

## Treasury risk: Do you and your finance director sleep soundly at night?

# Corporatetreasury solutions



Are the treasury controls adequate?

Buying a company – will treasury cause the ‘Black Hole’?

Market Risk – could you lose your shirt?

Do I meet the requirements of the Sarbanes-Oxley Act?

Derivatives and disasters are words that have all too often been quoted together in the financial press. The risks associated with treasury transactions and market exposures are well illustrated by high profile corporate examples. As the financial markets become ever more sophisticated, so have the strategies and instruments utilised by corporations. The latter are not always fully understood by senior management, sometimes with adverse results, whilst the related internal control systems have not necessarily kept up with these developments.

The rise in high profile business failures, allegations of corporate fraud, and financial statement restatements has directed public and regulatory attention towards, inter alia, the adequacy of internal control over financial reporting. This means that we are often asked by Audit Committees, Boards, Finance Directors and Treasurers to perform assessments of the financial risk management processes and controls. Our response involves applying established procedures and

methodologies to review the management of market, liquidity, re-financing, credit and operational risk.

**Controls and risk reviews** – Are the treasury controls adequate, do I meet the requirements of the Sarbanes-Oxley Act, and how do we compare to other corporations?

These are a few of the questions we are most frequently asked. The answer to the first question is subjective and depends on your company’s risk philosophy. Our methodologies enable us to compare you with internationally recognised control frameworks and ‘good practice’ as observed at other corporations, to test the effectiveness of controls, the quality of reporting and of the risk management methodologies. The scope of the reviews can be wide ranging or tightly focused.

# Treasury risk: Do you and your finance director sleep soundly at night?



## Assurance services

FAS 133, IAS 39, Sarbanes-Oxley and local corporate governance requirements are but a few of the standards directly affecting financial reporting for your company in the area of derivatives and corporate treasury activities. In the context of such continued and rapid change it is vital that you get the best support from your external advisors.

The PricewaterhouseCoopers team can provide you with assistance in all aspects of preparing for such change.

## Transaction support

Will debt need to be renegotiated? What are the implications on covenants? Should I worry about the forward foreign exchange or option positions? These are just a few examples of the questions arising as part of an acquisition or merger. A comprehensive treasury due diligence process is an integral part of any well-planned transaction and the Treasury risks that can arise should not be underestimated. The risk management policies of any target will have significant implications to the value of your business. Issues to consider will include:

- Fair value of financial instruments versus their book values;
- Strength of treasury control environment;
- Effect of FX and interest rates on future earnings;
- Need to harmonise policy; and
- Quality of treasury systems and people.

The PricewaterhouseCoopers Corporate Treasury Solutions team has extensive experience in transactions support services and can assist during the due diligence process or post-acquisition harmonisation stage.

## Risk management data

Robust and reliable processes for collecting, consolidating and analysing financial exposures are key in supporting treasury activity – risks need to be identified and quantified before they can be properly managed.

We have developed a methodology, implemented with a number of major organisations, to re-engineer exposure forecasting processes, improving the quality of data provided to the treasury function and reported to senior management.

## Internal Audit outsourcing

Corporate Treasury operations are often very different from your company's core business activities. The skill set for performing an effective audit are very different to those required for the rest of your internal audit programme. The PricewaterhouseCoopers team can work with you to outsource or co-source any internal audit so as to maximise the benefit to your company.

## Our experience

In Europe, the Corporate Treasury Solutions Group comprises over 150 professionals, with a broad range of complementary treasury, banking technology, taxation, accounting and program management skills. Our team has worked with many of the world's leading corporations to support change in treasury practices and has an enviable track record of successful, solutions-based project work.

Over the years, our team has established an extensive knowledge base of the treasury standards of the leading corporations and by combining this knowledge with the multi-disciplinary skills of the team we provide creative and practical solutions to meet the requirements of our clients.

## Contact details

For more information on our Treasury Risk Assurance services, please contact the following:

Belgium	Olivier Cattoor	+32 2 710 4118
Finland	Tuukka Lahkela	+35 89 2280 1333
France	Vincent Le Bellac	+33 1 56 57 1402
Germany	Folker Trepte/Christian Bubeck	+49 89 5790 5530
Italy	Fabrizio Calza	+39 02 6672 0533
Netherlands	Pieter Veuger	+31 20 568 6099
Sweden	Anders Akner	+46 8 555 342 59
Switzerland	Carl Mantel	+41 58 792 2724
UK	David Stebbings	+44 207 804 2323

<http://www.pwc.com>