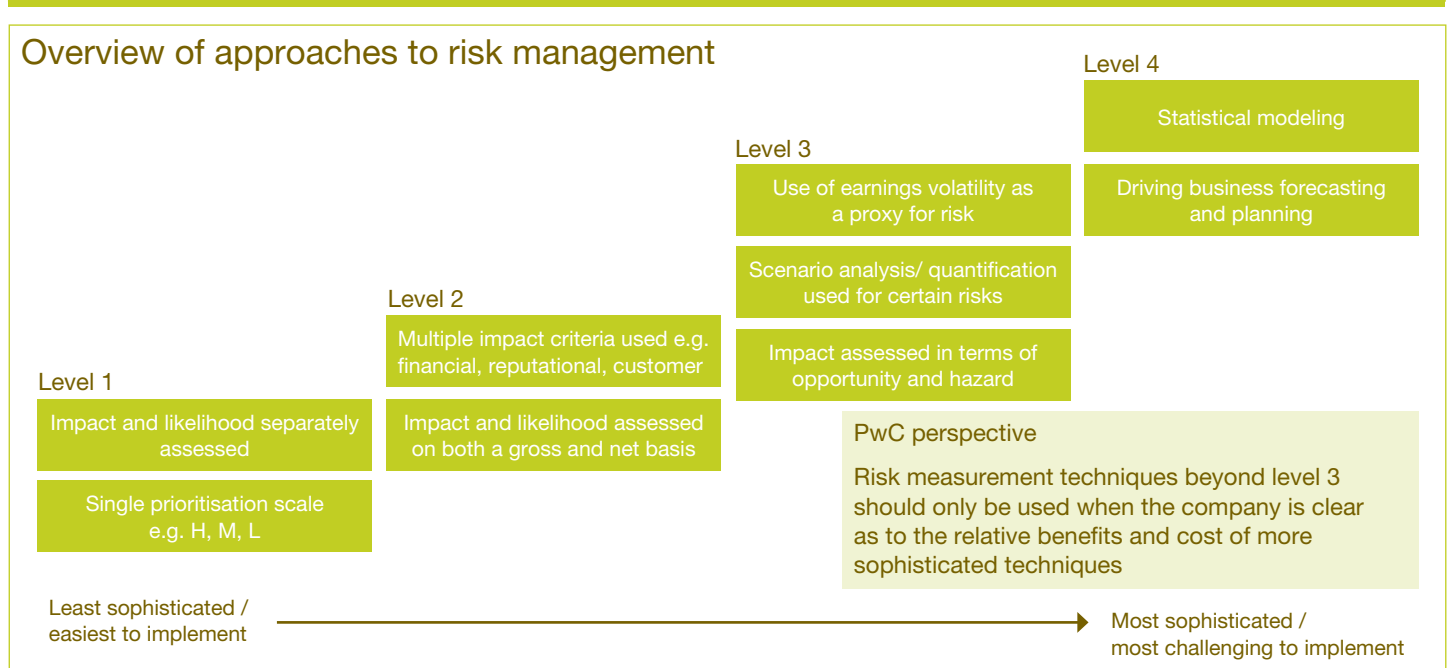
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Managing business risk

Our organisation spend less money if they ensure comprehensive risk and compliance management within the business rather than waiting for a crisis and then beginning a costly and very public clean-up. Optimised R&C management serves as a strategic decision support tool for top management and leads to increased shareholder value.



To what extent does your organisation's risk management framework cover the above classes of risk?
How much effort is devoted to each area? Is the balance right?



Managing business risk

Case study

Oil and Gas company

We assessed the processes, controls and associated risks around a number of key business operations for an oil and gas company, including:

- Financial and non-financial risks
- Policy review – gap analysis relative to best practice
- Procurement processes – efficiency of process and control weaknesses review
- Trading operations – financial exposures surrounding counterparty selection
- M&A and capital project evaluation – commerciality and controls review
- Licence compliance and risks in financial terms with non-compliance with regulations
- Operation of offshore companies and financial exposures
- Review of Internal Audit effectiveness
- Fraud risk management
- Social investments
- Supply Chain Re-engineering project
- Capital Value Process (CVP) implementation.
- Management of a joint-venture interest
- Internal control improvement project

The benefits obtained from the work included an understanding, based on quantified data, of the control weaknesses, risks and financial exposures they faced across the various business operations. In addition, we provided recommendations as to how processes and controls could be improved to mitigate the risks.

We also coached management on the risk management tools and techniques which helped with implementation of a robust risk management process.

Case study

FTSE 100 manufacturing company

We were engaged to help this company understand what best practice risk management approaches would be appropriate for them, and then to work with their IA department to design a tailored framework.

We subsequently embarked upon an 18 month programme to roll-out the new framework across the company, gradually decreasing the day to day involvement of PwC as the in-house IA department grew in confidence and experience. We have continued to work with their IA function as they have subsequently sought to embed risk and control awareness in other management decision processes and approval mechanisms across the company.

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Learning from 404

An organisation's internal control is designed to address business risks which threaten the reliability of financial reporting, effectiveness and efficiency of operations and compliance with regulations.

Establishing effective internal controls is high on the boardroom agenda. There is a view among many stakeholders that well controlled businesses make more money.

Finance is often the most mature area of formal governance within a business. But regulatory requirements such as the Sarbanes-Oxley Act have led some businesses to implement a financial control environment which can be substantially simplified without reducing its effectiveness.

Today's executives face many challenges and are looking to adopt a strategic, sustainable and flexible approach to ensuring that strong internal controls are established and embedded within their organisation. Controls Optimisation is our response to the needs of businesses to have the right controls at the right cost for your organisation. It is a process of continuous improvement and there is no 'one size fits all' solution.

Business Benefits

- improved design of controls and alignment with risk
- improved data quality and integrity
- integrated controls, systems, processes and reporting
- reduced costs and duplication of controls
- reduced compliance risks and the likelihood of fraud
- clear accountability, roles and responsibilities
- clarified controls reporting, key risks and responses

Controls Optimisation is built around a proven risk based approach to internal control.

It is a process of continual improvement to reflect an organisation's objectives, risks and risk appetite of management. PwC's Controls Optimisation methodology, combined with our specialist industry knowledge and expertise of business processes, controls and systems enables us to build tailored solutions to internal controls that suit your business needs.

Self diagnostic

Where are you now and where do you want to be?



- Does your group have a single culture of cultures, reinforced with training and personal performance measures?
- Does group focus on strategic leadership and foster an environment of accountability, with roles and responsibilities clearly defined?
- Do you perform an integrated, organisation-wide risk assessment on at least an annual basis, with risk review and assessment embedded as part of strategic planning?
- Does your company have a controls framework in place with fully integrated and automated change management support?
- Have you standardised controls and mapped them to all of your key risks & business processes?
- Are controls implemented, and control deficiencies immediately analysed & remediated, real-time with long term cost effective strategies?
- Do you have a centralised controls rationalisation programme for key business process and IT controls where controls are critically reviewed for effectiveness and tailored for risk?
- Are automated/standardised controls and business processes monitored for continuous improvement?
- Have you fully integrated, through technology, your various controls assurance/attestation structures (control testing programmes etc.)?
- Are all of your risk and control compliance initiatives/requirements integrated?
- For your risks and controls, is there fully automated, integrated monitoring and reporting with day-to-day management tools/dashboards?
- Are your business processes reviewed and assessed for improvements, with new/improved processes implemented wherever possible across the group?
- Have you developed and implemented a clear and robust process optimisation plan? This might include process simplification, consistency, centralisation, or outsourcing considerations.
- Have you implemented a clear and robust plan for strategic business changes such as M&A considerations?

Learning from 404

Controls optimisation cycle

Process improvement

Identify opportunities to improve existing business processes, systems and controls which will reduce cost and drive real business benefit within the organisation.

Manufacturing client

Need: A consistent compliance controls framework needed to be established as part of a post deal integration programme.

What we did: We organised a global programme to assist head office and local business units to perform a comprehensive risk assessment across the group.

Benefits: We identified controls that mitigated multiple risks and allow efficiencies in controls testing, yielding a 25-30% reduction in the cost of compliance. We also identified opportunities to streamline business processes. Further benefits will be realised next year as business processes and re-designed and controls are further rationalised and harmonised.

Assessment

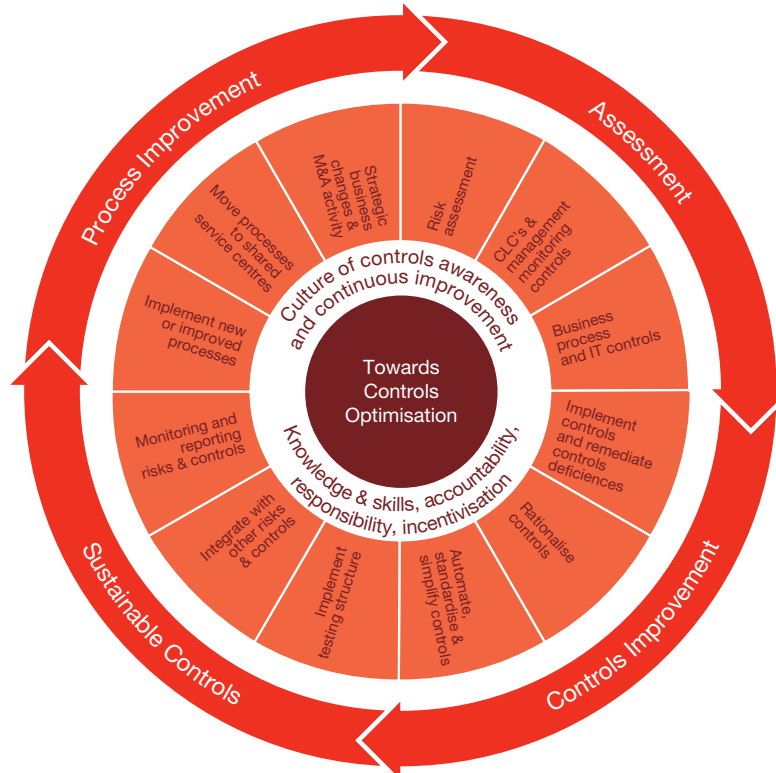
Perform risk assessment and analyse current internal control environment, at the corporate, business process, systems and IT level.

Retail client

Need: Management wanted to evaluate their governance structure to determine the appropriate level of internal controls and the degree of detail and visibility that Group should have of these controls.

What we did: We assessed company level controls (CLC's) at Group level and then conducted a review at the operating company level to validate Group's perspective. Our findings were reported to the Board and we facilitated discussions to determine the best approach to strengthening CLCs.

Benefits: We advised the Board on developing a more robust company level control environment with specific recommendations to improve management monitoring controls.



Sustainable structure

Establish and maintain a system of control with clear accountability, an efficient testing and monitoring structure, supported by effective use of technology.

Banking client

Need: A standardised, consistent and sustainable compliance programme was required.

What we did: Developed a single approach to company-wide regulatory compliance programmes to replace individual business unit control programmes. Controls were assessed, rationalised and standardised.

Benefits: We reduced the number of key controls and developed a reporting tool to monitor the quality of controls and risk management effectiveness across the group. Financial reporting and operational risk programmes were combined into a single sustainable compliance process.

Controls Improvement

Implement recommendations to optimise controls i.e. address gaps, rationalise, automate and standardise controls.

Technology & Energy client

Need: A controls culture needed to be embedded throughout the business.

What we did: We developed a controls training programme which increased competencies in internal control behaviours and skills. Key elements included e-learning, web-based behavioural style feedback questionnaire, interactive 3-day workshops and the formation of peer support groups.

Benefits: We helped ensure that the programme learnings became embedded in the participants behavioural work styles and established a culture of controls consciousness among staff.

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Realising the benefits of automation

PwC has been working with major software providers and clients to develop technology solutions which help organisations measure their risk and react accordingly. These governance, regulation and compliance tools can give management total oversight of their business risks when properly implemented and used by an organisation

Enterprise Resource Planning (ERP) software are applications used for improving the performance of the internal business processes. ERP systems often integrate business activities across functional departments, from product planning, parts purchasing, inventory control, product distribution, fulfilment, to order tracking. ERP software systems usually include applications for supporting marketing, finance, accounting and human resources.

These systems have been globally adopted by large organisations to achieve the following benefits:

- **Reduction of operating costs**, such as lower inventory control cost, lower production costs, lower marketing costs and lower help desk support costs
- **Reduction of transaction processing costs**, through the reduction of IS and transaction processing costs, for example by facilitating the use of standard business process globally, shared service centres and IT outsourcing for example
- **Improved Information for decision making**, establishment of data warehouses through ERP systems offer better accessibility to data so that management can have up-to-the-minute access to information for decision making and managerial control

As a result of increased demands on organisations for transparent governance regulation and compliance, management need the ability to make informed decisions quickly with regards to risk management and demonstrate compliance both internally and externally.

Technology solutions are being sought to try and achieve similar benefits initially associated with ERP namely those relating to cost reduction, sustainable common processes and risk management information provided at the right levels. ERP systems are cross functional in nature, as is GRC, and many of the ERP vendors are seeking to exploit this common characteristic.

Case study

We designed the integrated risk technology framework to provide a basis for creating a completely integrated risk platform in an international bank. The framework focused on addressing four components:

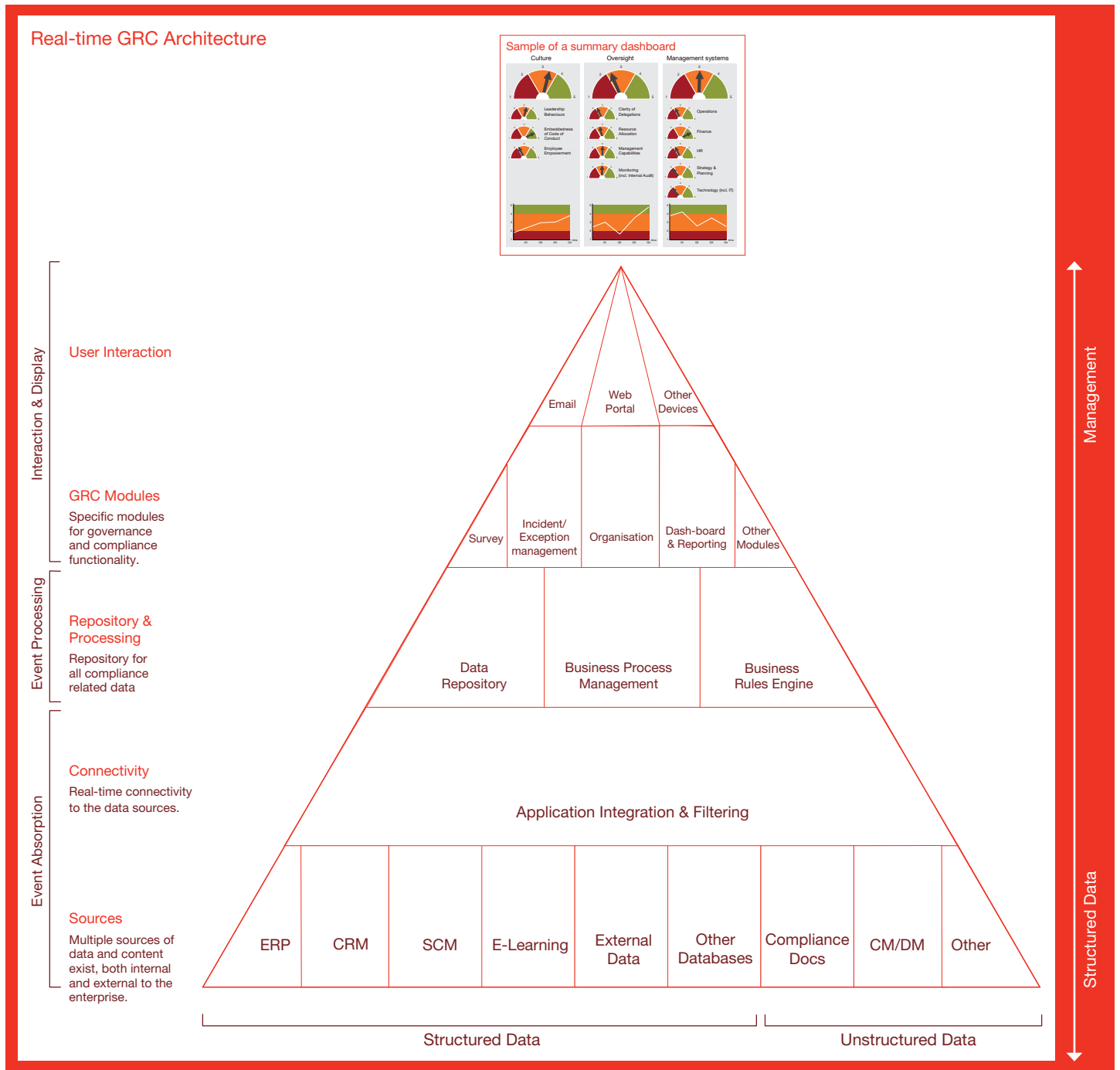
- **Reporting & Dashboards** - The ability to monitor measure risk was a fundamental component of the approach which was supported via a real time dashboard and drill-down capability. This allowed the aggregation and filtering of data from both operational systems and risk management activities within the bank.
- **Process Management** - Manual data gathering, certification and testing activities were automated by using a process management platform. This allowed manually intensive operational risk activities to be managed globally in a consistent and scalable manner.
- **Document Management** - The document management platform provided the capability to manage spreadsheets and Visio process documents in an effective and sustainable manner. This was achieved by standardising document templates which allowed the platform to extract data from inside the documents which could then be fed into dashboard and reporting environments.

- **Data Storage and Integration** - The ability to integrate with existing systems and data warehouses was supported by using an integration platform which allowed systems and data sources to be integrated without extensive development.

Rather than reinventing the wheel, the framework brought together existing technologies, applications and approaches that our client had already adopted. The technology framework focused on:

- Enabling a comprehensive and automated approach to integrated risk management that compliments our client's existing technology investments;
- Utilising a business analysis driven approach that reduces significantly the time and risks involved in creating and deploying an integrated risk platform;
- Using a proven and mature set of enterprise technologies that are often already deployed and available within our clients;
- Enabling us to differentiate our proposition from our competitors by incorporating the technology framework with our ground-breaking approach to integrated risk management.

Integrating governance with technology



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Outsourcing with confidence

Outsourced operations need special consideration from a governance perspective. Oversight is less direct. Management systems are less integrated. And culture and values may not be fully aligned, particularly in different cultural contexts.

Outsourcing effectiveness is emerging as a key competitive weapon for organisations to succeed within their markets. The outsourcing of strategic services has the potential to significantly impact the business - both positively and negatively. The board and regulators are increasingly focused on ensuring that outsourcing commitments and associated risks are effectively managed.

Issues our clients face around outsourcing and shared services

- Early outsourcing efforts focused principally on cost reduction in back office functions. Today companies increasingly believe that they can gain competitive advantage by broader alliances in new areas such as human resources, procurement, R&D and product development. Obtaining this competitive advantage involves developing in-house or third party outsourcing strategies that allow organisations to really focus on their core strategic competencies.
- Many companies have gradually developed shared services or captive centres and deeper outsourcing relationships as needs have arisen. However, few seem to have strategically examined their value chain to ensure that they are obtaining the optimal mix of flexibility, cost and competitive edge.

Outsourcing risk management

The dependency of organisations on outsourced service delivery practices is growing in terms of scale, complexity and strategic significance.

- 70% of firms in a recent PwC survey (May, 2007) outsource one or more strategically significant activities and over two thirds now depend on multiple suppliers to provide services
- Over 90% of firms surveyed will be outsourcing again even though 66% are not fully realising the expected benefits.

Increasing regulatory focus and multiple high profile outsourcing failures are leading many boards to question whether they have sufficient confidence* that their outsourcing commitments are being effectively managed and that their compliance and risk management status is not being undermined by the involvement of multiple third parties.

This is a valid concern as weak governance of outsourcing is recognised as a leading indicator of high risk arrangements. Our recent research highlights that this is an area where many organisations struggle.

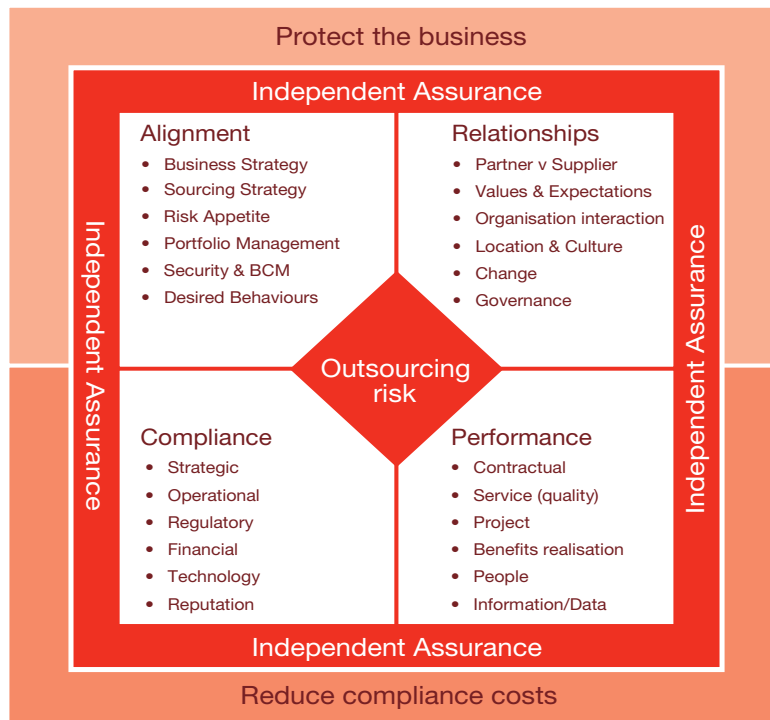
- Over 50% of firms believe that they lack the experience and skills to establish and run an effective outsourcing governance capability.

Our experience is that those organisations who enable an effective governance and risk management capability to support their strategic outsourcing initiatives typically realise higher benefits and can create significant competitive differentiation within their markets. It is our view that the board have an important role to play in ensuring that strategic outsourcing initiatives are effectively governed and controlled.

Outsourcing with confidence

Outsourcing Risk Focus Areas

Identifying the key risks of outsourcing can be a challenge. From our experience of helping organisations diagnose and improve their outsourcing risk management we have established a methodology to help our clients accelerate the journey to their desired status. The typical areas we focus on are outlined in the diagram below.



Case study

The board of a leading entertainment and media organisation requested clarification of the effectiveness and compliance status of their strategic outsourcing commitments. We were engaged as a trusted advisor and coach to support the client team in developing the necessary skills and knowledge to be credible in their engagement with the business. We supported the board in prioritising the risk landscape and provided deep subject matter expertise when required to support the compilation of findings and recommendations to the business. We continue to support the client in sustaining an optimal outsourcing effectiveness status in our capacity as an independent advisor.

Case study

The board of a FTSE 100 leisure company raised concerns that their dependency on a strategic outsourcing commitment for IT services was representing increasing risk to the business. We were invited to review their outsourcing commitments in this area with a view to providing guidance and assurance on the effectiveness of the outsourcing arrangement and how they may establish and sustain an effective outsourcing governance capability. We conducted our review successfully and were able to rapidly identify the key areas of weakness that they had to address. We were subsequently invited to provide on-going guidance and assurance that the governance and risk management relating to this and other strategic outsourcing commitments were operating effectively.

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Human impact

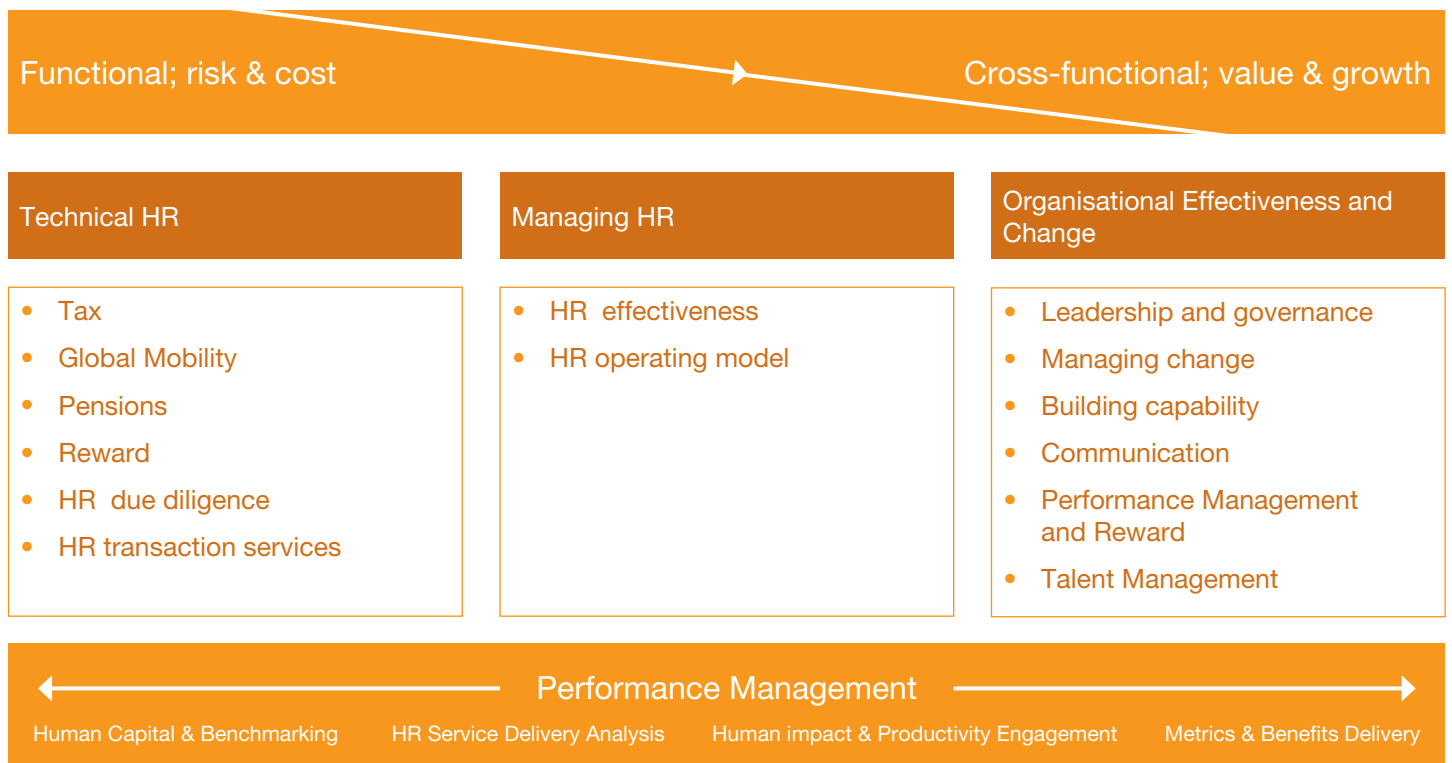
CEOs are primarily focused on two issues: delivering growth and optimising the impact of employees at every level. Human impact is central to the performance agenda for both cost (employee costs are the largest P&L item) and value (it is people, not systems or processes, that deliver strategy).

Global acquisitions, integrated supply chains, localisation of the customer experience and rampant regulation increase the for a simplified 'golden thread' between human impact at the front line and shareholder impact at corporate level. Businesses have 'done' technology and the supply chain, offshoring, outsourcing, commoditisation of communication and the standardised internet processes are removing the barriers to competition. Productivity and performance management are the next big challenge and in most cases harnessing the potential of human impact coupled with the organisation's ability to change quickly are the only remaining source of competitive advantage.

But top down, Linear change programmes are problematic; eight out of ten fail. Nine of the top

reason are people issues. Change is becoming broader based and faster paced, requiring predictable outcomes for shareholders and regulators, but diverse and personal outcomes for customers and employees. New approaches are required to human capital benchmarking, performance measurement and staff engagement in change.

PwC's HR Services and Performance Improvement practices work with clients across the spectrum; from the technical issues that are owned in the HR function, through the organisational issues that shape the structure and the strategy of HR, to CEO sponsored initiatives to maximise the effectiveness of the organisation as a whole.



Human impact

The three elements of effective people management

Technical HR

The impact of sweeping legislative change and increasingly prescriptive regulation combine to create additional complexity in technical HR issues for organisations of every size. Greater public scrutiny and enhanced employee awareness have brought governance procedures and communication into heightened focus.

The complexity of these issues is exacerbated in the current environment of fast paced globalisation, increased mobility of people, greater data availability, increasingly sophisticated remuneration packages, and intense competitive pressures.

Risks might arise from the following areas:

- HR tax, accounting for people, reward plans and pensions
- Legal and regulatory risks particularly where there is an international element
- Impact of HR issues on the effectiveness of transactions

Opportunities to improve might include:

- Better alignment of performance measures and incentives with the business agenda
- Improved employee choice and benefits because of the new tax simplification regime
- Better upfront planning for people in transactions
- Tax optimised remuneration and share plan structures

Managing HR

As pressure from executives and from competitors increases, the role of the HR function in designing policies and programmes as well as providing tools for management to drive performance increases. The result of PwC surveys of executives still indicate that HR functions are not fully meeting their expectations for quality of service and business impact.

HR Effectiveness

Establishing how effectively HR supports the business means understanding whether it has the right balance in its operating model between; establishing world class policies, supporting management and delivering high quality services - at the lowest cost. But before implementing a significant change or a new policy or programme it is necessary to understand the current environment and the real drivers for change.

HR operating model

Most HR functions have been through a transformation process, some several times as they seek to improve alignment with business objectives and improve performance at reduced cost. However the Saratoga Shared Service index™ indicates that the most expensive HR shared service centres are still approximately twice the cost of the least expensive.

The impact of technology changes, the renewed trend in end-to-end HR outsourcing and the demands made on HR to support increasingly global businesses mean that HR must continually re-invent its operating model to meet the needs of the business.

Organisation Effectiveness & Change

The average tenure of a CEO, now just three years, underlines the expectation that results need to be delivered quickly. At the same time the increased scrutiny of multiple stakeholders and regulators puts the focus on how results are achieved as well as what results. All of the pressures of organisational effectiveness ultimately lead back to the subject of people effectiveness. Effective human impact is dependant on;

Leadership alignment; a CEO drives change and performance through his or her business segment, regional and functional leaders. Any difference of view or approach within the team is magnified exponentially as it cascades to the front line.

Simplification and standardisation; this isn't just about process or systems simplification – successful attempts to reduce complexity focus on consistent communication of straightforward objectives, linked to an individual's role definition and accountabilities, reinforced by robust performance management techniques.

Managing change; achieving tangible results in any change requires a robust technical plan, clear metrics and rigorous analysis. But sustaining those results requires improving the capability of leaders to drive change, engaging employees in the journey and training them to perform new roles.

Measuring change; no change can be managed unless it is measured. Sustained change involves clear articulation of the case for change, measurement of changes required for each stakeholder group and the identification and tracking of KPIs.

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Putting the culture in context

The Risk Culture Survey provides valuable insight in helping management understand the effect or impact of existing risk issues on the organisation. It provides a vehicle for management to gather large amounts of data pertaining to the company's risk and control culture, across the organisation, collected and summarised in efficient and effective way.

Key Attributes and Key Indicators of Effective Risk Management

The Risk Culture Survey questions are categorised and analysed along the following Key Attributes and Key Indicators of effective risk management and control.



Leadership & Strategy

Integrity & Ethical Values

- "Tone at the Top"
- Personal ethical practices

Communicate Mission & Objectives

- Policies & procedures
- Top-down alignment of strategy

People & Communication

Commitment to Competence

- Employee competence
- Training

Information & Communication

- Information quality
- Top-down communication
- Communication across processes

Accountability & Reinforcement

Assignment of Authority & Responsibility

- Assignment of ownership
- Demonstrated accountability

Human Resource Policies & Practices & Performance Measurement

- Performance indicators
- Incentives & discipline

Risk Management & Infrastructure

Identify & Assess Risk

- Risk assessment practices
- Risk tools & processes

Establish Processes & Controls

- Process reliability & efficiency
- Control effectiveness & efficiency
- System access & security

Putting the culture in context

Use of Risk Culture Survey (RCS)

As a result of using the RCS, many companies have identified specific areas where they have requested further follow-on activities from PwC, for example:

- Enterprise risk assessments
- Control evaluations
- Helping clients recognize need for more formal Risk Management training programs, which PwC has helped develop and execute
- Development of more formal / holistic compliance programs
- Helping clients enhance or develop enterprise wide risk management programs

As the survey results reveal a “menu” of needs (specific strengths and weaknesses identified), unique to each client, the number and combination of add-on opportunities are virtually limitless and again, unique to each client.

In addition, we see the survey being used at different points within an engagement - sometimes as a planned step in the midst of an existing engagement, sometimes kicking off a new engagement, while other times as an add-on to an engagement.

Further, we are seeing an increasing number of clients conducting the survey on an annual basis. Once they've completed their first survey and identified issues needing improvement, PwC helped them implement programs to take actions to make the desired improvements. The survey had also been repeated on a regular, ongoing basis to measure their progress against the benchmark which they have established for themselves in the prior year(s).

The survey has been used globally, by US and non-US based companies, and we have the ability to host surveys and collect data in any language.

Client Testimonial

“Our company utilized the PwC Risk Culture Survey as part of the Sarbanes-Oxley 404 project. It has proved invaluable in helping identify our strengths and weaknesses against the key attributes of effective risk management and in helping us assess ourselves against the various elements of the COSO framework, which would otherwise be difficult to capture. The survey was easy to use for our employees and the feedback from PwC was both timely and easy to interpret. We will be using this again next year!”

Sarbanes-Oxley 404 Project Manager, Global Public Manufacturing / Engineering Company

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From crisis to strategy

A regulatory crisis can manifest itself in a number of ways. For example a whistle blower may take a stand, an internal audit review may uncover a breach or an inspection may identify an issue. Regardless of how the regulatory issue materialised it is vital that a structured approach is taken in response to a reported breach.

We have developed a four step approach to regulatory remediation that is structured to ensure that issues are kept under control as far as possible and the interests of stakeholders are properly addressed.

Step 1: Scoping

It may seem obvious that careful scoping is required but often fundamental mistakes are made at this critical stage. It is essential that the precise nature of the issue is identified, the scope determined and sufficient due diligence undertaken. It may be identified that there is no issue at all. Where something is uncovered, it is vital to assess the effect it could have on:

- The organisation
- Its reputation in its business community
- Its stakeholders and their reputations.

Information will often be imperfect at this stage and a degree of judgement will be required to perform the risk assessment from what is known.

Instead of approaching these issues from a purely legal standpoint, we make sure you assess the full range of potential business consequences and set up the correct response. This can include scoping the potential need for financial restatements, safeguarding trading arrangements, ensuring brand protection and dealing with the important people issues that tend to run alongside any investigation.

Step 2: Investigation

Often the organisation's Audit Committee will take charge of an inquiry, to ensure proper separation from management and executives who might be tainted. Investigations can be complex and will often require the support of experts from a wide range of business disciplines.

We have experience of supporting these activities; we also know that the support of independent experts with a strong brand, known for objectivity and professionalism is invaluable in demonstrating to stakeholders and regulators that the organisation is taking the matter seriously. Some regulators have commented that the degree to which a thorough investigation is undertaken internally, alongside an effective remediation programme (see later) is a factor in determining the degree of sanction they apply. We firmly recommend taking a pro-active and fully transparent approach in engaging with the regulator.

The investigators need to have unlimited access to people, documents and any other information they believe they need. The evidence needs to be carefully collected, to ensure that it is not manipulated and remains admissible. Often this requires specialist support from forensic technology experts, another area where we are often asked to help. Time is of the essence, but the investigation needs to resist pressure to cut corners, even if corporate reporting dates are imminent.

The investigation must establish the facts supported by documentary evidence where possible. Often we work alongside external legal counsel to safeguard privilege and to ensure the right combination of skillsets is brought to bear. Key questions include: Has the alleged wrongdoing actually happened? Who was involved? What was the underlying intent? Who else knew? When it comes to knowledge on the part of senior management, then the question of integrity is critical and the materiality of the amounts involved is largely irrelevant. So the investigation must also conclude on the facts to the extent possible and consider what the next steps might be.

From crisis to strategy

Step 3: Remediation

Once all of the facts are known, there are three important activities in the remediation area:

Firstly, there is the need to deal with any sanction or penalty from the regulator. This is a critical area where external help and support is often essential. The regulator will be looking for transparency and full disclosure and the process by which this engagement is managed can be a significant determinant in the extent of the sanction and the speed with which matters can be concluded. We have significant knowledge of the regulatory environment and provide support throughout the engagement process.

Secondly, there is often a need to take remedial action, such as restating financial statements, addressing taxation consequences and, in the more extreme cases, exiting a market or addressing staff disciplinary matters. All of the activity takes place under a spotlight, as the market is often aware of what is going on and will be looking for any sign of weakness. Having an effective communication plan here is critical as is making sure that the right experts are on board.

Finally, executive management need to begin to consider the underlying root causes of any incident, to assess whether or not it is isolated and to start to understand what they can learn to ensure that it does not recur. It is essential to investigate and analyse the underlying causes and establish a comprehensive programme of work around remediation. This can include topics such as an organisation's policies, its ethical values, its culture, governance arrangements and business principles right through to the way that the organisation engages with its suppliers, customers and business partners.

Remediation work may simply require a restatement and reinforcement of policies but, in our experience, it is more likely that a wider programme of change will be required and this, in itself, can be one of the activities that helps rebuild the organisation's brand and market confidence. The implementation programme can prove to be a major distraction from normal business activity and it essential that the correct expertise is retained providing the extra capacity and drive to ensure that a full remediation programme is completed.

Step 4: Compliance

Having addressed the issue, and completed the remediation it is vital that preventative measures are taken to avoid a repeat.

Establishing new procedures and tightening codes of conduct is essential. This should, as far as possible, embed a preventative focus to stop regulatory problems from recurring. If problems do arise in the future employees should be encouraged to come forward with details of potential irregularities that they become aware of so that action can be taken at an early stage. Establishing a highly regarded and rigorous control and governance structure will help to minimise the damage to an organisation's reputation and will re-establish confidence in management.

The regulator or the examining judge can often take the establishment of an effective control and governance regime for the future into account when deciding whether to demand a formal inquiry or to dismiss the case.

How can PricewaterhouseCoopers help?

End-to-end solution	Scoping	<ul style="list-style-type: none"> • Clarity on the issue • PwC mandate • Shaping full scope • Risk assessment • Work prioritisation • Project planning
	Investigation	<ul style="list-style-type: none"> • Collecting and securing data • Fact finding • Analysis • Identifying cause and effect <ul style="list-style-type: none"> • Reporting (Why, What, Where, When and Who and recommendations on action) • Risk assessment • Identify underlying drivers • Log wider issues
	Remediation	<p>Closing out the old:</p> <ul style="list-style-type: none"> • Remedial actions • Restate accounts / tax returns • Settlement • Support lawyer's dialogue with regulator on penalties • Agree level of monitoring • Report to the regulator <p>Designing and implementing the future:</p> <ul style="list-style-type: none"> • New policy, procedures, controls • Capabilities, Governance • New sustainable compliance structure • Culture and reward arrangements • Implement new design
	Compliance	<ul style="list-style-type: none"> • Handover 'steady state' • Support operation of compliance and assurance function • Continual improvement

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Managing the regulator

PwC has a track record of work with a variety of regulators across all market units. This work includes projects assisting regulators to understanding the implications of their regulatory strategy and the secondment of skilled individuals to enhance the technical capability of the regulators. The PwC Regulatory Compliance talent pool has been bolstered by the recruitment of large numbers of individuals who have worked at regulators. When combined with our detailed understanding of business this enables PwC to provide credible, and relevant advice on regulatory compliance, including assistance on managing regulatory relationships.

The Administration Burden Measurement Exercise (ABME)

The firm was commissioned by the Cabinet Office to undertake the ABME which involved working with all the UK government departments that have regulatory roles (other than HMRC). The assignment involved four stages:

- Identification of all the regulations that exist
- Identification of the requirements under the regulations for businesses to provide information to stakeholders
- Estimation of how many times per year the information has to be produced and how much it costs
- Assessment of whether organisations would provide information anyway, regardless of the regulations.
- The key headline findings were:
 - 1,500 regulations were identified (including European regulations and directives)
 - 20,000 obligations within the regulations
 - The total cost of meeting these obligations was estimated to be £13 billion (which is 1.5% of the UK GDP)
 - The top 250 obligations account for 85% of the cost estimate.

Based on the work we did on this review we have run training courses in the UK for government on regulations and we have done work for the Government of Victoria in Australia and for the Irish Government.

“There is a clear rationale for reducing the administrative burden that regulations impose on business. Complying with the information requirements of UK regulations is estimated to cost some £20-£40 billion p.a. This can hamper business, channelling resources away from more efficient uses and act as a constraint on innovation, productivity and growth.....The government needs new mechanisms to reduce the administrative burden and the total quantity of regulation that businesses and others face”

(“Less is More – Reducing Burdens, Improving Outcomes” a Better Regulation Task Force report to the Prime Minister.

March 2005)

Managing the regulator

Consumer Credit Act 2006 (CCA)

An example of the work that we have done on a specific regulation relates to the Consumer Credit Act of 2006. We were appointed by the DTI to examine timing and cost issues with regard to the CCA. The DTI had estimated the cost of compliance but the financial institutions that they had consulted believed the requirements to be considerably more costly and fundamental.

We identified that the CCA represents a business critical piece of regulation that will require significant process change with a cost of compliance of approximately £500 million (about 6.5 times the initial DTI estimate).

While CCAs have existed since 1974 there has not been effective engagement between the DTI and the institutions so few had an effective joined-up approach to compliance. The level of preparation for compliance with the CCA 2006 was, therefore, limited.

Given our credentials regarding CCA compliance we were appointed by a leading bank and a mail order company to assist with their compliance issues.

SEC

In the area of forensic accounting the firm has conducted investigations of, inter alia, Aetna US Health, Royal Ahold NV, Cable and Wireless, Computer Associates, TXU Corp, Xerox, Network Associate, Microsoft and McKesson HBOC. We have provided expert witnesses in a number of securities litigation matters – on behalf of both plaintiffs, defendants and the SEC.

The PwC Securities Litigation Database contains details of shareholder class actions filed since 1994. All cases are tracked and issues analysed, including whether the case is accounting related and settlement data.

FSA - Section 166 report

We delivered a comprehensive s166 report to the FSA on a major investment banking business. This sensitive issue that arose in the regulatory reporting area. This work gave the business a better understanding of the need to take direct interest in and ownership of important aspects of compliance and regulatory reporting, pushing a behavioural shift away from just reliance on the compliance function. It highlighted weaknesses in structure and communication and therefore the manner in which the business understood regulation and compliance and conversely how compliance understood the business.

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Investigations

The investigation of any issue, particularly financial crime, requires a thorough, professional and tactful approach. You, your shareholders or your customers will want the reassurance of an effective response should the need arise.

Investigate

Establishing facts is crucial when faced with an allegation or incident. Has the event actually happened? Who is culpable? Could it have been prevented? Can losses be established and recovered?

We combine individual experience of investigating financial crime and corporate fraud with cutting edge technology to assist in the identification and securing of evidence. Our industry knowledge and geographical cover is all that you'd expect from the world's largest professional services firm.

Our team of professionals include:

- Certified Fraud Examiners Forensic accountants
- Former law-enforcement personnel Research & information professionals
- A dedicated Forensic Technologies team

Our objective is to establish the key facts of any given situation and deliver findings and evidence in a manner that allows the implementation of recovery or remedial actions and helps manage the interests of third parties, be they law enforcement, regulators or customers.

Analyse

The analysis, review and storage of collated material is a necessary process in identifying key evidence. The quantity of data and information gathered during an investigation will vary depending on the circumstances. Through the application of our industry and professional experience and the utilisation of appropriate software solutions, relevant evidence and information can be identified, retrieved and presented effectively and efficiently.

Once established, the facts need to be understood in context. By drawing upon our technical and industry knowledge we are able to focus on key issues, quantify potential losses, help you consider wider implications of any misappropriation, theft or other financial crime, and provide practical support and advice in developing a strategic response.

Investigations

Resolve

Should you decide upon civil, criminal or other forms of remedy we can offer support throughout the process. Any stakeholder to the business may have an interest in the outcome of an investigation. Whether dealing with law enforcement agencies, regulators or other parties we are able to assist in managing your position and the preparation of your case.

Even if you have so far avoided any such misfortune, you may wish to consider taking steps to mitigate the future risk of financial crime. Even the most robust and apparently sound internal controls can be circumvented by the determined fraudster. In response our experienced professionals have developed fraud risk management solutions that in tandem with proactive fraud risk reviews and the right allocation of governance responsibilities can help reduce your organisation's exposure to financial crime.

Proactive or reactive, either way PricewaterhouseCoopers LLP can help you fight the threat of financial crime.

Our team of professional investigation specialists assist blue chip, top and mid tier companies, government departments and regulators with the resolution of major issues, including:

- Senior Management impropriety Accounting irregularity
- Regulatory breaches Employee investigations
- Corruption investigation Financial Crime Governance
- Anti money laundering services Fraud Risk Management solutions
- Procurement fraud Asset recovery

These solutions can be called upon in each of our business areas across the globe – Europe, the Americas and Asia Pacific.

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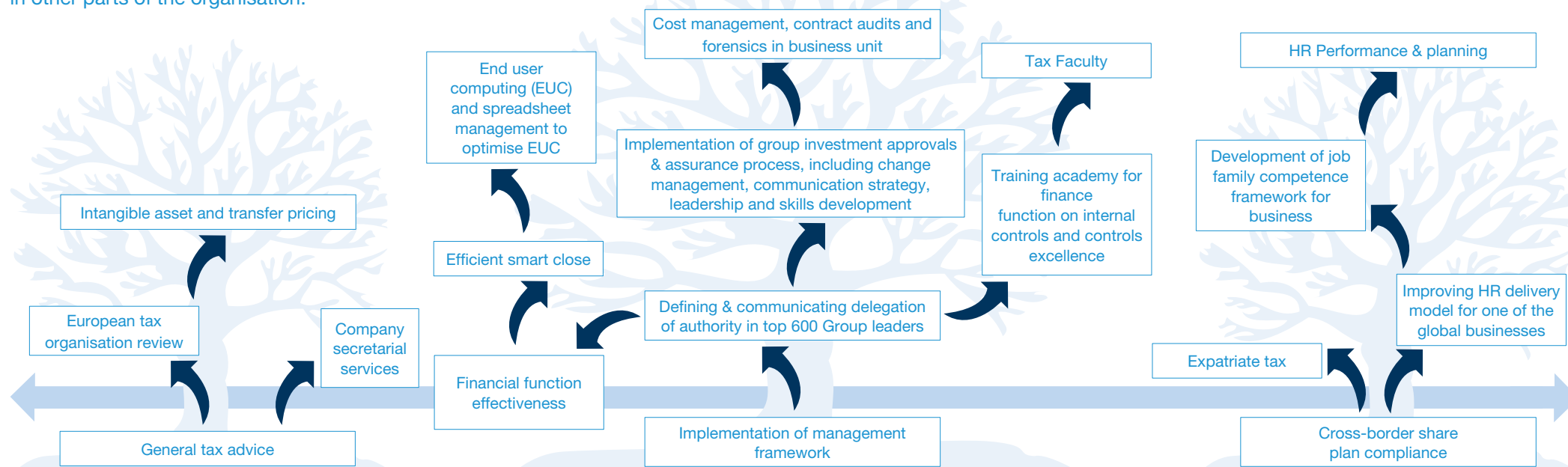
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Extended case study

Our work with one client has grown organically over a period of years, with knowledge and information obtained through one engagement being leveraged to secure and deliver other engagements. As shown below, building from supporting a client implementing a management framework across its organisation, we gained valuable insight which has led to relationships and intelligence on where further support might be required. The relationships developed through initial projects have been nurtured to deliver further opportunities in other parts of the business. Through connected thinking we are able to identify where the principles used to deliver one piece of work could be equally applied in other parts of the organisation.



European Tax Organisation Review

The company undertook a review of its European Tax organisation which led to PwC being appointed as external advisors.

PwC was appointed to carry out a range of tax compliance and consulting services across a number of European territories. The service is characterised by local relationships and local delivery but is held together by a co-ordinating London based tax Partner. This coordination role has helped to ensure consistency in our service delivery, leveraging thoughts and ideas across the territories and a process for troubleshooting or escalation, if required.

Implementation of management frameworks

The organisation developed a management framework which defined accountabilities and how they should be cascaded within the organisation. The vision and approach needed to be shared by group leadership and other senior management.

PwC worked with the organisation to run the implementation process. Our team of change management, communication and employee engagement experts worked with the business to deliver effective implementation across the business. We designed and delivered workshops, provided coaches to group leaders, facilitation teams and logistics management.

Finance Function Effectiveness

The organisation recognised that a significant opportunity exists by achieving broad standardisation and simplification across its Finance function.

PwC built a case for change through summarising and sharing lessons learned from other companies, development and socialisation of a common framework which defined the Finance function's position, identification of challenges and support for planning implementation and roll out.

Capability and competence

The organisation wanted a process to answer questions related to what are the key skills and knowledge needed in employees' roles in a specific business and how do individuals find the right training to bridge their skills and knowledge gap.

Working in conjunction with the business, we were involved in a pilot to develop skills and knowledge profiles, defined development paths and training curriculum for each team. We reviewed the results of the pilot and provided a series of recommendations for how the pilot could be extended across the business.

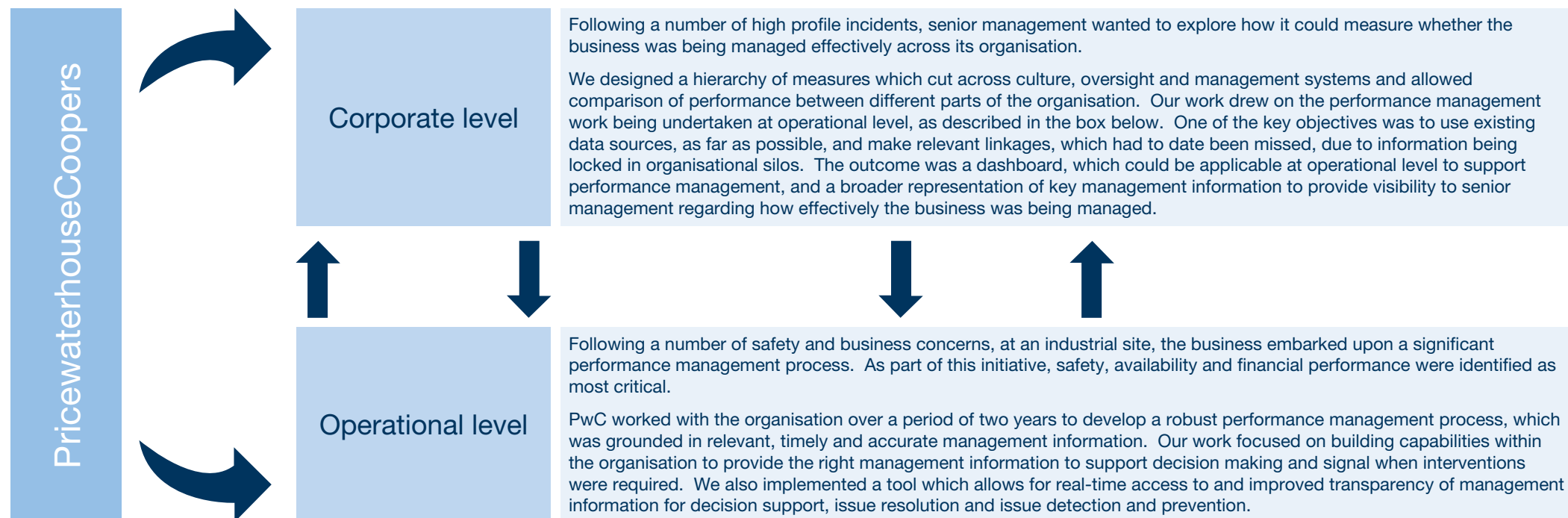
Extended case study

In developing and implementing effective governance mechanisms that are meaningful and work practically, the top-down and bottom-up interactions between corporate and operational levels are critical.

The case study below demonstrates how by working at different levels within an organisation, PwC was able to support development of a performance management process that delivered the right management information:

- required by the Board to have sufficient oversight of the business; and
- for operational sites to help them better manage their performance.

Our joined-up approach led to greater cohesion amongst different elements across the company.



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Preparing for the CEO conversation

Most companies are on a journey with their governance, with the intended direction of travel being towards more efficient, effective and broader governance, supported by appropriate measurement mechanisms. The impetus for change is often a high profile incident of non-compliance, or evolving legal requirements (e.g. US Federal Sentencing Guidelines, Foreign and Corrupt Practices Act, Sarbanes-Oxley Act). However, the response usually goes beyond legal compliance, takes account of the need to win hearts and minds, and seeks to achieve the wider performance benefits which have been shown to be correlated to good governance.

Key contextual triggers

- Ability to get things done and make change stick
- Degree of industry regulation
- Extent of activity in high risk overseas locations
- Recent incidents in competitors and peers
- Implications of listings (e.g. SEC)

The approach organisations take to develop and embed appropriate governance mechanisms is influenced by a number of factors. The boxes below show examples of the fixed and controllable factors that influence the nature of governance developed and the implementation approach used.

In preparing for a conversation, with the Chief Executive it would be useful to consider what factors have influenced the evolution of governance within the organisation and how this might change going forwards due to internal and external factors.

Fixed influencers of governance

- Geographical footprint
- Extent of regulation
- Mix of blue/white collar workforce
- Use of contractors
- Simplicity and/or complexity of organisational structure and workings
- Business-to-business versus Business-to-consumer
- Tangible and/or intangible impact of failures and non-compliance

Controllable influencers of governance

- Culture of accountability
- Tolerance to non-compliance
- Culture of checking versus trust
- CEO's management style
- Centralised versus decentralised control
- Flat or hierarchical management structures
- Rules based versus principles based approach
- Stock exchange listings

Preparing for the CEO conversation

The template below was used for a conversation with the Chief Executive of a multi-national corporation to support discussions regarding the broad context of governance. The template was populated by account team members working closely with the client. The output provided a valuable mirror to the Chief Executive of how his organisation was perceived to operate. This prompted rich discussions regarding the key challenges for the organisation and highlighted areas where we could provide support.

Benchmarking Framework		Very limited	Growing acceptance	Universally prevalent	Best practice	Experience
Culture & Values						
<ul style="list-style-type: none"> There is a unified tone from the top on our culture & values The majority know and practice our code of conduct Ethics breaches are followed up rigorously The ability to say it as it is or challenge established assumptions Bad news gets to the top without filters There is clarity about how decisions get made 						
Oversight						
<ul style="list-style-type: none"> Everybody knows what is expected of them to get the job done Everybody has clarity of their colleagues' objectives Everybody is evaluated and rewarded in line with their objectives Risks are clearly identified and prioritised Resources are allocated according to risk priorities Monitoring is an integral part of our management process Risk areas identified are pursued rigorously Problem areas rarely reoccur on the risk register 						
Management Systems						
<ul style="list-style-type: none"> Our systems are joined up Our non-financial controls are robust Our systems are predictive and provide root cause for incidents We are in full control of the risks in our supply chain Our level of complexity is understood and consistent with scale We have common standards and ways of doing things Our people are fully compliant in the operation of our systems Learning and development addressing governance, regulation and compliance 						

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Broadening the client conversation

One way of beginning to broaden the client conversation is to explore what governance arrangements are in place in various policy areas. The resulting conversation can provide an opportunity for a more detailed discussion of the services contained in this booklet. Inspired by “The Art of Effective Business” initiative, the table below can be used to help to broaden our understanding of the client and its governance arrangements, and represent it in a simple high level diagram.

We report to our clients in the following illustrative summary format, supported by detailed recommendations. The governance components (the rows in the table) will be tailored to the clients’ organisational structure and approach to governance.

		Implementing Effective Governance								
		Detailed policy area (which should map to risks)	Risk assessment performed	Policies and procedures defined	Policies and procedures rolled out	Policies and procedures embedded	Management monitoring (e.g. self assessment, management testing)	Internal Assurance	Enforcement action and follow up of exceptions	External Assurance
Governance Component	Culture and values	Code of Conduct								
	Oversight	Clarity of Delegations, Resource Allocation, Management Capabilities								
	Management systems	Strategy and planning								
	Management systems	Quality, Environment, Health and Safety								
	Management systems	Other operational risk (e.g. R&D)								
	Management systems	Human Resources								
	Management systems	Information Technology								
	Management systems	Legal								
	Management systems	Financial reporting								

Our views: Poorly governed Requires attention Well governed

Broadening the client conversation

Framework agenda

The detailed agenda will vary by company, and also in each area of governance, but would typically include the following basic elements:

- **Group context** - As a company operating within a wider group, what is the overall framework within which local governance is situated? What special considerations arise from local laws and regulations, and characteristics of the local business? How are local variations in governance arrangements approved and managed centrally? What is the line of reporting for governance matters to board sub-committee level? What is the role of culture and values in governance, centrally and locally? How are relevant aspects of culture and values surveyed?
- **Objectives** - Governance objectives can range from basic legal compliance, through wider risk avoidance and issue management, to driving performance. Are there any areas where there is a wide gap between internal expectations and legal and regulatory requirements (e.g. customer service)? How are new external requirements identified and dealt with?
- **Risk management** - To what extent have relevant risks been formally identified and prioritised? How often is the status of risks updated and monitored?
- **Reach** - The organisational boundaries which need to be addressed by governance are not self-evident. Suppliers, contractors, outsourced operations and business partners all contribute directly to business success or failure, as well as indirectly by association. What is the reach of governance outside the core organisation, and the mechanisms for monitoring it (e.g. monitoring of subcontractors, business partners)?
- **Governance framework** - What framework/ language of governance is used (e.g. policies, procedures, standards, guidelines, code of conduct)? Is there a definitive register of all current (and recent) documents relevant to governance? Does the risk register reconcile to the contents of the code of conduct, and the coverage of policies and procedures?
- **Training** - What initial and ongoing training on governance matters is in place, and what training needs analysis has taken place? Is governance covered in new employees' induction process? How is existing employees' training refreshed/ updated?
- **Monitoring** - How do you know you are complying with all the relevant laws, regulations, and internal policies, procedures, commitments and goals? How is the ongoing effectiveness of governance arrangements monitored (e.g. leading and lagging indicators, input and output measures)? Where management self-certifications are used in monitoring, who is required to sign, and what are they required to do in support of their declaration? What supporting mechanisms are in place to ensure these obligations are met?
- **Enforcement and follow up** - How do you identify and follow-up adverse incidents? How do you minimise the occurrence of adverse incidents? How do you ensure known problems are addressed?

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