

www.pwc.ru/forensic

*The mechanics of
adequate procedures
and their practical
implications for
companies in Russia*

15 March 2011

Contents



1 part

Will Kenyon, Partner, Forensic services leader, PwC UK

- Ministry of Justice draft guidance
- Planning for implementation
- Risk assessment



2 part

Irina Novikova, Director, Forensic services, PwC Russia

- Dealing with intermediaries
- Business Partners due diligence
- Whistle blowing system

MOJ Guidance on procedures to prevent bribery

Six key areas of focus:

- Principle 1 : Risk assessment
- Principle 2 : Top level commitment
- Principle 3 : Due diligence
- Principle 4 : Clear, practical and accessible policies and procedures
- Principle 5 : Effective implementation
- Principle 6 : Monitoring and review

Ministry of Justice has issued draft guidance about commercial organisations preventing bribery.

Consultation period ended 8 November 2010.

Guidance expected to be issued in final form in Spring 2011.

A ten-step plan

Specify

1. Assess risk

2. Evaluate existing controls

3. Target operating model

4. Remediation planning

Build

5. Design enhancements

Implement

6. Roll-out

7. Implement

Business takes ownership

8. Test

9. Follow-up

Embed

10. Ongoing monitoring;
continuous improvement

Risk analysis is the foundation of successful risk management (1)

Guiding principles:

- Focus on inherent (or “gross”) risk
- Ignore controls until you have completed the risk identification
- Avoid preconceptions about control effectiveness or personal integrity



Risk analysis is the foundation of successful risk management (2)

Risk elements will include, *inter alia*:

- Nature of business activities
- Geographical and cultural issues, local business practices, etc
- Business processes (front and back office)
- Customer base
- Use of third parties, relationships with business partners, corporate structures
- Government interactions, regulatory landscape
- Other specific risk factors

Local business practices

Dealing with intermediaries

- Historically is a widely applied practice in Russia.
- Anti-corruption laws do not tend to differentiate between acts made by companies and acts by someone acting on the companies behalf
- Key risk areas in dealings with intermediaries:
 - Appears unqualified or understaffed
 - Is specified or recommended by certain government officials
 - Requests that his identity be kept hidden
 - Requests that he be paid in cash or upfront or offshore payments
 - Requests unusually large compensation in relation to the value of the services provided

When these or any other danger signs exist, additional Due Diligence and inquiry is required.

Business Partners due diligence

Some simple steps can generate high value:

- Identify “shell” companies
- prevent commercial risk of contracting with a non ethical business partners
- prevent associated tax risks on dealings with “mala fide” suppliers
- Prevent funds misappropriations from the company



Whistle blowing system

- Can really work in the Russian environment!
- 62 % of misconduct cases is done in collusion with 3rd parties
- Whistle blowing system is the most effective way to detect collusion
- Whistle blowing mechanisms acts as a safety net for risk management.

Would your net catch the right risks?



Questions?

www.fraudforum.ru
www.pwc.co.uk/briberyact

Will Kenyon

+44 (0) 20 7212-2623

will.kenyon@uk.pwc.com

Irina Novikova

+7 (495) 223-5096

irina.n.novikova@ru.pwc.com

PwC Russia (www.pwc.ru) provides industry-focused assurance, tax, legal and advisory services to build public trust and enhance value for its clients and their stakeholders. More than 161,000 people in 154 countries across the global network of PwC firms share their thinking, experience and solutions to develop fresh perspectives and practical advice.

"PwC" is the brand under which member firms of PricewaterhouseCoopers International Limited (PwCIL) operate and provide services. Together, these firms form the PwC network. Each firm in the network is a separate legal entity and does not act as agent of PwCIL or any other member firm. PwCIL does not provide any services to clients. PwCIL is not responsible or liable for the acts or omissions of any of its member firms nor can it control the exercise of their professional judgment or bind them in any way. "PwC Russia" refers to PwCIL member-firms operating in Russia.

© 2010 PricewaterhouseCoopers Russia B.V. All rights reserved.

In this document "PwC" refers to PricewaterhouseCoopers Russia B.V., which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.