

HELLO FDS GOODBYE PFOS

Once upon a time central government finances were pretty simple. Cash came in from taxpayers and the Treasury divided it between departments. The cash was spent and the amounts reported to Parliament. In 1921, to make sure this mother-of-all-cashboxes was being properly controlled, the post of departmental Principal Finance Officer was created.

Eighty years later, central government processes have moved into the financial mainstream. So it's entirely appropriate that the title of the person responsible for the department's finances should change too and in September a meeting of Permanent Secretaries agreed three elements of that change. First, departments will have Finance Directors rather than Principal Finance Officers. Second, Finance Directors will be expected to sit on Departmental Boards. Third, they will be expected to be qualified accountants.

Because of the differences between the size and nature of government departments it's acknowledged that there could be variations on this model. But if there are, departments will be expected to explain why. It's also acknowledged that there will need to be a period of transition, not least because the traditional government finance model has not had a requirement to have qualified accountants in senior finance posts. So since most accountants do not have enough experience of the public spending process to be able to move straight into leading on departmental budgeting discussions, succession planning will be necessary to make sure that they can acquire this additional specialist knowledge.



This initiative on finance professionals complements wider moves across Whitehall to improve the professionalisation of Civil Service management. It is one reason why personnel and finance (the PEFO role) are being split. It's recognised that the professional skills required of each will be different.

This is obviously good news for accountants and their careers in government. But to hold the top job, as in the rest of the economy, more than accountancy skills will be required. An understanding of the public spending process, the ability to link finance firmly to the departmental agenda and personal credibility to operate at the highest levels of the department will be essential. Departments will be looking inside and outside for these skills if they can't find them inside – please make sure they don't have to! Accountants already occupy 20% of senior departmental finance roles. For the other 80% - over to you.

Andrew

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Editorial

Welcome to the last edition of Gasette for 2003. By the time you receive this edition we will be recovering, from the largest qualified conference to date, some 400 accountants gathering in York for an update and opportunity to network with colleagues old and new. Looking back over the past year Gasette seems to have gone from strength to strength covering many topics, some regular and others more diverse in the constant endeavour to meet your needs. I would like to thank everyone for their contributions, kind comments and continued suggestions for themes to include.

Whilst I have taken a retrospective look Andrew in his lead article is looking to the future, very much in line with this year's conference theme. DART are also looking forward to next year's work programme, in addition to welcoming Denise to the team, we are sure she will fit in perfectly and wish her all the best in her new post with us.

With Christmas around the corner it is always a good time to catch up with old friends and the GAS is no different with articles from South Africa and Baghdad!! Closer links with training providers, BPP, has resulted in the promise of a series of articles especially for our students, whilst Insight Management and Systems Consultants Limited have provided an article with appeal not only to our investigators, but to many of you in other fields. Lawson Bishop have provide a thought provoking article on leadership, and CCH are offering GAS members the opportunity to purchase their products at special rates. With the CCAB bodies continuing to take decisions on CPD Gasette is gearing up to provide a rich source of material.

One thing, which is missing, is a comprehensive list of exam results and some of you will be disappointed not to have your achievements recognised. We are trying to source this information direct from the Institutes, but in the meantime let Daljit know of your success.

Unbelievably the next copy date is Friday 16th January 2004, so on behalf of everyone this end may I wish you all a Happy Christmas and a prosperous 2004, a year in which hopes and plans come to pass.

Best wishes for the festive season,
Roberta.

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'A QUESTION FOR THE GROUP!'

This seems to be the opening line on so many E mails I receive from my growing band of systems accountants, which translates as can you e mail this round everyone as I need some help. Thankfully every question posed so far has received replies and sparked of other questions or ongoing debates, so it was good to get the group together for one of its regular meeting in September.

A review of the workshops held earlier in the summer confirmed that they had been a useful vehicle had answered many questions the group had voiced during its initial meetings. The group welcomed Mark Leitch from Trittor who gave a presentation of the software developed for DEFRA to deal with the large volumes of GPC transactions generated throughout the department. As a result the company agreed to attend this years conference to allow a wider audience to have first hand experience of this and another new piece of software, which handles multiple invoicing. A break for lunch and whether mark had time to eat whilst chatting informally to many of the attendees is perhaps a question for another day. As always lunch extended itself as the group took the opportunity, to do what it was set up, for networking with each other and catching up on latest developments.

After lunch updates were received on the many questions, which had been posted round the network and how we were going to capture all this information for future reference – a GAS website seems to be one solution. Siobhan and Megan introduced themselves and the Single Data System project a development of interest to the group. Dave updated everyone on the latest re the Core Accounting Systems Specification project and promised more at the conference in York. Details of other offers to talk to the group by external bodies were tabled and no doubt sessions will be

arranged later in the year. The topics of service brokering by departments to other users was tabled along with experiences of system audits – no doubt both of these will be topics for workshops in the new year.

The next meeting of the group will be 15th January 2004 so if you'd like to be part of this ever-growing network please contact me – details on the inside cover.

AccountingWeb is currently undertaking a survey as a follow on from the autumn Softworld event in Birmingham, and you might be interested in the results to date:

38% of respondents confirmed they were likely to invest in new accounting ledgers in the next 12 months, however two years ago 50% of respondents were shopping for core accounts systems.

Core accounting packages have been overtaken by management planning and analysis tools 40% are shopping in this area.

Surprisingly service and product satisfaction has dropped with only 25% of users very satisfied with their account software and 22% very satisfied with the level of service.

In the mid-market software stakes both SAP and Oracle appear for the first time but lag behind Sage line 100 and Sun Systems.

The full results will appear later this year on the AccountingWeb site at <http://accountingweb.co.uk> under the IT Zone.

INTERNATIONAL FEDERATION OF ACCOUNTANTS – UPDATE

This time finds me delving into the section entitled 'Articles and Speeches'. This section of the web site contains transcripts of speeches given by IFAC members and articles, which have appeared in accountants and finance magazines around the world over the past three years. The initial reaction is these must be out dates yet on further reading many of the speeches are relevant to the changing filed of finance we work in and prove a good source of background evidence should you need one on the many topics covered.

The section is split into Articles and Speeches and then sub-divided into a number of topics, including

- Accounting Profession Issues and Trends;
- Auditing;
- Education; and
- IT.

The databank is added to throughout the months and is another way of keeping abreast of the wider accountancy agenda. The site also has a library section containing the various paper IFAC issues, some of which have been mentioned in previous issues, however the joy is these are free if downloaded direct.

Another section worth a glance is the 'Public Sector Committee' which focuses on accounting, auditing and financial reporting needs of national, regional and local governments issues and promotes benchmarking guidance. A word of caution this is written for a wide-ranging accountancy audience so whilst informative like all things it might need adapting to suit our way of working.

As ever the site offers the latest news from the federation and two press releases, which caught my eye:

PSC Proposes New Standard on Impairment of Public Sector Assets

The International Federation of Accountants has released a new exposure draft (ED) of an International Public Sector Accounting Standard (IPSAS) dealing with the impairment of public sector assets, including assets that are not held for cash-generating purposes. Developed by IFAC's Public Sector Committee (PSC), [ED 23, Impairment of Assets](#), complements IPSAS 17, Property, Plant and Equipment, and strengthens and enhances the guidance on financial reporting of these assets.

ED 23 proposes requirements for the identification, recognition, measurement, reversal and disclosure of an impairment loss in general purpose financial statements of public sector entities. Guidance in the ED will also provide useful information about an asset's value in use and changes in that value as input for asset management and resource allocation purposes.

Also featured in the ED are appendices with examples of indicators of impairment and the measurement of impairment loss. Additionally, it includes the PSC's basis for conclusion on key issues and a comparison of the proposed requirements of this ED with International Accounting Standard (IAS) 36, Impairment of Assets, on which it is based.

"This ED was developed in conjunction with the Governmental Accounting Standards Board (GASB) in the United States," states Ian Mackintosh, PSC Chair. "I believe that both the PSC and GASB benefited from this process, which is illustrative of the benefits that the PSC and national standards setters can derive from working together on issues of mutual interest."

IFAC Releases Award-Winning Articles on Financial and Management Accounting

The International Federation of Accountants (IFAC) has published an international collection of award-winning articles addressing some of the most significant issues confronting professional accountants in business. Entitled [Articles of Merit: 2003](#), the book features articles selected by IFAC's Professional Accountants in Business (PAIB)

Committee as part of its annual Articles of Merit Award Program for Distinguished Contribution to Management Accounting.

"Putting Strategy into the Balanced Scorecard" by Peter Brewer of the Institute of Management Accountants (IMA) was the winning article. This article, which was first published in IMA's magazine, *Strategic Finance*, highlights how companies fail to connect their strategy with performance measurement and how the most important step in creating a balanced scorecard is defining the strategy.

Additional award-winning articles in the booklet focus on topics such as:

- Contract management
- Implementing e-business strategies
- Corporate governance and management accountants
- Cost management and creating value
- Accounting treatment of business combinations
- Environmental management accounting

The book may be downloaded at no cost from the IFAC online bookstore (www.ifac.org/store).

The Articles of Merit Award Program is designed to give recognition to published articles that have made or are likely to make a distinct and valuable contribution towards the advancement of management accounting. Articles selected for the 2003 Articles of Merit publication were nominated by the journal editors of IFAC's member organizations. They were originally published in 2002. As a result of the PAIB program, these articles are now accessible to a broader international audience.

The print booklet with all articles may be purchased for \$25 plus shipping and handling and can be ordered through the IFAC's online bookstore (www.ifac.org/store) or by calling +1-212-286-9344. The electronic version may be downloaded free of charge through the online bookstore.

ACROSS THE MILES...

There is a lot happening here in Baghdad. But my life has revolved around the prison department of the Ministry of Justice in which I am working. It was created on 5th June 2003 drawing in all the detention centres from the Ministry of Interior, and the prisons from the Ministry of Labour & Social Affairs, the Secret Service and the Military.

At the end of May, we were given a list of 151 establishments, which were at 104 locations around Iraq. When we started there were no prisons operated by the Iraqis, we now have two operational and provide support for another. It does not sound a lot but initially there were only six of us ex-pats to get the show on the road. Five prison experts and me providing the accountancy and administration support. If everything goes to plan we the Iraqi Prison Service will operate facilities with 11,000 beds by the end of the year that conform to international standards.

The general who ran the first detention centre that we opened was quite amazed when we brought in beds, mattresses, soap, towels etc for the prisoners. I have told them to set up a stock accounting system, which they have done in a very rudimentary way. The storeman wanted to know whether we should reissue the toothbrushes taken from the released prisoners to the new ones!

Keeping the prison supplied has been quite difficult. We got emergency funding, but it has proved difficult to open a bank account, resulting in having to carry around \$30,000 to pay the bills. Ironically we had to use the en-suite bathroom to our office as the secure room until we got a safe this in addition to its other use - the armoury.



One of the things that has given me the greatest pleasure is the arranging of a catering contract for the prisoners. I decided to take a flyer and chose a young Jordanian woman with no previous experience. On the 14th of July an important Iraqi national day under the

old regime, I met the contractor and her Father at the Conference Centre, which is just inside the security zone. As I was counting out the cash to pay her there was a crump, and another. I thought it might be a controlled explosion at an ammunition dump (which happen quite a lot), but when we went outside there was a plume of smoke from outside the security barricade so it was a case of sit tight until it was safe to return to the office.

We have had our first escape, a prisoner escaped by bribing an officer. He was recaptured returning to visit one of his friends! The prison officer, we learned, has served time for letting another prisoner escaped several years ago. If some of the prison guards make one despair, there are many people that give me cause for hope. Most of our interpreters were all well-educated and want change. They still come to work even though some of them had been threatened. Some of the juvenile prison's management team want to improve and to do their job properly, but their ability to take individual initiatives is severely stunted by 30 years of totalitarian rule. The drivers have looked after me when I have been with them and one of them, Hameed, is an able man who for the want of education could do better. They are why I think there is hope and this job is worthwhile.

Equipping the prisons proves interesting, as items for the prisoners have to be bought with care. They have to be robust and incapable of being used as weapons. So I get samples and we throw them around to see if they will break and if so whether the shards can be dangerous. You can imagine the fun we had destructing bunk beds to see how dangerous they were!

Believe it or not two of our prisons have been stolen brick by brick. One is in the British sector, and another in Diyala. In the latter case the walls were dismantled and the brick sold off. The refugees on the site, accomplished the task within three weeks of us seeing the place, and after we had repeatedly asked a military to shift them. However we have recently discovered a secret prison that is serviceable. One step forward, two steps back.

There has been little leisure time here. However, on the Queen's Birthday, my colleagues, Bill and I took half a day off and we went to the British Embassy for a reception. It was a very informal and was held in a courtyard where they were different "teas" available and Iraqi nibbles. There was even a small military band playing British tunes. Around a courtyard were fading photographs and portraits of the Queen and famous sites in the UK. The toast was to the future of Iraq.



On the way out one of our FCO friends, told us that the view from the Embassy roof was superb and asked if I would like to see it. Bill and I agreed and halfway up the stairs, Phillip turned to us and said "I should warn you that there is a slight risk we will get shot at". It mattered not. We soon found ourselves on the roof overlooked by the Paras observation post underneath a huge Embassy flag fluttering in the breeze. There was a golden lustre just as the evening light had began to fade, and we had a marvellous view along the Tigris. It was a most enjoyable evening.

We are now accommodated in the Al Rashid Hotel some three miles from the Palace where we work. It is just in the secure zone. When we moved in, Bill requested a quiet room to which the response was: "the shooting on the North is not as loud as the South side". So we are in a room on the North side. For several weeks we could not close the door to the room. Now we have a lock, but the room is somewhat tatty never having been cleaned properly after the looting. There are occasional power and water cuts which are inconvenient but a reminder of what the rest of Baghdad is experiencing.

Food is generally quite good. Not surprisingly it has a decided American slant. I have had more lobster tails since arriving in Iraq than in my entire life. However I would love to have a full English breakfast just once in a while. Perhaps when I go to Basrah later this week...

It is hard to gauge what the security situation is at times. Sporadic gunfire is the norm after dark. Last night I left the Palace after dark and in the car park noticed a red light shooting up into the air. I thought it was a flare and looked rather pretty. It was followed by another and then another before I realised it was tracer from the Al Rashid's direction

about 3 miles away. As it was arcing roughly in my direction and knowing what goes up must come down I decided to put on my body armour and helmet. Given the amount of gunfire around the area and only being able to guess roughly where it was coming from I felt a bit unsure whether to set off or stay until things calmed down. Anyhow I set off and drove quickly to the hotel. The entire journey is in the safe zone but it did not stop me from feeling a bit worried. When I parked the car in the hotel car park soldiers nearby were putting up flares, so the contact must have been quite close.



I hope to get to Basrah this week. The only way to anywhere is by flying. The last time I flew from Baghdad no sooner had we taken off than we were doing cork screw turns pulling several G on our bodies. My immediate reaction was to think the pilot was some sort of lunatic, but then I realised it was tactical flying to avoid ground fire. When I got to Kuwait that night I switched on the TV and saw the news that sometime during the morning I had taken off, somebody had tried to shoot down an incoming aircraft. Sadly a soldier had also been killed at Abu Gharaib.

That's how it is in Baghdad.

Ken

Ken Grant is a forensic accountant working with DTI who has been in Baghdad since April. We wish him well and in future issues will bring you updates on his work.

ACCOUNTING FOR A BETTER WORLD...

Colin Bailey is a member of ACCA and works for the Inland Revenue in project management having previously worked in investigation, resource management and strategy & planning. In the summer of 2003 he participated in the Phakama Schools Financial Training Programme in the Eastern Cape Province of South Africa. This is a major programme aimed at improving the education provision of rural schools and is a joint initiative sponsored by two UK charities – MANGO (Management Accounting for Non Governmental Organisations) and Link Community Development. He was sponsored on the programme as part of the Revenue's Interchange Programme.

Anyone driving along the main road from Umtata to Durban could not help but be astonished by the beauty of the mountains and the valleys of the surrounding countryside. Away from the noisy and traffic grid locked chaos of Umtata the small villages with thatched huts nestling on the hillsides seem places of calm where the way of life appears to not to have changed for generations.

The reality behind this image is however something quite different as I found when I arrived at the school and village where I was to be based as part of the programme. The legacy of apartheid is obvious – a chronic shortage of amenities and resources that only now is the government beginning to turn around. For example in some of the schools where I worked there was no running water – instead children walked 2 kms to the nearest river to collect water and in all schools electricity supplies came and went with an unremitting frequency.



Many school buildings are in desperate need of repair or in many cases demolition and replacement. In one primary school over 80 children crowded into a mud hut that leans dangerously to one side and which the head teacher freely accepts is unsafe. Overcrowding is endemic with class sizes usually over 50 and sometimes up to 90 in classrooms that were built to

accommodate half of the former number let alone anything above.

Materials and teaching resources are in persistent shortage with up to 15 children sharing a single text book and children up to age 8 often having no exercise books but having to make do with write on slates with ends of chalk.

Inevitably - this being Africa - you cannot escape the shadow of HIV/Aids – official statistics suggest that over 1 in 10 people are infected with HIV the reality may well be double that. The impact on schools is significant with absenteeism by both teachers and pupils and traditional family structures breaking down forcing children to leave school and search for largely non existent jobs in the locality – north of Umtata unemployment can be as high as 90%.



Despite of what appear to be insurmountable problems there is an astonishingly positive attitude to education amongst many teachers and pupils as well as the local communities. They see education as an escape route away from poverty and deprivation. Attendances are often high and pupils are immaculately dressed in uniform and conscientious about their studies.

That enthusiasm rubs off on you immediately on arrival - I was faced with over 550 pupils singing and dancing at a welcome party. Pupils are anxious to learn about the UK and to understand how the world away from their immediate environment is different to their own world.

As part of the programme my job was to train the head teachers and school governors in the use of basic financial management tools such as budgeting, cashflow, cash records/accounting and preparing income and expenditure statements. Although their knowledge is a very basic level, compared to say standards in UK schools, there is a real enthusiasm to



learn and to take control over their own finances so that they can control their financial affairs independently.

Along with the other accountants I found it a hugely rewarding experience and came away having learnt more compared to the

knowledge I imparted. The Phakama programme is a significant step to improving the schools of South Africa and I am pleased that I was able to make a contribution.

More details of the work by Link and MANGO can be found on their websites at www.lcd.org.uk and www.mango.org.uk.



INVESTIGATORS COME TO THE TREASURY

The SIG Conference for 6th November will probably have just taken place and will have been hosted here at the Treasury - 1 Horse Guards Road. This time the conference has a definite theme 'Expert Services Available to Investigators', with speakers from Forensic Science Service, HM Treasury, DTI and Serious Fraud Office in attendance, and for the first time an exhibitor has been included - FSS .

As host department the Treasury will have

been represented with Paul Lloyd from the Financial Systems and International Standards unit giving a presentation on the latest Money Laundering Regulations. DTI and SFO will have joined forces to present a session on Forensic Computing.

The conference is set to be another full day with over 110 delegates in attendance, but most of all it will have been of interest and relevance to those present.

SIG CONFERENCE May 2003

With the SIG conference going from strength to strength, May proved to be another success, all confirmed by more than encouraging feedback from the delegates evaluation forms. There were four lengthy sessions squeezed into the day with speakers from NCIS, Inland Revenue, DWP, Assets Recovery Agency and HM Customs & Excise.

Vaishali Chauhan (NCIS) and Mark Young (IR) delivered the first session about Money Laundering.

Vaishali focussed on defining exactly what Money Laundering is; the Legislation and Offences under the various Money Laundering acts based on the Proceeds of Crime Act; Financial Services & Markets Act

through to the Drugs Trafficking Act all underpinned by actual examples under Money Laundering Offences.

Vaishali described the role of the Economic Crime Branch, this provided an interesting insight of how they liaise with other specialist teams to complete their duties. The availability of such 'resources' was seen as key areas from which to gather intelligence and determine if factors are key in building up a case and if there has been a breach in money laundering terms, all demonstrated by the use of a CD exercise.

Mark Young discussed why the Inland Revenue is interested in cases of money laundering and focussed on the 2002 Proceeds of Crime Act. This is the strongest act available as it concerns the proceeds of not just tax evasion but ALL crime. Mark explained, the actions Inland Revenue take, and how it works with other teams and departments such as the Special Compliance Office, Customs & Excise, as well as co-ordinating with the NCIS and Assets Recovery Agency. Mark also explained how staff received appropriate levels of training by means of secondments, thereby adding value to the teams involved in money laundering investigation work.

David Roper-Newman (DWP) presentation was Investigating Internal Fraud.

David briefly looked at the main role of the DWP and its policy on Internal Fraud. However, he linked disciplinary procedures and formal investigation to incidents where fraud occurred within the department, ranging from finance, computer systems, to unauthorised access/disclosure to restricted internal information. He highlighted the purpose of investigation; the processes involved and identified areas where a typical case would be investigated.

He examined the recent changes in the investigation arrangements and looked at the New Internal Fraud Service and the problems it had brought, as well as referrals to other agencies such as the Police or Information Commissioner. David also noted a change in the department's culture to 'anti-fraud' achieved by issuing 'standards of behaviour' guidance which has proved successful. This has led to improvements in intelligence-lead risk management and developing new guidance for investigators.

John Cuthbert, An Introduction to the Assets Recovery Agency:

John facilitated this session and covered the background/organisation and structure of the agency; the Proceeds of Crime Act 2002; the enforcement powers, training and monitoring functions, the Agency's international role and the results achieved to date. The aim of this Agency is to obtain assets from criminals, who have been living off the proceeds of criminal activities over a period of time. A wide range of powers are available to the agency, but these must be deployed within the Home Secretary's guidance, especially in areas such as civil recovery.

The Director has a statutory duty to ensure staff are trained in financial investigation and the operation of the Act, and performance is monitored and accredited accordingly. The operations teams are divided between civil recovery, confiscation, taxation, enforcement and intelligence. To date the results have been encouraging, with large seizures being made by colleagues from the Law Enforcement Agencies (eg Police and HM Customs & Excise).

Richard Lilley (HM Customs & Excise – VAT Intelligence & Research Team).

This was an update to the November 2002 session looking at the role of the team, identification and research of VAT Frauds and referrals to other Law Enforcement Teams.

As VAT is such a huge area and accounts for around a quarter of Government's annual income, Richard concentrated on areas of Theft, VAT, and Insurance Scam and the movement of goods between three or more traders. He also highlighted a correlation between theft and fraud, and provided examples demonstrating how fraud had been perpetrated and detected. For further information please contact either:

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By Malcolm Lucas - Insight Management and Systems Consultants

The debate in the professions continues, but are there lessons for us in the public sector?

As strict new laws put lawyers and accountants in professional practice in the frontline of the Government's fight against money laundering, are there lessons for us in the public sector? Surely not, money laundering is all about wads of bank notes and back alleys; we rarely see cash so can it really be an issue for us?

Money laundering is the process by which the proceeds of crime ("dirty" money) are made to appear legitimate ("clean") by introducing them into the legitimate economy. A typical money laundering process involves:

- the placement of dirty money into the legitimate economy;
- layering several transactions to mask the trail of the money; and
- integrating the once dirty money into the main economy.

Criminals use otherwise legitimate or quasi-legitimate companies and business people to act as a facade to ease the proceeds of their crime into the real economy, and it is estimated that £25bn is a realistic figure for the amount actually laundered.

The new legislation, in particular the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2003, widens the scope of money laundering to include the proceeds of any crime. It imposes a responsibility on accountants and lawyers in practice to implement new procedures to help prevent, detect and report crime.

Whilst there is some debate as to whether the new law, as it stands, is workable in practice, how can the general principles guide us?

Know who you are dealing with. Lawyers and accountants are now required to verify the identity of all new clients in a similar way that banks have had to do with new customers in the past. The recent embarrassment of the Inland Revenue selling its stock of property to companies, ultimately based in offshore tax havens, highlights the importance of carrying out thorough checks on suppliers and "customers".

Whilst we may normally be dealing with UK-based companies, do we know where the ultimate holding company resides or where the shareholders and directors are based?

In 1989 the G7 Summit in Paris set up the Financial Action Task Force (FATF) to

establish and co-ordinate an international response to money laundering. FATF has identified a number of countries or territories which either have deficiencies in anti-money laundering systems or have demonstrated unwillingness to co-operate in their anti-money laundering efforts. Does the person carrying out checks for you know or have access to the current list of non-co-operative territories and would they know how to check the ultimate holding company of one of your suppliers?

An effective system of internal controls and checks is the most effective method of preventing and detecting those related to crime, particularly fraud. A risk-based approach to our enquiries will help to focus our time and resources: the greater the risk the more enquiring and probing should be our checks. Factors including the value of the transaction, the likelihood of public scrutiny and the nature of the business we are transacting with will help to determine the type and level of enquiries we make.

The pressure to secure best value for money may suggest the appointment of the lowest priced supplier. But the price may put us on enquiry to ask more probing questions? For instance why, commercially, is this price being offered? How can they deliver the product or service at such a low price? Does the price make sense? If not, how is the business being financed? How are the owners obtaining a return for their investment?

The new legislation requires adequate training of all staff. No matter how thorough the prescribed checking procedures, they will fail to be effective if the staff is not trained properly.

Effective checks to vet the credit worthiness and, indeed, ownership of organisations we deal with are clearly important. However ticking boxes on a checklist may not be sufficient if the person carrying out the checks does not fully understand a balance sheet or the notes to a set of financial statements.

In particular the use of temporary or agency staff may mean that the training and, crucially, an explanation of the reason for checks needs to be carried out on a very regular basis.

Finally, we return to the risks surrounding property transactions. The United Kingdom Threat Assessment of Serious and Organised Crime, produced by the National Criminal Intelligence Service, has identified property

transactions as the most “popular” method for money laundering, involving roughly one in three serious crime groups where the method was known.

When selling property, if we are being offered prices well above the market rate, are we dealing with inexperienced business people or are we dealing with those looking to convert criminal proceeds into legitimate assets?

Where we are refurbishing property or outsourcing the management of a property portfolio, are the rates so low that, again, commercially the price cannot make sense? How is the business being financed; are they using casual labour? Where have the workers come from?

We need to keep vigilant if we are to avoid helping

criminals unwittingly and if we are to help the authorities in their fight against crime: not asking the right questions or any question because we might not like the answer is no defence.

Malcolm Lucas works alongside Insight Management and Systems Consultants to provide accounting and forensic support to central Government departments and non-departmental public bodies. For more information about Insight and this article contact us on 07071 222 191 or email us at info@insightmsc.co.uk

www.insightmsc.co.uk



STAGES OF AAT MEMBERSHIP



As with all the professional accountancy bodies there are various stages of membership with AAT. Most peoples relationship with AAT begins with their student membership progressing onto full membership (MAAT). For some full members the final stage is progressing to become a fellow member of the Association (FMAAT).

Each stage of membership has its own requirements and attracts its own set of benefits. Following are the details for each stage of membership.

1 - Student membership

All persons taking up study for an AAT qualification will need to register as a student member. There are no formal requirements for registration.

Student members receive the monthly Accounting Technician magazine (which includes the study zone section), the support of the student services call centre, access to Accounting Technician on-line with its archive of study related articles. Student members receive a twice yearly statement of achievement to chart their progress through their studies.

For queries about student membership please contact our student services section on 020 7415 7644 or studentservices@aat.org.uk.

2 - Full membership

To become a full member of the AAT you will need to have completed the Intermediate and Technician levels of the AAT Accountancy qualification (or an accepted alternative.) You will also need to have gained a minimum of one years work experience in an appropriate environment.

Most students who have studied whilst working will find the process of applying for full membership a quick and easy process. Check with your line manager to see if your department will pay for your membership fees.

Benefits of full membership include the use of the designatory letters MAAT after your name. You will also gain access to our continuing professional development network of opportunities. There is also access to technical and ethical guidance. Additionally a host of other benefits and discounts are available to help you get the most from your membership.

3 - Fellow membership

Fellow membership is a level of recognition for those full members who have displayed consistent commitment to

their development. To be eligible full members need to have a minimum of five years' senior supervisory or managerial experience, gained since becoming a full member of the AAT. You must also confirm your commitment to continued professional development (CPD), by completing at least 60 hours CPD activity in the two years prior to submitting your application for fellow member status. Fellow members can use the designatory letters FMAAT as a sign of the high degree to which they have progressed. They will also continue to enjoy the same

benefits of full membership

There are many more benefits and services made available to full and fellow members of the AAT. If you are completing the AAT Accounting qualification or have already completed it and want information about these benefits, or on what you need to do become a full member then contact the Members' Services Section on tel: 020 7415 7600, by e-mail: membersservices@aat.org.uk or by fax: 020 7415 7632.

NEW CONTACT AT AAT

Rob Alder has recently joined AAT as Business Development Manager. His role involves liaising with all the leading employers training AAT students including Central Government departments. Previously, Rob was Key Account Manager with CIPFA for two years and has also worked in Marketing roles for Student UK.com, Zurich Financial Services and UCAS.

Rob is currently contacting and meeting all central government departments to get a better understanding of your training needs. If you have any queries about AAT training and continuing professional development then you can contact Rob on 020 7415 7671 or rob.alder@aat.org.uk.

United over tax

Professional bodies have joined up to take their concerns over small business tax direct to the Inland Revenue, reports Martin Allen-Smith

Representatives of seven professional bodies have met jointly with the Inland Revenue to raise their concerns over the way the complex settlements legislation – particularly regarding husband and wife owned companies – is likely to be applied.

The move follows the publication in April of the Revenue's views on Section 660A, ICTA 1988 (see issue 64 of the Revenue's Tax Bulletin). Although intended to clarify the situation, the tax bulletin alarmed the profession as it appeared to be at odds with general understanding of the existing rules.

The apparent change of position could have a major impact on small firms in which the spouse, perhaps working as the company secretary, receives a salary or share dividend. Brian Palmer, the AAT's representative on the group, said: "The profession felt that the

Revenue had moved the original interpretation further than it had before. We identified a joint concern that small husband and wife owned companies could face large tax bills, with the possibility of interest and penalties being levied back prior to the new interpretation because they could not afford the professional advice or support to take the Revenue on."

The professional bodies group included the AAT, Chartered Institute of Taxation (CIOT), ICAEW, ICAS, ACCA, ATT and the Federation of Small Businesses. They met with the Revenue to outline areas of technical concern, emphasise the self assessment procedural difficulties caused by the new guidance and discuss the concerns of the profession as a whole.

John Whiting of the CIOT said: "For the professional bodies to combine in this way emphasised to the Inland Revenue the depth of concern this issue is causing. The meeting was constructive and our concerns understood."

The Revenue is expected to issue a full response within the next couple of months.

This article originally appeared in Accounting Technician, October 2003. For more information visit: www.accountingtechnician.co.uk

December 2003 Exam Results

The exam results for the December 2003 sitting will be available from 18 February 2004. Results will be posted on this date to all students who sat exams in December. Results will also be available on the AAT website from 12.01 am on 18 February 2004. Students will need to have their registration number and date of birth details to access their results.

HOME BUYERS FACING INCREASED TAX BILLS FOLLOWING STAMP DUTY CHANGES



Government plans to introduce “Stamp Duty Land Tax” (SDLT) on 1 December will potentially increase the administrative burden on house buyers by bringing them into the self-assessment net and could, where mistakes are made, lead to greatly increased tax bills, warns ACCA (the Association of Chartered Certified Accountants).

The current stamp duty system is process-driven, whereby stamp duty is charged automatically as part of the set documentation which must be completed when buying a house. From 1 December 2003, however, this system will be replaced by SDLT, which will not be triggered by the execution of a document. Instead, tax will become payable automatically 30 days after the date that the purchaser acquires the property or land.

Chas Roy-Chowdhury, ACCA Head of Taxation, said: “Our biggest concern is that the new system places the onus on the purchaser to notify the Stamp Office, rather than the Stamp Duty just being applied automatically as part of the process, in the way people are accustomed to. The individual will have to make a land transaction return, together with a self-assessment of the tax due. If they get it wrong, or are late with their notification, then they will suffer penalties and interest.”

As SDLT will be part of the self-assessment regime, it will also be subject to audit by the Inland Revenue, which will be operating a “process now, check later system”, allowing it to open enquiries into transactions within nine months of the date returns are due or received. If the taxman suspects that house purchasers

have deliberately dipped under a stamp duty threshold, alarm bells will ring and higher tax bills will be levied.

Chas Roy-Chowdhury warned : “The deals most likely to be investigated by the Revenue are those properties around the stamp duty thresholds - £250,000 and £500,000. As things currently stand, a home buyer who purchases a property for £245,000 and pays separately for fixtures and fittings (chattels) to the value of just over £5,000 will have to pay stamp duty at the rate of one percent (£2450). Subject to investigation under the new system, however, the amount he or she paid for fixtures and fittings may well be reclassified as part of the property, which would push them into the next stamp duty bracket of 3%. This would mean a tax bill of £7,500 - a small matter of £5,050 more tax”.

Chas Roy-Chowdhury added: “The whole stamp duty system needs a root and branch revamp. It creates needless distortions in the market. For a start, with today’s high property prices, it is hardly unusual for houses to be worth more than £250,000. But more importantly, why should a £250,000 deal be subject to 1% tax while a £250,001 purchase incurs a 3% charge on the whole amount? Surely it would be more logical to follow the income tax system whereby the higher tax rate applies only to the income earned above the threshold, not on all the income. A house costing £290,000 should only be charged a 3% rate of stamp duty on the difference, ie £40,000, not the whole amount. The current system is illogical and disproportionate.”

ACCA’S NEW VISION GIVES OPPORTUNITIES TO PHOTOGRAPHY STUDENTS

Students of photography worldwide are to be given the chance to showcase their work on an award winning website and collaborate with a high-profile global organisation, thanks to ACCA’s (the Association of Chartered Certified Accountants) new programme, ACCA vision.

ACCA is the largest and fastest-growing international

accountancy body in the world, with over 300,000 members and students in 160 countries. ACCA also has an extensive network of over 70 staffed offices and other centres around the world.

In accordance with ACCA’s core brand values of opportunity, quality, integrity and a culture of innovation, selected photography students are being invited to

capture engaging portraits of ACCA members for use in a suite of new corporate adverts. In return for their work, the students will be able to feature a personal profile and their portfolios on the ACCA vision website. Their portraits will also feature in adverts in international and national newspapers and trade magazines.

Neil Stevenson, Head of Marketing at ACCA, said: "Our new suite of corporate adverts works on two levels: promoting the talents and profiles of our members and at the same time providing opportunities for photography

students to develop their portfolios in a global context and gain exposure for their work. The adverts themselves aim to showcase the diverse careers ACCA's members are pursuing and the influential positions they hold in business, accountancy and the public sector.

Neil Stevenson added: "The students will also gain valuable experience of photographing to a commercial brief – invaluable to those who wish to pursue a professional career in photography."

KEEP THE £1M AUDIT THRESHOLD OR PROTECT SMALLER SHAREHOLDERS SAYS ACCA

The Government should think again over its plan to raise substantially the small company audit threshold from £1m to £5.6m, says ACCA (the Association of Chartered Certified Accountants).

As an alternative, if the Government is committed to such a move, then company law should be amended to provide explicit protection for independent shareholders and minority directors - the groups whose interests will be most seriously affected by the absence of a statutory audit.

Jonathan Beckerlegge, Chairman of ACCA Auditing Committee, says: "We believe strongly that the Government is making a serious mistake by proposing to remove the need for audits for thousands of companies. Independent audit is proven to reduce the risk of fraud, and we fear that a large rise in the audit threshold will almost certainly lead to a decline in the quality of published financial statements. Companies House reports that 93% of the complaints it receives about the credibility of filed accounts concern audit-exempt companies."

Beckerlegge added: "At a time when money-laundering regulations are requiring more checks on company finances, taking large numbers of companies out of the audit regime seems neither sensible nor an example of joined-up thinking."

ACCA believes that the external audit is both a valuable managerial discipline, and the most effective source of comfort for independent shareholders, employees, unsecured creditors and those directors who have only minority stakes in companies. ACCA argues that a company should only be able to 'opt out' of an audit if:

it meets two of the three quantitative conditions agreed in company law - turnover, balance sheet assets and employee numbers and; all shareholders agree with the move

Jonathan Beckerlegge added: "From a broader economic perspective, the savings to the UK economy involved in raising the audit threshold are miniscule. They are certainly not worth the risks involved of weakened financial controls and increased fraud - a survey ACCA carried out two years ago showed that in most incidences of fraud, management manipulated financial records and over-rode financial controls to effect the fraud. In 45% of cases it was the external auditors who detected it. Financial information on the public record will inevitably suffer a loss of quality. While we support moves to reduce burdens on business, taking away the statutory audit from large numbers of companies is not the way to go about it."

EMPLOYERS BACK ACCA'S CONTINUING PROFESSIONAL DEVELOPMENT PLAN

ACCA (the Association of Chartered Certified Accountants) is launching a major consultation exercise with its near-100,000 members around the world, as the prelude to the introduction of a new scheme of Continuing Professional Development (CPD).

Employers have given firm backing to ACCA's approach, which will improve the skills relevant to the workplace. It is proposed that a wide range of workplace activities can count as CPD, and that employers can be 'approved' as CPD providers by ACCA.

Mark Protherough, ACCA Executive Director - Education, Training and Development, said: "We are very encouraged by the support from employers for our proposed scheme. There has been particularly widespread backing for linking CPD to appraisal systems. Employers recognise we are working with them to share ideas and best practice on employee development. Companies which improve staff development will increase staff retention, while employees can achieve their career ambitions, which makes it a win-win situation'.

He added: "CPD is not just about spending a certain number of hours per year on courses - it is now much more concerned with the application of learning, especially in the workplace. ACCA's approach is about practical output, not time input, and demonstrating that members have the skills and knowledge relevant to their roles. Clearly, these skills will be different for a financial analyst as compared to an auditor, and this CPD scheme will be flexible enough to address that."

CPD is currently mandatory only for ACCA members with practising certificates or insolvency licences, but from January 2005 it is proposed that CPD will become a requirement for membership.

Mark Protherough said: "In the post-Enron world, it is vital that all finance professionals live up to the high expectations that the public rightly has of them. CPD is all about responsibility and professionalism - keeping up to date and increasing skills and knowledge. Under our scheme, ACCA members will be able to show they have acquired the necessary skills, not just that they have attended courses."



CIMA ANNOUNCES GROUNDBREAKING ALLIANCE

PARTNERSHIP WITH CMA CANADA TO BENEFIT ACCOUNTANTS WORLDWIDE

CIMA has announced a unique alliance between the only two bodies in the world specifically focused on management accountancy. The 33,500 Certified Management Accountants (CMA) in Canada and 60,000 CIMA members have formed an agreement where members of either body can enjoy a fast track route to membership of the other. Business accountants worldwide will enjoy an unrivalled resource of technical and research content.

Claire Ighodaro, President, CIMA, said:

"CMA Canada is the only other professional body in the world which awards a qualification in management

accountancy, at a standard equivalent to CIMA. We are delighted to announce this alliance which will enable us both to promote management accountancy and support business accountants in the UK and Canada. We intend to build on this collaborative relationship by sharing resources to benefit business accountants and their employers worldwide."

CMA members in Canada will be eligible for associate membership of CIMA and enjoy the same benefits as current CIMA members, provided they can meet the same three years' practical experience requirements.

CIMA members will be eligible for membership of CMA

Canada and enjoy the same benefits as current CMA Canada members, provided they can demonstrate accreditation or certification requirements that are equivalent to the CMA Canada accreditation requirement and satisfy admission requirements set out by the provincial or territorial society in which they live or work. Steve Vieweg CMA FCMA, President and CEO of CMA Canada added "Membership in our respective organisations will open up new career opportunities for management accountants and enable them to provide the strategic leadership, financial prowess, resources and research to support businesses, government and academia."

For more information on CMA, contact: R. David Fletcher, Vice President, Public Affairs, CMA Canada,

tel: 1-800-263-7622 ext 3106,
email dfletcher@cma-canada.org

CMA members wishing to apply for CIMA membership should contact CIMA Services on cima.services@cimaglobal.com, tel: +44 (0)20 7663 5441.

CIMA members wishing to apply for CMA membership should contact the CMA Canada society in the province or territory in which they are living or working. Contact details can be found on the CMA Canada website.

If you would like more information please contact Lottie Muir
Phone: +44 (0)20 8849 2407
Email: lottie.muir@cimaglobal.com
Fax: +44 (0)20 8849 2458

LEGISLATING FOR DIRECTORS' PAY IS UNWORKABLE, SAYS CIMA

Response to DTI consultation

Legislating for directors' pay is unworkable according to CIMA in their response to the Department of Trade and Industry's consultation on "rewards for failure". It will be yet another cost to business and hence to shareholders and we encourage the Government not to take an interventionist stance" said Charles Tilley, Chief Executive, CIMA.

According to CIMA's response to the consultation, there are three pillars to support that executive pay is managed properly. These are:

- the integrity of individual directors
- a rigorous remuneration committee which can set pay in the context of the company and its culture,
- active shareholders that scrutinise proposed packages and terms combined with a business media that creates pressure on organisations to manage this issue properly.

Charles Tilley continued:

"This year we have seen shareholder activism step up a gear on the back of more

transparency on pay. The result of these interventions has been evidence of the power of market forces to regulate the capital markets. It is also crucial that failure is defined up front by the remuneration committee with carefully designed performance criteria. Criteria should certainly relate to the performance of individual directors and to factors that are in their control. Share price movement, for example, is likely to be affected by a broad range of factors."

He added:

"Context is also important because Chief Executive Officers, in particular, take on high levels of responsibility and stake considerable reputational risk on their organisation's performance, particularly when they have been appointed to rescue as much value as possible from very difficult situations. Carefully designed reward packages can ensure that directors' interests are aligned with shareholders."

View the full CIMA response to the consultation. If you would like more information please contact Lottie Muir
Phone: +44 (0)20 8849 2407
Email: lottie.muir@cimaglobal.com
Fax: +44 (0)20 8849 2458

60,000 MEMBERS AND GOING STRONG

CIMA

CIMA MEMBERSHIP REACHES LANDMARK

Sarah Webb, a twenty five-year-old Financial Analyst at Rolls Royce's Risk and Revenue Sharing Division, was announced as CIMA's 60,000th member at the New Members' Celebration held at the Birmingham Museum and Art Gallery on 8 September.

Claire Ighodaro congratulated CIMA's new members and said "Reaching the 60,000 mark is a great achievement for CIMA, and shows just how important the qualification and our members are to employers around the world."

At 25, Webb is the perfect example of the changing role of the management accountant. CIMA, which originated in the manufacturing industry, has always focused on providing business accountants, financial and strategy specialists who understand the business as well as the figure. But job titles and roles have changed fundamentally in the past decade, which has seen also seen membership of CIMA double in number.

The word 'accountant' is increasingly being dropped for

titles such as 'analyst' and 'financial manager', and roles are far wider in their reach. As Sarah explains, "I decided that I didn't want to be a number-crunching accountant. Instead I wanted to influence how financial decisions were made, and how they would affect business, so management accountancy and CIMA were the next steps after graduating."

Claire Ighodaro, President of CIMA and Finance Director of BT Broadband is another great example of the opportunities CIMA provides. She has risen through the ranks of the BT Group and past achievements include leading successful Trade Missions on behalf of the UK Department of Trade and Industry. She is keen for others to have the opportunities that she has benefited from. "All new members can be proud to have joined the ranks of the Chartered Management Accountant with all the new opportunities that this brings. What makes CIMA so valuable and differentiates us from other accountancy bodies is our sole focus on training and qualifying accountants in business."

IMPROVING DECISION MAKING IN YOUR ORGANISATION

CIMA REPORT ENABLES BETTER DECISION MAKING

A new report from CIMA reveals that technology has failed to improve decision making and transparency within major organisation. According to finance directors and controllers of leading UK companies, strategic benefits from systems such as Enterprise Resource Planning software are not delivered by the software itself, but require strategic change throughout the organisation.

Launched today, Improving Decision Making in your Organisation shares the insights of contributors from companies including Unilever, Roche, BBC, Royal Mail, Allied Domecq, and Powergen. It also contains case studies from organisations including Shell, Rolls Royce, Lloyds TSB and the Inland Revenue, all members of the CIMA Strategic Enterprise Management (SEM) Round Table, with insights into on how they have improved decision making.

The terms Strategic Enterprise Management, Business

Performance Management and Business Intelligence are used regularly by enterprise software vendors. From a finance perspective, all these approaches aim to enable the executive board and senior management time to focus primarily on high level strategic issues by empowering the management team(s) and the staff of existing operations to run them on a day to day basis. This requires systems and processes that will allow all involved to have the right information with sufficient quality and integrity upon which to make good decisions and monitor performance.

The Round Table's aim has been to consider the finance function's perspective of improving decision-making. Specifically, the report considers finance's view of SEM in organisations and why there is often a difference between the rhetoric of software vendors and the reality. For many companies ERP and SEM technology has not necessarily led to improved decision making and greater transparency. CIMA has

widened the debate so it is much wider than leveraging the benefits of an ERP system with new systems. This report is focused on enhancing the role of the finance function and management accounting to add value constantly as part of the management team by taking a value creation perspective and properly integrating advanced management accounting techniques into the business.

The report considers how individual organisations have approached the key aspects of improving decision making. The key areas are:

- managing for value
- improving the process of decision making
- strategic orientation of finance professionals
- understanding the business model and effective performance measurement
- and the utilisation of technologies to facilitate the process of operational empowerment

This report is can be used by FDs and CFOs as a tool to help the finance function explain to colleagues in the rest of the organisation what better decision making is actually based on and the evolving role of finance in delivering it.

Charles Tilley, Chief Executive of CIMA, launched the report, saying:

‘The finance function at its leading edge needs to be the high priest of creating and sustaining shareholder value. This can only be achieved by finance functions providing decision support and internal consultancy across a range of strategic and operational activities and to different management levels. The role being performed by accountants in business should be based on being a change agent and selling the idea of what can be done with information and the right analysis.’

Download a free copy of the briefing from the CIMA knowledge bank.



SEMINARS AND EVENTS ON CENTRAL GOVERNMENT FINANCE

CIPFA's next one-day seminar event devoted to Central Government Finance will take place in London on 17 December. This course provides an overview of the current developments in Central Government Finance and tackles timely issues to keep you up to date with the latest requirements. Aimed at finance professionals, the course will provide an insight into the future demands and existing challenges of meeting government criteria. Specific issues for discussion include procurement and PFI, excellence in financial management, resource

accounting and budgeting, early accounts closure and Whole of Government Accounting. Speakers will include Christina Earls, Ministry of Defence; John Oughton, Office of Government Commerce; David Goldstone, Partnerships UK; Coral Newton, IPF; Liz Passman, HM Treasury, and Vicki Genrich, HM Treasury.

For further detail, or to book a place, please contact Alex Aarons, email alexandra.aarons@cipfa.org

CIPFA STRENGTHENS CENTRAL GOVERNMENT TEAM

Tom Lewis, currently Deputy Director of Finance at Warden Housing Association, has been appointed to the new post of Assistant Director, Central Government and Health and commences at the beginning of November.

Tom has 10 years' experience in Central Government in both accountancy and administrative roles, together with a range of experience in social housing, charities, and the private sector. His appointment is designed to improve CIPFA's presence and profile in these important sectors and will strengthen the capacity of CIPFA's Central Government and Health Panels.

PUBLIC SERVANTS OF THE YEAR AWARDS 2004

Tom Lewis, currently Deputy Director of Finance at Warden Housing Association, has been appointed to the new post of Assistant Director, Central Government and Health and commences at the beginning of November. Tom has 10 years' experience in Central Government in both accountancy and administrative roles, together with a range of experience in social housing, charities, and the private sector. His appointment is designed to improve CIPFA's presence and profile in these important sectors and will strengthen the capacity of CIPFA's Central Government and Health Panels. Public Finance is now searching for the 2004 Public Servants of the Year. Do you know an individual or a team who deserves to be nominated? The awards are supported by CIPFA, the Cabinet Office and the Office of Government Commerce and are sponsored by a number of organisations that support improvement in public services and the work of talented individuals and teams. Winners will receive:

- A sum of money donated to a charity of your choice
- A unique, specially commissioned glass award
- One invitation with a guest to the awards ceremony in London including accommodation
- A year's free subscription to Public Finance

These awards are unique in celebrating success across the whole of the public services and in recognising team as well as individual achievements. They aim to raise the profile of all public services, help the exchange of innovative ideas and good practice, and remind the general public of the valuable and important work that is being done daily by those serving the public. These awards are not given to organisations or to projects, but to individuals and teams – the unsung heroes who through their dedication and commitment make a real difference to people's lives.

The organisers are looking for individuals and teams of people who have been outstanding in their own unique environment and circumstances and who meet the specific awards criteria. The awards are open to all those working in the public services at all levels and in all organisations. Entries are welcome from individuals or teams whether they are employed directly by public bodies or by private or voluntary sector organisations engaged in the delivery of public services. Entries are encouraged from across the spectrum, reflecting the richness and diversity of our public services.

To find out more, visit the website at:
<http://www.publicservants.org.uk/>

CIPFA LAUNCHES NEW QUALIFICATION

CIPFA has just launched a new 'leading edge' approach to life long learning and development. The educational package consists of a new Professional Accountancy Qualification, a new Continuing Professional Development (CPD) Scheme and the adoption of mandatory CPD. This new approach will build on CIPFA's reputation for excellence, which has resulted in an exceptional student registration growth of 80% over the last four years.

The new Professional Accountancy Qualification has been developed with all key stakeholders, including employers, members, student members and colleges. It has been developed from 'base principles', taking into account the expertise required of CIPFA members. It offers:

- a newly qualified CIPFA accountant who 'hits the ground running'
- an increased emphasis on developing strong practical accounting, management and business skills so the student provides a

significant contribution from the start of their studies

- an increased focus on building strong management accounting and financial reporting skills ensures that the newly qualified CPFA is an even stronger technical accountant
- greater flexibility and accessibility to facilitate employers offering the CIPFA qualification to all categories of staff.

The new qualification is complemented by the launch of a new Continuing Professional Development Scheme and the decision of CIPFA members at the June 2003 AGM to adopt mandatory CPD on a phased basis commencing January 2005. CIPFA is the first British accounting body to decide to adopt mandatory CPD for all its economically active members. This decision underlines CIPFA's commitment to offering the public the highest standards of technical expertise and accountability.

PUBLIC MANAGEMENT AND POLICY ASSOCIATION (PMPA)

The PMPA offers managers and policy makers a range of opportunities to keep in touch with and understand the wider cross-cutting developments in public policy making that affect the governance, general and financial management of public services.

Opportunities coming up include:

2003

November 27th: Delivery: the role of the voluntary sector. A talk by Stuart Etherington, Seamus McAleavey. To be held jointly with CEF (NI) in Belfast.

2004

January 28th: Public Sector Governance. Sue Goss, OPM

February 10th: Understanding public interest companies. Paul Maltby, IPPR

March (date to be determined): Devolution Fault lines. Robert Hazell. The Constitution Unit, UCL

May (date to be determined): Developing leaders and organisations to deliver joined up services. Keith Ruddle, Templeton College, Oxford

TAKING PART

PMPA members may attend the PMPA conference without further charge. New members, whose subscription is paid in full before the conference, are also entitled to a free place.

Non-PMPA members may attend at the following rates: bookings received by 23 May – first two places: £125 plus VAT each; third and subsequent places: £75 plus VAT each. Bookings received after 23 May – first two places: £225 plus VAT each; third and subsequent places: £125 plus VAT each.

A booking form can be downloaded via the association's website (www.pmpa.uk) or requested from sandra.harper@cipfa.org

INTERNATIONAL TASK FORCE SETS AGENDA TO REBUILD PUBLIC CONFIDENCE IN FINANCIAL REPORTS

An independent Task Force, commissioned by IFAC (the International Federation of Accountants), during August published recommendations for rebuilding public confidence in the financial reporting process.

'Rebuilding Public Confidence in Financial Reporting' was developed by a Task Force chaired by John Crow, former Governor of the Bank of Canada. It included senior figures with backgrounds in commercial banking, international economics, academia and law, as well as accounting and auditing, from six countries: Australia, Canada, France,

Japan, the United Kingdom, and the United States.

John Crow, Task Force Chairman, commented: "In crafting our recommendations, we have kept in mind that public reporting is intrinsically a public-interest activity. So, our report addresses the roles of all those who are involved in the process, including groups such as lawyers, bankers, brokers, analysts, and public relations advisors. All parties, besides the management, board of directors, and independent auditors, have an unavoidable



duty to ensure that public reporting presents the information fairly, and the rules and regulations surrounding corporate reporting should clearly reinforce them.”

Graham Ward, past President of the Institute of Chartered Accountants in England and Wales (ICAEW) and a member of the Task Force, continued: “The Task Force deliberately took a holistic approach covering the whole supply chain for financial information to develop best practice for worldwide application. Whilst the focus for our work was listed companies we believe that the practical recommendations we have made are applicable to other corporate entities which have a broad public interest.”

David Illingworth, current President of the ICAEW, added:

“This is a thorough and thoughtful analysis of the underlying reasons behind the global loss of confidence in financial reporting and related areas. The Task Force’s recommendations reinforce those developed by the UK accountancy profession to rebuild public confidence, particularly the importance placed on a principles based approach to raise the quality of financial reporting.”

The report’s recommendations are built on three basic assumptions:

- The credibility of financial reporting requires action at the national and international levels.
- To improve credibility in financial reporting, action will be necessary at all points in the supply chain that delivers financial information.
- Integrity – both individual and institutional – is essential for building confidence in financial reporting and therefore needs to be fostered.

Specific recommendations include the following:

- Effective corporate ethics codes need to be in place and actively monitored; such codes should be supported by training.
- Codes of conduct need to be put in place for other participants in the financial reporting process - such as investment analysts and lawyers - and their compliance should be monitored.
- Incentives to misstate financial information need to be reduced, and companies must refrain from forecasting profits with an unrealistic level of precision.
- Audit effectiveness needs to be raised, primarily through greater attention to audit quality control processes

GOVERNMENT AND BUSINESS “WILLING THE ENDS BUT NOT THE MEANS” IN FIGHT AGAINST FRAUD

British business and government are failing to back their good anti-fraud intentions with firm will and hard cash. Police efforts are understaffed and under funded, too many companies do little to protect shareholder assets and recent reports on corporate governance have failed to highlight the importance of fraud prevention. The claim comes in the latest annual review published by independent watchdog the Fraud Advisory Panel, chaired by Ros Wright, who until April was Director of the Serious Fraud Office. The Fraud Advisory Panel was founded in 1998 by the Institute of Chartered Accountants in England & Wales (ICAEW), which continues to be the Panel’s main sponsor.

Mrs Wright said: “Fraud is less about headline incidents and more to do with a rising tide of financial crime. It cost £1 billion in 1985, £4 billion in 1994 and at least £13.8 billion in 2000 - £230 for every man, woman and child in Britain. Our current inadequate response is simply inviting ever higher fraud bills”

“Fighting fraud demands funding, systems, vigilance and co-ordination” Mrs Wright continued. “Encouragement and warm words must be supported by the will to implement them.” She gave three “crucial examples”:

- The number of police fraud investigators fell from 869 in 1995 to around only 600 in this year. Many frauds are going uninvestigated and some county fraud squads have closed altogether.
- A recent survey by PricewaterhouseCoopers survey found that 51% of UK companies had been victims of

financial crime. Yet 46% had discovered fraud by accident compared to only 43% who did so via their internal controls. Only 26% provided anti-fraud training for their managers.

- None of the recent reports on corporate governance (nor the revised Combined Code) give any prominence to fraud prevention despite it being one of the gravest risks to corporate survival.

The FAP advocates two immediate policy changes, one for government, one for business:

1. Give the police the resources to fight fraud. It would cost around £85 million to create, and provide support infrastructure for, a National Fraud Squad with 1,200 officers. This would quickly pay for itself via deterrence, recovery of stolen funds and confiscation of criminal assets.
2. Upgrade the Combined Code on Corporate Governance so that listed companies must report to shareholders on their anti-fraud policies and programmes or the lack of them. They should also be required to report material fraud involving directors, or senior management, to shareholders who have a right to know about monies or assets stolen from them.

Further information:

Additional copies of the Annual Report can be obtained from Mia Campbell on 020 7920 8721; e-mail info@fraudadvisorypanel.org

UNLISTED COMPANIES UNAWARE OF HOW INTERNATIONAL ACCOUNTING STANDARDS WILL AFFECT THEM

Many smaller companies may be assuming wrongly that International Accounting Standards (IAS) will not affect them, the Institute of Chartered Accountants in England & Wales (ICAEW) has warned. Although the Government has decided to give unlisted companies the option of whether to use these standards in their annual and consolidated accounts from 2005, this does not mean smaller entities can afford to ignore IAS, the Institute says.

This is because the UK's Accounting Standards Board (ASB) intends to converge UK accounting standards with IAS, which means that in many cases UK GAAP will be amended in line with revised international standards. These will apply to all UK companies, whether large or small.

The Institute's survey of Chartered Accountants working with and in businesses across the country revealed that only 23% of those respondents working in unlisted companies were aware of the ASB's views and aims. Those surveyed also reported limited awareness among unlisted companies of the implications of the introduction of IAS, with 52% of those who work for listed companies rating their firm's understanding of the international standards as either "fairly poor" or "very poor".

Around a quarter of all respondents felt that IAS was not applicable to their business. The survey highlighted that these members were those working in smaller practices or in smaller unlisted companies. Nearly half (47%) of those working in unlisted companies who said that IAS was applicable to their business felt that their firm was unprepared for the introduction of the standards.

To assist UK companies in the urgent task of preparing for the adoption of IAS, the Institute has published an Update to its Convergence Handbook, which summarises the effects of standards and exposure drafts issued by the International Accounting Standards Board (IASB) and the ASB up to the end of July 2003. This is the fourth update to the Convergence Handbook, which compared IAS and UK financial reporting requirements as at November 2000 and summarised the implications of IAS for UK companies. Further updates will be issued when the IASB or the ASB issue new or revised proposals or standards.

The Institute's President, David Illingworth, commented: "Our research suggests that many unlisted companies are unclear about the impact that International Accounting Standards will have on their business. There appears to be a misconception that these standards will only affect listed companies.

"This is correct only in so far as the Government has given unlisted companies the option of using IAS from 2005. But what this assumption neglects to take into account is the Accounting Standards Board's intention to replace existing UK standards with new UK standards based on the equivalent international standard. Eventually, it seems inevitable that both unlisted and listed companies will be reporting under international standards and the sooner they prepare for this, the better.

"With this in mind, the ICAEW will be doing all we can to help businesses keep on top of the issues by providing practical information and support. One example is today's publication of an update to the Institute's Convergence Handbook which compares the latest International Accounting Standards with current UK reporting requirements."

Other key IAS survey findings:

- More than a third of all respondents surveyed in business and practice (34%) have not considered an implementation programme for the introduction of IAS. Thirteen percent have a programme in place, while 26% plan to have a programme in place within 12 months. Almost a third (27%) did not see the need for one.
- A description of differences between IAS and current standards has already been prepared as a starting point by 19%, and a quarter plan to have a similar document in place in the next year.
- Forty-one percent of those surveyed either already have an IAS training programme for staff or plan to introduce one within the next year. Comparatively few businesses (26%) have set up or plan to set up within the next year a programme to manage the IT impact of IAS.
- Listed companies are more likely to have taken on extra staff to deal with the introduction of IAS or plan to within the next year (37% compared to 7% of respondents working in unlisted companies).

As part of the ICAEW's commitment to assist businesses as they prepare for the move to IAS, a freely accessible website has been set up in partnership with CCH. Further details can be found on www.iasknowledge.com

In addition to publishing an update to the Convergence Handbook, the Institute has issued an IAS alert which provides businesses with a useful overview of what has been happening in the international arena.

NEW GUIDANCE FOR UK DIRECTORS ON FORWARD-LOOKING FINANCIAL INFORMATION PUBLISHED BY ICAEW

Guidance for directors of UK PLCs on preparing and publishing prospective financial information (PFI) was issued by the Institute of Chartered Accountants in England & Wales (ICAEW). PFI is financial information drawn up to a date in the future, including important areas of market reporting such as changes in expectations, profit forecasts and estimates of future funding requirements. The Institute's guidance forms part of its on-going campaign 'Information for Better Markets', which seeks to promote healthy capital markets by improving the quality of financial information.

The new guidance emphasises that markets and investors need PFI that is understandable, relevant, reliable and comparable. To achieve this, the guidance encourages directors to follow the principles of reasonable disclosure, business analysis and subsequent validation when preparing PFI for publication.

The ICAEW's purpose in issuing the guidance is:

- to encourage the provision of high-quality PFI to the markets in a wide range of contexts, including some in which it is not explicitly required;
- to give investors confidence in the quality of PFI and support their decision making;
- to help directors discharge their legal and regulatory responsibilities in publishing PFI.

Eric Anstee, Chief Executive of the Institute, said: "Our guidance encourages companies to start providing the markets with the forward-looking information they need. Hitherto the absence of principles underpinning good practice in this area has contributed to businesses being cautious about publishing very much of the

wealth of prospective financial information that they use internally.

"Those preparing PFI now have a basis for determining whether their information is of sufficiently high quality to be useful to the markets. This should facilitate wider publication of forward-looking information and give investors more confidence in the integrity of financial reporting."

Ken Rushton, Director of Listing, UK Listing Authority, said: "We welcome this guidance as an important contribution to the efficient functioning of UK markets. Its principle-based approach is applicable to a wide range of regulated and voluntary PFI. It provides an authoritative supplement to existing law and regulations and as it becomes accepted practice it will help to ensure the provision of high-quality information to the markets."

John Coombe, Chief Financial Officer of GlaxoSmithKline plc, said: "The issue of this guidance comes at a very timely moment for finance directors and others interested in communicating their expectations for the financial future of their companies. It pulls together existing best practice including legal and other regulations which have to be followed in order to produce, safely and effectively, a soundly based view of the future. All financial reporting teams (and others) will benefit from reading it."

Richard Murley, Director General of the Takeover Panel, said, "We are pleased to welcome the Guidance. PFI is a difficult area for companies and their advisers from a Takeover Code perspective and the guidance should be helpful when dealing with the Panel on matters such as profit forecasts or merger benefit statements."

EURO A REALITY FOR UK BUSINESS WHETHER WE ARE IN OR OUT

The Eurozone is a practical reality for the majority of UK business regardless of whether we join the single currency. That is the message the Institute of Chartered Accountants in England & Wales (ICAEW) has conveyed in launching *The Impact of Trading with the Eurozone*, a guide for accountants dealing with companies trading with the Eurozone produced in conjunction with the DTI and the Treasury.

Commenting on the launch, ICAEW President David Illingworth said:

"The advent of the euro has created one of the single biggest trading zones in the industrialised world – one which is already impacting significantly on the business environment within which our members operate. Research carried out by the Institute suggests that 89% of Chartered Accountants report their business to



be in some way affected by the euro – either directly or through exposure to clients and customers who are part of supply chains affected by the single currency.

“For example, the gradual consolidation of markets under a single currency has meant that businesses exporting to Europe are having to rethink their pricing structures. IT systems may need to be euro prepared to ensure businesses are capable of developing into new markets. It is pivotal to UK competitiveness that these issues are addressed.

“The message is clear. The eurozone represents a considerable opportunity for UK business regardless of whether or not we decide to join.

“Despite this, there is evidence to show that some, particularly smaller businesses, have little if any awareness of the way in which the euro is affecting or likely to affect them. Chartered Accountants are in a prime position to inform UK Ltd of the challenges and opportunities the eurozone represents.”

The guide also includes case studies of businesses that have tackled the problems of the general business impact of the Euro, including those relating to market research and product development, price and profitability as well as operational and accounting issues.

Copies of *The Impact of Trading with the Eurozone* are available on the Institute’s web site at www.icaew.co.uk.

ICAEW PUBLISHES NEW GUIDANCE ON ACCESS TO WORKING PAPERS BY INVESTIGATING ACCOUNTANTS

The Institute of Chartered Accountants in England & Wales has released guidance to auditors and tax practitioners who choose to permit access to their audit working papers to investigating accountants during investing and lending transactions.

Auditors working papers are their own property and they can permit or decline access to them. If they choose to provide access, they will consider issues such as ownership and confidentiality as well as whether such access might create an additional duty of care. The revised guidance is intended to assist auditors in relation to the issues they must consider when deciding if and how, any audit working papers are released.

The ICAEW first issued guidance in this area in Technical Release Audit 3/95. That guidance and its example client authorisation and purchaser release letters provided a useful and effective framework under which auditors were able to manage the potential risks of assuming duties of care to third parties whilst facilitating corporate transactions.

However, the complexity of transaction funding and the emergence of different approaches in the market place have

resulted in an increase in the number and diversity of parties seeking to gain access to working papers. The Institute’s Audit and Assurance Faculty therefore sought to review and update Audit 3/95 to make it more practical and consistently applied in the current market.

Technical Release Audit 04/03, *Access to Working Papers by Investigating Accountants*, has been developed in consultation with the Institute’s Corporate Finance Faculty and the British Venture Capital Association. The Faculty also sought the advice of Leading Counsel and the published Technical Release reflects his Opinion.

Andy Harris, partner at Deloitte & Touche LLP and chair of the working group that developed the release, said: “The guidance has been designed to be applicable to the majority of situations and by all firms, small or large. For it to be useful and effective, it is essential that all practitioners involved in the process apply it consistently and with minimal change. With consistent application, it should allow firms to manage risk to a sensible degree and in a realistic fashion.”

Ian Smart, Managing Partner of Grant Thornton Corporate Finance and chair of the

ICAEW Corporate Finance Faculty's Technical Committee, said:

"The Corporate Finance Faculty was keen to initiate a review of the guidance to determine whether it could address a broader range of transactional activities and whether any amendments might enhance the efficiency of transactions whilst continuing to afford appropriate

protection to auditors. Recognising that this has been a provocative area, the Faculty is pleased to have been involved in making representations on the guidance to the Audit and Assurance Faculty."

Technical Release, Audit 04/03, Access to Working Papers by Investigating Accountants, is available in full at www.icaew.co.uk/auditassfac/.



COST CONTROL IS TOP PRIORITY FOR FINANCE DIRECTORS

Controlling costs is the number one priority of Finance Directors, according to a CA Magazine survey.

The annual poll reveals staffing issues follow second and corporate governance third. Staffing remains high on the agenda despite the economic downturn since quality staff are always at a premium, while corporate governance has become a critical issue in recent times.

The survey also found that over half of FDs would like to drop the pound in favour of the euro. 52% agree that the UK should opt for European monetary union "within five years, if the economic conditions are right", and 16 per cent believe the UK should join "as soon as possible". Only 13 per cent said the UK should "never" join.

The finance directors were found to be quietly confident about their readiness for the introduction of international accounting standards, due to come into force in 2005 for most of the UK's leading companies. 27% said they were "definitely on track" and 40% "probably on track" for the deadline. 3% said that they would probably not meet the deadline.

The poll also charts the take-up of finance department innovations such as outsourcing some finance functions (28% had this in place), a disaster recovery strategy (62%) and financial reporting on the Internet (19%).

The wide-ranging role of today's FD is shown by the

number taking responsibility for areas such as risk management (65%), information technology (59%), property (46%), pension schemes (65%) and company cars (37%).

CA Magazine also asked the directors for their favourite piece of advice or motto. Among the responses were

- "Focus on the basics and keep it simple" (Gregor Alexander, Scottish & Southern Energy)
- "Know your limits, then exceed them" (Ian Cameron, AorTech)
- "Don't panic, there is always a solution" (Derek Ferguson, City Refrigeration Holdings)
- "No surprises, please" (Scott Stanford Beattie, Dewhirst Group)
- "Get a haircut!" (Mike Hall, The Stanley Gibbons Group)

Robert Outram, Editor of CA Magazine, said:

"In these difficult times issues such as the Internet and e-commerce are on the back burner for finance directors, and controlling costs is the top priority. It is interesting, however, that staffing and corporate governance issues are still seen as more critical than economic factors such as interest rates.

"Finance directors have a more wide-ranging and strategic role than ever; these days they do considerably more than just number crunching."

DIRECTORS' REMUNERATION REGULATIONS NEED MORE TIME BEFORE FURTHER ACTION

The recently introduced Directors' Remuneration Regulations 2002 should be given more time to allow their effectiveness to be assessed before any further action is taken, according to The Institute of Chartered Accountants of Scotland (ICAS).

The Institute's Business Law Committee was responding to the DTI consultation paper 'Rewards for Failure: Directors' Remuneration - Contracts, Performance and Severance'.

ICAS points out that the increased transparency as a result of the implementation of the 2002 Regulations should lead to the wider adoption of best practice but that this will probably take two annual reporting cycles to develop fully. The Institute highlights that the key issue will be whether remuneration committees keep best practice in mind and actively respond to

shareholders' views. ICAS therefore supports the joint best practice statement issued by the Association of British Insurers (ABI) and National Association of Pension Funds (NAPF) which is included in Annex A of the consultation.

ICAS also expresses concern at the prospect of external interference in contracts between companies and their directors. David Wood, Secretary to the Institute's Business Law Committee, said

"Companies sometimes need the flexibility to offer longer contracts to directors, according to the needs of their business and the duration of their business cycles or the specific circumstances of the company at that point in time. We would prefer to see a shareholder initiated and flexible solution rather than a legislative one."

ICAS WELCOMES IFAC REPORT ON REBUILDING PUBLIC CONFIDENCE IN FINANCIAL REPORTING

The Institute of Chartered Accountants of Scotland (ICAS) today welcomed the publication of the International Federation of Accountants (IFAC) task force report which looks, from an international perspective, at ways to restore credibility to financial reporting and corporate disclosure. The report analyses the causes of the loss of credibility, examines a range of alternative courses of action to restore this credibility and recommends best practice for financial reporting, corporate governance and auditor performance. Graham Ward, a member of the IFAC task force, said: "This task force brought together senior international figures from the accountancy, banking, legal, academic and economics fields to identify

the causes of the current problems and to make practical recommendations to begin the process of rebuilding confidence. Whilst the focus for our work was listed companies we believe that the recommendations we have made are applicable to other corporate entities which have a broad public interest." Murdoch McKillop, ICAS President, welcomed the task force report. He said: "This is a thorough and thoughtful analysis of the underlying reasons behind the global loss of confidence in financial reporting and related areas. The IFAC recommendations are expressed as best practice principles which should allow them to have the widest application, both among countries and among types and sizes of entity."

NEW INTERNATIONAL RESEARCH ADVISER FOR ICAS

The Institute of Chartered Accountants of Scotland (ICAS) has appointed Professor Jan Mouritsen as its new International Research Adviser. Professor Mouritsen, Vice-Dean of the Copenhagen Business School, will take up the three year post in October succeeding Professor Stephen Zeff. Together with the Professional Research Fellow, Professor Ken Peasnell, and the Director of Research, Dr Christine Helliard, Professor Mouritsen will assist the Institute in forging closer links with the academic community. His involvement will also ensure that the ICAS Research Committee is aware of relevant international academic developments and activities.

A graduate from the Copenhagen Business School, Professor Mouritsen's research interests include intellectual capital and strategies, controls and technologies of managing.

ICAS President Murdoch McKillop said:

"We aim to provide policy makers at national, EU and international level with high quality input. Professor Mouritsen's appointment will help to ensure that the research element of our input is undertaken with an awareness of academic activity relating to the international issues affecting business and our profession."

RAISING AUDIT EXEMPTION THRESHOLD IS NOT IN THE PUBLIC INTEREST

Raising the audit turnover threshold is not necessarily in the public interest, according to The Institute of Chartered Accountants of Scotland (ICAS).

Responding to the DTI's consultation paper 'Raising the Thresholds', ICAS points out that any cost benefits gained by small companies would be small compared to the risks and disadvantages - for the company and for society generally - highlighted in the consultation.

In its response, the Institute sets out what it believes are the principal risks and disadvantages, including:

- increased risk of errors in the annual accounts
- increased risk of material non-compliance in the annual accounts
- drop in quality and reliability of accounts on the public record
- increase in the number of complaints about filed accounts
- further loss of protection for users of accounts
- consequent reluctance of suppliers to supply and lenders to lend
- reduction in external monitoring of companies' affairs
- removal of major deterrent against fraud, money laundering, and other illegal but possibly lucrative activities
- over the longer term, loss of audit skills and availability, and increase in the cost of an audit.

ICAS points out that many of the disadvantages could be countered by companies having an audit voluntarily. However, the Institute's experience suggests that if the

audit exemption was extended, it would be those companies least in need of an external check which are most likely to retain the audit. Consequently, it would be the companies which could benefit most from an audit, or which should be subject to an audit in the public interest, which would be more likely to drop the audit.

The Institute also states that an increase in the turnover threshold from £1m to £5.6m would be too large an increase to implement at any one point in time. It would also bring some quite significant and complex companies into the scope of audit exemption.

ICAS raises concern at the impact on the business environment generally if there was a further significant lifting of the audit exemption thresholds beyond £1m. It believes that if the audit exemption threshold were raised to £5.6m, this would lead to a substantial reduction in the availability of audit services – impacting in particular on those charities and pension schemes which are still required to have an audit, and those companies which wish to retain one. Audit capability would become concentrated in only the largest firms and the largest cities: the audit service could be completely removed from smaller towns and cities and rural areas

David Wood, ICAS Deputy Director of Accounting and Auditing, said

"The consultation document fails to justify any significant increase in the exemption thresholds. If any increase is to be made at the present time, it should be of modest amount and undertaken only with extreme caution."

CCH LINKS INTO GOVERNMENT

CCH is the leading global provider of essential information and support to accounting professionals.

In the UK, CCH is a long-established and trusted name in the accountancy profession. Amongst our most significant customers are the Inland Revenue and Customs and Excise, with whom, in the latter case, we are publishing partners. Our commercial customers include practices of all sizes from sole practitioners to most of the top 100 firms.

CCH's products and services include many 'standards', on which the UK profession has come to rely. Among them is Accountancy magazine, the official journal of the ICAEW and PASS, the leading magazine for accountancy trainees. We publish Taxation Adviser on behalf of the CIOT and ATT.

Our range of products and services is now greatly expanded. CCH, with its unrivalled portfolio in tax, accountancy and finance, in partnership with the ICAEW, now offer the accountant and tax specialist with unbeatable choice.

New this year is a range of tax publications designed to meet the needs of anyone involved in tax work offering unbeatable

choice and coverage. Also, CCH's definitive British Tax Library is being completely rewritten to reflect the ongoing Tax Law Rewrite.

The exciting news this year is www.cchinformation.com. Containing the complete range of CCH information services, this online service offers the professional a refreshing and innovative approach to online information delivery. Subscribers to www.cchinformation.com can pick and choose the content they require without having to pay for information that they do not need.

The training of accountants, tax and finance professionals is a key element of CCH's activity. We support the profession by means of the most comprehensive range of CPE training around the country..

CCH is able to offer a unique proposition. Not only do we serve the information needs of thousands of professional people, but we can also integrate these information needs with market-leading software solutions.

Robert McKay
Director, CCH Information

SPECIAL PRICE AVAILABLE ON KEY CCH PRODUCTS TO GAS READERS

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Orders to be channelled through Steve Ilsley at the Showroom.

Contact details:
E-mail- showroom@cch.co.uk
Tel- 0207 5880015
Fax- 0207 5880017.

WELCOME...

The team would like to welcome and introduce to you our latest team member Denise Cooper. Denise has worked within the Treasury for a number of years and until recently has assisted the Treasury Officer of Accounts with ensuring that copies of departmental resource accounts and accompanying briefing reached the right Parliamentary committees and No 10.

Denise is taking over much of our database work and with time will become a key contact point for general enquiry's relating to the work of the team and your own development opportunities. Alongside Barbara, Denise

will ensure both the vacancy Hotline and the Website are up to date and will be more than happy to receive details of jobs to be advertised. In addition to working with our team she will also support Andrew Likierman's office working across the directorate on internal treasury issues and initiatives.

I am sure you will join Mal, Daljit and myself in welcoming her on board, and no doubt many of you will have the opportunity to meet Denise at GAS events or talk to her on the phone.



From January 2005, ACCA is proposing that the completion of CPD (continuing professional development) will become a requirement for continuing membership.

Maureen Chambers, ACCA UK's Senior Training Consultant, outlines ACCA's proposals and explains how they will affect future Chartered Certified Accountants.

A commitment to professional development

ACCA has always been committed to the continuing education and development of its members. The professional qualification itself is based on the most comprehensive accounting curriculum in the world. The membership requirements are now based on up-to-date competences. In addition, ACCA has developed new and innovative qualifications for members, including a bespoke MBA programme and a Corporate Governance Diploma. We also provide CPD courses for many members.

Currently, ACCA strongly recommends that all members undertake CPD in the interests of their own development, although it is only mandatory for members who hold practising certificates or insolvency licences.

The rationale behind ACCA's approach to CPD addresses a number of fundamental expectations:

- employers and the public expect ACCA professionals to perform effectively
- members themselves are recognising the importance of ongoing personal professional development
- research and thought has advanced considerably in the area of education and CPD provision
- an increasing number of employers have recognised the importance of employee development and are introducing their own

CPD2005 – REFLECT, RECHARGE, REALISE

- development systems
- the international standard setter, the International Federation of Accountants (IFAC), recently issued a draft Standard which will require the introduction of mandatory CPD
- other professions, such as doctors and lawyers, have recognised the need for, and moved to, mandatory CPD
- Recent corporate failures have created pressure on the accountancy profession to demonstrate its continued commitment to high standards.

So what are the proposals?

From January 2005, it is proposed that CPD will become a requirement for all members. Our proposals are consistent with a general trend in the profession towards demonstrating that accountants are keeping their skills up to date and providing confirmation that they are working in the public interest.

The proposals are based on a number of principles:

- members expect ACCA to support them in their desire to realise their career aspirations and gain respect for their professional training and experience.
- ACCA wants to recognise work-based learning and performance in the workplace.
- The programme aims to reassure employers that members' skills are relevant and up to date, and increase public confidence in ACCA's professionals.
- ACCA wants to provide further opportunity to all its members to remain effective in their chosen careers and to refresh and reinforce the knowledge and skills they already have.

We propose that CPD be completed in one of two ways.

- members could complete CPD by undertaking and

recording their own development programme, which would be based on a wide range of activities, including learning at work, courses and keeping up to date with skills and knowledge relevant to their job. They would be required to complete an annual return saying that they have completed CPD as appropriate under ACCA's scheme

- many employers already run learning and development programmes for their staff. If an employer is approved by ACCA, then a member's participation in the development scheme will demonstrate that the member's skills and knowledge are up to date. Under this arrangement, they will automatically meet ACCA's CPD requirements. We hope that as many members as possible will be able to follow this route.

Giving stakeholders a say

It is anticipated that the new CPD scheme will be introduced in phases to facilitate implementation. Before the scheme is finalised, however, ACCA has launched an extensive consultation process with members and other stakeholders.

ACCA is currently seeking wider input from UK employers. Unlike some professional bodies, we would like to offer flexibility rather than a rigid course-based programme. In particular, ACCA has been finding out what work-based learning opportunities employers provide and what development solutions could usefully be offered to members in the workplace.

All ACCA Accredited Employers were invited to have their say on our proposals. This phase of the consultation was concluded at the end of October, with ACCA's Council reviewing the resultant proposals in November.

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EFFECTIVE MANAGEMENT AND LEADERSHIP STYLES WITHIN FINANCE – OLIVIA BROWN, LAWSON BISHOP.

As an accountant, you tend to deal with business critical figures on a daily basis and problems that arise can be dealt with within a defined framework. However when managing people, problems experienced are rarely black and white, profit and loss!

There is no definitive guide to management and each individual employee will need to be treated differently. Many factors that both you and your staff encounter on a daily basis do not have a pre-defined solution and will need careful thought and consideration.

As you become more senior and experienced, your role will typically start to encompass more managerial responsibilities and more emphasis is placed on the requirement to motivate your team to achieve its targets, not just your own. You will need to ensure that your team/ department are performing to the required level and sustaining the required levels of productivity and this requires effective management.

Effective management is the art of using the appropriate management style to deal with

individuals in specific situations. Managers need to be able to lead and motivate staff as well as encouraging the best results from individuals by selling ideas to them, not dictating.

In order to be a successful manager you need to be able to delegate, motivate, train and gain the respect of staff, all of which are achieved through effective and regular communication.

In order to get the best from your employees they have to work effectively in a team. To achieve this, they need to have a clear and defined idea of what exactly is expected of them in terms of work and teamwork, they like to know their place. To motivate your staff within a team regularly acknowledge their work and contribution to the team so they feel like an integral part of it.

Across the civil service there are many superb people managers who demonstrate excellent listening and communication skills, a strong ability to delegate successfully and motivate and manage their staff effectively.

They will often tell you that it is not an innate skill, it is learned. It takes time and effort to become a people manager as it takes time to adjust to the fact that not everyone works and understands principles in the same way you do.

Once an individual in your team can respond to others in a way that reinforces their goals and supports their ambition, whilst also enabling them to be a productive

asset in helping a team to reach its targets, you have become a successful leader/ manager and motivator. However, tomorrow is likely to bring an entirely new challenge.

Olivia is a senior consultant at Lawson Bishop specialising in Public Sector recruitment and can be contacted on 020 7367 1910 or olivia.brown@lawsonbishop.com

WEBSITE OF THE MONTH

With the impending convergence of International Accounting Standards the following site should provide all the information required re timetables, latest technical information and events.

<http://www.iasknowledge.com>

Centre for Global Development, provides useful information on recent and upcoming events.
<http://www.cgdev.org/>

The King's Fund is an independent charitable foundation whose goal is to improve health, especially in London.

<http://www.kingsfund.org.uk/>

The Fabian Society is the UK's only membership based left of center think tank. Providing an arena for open-minded debate, the Society's programme aims to explore the political ideas and the policy reforms, which will define progressive politics in the future.

<http://www.fabian-society.org.uk/int.asp>

The Institute of Strategic Studies looks at international strategic issues affecting a wide public audience.

<http://www.iiss.org/home.php>

This one has links to more than 4600 local and national newspaper websites worldwide.

<http://www.thepaperboy.com/welcome.html>

This site gathers headlines from a number of Web sources, and is updated every 5 minutes, with search engine for the last 30 days headlines.

<http://www.newsnow.co.uk/>

and if after all this you're feeling peckish try

<http://www.meals.com>



TUTORS CORNER

This new regular feature for Gasette is where we will offer snippets of advice from a range of BPP tutors that will offer valuable assistance to those studying CIMA / ACCA / ICAEW exams in the coming months.

The series of articles over the next editions of Gasette will cover exam technique and technical issues from areas including Management and Strategy, Financial Accounting, Management Accounting and Taxation.

The first in the series is by Martin Taylor, a BPP tutor based in their London offices. It will be specifically applicable to those students studying for CIMA papers 11, 12, 14, 15 and ACCA paper 2.1, 3.4, 3.5 and ICAEW Business Management. In general though the points made below are relevant for any narrative

section of a paper.

The Why and How of narrative papers

As accountants the majority of our formal and informal training is in numerical skills – in most cases it is our strength in this area that helped to decide our career path. So why do all the Institutes insist on examining us with several papers that have little or no numbers in them but require 3 hours of wrist aching writing?

The reason is clearly set out by all of the Institutes – as you move through your career your involvement in putting the numbers together will reduce, and your time will be taken up with interpreting and applying those

numbers to your business area – the exams therefore try to mirror this progression.

However far too many students try to learn narrative papers in the same way as the numbers, learn lots of the facts understand the components and then regurgitate all of that on the exam script no matter what the requirement. No wonder the success rates for these papers are only about 1 out of 2 people nationwide.

So let's see if we can understand two key exam technique issues to help you master these subjects. The first is the WHY, the second is the HOW.

The first thing any of the examiners are looking for is your understanding i.e. can you show your knowledge.

For example, take the following sentence:

“Quality is a key factor for an organisation to focus on.”

Whilst this is no doubt true it does not earn any marks because we have not explained WHY. So you must include a 2nd sentence:

“Quality is a key factor for an organisation to focus on. This is because good quality helps to differentiate a company's products and so generate customer loyalty.”

Now we have received a mark for showing our understanding.

In order to score well in the exam we also need to show our ability to apply this knowledge, which is why in many papers there are scenarios for you to relate your points to. However even if there is no scenario we should always try to show our application by using examples. If we expand upon the point made above:

“Quality is a key factor for an organisation to focus on. This is because good quality helps to differentiate a company's products and so generate customer loyalty. For example a key reason for customer repeatedly purchasing Mercedes cars is their reliability and performance.”

Now that we have explained and applied our knowledge we should be looking for 2 marks for each of these good points.

The HOW is equally important to scoring well in these papers. The “how” looks at the

models / frameworks / theorists and mnemonics under each area of the syllabus. For example if you took an area like Corporate Appraisal, the how would be the SWOT analysis and the Gap analysis. By knowing which models relate to which areas of the syllabus you will really be able to generate ideas quickly in these papers, which is critical to overall success.

For example, if you have a question that reads:

Assess the motivational issues relevant to co X. 15 marks

There might be concerns of how on earth will we write about this for 25 minutes? However if you listed down the theorists involved e.g. Herzberg, Maslow, Schein, Vroom, Taylor etc each of these could then form a heading in your answer and help to generate ideas.

Therefore it is important to learn these models and frameworks, not just in case a specific question comes out relating to them, but probably more importantly as they are the bones onto which you will add the meat of your answers.

So how can any of this help in your revision. I think it should make learning your papers more straightforward.

Before you start attempting previous exam questions you need to test yourself. How you can do that is take the chapter titles from your course notes and simply try to write down the WHY and HOW for each of them. Once you have done this you can take any models / frameworks / theorists in the How sections and ask yourself why? and how? for them as well.

E.g.

Chapter 1 Objectives

Why?

Identifying objectives assist in focusing the organisation's activities.

Identifying objectives assist being able to measure performance.

How?

Stakeholder analysis

Why? To prioritise stakeholders

How? Assess interest and power

If at any stage you are not sure then go back to your notes and review.

Once you have a good level of understanding of the Why and How you can attempt questions with confidence. This should help to overcome the problems faced by students attending revision courses who are not prepared for exam style questions. Unlike numerical papers most narrative questions are unique therefore unlikely to ever come up again therefore each one poses a new problem and a new set of knowledge to apply. If you are armed with a good base of knowledge

you can spend your revision time improving your exam technique – not your knowledge.

So next time you are sitting in on a course remember to always ask “WHY?” and “HOW?” !!

If you would like to contact Martin about anything mentioned here feel free to contact him on martintaylor@bpp.com

PUBLICATIONS FROM THE TREASURY

Below are details of recently produced publications etc from the Treasury, which you may find informative or useful. Remember some of these documents are available on the Treasury gsi site <http://www.hm-treasury.gsi.gov.uk/> and WGA public site <http://www.wga.gov.uk/pages/guidance.html>
If you are aware of a particular source of papers not being covered let the editor know..

Date Issued	Issued by	To	Subject
CA			
1 Aug	Sue Gamble (CA)	RABIG	RABIG(2003)26: Changes to the Resource Accounting Manual (RAM) - Administration Costs and Programme Expenditure - this letter sets out proposals to revise the classification of staff costs, to allow for their classification as programme expenditure where they relate directly to service delivery activity.
1 Aug	Larry Pinkney (CA)	RABIG	RABIG(2003)27: Disclosure of the Nature and Cost of Services provided by Auditors - this letter contains proposals to enhance the above disclosure requirements in the RAM, Non-Departmental Public Bodies (NDPBs) Accounts Guidance and Trading Fund Accounts Guidance.
1 Aug	Larry Pinkney (CA)	RABIG	RABIG(2003)28: Disclosure of Residual Interests within Accounts for Off-Balance Sheet Private Finance Initiative (PFI) projects - this letter contains proposals to amend the central government accounting guidance to include material on how capitalised residual interests should be categorised on disclosure in the balance sheet.
1 Aug	Nick Bailey (CA)	RABIG	RABIG(2003)29: Minor Amendments to the RAM, NDPB and Trading Fund Accounts Guidance - this letter contains proposals to amend the guidance relating to (a) the accounting treatment of contract staff and (b) the disclosure of information on staff numbers.
4 Aug	Nick Bailey (CA)	RABIG	RABIG(2003)30: Minor Amendment to the NDPB Guidance - this letter contains a proposal to clarify the treatment of notional costs in the accounts of charitable NDPBs.
6 Aug	Catherine West (CA)	RABIG	RABIG(2003)31: NDPB Guidance - Review of Chapter 8 (balance sheet) - this letter covers proposals to clarify the relationship between different categories of reserves and to review the layout of the chapter.
29 Aug	Nick Bailey (CA)	RABIG	RABIG(2003)32: Software Costs - this letter contains a proposal to clarify the treatment of software developed by third parties in central government accounting guidance.
24 Sep	Sue Gamble (CA)	RABIG	RABIG(2003)33: Note of the Outcome of the 15 September meeting of the Financial Reporting Advisory Board (FRAB).
29 Sep	Catherine West (CA)	RABIG	RABIG(2003)34: Application Note to Financial Reporting Standard (FRS)5 Reporting the Substance of Transactions: Revenue Recognition - this letter contains proposals for the adoption of the proposed AN into central government accounting guidance.

Date Issued	Issued by	To	Subject
FMRA			
30 Sep	Andrew Likierman (FMRA)	PFOs	MS PFO(03)43: PFOs and Finance Directors - this letter advises departments that, in future, departments will have Finance Directors, not PFOs. The Finance Director, through the Accounting Officer, will be responsible for the full range of financial functions.
GEP			
10 Sep	Jonathan Stephens (GEP)	PFOs	MS PFO(03)40: New Resource Budgeting Guidance - this letter informs departments of the revision of the guidance to reflect the move to full resource budgeting.
PSD			
6 Aug	Nick Macpherson (PSD)	PFOs	MS PFO(03)39: Single Data System (SDS) Project - this letter informs departments of the project to bring together on a single platform the financial information collection functions currently performed by three systems.
TOA			
12 Sep	Rob Molan (TOA)	Accounting Officers (AOs)	Dear Accounting Officer (DAO) letter DAO(GEN)12/03: Guidance to Departments on Reporting of Grants and the Funding Relationship with Voluntary and Community Bodies - this letter informs departments of two sets of guidance. The first is on improving funding relationships with voluntary and community sector bodies. The second relates to guidance issued by the Institute of Chartered Accountants in England and Wales (ICAEW) on public sector special reporting engagements.
15 Sep	Rob Molan (TOA)	AOs	DAO(GEN)13/03: Revised Cost of Capital Rate in Fees and Charges Recovery Policy - this letter advised departments of the need to change the cost of capital, or the rate of return on capital employed, for fees and charges; and to review the required rates of return for trading funds.

CONTACTS DETAILS FOR HEAD OF ACCOUNTANCY PROFESSION AND SENIOR PROFESSIONALS AS AT 21ST OCTOBER 2003

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DIARY DATES

NOVEMBER 2003							
18	The Development of Accounting Standards	ACCA	Croydon	2	What's New in Financial Reporting?	ACCA	London
18	Current Developments in VAT	ACCA	Bristol	2	Twenty-first Century Finance Director	CCH	London
18	Acting as Executor	CCH	Huddersfield	3	International Accounting Standards - Preparing for 2005	CCH	Central London
19	Faster Financial Closing	CCH	Central London	3	Streamlining the Closure of Accounts	CIPFA	Birmingham
19	Recruitment & Interviewing for Finance Managers	CIMA	Reading	4	An Introduction to Budgeting and Budgetary Control	Public secta.com	London
19	Accounting Standards Update	CIPFA	London	4-5	Accounting Standards In-Depth	CIMA	High Wycombe, Bucks
19	Faster Financial Closing	CIMA	London	5	Key Persuasive Techniques for Accountants	CCH	Central London
19	The Evolving Finance Function	ACCA	London	8-10	Resource Accounting and Budgeting	CMPS	Sunningdale
19	Exam Support Evening	ACCA	Aberdeen	9	Accounting Standards Update	ACCA	Broughton
19-20	International Accounting Standards Workshop	CIMA	London	9	The Changing Face of Fraud	ACCA	Leeds
19-21	Government Accounting	CMPS	Sunningdale	10	You Are Your Best Business Card	ACCA	London
20	Exam Support Evening	ACCA	Brighton	11	Accounting standards Update	CIMA	Southampton
19-21	Effective Presentation	CMPS	Sunningdale	11	Accounting Standards Update	ACCA	Plymouth
21	Preparing for IAS in 2005	ACCA	London	11	Update for the Accountants in Industry and Commerce	CCH	London
21	CIPFA conference in the Midlands	CIPFA	Warwick	15	Accounting Standards Update	ACCA	London
24	Business Planning	CIPFA	Belfast	16	Accounting Standards Update	ACCA	Birmingham
25	Advanced Presentational Techniques	CCH	Central London	17-19	Effective Presentation	CMPS	Sunningdale
26	An Introduction to Budgeting and Budgetary Control	Public secta.com	Leeds	JANUARY 2004			
26	Career Development Event	AAT	Newcastle	19-21	Government Accounting	CMPS	Sunningdale
26	Corporate Governance and the Role of the Non-executive Director	CIMA	Cardiff	19-21	Effective Presentation	CMPS	Sunningdale
26	Streamlining the Closure of Accounts	CIPFA	Leeds & Manchester	23	Financial Aspects of Sponsoring NDPBs	CMPS	Sunningdale
26	Essential Skills for Managing People	CCH	London	24	Head of Accountancy Profession Conference	DART*	London
26-27	Making Successful Presentations	CCH	Central London	FEBRUARY 2004			
27	The Balanced Scorecard	CCH	London	9-11	Resource Accounting and Budgeting	CMPS	Sunningdale
DECEMBER 2003				23	Technical Update for Accountants in Government	CMPS	Sunningdale
1	Key Developments in Management Accounting	CIMA	Glasgow	25-27	Business Management in the Public Sector	CMPS	Sunningdale
1	OFT & Competition	ACCA & CIMA	Weybridge				
1	IT Development	ACCA	Sheffield				
2	Spreadsheet Skills	CCH	Central London				

*Information to Heads of Profession
www.cch.co.uk – www.publicsecta.com – www.cmeps.gov.uk/

ACCA events can be booked on line or by telephoning 020 7396 5903
CIMA events can be booked on line or by telephoning 020 8849 2244

ACCA EXAM RESULTS: JUNE 2003

NAMES	DEPARTMENT	PAPER PASSED	NAMES	DEPARTMENT	PAPER PASSED
Julie Annette Hall	HMCE	1.1GBR, 1.2, 1.3	Akintayo Akinsooto Ojo	DEFRA	3.1INT, 3.4
Stuart Edward Holttum	HMCE	1.1GBR, 1.2	Robert Carl Clement	DEFRA	3.1GBR, 3.3
Alexis Dawn Lloyd	DTI	1.1GBR, 1.2, 1.3	Parag Thakrar	IR	3.2GBR
Fiona Flanagan	IR	1.2	Iain Andrew Dickinson	HMCE	3.3, 3.4
Graham Michael Ford	HMCE	1.3, & 2.1	Sarah Melissa Larkcom	HMCE	3.3, 3.4
Michelle Griffiths	HO	1.3, & 2.1 2.3GBR	Mary Margaret Maden	DFT	3.3
Diane Elizabeth Hazell	HMLR	2.1, 2.2ENG, 2.3GBR	Iyake Susan Oroye	HO	3.3
Taiwo Odusanya	HMLR	2.1	Douglas John Stirling	Scottish Executive	3.3
Loretta Onamigae Audu	DCA	2.1	Louisa Jane Wood	DFT	3.3, 3.4
Paul Jason Catchick	SFO	2.1, 2.2ENG, 2.3GBR	Hugh David Santineer	IR	3.4
Brian Roy Mugridge	HMLR	2.1	Alison Iles	DTI	3.4
Annette Simpson	IR	2.2ENG	Susan King		3.5, 3.6GBR, 3.7
Ian Kenneth Gunney	NAW	2.2ENG, 2.3GBR	AFFILIATE		
Alison Cannard	ODPM	2.3GBR, 2.4	Wendy Jane Fowler	HMCE	3.5, 3.6GBR, 3.7
Comfort O' Fatinikun	DTI	2.3GBR	Gary Robert Allen	DCA	3.5, 3.6GBR, 3.7
Keith Garrity	Charity Commission	2.4	Paul Philip Layland	DFT	3.5, 3.6GBR, 3.7
Alexandra Jane Lovett	UKPA	2.4	John Arthur Sampson	DCA	3.5, 3.6GBR, 3.7
Russell John Guilfoyle Smith	HMCE	2.4, 2.5GBR, 2.6GBR	Melanie Morrice	DFES	3.5, 3.6GBR, 3.7
Susan Horne	HMT	2.4	Elaine Harrion	IR	3.5, 3.6GBR, 3.7
Barry Swan	OFGEM	2.4, 2.6GBR	Joanne Warnes	DWP	3.5, 3.6GBR, 3.7
Pearl Perry	Food Standards Agcy	2.5GBR	Matthew Denham Jones	NAW	3.5,3.6GBR, 3.7
Rosemary Yvonne Greaves	DEFRA	2.5GBR, 2.6GBR	Lynette Adele Marsden	DWP	3.5,3.6GBR, 3.7
Barbara Lees	NAW	2.5GBR, 3.1GBR	Deborah Jane Hall	DTI	3.5,3.6GBR, 3.7
Amie Jane Woods	Charity Commission	2.5GBR, 2.6GBR	William Stuart Farnell	HMT	3.5,3.6GBR, 3.7
Anthony Nigel Gaen	NAW	3.1GBR, 3.3			

TECHNICAL UPDATE NO.33

ASB publications can be obtained from ASB's website at <http://www.asb.org.uk> or by correspondence:

ASB Publications
145 London Road
Kingston-upon-Thames KT2 6SR

PUBLICATIONS

The Board has or will publish the following documents.

Supplement to Financial Reporting Exposure Draft (FRED)30 'Financial Instruments: Fair Value Hedge Accounting for a Portfolio Hedge of Interest Rate Risk'

The ASB published the above supplement to FRED30. The IASB had issued the proposals following concerns expressed that International Accounting Standard (IAS)39 Financial Instruments: Recognition and Measurement restricts the availability of hedge accounting for portfolio hedges of interest rate risk. The revised proposals have been designed to make it easier for entities to use hedge accounting:

There is little or no direct relevance for central government entities.

FRED32 'Disposal of Non-current Assets and Presentation of Discontinued Operations'

The Board published this FRED, which presents proposals for a UK accounting standard based on the IASB Exposure Draft (ED) 4. It is planned this International Financial Reporting Standard (IFRS) will lead to the withdrawal of IAS35 Discontinuing Operations. In the UK, the proposed IFRS will impact on FRS3 Reporting Financial Performance.

The proposals could have implications for government accounts, and the Treasury will be considering the potential impact.

Consultation Paper 'Accounting for Insurance Contracts'

The ASB is issuing as a consultation paper the IASB's 'Phase 1' proposals for insurance contracts. These proposals will be relevant to the Export Credit Guarantees Department (ECGD).

ASB UPDATE

Reporting Financial Performance

The Board continued to consider issues that have been raised on the project to develop a single statement of financial performance. The statement will probably be labelled comprehensive income and comprise three columns: total; before remeasurements; and

remeasurements.

The Treasury continues to monitor the project and will consider the implications for central government bodies.

Further Education/Higher Education Statement of Recommended Practice (FE/HE SORP)

The Board has approved the latest revision to the FE/HE SORP, which is due to become effective for accounting periods ending on or after 31 July 2004.

Revenue Recognition

The Board has been continuing to consider issues arising from the responses to the ED of a new Application Note (AN) to FRS5 Reporting the Substance of Transactions: Revenue Recognition. The objective is to codify existing best practice and to ensure that entities report turnover in accordance with the substance of their contractual arrangements with customers. The AN provides specific guidance on five types of transactions.

The Board is working towards approving the final AN for publication, and is likely that the AN would apply to 2003-04 accounts.

The Treasury view is that the existing accounting guidance for central government is in line with what is proposed in the AN, and that we can adopt the AN for 2003-04 (the letter RABIG(2003)34 of 29 September refers).

The Board has been considering issues arising from the responses to the ED issued of a new Application Note (AN) to FRS5 Reporting the Substance of Transactions: Revenue Recognition. A couple of issues are worthy of mention:

The principle of performance and the 'right to be paid'

The draft AN is based around the principle of the seller obtaining a 'right to be paid' in an exchange transaction with a customer. A number of respondents have also expressed a preference for the principle to be based on performance, rather than a right to be paid.

The intention is that the seller earns the right to be paid through the performance of its contractual obligations. The Board has agreed that the term 'right to be paid' should be replaced with the term 'right to consideration'.

Recognising revenue at fair value

The draft AN proposes that revenue should be measured at the fair value of the consideration

receivable. The Board has had some discussion about the proposed adjustment relating to credit risk and has agreed that this needs to be considered further, as it could lead to a change in practice.

The Treasury continues to monitor developments on this project.

Financial Instruments

The Board has held an initial discussion on the issues raised by the FRED30 Supplement. The change in fair value of the hedged item will be measured by the entity and recognised as a gain or a loss in the income statement. The proposals also require hedge ineffectiveness to be measured and recognised.

The Board's initial view is that the proposals represent an acceptable methodology for macro-hedging. Discussions on specific issues will take place at future meetings.

The Board has discussed and approved the text of a proposed ASB Preface to a forthcoming IASB revised ED proposing revisions to IAS39 Financial Instruments: Recognition and Measurement.

The objective of the latest proposals is to make it easier for hedge accounting to be applied to macro-hedges of fair value interest rate risk. These are:

- Derivatives should be measured at fair value;
- All material hedge ineffectiveness should be identified and recognised in profit or loss; and
- Only items that are assets or liabilities should be reported as such in the balance sheet.

The proposals focus on hedged items that involve a portfolio comprising a large number of financial assets and financial liabilities.

The IASB's intention is that a revised IAS39, incorporating these latest proposals, will be issued by the end of March 2004, with an effective date of a revised standard of 1 January 2005. The proposals on IASs32 and 39 overall will have an impact across central government, given the wide definition of financial instruments. The Treasury is monitoring the project closely.

IASB Project on Retirement Benefits

The Board has discussed progress on the IASB project on retirement benefits and added a limited convergence project on retirement benefits to its agenda and is planning an ED for publication in the 4th quarter of 2003.

These include the following agreements by the IASB:

- That actuarial gains and losses should be recognised immediately and this all depends of progress on the project to develop a single

statement of financial performance;

- The principle that an entity should recognise an asset that represents the benefit it can derive from the pension surplus;
- Not to split the recognition of the total change in plan assets between an expected return and the difference between expected return and actual return (as an actuarial gain or loss); and
- A requirement to disclose the broad asset classes held by the pension plan.

The Board and the Treasury will continue to monitor progress.

Statement of Principles for Public Benefit Entities (SoP PBE)

The Board has held an initial discussion of the issues raised by respondents to the Board's Discussion Paper (DP) on an interpretation on an interpretation of the Statement of Principles for Financial Reporting (SoP) to be applied to PBEs.

A number of key issues were considered:

- Defining the class of user
- Should the definitions of the elements of financial statements be changed?
- Principles or practice
- Liabilities
- Contributions from controlling parties
- Capital grants
- Notional Transactions
- Business combinations
- Format of the proposed interpretation

The Treasury is working closely with the ASB on taking this work forward.

UPDATE: PSNC

The PSNC's discussions during the month focused on considering the issues raised by respondents to the DP on the SoP PBE. Three areas in particular were looked at.

Defining class of user

The PSNC agreed that this should remain as 'funders and financial supporters', but that the definition should be amended.

Should the definitions of the elements of financial statements be changed?

The PSNC agreed with the ASB that the definitions should not be changed.

Liabilities

While the PSNC agrees with the definition of liabilities as "obligations to transfer economic benefits as a result of past transactions or events", there is still no consensus view on (a) when a liability exists and (b) if so, how it should be measured. Discussions on this will continue!

THINGS YOU MAY HAVE MISSED

The Development of Accountancy Resources Team (to which your editor belongs) appears to suffer more than most with the relevant and more interesting the irrelevant coming across our desks and into our E mail boxes – here are a few which have hit us during the past couple of months.

A press release notifying us that divorce lawyers, as a result of a recent High Court ruling, are now obliged to report to NICS spouses who appear to be evading tax or committing social security fraud. What we found interesting is that lawyers have to notify the parties concerned of actions taken but accountants working on behalf of clients pursuing settlement are not allowed to ‘tip them off’.

The growing concern for the rising levels of obesity has led to one major accountancy firm suggesting that the UK will follow the US and introduce fat tax. This translates as relief on gym membership however it was suggested it might be a scheme to encourage us all to join the local gym to help an industry suffering hard times.

Whilst I am unaware of there being an accountant on the team, for those who missed ‘University Challenge – The Professionals’ you’ll be unaware that the Inland Revenue took the honours. Quizmaster Jeremy Paxman described them as an ‘exceptionally fierce team’!

On a more serious note Britannia Software changed its name during October to Real Asset Management and its Series4000 remains the only specialised asset management suite to be certified under the ICAEW accreditation scheme.

Lastly, on the home front the SR2004 guidance has now been published and is available via the Treasury web site - http://www.hm-treasury.gsi.gov.uk/psd/SR2004/SR2004_home.htm

...and if you have had dealings with central accountancy team or reason to obtain copies of RAM amendments or FRAB paper we hope you didn’t miss the fact that Chris Richards retired on 10th October – we wish him a long and happy retirement and good luck and many a happy hour behind the easel.

2004 CONFERENCES AND COPY DATES

22nd January - HOAP & Senior Professionals
Habadashers Hall, London EC1A

13th May - SIG HM Treasury, 1 Horse Guards Road,
London

8th & 9th July - GAS Trainee, Royal Moat House,
Nottingham

21st & 22nd July - HOAP & Senior Professionals,
Ettington Chase, Stratford Upon Avon

11th November (provisional) - SIG HM Treasury, 1 Horse
Guards Road, London

18th & 19th November - GAS Qualified, Bristol Marriott

Copy Dates - all Fridays

16th January

16th April

16th July

15th October

**Please note details relating to these events will be issued nearer the time