

# The role of the chief financial officer in public service organisations

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# Foreword

The chief financial officer (CFO) plays a critical role in the ability of public service organisations to meet the needs of the communities they serve.

But this role is evolving rapidly. Public services are becoming more complex. There is growing pressure on financial resources and organisational capacity. Existing frameworks of governance and decision making are being pushed to their limit, with the risk that some may cease to function as they should.


Furthermore, the CFO is increasingly playing a leadership role not just within the finance function, but across the organisation, across their sector and across the public services as a whole. This means that CFOs need to develop new skills, establish new relationships and work in new ways.

It is therefore timely that we present this fully revised and updated version of our key publication looking at the role of the CFO in public service organisations. This new publication builds on the principles established in the previous version, but also goes beyond them to reflect the changing world in which CFOs and their organisations operate.

In this publication, we have taken a more inclusive approach than before to the diverse range of organisations that deliver public services. We have also sought to adopt a more global focus, taking into account CIPFA's growing audience of finance professionals around the world.

Given this diversity of public service organisations, this publication does not set out a mere checklist of things a CFO must do. Rather, it establishes a conceptual framework that allows us to reflect on the nature of the CFO role in public service organisations and to consider the competencies, relationships and organisational culture that are required for the CFO to fulfil this role effectively.

It is our intention that CIPFA will, over time, use the framework set out in this publication as the foundation for further publications that consider more explicitly the role of the CFO in different sectors and different geographic jurisdictions.



For the moment, however, we hope that this publication provides existing CFOs, their organisations and those who aspire to a CFO role with the insight, the inspiration and just the right amount of challenge to allow them to better face the future that lies ahead.

**Carol Culley** – Chair, Public Financial Management Board

**Rob Whiteman CBE** – Chief Executive, CIPFA

# 1 Introduction

## 1.1 The chief financial officer in the public services

Public service organisations play an essential role in communities around the world. They deliver vital services to billions of people every single day.

These services range from the provision of water and sanitation to national defence and the exploration of deep space. They encompass virtually every aspect of our lives, from education and healthcare to economic regulation and consumer protection.

But public service organisations can only provide these services if they have the money to pay for them. And so it is essential that public service organisations manage their financial resources well.

The chief financial officer (CFO) plays a vital role in making sure that this happens.

## 1.2 Aim of the publication

The aim of this publication is to provide a definitive statement on the role of the CFO in public service organisations around the world.

The publication explores the nature of the finance function and of the work of the CFO in the public services. It also considers the competencies CFOs need if they are to fulfil their role effectively, the relationships they need to develop and the organisational culture they need to create.

It highlights key themes for CFOs and their organisations, such as the opportunities and challenges that they face, the nuances of operating within a political environment and the importance of accountability, stewardship and sound ethical values.

The publication also seeks to celebrate the role of the CFO in public service organisations and to promote it as an attractive and rewarding career choice for high-calibre finance professionals.



### 1.3 Who the publication is for

This publication is targeted at a global audience of established and aspiring CFOs, their organisations and those with whom they work.

In particular, it:

- allows new and established CFOs to gain insight into their role and to improve their practice
- helps aspiring CFOs to better understand the skills, competencies and attributes required
- assists public service organisations in understanding what they should expect from their CFO and how they can create an environment in which the CFO can create maximum value
- provides regulators, funders, auditors, taxpayers and other stakeholders with assurance as to the professional standing and integrity of CFOs in public service organisations.

The publication is designed to be relevant to all public service organisations and to reflect the challenges faced by CIPFA's worldwide audience of public finance professionals.



## 1.4 How this publication is structured

This publication is structured as follows:

- **Section 2:** The value of financial expertise in public service organisations, including the nature of the CFO role and the challenges that CFOs face.
- **Section 3:** Understanding the role of the CFO as a skilled professional, as the leader of the finance function and as a senior leader within the organisation.
- **Section 4:** The competencies required of an effective CFO in the public services, including the skills, behaviours and knowledge that allow them to fulfil their role.
- **Section 5:** The relationships that CFOs need to nurture, both within and outside the organisation and across the CFO's personal network.
- **Section 6:** The organisational environment and culture that need to be created and nurtured if a CFO is to be able to fulfil their role effectively.

We also include a series of short quotations from individuals who contributed to the development of this publication. These quotations serve to illustrate and provide additional insight into the themes discussed.

A glossary of relevant terms and suggestions for further reading are set out in annexes at the end of this publication.

# 2 The value of financial expertise

## 2.1 The nature of public service organisations

The scope of public services and of the organisations that deliver them is vast.

The nature of public services varies from country to country and from community to community. These services are delivered by different public service organisations in different ways.

Some services are overseen by democratically elected governments, entities or individuals at local, regional or national level. Some are administered by public sector agencies or civil society bodies, and others are provided by commercial organisations.

The way that public services are financed also varies across services and around the world. Many are funded through taxation, while others are financed through dedicated levies or charges. Some are provided by not-for-profit organisations acting independently of government; others operate on a commercial basis, with users paying directly for the services that they consume.


However they are delivered or funded, public services are primarily about the achievement of positive social outcomes, whether that is a healthy and well-educated population or a competitive and well-regulated economy.

That said, public services must also operate within the constraints of the relevant political context and of the available delivery structures, capacity and resources.

## 2.2 The importance of financial expertise

The organisations that deliver public services must be accountable to the individuals, businesses and communities whose taxes, levies, charges and donations are paying for them. They must be accountable for how this money has been spent, what it has been spent on and what this spending has achieved.





These public service organisations must also take into account the financial affordability, sustainability and resilience of the services that they provide. They must ensure not just that they can deliver these services now, but that they can continue to do so in the longer term.

This means that suitable financial expertise must be available across the organisation, at all levels and across all services.

The availability of such financial expertise allows the organisation's finance function to perform a truly enabling role, which goes beyond the transaction-processing remit with which the finance function has traditionally been associated.

It also allows the organisation to provide high-quality financial information, both internally for decision-making purposes and externally for the purposes of transparency and accountability.

## 2.3 The chief financial officer


The chief financial officer is an executive senior leadership role with overall responsibility for the organisation's financial affairs, activities and operations. The name of the role may differ across organisations, with the CFO sometimes being referred to as the finance director, treasurer or director of resources.

In addition to being responsible for the management of the organisation's financial affairs, it is vital that the CFO is a full and active member of the organisation's senior leadership team. This means that the role of the CFO is not just a financial one; the CFO also has leadership responsibilities in respect of the organisation as a whole.

“It's not that CFOs want to be part of the senior leadership team, but that they need to be. They need the authority. They need the profile. They need people to listen to them. They can't do their job if they're not in the top tier.”

**Managing director, public sector consultancy practice**

In some public service organisations, the CFO role is a statutory one. This means that the CFO's responsibilities – or, at least, some of them – are defined by law. In other cases, sector-specific regulations or codes of practice may also define what is expected of the CFO role. In other organisations, the role of the CFO is shaped by organisational custom and practice and by standards set by relevant professional bodies.



The CFO may have a specific remit that extends beyond the organisation's financial affairs. This remit might include procurement, information technology, human resources and corporate communications. This is especially common in smaller organisations, where there are fewer senior managers across whom responsibilities can be shared. In such cases, it is important that the CFO has time and capacity to undertake their core role and to discharge their financial responsibilities.

Some public sector organisations may have a governing body that oversees the management of the organisation. This governing body may be made up of elected representatives, individuals nominated by other organisations, or non-executive directors selected by the organisation itself. One or more members of the governing body may have responsibility for oversight of the organisation's financial affairs. In such cases, they will normally work closely with the CFO.


## 2.4 The challenges of the CFO role

The CFO in a public service organisation faces a broad range of challenges. Primary among these is the need to balance the organisation's aspirations against the nature and level of resources available to it. All public service organisations operate within some form of resource constraints. The level of resources that will be available to them in the future is frequently uncertain.

Public service organisations also operate in the face of considerable organisational and societal challenges. A growing population in some parts of the world and an ageing population in others both place substantial strain on service design and delivery. Changing political priorities at local, national and international level impact on what organisations can and cannot do. The need to free up resources for front-line services can create additional pressure on support functions.

CFOs also face a growing array of managerial and technical challenges. They must be capable of operating in a politically charged environment. They must be able to lead and to oversee the management of complex projects, and ensure that their organisation attracts and retains people with suitable financial experience and expertise.

As organisations seek to respond to the climate emergency and to the biodiversity crisis, the CFO must provide leadership in respect of carbon, environmental and sustainability reporting. The CFO also has a valuable role to play in ensuring diversity, equity and inclusion, not just within



their organisation but also in the design and delivery of the services that the organisation provides and in the organisation's interactions with the communities that it serves.

More broadly, CFOs must adapt to the rapid pace of change in the environment in which they and their organisations operate. This includes both technological change, such as the rise of automation, artificial intelligence and digitalisation, as well as organisational change, such as the growth in hybrid working arrangements.

# 3 Understanding the role of the chief financial officer

## 3.1 The five elements of the CFO's role

The role of the CFO in a public service organisation will vary depending on the nature of the organisation, the sector in which it operates, the geographic territory that it covers, the organisation's level of maturity and various other factors.

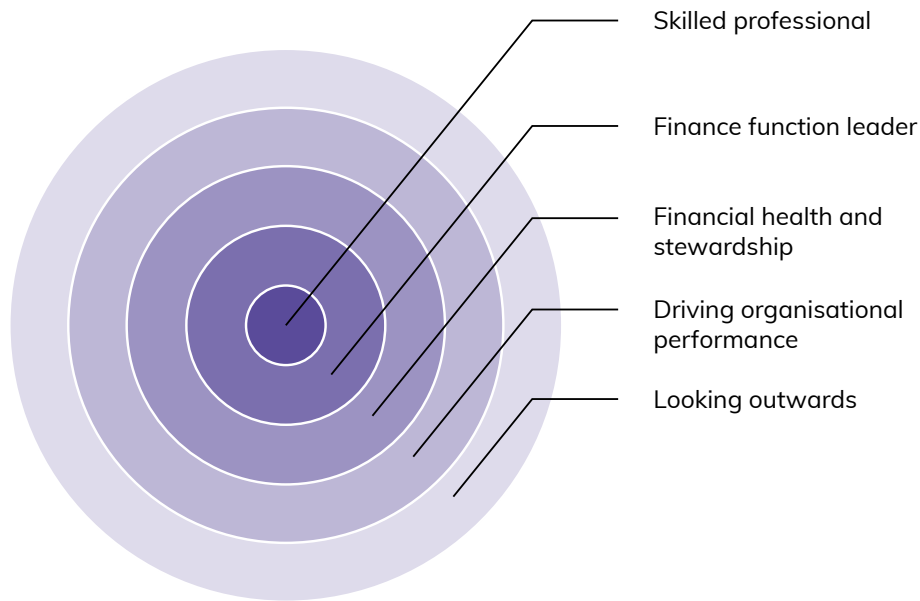
There are, however, five fundamental elements to the role of the CFO in public service organisations. These elements define the CFO role regardless of the nature of the organisation, the sector in which it operates and the geographic territory that it covers.

The five elements of the CFO's role are:

- **Skilled professional:** Being a skilled, experienced, trusted and respected finance professional.
- **Finance function leader:** Leading an efficient and effective finance function that supports the organisation and helps people to grow, both as individuals and as professionals.
- **Financial health and stewardship:** Ensuring the financial health of the organisation and maintaining stewardship of public resources.
- **Driving organisational performance:** Creating an enabling culture, driving organisational performance and helping to bring about positive change.
- **Looking outwards:** Looking beyond the organisation to explore the wider context, to respond proactively to change and to build strong relationships with others.

Each of these elements builds on the ones preceding it, as shown in Figure 1 below.

Figure 1: The five elements of the CFO role




Depending on the financial maturity of the organisation, some elements of the CFO's role may take on greater prominence than others. For example, there is little point in growing the CFO's role in driving organisational performance if their ability to sustain the organisation's financial health and stewardship is lacking.

Consequently, CFOs and their organisations should first embed the elements portrayed by the inner circles in the diagram, before seeking to address those portrayed by the outer circles. This will help CFOs and their organisations to build the strong foundation that is required for long-term success.

### 3.2 Skilled professional

The CFO role in public service organisations is that of a skilled professional. The CFO possesses and exhibits the skills, behaviours and knowledge expected of any professional operating at a senior level in a complex organisational environment.



This means that the CFO acts with the utmost professionalism at all times. They demonstrate the technical, management and leadership skills that are appropriate to their role. They are confident in their abilities and know when to seek support. They possess strong interpersonal skills. And they act with integrity and to the highest of ethical standards.

“The CFO is the voice of reason.”

**Strategic Director, public-private partnership**

The specific skills, behaviours and knowledge expected of a CFO in a public service organisation are discussed in more detail later in this publication.

There is a strong expectation that the CFO in a public service organisation possesses a professional finance and accountancy qualification. In the UK, this is normally achieved through accreditation by and membership of a recognised accountancy body. Internationally, however, although it is seen as good practice in some instances – such as when professionalisation of public finance functions is required – the idea of professional bodies is less ubiquitous. In some sectors and geographic territories, such a professional qualification is a statutory requirement or is required by sector codes of practice.


A professional finance qualification ensures that the CFO has appropriate skills, knowledge and technical competence. Furthermore, membership of a recognised professional finance or accountancy body demonstrates that the CFO is subject to a robust professional standards framework, that they have a strong understanding of their ethical responsibilities and that they are committed to their continuing professional development.

Such membership will also provide the CFO with access to information, guidance and support relating to developments in the finance and accounting sphere, and access to relevant professional networks and training opportunities.

The CFO's experience and expertise are, however, equally important. The CFO understands how organisations work and the role that the finance function plays in enabling organisational success. The CFO also has a thorough appreciation of the organisation itself and of the environment in which it operates.

“CFOs need to look beyond the numbers. They need to think about what the numbers actually mean for the organisation.”

**Chief Financial Officer, police organisation**



This is not to say that the CFO must necessarily have a background in the public services. The skills, experience and expertise required of the role can be gained in a multitude of ways. Indeed, experience gained by CFOs in commercial or other environments can be of great value to public service organisations.

Whatever their background, the CFO in a public service organisation has a high level of personal credibility. They are responsible for making or influencing decisions that will have a significant impact on their organisation and on the people and communities that the organisation serves. The CFO and their judgement are, therefore, trusted and respected by the CFO's colleagues and peers.

### 3.3 Finance function leader

The CFO leads the organisation's finance function and ensures that the function operates effectively and is fit for purpose.

“The CFO can't know everything. And so they need a good team around them.”

**Senior internal auditor, local government**

In smaller organisations, the CFO may lead and manage the finance team directly. In larger organisations though, there is likely to be a more substantial organisational structure within the finance function, with managers responsible for different teams operating within the overall function.

Regardless of the size of the organisation, however, it is the CFO who sets the tone for the behaviour, activities and performance of all those working within the finance function. It is the responsibility of the CFO to create a compelling vision for the function and to motivate the finance team to achieve this vision. The CFO also sets robust standards and acts as a role model for the finance team.

The CFO is responsible for ensuring that the finance function is structured and resourced appropriately and that it has in place the people, systems and processes that it requires to fulfil its role within the organisation.

The CFO is also charged with ensuring that the members of the finance team have the necessary skills to undertake their roles and that the team collectively possesses the expertise that it requires to operate effectively and to fulfil its obligations to the organisation. This may include securing access to specialist expertise from outside the finance team.



“Trust your team. Let them do their job.”

**Assistant Director of Finance, local government**

To ensure the ability of the finance function to fulfil its role in a sustainable manner, the CFO also takes into account the need to recruit and retain suitably qualified and experienced members of staff and to ensure that appropriate succession plans are in place for key roles.

In leading the finance function, the CFO has regard to the need to ensure that the finance function operates in an inclusive manner and that through its actions it promotes diversity, equity and inclusion within the function, across the wider organisation and among the communities that the organisation serves.

“The finance community must reflect – at all levels – the diversity of the people that we serve.”

**Chief Financial Officer, healthcare provider**

The CFO also creates a working environment in which all members of the team are respected and in which they are supported in achieving their professional goals while maintaining their personal health and wellbeing. This includes responding proactively to the expectations of colleagues from different generational groups, who may have differing – but equally valid – aspirations for their role, their personal development and their longer-term career.

### 3.4 Financial health and stewardship

The CFO is responsible for safeguarding the financial health of the organisation. This involves not only ensuring that the organisation is able to meet its financial obligations, but critically also maintaining effective stewardship of public funds.

This requires a high standard of financial governance and a strong focus on probity, regularity and accountability in the way in which public funds – and those from other sources – are managed and spent. It also requires the CFO to lead efforts to combat fraud and corruption across the organisation and in its dealings with partners, suppliers, customers, service users and other stakeholders.

The CFO ensures that the organisation has in place a robust framework for financial governance, management and control. The CFO also establishes and maintains suitable arrangements and mechanisms to provide assurance that the organisation’s financial governance and control frameworks are operating effectively.





“If the CFO is to establish credibility, they need to get the basics right.”

**Director of Finance, local government**

The CFO is also charged with ensuring that the organisation achieves value for money from its financial resources. While the notion of value for money is subjective, and so may differ from organisation to organisation, it is generally recognised as meaning that organisations take into account the optimal combination of cost, quality and environmental impact in the achievement of its intended outcomes.


Where the organisation has statutory financial responsibilities or must comply with regulatory financial requirements, the CFO puts in place suitable mechanisms to ensure that these responsibilities and requirements are met. While this will require the CFO to work closely with colleagues across the organisation, it is ultimately the CFO who retains accountability for such statutory and regulatory compliance.

In order to ensure that the organisation manages its financial resources effectively, the CFO leads on the development of financial strategies and plans and secures their approval, where necessary, by the organisation’s board or governing body. The CFO and their team use these strategies and plans to develop and to implement medium-term financial plans and near-term budgets, as well as to prepare and to respond to suitable cashflow forecasts.

The CFO also has responsibility for the preparation of robust and insightful financial information. This information is used internally for budget monitoring, decision making and performance reporting, and externally for statutory and other reporting and for the purposes of public accountability.

This external reporting of financial information has become increasingly challenging as the financial demands on public service organisations, the complexity of financial reporting standards and the requirements of regulatory bodies have grown.

The CFO works to foster an awareness across the organisation of risk and of the impact of different levels of risk appetite. This includes explaining risk – both in general and in respect of specific decisions and courses of action – to a broad range of internal and external stakeholders. The CFO also develops and maintains suitable mechanisms to ensure that risk is given appropriate consideration in all substantive organisational decisions and actions.



“CFOs need not just to understand risk, but also to be able to communicate it.”

**Director of Finance, local government**

The CFO oversees, usually with the benefit of specialist advice, the financing of the organisation’s activities. This might include arranging and managing external borrowing and monitoring compliance with relevant financial covenants. It might also include the investment of funds for a return, either on a short-term basis or in longer-term investment schemes.

Depending on the regulatory environment in which the organisation operates, such longer-term investments might be entered into purely with the intention of achieving a financial yield, but they might also be used to generate a social return.

It is critical that the CFO maintains the financial health of the organisation effectively and ensures robust stewardship of public funds. This is key to building and retaining the credibility of the CFO, the finance function and the organisation itself.

### 3.5 Driving organisational performance


Beyond the organisation’s financial health and stewardship, the CFO plays a significant and vital role in driving organisational performance.

Public service organisations operate in a politically charged environment in which complex decisions must often be made rapidly and under conditions of uncertainty. Such decisions may also be open to varying interpretations and may have major and long-lasting consequences for the organisation and for the communities that it serves.

The CFO works with the wider senior leadership team to create an enabling culture in which the finance function engages proactively with individuals and teams across the organisation to navigate such complex decisions, provide expert financial support and drive positive change for the organisation, for its service users and customers, and for the wider community.

“Being a CFO is not about saying ‘no’, but about helping the organisation to say ‘yes’.”

**Former Finance Director, national healthcare organisation**



In this enabling environment, the CFO helps the organisation to better understand the challenges that it faces and to balance its aspirations with the available financial resources, so that these resources are deployed for maximum impact. This includes facilitating the development and delivery of the organisation's strategy and helping to prioritise competing demands on the organisation's resources.

As a full and active member of the senior leadership team, the CFO advises on and has influence on all substantive decisions taken by the organisation. This helps to ensure that such decisions take into account issues such as affordability, financial sustainability and risk. The CFO is regarded as an objective voice of reason and their contribution to the decision-making process is sought out and valued across the organisation.

In advising on decisions, the CFO is guided not only by financial factors, but also by what they perceive to be in the best interests of the organisation as a whole and of the communities that the organisation serves. This may result in tension between the CFO and other senior leaders within the organisation, but it is essential that the CFO's voice is heard and acted upon.

The CFO also drives organisational performance by building and nurturing a culture of financial literacy across the organisation. This includes ensuring that everyone across the organisation has an awareness, appreciation and understanding of the principles of financial and risk management. It also includes embedding essential financial and risk management approaches and tools, such as scenario planning, sensitivity analysis, project appraisal and the use of business cases.

The CFO similarly creates a culture of constructive scrutiny and challenge of the decisions that the organisation makes and the way in which it makes them. The CFO also ensures that the organisation has the capacity, skills and resources to exercise this scrutiny and challenge in practice.

The CFO in public service organisations plays a vital role in ensuring and promoting the environmental sustainability of the organisation and of its activities. This includes, in many cases, leading the organisation's response to sustainability reporting as well as environmental impact assessment and carbon measurement, management and reporting.



### 3.6 Looking outwards

The CFO looks outwards beyond the boundaries of the organisation itself to explore the wider sectoral, national and international context in which the organisation operates.

This allows the CFO, the finance function and the wider organisation to anticipate and influence change and to respond proactively to opportunities and challenges that the organisation faces both now and in the future.

The CFO in a public service organisation builds and nurtures strong relationships with people both within their own organisation and in other organisations. This includes advisors, suppliers, delivery partners, specialist service providers, funders, other public service organisations, community organisations and more.

The CFO is also able to look beyond their financial role to consider the impact of the organisation's decisions and actions on service users, customers and other stakeholders. The CFO also takes into account the environmental and social impact of the organisation's activities.

Public service organisations are increasingly called upon to work collaboratively in the delivery of public services. In many cases, this involves shared budgets, funding and governance arrangements.

Consequently, the CFO demonstrates collaborative leadership when working with other organisations. They also take a system- or place-based approach when working or leading across organisational boundaries, so as to ensure that the focus remains on what is best for the communities that the organisations collectively serve, rather than for the organisations themselves.

The CFO maintains high professional standing among their peers in other organisations and across the sector in which the CFO's organisation operates. The CFO shares freely their own expertise and experience and provides peer support to others, whether informally or as part of formal mentorship arrangements or peer networks.

The CFO is also a vocal and visible champion of the public value created by their organisation and seeks out opportunities to share and promote the organisation's achievements and successes.

# 4 The competencies of an effective chief financial officer

## 4.1 The nature of the competencies required

The chief financial officer in a public service organisation demonstrates a suite of competencies that allow them to fulfil their role and to create value for their organisation and for the communities that the organisation serves.

These competencies encompass a broad range of skills, behaviours and knowledge. Some of these are an extension of the competencies that are demonstrated by any effective financial professional, while others are more specific to organisational leadership roles.

Regardless of a CFO's professional background, moving into the CFO role represents a substantial step and requires the development and demonstration of skills, behaviours and knowledge that the CFO may not have required in their career so far.


“The skills that you need to operate as a CFO are different from the skills that got you there.”

**Chair, financial consultancy practice**

Consequently, a high level of self-awareness and an ability to assess their strengths and development needs are vital.

## 4.2 Skills

The CFO has strong technical financial and accounting skills. This allows them to effectively oversee the work of the wider finance team, assess the impact of changes to relevant professional and technical standards and advise the organisation on finance and accounting matters.



This is not to say, of course, that the CFO is an expert in all aspects of technical finance and accounting. Indeed, the CFO is willing and able to rely on the skills and expertise of the wider finance team, and they know when to seek out specialist support.

As the leader of the finance function and as a senior leader within the organisation, the CFO has strong leadership skills and is able to create and to communicate a compelling organisational vision for the future. The CFO is comfortable with innovation and change. They are willing and able to transform the organisation to achieve the vision that they have crafted.

“Technical skills make a good accountant. But it’s the ‘soft’ skills that make a good CFO.”

**Treasurer, police organisation**

The CFO is able to think strategically, which allows them to consider how the organisation can achieve its objectives and how the organisation’s ability to achieve these objectives will be affected by factors such as resource availability, legislative constraints, the climate breakdown and biodiversity crisis and other developments in the external environment.


In adopting a strategic focus, the CFO is able to look beyond the immediate term to consider the medium- and longer-term future of the organisation. They are also able to look beyond purely financial matters to consider all aspects of the organisation and its activities.

“Now I’m a CFO, I spend a lot less time thinking about day-to-day activities and a lot more time thinking about our longer-term financial performance.”

**Director of Finance, university**

The CFO has the ability to make decisions in a clear, objective and structured way. They consider all relevant facts and perspectives and use appropriate decision support tools, both financial and non-financial. The CFO is also confident making decisions quickly and in conditions of uncertainty.

The CFO has strong interpersonal skills and is able to work effectively with those charged with the governance of the organisation, such as board members or elected political representatives. The CFO is able to understand and negotiate organisational politics, allowing them to remain objective, maintain their professional credibility and fulfil their role effectively.



As the senior finance professional within the organisation and a member of the organisation's senior leadership team, the CFO is called upon to provide advice and guidance. The CFO is able to provide robust and high-quality advice and guidance to individuals and teams across the organisation and to do so clearly, consistently and compassionately.

“As a CFO, you need to give clear and unequivocal advice. You can't be ambiguous. You can't prevaricate.”

**Former Chief Executive, local government**

The CFO has well-developed influencing and negotiation skills, which allow them to shape the future course of events and to align the needs of individuals and teams with those of the organisation as a whole. The CFO also has the ability to align different viewpoints to build a consensus in organisational decision-making at all levels.

The CFO has a strong degree of commercial awareness. This allows them to understand and to appreciate the motivations of the organisation's partners, suppliers, customers, advisers and other stakeholders and to create mutually beneficial relationships with them. The CFO has deep insight into the environment in which the organisation operates, including the key issues influencing the decisions that it and its stakeholders make at strategic and operational levels.


This awareness and insight allows the CFO to determine when such decisions can be made in-house and when the organisation would benefit from specialist external advice and support.

Much of the CFO's role is about communicating ideas, advice and decisions to a wider audience. This may be an internal audience of team members, other members of the senior leadership team or those charged with the organisation's governance. Or it might be an external audience of partner organisations, service users, funders, the press or members of the public.

“People say I'm like a weather forecaster. I use pictures and stories to explain to them, in a non-technical way, what the future is going to bring.”

**Chief Financial Officer, fire service**

Consequently, the CFO has strong communication and presentation skills and is comfortable communicating verbally and in writing with a broad range of audiences, including those with little or no financial expertise. Crucially, the CFO is adept at drawing together strategic and financial concepts to



form a compelling vision or 'story' that will resonate with the organisation's stakeholders and other audiences.

### 4.3 Behaviours

The CFO operates in an open and transparent manner and demonstrates objectivity and impartiality in all aspects of their role. In making decisions and in providing advice to the organisation, the CFO is – and, importantly, is also seen to be – free from conflicts of interest, actual or perceived.

The CFO has the courage to provide challenge to others across the organisation, including other members of the senior leadership team and those charged with governance. The CFO is able to provide such challenge constructively and in a way that allows effective working relationships to be maintained.

■ “The CFO needs to be able to speak truth to power.”

**Deputy Chief Executive, city council**

The CFO does not hesitate to stand up against illegal, unethical or inappropriate activity or behaviour. They are aware of where such activity or behaviour might arise and of their and their organisation's obligations to address and to report it.


As a member of the senior leadership team, the CFO displays a high degree of curiosity and is eager to engage with all teams and activities across the organisation. They venture regularly out 'into the field' to observe the organisation's activities and to further their understanding of how these activities work in practice.

The CFO welcomes a challenge, embraces new ideas and seizes opportunities to drive positive change for the organisation and for the communities that it serves.

The CFO demonstrates high levels of emotional intelligence in their interactions with people across and external to the organisation. This allows the CFO to embrace and manage their own emotions, to recognise and empathise with the emotions of others and use these abilities to build strong and productive relationships.

When working with other senior leaders, with those charged with governance and with other individuals and teams within and outside the





organisation, the CFO demonstrates a high degree of political and cultural awareness. This awareness is reflected in the CFO's behaviour, the decisions they make and the way in which they engage with the communities that the organisation serves.

The CFO builds and nurtures trusting relationships with individuals and teams within the organisation, as well as with the organisation's partners, suppliers, advisors, service users and other stakeholders. The CFO works openly and collaboratively with others and espouses the ethos of partnership working to create shared value.

“The CFO needs to be at the heart of organisational decision making. And not just from a financial perspective. Because it's not about spending money. It's about having an impact.”

**Director, supreme audit institution**

As an individual, the CFO displays a high level of personal integrity, which is underpinned by a strong personal moral and ethical code. The CFO demonstrates social and ethical behaviours in their personal and professional activities that are beyond reproach. As regards professional conduct, they are a role model for others across the organisation and beyond.

The CFO also champions the embedding of an ethical culture across the organisation and among its stakeholders.

The CFO plays a leading role in setting, communicating and enforcing standards of acceptable behaviour within the organisation and in its dealings with other organisations and individuals. They ensure that any breaches of these standards are dealt with promptly, proactively and effectively.


“The CFO needs to have integrity and to stick to their ethical values.”

**Chief Executive, not-for-profit organisation**

The CFO displays a high degree of personal resilience. They are able to recover quickly from setbacks and use these as opportunities to learn and grow.

## 4.4 Knowledge

The CFO possesses deep insight into the organisation, the services that it provides and the way in which it works. They have a keen awareness of the organisation's strengths and weaknesses, as well as of the opportunities and challenges that the organisation faces. The CFO also has in-depth



knowledge of the organisation's services users and of the communities that the organisation serves.

Beyond the organisation itself, the CFO has a comprehensive understanding of the sector in which the organisation operates, including its structure, the way in which it is funded and the challenges that it faces. The CFO also has a deep appreciation of the delivery of public services more broadly and is well-versed in the public sector context and ethos.

The CFO is well-connected across the sector in which the organisation operates and has a high degree of awareness of who is doing what and how different organisations are addressing the opportunities and challenges that the sector faces.

The CFO has a good understanding of different business models used across the public services. They likewise possess a high degree of insight into the environment in which public service organisations operate and are able to assess the impact of political, economic, regulatory and societal changes on such organisations and on the business models that they have adopted.


At a technical level, the CFO is knowledgeable of relevant professional and technical standards, including statutory obligations, financial reporting standards and other compliance requirements. The CFO has a comprehensive understanding of how the organisation can best meet these standards and they are able to assess the impact on the organisation of any new standards or changes to existing ones.

“The CFO needs people to trust them. And they generate this trust by doing their job well.”

**Assistant Director of Finance, healthcare provider**

The CFO is aware of the value of data to the organisation and is well-versed in the principles of data governance, including the collection, processing, management, maintenance, storage and use of large-scale datasets. The CFO also possesses the knowledge required to lead the organisation's efforts to leverage the value of such data to generate insight and to inform decision making.

In the fast-paced world of public service delivery, the CFO is committed to keeping up with current developments and with maintaining the 'state of the art'. The CFO is focused especially on taking advantage of the power of technology – such as automation and artificial intelligence – to improve



service delivery and to create greater value for the communities that the organisation serves.

The CFO continues to enhance their own professional knowledge and to apply this knowledge in practice. The CFO also creates a culture where the growth and sharing of knowledge is valued and is used to the benefit of the organisation as a whole.

# 5 Critical relationships for the chief financial officer

## 5.1 The importance of relationships


In order to fulfil their role effectively, it is important that the CFO is trusted by their colleagues across the organisation, by individuals working within other stakeholder organisations and by those in the communities that the organisation serves.

The CFO's personal credibility, together with the confidence and trust that this inspires, is generated through strong relationships. It is therefore vital that the CFO builds such relationships, nurtures them and allows them to flourish.

## 5.2 Relationships within the organisation

The CFO's primary relationship within the organisation is with the chief executive officer (CEO) or their equivalent. The CEO and CFO share a common vision for the organisation and work effectively as a team to turn this vision into reality. A strong and supportive relationship based on trust and mutual respect allows the CFO to act as an advisor to the CEO and to challenge them when required.

The CFO also has a solid working relationship with other senior leaders across the organisation, including those with responsibility for service delivery and support functions. The enabling nature of the finance function creates a culture of collaboration, which the CFO reinforces through their relationships with their senior leadership colleagues.



“It can be very easy for finance to take a ‘back seat’ to service delivery. This is a huge challenge for the CFO, who needs to generate interest in and insight into the financial impact of decisions.”

**Director of Finance, university**

The CFO nurtures a close relationship with those charged with the governance of the organisation, whether these are elected political leaders, people who have been nominated by partner organisations or those who have been selected by the organisation itself. The CFO engages with the governing body objectively and impartially, which reinforces the governing body’s trust in the CFO and in the quality and reliability of the CFO’s advice and professional judgement.


The CFO has an especially close relationship with those members of the governing body who have a specific interest in or remit covering financial matters, such as the finance portfolio holder (or their equivalent) and the chair of the finance or audit committee.

In providing advice to those charged with the organisation’s governance, the CFO recognises that this advice may not always be taken and that the CFO may be required to implement decisions or courses of action that are not consistent with the advice that they have given. The CFO nevertheless maintains an effective working relationship with the governing body under such circumstances.

The CFO creates and nurtures a strong working relationship with the members of the finance team, both through established organisational reporting lines and directly with individual members of the team at all levels. This allows the CFO not just to lead the team effectively, but also to listen to members of the team and to enhance the team’s ability to serve the organisation.

The CFO works closely with the organisation’s human resources lead, to ensure that there is close alignment of the organisation’s human resources and financial strategies and to facilitate early consideration of the financial implications of developments in the organisation’s structure, staffing and ways of working.

The CFO also maintains an effective working relationship with the organisation’s chief legal officer and works closely with them to ensure that that the organisation meets its legal responsibilities and that it operates within its statutory remit.



Both directly and through the finance team, the CFO nurtures a productive working relationship with departmental managers and budget holders across the organisation. The CFO recognises that the work of the finance function must be informed by the needs of the organisation. Consequently, the CFO strives to be visible and accessible to all individuals and teams across the organisation.

“Good relationships across the organisation are vital. The CFO needs to be confident that they’ll be listened to.”

Treasurer, police organisation

The CFO works closely with the organisation’s internal audit team, if it has one, and recognises the team’s role in providing assurance in respect of the organisation’s governance, risk management and internal control frameworks. The CFO also acknowledges the internal audit team’s role in helping the organisation to learn from others and to improve continuously the way that it works. The CFO supports the head of internal audit in the fulfilment of their role, but does not seek to direct or to control the work of the internal audit team.


The CFO nurtures their relationship with the organisation’s external auditors. The CFO recognises that, while the role of external audit is primarily to provide an independent external examination of the organisation’s financial records and reporting, the skill of the external audit team, their knowledge of the organisation and their understanding of the environment in which it operates mean that the relationship between the CFO and the external audit team can be a valuable one if approached in an open and constructive way.

The CFO also plays a vital role in ensuring that the organisation listens to the advice given by its internal and external auditors and that it takes appropriate action in response to any issues, concerns or opportunities for improvement that they might raise.

### 5.3 Relationships with other people and organisations

Looking beyond the organisation itself, the CFO builds close and collaborative working relationships with their counterparts within delivery partner organisations, whether these are public sector bodies, commercial organisations, charities, community groups or other types of organisation.

The CFO recognises that alignment of strategic, operational and financial objectives across delivery partners is vital, especially where the delivery



arrangements involve shared budgets or collective accountability for outcomes. The CFO also recognises that strong relationships based on trust make it easier for such organisations to communicate and to work together openly and proactively.

“As CFO, it’s not my role to ask what’s best for the council, but to ask what’s best for the city.”

**Executive Director of Finance, city council**

The CFO maintains a network of relationships with their peers in other public service organisations operating in their local community, whether this community is a geographic or a thematic one. The CFO nurtures relationships with different levels of government, especially where such organisations have a funding or regulatory role, as well as with relevant professional and regulatory bodies and with organisations that represent the sector or the organisations operating within it.


The CFO works closely with the organisation’s suppliers to ensure continued availability of the products or services procured, to ensure that these represent good value for money and to maintain awareness of other products and services that could be of value to the organisation. The CFO also liaises closely with the organisation’s professional advisors and acknowledges the value that such advisors bring as a source of insight into the wider environment in which the organisation operates.

The CFO is confident communicating with representatives of local, regional and national media. And they welcome the opportunity to engage directly with service users and with members of the public, so that they can better understand these individuals’ needs.

## 5.4 The CFO’s personal network

The CFO develops and nurtures their own personal network among their peers. This network provides the CFO with the opportunity and the means to share ideas with and to seek insight from like-minded individuals who understand the issues and challenges that the CFO is facing.

This network of peers can also offer valuable moral support in respect of ethical challenges that the CFO might have to deal with, whether that is to help the CFO to reflect on their own ethical stance, to discuss the implications of different courses of action, or perhaps even just to listen.



Consequently, this personal network benefits not just the CFO, but also the wider organisation within which the CFO works.

The CFO's personal network helps to reinforce the CFO's personal and professional resilience. The CFO role can be a lonely one at times, so having a network of peers to whom they can turn for help, advice and guidance is invaluable. Knowing that there are colleagues who will provide assistance can help the CFO to get through even the most challenging times.

■ “The CFO role can be a very lonely one.”

**Strategic Director, local government**

The CFO plays an active role in relevant professional bodies, including those with a financial and a sector-specific focus. Such relationships provide the CFO with the opportunity to learn new skills, to enhance their knowledge and to broaden their personal network. However, they also allow the CFO to contribute their own expertise and to help others to grow.



# 6 Organisational environment and culture

## 6.1 The need for a supportive organisational culture

The ability of the CFO to fulfil their role can only be realised within a supportive organisational environment and culture. The CFO helps to create and to embed this culture, but such a culture ultimately draws upon the active engagement and support of individuals and teams across the organisation. It must be nurtured constantly if the organisation is to thrive.

## 6.2 Involvement of finance in decision-making


The CFO is involved in and able to influence all material organisational decisions. This allows the CFO to provide the organisation with appropriate advice and to ensure that issues such as affordability, financial viability, risk appetite and strategic 'fit' are given appropriate consideration in the decision-making process.

“A big part of the CFO's role is balancing competing priorities.”

**Assistant Director of Finance, local government**

The CFO is a full member of the senior leadership team and is engaged in all discussions at the highest executive level. This ensures that the CFO is able to advise the organisation effectively, has an appropriate degree of involvement in the design and delivery of the organisation's strategic objectives and ensures accountability for and stewardship of public funds.

The CFO recognises that, in an enabling organisation, the finance team cannot operate in isolation. Consequently, the CFO and their senior leadership colleagues work to integrate the finance function into the wider organisation and facilitate communication between the finance team and other individuals and teams across the organisation.



The CFO also ensures that the organisation recognises the value of an effective finance function and that the finance function has the capacity and resources that it requires to fulfil its obligations.

### 6.3 A proactive and accountable approach to making decisions

In order to operate effectively and to meet the needs of service users in a rapidly changing external environment, the organisation seeks to actively identify relevant political, economic, societal, technological and other changes and assess their impact on the organisation's activities and on its ability to fulfil its obligations.

The organisation also displays a willingness to respond to changes in the environment in which it operates as well as its own changing priorities. The organisation is open to change and, indeed, demonstrates a visible eagerness to seize opportunities and address challenges so as to create greater value for the communities that it serves.

The organisation makes decisions transparently and on the basis of the available evidence. It demonstrates accountability for the decisions that it makes. But it also espouses a learning culture in which blame is discouraged and in which individuals, teams and the organisation as a whole are encouraged to learn from those situations where things have not gone entirely as planned.


### 6.4 A culture of financial literacy

The CFO creates and sustains a culture of financial literacy across the organisation. This allows the principles of sound financial management to be embedded into the way the organisation works and into the decisions that it makes at a strategic and an operational level.

“The CFO's role is about organisational culture. It's about changing behaviours.”

**Director, supreme audit institution**

A culture of financial literacy helps to ensure that the financial implications of proposed courses of action are given timely and appropriate consideration. It also helps to promote and to embed the use of appropriate decision-support tools and techniques, such as option appraisal, business cases, sensitivity analysis and risk assessments.



By creating a culture of financial literacy, the organisation acknowledges that its operational activity and its financial performance are linked inextricably. Every operational decision has a financial impact, and every financial decision has an operational one.

Financial literacy provides the organisation with a solid foundation for its future success. But a culture of financial literacy does not just happen; it needs to be created. And it is the CFO who has the skills and the opportunity to create, promote and nurture it.



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# Annex A: Glossary

**Accountability** Being answerable for actions taken, able to explain why these actions have been taken and accepting of the consequences for the actions taken.

**Affordability** The extent to which current or future expenditure can be funded through current or future income.

**Audit committee** The governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting.

**Chief executive officer (CEO)** The most senior executive role in an organisation.

**Chief financial officer (CFO)** The executive senior leadership role with overall responsibility for the organisation's financial affairs, activities and operations.


**Civil society** Individuals and organisations operating within a society to advance the interests of its citizens, which are neither government bodies nor commercial entities.

**Commercial organisation** An organisation that supplies goods or services with the primary intention of generating a financial return.

**Commercialisation** The act of structuring the delivery of public services so as to create new revenue streams or to generate a financial return.

**Data governance** The management of data to ensure that it is and remains accurate, available and secure.

**Emotional intelligence** The ability to perceive, interpret, understand, use and control emotions so as to communicate effectively with and relate to others.



**Enabling organisation** An organisation that creates and embeds a culture in which the organisation's constituent functions are focused on fostering growth, improving performance and driving positive change.

**External audit** An assurance function, undertaken by a qualified and independent third party, that provides an examination and verification of an organisation's financial statements and/or other financial reporting.

**Finance function** The staff within an organisation with a prime responsibility for financial matters. Some aspects of the finance function may be outsourced.

**Financial literacy** The ability to recognise, understand and apply the principles of effective financial management.

**Financial management** The system by which financial resources are planned, directed and controlled to enable and influence the efficient and effective delivery of the organisation's goals.

**Front-line service** Activities undertaken within an organisation that attend directly to the needs of external customers and service users.

**Governance** The arrangements in place to ensure that an organisation fulfils its overall purpose, achieves its intended outcomes for citizens and service users, and operates in an economical, efficient, effective and ethical manner.


**Governing body** The group of people charged collectively with setting the strategic direction for the organisation and responsible for its achievement.

**Integrity** The quality of being honest in one's dealings with others or of adhering to a specific moral or ethical code.

**Internal audit** An assurance function that provides independent and objective assurance to the organisation in respect of its governance and risk management processes and its internal control environment.

**Organisational culture** The unwritten rules, behaviours, assumptions and attitudes that determine how things are done within an organisation and how the organisation responds to opportunities and challenges.

**Personal resilience** The ability of an individual to deal with change, to recover from setbacks and to use these as opportunities to learn and grow.



**Public sector** The part of the economy comprising those organisations that are owned, operated, funded or controlled by the government.

**Public service** A service provided by a public sector organisation or otherwise performed for the benefit of the public.

**Public service organisation** One or more bodies managed as a coherent entity with the primary objective of providing services of public or social benefit, rather than generating a financial return to equity shareholders.

**Public value** The value that an organisation or activity contributes to society.

**Resilience** The ability to recover quickly from external shocks or setbacks.

**Stakeholder** Someone who has an interest in an organisation or in the outcome of the organisation's activities.

**Stewardship** The careful and responsible management of something that has been placed into one's care.

**Support function** An activity undertaken within an organisation that attends to the needs of other functions within that organisation, rather than of external customers and service users.

**Sustainability** The configuration of an organisation's activities and resources so that it is able to operate effectively both now and in the future.

**Transparency** Being clear, open and honest in one's dealings with others and disclosing all relevant information so that others can make informed decisions.

**Value for money** The optimal combination of cost, quality and environmental impact in the achievement of intended outcomes.



# Annex B:

## Further reading

For readers who wish to explore in more detail the topics covered in this publication, we set out here a range of resources that may prove informative.

- Chartered Institute of Public Finance and Accountancy (2018) *Standard of Professional Practice on Ethics*, London: CIPFA.
- Chartered Institute of Public Finance and Accountancy (2019) *Financial Management Code*, London: CIPFA.
- Chartered Institute of Public Finance and Accountancy (2020) *Key competencies for public sector finance professionals*, London: CIPFA.
- International Ethics Standards Board for Accountants (2018) *Handbook of the International Code of Ethics for Professional Accountants*, New York: International Federation of Accountants.
- International Federation of Accountants (2019) *A vision for the CFO and finance function: From accounting for the balance sheet to accounting for the business and value creation*, New York: IFAC.
- International Federation of Accountants (2019) *Evaluating the finance function: An assessment tool to guide finance function transformation*, New York: IFAC.
- International Federation of Accountants (2019) *Future-fit accountants: CFO and finance function roles for the next decade*, New York: IFAC.





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