

Internal Audit & Treasury

More talented deputies required

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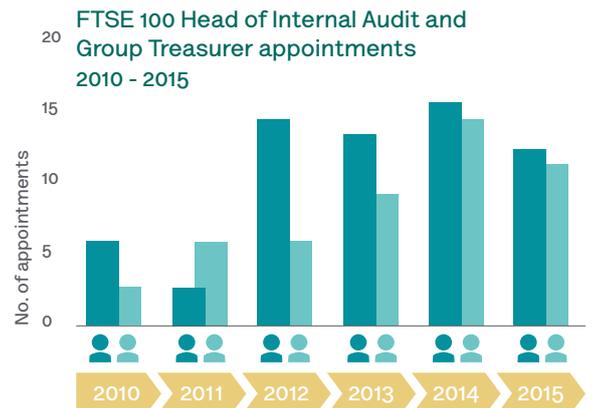
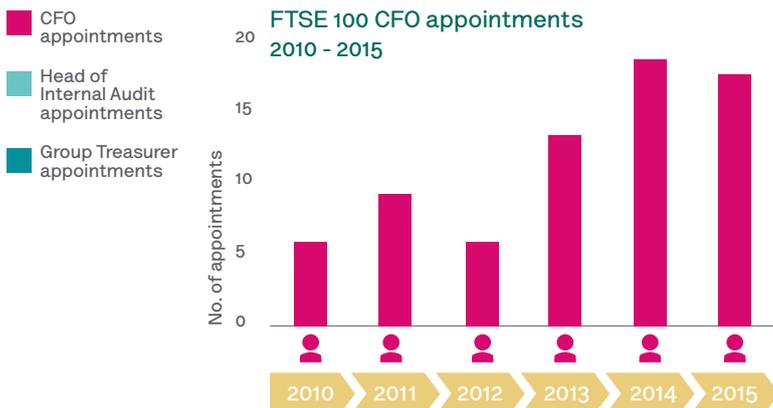
The extraordinary period of change amongst FTSE 100 CFOs – precisely half have changed since January 2013 – has been widely discussed. Less widely trailed is the ripple effect this has had throughout the CFO’s direct reports and, most interesting amongst this group, are the Heads of Internal Audit and Group Treasurers.

Since 2013 across the FTSE 100 there have been 40 new Group Heads of Internal Audit and 34 Group Treasurers appointed. This is a marked increase compared to the previous three years (2010-2013), which saw 23 new Heads of Internal Audit and 15 Group Treasurers. For functions that have historically enjoyed relatively little scrutiny from management, the past three years have led to a period of intense focus on the desired leadership capability of the occupiers of these roles.

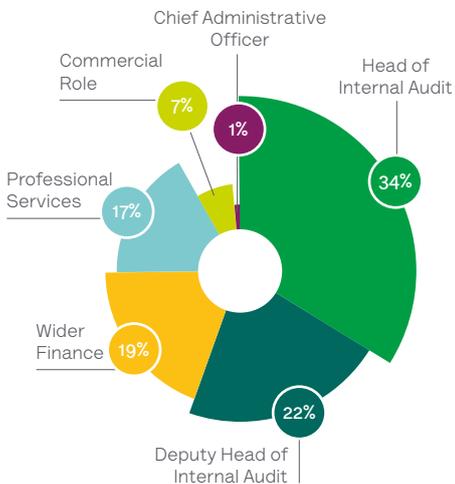
If the key metric in analysing leadership capability were to be developing a successor, then the internal audit function would be deemed to have failed – just three of the 40 appointments (8%) resulted in the incumbent’s deputy stepping into the role. Treasury fared slightly better with 10 deputies (29%) being asked to step up but, with only two external deputy treasurers appointed into any of the vacant roles, it highlights a talent development problem across FTSE 100 Treasury functions as well.

We recognise that succession planning is not easy. Even with the increased focus at Board level, no magic formula has been found – of the 50 CFO appointments made since January 2013, just 13 (26%) were internal candidates. However, whereas the role of CFO is one that plenty of talented finance candidates aspire to, the specialist roles of Head of Internal Audit and Group Treasurer have a less magnetic pull on external finance talent.

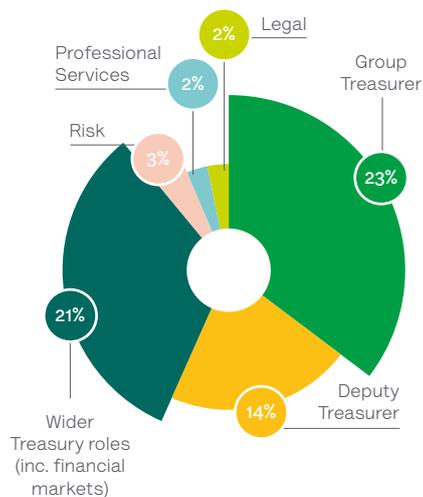
The result has been that many of these external searches have been elongated affairs typically resulting in a candidate sitting in an equivalent role elsewhere joining on a premium – good news for those appointed but less good for the cost base. However, if the new Group



Previous role of current FTSE 100 Heads of Internal Audit



Previous role of current FTSE 100 Group Treasurers



Moves in 2015



Heads of Internal Audit or Group Treasurers develop an additional skill, namely developing talented deputies, then they will be going a long way to justifying that premium.

Although 22 of current FTSE 100 Heads of Internal Audit and 14 of the Group Treasurers were previously in deputy roles, the trend in the last five years is in the opposite direction. Alongside these promotions, other PLCs, the professions, wider finance and risk have also proved fruitful hunting grounds in making these appointments.

2016 FTSE 100 Appointments

CFO

- 17 appointments in 2015: ARM Holdings, Barratt Developments, Capita Group, Centrica, Diageo, easyJet, Marks & Spencer, Next, Pearson, RSA, SAB Miller, Severn Trent, Shire, Smiths Group, Sports Direct, Unilever and Worldpay.
- Index at **AMBER**. Market is calming from its previous highs.

Head of Internal Audit

- 12 appointments in 2015: Aberdeen Asset Management, AstraZeneca, Bunzl, Carnival, Centrica, CRH, Merlin, Old Mutual, Shell, Sage Group, Standard Chartered and WorldPay.
- Index at **AMBER**. Two current searches in the market. With a thin talent pool high potential candidates are in great demand.

Group Treasurer

- 11 appointments in 2015: BAE Systems, BT Group, Experian, Hammerson, HSBC, Johnson Matthey, Pearson, Sainsbury's, Shell, Sky and Unilever.
- Index at **RED**. Four current searches in the market. With a thin talent pool, high potential candidates are in great demand.

Key

RED: Significant hiring activity. Real competition for talent and pressure on remuneration

AMBER: Hiring activity in line with trend. Normal retention risk and remuneration movements.

GREEN: Below trend hiring activity. Little competition for talent in the market.

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