

# Board support

## 10 things boards will be focusing on during COVID-19

August 2020



### In the new COVID-19 reality, what can the CFO and their finance team do to get ahead of their board information needs?

The top 10 likely areas of board focus over the short to medium term, and the things CFOs and their finance teams can do to prepare, are summarised as follows:

Board focus area	Finance action
 <b>Finance and balance sheet resilience</b>	<ul style="list-style-type: none"> <li>— Prepare 'expected case' cashflow model (worst case, best case, key assumptions).</li> <li>— Prepare daily cash flow management and rolling cash flow forecasts (feeding model).</li> <li>— Calculate and present solvency ratios linked to warning triggers.</li> <li>— Provide regular briefings on what is being done to:               <ul style="list-style-type: none"> <li>– preserve cash and tighten working capital practices</li> <li>– retire aged/ redundant assets (incl. leases) and sell/ close non-strategic businesses and business activities</li> <li>– confirm available Government stimulus financing opportunities</li> <li>– confirm debt facilities available and assess counterparty risk/ other threats to confirmed funding</li> <li>– consider need/ cost/ timing of a potential equity raising.</li> </ul> </li> </ul>
 <b>Internal controls resilience and assurance</b>	<ul style="list-style-type: none"> <li>— Confirm internal controls over key financial systems and processes have been operating effectively throughout the period of remote working. Report any known weaknesses or breaches, the business impact and rectification activities undertaken.</li> <li>— Prepare a board verification matrix identifying all disclosures in the organisation's periodic corporate reports and how the integrity of each disclosure is being 'verified' for board discussion and approval (supports implementation of Recommendation 4.3 of the 4th Edition of the ASX Corporate Governance Principles and Recommendations).</li> </ul>

**Board focus area****Finance action****Finance team resilience**

- Confirm, 'wellness' of finance team, after an intense period of COVID-19 response activity; and adequacy of resourcing to run BAU and deliver more one-off and regular financial and business decision-support information.
- Confirm 'first-response' changes made at lock down have now been effectively bedded into business as usual operations and working effectively.
- Confirm regulatory, tax, funding and other compliance activities have been fully addressed during the crisis.

**Shareholder resilience**

- Obtain and report shareholder feedback on the organisation's responses to Covid and their expectations moving forwards.
- Determine short to medium term dividend and pay-back options available for consideration.

**Flexible 'recovery' planning, budgeting & forecasting**

- Build a rolling quarterly (monthly) planning, budgeting and forecasting model with:
  - 'locked-in' quarterly budget and performance targets (financial and non-financial)
  - more flexible annual plan and forecast with 'no regret' investment decisions and other 'more flexible future investments', linked to current performance and longer term performance targets
  - high level 3 year plan, supporting the organisation's strategic aspirations and performance targets.
- Provide regular reports on the current quarter v budget providing insights on variances arising and consequential impacts on the annual plan, future investment and longer term strategy.

**Future business model, emerging risks and opportunities – scenario planning**

- Prepare a robust and flexible financial model to support business scenario analysis and decisions on potential responses to future business risks, opportunities and business models.
- Working with Risk, IT, HR, Procurement and other areas of the business, identify the range of expected and potential future business risks, opportunities and recovery actions for:
  - external change – potential impact of geo-political events, mega-trends, Government stimulus, new regulation, tax changes, increased competition, emerging technology
  - business change - simplified operations, headcount reduction, staff retraining, new products/ services (customer priorities), diversified supply chain, on-shoring business critical services/ supplies, asset recycling, accelerated technology/ digitisation/ robotics (e-commerce and business operations).

**Future Finance team – operating model**

- Define and align the required finance roles to support the new business models.
- Retrain and reposition finance staff dislodged by the new business model, accelerated technological change, digitisation and other operational changes.
- Optimise the required finance and business restructuring outcomes.
- Establish creative incentive arrangements to motivate/ attract Finance leaders/talent.

**Future external reporting & communications**

- Given increasing demand for more external reporting (re governance and non-financial risks such as climate, Covid, culture), develop the future corporate reporting strategy.
- Define the content of required reports and on-line disclosures to address legal, regulatory and good practice stakeholder information needs.



## Governance, trust, reputation & brand

- Working with CoSec, Risk, HR, Sustainability and other areas of the business, develop and implement a plan to ensure that the organisation has applied, and tested the operation of all the changes required in the 4th Edition of the ASX Corporate Governance Principles and Recommendations (effective for financial years commencing on or after 1 January 2020).
- Review and enhance the process to capture and report all breaches of legislation, regulation, industry codes, organisational policies (code of conduct, health & safety incl. COVID-19 requirements) with an explanation of the cause and impact of material breaches, as well as responsibility and remediation actions taken.
- Report on the organisation's readiness for increased tax audit activity or other regulatory audits, and the results of any pre-work to mitigate potential exposure.



## Mergers & Acquisitions

- Working with Strategy and Risk, re-perform the 'business defence strategy' and underlying valuation modelling, using new business model and strategy assumptions, to ensure it is ready and supportable to protect the organisation from a hostile bid.
- Undertake research and desk-top due diligence to identify potential targets for acquisition in key markets and/ or with key resources or products/ services that fit with the revised business model and strategy. Present this work early on to determine preferred targets and approach.

## How can we help?

For practical and hands-on support in preparing for the increased demands on finance by the board and other stakeholders, please contact KPMG's CFO Advisory practice.



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