Guidelines for measuring a success profile for Chief Finance Officers

The role of Chief Finance Officer (CFO), or its equivalent, is critical to agency performance and is a key strategic partner and enabler of business outcomes. Based on current research, contemporary practice and extensive consultation with key stakeholders, the success profile for Chief Finance Officers identifies the expectations an organisation has of its CFO. Whether these expectations are met can be measured by assessing the CFO’s impact in the following ways:

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| Finance process enablers | Agency business outcomes |
| are the direct responsibility of the CFO and enable an effective finance function | are not directly owned by the CFO but are a result of the impact of the success of the role |
| Does the agency’s finance function perform in the way the CFO success profile suggests it should? | Does the agency achieve the impact the CFO success profile suggests it should? |

To answer the above questions, the most suitable measures of the success of the CFO role will depend on the business activities and objectives of the agency. As each agency, and each CFO role is unique, these guidelines are not intended to be either prescriptive or exhaustive. It is therefore recommended that agencies adopt, adapt and add to these suite of measurements, as appropriate.

To assist with this measurement the following document identifies areas where success of the CFO could be measured through key indicators. In using this document, agencies may wish to:

Tailor the areas of success and key indicators to the agency’s business area, objectives and requirements from the CFO role

Identify the kinds of evidence that would be most relevant in evaluating the success of the CFO

Include these key indicators in the role specification or performance agreement for the CFO

Utilise existing evidence-gathering methods and/or develop tailored methods to evaluate the CFO’s performance and impact.

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| **Expectations** | * Understand the organisation’s business and its role in public value creation
* Partner with leaders to shape and deliver the organisation’s strategic objectives
* Act as a steward of finances and lead by example in promoting integrity and ethical behaviour
* Contribute to a shared leadership vision and view of organisational performance
* Build functional excellence and business partnership skills within the finance function
* Contribute to development of strategy, policy and initiatives across the sector
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| **Finance process enablers - are the direct responsibility of the CFO and enable an effective finance function** | * Strategic planning
* Financial decision making
* Financial performance
* Financial reporting and controls
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| **Agency business outcomes - are not directly owned by the CFO but are a result of the impact of the success of the role** | * Customer satisfaction
* Business sustainability
* Value for money
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| Expectations |
| Understand the organisation’s business and its role in public value creation |

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| Finance Function Success Measures |
| **Finance Process Enablers*** Financial performance and reporting
* Financial management strategy aligned to agency outcomes
* Information for decision making
* Funding management
* Financial sustainability management
* Financial models developed
* Change in reliance on government funding as appropriate
 | **Example Finance Process Indicators*** Strategic and operational decisions implemented and desired outcomes achieved (%)
* Long term commitments and strategies sustainably funded (%)
* Financial and risk implications of initiatives analysed and remedied
* CAPEX proposals complete, and accurate (#)
* CAPEX proposal approval levels (#)
* CAPEX post completion reviews (#)
* Income streams change as appropriate (%)
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| Business Success Measures |
| **Agency Business Outcomes*** Business plans produced that deliver the agency’s strategic objectives
* Agency achieving macro budget targets
* Operational efficiency improvements:
* Productivity
* Process improvements
* Workflow
* Operational effectiveness improvements:
* Risk management and reporting framework
* Business flexibility/agility
* Business creativity/innovation
* Agency’s capital expenditure projects (CAPEX) chosen after rigorous evaluation
* Red tape reduction which maximises public value
 | **Example Business Indicators*** Achievement of objectives in strategic/business plans (%)
* Cost ratios are within budget accepted levels (%)
* Customer satisfaction rate (customer survey)
* Customer rating of service quality (as % of maximum score)
* Red tape reduction proposals (#)
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| Expectations |
| Partner with leaders to shape and deliver the organisation’s strategic objectives |

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| Finance Function Success Measures |
| **Finance Process Enablers*** Financial insight and analysis into medium and long term plans
* Initiatives to support strategic goals
* Contribution to strategic planning
* Funding decisions to enable achievement of strategic goals
* Representing the organisation to key stakeholders
* Agency is financially sound over the short, medium and longer term
* Financial management policies underpin sustainable long-term financial health
* Commercial challenge of plans and actions of business leaders, testing financial compliance and integrity
* Project the impact of strategic decisions on the agency’s results
 | **Example Finance Process Indicators*** Financial implications and risks reported with options and recommendations
* Strategic directions supported by Treasury
* Achievement of objectives in strategic/ business plans (%)
* Presentations to internal/external stakeholders (#)
* Budgets, financial targets and performance indicators in place and achieved
* Agency results include strategic plan impacts
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| Business Success Measures |
| **Agency Business Outcomes*** Delivery of strategic outcomes
* Business capability
* Customer satisfaction
* Productivity
* Innovation
 | **Example Business Indicators*** Achievement of objectives in strategic/business plans (%)
* Customer satisfaction rate (customer survey)
* On-time delivery of major projects (%)
* Innovations implemented (#)
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| Expectations |
| Act as a steward of finances and lead by example in promoting integrity and ethical behaviour |

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| Finance Function Success Measures |
| **Finance Process Enablers*** Public sector and accounting values and ethics adhered to
* Systematic financial management, including cash and banking, treasury management, debt and cash flow; with appropriate segregation of duties
* Strong internal controls and systems in all areas of financial management, risk management and asset control
* Fraud control
* Resources maintained
* Reporting agency performance to the Board and other parties
* Advising the Audit Committee and relevant scrutiny groups (e.g. Parliamentary Select Committees)
* Opportunities and risks fully considered and decisions aligned with overall agency and financial strategy
* Business continuity arrangements for financial processes and information
* Creative financial solutions within an effective risk management framework
* Adoption of modern tools and methods
 | **Example Finance Process Indicators*** Best practices for ethical behaviours and performance implemented
* Compliance with financial accounting standards (rating)
* Unqualified audit opinion
* Published budgets and annual accounts accurate and on time, including: cash flow, assets and liabilities, financial resources, debt and public sector specific resources
* Anti-fraud and corruption systems in place (AS8001-2008)
* Delegated financial authorities adhered to within limits (%)
* Financial risks identified and relevant actions implemented including safeguarding assets, risk mitigation and insurance (compliance with risk framework)
* Relevant and timely information for decision making
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| Business Success Measures |
| **Agency Business Outcomes*** Business health and sustainability
* Agency risk management
* Whole of agency adherence to values and ethics
 | **Example Business Indicators*** Long term business viability and capability against strategic plan (%)
* Business risks identified and relevant actions implemented (compliance with risk framework)
* Agency ethical breaches (#)
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| Expectations |
| Contribute to a shared leadership vision and view of organisational performance |

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| Finance Function Success Measures |
| **Finance Process Enablers*** Financial insights
* Communicating complex information in an easy-to-understand manner
* Contribution to budgets and performance reviews
* Financial literacy throughout the agency
* Leaders and managers financial competency
 | **Example Finance Process Indicators*** Business opportunities and financial performance advice (#)
* Reduction in budget preparation and performance review time (%)
* Improvements in financial capability review findings
* Staff attending Financial Literacy training (%)
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| Business Success Measures |
| **Agency Business Outcomes*** Achievement of objectives in strategic and business plans
* Customer satisfaction
 | **Example Business Indicators*** Operating costs (%)
* Customer satisfaction rating (as % of maximum score)
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| Expectations |
| Build functional excellence and business partnership skills within the finance function |

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| Finance Function Success Measures |
| **Finance Process Enablers*** Finance function efficiency and effectiveness
* Financial management systems
* Policies and processes
* Finance function engagement
* Resources, expertise, support and systems provided for finance function to perform its role effectively
* Individual and Functional performance reviews
* Continuous improvement in the finance function
 | **Example Finance Process Indicators*** Embed financial competencies in job descriptions and appraisals
* Assess and develop financial skills (# of development plans)
* Client satisfaction with finance function (survey)
* Reduction in processing and/or reporting timelines (%)
* Reduction in frequency of requests for support
* Increase in automation of basic finance processes (%)
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| Business Success Measures |
| **Agency Business Outcomes*** Agency viewed as “best practice”
 | **Example Business Indicators*** Recognised as a “best practice” organisation by central agencies and Minister’s office (survey)
* External awards nominated and/or won (e.g. best financial practices)
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| Expectations |
| Contribute to development of strategy, policy and initiatives across the sector |

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| Finance Function Success Measures |
| **Finance Process Enablers*** Participation in whole of government task forces and initiatives
* Networks with other finance leaders
* Expert advice within and across agencies on emerging technologies in financial systems
* Best practices in financial management governance
* New approaches and solutions leveraged
 | **Example Finance Process Indicators*** Task forces worked on (#)
* Active network contacts (#)
* Cross-sector initiatives recommended (#)
* Cross-sector initiatives implemented (#)
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| Business Success Measures |
| **Agency Business Outcomes**Sector outcomes:* Productivity
* Innovation
* Efficiency
 | **Example Business Indicators*** Productivity improvements (%)
* Costs/Budget
* Innovations implemented (#)
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