

## The CFO's evolving role: a pan-European perspective

### About this document

*InSights* is produced by Tapestry Networks to provide assessments of key issues of interest to audit committees in Europe. Initially, *InSights* will be distributed to members of the European Audit Committee Leadership Network (EACLN), who, in turn, will share it with colleagues on audit committees and boards, and their advisers. It will be distributed by Ernst & Young to its partners. Anyone who receives *InSights* may share it with those in their own network. The ultimate value of *InSights* lies in its power to help all constituencies develop their own informed points of view.

### Introduction

The recent implementation of IFRS for publicly-listed companies in the European Union, Sarbanes-Oxley (SOX) for SEC-registrants, and national corporate governance codes for specific European states – along with increased interest in narrative reporting and shareholder engagement – have significantly altered the role of the chief financial officer (CFO). This first European issue of *InSights* has been developed to help European audit committee members gain a deeper understanding of the many changes currently affecting the CFO role, and the evolution taking place in the financial organisation the CFO oversees.

Tapestry Networks spoke with 12 CFOs between August and November 2006, primarily from companies that have an EACLN member on the board. Three of the executives interviewed are members of the EACLN. The CFOs interviewed were:

- Michel Demaré, Chief Financial Officer, ABB
- Tom de Swann, former Chief Financial Officer, ABN AMRO and Audit Committee Chair, GlaxoSmithKline
- Karl-Gerhard Eick, Deputy Chief Executive Officer and Head of Finance, Deutsche Telekom and Audit Committee Chair, Deutsche Bank
- Jacques Espinasse, Chief Financial Officer, Vivendi Group
- Byron E Grote, Chief Financial Officer, BP
- Julian Heslop, Chief Financial Officer, GlaxoSmithKline
- Phil Hodkinson, Group Finance Director, HBOS and Audit Committee Chair, BT Group
- Hanif Lalani, Group Finance Director, BT Group
- Pär Östberg, Senior Vice President and Chief Financial Officer, Volvo Group
- Santiago Fernández Valbuena, Chief Financial Officer and General Manager for Corporate Development, Telefónica
- Henk C van Dalen, Chief Financial Officer, TNT
- Helen A Weir, Group Finance Director, Lloyds TSB Group and Audit Committee Chair, Royal Mail Holdings



Tapestry Networks also interviewed members of the EACLN regarding their views on the evolving role of the CFO. Audit committee chairs who participated were:

- Per-Olof Eriksson, Audit Committee Chair, Volvo
- Sir Anthony Greener, former Audit Committee Chair, BT
- Jan Hommen, Audit Committee Chair, Royal Ahold and ING
- DeAnne Julius, Audit Committee Chair, Roche Holdings
- Daniel Lebègue, Audit Committee Chair, Alcatel
- Anders Nyrén, Audit Committee Chair, Skanska and Sandvik
- Sir Ian Prosser, Audit Committee Chair, BP
- Pierre Rodocanachi, Audit Committee Member, Vivendi
- Gerhard Schulmeyer, Audit Committee Chair, Zurich Financial Services
- Lord Sharman of Redlynch, Audit Committee Chair, ABN AMRO

This document uses a modified version of the Chatham House Rule whereby names of contributors to the research and their company or organisation affiliations are a matter of public record but comments made in the conduct of the research are not attributed to individuals.

## Executive summary

There was general agreement among the CFOs surveyed that the role is changing throughout Europe. Today's CFO has more responsibility and a higher public profile than CFOs of the past. The role has expanded into one that is more focused on strategy, process and functional management, with added compliance responsibilities. The *Financial Times* recently characterised the change: "In organisations with good financial management, the CFO has successfully guided the transition from being inwardly focused and largely process-driven to being at the heart of corporate decision making".<sup>1</sup>

It should be noted, however, that although there are many common changes to the CFO role across all businesses, some responsibilities tend to be delegated to the CFO based on the personality and experience of the individual and the CEO they work with. The finance organisation – since it reports to and is managed by the CFO – has also been affected by changes to the CFO's role. The specific issues that CFOs found most important are highlighted below, with more detailed discussion on the following pages:

- **The CFO's role: increased compliance and strategic impact, more communication**  
(page 3)

The added compliance burden is one of a number of factors driving the evolution of the CFO role, and is most visible in mainland Europe, especially for SEC registrants. However, there are ramifications for CFOs, irrespective of geography and regardless of SEC registration. Compliance has had at least one unexpected benefit: process re-evaluation and standardisation are emerging as critical CFO mandates, particularly as companies expand globally. CFOs report that they are being called upon to play a significant role in strategic planning and, for some, business demands have

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<sup>1</sup> Sir Andrew Likierman, "Seizing the reins of good financial management", *Financial Times*, 6 April 2006. Available at: <http://www.ft.com/cms/s/bc0524ea-ebf8-11da-b3e2-0000779e2340.html>



forced the CFO to transform the financial function from pure accounting into a more complex, forward-looking function. Audit chairs appreciate the scope of and challenge in the CFO role.

The CFO continues to be a trusted business partner to the CEO, but CFOs report that the biggest change in the relationship is the amount of time they are now spending on external obligations, particularly in communicating with the investor community.

- **The finance function: evolving to support the CFO** (page 6)

CFOs are starting to look for a broader set of financial and strategic skills in new recruits, particularly because in many businesses the CFO's team is starting to have a higher profile, taking on more forward-facing roles like reporting to the audit committee. However, some of this increased exposure to the audit committee is the result of CFOs having delegated much of the compliance burden within the financial function. In some cases, increased workloads and added responsibilities are also resulting in greater turnover within the financial function. Some CFOs have started outsourcing more traditional elements of the finance function, such as some aspects of accounting or billing.

Reporting lines for the internal audit function vary across organisations. In some cases, internal audit has no direct reporting line to the CFO, though the head of internal audit may be considered part of the CFO's team. In other companies, internal audit is firmly entrenched in the financial function and reports directly to the CFO.

- **A stronger relationship with the audit committee** (page 8)

CFOs say they are spending more time working with, and reporting to, the audit committee. As a group, audit chairs are clear about what they expect from a company's CFO: they want the tone at the top to be appropriate and they want the CFO to ensure that there is a disciplined approach to financial reporting and internal controls. See "The role of the CFO: the audit chair's perspective" on page 9.

- **The relationship with external auditors is critical and constructive** (page 10)

The relationship between external audit, the CFO and the finance function has intensified due to the corporate governance reforms adopted in the last few years, as well as the transfer of responsibility for overseeing the external auditor from management to the audit committee. There is a strong view among the CFOs that their relationship with the external auditor remains close and productive.

## **The CFO's role: increased compliance and strategic impact, more communication**

The CFO's role has always been integral to a company's performance and fiscal health. Today's CFO has added layers of responsibility and greater visibility than CFOs of the past. One CFO described the changes as follows: *"I think we are in the third phase of the CFO role. The first phase was when the CFO was the chief accountant, then the pendulum swung to the opposite side and the CFO became the transaction person, now the pendulum has moved to compliance"*.

A second CFO had a somewhat different view, describing the changes in terms of the myriad responsibilities that now make up the job: *"The change in the role has three components: first, over the past six or seven years, there has been a further strengthening of everything surrounding risk, internal controls, integrity and compliance. Second, there's a new focus on standardisation, with regard to*



*business processes, financial processes, basic accounting and reporting. The third component is as a strategic business partner, though to some degree that depends on the profile of the CFO”.*

Audit chairs who participated in the research are appreciative of the scope of – and challenges inherent in – the CFO’s role. One chair said: *“Many people think the CFO is getting more important. I do not see it this way because in large corporations, the CFO has always played a big powerful role”.*

Another commented: *“The nature of the work at a public company is very hard, with increasing risk and responsibilities and too much stress – but it’s stimulating work nonetheless”.*

### **Compliance burden increased**

There was a strong consensus that the biggest changes to the CFO’s role are most visible in mainland Europe, where newer compliance obligations have added multiple layers of reporting responsibility – leading to additional staffing and a greater workload for the finance function. One CFO commented: *“SOX and other compliance issues have created a huge workload for us. I’m afraid to say that currently this is where I’m spending about 40% of my time”.*

While the increase in compliance has not been as obvious in the UK, where compliance obligations related to the Combined Code and its predecessor codes have been in place for many years, one UK-based CFO noted that nevertheless: *“The real change [in the role] has been compliance”.* This was corroborated by another UK-based CFO who said: *“Greater compliance requirements ... may not necessarily be the domain of the CFO per se, but the CFO ends up being the backstop [for them] nonetheless”.*

Another CFO pointed out that, similarly, companies that are not SEC-registrants *“have responded to a certain extent to the changing standards in other businesses by implementing a ‘SOX-lite’ approach”.* This CFO continued: *“We take the best parts of SOX and avoid the ‘tick box’ approach ... We do this ... because we believe the standard of what people expect of organisations is actually being achieved by SEC-registered companies”.*

### **Process standardisation emerging as a critical mandate**

As organisations expand globally, a number of CFOs pointed out that – in order to make financial reporting, accounting and regulatory compliance simpler and more reliable – they have looked at process re-evaluation and standardisation. For some CFOs, in companies where shared services centres are an operational solution to the requirements of a multinational company, a *“global perspective from the finance function”* is yet another reason for standardisation and process alignment.

A finance process expert interviewed for *InSights* defined the difficulties as “a series of technological, content and process problems”, with many companies still using varied IT platforms across the organisation, along with multiple methods for recording financial information. In too many cases this can slow down both information capture and dissemination – a dangerous situation in the current business environment of increased transparency and regulated responsibility. By way of rectification, the consultant suggested that: *“Companies should standardise all the tools used by all the members of their [finance] organisations”.*

One CFO revealed that his organisation was already heading in this direction: *“I think the work we are doing to comply with SOX should ideally lead to more efficient business processes. So far, we have*



*documented existing ways of working. We should now be able to evaluate and possibly modify the ways [in which] we work. I am now expecting [business unit] CFOs will propose different ways of working, and I think this will be an advantage of SOX compliance".* Another CFO confirmed that this was an important piece of the agenda, saying: *"I've launched a programme where within the next three years we are going to standardise everything".*

One CFO explained that for his company: *"SOX has been a wake-up call. We are now working on building better controls [both financial and non-financial], throughout the organisation".* This same individual said, *"On the one hand, this has created a big load for me, but on the other hand it's helped to make the company conscious of the fact that it had to change".* Another CFO cautioned that process improvement may no longer be an issue to be solved once: *"I think it is a constant business issue. As the business changes, the financial processes change".*

In companies where the compliance obligations have become more routine, the CFO has also become a key driver in transforming the finance function from a division that just handles finance and regulatory obligations to a unit that has a critical hand in, what was characterised by one CFO as, *"driving change and alignment and focus"* in the budgeting and procurement processes.

### **Strategic role enhanced**

Participants in the research agreed that the CFO is increasingly being called upon to play a significant role in strategic planning, in addition to managing the compliance burden. One CFO described the changes, saying: *"On top of the traditional finance and accounting responsibilities, finance has become a more important part of mergers and acquisitions and strategic development".* Another CFO said: *"We need to be able to put a number on any strategic move and any strategic initiative".* A different CFO noted that many CFOs had *"come from an accounting background but were moving toward capital markets/investor relations sorts of roles".* Another defined his enhanced involvement in strategic decision-making by saying: *"We have moved from the old days of finance directors ensuring audit and accounting principles, and are now embarking on something more creative with a greater impact on the business".*

A number of CFOs have also taken responsibility for enterprise-wide risk management, the scope of which, as one CFO noted, has broadened: *"The parameters for ERM have moved from financial currency risk to include a greater number of macroeconomic exposures".* Ownership of risk management often crosses a number of functions. *ViewPoints* reported that "audit chairs generally felt that successful risk management was dependent on '...transparency and confident relationships between the CFO, internal auditor, external auditor and the chairman of the audit committee. The relationship among these four parties is key"<sup>2</sup>.

### **Absorbing some of the CEO's external responsibilities**

There was clear consensus among the CFOs interviewed that it is essential for the CFO to be a trusted partner to the CEO. However, opinions were mixed regarding whether the CFO's relationship with the CEO has changed in any material way:

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<sup>2</sup> European Audit Committee Leadership Network, "Audit committees: converging roles, diverging practices?", *ViewPoints*, 15 July 2005. Available at: [http://www.tapestrynetworks.com/documents/Tapestry\\_EY\\_EuroACLN\\_Jul05\\_View3.pdf](http://www.tapestrynetworks.com/documents/Tapestry_EY_EuroACLN_Jul05_View3.pdf)



- **Some CFOs don't see much change.** *"I think the CEO looks to the CFO, always, as a business partner but also for aspects of financial integrity, as an overall executive team member and as a team player"*, said one CFO. Other CFOs note that corporate agendas may shift but if the CEO/CFO relationship remains strong the situation is navigable: *"Though our collective priorities have frequently changed, the relationship has always been excellent. There are of course differences of opinion at times but that too is quite healthy"*.
- **Others see the CFO sharing more of the CEO's obligations, particularly for communication.** There was general agreement among interviewees that CFOs are spending more time on external obligations that have traditionally been the role of the CEO, particularly when it comes to communication with the investor community. One CFO said: *"The need to communicate with the investment community is increasing"*. Another CFO made the point that: *"Just half a year ago the CEO and I were sharing this responsibility 50-50; now I'm probably doing 75% of this work and he is doing 25%"*.

Another participant in the research, who refers to the role he plays in investor relations as "outsized" noted: *"It is typical of management [within] companies to downplay the importance of investors and say 'these guys know nothing'. However ... I understand how investors think and I know [they] do not like a one-size-fits-all communications strategy"*. This CFO also indicated that the CFO can play a role as the voice of the investor within the company. Another CFO agreed, saying: *"Part of my role is communicating down through the organisation about how the market looks at us. [I am] bringing the market's demands inside, so [our] people understand the requirements our investors have"*.

### The finance function: evolving to support the CFO

As the CFO's role continues to evolve, it stands to reason that the skills required from their organisation will expand as well. The *Financial Times* article mentioned earlier also reported that: *"Historically, finance departments have had a limited and largely supportive role ... [However] as a discipline, [the finance function] is undergoing rapid change"*.<sup>3</sup> Among the CFOs interviewed, many echoed this observation, with one saying: *"I see the evolving needs of my company and others, and realise the old days are gone ... though the old functions are needed – and much more sharply – they are also insufficient"*. Another CFO described the changing requirements as *"bringing in more commercially oriented people who can act as business partners at the senior level"*.

To a great extent, the changes in the function mirror the changes inherent in the CFO role, as the CFO looks to their financial organisation to support the expanded initiatives they are overseeing. However, ongoing compliance needs are also a significant factor, with most CFOs pushing compliance responsibilities down into the finance function.

The greater compliance burdens have also led to internal audit hiring more people to manage the increased workload. One CFO noted: *"We have strengthened our internal audit and controls function"*. Another said: *"It is safe to say that we are adding resources to those areas"*. One CFO put it more bluntly: *"We have hired a substantial number of people in internal audit. We have strengthened the financial accounting unit on the group level, and within individual parts of the*

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<sup>3</sup> Sir Andrew Likierman, "Seizing the reins of good financial management", *Financial Times*, 6 April 2006. Available at: <http://www.ft.com/cms/s/bc0524ea-cbf8-11da-b3e2-0000779e2340.html>



*business. Because of compliance [obligations] the number of people involved has increased tremendously”.*

### **Hiring and training for broader experience**

CFOs are looking to staff their finance organisations with individuals who have broader business skills, (as opposed to purely accounting skills). One CFO said: *“We have been forced to evaluate our hiring policies and are now hiring [people] with more strategic [experience]. That’s been a clear trend”.*

Another CFO echoed this, saying: *“The finance function should be a business partner for change, driving great business performance. And change means new ways of looking at things, not counting and watching but rather leading”.*

In some organisations, the CFO’s team also find themselves with more forward-facing roles. One CFO said: *“There is no such thing as a back office role anymore. I am constantly looking for opportunities to give my people exposure”.* A second CFO noted: *“I haven’t yet presented my succession plan [to the audit committee] but I have presented the [people underneath me in the] finance function”.* The finance function’s increased compliance workload has also led CFOs to invite their direct reports to audit committee meetings. *“My heads of accounting and business controls participate more in meetings to help answer questions”*, said one CFO.

### **Mounting turnover**

Increased workloads and added responsibilities mean, as one CFO pointed out, that the pressure on the finance function has intensified and so *“the volatility of staffing increases”.* This volatility may mean companies are losing the opportunity to build institutional knowledge through continuity.

However, a good deal of the turnover appears to be deliberate. One CFO mentioned *“upskilling the [finance] population”* because *“business leaders want senior finance people today to be trusted advisers. That takes the finance community to a whole new skill set”.* One CFO who is a strong advocate for this trend spoke about *“looking carefully [at staffing]. We had people who were in the right roles but we also had people who were in the wrong parts of the company. Are there people who will never make the end game? Absolutely”.* Sometimes the churn has more to do with organisational transformation or outsourcing, as indicated by one CFO who was looking carefully at staffing. They noted that over a 15 month period *“approximately 15% of the finance organisation has left”.*

Several CFOs mentioned that they have begun outsourcing some of the more traditional aspects of the function, such as accounting and billing. One said: *“We outsource some things, and in-source others”.* This CFO also characterised the process as *“bill versus buy”*, noting: *“We bill for specialised needs such as IT or forensic accounting”.*

A number of CFOs mentioned using the finance function as an incubator where future corporate leadership can steep themselves in the company’s financial processes before moving on to other roles. One CFO explained the company’s employee development process by saying: *“We are seeing an influx of different people with different backgrounds. They work on a rotating basis within the finance function. They come in for a couple of years, then they go”.* A second CFO said: *“Finance gives fantastic grounding and background for moving into the [wider] organisation. I’m keen to bring people into the finance function and have them move into business roles in the future”.*



## Where does internal audit fit?

The EU's 8th Directive states that if internal audit is applicable (as it is more and more for many European companies), it should be monitored by the audit committee.<sup>4</sup> The rules for European companies listed on the New York Stock Exchange (NYSE) are equally clear about internal audit's connection to the audit committee: "Listed companies must maintain an internal audit function to provide management and the audit committee with ongoing assessments of the company's risk management processes and system of internal controls"<sup>5</sup>. However, neither document addresses appropriate lines of reporting for the internal audit function. The European Confederation of Institutes of Internal Auditing states that a best practice would be for internal audit to have direct reporting lines to both the audit committee and chief executive officer.<sup>6</sup> Nevertheless, participant organisations demonstrate a wide range of practices in this area:

- **Internal audit reports to the CFO.** One CFO said: *"For the time being, having internal audit within the finance function seems to be the best solution because much of what they're focused on is risk"*. Another commented: *"Internal audit reports into [the CFO]. However, the chief auditor has the right to disagree with [the CFO]"*.
- **Internal audit reports elsewhere.** One CFO said: *"The internal audit function reports to the board and the chief executive. It does not report through me to the CEO. But the group auditor is part of my team. We work closely together but I'm not his direct line boss"*. Another CFO noted: *"Internal audit does not report to [the CFO]. They functionally report to the CEO for salary evaluations but they are empowered by the audit committee and report directly to them"*.

Overall, CFOs said there was no standard configuration for who internal audit reports to directly, or whether the CFO has a managerial connection to the department. *ViewPoints* reported the view of one audit chair: "The audit committee must be able to request specific missions for internal audit without permission of the CEO or CFO"<sup>7</sup>.

Most CFOs surveyed acknowledged that having some internal audit experience was beneficial for staff advancement. The CFO of one company said: *"Our general auditor is attempting to build the department so that 40% of the [internal audit] organisation is professional and would expect to be in audit for a large block of their career; the remaining 60% are transitional and would rotate through as a broadening mechanism"*. Another CFO confirmed this, saying: *"I definitely think that internal audit is a good point for anyone who wants to develop their skills"*.

## A stronger relationship with the audit committee

CFOs report that their relationship with the audit committee has strengthened and this is particularly true of their relationship with the audit committee chair. In large measure, this is due to the increase in

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<sup>4</sup> Full text of *Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC text with EEA relevance* available at: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2006:157:0087:01:EN:HTML>

<sup>5</sup> New York Stock Exchange, *Final NYSE corporate governance rules*, page 13, approved by the SEC on 4 November 2003. Available at: <http://www.ecgi.org/codes/documents/finalcorpgovrules.pdf>

<sup>6</sup> European Confederation of Institutes of Internal Auditing: "Status of the Profession in Europe", 9 September 2006. Available at: [http://www.eciia.org/downloads/archive\\_06/2006\\_09\\_07\\_ECIIA\\_Conf\\_2006\\_HELSINKI\\_.pdf](http://www.eciia.org/downloads/archive_06/2006_09_07_ECIIA_Conf_2006_HELSINKI_.pdf)

<sup>7</sup> European Audit Committee Leadership Network, *"The future of the audit committee in Europe"*, *ViewPoints*, 17 May 2005. Available at: [http://www.tapestrynetworks.com/documents/Tapestry\\_EY\\_Euro\\_ACLN\\_May05\\_View.pdf](http://www.tapestrynetworks.com/documents/Tapestry_EY_Euro_ACLN_May05_View.pdf)



compliance responsibilities, or as one CFO characterised it: “[Today] the audit committee agenda is about control, effectiveness and compliance”.

Though the nature of the CFO’s relationship with the audit committee varies from company to company, CFOs say they are spending more time working with and reporting to their company’s audit committee, as well as to the audit chair. Some CFOs admit that the working relationship is still evolving because of the added compliance and reporting obligations. Most CFOs attend all audit committee meetings, and one CFO noted: “I think the audit committee and CFOs of companies did not really know what this [compliance] was all about. Everyone was looking for the right way to work together. Perhaps now we are beginning to find the right way”.

In general, CFOs report that they often have one-on-one conversations with the audit committee chair, outside regular meetings. According to one CFO: “I have a good relationship with my audit chair, and [we] talk regularly to work through audit committee issues”. Some version of this type of rapport was articulated by every CFO who participated in the research. “An audit committee chairman would have to have a good relationship with the CFO”, noted one CFO, “with all the pressures and responsibilities, there has to be a straight connection to the CFO”. Another CFO mentioned using the audit committee (and the audit chair in particular) as “a source of expertise and independent views that I can use as a sounding board. Someone who I can bounce ideas off of and they will tell me if the way I look at things makes sense or not”.

One CFO noted: “At the end of the day what really matters with all of these [changing] elements is that there are good relationships in place from the get-go. The audit committee chair [must] get along with the CFO. There has to be trust. The CEO also has to be there. It carries all the way through. If the relationships are working and there is something missing, then it’s not going to become a big problem. On the other hand, if there is something missing and the relationships don’t work, then all the processes in the world won’t save you”.

#### **The role of the CFO: the audit chair’s perspective**

Audit committee chairs are clear about what they expect from a company’s CFO:

- **Tone at the top.** One audit chair said: “Two things: the tone at the top should be right, and someone to set the discipline of the financial controls. We want someone who has a helicopter view, so that he or she can see the big picture and zero in if something even smells wrong”.
- **Strategic thinking.** Another audit chair added: “The CFO is the one who should be thinking innovatively about how we can do something or whether we should do something. Is there a way to change the structure of the business? Are we too conservative?”.
- **Financial accuracy.** An audit chair commented: “I want the CFO to deliver to me absolute, hard cast numbers that are not wrong”.

Another CFO made the point that it’s not enough for the audit chair to simply interact with the CFO: “The audit committee chair needs to get out and meet the people who are actually doing the [work]”. A second CFO confirmed this opinion, but went one step further: “Assessing the finance function requires more than just a profound knowledge of finance in general. Audit committee members should get acquainted with the specifics of the industry and get to know how the internal process ... works”.



All CFOs interviewed agreed that: *“The intensity of audit committee meetings has changed”*. One CFO described the specifics of those changes: *“There are an increasing amount of questions from the audit committee. They want to feel comfortable with our numbers”*.

### **The relationship with external auditors is critical and constructive**

Last year, one member of the EACLN speculated on the relationship between the CFO and the external auditors: *“The relationship between the audit committee, auditors and management has not changed. It may change as we go through the [Section 404] process. However, the relationship between the external auditor and management has intensified due to the workload”*<sup>8</sup>.

CFOs agree that though the changes enumerated above have indeed come to pass, overall, they are comfortable with the type of connection they have with external audit. *“The relationship with the senior partner of the external auditor is critical if you are the CFO. The right person makes all the difference”*, said one CFO. Another said: *“I would call the relationship constructive over time. The regulatory environment has helped shape it”*. Another added: *“My view is they [external auditors] have a right to sit in on any meeting that I’m involved in”*.

However, one CFO had a different view: *“External auditors have ... become far more risk averse and technical. For a business that’s well run and isn’t prone to weakness, external audit is less valuable and has frankly been dumbed down a bit”*. In the 13 November 2006 issue of *ViewPoints*, one leader of a Big Four accounting firm suggested that: *“You should challenge them to give you opinions and judgements on qualitative things, such as people issues, directional issues and where the risks are [in the company] ... This is uncomfortable for some partners but we are pushing for this to happen”*<sup>9</sup>.

### **Conclusion**

Overall, it is clear that the role of the CFO has changed, whether significantly in much of mainland Europe, or incrementally in the UK. Across the board, CFOs agree that the number of responsibilities they now face has expanded significantly. They now contribute to strategic decisions, focus on process more, communicate more frequently with the investing community and manage a growing compliance burden. On top of these changes to the role, the CFO is also expected to align and reform the finance function to support their new responsibilities. These changes notwithstanding, certain factors are still crucial to a CFO’s success, including the strength of their relationships with the CEO, the lead external audit partner and the audit committee chair.

The challenge for audit chairs is also clear. CFOs want them to get to know the business, the leaders of the finance function and the key financial processes. This will only serve to deepen the relationship between CFOs and audit chairs to the benefit of both.

*The views expressed in this document represent those of the individuals who participated in the research. They do not reflect the views nor constitute the advice of network members, their companies, Ernst & Young or Tapestry Networks. Please consult your counsellors for specific advice. Ernst & Young refers to all members of the global Ernst & Young organisation.*

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<sup>8</sup> European Audit Committee Leadership Network *“Section 404: challenges facing European SEC registrants”*, *ViewPoints*, 25 January 2005. Available at: [http://www.tapestrynetworks.com/documents/Tapestry\\_EY\\_Euro\\_ACLN\\_Jan05\\_View.pdf](http://www.tapestrynetworks.com/documents/Tapestry_EY_Euro_ACLN_Jan05_View.pdf)

<sup>9</sup> European Audit Committee Leadership Network, *“The future of accounting and the accounting profession”*, *ViewPoints* 11, 13 November 2006. Available at: [http://www.tapestrynetworks.com/documents/Tapestry\\_EY\\_Euro\\_ACLN\\_Nov06\\_View11.pdf](http://www.tapestrynetworks.com/documents/Tapestry_EY_Euro_ACLN_Nov06_View11.pdf)