

Good practice makes perfect



Executive summary

- An external good practice review identified how best to take Acergy's treasury management system forward. Its conclusions led to automatically updated worldwide balances, the upcoming roll-out of an electronic dealing platform, the creation of management information reports, and streamlined accounts.

Acergy is a seabed-to-surface engineering and construction contractor for the offshore oil and gas industry worldwide. It has a small group treasury based at the corporate office in Sunbury-on-Thames, supporting a number of regional offices in the company's worldwide operations. The department employs four people plus the accountant for the treasury, whose reporting line falls outside the department.

At the end of a complete financial restructuring as part of a financial workout there was no time to stop and rest on our laurels for having avoided the abyss. During the workout it had become very clear that the Excel-based treasury system and processes were inadequate.

After a number of months going through a selection process to purchase and install a treasury management system (TMS), the department went live with XRT Globe\$ in June 2005.

XRT Globe\$ was linked to Barclays through Barclays Business Master (BBM), giving access to balance and transaction information on most of Acergy's 200 bank accounts worldwide. Undoubtedly, the new system has brought significant benefits to the department in terms of robustness of information and structured workflow

processes, but there was plenty more that it could do to give the company value for money on its investment.

To make enhancements to the system in line with good practice, the department appointed Deloitte Treasury Advisory to undertake a good practice review. The first step in the review was for Deloitte to understand Acergy's processes, which it did by using information compiled during Sarbanes-Oxley testing together with a walk-through by treasury and accounting staff of the company's daily, weekly and monthly tasks.

Deloitte then lined up the information gathered during this process against good practice; any gap between the two would represent the steps the department needed to take to achieve good practice. The rest of this article outlines those steps.

BARCLAYS DIRECT DATA AND DIRECT FILE Although BBM was a good initial platform for getting account information into the TMS, it restricted the timeliness of information. The department had to run its BBM download relatively late in the morning to ensure that information on the US operation had been received. The implication was that the company's available investment balances would not be ready until just before noon, so opportunities for maximising interest returns early in the day were missed.

Even before the good practice review, the department had been looking at other platforms in conjunction with Barclays so that worldwide balances could be uploaded without manual intervention repeatedly during the day. The review led to the installation of Barclays Direct Data.



BENTE SALT AND DIMOS DIMITRIADIS EXPLAIN HOW GLOBAL CONTRACTOR ACERGY IS UPPING THE RETURN ON ITS INVESTMENT IN A NEW TREASURY MANAGEMENT SYSTEM.

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ELECTRONIC DEALING PLATFORM Like many other treasuries, Acergy's transacted its daily dealing activities exclusively over the phone, so subjectivity entered the equation. Furthermore, for foreign exchange transactions the company was never sure it was getting the best deal, as the rate could move in between calls to counterparties. The company had tried multiple users on the phone at the same time, but this moved the market when dealing in less liquid currencies. Selection of counterparties was also arbitrary.

Once the deal is done, it is entered manually into the TMS, from where, on maturity, it is settled with the counterparty. The bank confirmation is sent to the treasury accountant who is checking the information on the confirmation against the information relating to the deal in the TMS.

The good practice review on this point involved a number of processes. First, Acergy would have to install an electronic dealing platform, create one link from it to the TMS for the entry of the deal, and then another from the TMS to an electronic confirmation provider.

The company installed the 360T dealing platform during the review, and work is now under way to create the two links the company needs to support straight-through processing on all its deals. *Figures 1 and 2* detail current and good practice processes.

REPORTING The very labour-intensive systems prior to the installation of the TMS meant that reporting complete and meaningful information had always been an issue. The TMS provided a great deal of additional information, and Acergy needed to try to

Even though the TMS secured beneficiary bank account information, that information could be manipulated once it had been imported into BBM, leaving the process over-reliant on the two authorisers required, some of whom were treasury staff members, to release payments. The installation of Barclays Direct File segregated the initiation of payments within treasury from the authorisation of payments outside of treasury.

FIGURE 1: Current dealing process

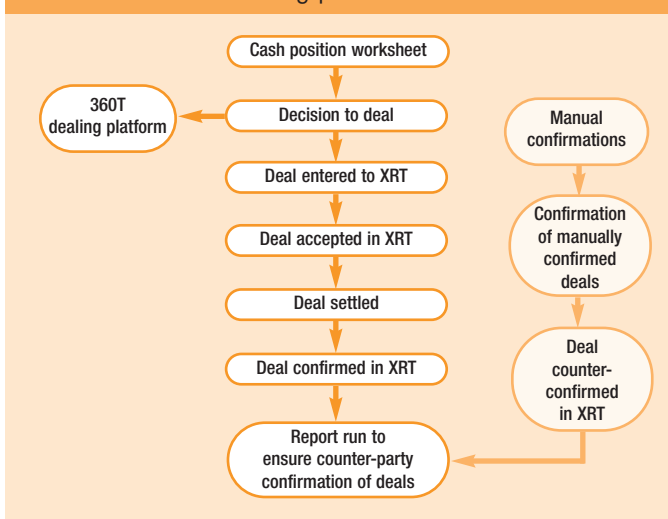
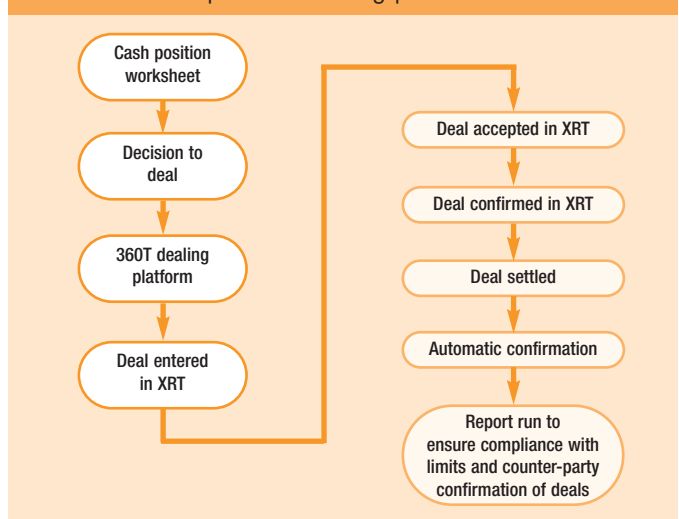


FIGURE 2: Good practice dealing process





make sense of it all so as to improve decision-making on where cash should be held to optimise interest, what currencies it should be held in, and how long funds should be invested for.

The good practice review generated ideas for reports that could be developed in the TMS to measure performance and aid decision-making. The reports are currently being programmed and are due for installation.

The review also highlighted the need for a risk-based analytical tool to quantify risks associated with foreign currencies in project cashflows. This tool will help management make decisions on what risks to hedge and what contingencies to include in bids. The department is currently looking at such products.

ACCOUNTING Where the review has shown the greatest opportunity for improvement is in the accounting function. Accounting for treasury transactions is a cumbersome process, involving much spreadsheet manipulation, checking and double-checking before the information is uploaded into the accounting system. Good practice would be to output the journal entries from the TMS and upload them into the accounting system. This is illustrated in *Figures 3 and 4*. This accounting link is currently under development and will be installed later this year.

The review promoted the idea of a back office, which has been

approved internally. The concept behind this newly created function is to move away from being process-driven to become value-added instead. Too much time has been spent getting information into and out of systems, and too little focus on understanding the company's balance sheet.

REGIONS At present the TMS is installed in the treasury department at the corporate office, and installation in a major regional office is nearing completion. The good practice review confirmed that using the TMS as a communication tool between treasury and the regional offices would be beneficial. Having the TMS available to staff dealing with treasury issues regionally would enhance visibility on group cash sources and uses by currency, as they could input their requests for funding and short-term and long-term cashflow forecasting directly into the system. This is due to be rolled out before the end of Acergy's financial year.

THE DELOITTE PERSPECTIVE Like many corporates in similar circumstances, Acergy found itself in a 'what now?' situation, having spent a considerable amount of time and effort selecting and implementing a TMS. Acergy, though, was bold enough to want to optimise its TMS and extract as much value out of it as possible.

As the company's advisor, Deloitte tried to add value to the project by making sure it understood Acergy's treasury processes and general culture as well as the appetite for change.

Throughout the project Deloitte kept in constant touch with the management and regularly reviewed where the team had got to at each point, discussing the findings and the possible implications for treasury. This was enormously helpful when it became clear that fundamental changes were required in the set-up of the accounting operations in order to streamline them and achieve segregation of duties. This is a strong requirement from the perspective of good practice and the requirements of Sarbanes-Oxley.

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FIGURE 3: Current accounting process

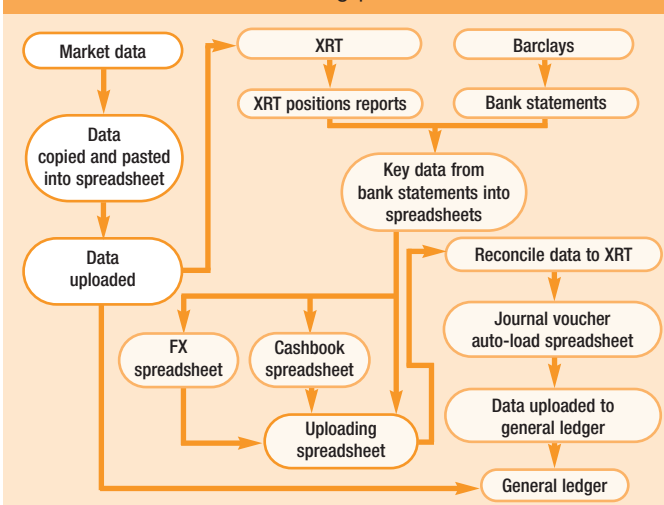


FIGURE 4: Good practice accounting process

