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Section 1

Compliance & Control – An overview
Compliance & Control

In recent years, compliance and improving control have been at the top of the CFO’s agenda. The future finance function needs to optimise risk management, compliance and control to establish a sustainable cost effective control environment, which not only meets today’s requirements but is also flexible for future changes in regulations.

Compliance and control is all about:
- Treasury: Risk Management
- Treasury: Banking & Cash Management
- Internal Audit
- Controls
- Tax Management

Our services
- Internal Controls Optimisation
- Statutory Compliance Management
- IFRS

Select Case Studies
- Assistance in complying with Audit requirements
- Treasury Review
Financial risk management: Effective management of financial risk (credit, foreign exchange, interest rate, and commodity) across the business by treasury and finance teams to reduce net interest costs, financing charges, foreign exchange effects and credit losses.

Features of good practice:

- Full visibility and management of the currency effects on business operations including both direct transactional cash flows and indirect exposures;
- Widespread understanding throughout the business of the risks around foreign exchange, commodity and credit;
- Centralised visibility and policy setting for commodity price risks;
- Effective treasury operations to manage financial risks, hedging exposures and providing efficient financing to the business;
- Robust group risk management policies in place with measurable objectives;
- Clearly defined responsibilities for reporting exposures, managing risks and executing policy with aligned performance measures at treasury and business units;
- Centralised counterparty credit policies;
- Strong control environment in central Treasury including segregation of duties, and
- Straight-Through Processing of treasury transactions.
**Treasury - Banking & Cash Management**

**Cash management:** Effective management of cash and banking arrangements within the business operations by finance teams to reduce net interest costs and financing charges. Particularly important in more highly leveraged businesses.

**Features of good practice:**
- A culture of “cash is king” in business finance operations;
- Treasury / finance management has visibility over cash both current and forecast, and is involved in decisions relating to cash throughout the business supply chain (discounts, terms etc.);
- Centralised banking relationships with a small number of designated transaction and relationship banks. Processes set up for monitoring bank performance, services etc;
- Use of in-house banking capabilities and payment factories to reduce bank fees;
- Automated cross-border cash pooling in place;
- Finance takes advantage of supply chain and receivables financing where appropriate;
- Minimal idle balances around the Group, and
- Low levels of trapped cash.
**Internal Audit**

**Internal Audit:** The growing complexities of operating in a global environment, advances in technology, and faster pace of business combined with stricter accountability for accurate financial reporting and increased regulations has led companies to view risk management and internal controls as fundamental to their business operations. Many internal audit functions have therefore adopted wider risk and control responsibilities which include assessing the effectiveness of financial and operational controls as well as providing assurance on compliance with laws and regulations.

**Features of good practice:**

- Independent and objective function with a prominent stature across the organisation with clear reporting lines to the CEO and Audit Committee.
- Cultivates active two-way communication with the key stakeholders e.g. key management, auditees, external auditors, credit rating agencies.
- Clearly defined role that is aligned with the strategic objectives of the organisation and coordinated with other risk and controls functions within the organisation and goes beyond internal controls / financial controls to other areas such as integrity of reporting and operational efficiency.
- Provides assurance over the risk management process and evaluates the effectiveness of internal controls. Continually monitors changes in the risk exposures and amends the audit plan accordingly.
- Utilises technology to maximise audit effectiveness e.g. integrates IT audits with traditional audit programmes; deploys a number of technologies to assist with data extraction and analysis; uses audit software to automate issue tracking and reporting.
- Regular and clear reporting on systematic risk and control related trends arising across organization to key stakeholders.
- Proactively leverage internal audit knowledge and expertise and make it readily available to senior and business unit managers e.g. provides advice on business process and best practice, utilises global knowledge management database to share experiences emerging issues across the IA function.
- Established quality assurance programme that includes internal reviews (e.g. peer group review, feedback questionnaires) supplemented periodically by an external review (e.g. 3-4 years).
Finance controls: Having a robust control environment is no longer enough for top performing finance functions. Embedding those controls into everyday working both in finance and in the business in a sustainable and low cost way allows control and compliance to be an enabler for business performance rather than a resource drain.

Features of good practice:

- Finance function seen as a centre of excellence for control across all of the business
- Clarity in the control environment where variation from standard is not tolerated
- Integrated, organisation-wide electronic risk assessment performed annually
- Key risks and controls identified and documented for all significant processes
- Real-time controls improvement in place with long term cost effectiveness strategies
- Centralised control rationalisation programme
- Automated/standardised controls and processes monitored for continuous improvement
- Controls and assurance/attestation fully integrated through technology
- All risk and control compliance initiatives are integrated
- Real time monitoring with day to day management tools and continuous improvement
- New/improved processes implemented wherever possible across the group
- Clear and robust process optimisation plan developed and actions underway to implement
- All staff trained to the same standard on business practices
Tax Management

**Tax Management:** Tax functions allocate their time and resources between three core activity areas: **planning & support, reporting and compliance.** Tax functions typically aspire to reduce resources consumed by compliance and reporting, in order to focus on adding value through planning & support activity.

**Features of good practice:**

**Planning & Support**
- Has a clear written tax strategy, agreed with the Board, with progress monitored and reported
- Global business strategy, operational and corporate structures aligned with tax and financial strategy
- Appropriate time and resource available for creative ‘blue sky’ thinking and evaluation of planning ideas
- Tax ‘sits at top table’ when business change is being planned
- Has built a tax aware group culture, with effective business – tax liaison

**Reporting**
- Tax accounting and reporting processes integrated with wider financial reporting processes
- Tax reporting system linked to group ERP / consolidation system
- Strong tax controls environment
- Effective tracking and reporting of tax rate drivers, risk issues and contingencies
- Effective tax forecasting and modelling processes in place

**Compliance**
- Actively manages compliance risk, has instituted effective controls and conducts self audit
- End-to-end compliance processes and controls documented to facilitate streamlining and to identify and manage risk
- Strong oversight of global tax issues
- Effective tax sensitisation at point of data entry
- Entity tax compliance embedded
Section 2

Our services
Internal Control Optimisation

Is your organisation in a position to respond to changing risk profile and complexity?

• Internal controls in any organisation are never static and generally keep pace with changes in the external and internal environmental factors
• Organisations revisit the control environments not only in response to the changing regulatory requirements, but also when their businesses undergo change, when risk factors governing the business change, when organisation structures change, when systems change or people or their skills change
• It is imperative to keep pace with such changes, and make suitable adjustments to ‘the way of working’, and also document such changes to the existing SOPs / process manuals

The Internal Controls Optimisation (ICO) process

1. ‘As-Is’
   • Manual
   • Transactional
   • Complex
   • Not monitored

2. ‘Transition’
   Ensuring a well controlled migration to the new processes and systems

3. ‘To-Be’
   • Automated
   • Analytical
   • Simple
   • Easily monitored

Focus on:
• Getting to the right level of controls at the right cost to mitigate risk
• Improving performance within existing processes and business frameworks
Our services

- Agree with concerned stakeholders on high risk areas (processes) that need to be assessed in the control environment
- Deploy our proprietary Internal Controls Primers (ICAPs) and qualitative assessment tools, and identify control gaps by benchmarking ‘As-Is’ practices against the best-in-class
- Review focus areas highlighted by the ICAP results and identify suitable practices to address the same
- Assist in implementation and recommend continuous improvement practices

Value add

- Drive value to the organisation by identifying relevant risks and controls that have a material impact
- Allows the organisation to be transparent about its processes in a controlled manner, which enhances stakeholder confidence
- Minimises the cost to the business by reducing the level of disruption to ‘business as usual’ activities
- Enables a ‘fresh-look’ at processes and controls in order to identify appropriate control improvements that meet stakeholder requirements
- Helps manage enterprise and operations risks better
Section 3

Case studies
### Assistance in preparation of statutory financial statements for audit

<table>
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<th>Client context and challenge</th>
<th>The client is the Indian subsidiary of US based leader in the social networking industry. The client required assistance in preparing statutory financial statement for Statutory audit and Tax audit for previous financial year, Direct and Indirect Tax compliance and Company Law compliance.</th>
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| Our approach               | PwC assisted the client in following areas:  
|                            | • Preparation of Trial Balance incorporating all entries required as per Companies Act, IGAAP  
|                            | • Preparation of required documents for tax audit  
|                            | • Review of applicability of company law requirements |
| Value delivered            | • Complete and timely compliance in preparation of Financial Statement for audit purpose  
|                            | • Involvement of Subject matter expertise on need basis |
## Review of Treasury and Funding Management Process

### Client context and challenge

The client is a leading telecom service provider. The client required assistance in conducting a Treasury & Funding Management process review, covering:
- Current practices and identification of control gaps
- Treasury policy
- MIS and valuation norms
- Limits
- Treasury Committee Role & Structure

### Our approach

Our overall approach to the review was as follows:
- As-Is process assessment through interaction with process owners and review of related documentation
- Understand significant risks within the process as well as the mitigating controls in place, if any
- Data analysis, as considered necessary to understand the process as well as trends therein
- Root cause analysis for exceptions and make recommendations
- Discussions with the Treasury & Funding Management team to obtain their perspectives and feedback

### Value delivered

Significant gaps and opportunities for improvement identified in the treasury policy and org. structure. Areas where gaps/improvement identified:
- segregation of duties
- setting instrument based limits
- definition of hedging transactions
- non-standard transactions
- MTM valuations
- empanelment of brokers
- documentation
- investment portfolio rebalancing
Thank you