

**Reframing Ethics in Finance Leadership:
The Evolving Role of CFOs in a Multi-Risk World**

Prepared for: International Ethics Standards Board for Accountants (IESBA)

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Date: 27 May 2026

Executive Summary

This literature review provides an evidence-based synthesis of global academic and practitioner research, as well as industry reports, on the evolving role of Chief Financial Officers (CFOs). The objective of the literature review is to identify and understand the ethical issues and challenges faced by individuals in those roles.¹ The review focuses on: (i) existing literature on fraud and unethical behaviour among CFOs and senior finance leaders; (ii) identifying and analysing changes in the responsibilities, expectations, and decision-making authority of CFOs and equivalent senior finance leaders; (iii) evaluates the extent to which the extant literature captures the ethical implications arising from changing dimensions of the role, including issues related to professional judgement, accountability, and public interest responsibilities; and (iv) assessing whether existing global research adequately addresses these developments.

Based on identified gaps in the literature, the review provides evidence-informed observations on whether future research is warranted on the evolving role of CFOs, in relation to the IESBA's *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code). The literature review shows a lag between the rapidly expanding, risk-intensive CFO role and the largely dated academic evidence base, which remains focused on earnings management and offers limited insight into CFOs' ethical judgment, accountability, and responsibilities in emerging areas such as sustainability, artificial intelligence, cybersecurity, and geopolitics. While this gap should not be interpreted as an absence of ethical risks, the literature review proposes targeted evidence-building and more global stakeholder engagement to complement existing academic research.

¹ [Agenda Item 3A.2 \(Approved\) - Role of CFOs - Terms of Reference.pdf](#)

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1. Introduction

The role of the Chief Financial Officer (CFO)² is undergoing a profound transformation. Traditionally centred on financial reporting, budgeting, and capital management, the contemporary CFO operates at the intersection of financial integrity, strategy, technology, and sustainability. This expanded remit elevates the ethical significance of the role. Empirical evidence underscores this importance: Jiang, Petroni, and Wang (2010) show that CFO equity incentives are more strongly associated with earnings management and meeting or beating analyst forecasts than CEO incentives, reflecting CFOs' direct control over financial reporting processes. As such, CFOs frequently represent the critical locus of ethical risk in financial misreporting and disclosure decisions.

This report examines how the CFO role has evolved in scope, influence, and ethical exposure under intensifying economic, technological, and institutional pressures. It synthesizes evidence on CFO involvement in financial reporting failures and governance breakdowns, before analysing the expansion of the role across emerging domains, including climate change, sustainability, artificial intelligence, cybersecurity, and geopolitical risk. It also considers extensions of the role into public and not-for-profit sectors, as well as the rise of fractional and virtual CFO models. It evaluates whether there is a growing prevalence of individuals in CFO-equivalent roles who are not members of a professional accounting body or may not be guided by any professional guidelines.

The central premise of this literature review is that ethical responsibility in financial leadership derives from authority and influence rather than formal title. Whether designated as CFO, Finance Director, Chief Accounting Officer, or equivalent, individuals exercising control over financial operations and reporting, internal controls, and disclosure processes bear comparable ethical obligations. These include ensuring faithful representation, resisting undue influence and conflicts of interest, and, if they are professional accountants, ultimately upholding the public interest. This framing is particularly important given the increasing diversity of professional backgrounds among those occupying senior finance roles. For non-professional accountant CFOs, there still exists an ethical expectation or public-interest concern, even if there is an absence of direct Code obligation.

The evolution of the CFO role is being shaped by interrelated global forces, many identified as systemic risks (WEF, 2025; 2024). Climate change and sustainability imperatives require integration of non-financial metrics into reporting and strategy; rapid advances in artificial intelligence expand responsibilities for data governance and algorithmic accountability; escalating cyber threats position CFOs at the forefront of financial resilience and disclosure; and geopolitical uncertainty intensifies demands for scenario planning and capital allocation under conditions of heightened risk. These developments, alongside broader macroeconomic volatility and technological disruption, have shifted CFOs toward a strategic partnership role with the CEO and board while simultaneously increasing exposure to ethical tensions, including earnings management and selective disclosure. At the same time, CFOs face significant risks arising from time insufficiency, skills gaps, and the growing complexity and volatility of the business environment, limiting opportunities for adequate reflection and ethical deliberation.

Consistent with this shift, prior empirical research highlights both the opportunities and risks associated with expanded CFO influence. Zoni and Pippo (2017) identify a progression from traditional "scorekeeper" roles to "value integrators," while Caglio, Dossi, and Van der Stede (2018) show that

² In this report, the term Chief Financial Officer (CFO) is used in a functional rather than a titular sense. It refers to the most senior finance leader with authority within an organization's finance function, regardless of formal job title. In practice, this role may be occupied by an individual formally designated as CFO, Finance Director, Financial Controller, Chief Administrative Officer (CAO), Head of Finance, Group Finance Director, or by another senior executive exercising senior and/or ultimate authority over financial governance, reporting, control systems, and capital management.

CFOs with broader strategic responsibilities face stronger incentive alignment but also heightened tensions between performance objectives and reporting quality. Similarly, Aier, Comprix, Gunlock, and Lee (2005) find that organizations with less experienced or non-CPA CFOs are more likely to restate financial statements, underscoring the importance of professional competence and ethical discipline.

Methodologically, this literature review adopts a structured and evidence-based approach to identify and synthesize relevant academic and practitioner literature on the evolving role of CFOs and associated ethical challenges. The review primarily draws on peer-reviewed studies identified through databases including Google Scholar, Business Source Complete, Scopus, Web of Science, and SSRN, focusing mainly on publications from 2015–2025 while selectively incorporating seminal earlier studies where relevant. Search terms included combinations of keywords such as “CFO”, “ethics”, “earnings management”, “corporate governance”, “fraud”, “sustainability reporting”, “AI”, “digital transformation”, and “geopolitical risk”. The review prioritises high-quality peer-reviewed research directly relevant to CFO responsibilities, governance, reporting, and ethical decision-making, while excluding studies with limited relevance or weak methodological grounding. Working papers were included selectively where they addressed emerging issues not yet well covered in published research. Recognising publication lags in rapidly evolving areas such as sustainability, AI, and geopolitical developments, the review also incorporates selected practitioner and industry reports (e.g., ACCA, PwC, IFAC, and WEF) to capture emerging practices and risks. These practitioner sources were not treated as equivalent to peer-reviewed academic evidence; rather, they were used to provide contextual insights into emerging practices, regulatory developments, and real-time business risks where academic evidence remains limited or delayed. Greater weighting was assigned to academically rigorous empirical studies, while practitioner materials were used primarily to triangulate findings, identify emerging trends, and enhance the policy relevance and timeliness of the review. The review synthesizes the literature through a series of structured thematic assertions that integrate academic findings with practitioner perspectives, enabling a balanced assessment of the evolving ethical, governance, and strategic challenges confronting CFOs in contemporary organizational environments. The review is subject to several scope considerations. It focuses on research focusing on the past decade and on issues directly related to ethical decision-making, professional responsibilities, governance, and the evolving remit of the CFO. To capture emerging practices and risks, the review also incorporates selected practitioner and industry reports (e.g., ACCA, PwC, IFAC, and WEF). These sources were used cautiously to complement, rather than substitute for, rigorous academic evidence, with greater weighting placed on peer-reviewed empirical research. The review also acknowledges a growing body of ongoing studies and working papers that, while not published, may provide valuable early insights into emerging issues and are considered where relevant to complement the existing evidence base. Given the rapid evolution of the CFO role and the lag in peer-reviewed research, the IESBA is encouraged to closely monitor forthcoming academic and practitioner publications to ensure its ethical framework remains responsive to emerging risks and developments associated with the CFO role.

Against this backdrop, the report supports the objectives of the IESBA by providing an evidence-based assessment of how the CFO role has evolved and the ethical challenges arising from that evolution. The remainder of the report proceeds as follows. Section 2 examines the CFO's role in financial reporting failures and ethical breakdowns. Section 3 analyses the expansion of the CFO role across emerging domains, including climate change, sustainability, AI, cyber risk, and geopolitics. Section 4 discusses the role of CFOs in the public and not-for-profit sectors. Section 5 highlights CFOs who are not members of professional accounting bodies, governance implications, and new organizational models. Section 5 also evaluates the adequacy of existing ethical frameworks, and Section 6 concludes with a discussion on implications for the IESBA.

2. The role of CFOs in financial fraud and ethical breakdown

2.1 *Fraud triangle, fraud risk, and disproportionate impact of CFO misconduct*

The traditional fraud triangle, which remains relevant today, conceptualizes misconduct as the interaction of pressure, opportunity, and rationalization (Cressey, 1953), offering a useful lens for understanding CFO involvement in financial fraud. In this context, pressure arises from capital market expectations, performance-based incentives, and demands to meet earnings targets. Opportunity stems from the CFO's privileged access to financial systems, authority over reporting processes, and capacity to override internal controls. Rationalization occurs when unethical actions are justified as temporary, necessary for organizational survival, or aligned with stakeholder expectations. Together, these factors explain how CFOs, despite professional expertise and responsibilities for financial integrity, may engage in misconduct, underscoring the importance of robust ethical standards, governance, and accountability mechanisms.

While executive-level fraud is less frequent, as a percentage, it is still significantly high. Even in the United States, where regulatory enforcement is robust and investor protection is strong, fraud remains widespread, with approximately 10% of large public companies engaging in fraudulent activities each year (Dyck, Morse & Zingales, 2023). The Association of Certified Fraud Examiners (2020) reports that fraud involving senior executives, including CFOs, results in substantially higher losses, fraud continues for a longer period of time before it is detected or stopped, and causes greater organizational damage due to their ability to override controls. Median losses from executive fraud are several times larger than those involving other employees. Consistent with this, Karajian and Ullah (2022) show that fraud events trigger sharp negative abnormal returns, reflecting loss of investor confidence, with CFOs facing significant professional and market consequences given their central role in financial reporting. Overall, although less frequent, CFO misconduct has disproportionately severe financial and governance implications due to the position's authority and control.

2.2 *CFO power, pressure, and financial misconduct*

The CFO typically oversees an organization's financial reporting process and, therefore, is likely to have the most direct influence, among senior executives, on the organization's accounting decisions (Ge, Matsumoto, & Zhang, 2011). Recent evidence positions CFOs at the centre of corporate fraud due to their positional authority, technical expertise, and direct control over financial reporting. Zhang, Gong, Jia, and Zhu (2022) show that higher-ranking CFOs are more likely to be involved in IPO-related fraud, as greater informal power shifts attention toward potential gains while reducing sensitivity to ethical risks. Consistent with this, Simmons, Hermanson, and Popova (2025) find that CFOs' authority, expertise, and incentive structures jointly increase the likelihood of opportunistic reporting, particularly in discretionary areas such as non-GAAP disclosures. Beyond capability, organizational pressures are critical. Bishop, DeZoort, and Hermanson (2017) document how intense earnings pressure induces "ethical fading,"³ while Gong, Zhang, Yang, and Jia (2024) show that fraud risk escalates when CFOs' growth-oriented incentives align with those of CEOs, especially where power and influence are shared. Together, this evidence highlights that CFOs are not merely executors of fraud but key enablers, operating at the nexus of power, incentives, and reporting discretion.

Importantly, CFO involvement in misconduct often reflects gradual ethical erosion rather than deliberate intent. Rose et al. (2021) demonstrate how tone at the top and incremental "slippery slope" effects normalize misreporting, while Brazel, Lucianetti, and Schaefer (2021) show that CFOs may tolerate aggressive reporting when facing career risks, retaliation concerns, or performance pressure. Similarly, Chang (2019) finds CFOs often facilitate or fail to prevent misconduct due to their control over reporting

³ Ethical fading is a psychological phenomenon where the moral dimensions of a decision disappear from conscious awareness (Tenbrunsel & Messick, 2004).

systems, particularly in weak governance environments. Evidence from Amar, Chen, Gavius, and Weihs (2022) and Schneider and Brühl (2025) further indicates that some misconduct may emerge through incremental rationalization and normalization of aggressive reporting shaped by individual, situational, and organizational factors. Finally, Fang, Francis, Hasan, and Wu (2022) show that CFO social networks amplify their influence over earnings management, reinforcing their central role in accounting outcomes. Collectively, this literature suggests that CFO misconduct is best understood as the product of power, pressure, and social context, underscoring the need for strong ethical leadership, governance, and accountability mechanisms.

2.3 *Incentives and ethical risk in CFO compensation*

CFO remuneration structures can create significant ethical hazards, particularly where equity-based incentives are dominant. Because CFOs exercise direct control over financial reporting, their incentives are closely tied to earnings outcomes and disclosure choices. Evidence shows that CFO equity incentives are more strongly associated with earnings management and the likelihood of meeting earnings targets than CEO incentives, underscoring their central role in financial misreporting (Jiang et al., 2010). Extending this, Collins, Fleischman, Kaden, and Sanchez (2018), using 3,842 CFO-year observations in the U.S., find that more powerful CFOs negotiate shorter incentive horizons, increasing the present value of performance-based pay and strengthening incentives to manipulate results as equity approaches vesting. These CFOs exhibit higher levels of accrual-based and real earnings management, raising clear ethical concerns. Similarly, Chang, Chen, Liao, and Mishra (2006) show that even oath-like attestations fail to deter manipulation when personal wealth is at stake. Such behaviour reflects moral rationalization, where unethical actions are reframed as necessary or justified, consistent with moral disengagement theory (Bandura, 2011).

More recent evidence reinforces the centrality of compensation design in shaping unethical behaviour. Using U.S. SEC enforcement data from 1986 to 2017, Papakroni (2025) finds that executives in misreporting firms receive significantly higher total compensation, driven primarily by stock options rather than fixed pay. These incentives are present from early tenure and intensify over time, with fraud-linked executives holding larger option portfolios and exhibiting lower equity divestment, thereby increasing sensitivity to short-term share price movements. Collectively, the evidence indicates that heavy reliance on equity-based remuneration can amplify risk-taking, earnings manipulation, and ethical compromise, highlighting the need for robust governance and ethical safeguards around CFO compensation.

2.4 *Behavioral traits and ethical commitment in CFO decision-making*

Behavioural traits play a critical role. Johnson, Lowe, and Reckers (2021) demonstrate that CFO narcissism and moral disengagement are strongly associated with aggressive reporting behaviour. Narcissistic CFOs exhibit overconfidence and entitlement, facilitating the rationalization of misreporting and reducing sensitivity to its consequences. These traits also extend to the audit environment, where such CFOs are more likely to influence auditors' risk assessments, particularly when auditors display similar behavioural tendencies, thereby weakening professional scepticism. This evidence suggests that financial misreporting is not purely opportunistic but often rooted in persistent behavioural biases that normalize unethical conduct.

Formal ethical commitments can mitigate these risks. Using the Dutch integrity-oath reform, Heese, Pérez-Cavazos, and Peter (2023) show that CFOs subject to a professional oath exhibit significantly lower earnings management and fraud risk, with no comparable effect for CEOs. The oath operates as a commitment device by reinforcing moral salience and professional identity, thereby constraining rationalization. Similar approaches, including recurring ethical pledges such as Chartered Accountants Australia and New Zealand's Chartered Accountants' Commitment (CAANZ, 2024), demonstrate how

formalized ethical affirmations can strengthen accountability, embed professional values, and enhance trust. Together, these findings highlight that both individual traits and institutionalized ethical commitments are central to shaping CFO behaviour and mitigating financial reporting risk.

2.5 Governance failures, collusion, and the ethical centrality of the CFO

Corporate governance mechanisms are most vulnerable when CFOs collude with CEOs or circumvent oversight structures. Agrawal and Cooper (2017) show that accounting scandals often trigger simultaneous turnover of CFOs, CEOs, and auditors, indicating shared culpability rather than isolated misconduct. In such settings, ethical failure reflects collective moral decay, where misreporting becomes normalized as a strategic necessity. Weak audit committees, particularly those lacking independence or financial expertise, further exacerbate this risk by allowing CFOs to dominate financial reporting narratives, concentrate informational power, and reinforce groupthink that suppresses dissent. In entrepreneurial and IPO settings, governance remains fragile. CFOs continue to play a central role in ensuring appropriate segregation of duties, oversight of third-party relationships, effective whistleblower mechanisms, and compliance with regulatory frameworks such as the Sarbanes-Oxley Act of 2002 (SOX) and the Foreign Corrupt Practices Act (FCPA). As Green (2023) notes, sustainable fraud prevention requires the integration of technical controls with ethical leadership and transparent governance structures. Zhang et al. (2024) show that concentrated informal power allows dominant CFOs to influence financial reporting, while weak controls fail to curb opportunistic behaviour during periods of market optimism. In such contexts, “competitive moral relativism”, the belief that rule-bending is necessary for growth, can further erode ethical discipline.

Consistent with this, Smaili, Arroyo, and Issa (2022) find that CFO involvement in financial statement fraud is closely linked to governance environments characterised by concentrated power and weak oversight. Drawing on Canadian enforcement cases, they show that CFOs are more likely to facilitate fraud when aligned with controlling shareholders or dominant executives, leveraging both their technical expertise and organizational authority to manipulate disclosures and override controls. This evidence suggests that misconduct is primarily driven by structural incentives and governance failures rather than individual ethical lapses. Conversely, stronger governance and professional competence mitigate these risks. Chee, Matsunaga, and Wang (2022) document that companies appointing CFOs with accounting and audit expertise as independent directors experience fewer restatements and lower misreporting risk. These CFOs enhance monitoring quality, strengthen internal controls, and are more effective in challenging aggressive reporting practices. Overall, the evidence underscores that while governance failures enable collusion and ethical breakdowns, professional discipline and financial expertise serve as critical safeguards against misconduct.

2.6 Reputational contagion and accountability costs of CFO-linked misconduct

Fraud taints not only implicated CFOs but also their peers and successors. Condie, Convery, and Zehms (2023) show that non-implicated CFOs associated with companies subject to SEC enforcement actions face significant career penalties, reflecting reputational contagion. The labour market appears to interpret such an association as evidence of either complicity or insufficient oversight, underscoring the centrality of the CFO in financial reporting and internal control systems. Consistent with this, Karajian and Ullah (2022) document substantial reputational and career costs following fraud events. At the organizational level, Cho and Kang (2024) find that companies implicated in reporting fraud subsequently reduce investment and adopt more risk-averse strategies, suggesting that misconduct weakens internal ethical climate and investor confidence.

Evidence further indicates that CFOs bear significant personal consequences even when not formally charged. Chang (2019), examining FCPA enforcement actions, finds that CFOs experience higher rates of forced turnover, reputational damage, and reduced future employment prospects following fraud or

bribery incidents. When directly implicated, they often face regulatory sanctions, including officer and director bans. Market reactions to such events are strongly negative, and CFO departures are interpreted as corrective governance responses, particularly in cases of accounting fraud. Overall, the literature highlights that CFOs bear substantial accountability costs for financial misconduct, reinforcing the need for strong ethical leadership and governance at the senior finance level.

2.7 Institutional contexts and ethical constraints on CFO behaviour

Ethical standards and enforcement vary markedly across institutional settings, shaping both the incentives for and constraints on CFO behaviour. Evidence from China shows that institutional weaknesses and political connections can simultaneously shield and motivate fraudulent conduct (Liao et al., 2019; Sun et al., 2019). Informal norms such as *guanxi*, emphasizing relationships, reciprocity, and loyalty, further complicate this landscape. While *guanxi* can enhance trust and coordination where formal institutions are less developed, it may also blur ethical boundaries when personal obligations override professional and regulatory responsibilities. In contrast, stronger regulatory environments heighten ethical accountability. In cross-listed U.S. firms, enhanced oversight and investor activism amplify the deterrent effects of CFO ethics, with particularly pronounced effects for female executives (Maulidi et al., 2023).

3. The changing role of the CFO in an era of evolving systemic risk

The role of the CFO has expanded markedly as organizations navigate an increasingly complex and volatile risk landscape shaped by climate change, digital transformation, cyber threats, and geopolitical instability. The World Economic Forum Global Risks Report 2025 identifies these forces as among the most significant systemic risks confronting global business, with direct implications for financial stability and long-term value creation. The CFO's mandate is shifting from a traditional focus on financial stewardship and compliance to a broader strategic leadership role that integrates financial and non-financial risks into enterprise decision-making. In particular, climate and sustainability challenges have elevated CFO responsibilities for environmental, social, and governance (ESG) reporting, capital allocation, internal controls, and engagement with assurance providers, as sustainability disclosures (e.g., ISSB S1 and S2)⁴ become embedded within mainstream reporting frameworks.

The evolving roles of the CFOs creates important ethical pressure points directly relevant to the Code, including threats to objectivity arising from heightened strategic and performance pressures, challenges to professional competence and due care due to the increasing complexity of sustainability, AI, and cyber-related judgments, confidentiality risks associated with sensitive digital and geopolitical information, and growing exposure to conflicts of interest and undue pressure from boards, investors, and other stakeholders to achieve short-term financial or market objectives. These developments suggest that CFOs are increasingly required to exercise ethical judgment in environments characterised by uncertainty, rapid technological change, and competing stakeholder expectations.

Concurrently, rapid advances in artificial intelligence, escalating cyber risks, and geopolitical fragmentation are reshaping both the risk environment and competitive dynamics. While AI and advanced analytics enhance forecasting and strategic insight, they also introduce concerns around data governance, ethical oversight, and model reliability. Cybersecurity has emerged as a core financial risk, requiring CFOs to safeguard financial systems and quantify and manage exposure, while geopolitical disruptions necessitate dynamic scenario planning, liquidity management, and risk-adjusted capital allocation. At the same time, technological innovation and globalized supply chains are intensifying competition, with digital platform-based entrants such as Uber and Airbnb reshaping industries and

⁴ International Sustainability Standards Board IFRS S1 sets out general requirements for the disclosure of sustainability-related financial information, while IFRS S2 establishes specific disclosure requirements relating to climate-related risks and opportunities.

eroding traditional market boundaries. These developments, alongside rapid advances in automation and AI-enabled production, underscore the vulnerability of traditional organizations and the need for continuous strategic adaptation.

In this environment, the CFO has become a central architect of organizational resilience and competitive advantage. Finance functions are evolving from periodic, backward-looking reporting toward continuous performance monitoring, real-time analytics, and dynamic resource allocation. Industry evidence (e.g., Deloitte, 2022a) highlights a growing emphasis on embedding analytics, forecasting tools, and business-partnering capabilities across organizational units, transforming finance into an integrated intelligence hub. This evolution has deepened collaboration between CFOs and leaders in strategy, operations, and technology, ensuring that financial insights directly inform competitive positioning. Accordingly, investments in digital tools, automation, and analytics are no longer viewed merely as efficiency gains but as critical drivers of strategic agility and sustained market leadership in an increasingly uncertain global environment.

3.1 CFO at the centre of climate strategy and sustainable value creation

Climate change presents organizations with material risks and opportunities that have direct financial implications, including transition risks (e.g., regulatory change, carbon pricing, and asset stranding), physical risks (e.g., extreme weather and supply-chain disruption), and broader sustainability challenges linked to biodiversity and social licence to operate. One of the key climate change-related pressures arises from a country's commitment to achieving net-zero emissions. Adrian, Garg, Haman, Truong, and Xue (2026) net-zero study find that real earnings management (REM) is higher among companies headquartered in countries that have adopted net-zero targets. However, REM is less prevalent among companies that voluntarily commit to net-zero goals and exhibit strong corporate social responsibility (CSR) performance. These findings suggest that such firms are better positioned to adapt to, and comply with, the regulatory changes associated with their home countries' climate commitments. As organizations respond to regulatory pressures, the finance function increasingly evolves toward an integrated operating model in which ESG, finance, and enterprise risk management are closely aligned (Deloitte, 2022a). This shift positions CFOs at the centre of strategic decision-making, extending their role beyond traditional financial stewardship to embedding climate and sustainability considerations into capital allocation, risk management, and performance measurement (Wiacek, 2025).

Empirical evidence reinforces the financial materiality of climate risk. Truong, Garg, and Adrian (2020) show that US companies exposed to climate-related events such as droughts face higher audit fees, reflecting increased business risk, weaker accrual quality, and greater misstatement risk. Companies that incorporate climate-related risks (CRR) into their assessments of asset values and future cash flows are likely to adjust asset valuations to reflect these expected impacts (Campbell, Foerster, Garg, and Unda, 2025). This highlights that climate risk is not merely an external sustainability concern, but a fundamental issue for financial reporting. Accordingly, CFOs are central to identifying, assessing, and disclosing climate-related financial risks, strengthening internal controls, and ensuring that such risks are appropriately reflected in financial reports. Beyond reporting, CFOs play a key role in integrating climate considerations into financial strategy. Greer, Turco, and Wallace (2022) highlight their role in embedding climate risks into budgeting, capital allocation, and performance measurement, ensuring that adaptation and resilience initiatives align with organizational objectives. CFOs translate climate risks into financial terms, oversee sustainability-related investments, and enhance transparency through robust reporting and metrics, thereby linking climate action to long-term value creation.

This strategic role is further reinforced by evolving disclosure frameworks and market expectations. The Climate Bonds Initiative (2023) and McKinsey (2024) emphasize the need to integrate carbon accounting, including Scope 1, 2, and increasingly Scope 3 emissions, into budgeting, forecasting, and

capital planning. Frameworks such as TCFD⁵ and ISSB⁶ standards embed climate-related risks, governance, and metrics within mainstream financial reporting, increasing CFO accountability for the coherence and credibility of sustainability disclosures. As these frameworks become mandatory in some jurisdictions, CFOs are often expected to contribute to ensuring that climate disclosures are decision-useful, consistent, and investor-grade.⁷

Translating climate ambition into financial strategy requires disciplined capital allocation decisions regarding investment, divestment, and transition pathways. Early and credible action can reduce the cost of capital and create a competitive advantage (Climate Bonds Initiative, 2023). To support this, CFOs increasingly employ scenario analysis and integrate sustainability considerations into long-term planning (Deloitte, 2022b; ACCA, 2023). However, persistent data challenges, particularly around Scope 3 emissions, highlight the critical role of the finance function in developing reliable, decision-useful sustainability data systems (McKinsey, 2024).

Finally, CFOs play a central role in enabling sustainable finance and strengthening ESG governance. This includes aligning instruments such as green bonds and sustainability-linked loans with transition strategies, embedding ESG targets into performance management, and ensuring robust controls and assurance over sustainability metrics (PwC, 2022; Climate Bonds Initiative, 2023). Their responsibilities also extend to climate scenario analysis, stress testing, and transparent communication with stakeholders, where they articulate credible transition narratives that link sustainability initiatives to long-term financial performance and organizational resilience (McKinsey, 2024; Pransky, 2025).

3.2 Artificial intelligence (AI): Evolving opportunities and challenges for CFOs

Artificial intelligence (AI), machine learning (ML), and advanced analytics are reshaping the finance function, not by displacing its core responsibilities but by altering how financial information is generated, analysed, and governed. Research highlights the growing role of AI and machine learning in fraud detection, enabling continuous monitoring and predictive risk identification beyond traditional audit approaches (Kasztelnik & Jermakowicz, 2024). Similarly, Li, Liu, Su, and Cui (2025) demonstrate how advanced analytical models can identify early warning indicators of fraud with high accuracy. While the technical design, implementation, and infrastructure of AI systems are typically led by Chief Technology Officers (CTOs) and Chief Information Officers (CIOs), the CFO's role is increasingly embedded within the workflow of financial decision-making, ensuring that AI-enabled outputs are reliable, decision-useful, and aligned with organizational objectives. In this context, financial digitalization is most effective when technology adoption is sequenced and aligned with CFO priorities such as performance insight, resource allocation, and business partnering. Bedford et al. (2025) show that although automation enhances process efficiency, it is analytics that drives financial effectiveness, suggesting that CFOs must carefully balance automation and analytical capability to avoid overextension of organizational resources. Organizations are increasingly using generative AI to draft financial disclosures. Blankespoor, Dehaan, and Li's (2026) study on generative AI disclosures shows that its use is most prevalent in IPO business descriptions, as well as in risk factors and MD&A⁸ sections. AI-assisted disclosures tend to be longer, more positive in tone, and more specific, with usage concentrated on

⁵ Task Force on Climate-related Financial Disclosures was established in 2015 by the Financial Stability Board (FSB) and released its final recommendations in 2017. This voluntary, principles-based disclosure framework provides recommendations to help organizations disclose financially material climate-related risks and opportunities in a consistent and decision-useful way for investors, lenders, and insurers.

⁶ The International Sustainability Standards Board (ISSB) is the sustainability standard-setting body established by the IFRS Foundation to develop a global baseline of investor-focused sustainability disclosure standards (ISSB, 2023).

⁷ As of 2026, over 30 jurisdictions have either adopted, partially adopted, or formally committed to implementing ISSB standards (KPMG, 2026).

⁸ MD&A refers to management disclosure and analysis.

drafting content for new or unusual items, particularly negative news. Investors perceive generative AI tools as making complex financial information easier and faster to process. Generative AI investor experiment by Croom (2026) finds that while its use increases investors' confidence and willingness to invest, it does not necessarily improve, and may even impair, their actual information processing.

The emerging literature indicates that AI is shifting the CFO's contribution toward oversight of data-driven decision processes rather than direct control of technology systems. Lai (2025) finds that AI applications mitigate information asymmetry and enhance financial reporting quality. Pitstick (2025) argues that as AI increasingly automates transaction processing, forecasting, and anomaly detection, CFOs play a critical role in validating outputs, exercising professional judgment, and ensuring that AI-generated insights are appropriately incorporated into financial planning and reporting. Similarly, Kenney (2024) highlights that the adoption of generative AI introduces new categories of financial, operational, and reputational risk, including data security vulnerabilities, model inaccuracies, and overreliance on opaque algorithms. These risks elevate the importance of governance structures in which CFOs contribute to defining control mechanisms, escalation protocols, and accountability for AI-driven decisions, even where technical ownership resides outside the finance function.

Industry evidence further reinforces the need for a governance-oriented CFO role in AI adoption. Moyano (2025) proposes a Value–Data–People framework, in which CFOs contribute by articulating measurable business value, ensuring access to high-quality and ethically managed data, and supporting organizational trust in AI-enabled processes. However, adoption outcomes remain uneven: while 63% of finance functions report deploying AI, only 21% report measurable value creation (The Australian, 2025). This gap suggests that CFO involvement is important at the point of technological implementation, and critical when embedding AI within financial workflows, including budgeting, forecasting, performance monitoring, and risk assessment, where value is ultimately realized.

From an ethical perspective, the implications of AI for CFOs are best understood through broader governance and accountability frameworks rather than a discrete body of CFO-specific literature. Existing evidence across academic and practitioner sources consistently points to the need for human oversight, transparency, and control over algorithmic decision-making, particularly where financial reporting and assurance are affected. In this setting, the CFO's ethical responsibilities arise indirectly through their role in maintaining the integrity of financial information, ensuring that AI outputs are subject to appropriate validation, and supporting governance mechanisms that mitigate bias, error, and misuse. Where multiple industry reports converge, a consistent expectation emerges: CFOs act as custodians of decision integrity within AI-enabled finance systems, bridging technical capabilities and organizational accountability without assuming primary responsibility for system design.

3.3 Cyber-attack threats and the risk to the finance function

Cyber-attacks and information security breaches are becoming more frequent and more costly, creating material risks for organizations and economies (Garg, Wang & Wilkin, 2025; Westland, 2020). European evidence highlights the scale of exposure, with 40,647 cybercrime-related data breaches reported in the Netherlands and 37,636 in Germany between 2018 and 2020 (Statista, 2021). Beyond direct financial losses, such incidents can undermine trust, disrupt critical relationships with customers, suppliers, and partners, and, in extreme cases, threaten organizational viability (Furnell, Heyburn, Whitehead, & Shah, 2021). Cyber-attacks have evolved from isolated IT incidents into systemic business risks that directly threaten an organization's capital, compliance posture, operational continuity, and reputation. As these threats intensify, cyber resilience has become an essential dimension of modern financial stewardship. Schomburgk (2025) notes that cybersecurity is now a core financial risk, requiring CFOs to reposition cyber investments not as discretionary operational expenses but as critical, value-preserving safeguards. This shift demands that CFOs embed cybersecurity considerations into financial strategies, incorporating tools such as phishing-resistant authentication,

zero-trust architectures, and layered governance frameworks, to protect revenue continuity, manage insurance and compliance costs, and preserve enterprise value.

Cybersecurity has become a core financial governance issue, placing CFOs at the centre of organizational risk management and ethical decision-making. Fleischman, Valentine, Curtis, and Mohapatra (2023) conducted an experiment with executive MBA students in the U.S. and showed that CFOs play a pivotal role in cybersecurity investment decisions, where underinvestment, often driven by cost pressures, can expose organizations to significant financial, reputational, and regulatory harm. Their findings demonstrate that ethical beliefs, perceptions of consequences, and social norms strongly influence CFO judgments, underscoring the moral dimension of cybersecurity governance. Complementing this, Chiles (2021) emphasizes that CFOs increasingly oversee cyber risk due to its direct impact on financial reporting integrity, internal controls, and enterprise value. Together, these studies highlight the expanding responsibility of CFOs to balance cost efficiency with ethical accountability, ensuring adequate cybersecurity investment to protect stakeholders and maintain trust in financial reporting systems as well as non-financial reporting systems (e.g., climate reporting). To fulfil these responsibilities, CFOs can be expected by their stakeholders to quantify cyber risks in financial terms, estimating potential losses, liabilities, business interruptions, and remediation costs. In an industry report on cybersecurity risk, PwC (2025) underscores the importance of integrated cyber-risk assessments, adaptive internal controls, and the prioritization of financial systems within incident-response planning to ensure the accuracy of financial reporting even during a cyber crisis. Despite this imperative, only 47% of CFOs currently engage a Chief Information Security Officer (CISO), or equivalent, in strategic decision-making, highlighting persistent gaps in preparedness and accountability (PwC, 2025).

Effective cyber governance increasingly depends on cross-functional collaboration between finance, IT, legal, audit, and operations. In larger and high-risk organizations, CFOs are expected to work closely with CISOs and risk teams to embed cyber resilience within internal control and broader enterprise-risk frameworks, ensuring that financial data integrity is protected and that risk exposures are transparently communicated. ACCA (2019) emphasizes that cybersecurity is now a central element of financial stewardship, reinforcing the CFO's role in designing cyber-risk policies, incident-response playbooks, and financial-impact models that support organizational resilience.

Beyond risk management, CFOs oversee cyber-insurance strategies, budget allocations, and investments in systems that link financial information with real-time cyber-risk dashboards, enabling more informed and timely decision-making. Transparent cybersecurity disclosures also form part of this expanding remit. As highlighted in the study of U.S. companies experiencing data breaches between 2005 and 2018 by Chen, Henry, and Jiang (2022) and by Garg et al. (2025), such disclosures support investor confidence and ethical governance. Ultimately, by integrating cyber resilience into financial governance, CFOs strengthen enterprise value protection and ensure that their organizations remain resilient in an increasingly hostile digital environment.

3.4 The Role of the CFO in navigating geopolitical and cross-border risks

The global business environment is increasingly characterised by geopolitical volatility, supply-chain disruption, trade policy shifts, sanctions, currency instability, and regulatory divergence. Multiple industry and policy reports suggest that this environment has become more complex, opaque, and difficult to predict (Deloitte, 2022c; International Monetary Fund (IMF), 2023; World Economic Forum, 2024, 2025). Rising economic nationalism, manifested through industrial policy, reshoring incentives, and restrictions on cross-border technology flows, adds further layers of uncertainty (Farrell & Newman, 2022). In this setting, geopolitical developments, including abrupt tariff changes and trade restrictions, may alter cost structures and market access with limited warning, raising questions about the reliability of traditional forecasting and planning assumptions (McKinsey, 2024; KPMG, 2024).

Geopolitical risk (GPR) is therefore increasingly viewed as a structural condition rather than a temporary disruption. Defined as the interaction of geography, power, and international relations (Dodds, 2019), GPR introduces persistent uncertainty into financial planning and reporting. Survey evidence indicates that geopolitical instability ranks among the most significant external threats to organizational performance (Epstein, Horton, & Sahu, 2025). This raises the possibility that CFOs are operating in a harder strategic environment, where professional judgement, particularly in areas such as disclosure, estimation, and risk communication, must be exercised under conditions of heightened ambiguity and rapidly changing assumptions.

A primary transmission channel of geopolitical risk is the global supply chain. Disruptions to trade flows, input costs, and logistics networks can have persistent financial consequences (Charpin, Powell, & Roth, 2021; Fan, Yeung, Tang, Lo, and Zhou, 2022). Empirical evidence highlights this materiality: Fan, Zhou, Yeung, Lo, and Tang (2022) show that firms with supply-chain exposure to geopolitically sensitive regions experienced reduced profitability during periods of trade conflict, reflecting tariff volatility and policy uncertainty. Analogous to financial markets characterised by high volatility, where valuation models become more sensitive to underlying assumptions, supply-chain disruptions may similarly amplify uncertainty in cost forecasting and operational planning. This has ethical implications as questions arise about how CFOs calibrate assumptions in financial models when key inputs, such as tariffs, exchange rates, or regulatory conditions, are inherently unstable.

From a financial reporting and assurance perspective, geopolitical uncertainty introduces additional complexity into asset valuation, inventory measurement, cash-flow forecasting, and going-concern assessments (Deloitte, 2021; Deloitte, 2022; Kegalj, 2023; KPMG, 2024). A study by Campbell, Ferreira, Garg, Khedmati, and Permana (2026) shows that greater exposure to supply-chain GPR increases uncertainty around companies' operational resilience and future cash flows, thereby heightening auditors' perceived engagement risk. Using a large sample of U.S.-listed firms, they develop a company-level measure of supply-chain GPR and find that higher exposure is associated with a greater likelihood of receiving a going-concern opinion and with higher audit fees. They further document that these companies are more prone to financial statement restatements, consistent with lower reporting quality and increased audit scrutiny. Industry reports suggest that tariff volatility and cross-border restrictions can materially affect forward-looking estimates, potentially increasing estimation uncertainty and the range of reasonable outcomes (McKinsey, 2024). In such contexts, disclosure judgments become increasingly challenging, as organizations may determine how to reflect risks that are evolving, politically contingent, uncertain, and difficult to quantify. This creates important ethical implications for CFOs in exercising professional judgment and due care, particularly when making reporting and disclosure decisions in environments characterized by significant uncertainty, volatility, and stakeholder pressure. The Geopolitical Risk Index (Caldara & Iacoviello, 2022), which tracks the frequency and intensity of geopolitical events, further highlights the persistence of such uncertainty, suggesting that these challenges are unlikely to be episodic.

The implications of GPR for CFO workflows are evident in areas such as scenario planning, liquidity management, and capital allocation. Rather than relying on static budgets, organizations are increasingly adopting dynamic scenario modelling and real-time monitoring tools to test multiple contingencies (KPMG, 2025; Edo-Osagie, 2025). CFOs, often in collaboration with treasury, tax, and risk functions, engage with exposures to foreign exchange volatility, capital flow restrictions, and sanctions compliance. However, the effectiveness of these tools in environments where underlying assumptions can shift abruptly, such as sudden tariff escalations, remains an open question. For example, if tariff regimes can change within short policy cycles, to what extent can scenario analysis capture such discontinuities, and how should these uncertainties be communicated in financial disclosures? Geopolitical uncertainty also affects core financial processes such as working capital management. Sethi and Dash (2025) find that companies facing heightened geopolitical risk adjust

working capital more slowly, particularly where diversification is limited, highlighting the importance of liquidity buffers and flexible financing structures. This introduces further considerations regarding how CFOs balance resilience with efficiency, and how such trade-offs are reflected in financial reporting and stakeholder communication.

Across the literature and industry evidence, a consistent theme emerges: geopolitical volatility is reshaping the context in which financial judgment is exercised. Yet, several questions remain open that may create ethical tension. How should CFOs approach disclosure when risks are both material and highly uncertain? What constitutes decision-useful information in environments where assumptions may quickly become outdated? To what extent can existing governance and assurance frameworks accommodate risks that are geopolitical in origin but financial in consequence? Could there be a degree of self-interest among CFOs in minimizing the assessment of the severity of these risks? These issues may be viewed as part of an evolving body of practice rather than settled guidance. Emerging approaches, such as geopolitical dashboards, AI-enabled forecasting, and enhanced scenario analysis, can be seen as “work in progress” responses to these challenges (KPMG, 2025; McKinsey, 2024). In this regard, the intersection of geopolitical risk, financial reporting, and professional judgement may warrant ongoing attention from standard setters, including IESBA, as evidence and practice continue to develop.

3.5 Converging transformation pressures and the expanding CFO mandate

The contemporary CFO operates within a landscape shaped by multiple, interrelated transformation forces, including climate change, digitalization, artificial intelligence, cyber risk, fraud, geopolitical instability, and intensifying competitive pressures. These forces are not independent; rather, they interact with and reinforce one another, increasing organizational complexity and the demands placed on financial leadership. Manzi and Martinelli (2022) argue that these overlapping developments expose CFOs to compounded ethical risks, particularly at the intersection of ESG reporting, digital transformation, and cybersecurity.

For instance, climate-related transition risks increasingly intersect with capital allocation, supply-chain resilience, and long-term strategy, while digital transformation enhances analytical capabilities but introduces vulnerabilities such as data integrity risks, algorithmic bias, and cyber exposure. Geopolitical instability further amplifies these pressures by disrupting supply chains, affecting commodity prices, and altering regulatory conditions. In combination, these forces contribute to a more complex decision environment in which financial, operational, and non-financial risks must be considered simultaneously.

In response, the CFO's role is evolving from a focus on financial stewardship toward a broader function centred on integration, bringing together financial, sustainability, technological, and geopolitical considerations into coherent decision-making frameworks. This includes translating complex and often uncertain risk interactions into board-level insights and supporting organizational responses under conditions of volatility. Such expectations imply an expanded capability set, including sustainability literacy, data analytics, risk intelligence, and cross-functional coordination across finance, technology, and sustainability domains. This creates significant ethical implications for compliance with the fundamental principle of professional competence and due care, particularly where CFOs may face skills gaps, resource constraints, or insufficient time to adequately assess complex and rapidly evolving risks.

The IESBA's Sustainability Reporting-related Revisions to the IESBA Code, together with the International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA), reinforce the increasing significance of ethical sustainability information. The Sustainability Reporting-related Revisions address ethics issues professional accountants might face in relation to sustainability reporting, while the IESSA establishes ethics and independence standards

for sustainability assurance engagements. These provisions are generally effective from December 15, 2026, with certain independence provisions in the IESSA relating to value-chain components effective from July 1, 2028. As financial and sustainability-related information become increasingly interconnected, these developments raise important questions about how ethical principles are applied consistently across reporting and assurance domains.

4. Changing role of CFOs in the public sector, not-for-profit sector, fractional CFOs, and virtual CFOs

4.1 CFOs in the public sector

The role of CFOs in the public sector has expanded significantly over the past decade, evolving from a primary focus on budgeting, compliance, and financial control to a broader mandate encompassing strategic leadership, stewardship, and public value creation. Traditionally responsible for budget execution, procurement oversight, and adherence to public finance legislation, public-sector CFOs are now expected to contribute to whole-of-government fiscal strategy, long-term sustainability assessments, and cross-agency coordination (OECD, 2019). This shift reflects wider public financial management reforms and increasing expectations for transparency, accountability, and performance measurement.

A distinguishing feature of the public-sector context is the primacy of public interest objectives, which introduces ethical dimensions that may not fully translate from private-sector settings. CFOs must balance financial discipline with political responsiveness, short-term electoral pressures with long-term fiscal sustainability, and efficiency with equity and social outcomes. These competing objectives create ethical dilemmas that are often unique to the public sector, for example, decisions involving resource allocation across communities, intergenerational equity, or trade-offs between cost efficiency and service accessibility.

In this context, the ethical obligations of CFOs extend beyond compliance to the maintenance of public trust, which is central to the legitimacy of government institutions. While formal ethical frameworks exist, their application can be more complex given the influence of political processes and public scrutiny. Issues such as transparency in reporting, neutrality in advice, and resistance to political pressure require careful judgment.

Overall, the public-sector CFO operates at the intersection of finance, policy, and ethics, where accountability is not only to organizational stakeholders but to citizens. This environment requires a form of professional judgement that integrates financial expertise with sensitivity to public value, governance expectations, and ethical considerations that may differ in nature and intensity from those in the private sector.

4.2 CFOs in the not-for-profit sector

The role of CFOs in the not-for-profit (NFP) sector has similarly evolved, shaped by increasing demands for accountability, transparency, and demonstrable mission impact. Traditionally centred on stewardship of donor and grant funding and compliance with regulatory and audit requirements, NFP CFOs are now expected to act as strategic partners who integrate financial decision-making with organizational purpose and long-term sustainability (Verbruggen, Christiaens & Milis, 2011).

A defining feature of the NFP context is the mission-driven objective, which fundamentally shapes the CFO's responsibilities and ethical considerations. Unlike private-sector organizations, where financial performance is a primary objective, NFPs prioritise social impact, community outcomes, and public benefit. This creates inherent tensions between financial sustainability and mission delivery. CFOs must navigate ethical dilemmas that may stem from making judgments such as allocating limited resources

across competing social priorities, balancing administrative efficiency with program effectiveness, and ensuring that financial decisions do not undermine organizational purpose.

The increasing emphasis on impact measurement has further expanded the CFO's role into areas such as social return on investment (SROI), cost-benefit analysis, and evidence-based performance evaluation (Moody, Littlepage & Paydar, 2015). These developments require CFOs to engage with non-financial metrics and assess value in ways that extend beyond traditional NFP accounting frameworks. At the same time, hybrid funding models, including philanthropy, government contracts, social enterprise activities, and impact investment, introduce additional financial complexity and risk, requiring sophisticated planning, liquidity management, and resilience strategies.

As in the public sector, maintaining public trust is central to the NFP CFO's role. Donor confidence, community legitimacy, and stakeholder accountability depend heavily on transparent financial management and credible reporting. CFOs are therefore often positioned as guardians of ethical conduct, overseeing internal controls, fraud prevention, and governance structures (Donnelly-Cox, Meyer & Wijkström, 2020). However, ethical obligations in this context may not always be formalized through external frameworks and may instead be shaped by organizational values, donor expectations, and sector norms.

The growing importance of DEI also influences NFP financial decision-making, particularly where organizations are explicitly focused on equity, inclusion, and social justice outcomes. CFOs may be required to align resource allocation, reporting, and performance evaluation with these objectives, raising questions about how financial stewardship intersects with broader societal goals.

Digital transformation and rising cyber risks add further complexity. The adoption of cloud platforms, data analytics, and AI-enabled tools enhances efficiency and transparency but introduces new ethical and governance challenges, including data protection and ethical use of technology. CFOs are increasingly involved in these areas, often under conditions of resource constraint and heightened uncertainty.

4.3 Fractional CFOs and virtual CFOs: The rise of flexible executive finance models

The rise of fractional and virtual CFOs reflects a broader shift toward flexible, technology-enabled models of financial leadership. A fractional CFO provides part-time or project-based services across multiple organizations, while a virtual CFO delivers similar capabilities remotely through digital platforms. These models have gained traction among start-ups, SMEs, and NFPs seeking access to high-level financial expertise without the cost of a full-time executive (McQuillen, 2025; Deloitte, 2022; PwC, 2021; QuickBooks, 2022). They enable organizations to strengthen financial planning, governance, and risk management while maintaining operational agility.

Beyond their structural advantages, these models reshape the workflow and locus of responsibility within the finance function. Fractional and virtual CFOs often operate across multiple clients, industries, and regulatory environments, relying heavily on cloud-based systems, real-time dashboards, and AI-enabled analytics to deliver insights and support decision-making. This diffusion of presence, across organizations, geographies, and digital platforms, creates a more distributed model of financial oversight compared to the traditional embedded CFO role.

This shift raises a set of emerging ethical considerations that are less pronounced in conventional CFO arrangements. First, the multi-client nature of fractional CFO roles introduces potential tensions around conflicts of interest, confidentiality, and information boundaries. Where CFOs simultaneously advise organizations operating in related markets or supply chains, questions may arise regarding the safeguarding of sensitive information and the objectivity of judgment. While academic evidence on fractional CFO arrangements remains limited, these issues could be viewed as emerging ethical

considerations that warrant further empirical and policy-oriented research, particularly regarding conflicts of interest, confidentiality, objectivity, and the adequacy of existing professional safeguards in multi-client environments.

Second, the reliance on remote, technology-mediated engagement in virtual CFO models may affect oversight, control, and assurance. When financial leadership is exercised at a distance, often through digital interfaces, how should CFOs ensure the robustness of internal controls, the reliability of underlying data, and the integrity of reporting processes? The increasing use of automated systems and AI-driven analytics further complicates this question, as judgment may depend on outputs generated by systems that are not directly controlled by the CFO.

Third, these models may introduce ambiguity in accountability and professional obligation. Unlike full-time CFOs embedded within organizational hierarchies, fractional and virtual CFOs operate in hybrid roles, part advisor, part executive. This raises questions about the extent of their responsibility for organizational decisions, particularly in areas such as financial reporting, sustainability disclosures, or risk management. For example, where a fractional CFO contributes to strategic decisions but does not have formal authority over implementation, how should accountability for outcomes be understood?

Fourth, the flexible nature of these roles may intensify commercial pressures that influence professional judgement. As service providers, fractional and virtual CFOs may face incentives linked to client retention, performance expectations, or short-term outcomes, potentially affecting independence and objectivity. This dynamic is particularly relevant in high-growth or resource-constrained environments, where financial advice may be closely tied to funding, valuation, or survival considerations.

These considerations suggest that while fractional and virtual CFO models enhance access to financial expertise and organizational agility, they also introduce new ethical dilemmas linked to role fragmentation, digitalization, and evolving accountability structures. Analogous to developments in other professional service models, such as outsourced legal or advisory functions, these arrangements blur traditional boundaries between internal and external roles, raising questions about how established ethical principles apply in more fluid organizational contexts.

As these models continue to expand alongside digital transformation and the “as-a-service” economy, they may represent an important area of ongoing development. In particular, they raise questions relevant to professional ethics and governance frameworks: how should objectivity, confidentiality, and accountability be interpreted in multi-client and remote environments? What safeguards are needed to ensure consistent ethical behaviour across flexible executive roles? These issues remain evolving in both practice and research, suggesting that they warrant continued attention as part of the broader transformation of the CFO function.

5. Changing environment for CFOs who are not members of a professional accounting body

Senior finance roles are increasingly occupied by individuals outside PAO's ethical and disciplinary systems. The accounting profession's longstanding reputation, expertise, and public trust have also rested on professional membership, codified ethics, and regulated conduct. Professional associations, such as the American Institute of Certified Public Accountants (AICPA), Chartered Institute of Management Accountants (CIMA), Institute of Chartered Accountants in England and Wales (ICAEW), Association of Chartered Certified Accountants (ACCA), and similar bodies, provide the institutional mechanisms through which accountants are educated, credentialed, monitored, and sanctioned. However, a significant cohort of practitioners operates outside formal professional associations, often performing similar functions to professional accountants but without being subject to the ethical, educational, and disciplinary frameworks of any professional accounting body or regulatory bodies as would be applicable to professional accountants. These CFOs, who are not members of a professional

accounting body, present both economic relevance and regulatory challenges, as they serve SMEs, family businesses, and local councils in environments where the title “accountant” is unprotected (Public Accountant, 2012; The Mandarin, 2024). When CFOs are not members of a professional accounting body, there can be an absence of a standardized ethical framework, mandatory professional education, peer oversight, and disciplinary mechanisms, which magnifies both ethical and technical risks. Their decisions can directly affect public trust, investor confidence, and compliance integrity, yet they operate without the institutional safeguards that underpin professional accountability in the accounting profession. Aier et al. (2005) find that financial restatements are more prevalent among companies whose senior finance leadership lacks experience or professional accounting qualifications. Specifically, companies with non-CPA CFOs and less experienced financial chiefs are shown to face a higher probability of restating financial statements. These findings point to the critical role of professional competence and ethical accountability in senior finance roles and provide empirical support for concerns that variations in qualifications and experience among CFOs may have implications for the robustness of financial reporting and governance practices.

5.1 CFO professional membership: global patterns

An important yet understudied dimension of the evolving CFO role is the extent to which CFOs maintain formal membership in professional accounting bodies. Across jurisdictions, many CFOs do not maintain membership in PAOs, even where they possess accounting qualifications. This variation may reflect differences in regulatory requirements, career pathways, professional identity, perceived relevance of PAO membership, costs of membership and continuing professional development obligations, or affiliation with alternative professional bodies and institutes. These differences may also have implications for ethical oversight, accountability, and approaches to financial reporting and governance, although empirical evidence in this area remains limited and requires further investigation. In jurisdictions such as the United States, professional membership is generally not a prerequisite for assuming CFO roles, and many CFOs are drawn from diverse backgrounds, including accounting, finance, consulting, investment banking, and general management (Hays, 2026; Kennedy, 2024; Han, 2014). At the same time, many such CFOs may remain subject to ethical expectations and governance obligations through alternative professional affiliations (e.g., Institutes of Directors), employment contracts, securities regulation, fiduciary obligations, or corporate governance frameworks. Across the context of professional membership, several common motivations emerge. First, remaining outside PAO membership reduces professional liability, as individuals are not subject to disciplinary sanctions vis-à-vis the IESBA Code. However, non-membership of a PAO does not remove broader legal, regulatory, employment, fiduciary, or corporate governance accountability, particularly for CFOs operating in regulated entities or publicly accountable organizations. Second, it provides greater operational flexibility, particularly in environments where aggressive accounting practices, earnings management, or opaque disclosures are culturally normalized or strategically advantageous. Third, alternative career pathways, such as MBAs, investment banking, or corporate strategy, prepare individuals for senior finance roles without the need for formal accounting accreditation; however, the absence of formal accounting training may elevate technical risk by limiting their depth of expertise in complex financial reporting, internal controls, and compliance matters. Finally, CPD requirements, annual fees, and administrative duties associated with professional membership create additional barriers. These patterns have direct implications for ethical conduct, governance quality, and fraud risk. CFOs without PAO membership may lack the external ethical anchoring, peer accountability, and sanction mechanisms that professional bodies provide. Prior literature demonstrates that CFO misconduct, including earnings manipulation, fraudulent reporting, and collusion in control circumvention, is more likely when ethical safeguards are weak or absent (Bishop et al., 2017; Liao et al., 2019; Maulidi et al., 2023). In emerging markets, where regulatory enforcement may be inconsistent, the absence of PAO oversight further increases vulnerability to misreporting and financial irregularities.

As CFO responsibilities expand across increasingly complex domains involving sustainability, technology, geopolitics, cyber risk, and stakeholder governance, concerns may arise regarding the maintenance of rigorous professional judgment, transparency, and accountability. In this context, the absence of professional affiliation and associated ethical oversight mechanisms may represent a potential governance gap, particularly given the evolving scope and multidimensional nature of the modern CFO role. Strengthening pathways that encourage or require professional membership may be necessary to support ethical conduct and build public trust in the evolving CFO role.

5.2 Professionalization and the boundaries of membership

The process of accounting professionalization has been extensively documented as one of jurisdictional closure and credential control (Lee, 2025; Yapa, 2022; Edwards, 2010; West, 1996). Professional bodies historically sought to distinguish qualified members from lay practitioners through examinations, codes of ethics, and exclusive designations such as “Chartered Accountant.” Edwards (2010) provides historical evidence from Victorian England showing that, despite the emergence of professional associations, many accountants continued to practice successfully without joining them. These non-members relied on networks, client trust, and business reputation rather than institutional affiliation to gain legitimacy.

In contemporary Australia and South-East Asia, the accounting profession has often been conceptualized as a collective and relatively undifferentiated occupational group rather than as a set of distinct professional roles with clearly differentiated responsibilities (Inglis, Shelly, Morley, & De Lange, 2011). Research on professionalization in the region shows that accountants have historically been shaped by strong state involvement, colonial legacies, and communitarian social structures, which have emphasized collective identity, standardized credentials, and institutional conformity over individual professional autonomy (Chua, Dyball & Yee, 2019). In many Southeast Asian contexts, professional authority has been closely tied to state regulation, transnational bodies, or dominant professional associations, reinforcing a view of accountants as members of a unified profession rather than as differentiated actors with specialized ethical or strategic responsibilities. Even in Australia, where professionalization is more mature, the legacy of Anglo-American models and collective self-regulation has contributed to treating accountants as a homogeneous group, with limited distinction in ethical expectations across roles such as auditors, management accountants, or CFOs. This collective framing has important implications for contemporary debates, as it risks obscuring the heightened responsibilities, influence, and ethical exposure now faced by senior finance leaders in an increasingly complex risk environment.

Accounting practitioners may often weigh cost, accessibility, and perceived benefit when deciding whether to affiliate, rather than seeing membership as an ethical or social imperative. In this context, the value of membership in a professional accounting association arises from effectively communicating key information about the profession and its services. O'Regan and Killian (2021) observe that organizations operate in a highly professionalized and credential-driven environment where accountants are generally expected to hold accreditation from a recognized professional body. They extend this historical perspective by uncovering the “hidden accountant”, practitioners who operated independently of professional organizations yet achieved significant economic success. Their archival study of early twentieth-century Ireland shows that non-members were not marginalized; rather, they maintained legitimacy through performance, reputation, and community embeddedness. Collectively, this literature reveals that non-membership is not necessarily synonymous with incompetence, but it does raise questions about ethical accountability and public oversight.

6. Conclusion and areas requiring further examination and evidence-building

This literature review report provides an evidence-based synthesis of global academic, industry reports, and practitioner research on the evolving role of Chief Financial Officers (CFOs) and equivalent senior finance leaders, with direct relevance to the IESBA's work program. The literature review examines prior evidence on fraud and ethical breakdown involving senior finance executives; analyzes how the responsibilities, authority, and expectations of CFOs have expanded; and evaluates the ethical challenges arising from these changes, including implications for professional judgement, accountability, and the public interest.

The review shows that the CFO role has expanded significantly in scope and ethical exposure under intensifying economic, technological, sustainability, and geopolitical pressures, while the academic evidence base related to the role of CFOs has not kept pace with these developments. Although existing research continues to highlight the centrality of the CFO in financial misconduct and governance failures, it offers limited insight into ethical risks associated with emerging domains such as climate change and sustainability reporting, artificial intelligence, cybersecurity, and complex cross-border risk management. These gaps are particularly salient given the increasing prevalence of CFOs who are not members of professional accounting bodies, the rise of fractional and virtual CFO models, and the growing reliance on multidisciplinary teams and external expertise.

Taken together, the findings underscore the continued importance of the International Ethics Standards Board for Accountants' principles-based Code as a foundational framework for ethical conduct in increasingly complex organizational environments. The literature provides evidence regarding traditional CFO-related ethical risks associated with financial reporting, earnings management, governance pressures, and stewardship responsibilities. There is also growing evidence that the CFO role is expanding significantly into areas involving sustainability reporting, digital transformation, artificial intelligence, cybersecurity, geopolitical risk management, stakeholder governance, and broader enterprise strategy, creating heightened ethical pressures relating to professional judgment, objectivity, professional competence and due care, confidentiality, and conflicts of interest.

At the same time, several important dimensions of the evolving CFO role remain under-evidenced or insufficiently explored in the academic literature. These include the ethical implications associated with CFOs who are not members of professional accounting organizations, the increasing use of fractional or virtual CFO arrangements, the evolving role of CFOs in public-sector and not-for-profit contexts, and the ethical challenges arising from emerging technologies, geopolitical fragmentation, DEI-related tensions, and complex sustainability-related judgments. In many of these areas, current understanding relies heavily on practitioner commentary and emerging industry observations rather than robust empirical evidence.

The review, therefore, highlights the importance of targeted evidence-building, stakeholder outreach, and continued monitoring of evolving CFO practices and governance arrangements across jurisdictions and sectors. In particular, additional engagement with regulators, PAOs, preparers, boards, investors, public-sector entities, and non-professional accountant CFOs may help IESBA better understand how ethical responsibilities, pressures, and safeguards are evolving in practice. The findings suggest that further research and outreach appear warranted to assess whether additional non-authoritative guidance, educational material, outreach initiatives, or other actions may assist in supporting ethical decision-making and maintaining public trust as the CFO role continues to evolve.

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