REBUILDING FINANCE

CFG Conference 29 June 2023

Martin Clemmey, CFO

Farzaneh Dailaghian, Director of FP&A

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Content

- Speakers
- Background on Relief International (RI)
- RI Finances and accounting
- Technology
- Process
- People
- Service delivery model
- Management information
- Finance governance

Speakers

Martin Clemmey
Chief Finance Officer

- Based in UK
- Background in industry and consulting
- 18 years in NFP sector
- Mainly change projects or COO/CFO interim roles
- 2.5 years with RI
- First post at an INGO

Farzaneh Dailaghian
Director of FP&A

- Based in Spain
- Career in INGOs
- Previously with Habitat for Humanity
- Was Regional Finance Manager Asia in Manila
- 7 years with RI
- Promoted to Director in 2021

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Delivering Solutions for People in Fragile Settings

Relief International

- Alliance of RI-US, RI-UK and MRCA-RI France

- Projected joint income $170m in 2023

- Work in 15 countries

- Specialise in fragile settings

- Focus on:
  - Health & nutrition
  - Water, sanitation, hygiene (WASH)
  - Economic Opportunity
  - Education

- 2,700 employees, 98% nationals

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Fragility isn't fleeting.

After more than sixty years of hard work,
Relief International has the experience, agility,
and trusted relationships with community
members to end fragility,
in all of the places where we work.
Will you help us create lasting change?

RI Finances - background

- 3 independent entities

- Operating currency = USD (US and UK) and Euro (France)

- Shared management (1 CEO, 1 CFO etc)

- Costs allocated via activity based costing exercise

- One accounting ledger!

- 97% funded by institutional funding (eg USAID, UN, ECHO)

- No unrestricted funding cushion for Country Offices (!)

- Each country has its own Finance team

- Small Regional and Global teams

- Central team spread from LA to DC to London to Manila

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2014 – 2020 Growth and decline

- 2014 income $52m, net assets $5.8m
- 2020 income $134m, net assets $3.1m
- 16% per annum compound growth
- But halving of net assets: financial control declined
- Central accounting staff growth 5 to 14
- 2014: QB in countries, central accounting system, no links
- 2016: ERP installation – had disastrous effect on Finance's ability to record and report in the detail required by donors and management

Assess the Issues

- Listen to everyone –an array of issues revealed:
- Accounting system functionality poor after disastrous installation – working against not for us – huge inefficiencies
- Lack of MI and where existed not consistent – 'running blind'
- Slow to report monthly
- Outdated accounting policies eg forex policy not fit for purpose
- Poor and inconsistent processes – lack of automation
- Wrong structure, not enough of the right people
- Siloed culture – not focused on the field
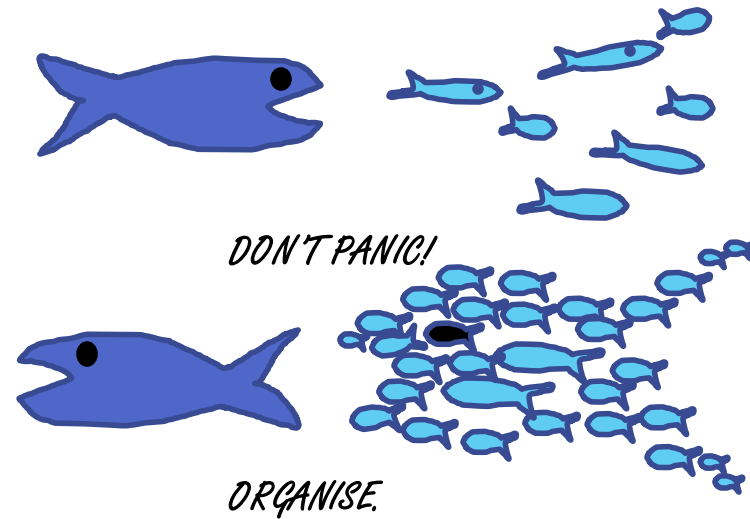
Where to Start?
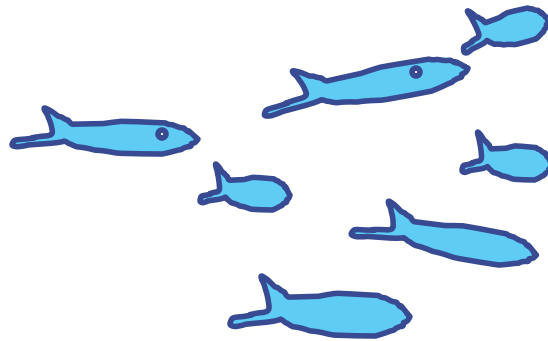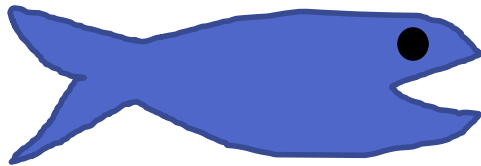
DON'T PANIC!
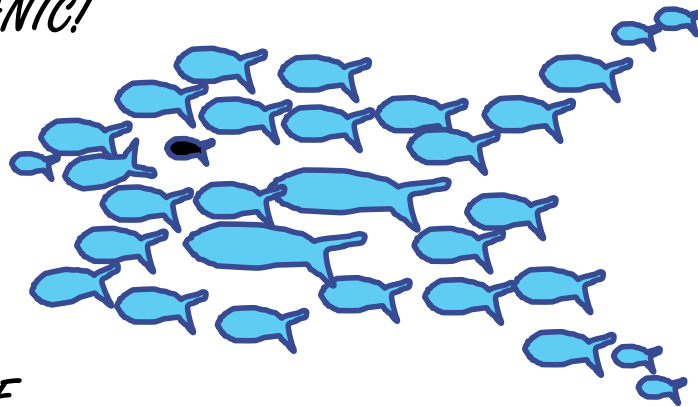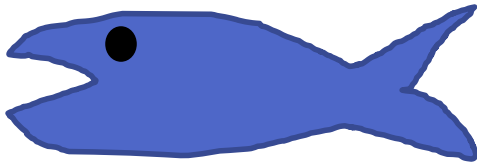
ORGANISE.

Where to start?

Areas of focus

- Process
- People
- Service Delivery Model
- Technology
- Management Information
- Finance Governance

Process: address the basics

- TB report – does it balance?
- Bank reconciliation – does it reconcile?
  - Are there long standing reconciling items?
- Debtors ledger – review reports and process
  - Is the debtors process sensible with adequate segregation of duties?
  - Ageing – accuracy, alarm bells?
  - how much unallocated cash?
- Purchase ledger – review reports and process
  - Segregation of duties
  - Taking full term
  - Authorisation
  - Invoice tracker
- Problems? – talk to the finance officers not just their managers
- Keep asking Q's until you understand! – continual challenge

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Process Issues
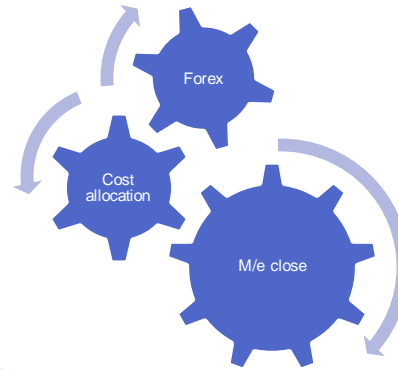
- **Month end closing: create time!**
  - week 5 or 6 down to week 3
- **Treasury: who is managing cash?**
  - cashflow forecasts essential, weekly cash sheet authorised by CFO
- **Debtors: fortnightly receivables meetings**
  - Designed reports showing net cash position per grant
- **Foreign exchange - this can be complex to analyse**
  - Align policy, donor reporting rates, Treasury rates, system rates,
  - Are we getting competitive forex service from bank? – conduct review
- **Shared cost allocation across grants needs to be fair**
  - Designed Common Cost Allocation Policy with inbuilt flexibility

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People

- **Does the Finance structure fit the task?**
  - CFO had too many first reports (sub-optimal decisions taken)
  - 6 down to 2 (Accounting / FP&A) + 2 dotted lines
  - Create departments that fit the need – in our case Field and central focus plus need for FP&A
  - 'Get the right people on the bus' (Jim Collins: Good to Great)
- **Regional Finance structure: dotted or solid line?**
- **Transformation role**
  - Full / part-time
  - Who report to? - Systems person or CFO
- **Finance Community – foster a Team**
  - Create a culture of service and support
  - Centre to serve the Field
  - Regular monthly Field and central support meetings

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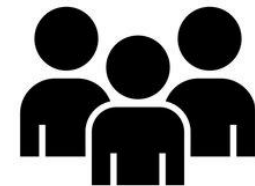
Service Delivery Model (1)

- Accountabilities
    - Central: set accountability and direction
    - Regional: give oversight and support
    - Country: deliver management and implementation
    - Use RACI approach to define accountability and responsibility

- At RI, central Finance was disconnected to delivery
    - Key control documents from other depts. with little finance input
    - Eg grant budget by Programs, budget checklist by Awards management, BVAs in different formats, no donor audit coordination
    - Finance needs to be 'joined at the hip' to delivery depts.

Service Delivery Model (2)

- Central orientation: what are we here for?

  - Are accounting policies clear? Do they help the Field?

  - Do we react quickly to support issues?

- Regional orientation: what is the reality?

  - Review or production – how move to former?

- Country task: how do we make it easier?

  - Clear policies, efficient support, better automation

- Business Partnering

  - *A finance function professional who works alongside other business areas, supporting and advising their strategic and operational decision-making through insights that drive better business performance (CIMA)*

- Break down the silos

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Service Delivery Model (3)

- Service Improvement
  - Rebuilding project stalled – capacity and planning issues
  - Introduce project management approach
- Cost efficiency / whole business operational model
  - Locations and office costs
  - Distributed working: central roles can be in lower cost areas
  - IT costs: eliminate duplicate systems, make use of charity charging
  - Rationalise insurance across centre/regions/countries
  - Travel efficiency
  - Regional structure
  - SMT roles

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Why Projects Fail

What the user wanted

What the budget allowed for

What the timescale allowed for

What the technician designed

What the user finally got

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ERP Issues

- Strong governance – use project methodology

- Project management – CFO cannot take on such projects

- Clear scoping – beware scope creep

- Design aligned to need – use native functionality

- Ensure have capacity – reliance on consultants who don't understand the business can be an expensive mistake

- Understand and manage your stakeholders

- Test comprehensively – UAT is essential

- Ensure everyone is trained

- Go live only when ready

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Assessing the accounting system

- Connectivity – does it need to work offline?

- Functionality – do we have the right modules?

    - Eg Project management, job costing, Procurement

- Are they set up correctly? – are they aligned to what we do?

- Chart of Accounts – structure and detail

- Project coding – consistency – who can create codes?

- How consistent is accounting approach at each location?

- Are all key balance sheet accounts reconciled monthly?

- Are supporting documents uploaded consistently?

- Do standard reports reconcile to the I&E and B/S?

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Prioritise – tech projects

- Quick wins

- Key projects at start
    - Program development
    - Awards management
    - Automate BVAs
    - Procure to Pay
    - Country budgets

- Data structure
    - Lack of understanding
    - Now mapping – first part of Common Data Model project

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Management Information (1)

- Key to financial control weaknesses

- Budget vs Actuals (BVAs)
  - Standardise
  - Design departmental reports that the reader can understand!

- Portfolio review

- Cashflow
  - Consistent data input
  - Challenge country requirements
  - Long term (group) and short term (centre)

Management Information (2)

- Master Budgets – country level
- Group budgeting
- Management accounts to SMT and Board
  - Group position
  - Tell a story
  - I&E, operational variances, balance sheet, cashflow, risks and issues
- Pipeline
- Build an overriding financial model
  - Interaction with Regions, central costs allocation, ICR
  - Enables scenario planning
- Quarterly reforecasting: not just a finance process
- Quarterly Dashboards and KPIs

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Finance Governance

- Approval matrix

- Report from the system not Excel

- Finance manual

- Risk register

- Finance culture: partnership, participation, integration

- Finance strategy: including funding model, reserves

- Finance Committee: a strategic forum

- Transformation
  - Prioritise: you don't have to do everything at once
  - Take a formalised project / program management approach

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Change Program approach

- Project management
  - Prioritise key elements of change: treat each as a project
  - Appoint project manager
  - Use project brief and reporting templates

- Create a program

- Appoint program Board

- Meet monthly

RI FINANCE OUTLINE PROGRAM PLAN

PROJECT	JUN	JUL	AUG	SEP	OCT	NOV	DEC	2021
1 Program planning								
2 Publish Finance Manual								
3 Netsuite								
3.1 Priority analysis								
3.2 Prioritised projects								
4 Month end close								
4.1 Planning study								
4.2 Implementation (go-live Nov)								
5 Structure								
5.1 Netsuite Project Mgr appt								
5.2 Global Controller appt								
5.3 FP&A Director appt								
5.4 Team appointments								
6 Budgets								
6.1 Group Budgets								
6.2 Group Management A/cs								
7 Treasury								
7.1 Cashflow modelling								
7.2 Treasury policy								
7.3 Forex policy								
7.4 Implementation								
8 Group Cost efficiency								
8.1 Strategic review								
8.2 Structural changes								

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Where are we now?
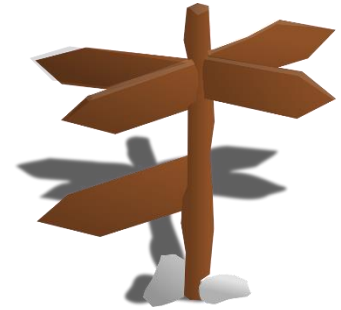
- **Process**
  - M/e close quicker (still more to do), cashflow stronger, forex losses minimised, common cost allocation in place, now need to automate

- **People**
  - Structure in place, building service culture, working towards full business partnering (process issues)

- **Service delivery model**
  - Clear roles, finance accountability for all finance reports, les silo thinking, cost reductions (eg office closures), automations to come

- **Technology**
  - Working for us not against, still no P4P, many projects near fruition, big focus now Common Data Model

Where are we now?
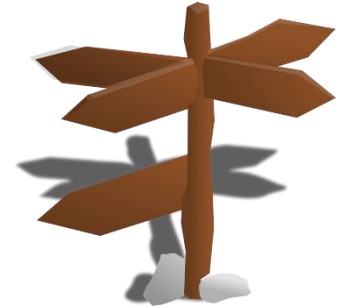
- ## Management Information
  - All key reports in place and standardised, better local, regional and central decision making, now need to take direct from system

- ## Governance
  - Now have finance manual (being updated again), risk register (used regularly), more strategic discussions with Finance Committee, transformation program completed but lots of ongoing project.

In Summary

- Listen
- Assess: People, Process, Service Model, Technology, MI, Governance
- Prioritise
- Quick wins
- Change program approach
- Challenge: if you don't understand, keep asking questions
- Build a service culture
- Get the right people on the bus
- Deliver as a team
- Continuous improvement

QUESTIONS?

THANK YOU