

7 March 2014

Mr Charles Tilly
Chairman
Professional Accountants in Business Committee
International Federation of Accountants
529 5th Avenue, 6th Floor
New York, New York 10017

Via online submission: www.ifac.org

Dear Charles,

The Role and Expectations of a CFO: A Global Debate on Preparing Accountants for Finance Leadership Discussion Paper

CPA Australia and the Institute of Chartered Accountants in Australia (The Institute) have considered The Role and Expectations of a CFO: A Global Debate on Preparing Accountants for Finance Leadership Discussion Paper (the Discussion Paper) and our comments are set out below.

CPA Australia and the Institute represent over 200,000 professional accountants in Australia. Our members work in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally.

We broadly support the International Federation of Accountants (IFAC) engaging with professional accountants in a dialogue on the expectations, scope and mandate of Chief Financial Officers (CFOs) and similar senior finance roles.

We note that IFAC will use the discussion paper to initiate a global debate among various stakeholders. However, the Discussion Paper does not appear to contain specific objectives or outcomes, such as the specific standards, guidance or advocacy IFAC is proposing to develop using feedback received. Clearer objectives would assist stakeholders in their consideration of this topic and in formulating detailed and targeted comments.

Representatives of the Australian Accounting Profession



cpaaustralia.com.au



Institute of
Chartered Accountants
Australia

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Our comments on the Discussion Paper are mostly at a high level. We would welcome the opportunity to provide comments on any future IFAC publications on this topic, where specific objectives and action outcomes are proposed.

Our responses are contained in the attached Appendix. If you have any questions regarding this submission, please do not hesitate to contact Gavan Ord (CPA Australia) gavan.ord@cpaaustralia.com.au or Rob Ward (The Institute) rob.ward@charteredaccountants.com.au.

Yours sincerely,



Paul Drum
Head of Policy
CPA Australia



Rob Ward
Head of Leadership & Advocacy
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DETAILED COMMENTS ON THE ROLE AND EXPECTATIONS OF A CFO: A GLOBAL DEBATE ON PREPARING ACCOUNTANTS FOR FINANCE LEADERSHIP DISCUSSION PAPER

CFOs in Australia

To provide some context to our comments, we believe it would be helpful to provide some background on CFOs in Australia.

Use of the term 'CFO' in Australia

The position description Chief Financial Officer (CFO) is widely used in the business and public sectors in Australia. However generally the term has no legal standing and the role of individual CFO's vary widely. Many smaller organisations will not have a CFO, as their lack of complexity does not warrant the cost associated with such a senior appointment.

In many instances the individual holding the title CFO will be the most senior finance executive in the organisation. However large organisations will often appoint divisional CFOs and in some organisations the most senior finance position will have a different description, such as 'General Manager Finance'.

The term 'Finance Director' is often used instead of CFO. Despite this usage, a finance director is often not on the board of directors.

CFOs on Boards

CFOs are commonly not on the board of directors of their respective organisations. The Australian Securities Exchange Corporate Governance Principles and Recommendations Incorporating 2010 Amendments recommends that boards have a majority of independent directors (Recommendation 2.1). It is common for listed company boards to comprise mostly independent and non-executive directors. However some listed companies do have the CFO on the board.

Objectives of the Discussion Paper

As noted above, it is not clear what specific objectives the consultation feedback will be used for. Further, the Discussion Paper appears to indicate that the topic has implications for a variety of stakeholders: professional accounting organisations (PAOs), professional accountants, employers and regulators.

In our opinion stakeholders, including ourselves, will be able to provide more detailed and targeted feedback where future IFAC consultation papers on this topic:

- (a) Identify the specific standards, guidelines or advocacy initiatives that are proposed; and
- (b) Are targeted to a specific audience.

Feedback received by us during consultations with members suggested there are other potential stakeholders, such as accounting graduates, academics and recruiters.

Responses to Discussion Questions

1. What are the main requirements and expectations of CFOs and finance leaders?

The requirements and expectations of CFOs and finance leaders vary depending on many factors. These factors can include size of the organisation, industry sector, organisational structure, and

whether the organisation is in the private or public sectors. For instance, a large complex listed business may require the CFO to take at least some responsibility for investor relations and complex treasury functions. In a smaller business, the CFO may need to take responsibility for a wide range of non-finance activities, such as information technology, workplace relations or health and safety, due to limited resources.

We agree that the role of a CFO has extended beyond the traditional responsibilities that relate to stewardship and financial control. As part of the leadership team, a CFO shares responsibility for driving the organisation to meet its objectives. This includes being a strategic partner to senior executives and, in particular the CEO. Consequently the CFO needs to understand the economic and social environment in which their organisation operates.

We agree that the role and expectations of a CFO are changing. The change is being driven by a range of factors including an increased focus on compliance and risk management by boards and regulators and demands for CFOs to be strategic business partners. As these expectations continue to change, conclusions and actions determined as a result of responses to the Discussion Paper will therefore need to be reassessed by IFAC in the future.

2. What are implications for skills and competencies needed?

In our opinion a key implication of the expectation for CFOs and senior finance professionals to be strategic business partners is the need for effective 'soft skills'. These include communication, leadership, strategic thinking, negotiation and change management skills. A range of technical skills are also necessary, depending on the individual role.

3. What are the key actions for PAOs and employers to prepare professional accountants for finance leadership?

We take an active role in engaging with our members in business, employers and the wider business community and our training programs are designed to foster life-long learning. For example, the Institute's continuing professional education program includes a range of leadership skills courses, as well as the *CFO of the Future* series, a six day program, and regular events to bring together CFOs and finance leaders. An example of a program CPA Australia offers senior finance leaders is CFO Advance, a five day program run in conjunction with the University of Chicago Booth School of Business.

4. What are the main factors for professional accountants to consider in striving for financial leadership?

We have no comments on this question.

5. What might regulators and other stakeholders do to influence the professionalism of financial leadership?

In Australia there is legislation regulating positions such as company directors and officers, but not CFOs, although CFOs may simultaneously hold these statutory positions.

Principles Guiding the Role and Expectations of a CFO

We broadly support the five principles proposed in the Discussion Paper, subject to our comments below. However it is not clear what standards, guidance or advocacy papers the principles will be included in or apply to. At such time as IFAC determines their specific application we would welcome the opportunity to provide further comments.

Principle C: The CFO should act as the integrator and navigator for the organization

In our opinion, and in contrast to the other principles, the meaning of Principle C is not clear. In particular 'integrator' and 'navigator' are not widely used business terms in Australia, in the context of a CFO or otherwise.

Further the supporting text to Principle C, on pages 15 and 16 of the Discussion Paper, appears to cover a range of factors, including strategic management, systems thinking, integrated reporting and sustainability and, in our view the links between these factors should be made clearer.

We therefore recommend that Principle C should be refined and rewritten.

Principle E: The CFO should be a professional and bring professional qualities to the role and the organization

We note that Principle E states that 'The CFO should be a professional' rather than 'The CFO should be a professional accountant'. While we do not necessarily support a requirement that CFOs must necessarily be professional accountants, in our opinion the term 'a professional' on its own might be ambiguous.