

EVALUATING THE FINANCE FUNCTION

AN ASSESSMENT TOOL TO GUIDE FINANCE
FUNCTION TRANSFORMATION

OVERVIEW

To meet the future needs of business and public sector organizations, finance functions must transform from technical support roles into business partners that enable long-term, sustainable organizational success.

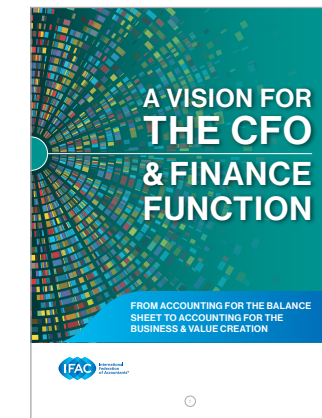
Achieving such transformation requires buy-in from the board and CEO, who must understand not only how well the finance function currently meets the needs of the organization but also where to invest in developing finance function capability.

This tool is designed for use by boards and management to support meaningful discussion on how the finance function progresses within the organization.

It also helps identify priority areas for further development that will maximize the value and contribution of the finance function. The tool could also be used to help create a plan to support the finance function transformation journey.

AN EFFECTIVE FINANCE FUNCTION

IFAC's **vision for the finance function** is to move from accounting for the balance sheet to accounting for the business. There is significant opportunity for the finance function to become one that guides and enables decisions across the organization.



An effective finance function supports the organization in its value creation and preservation by delivering:

- Actionable insights
- Performance analysis
- Enterprise risk management
- Effective communication
- Trust
- Integrity and professionalism



An effective finance function is integral to an organization's long-term success. Therefore, ensuring a fit-for-purpose finance function that meets the needs of its organization is crucially important.

THE EVALUATION TOOL

IFAC's evaluation tool includes 16 statements to rate on a 1-5 scale. Scoring descriptions are available on either end of the scale to help determine scores for each question.

The statements are:

- Focused on the effectiveness, and not just the efficiency, of the finance function.
- Not intended to be an exhaustive list, nor a checklist of requirements. Rather, they are intended to support meaningful discussion and spark dialogue at the board and executive management level on the importance of finance function development, as well as help identify priority areas for finance function investment.
- Not necessarily all relevant to an organization. Relevancy will depend on an organization's maturity, priorities, and where they are on their finance function transformation journey.

Using the evaluation tool can help inform the business case and plans to transform and advance the finance function, and can be used to gain CEO/board support for the journey.

THE FINANCE FUNCTION:		LOW CONTRIBUTION	1	2	3	4	5	HIGH CONTRIBUTION	COMMENTS
VISION AND STRATEGY									
1	Has a clear vision and strategy to evolve to meet the needs of the organization and its external customers	Maintains the status quo						Clear vision and strategy that is widely understood	
2	Has a talent and development strategy that enables delivery of value-added roles (business partner, specialist, etc.)	No formal approach to talent development						Finance roles are aligned to the skills and capabilities needed for a digitally-enabled finance function	
3	Under CFO leadership, fosters a culture encouraging and enabling growth, change and innovation	The finance function is resistant to change with a legacy mindset						The finance function is empowered to innovate and think differently with a growth mindset	
TRUST AND CONFIDENCE									
4	Supports an effective system of internal control related to financial and non-financial information for compliance reporting and general use throughout the organization	Control and compliance failures (e.g. fraud, high no. of audit adjustments & restatements, breach of organizational values)						Delivers confidence in data, processes, systems and reporting	
ACTIONABLE INSIGHTS									
5	Produces relevant and concise information and analysis for the board and its committees	Key issues lost in detailed information						Concise information that highlights key issues for board attention	
6	Delivers valued insights to operations and other key functions in a format that is easily-consumable for their use	Information structured primarily for financial reporting purposes						Real-time insights that decision makers throughout the organization can interrogate themselves	
7	Has built strong collaborative working relationships across the organization	Finance works in a silo to the rest of the organization						Finance is perceived as an effective business partner, with finance skills and capabilities being used across the organization	
8	Supports strategic planning through robust forecasting and scenario analysis	Technical support function only						Actively participates in strategic, forward-looking planning and projections	

THE FINANCE FUNCTION:		LOW CONTRIBUTION	1	2	3	4	5	HIGH CONTRIBUTION	COMMENTS
PERFORMANCE ANALYSIS									
9	Is continuously improving its productivity, efficiency and effectiveness, using technology and other tools	Processes are predominantly manual and resource-intensive						Processes have been streamlined, standardized and automated to the extent possible	
10	Understands all aspects of the business model, resources, underlying processes, and primary drivers of long term value	Reports on the results of the business only						Deep understanding of the whole business	
11	Utilizes financial and non-financial data and models to track value creation and performance	Financial data and models only						Use of multi-capital data and models	
INTEGRITY AND PROFESSIONALISM									
12	Supports evaluation of significant projects, M&A, and investments using appropriate financial and non-financial criteria, focused on the organization's long-term success	Financial consideration is a priority						Provides objective views on options, ensuring decisions and capital allocation maximize value in a socially responsible way	
13	Has a CFO who is seen as a trusted expert and is involved in all significant business decisions	The CFO has no influence over significant business decisions						The CFO is a strategic leader, facilitates change and influences decisions	
ENTERPRISE RISK MANAGEMENT									
14	Responds efficiently to external events and new regulations	Internally focused and reactive to changes in the external environment						Externally focused and proactive in identifying and preparing for changes in market trends, customer needs, and regulations	
15	Is facilitating and actively participating in enterprise risk management	Manages financial risk only						Facilitates risk analysis, management and contingency planning, helping to identify risks and opportunities	
EFFECTIVE COMMUNICATION									
16	Is driving broader external reporting on value creation	Financial reporting only						Drives integrated reporting	



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