

Outline Finance Function Review

Business	Product Company 3 Ltd
Date	5 th January 2020

Summary

There is a significant gap between your expectations of the output of the Finance Function and what is currently being delivered as evidenced by:

1. Your loss of confidence in the function
2. The management accounts being currently 3 months late
3. Concerns about the controls that the team have in place not being strong enough to manage the growing business
4. Very slow response time between information requests and the information being delivered

The reasons appear to be (but not limited to):

1. The leadership of the function is under-skilled
2. Investment in the function has fallen some way behind investment in other functions
3. Standards & expectations within the function have not been set. This makes the management of the function in-effective.
4. The systems appear to be a hindrance to the business rather than a help. This disproportionately impacts the finance team.

We recommend investment in the people, processes and systems of the Finance Function and business to support continued and future growth.

Suggested steps:

1. Recruit a new Financial Controller with stronger skills and experience [OR provide coaching or mentoring for this individual by a much more experienced Finance Professional]
2. Allow this person to recruit another team member to provide additional capacity
3. Review the processes within the finance function and those in Operations teams that support the information provided to the finance team.
4. Invest in a new finance or ERP system

The Outline Finance Function Review is a high-level review based on Financial Reporting and high level interviews. This review is not an in-depth analysis. The information contained in this report should be considered an initial indication only and should not be solely relied upon to make decisions about the Finance Function. For an in-depth review, see our Detailed Finance Function Review.

In more detail:

Performance stage of Team:	Transactional / almost into Management Information ¹
Expectations of Finance Function ²	<ul style="list-style-type: none"> • Produce the mgmt. reports on time and ensure they are accurate • Capture all the invoices sent to customers and received from suppliers • Answer information queries from the other functional teams • Keep controls in place that support the business • Help contribute to the growth of the business
Positions in Team	Financial Controller (Qualified) Finance Manager (Part Qualified) Accounts Assistance Credit Controller (Part Time)
Month-end Reporting	
1. Target	Not specified
2. Actual	3 months late
Finance System	Sage 50
Balance Sheet controls	Minimal
Team Attrition	High being greater than 25%

¹ See Appendix

² As provided by you

Your expectations of the performance stage Finance Function is Management Information. The team are performing mostly within the Transactional stage with some Management information indicators present. This is a reasonable gap.

The team will require additional investment to move their performance into the Management Information stage.

Team

The skills and experience of the finance team are not strong enough to support the business as it continues to grow. The team are struggling to deliver reporting aligned to the financial drivers of the business.

The leader of the finance function appears out of their depth. This person has been in the team for a number of year and the business has been growing at 20%+ consistently during this time. The individual has not had anyone to learn from and have not progressed their skills sufficiently to keep pace with the business needs or help progress their direct reports.

There appears to be a number of issues that are making their job more difficult. Both the systems and processes are not supportive.

There are a high number of leavers in the team over the last 24 months. This is in part to the stress the team is under and inadequate management.

Processes

There are minimal balance sheet controls in place. These are required to ensure that the P&L reporting is robust and accurate. For instance, balance sheet reconciliations are not performed.

There appears to be considerable problems understanding and reconciling information that is provided by the operations function. There appears to be a lot of inconsistency in the data being provided to the finance team (per comments made). This is an indication that the controls and processes are not as strong as they should be.

Expectations and standards have not been written down (no job descriptions, timetables, working papers etc). This makes it hard to drive consistency.

Systems

We have not undertaken a review of the system. The following comments are based on comments made and our experience of the systems in question.

We suggest that you invest in a multicurrency system (at database table level). Sage 50 is a single currency system and you have more than 40% of your transaction in a currency other than GBP. The FX issues are causing considerable issues within the finance team.

Sage 50 has basic stock management only. You have two warehouses in different countries and the system is not able to adequately cope with this.

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Appendix – Stages of Finance Function support the business

Level	Finance Team Stage	Indicators
4	Strategic	<ul style="list-style-type: none"> • Working as business leader to help run the business with the CEO and other directors. • Inputting into the strategic direction of the business. • Creating Financial Strategy for the business, including risk management and funding. • Champion of business performance (profit & cash generation)
3	Business Partnering	<ul style="list-style-type: none"> • Working with senior management to mid management to support & improve decision making at all levels. Key outcome is improved business performance and profit • Training staff to transfer financial knowledge • Analysing and interpreting financial and other information for non-financial staff • Helping to drive actions to improve performance and reduce business risk • Support profit and cash generating activities
2	Management Information	<ul style="list-style-type: none"> • Provide management information to all levels of the business. This provides the ability to staff to understand the historical finance impact of operational and tactical decisions. • Provide information to “keep the score” to improve future decisions • Provide information in response to questions/requests. • Manage the cash requirements of the business
1	Transactional	<ul style="list-style-type: none"> • Capturing all the admin elements within the business such as invoices (customers and suppliers) • Managing the cash transactions of the business • Inputting data into ERP or Finance systems

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