

Audit Committee *Brief*



Understanding the CFO and CIO dynamic

Over the past 10 years, technology has continued to gain importance and visibility at most organizations. The ability to mine data and drive insight from a company's numerous systems has highlighted the importance of an effective relationship between the CFO and CIO. The effectiveness of the working relationship between these executives should be visible to the audit committee in its role of overseeing financial reporting and stability, as well as how it oversees the risk management of the enterprise. The growing importance of IT and the evolving role of the CFO create an interesting dynamic that audit committees may need to monitor.

In many large companies, IT and finance represent the largest line items in general and administration expenses—information technology being number one and finance typically number two.¹ Together, the two executives can easily oversee 2,000 to 4,000 people in large companies. Because the CFO is so influential in technology investments, it is important that he or she work with the CIO in setting IT priorities and aligning the technology with the business strategy. Audit committee oversight of these functions can be a vital determinant in maintaining an appropriate balance between the two roles.

¹ Deloitte Global Benchmarking Center, 2012.

Questions for Audit Committees to Consider

- Are the CFO and the CIO working together to align technology with business strategy?
- Is there good communication between the CIO/IT function and the audit committee?
- Does the audit committee possess sufficient knowledge to understand IT initiatives and the risks and benefits they entail?
- Does the CIO periodically attend audit committee meetings to discuss complex IT issues and the associated risks?
- Does the CIO fundamentally understand the information that is needed from the perspective of shareholders, the board, and management?
- Are technology and software investments meeting the company's requirements and producing the data it needs?
- Are the CFO and the board involved in setting IT priorities to increase the impact IT investments will have on information access and improved analytic capabilities?



Data changes everything

In the latest *CFO Signals* survey, only a little over half of the CFOs said they have the information they need to manage the business effectively, and about one-third expressed a neutral opinion. In addition, about 40 percent of the CFOs in the survey responded positively about their IT department's ability to provide information in ways that enable insights and decisions (22 percent responded negatively),² and about one-third said the IT department gets the right information to the right people at the right times (27 percent responded negatively). Given the CFO's involvement in approving IT investments, helping set IT priorities, and aligning strategy, audit committees should be cognizant of the relationship between the two functions and how that relationship can affect the ability to govern appropriately.

Although the CFO may have a better understanding of the information that is needed from the perspectives of shareholders, the board, and day-to-day management, it is important that CIOs have a similar grasp.

There is also a matter of data control. In many companies, control over corporate data is unclear. Some companies view CIOs as responsible for data management, and others see the stewardship of data being the explicit domain of business users (such as CFOs). Regardless of the perspective, the issues of data ownership and control have increasingly become a source of frustration for the finance function in its quest for data to enhance decision making, and such issues should be a consideration for audit committees.

Informed by meaningful information and analytics, CFOs can make improved decisions on everything from the correct level of capital spending to the proper balance of incentives. Moreover, by aligning as an enterprise around how decisions are made, the techniques employed, the analytical engines created, and the information delivery tools used, both CFOs and CIOs can radically increase their impact on the organization. With the importance of information access and business analytics on the rise, audit committees should be aware of the need for stronger collaboration.

² *CFO Signals* survey, U.S. CFO Program, Deloitte LLP, Third Quarter 2012.

Anti-Fraud Collaboration Website

Four accounting, auditing, and financial organizations have teamed to launch a new website with tools to help deter and detect financial reporting fraud.

[The Center for Audit Quality](#), [Financial Executives International](#), the [Institute of Internal Auditors](#), and the [National Association of Corporate Directors](#) have joined as the Anti-Fraud Collaboration. This group has launched www.AntiFraudCollaboration.org to provide resources to help audit committees, financial executives, internal auditors, and independent auditors deter and detect financial reporting fraud. The site provides visitors with access to resources targeted to the roles of audit committee members, financial management, and internal and independent auditors.



Toward a better union

Merely having data does not mean you have requested or received the right data. CFOs and CIOs need to understand the specific decisions facing the business and the audit committee, how internal and external information can be used to help inform those decisions, and techniques to provide information easily and effectively. To achieve that understanding may require the following:

- **Business alignment.** In many companies, there is alignment on the shared mission and objectives at the macro level, but this alignment becomes more difficult in smaller units. Analytics can be a galvanizing force to achieve common objectives and balance incentives.
- **Shared language.** To a certain extent, analytics can help define a common lexicon across an organization. For example, accounting for salaries and benefits for a global organization should embed different country laws into its systems, allowing global analytics to be based on common business definitions, not just common data definitions. When the organization speaks the same language, CFOs and CIOs can be more effective in guiding decision making by getting the right information to the people who need it, including the audit committee.
- **Rotation.** One solution for bringing the relationship between the CFO and the CIO closer is to borrow from the finance playbook: make IT executives do business rotations and vice versa. For example, companies could collapse accounting into shared services, and recommend talent development tools that include rotations. In this case, the business analysts of the future will be those functional executives who gain experience by rotating through IT and finance.

Meet in the middle

In this data-driven age, CIOs and CFOs need to work closely with each other and the audit committee to oversee the company's processes for identifying and addressing financial reporting risks, which may include technology and cyber risks. CIOs need to communicate the information available and the way that information can be portrayed; CFOs should identify the kinds of information needed and how they want it delivered. The audit committee should be aware of these challenges and engage in regular communication with management to confirm that appropriate measures are being taken to support the company's underlying financial position and governance responsibilities, contain costs, maintain operational efficiency, and assess risks.

New Foreign Corrupt Practices Act Resource Guide: 10 Things for Legal and Compliance Officers to Consider

Deloitte FCPA specialists, with insights from legal and compliance guest commentators, published an [article](#) identifying 10 key takeaways from the new FCPA Guide issued by the U.S. Department of Justice and the SEC. This article provides recommendations and insight into how legal and compliance officers can obtain executive support and drive continued enhancement of their FCPA/anti-corruption compliance programs.





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[Deloitte's Audit Committee Brief: The Promise and Perils of Information Technology](#)



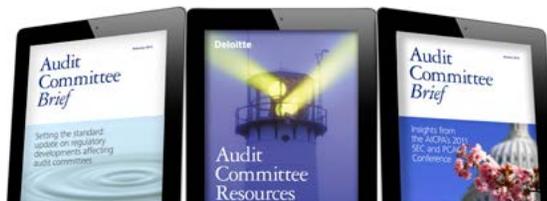
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