

Controls optimisation

Establishing effective controls at the right cost for your organisation

Business advances that have offered growth and opportunity in the recent past have also delivered unforeseen consequences. One consequence has been the rise in inefficiency in most major businesses as information systems, processes and controls have been adapted to meet increasing complexity and transaction volumes.

At the same time, there are areas that have not escaped the relentless search for cost savings. This has placed additional pressure on the efficiency and effectiveness of business and financial reporting processes and wider business controls.

“If you ask executives, how much time are you spending on corporate governance and how much time are you spending on customers, marketing and the like, I am certain that almost all would say far too much on the first and not enough on the second.” – Survey respondent and director of three public companies

source: “Internal Controls in Australia”, an Economist Intelligence Unit Study prepared for PwC



Do you recognise these drivers for change?

The needs and rewards of controls optimisation will be different for each organisation, but there are a few common drivers for change:

- **Increasing stakeholder expectation** – A rapidly increasing expectation from customers, shareholders and regulators that risks are being controlled and with greater transparency. Increasing pressure from the audit committee and board to achieve best practice on internal controls and on controls principles.
- **Maintaining performance during significant change** – A need to remain competitive and protect the value created in the organisation throughout periods of significant growth or change such as; changes in existing or future regulatory requirements, moving to shared services or outsourcing, expanding into emerging markets, mergers and acquisitions or implementing major new systems or processes.
- **Confusion and cost from complexity** – The need to embed ongoing controls compliance processes into business as usual to avoid cost and distraction and to increase ownership and awareness of risk and controls in the business. A strategic goal to reduce complexity from multiple systems, processes, locations or cultures and to fix known control deficiencies, controls breakdowns or financial statement errors or restatement.

What are the key deliverables?

Reduce cost and remove complexity

Diagnostic with benchmarking	Identification of target areas, which provides a starting point to the controls optimisation journey.
Risk based approach to control structure	Perform risk assessment and analyse current internal control environment including system, process and controls mapping if required.
Controls rationalisation and simplification	An approach to rationalisation including; a shift from manual to automated controls; eliminating ineffective workarounds and redundant controls; improving control over end user applications and identifying opportunities for centralising processes and controls where appropriate.

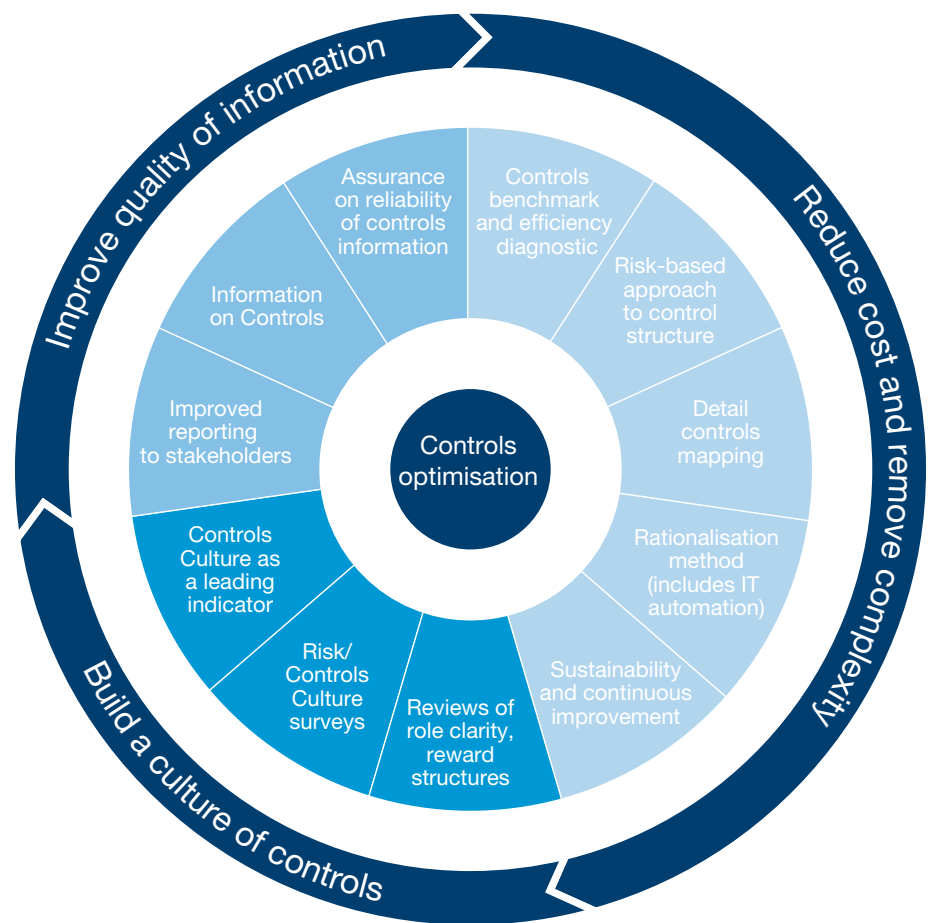
Improve the quality of information

Improve reporting to key stakeholders	To monitor control effectiveness and establish a control environment with clear accountabilities and an efficient operating structure.
Establish metrics for assessing cost of controls	To more clearly measure the cost of controls against the risks being mitigated and to use this information to prioritise rationalisation or investment in automation or other process improvement.
Assurance over controls effectiveness	To review and provide assurance over the reporting process, including the reliability of management information.

Build a culture of control

Risk and controls culture diagnosis and review	An assessment of the effectiveness of culture supporting internal control with recommendations as to how to develop and sustain a controls culture.
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PwC supporting your journey



What are the benefits of Controls optimisation?

If your internal controls are fundamentally challenged and then redefined in your business, the resulting performance improvement will offer a return on investment far beyond the reduction in risk those controls were designed to achieve. These improvements may include:

- **Reduced cost and complexity** – Overall cost reduction through elimination of ineffective workarounds, redundant controls and a shift from manual to automated controls. Enhanced process and controls throughout the organisation including opportunities identified for centralising processes and controls. A greater reliance on controls throughout the financial audit process and increased peace of mind from minimising the risk of non-compliance.
- **Improved information** – Clearer escalation, ownership and accountability of your controls. Greater understanding of cost and efficiency with clearer and more meaningful reporting information on your controls. Improved early warning indicators as to where controls may not be operating effectively.
- **A culture of control** – Driving a culture of accountability and ownership of controls. Building a sustainable 'controls culture' by having the right message and tone set from the top.

How can you take the first steps?

1. Consider the high level questions below, please contact your PwC representative to discuss controls optimisation and the challenges in your organisation.
2. Complete the more detailed controls optimisation diagnostic to gain a benchmark to your peers and help us to focus on your key areas of concern.

Self assessment questions	Yes / No
Do you know how many key controls you rely on to run your business and are those controls aligned with your organisation's objectives and risks?	Yes / No
Is the information you rely on to run your business always accurate (ie are the controls working properly) and do you spend too much management time finding and fixing errors?	Yes / No
Do you know how much money you spend on the controls in your organisation and are you sure that you are getting value for your money?	Yes / No
Do you know whether the controls in your business are impacting the efficiency of your processes and business or are supporting your growth?	Yes / No
Does your control environment allow you to continuously lower the overall cost of the controls and be adaptive to the changing business and regulatory environments?	Yes / No
Are you concerned that there is a disconnect between those who are ultimately accountable for compliance and those responsible for the controls (e.g. a lack of awareness or accountability in some areas)?	Yes / No

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