

## CIPFA PUBLIC REPORTING & ACCOUNTABILITY AWARDS

### Public Reporting & Accountability Awards

This year's awards sponsored by CIPFA and PricewaterhouseCoopers supported by HM Treasury, NAO and District Audit found two agencies on the winner's podium.

In the category for National Organisation with an annual turnover of less than £50m the winner was the Veteran Agency

Driving Standards Agency walked away with the top prize in the National Organisation with an annual



turnover of £50m or more, however to top off a successful evening they also received the ultimate accolade of being the Overall Outstanding Winner.

Kathy Gillatt, DSA's Finance Director commented, "The awards reflect the hard work and effort of a number of people, who are all committed to putting information about DSA into the public domain in a clear and meaningful way." Kathy added "A very big thank you to all those concerned."

DART would like to add their congratulations to everyone involved at DSA and the Veteran Agency.

## NEW MEETING PLACE REQUIRED!

Let's put it another way, if the Systems Accounting Network Group (SANG) members all decided to attend one of their regular meetings it will be standing room only! The network membership has reached

the 60 mark and still I receive enquiries about its purpose and whether departments are represented or not.. don't get us wrong we're not complaining its what a network is supposed to do grow!

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# Editorial

I hope those of you lucky enough to have been away during the past few months had a good time, though for some it's probably a distant memory; those of you like myself who are still waiting I hope you enjoy the break when it eventually comes.

Autumn always seems a time to take stock and for change and this edition seems to fit the bill as we take stock of the summer conferences whilst looking forward to November, which I hope will be just as successful. The SIG and SANG networks continue to go from strength to strength and the latest news and developments are featured in this edition. The team here has also taken stock with Mal producing a review of last years work and our plan for the remainder of this year both of which are published in this edition.

My thanks to our external contributors Insight Management and Systems Consultants Ltd and Tritorr who have linked up with the departments they are in partnership with to focus on S-Cat and GPC software respectively. As always the institutes have provided a wealth of information relevant to you in order to keep you up to date on the latest developments.

Its also nice to celebrate success and this year again colleagues have won a number of categories in the recent CIPFA/PWC awards – congratulations to everyone involved, let's hope later in the year we are reporting more success but this time in the AccountancyAge awards. Next edition will hopefully bring an update on colleagues overseas, plus those all important exam results please let Daljit know your results to make sure you are included.

If you have any suggestions for articles please let me know or if you would like to contribute next copy date is 17th October 2003.

Best wishes,

Roberta

Send your comments to:-

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VIEWS EXPRESSED IN GASETTE ARE NOT NECESSARILY THE OFFICIAL VIEWS OF THE GOVERNMENT ACCOUNTANCY SERVICE OR HM TREASURY

The June meeting unfortunately had to be postponed as we never found a date convenient for the majority but we are on track to meet in September. The lack of a meeting has not curtailed either the enthusiasm for the group or its networking abilities, using your editor as a post box the questions have been coming forward at regular intervals for onward transmission round the group. On behalf of those who asked the questions can I thank the network for getting back to individuals with such valid, useful and quick answers. At the next meeting I am going to discuss with the group how this information can be captured and stored for future reference and how we are going to take forward some of the issues raised.

Dave King OGCBuying.solutions is continuing work on the Core Accounting Systems Specification (CASS) project and is still after copies of specification

documents departments have produced in order to analyse them. He hopes from them he will be able to produce a document specifying the core needs for any department's system and to identify the bespoke elements. Dave can be contacted on 020 7271 2951 or e-mail Dave.King@ogcbs.gsi.gov.uk if you would like further information or have documents to contribute to the project.

The next meeting also sees a presentation by DEFRA with Tritorr, their provider of software which deals with GPC (Government Procurement Card) manual administration processes. An introduction to the system follows for those of you not able to make the meeting.

If you want more information about the group please contact the editor.

## DEFRA AUTOMATE GPC BACK OFFICE

When the Department for Environment Food and Rural Affairs (DEFRA) rolled out their Government Purchasing Card (GPC) programme in 1998 they quickly recognised it had significant benefits. Their card scheme was established to purchase a variety of low value items, including stationery, general office supplies and payment of catering facilities, and was quickly taken up by some 250 cardholders throughout the UK.

As the GPC programme became established, DEFRA recognised a number of problems handling the back office administration. Whilst it was being done very diligently, it was predominately a manual process and needed to be improved to realise the full potential of the GPC. The challenges that faced DEFRA were:

### Problems identified:

- Statements were not being processed in a timely fashion
- Intensive resource was required to control the process and reduce audit exposure
- High levels of resource needed to handle sheer volume of administration
- Poor central visibility of card usage or expenditure
- Difficulty transferring documents throughout organisation
- Delays on payment process



### Causes:

- DEFRA is a large organisation (employ 8,000 people) with numerous offices located throughout the country
- All payments are handled by the York office - challenge to control nation wide
- Predominately a manual process involving intensive resource and intervention e.g. manual issuing statements to cardholders, allocation of account code combination, batching and processing statements
- No electronic database/ reporting
- Reliant on people placing importance on payment process e.g. statements being left on desks when staff on holiday

### Solution

When DEFRA saw a demonstration of Card BackOffice they immediately recognised it's automated functions would resolve many of their problems. Offering a good return on investment, their solution was to implement Card BackOffice to:

- receive the bank file (statements) electronically
- allocate default accounting codes
- email statements to cardholders and approvers
- control and track the approval cycle
- enable cardholders to enhance data
- uplift data to the finance system
- produce reports to track and review the GPC programme

## Benefits

Card BackOffice was quickly installed and immediately achieved a high verification and approval acceptance.

Defra re-engineered and streamlined their manual processes around Card BackOffice gaining many benefits, including:

- A faster bill process cycle - cardholders and approvers respond well
- Increased control of the bill process
- Improved reporting - enhanced data is now captured
- Improved tracking - access to data at the touch of a button
- A very high percentage of quick verification/approvals on line
- Minimum intervention and resource now required

Defra continue to be delighted with the results and plan to expand their programme further, now they feel they are in control



### Defra Comment:

*Whilst our GPC programme successfully tackled the issue of low value purchases we had no electronic means to enhance the back office processes. As such any increased usage in the card placed additional burdens on payables teams to obtain and reconcile statements from card users.*

*To maximise the benefits of GPC it was essential to find a solution that would automate the statement handling process whilst retaining the ability for card users and managers to check and approve expenditure.*

*Tritorr's Card BackOffice has successfully enabled this and as a result we are now actively promoting increased usage of both procurement and corporate cards to supplement online e-procurement initiatives (Buy4Defra) and to compensate for the recent withdrawal of petty cash facilities. In addition we are working with Tritorr to further develop the use of "BackOffice" software in other areas of high volume, low value invoice processing.*

*Jack Doig, Head of Banking, Payables & Receivable Service Branch*



### Tritorr comment:

*In our experience, the back office challenges experienced by DEFRA are typical when organisations expand their card programme whilst still maintaining a manual back office administration.*

*Card BackOffice is an easy to use, web based system, which can help to control and improve the administration and approval process whatever the geographic structure of the organisation.*

*Card BackOffice has also proved very successful at the National Archives where it was installed earlier this year.*

*To find out how Card BackOffice can help control your GPC programme, telephone Claire Kane on 02392 597633 or email [ck@tritorr.com](mailto:ck@tritorr.com)*

# ALL ABROAD

It might be of interest to know two of your colleagues are currently posted overseas in their capacity as accountants. Ken Grant from DTI is in Baghdad living in palatial surroundings (literally) and assisting in setting up the administration following on from the recent conflict. Meanwhile Colin Bailey from the Inland Revenue has left our shores for a two-month stint in South Africa as part of the MANGO (Management Accounting for Non Governmental Organisations) and

Link Community development programmes. He will be working with 6 other accountants helping schools develop their financial management skills.

Next month I hope to bring an update on what they are doing and details of others who have left these shores for a spell in foreign climes.

# Improving Financial Management



This was the theme of this summer's Head Of Accountancy Profession conference held at Sundridge Park at the end of July. The two days saw 38 delegates come together to discuss and join workshops on issues all connected by the common theme. The first afternoon was to prove interactive with workshops and some lively discussion-taking place during the plenary sessions.

David Loweth briefly explained the Public Audit Forum model before asking those present to place their department against the five categories now and in two years time. The group split into syndicate sessions to discuss how they had reached their marking and what barrier stood in the way of making progress. Barriers seemed to focus around the issues of recruitment and retention, skills throughout the organisation, machinery of government and accounting systems. More details of the model can be obtained from <http://www.public-audit-forum.gov.uk/> and their publication 'The Whole Truth: or Why Accruals Accounts Mean Better Management'.

Following on from this session two further models were discussed the recently developed CIPFA and Inland Revenue model: Effective Organisations – A Model of Financial Management in the Public Sector which was presented by Stephen McDonald who had led the work and was now responsible for implementing its conclusion within the Revenue. The model is based on a matrix of thirty-eight statements around the areas of Stewardship, Performance and Transformation linked to people, leadership, processes and stakeholders. Further information on this can be obtained via Mal Singh.

Finally, Andrew Likierman presented the finding of a recent study undertaken by the Treasury, based on a model used by the American GAO (Government Accounting Office) 'Creating Value through World Class Financial Management', for further information see <http://www.gao.gov/>. The discussion concluded that the document was too generic and should be aimed at board members rather than the PFO (Principle Finance Officer). If, however, it were to have the desired impact it would need to be more prescriptive rather than additional guidance to that already available.

The afternoon concluded with a look at what was required if financial management was to improve. Colleagues in HR would need to be included if finance training was to be included in wider management training and competences to be developed. A benchmarking exercise would be required to determine improvement needed in respect of process and information production and the terms Resource Accounting and Managing Resources would need to be replaced with a term more readily communicated to the wider audience.

Whilst the conference ended the discussion continued over dinner, as solutions were sought and wider topics discussed which had become apparent out of the days sessions.

After a hearty breakfast, and perhaps an early swim or use of the gym, the conference reconvened to discuss the Core Accounting System Specification project being undertaken by OGC and OGCbuying.solutions. Mike Burt and Dave King gave short presentations about the project before posing three questions to the group who then explored these further over coffee. The three main topics were quick wins the project could achieve, benefits and key issues for organisations, discussion back in the main room provided Dave with a wealth of information to be considered and more questions to consider.

The following session included an update of the WGA project in terms of achievements to date and the next stages which departments would need to input to. Mal and Roberta gave an update on the work of DART which had direct links to the topics covered at the conference.

The group were joined after coffee by Peter Wyman, the former president of ICAEW, who led an interesting and thought provoking session looking at the role of the accountants and the fallout from the Enron affair, especially the need to ensure suitably qualified accountants are employed by organisations. Peter stressed the point that with the move to accruals accounting the role of the central government accountant has never been closer to that of company accountants in the private sector, the same issues of risk, governance and professionalism apply. Accountants will more than ever need to evidence their continued professional development ensuring it is output based and linked to the ethical standards of the profession. He went on to state that transparency is needed by the finance profession and that the high standards already evident in the public sector are not publicised enough, however in common with the private sector we would need to become more reactive to stakeholders and organisations. Peter continued his discussion with a number of HOAPs over lunch before they returned for the closing session.

Andrew Likierman closed the conference by discussing the need to improve financial management skills at the most senior levels. Andrew stated this was a matter he was discussing with Sir Andrew Turnbull and would keep the network briefed on any developments. More information in the next edition.



# BUYING BETTER FINANCIAL SERVICES

BY PAUL TITCHENER - INSIGHT MANAGEMENT AND SYSTEMS CONSULTANTS

Purchasing financial services through traditional procurement methods can be a time consuming, risky and costly process for public sector accountants.

So, how do you ensure you buy financial services effectively, quickly, from trusted providers and at the same time comply with the numerous regulations of the public sector procurement process?

Government organisations can now obtain financial services through a simplified system operated by OGCBuying.solutions, an Executive Agency of the Office of Government Commerce in the Treasury, whose mandate is to deliver value for money to Central Government and the wider public sector through a dedicated, professional procurement service.

This government initiative is called S-Cat and provides:

- Quality pre-vetting
- Price transparency and price advantage through collaborative purchasing
- Government approved contracts
- Simplified procurement
- Speed of purchase of service

S-Cat is a catalogue-based procurement scheme that was set up in 1997 to provide public sector organisations with a simplified means of procuring, and contracting for a wide range of consultancy and specialist services from a variety of providers.

Following the success of this scheme in procuring IT and business related consultancy, OGCBuying.solutions have expanded the services available through S-Cat including Financial Services (details below).

## What are the benefits of S-Cat?

There are good reasons for procuring financial services through S-Cat. Whether you need help with carrying out your annual audit, advice on specific financial issues, resourcing senior temporary staff or help and advice managing a big scale change in your department, organisation or systems, S-Cat providers are available rapidly.

The scheme provides the following benefits:

- Compliance with EU procurement legislation
- The ability to call-off urgent requirements quickly
- Very competitive fee rates available to all users
- A wide choice of service providers
- Easy ordering based on standardised procedures
- Sound contractual protection based on best practice
- E-commerce facilities
- Comprehensive management information

## What are the recent developments in S-Cat that could help you?

Until recently, S-Cat had limited appeal to accountants. Whilst there was a broad spectrum of services available, these were not organised with the accountant in mind.

That changed earlier this year. OGC drew up new framework contracts with a number of providers for Financial Services. The short listed companies were subjected to a rigorous evaluation process that lasted about six months. Only the best value and best quality suppliers were chosen.

Those providers who have been awarded S-Cat framework agreements for the full range of services in this new category - such as Insight - can now provide the following services through this mechanism:

- Accountancy
- Audit
- Finance related consultancy, including:
  - Asset management
  - Change projects (including financial systems project assistance)
  - Financial training
  - Financial risk management consultancy
  - Business case assurance
  - Asset valuation
  - Corporate finance
  - Financial appraisal of potential business partners
- Finance training

It is also possible to procure interim financial staff through S-Cat via a different category under the HR heading (10b - Interim Management)

Customers can order services from any of the S-Cat contractors. The catalogue is available over the Internet and can be accessed at [www.s-cat.gov.uk](http://www.s-cat.gov.uk)

## Our views

- **Insight**

Insight believes this is great news for Government accountants. We very much welcome these developments as they signal a further commitment from OGC to help public sector organisations simplify the procurement process by bringing the buyers and sellers together, promoting best practice and transparency.

Having been an S-Cat prime contractor for the last two years, we have witnessed enormous improvements in the way and speed at which services have been procured. Also being accountants ourselves we totally understand the pressure our clients are under, on the one hand having finance responsibility and therefore budgetary control, on the other hand ensuring the services they provide both internally and externally are of the highest quality.

Using S-Cat to purchase financial services from organisations like Insight will give you:

- Better, quicker and simpler procurement of value for money financial services
- Guarantee that the organisation that you buy from is of appropriate quality
- The reliance that comes from a standard OGC contract

- **Office of Government Commerce**

*Commenting on the benefits of the new S-Cat agreement, OGC Chief Executive, Peter Gershon said: "This is another example of how harnessing government's combined purchasing power can produce real value for money benefits for the taxpayer. These new framework agreements will enable public sector organisations to buy a wide range of consultancy and business services both quickly and efficiently, at very competitive rates. It will also reduce the bid and processing costs incurred by suppliers in dealing with government, which will be of particular interest to the over one-third of the suppliers under S-Cat who are SMEs."*

### OGCbuying.solutions

OGCbuying.solutions is an Executive Agency of the Office of Government Commerce in the Treasury.

OGCbuying.solutions offer a complete advisory and procurement arrangement service to purchasing professionals working for central government, the wider public sector and their private sector agents and contractors.

[www.ogcbuyingsolutions.gov.uk](http://www.ogcbuyingsolutions.gov.uk)

### What should you do?

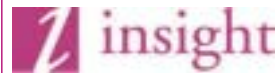
If you are considering buying financial services, you should suggest to your procurement advisors that they use S-Cat. Let them know the advantages outlined here and recommend them to contact OGCbuying.solutions Customer Service Desk on 0870 268 2222 to find out more.

### Use S-Cat - save time; ensure quality and drive up value for your organisation

### For more information about Insight Management and Systems Consultants or this article contact:

**Paul Titchener on 07071 222 191**  
or email [paultitchener@insightmsc.co.uk](mailto:paultitchener@insightmsc.co.uk)

### Insight Management and Systems Consultants Ltd



Insight is an S-Cat prime contractor on a number of service categories including financial services.

We therefore work closely with OGC to provide high-quality, value for money services to public sector clients purchasing through S-Cat.

For more information see our website  
[www.insightmsc.co.uk](http://www.insightmsc.co.uk)

# DESINATION YORK

This year's qualified conference sees us boarding the train for York, staying at Le Meridian Hotel (which was the Royal York Hotel) right beside the station, with accommodation for 300 we hope this will be our biggest conference to date.

Although it is still a number of months away we are already working on the agenda which includes a session on SR2004 to bring you up to date on the latest developments, the NAO are going to offer their perspective on the production of resource accounts, a session by our sponsors Finance Professionals. We are delighted to be joined by John Codling, both HOAP and PFO for the Department of Works and Pensions, who will be offering his viewpoint on recent developments and to close the conference Andrew Likiernan will be sharing his view of the future for accountants in central government.

Le Meridian has a modern conference auditorium with comfortable accommodation and a newly equipped gym and pool. The evening



drinks reception is to be hosted by CIPFA followed by dinner at the National Railway museum, an opportunity to enjoy a drink, a meal and a wander round the exhibits with friends and colleagues should you choose to do so.

Details of the conference and how to book will be sent to HOAPs early September.

# SPECIAL INVESTIGATIONS GROUP

A date for your diary 6th November, this is when the next SIG conference will be, which is being hosted here at the Treasury - 1 Horse Guards Road - and has the theme of Expert Services Available to Investigators.

The steering committee are busy putting the finishing touches to the agenda, however, this time we will be joined by the Forensic Science Service who are going to lead one of the main sessions focusing on an area of their work. You will also have the opportunity to learn more about the FSS as they will be having an exhibition stand in the main breakout area. As host department the Treasury will also be

represented with Paul Lloyd from the Financial Systems and International Standards unit giving a presentation on what will be the latest Money Laundering Regulations. DTI and SFO will be joining forces to present a session on computer forensics. HMCE will be sharing with everyone the workings of their DOCEX system and procedures relating to the seizure of documents. The conference is set to be another full day but of interest and relevance to you all.

Further information can be obtained from:  
Daljit Singha 020 7270 1750.

# MENTORING WITHIN THE ASSOCIATION OF ACCOUNTING TECHNICIANS



Martina Legg, Professional Development Manager at the Association of Accounting Technicians describes their mentoring scheme, designed to match members with others to gain help, advice and support.

The Association of Accounting Technicians (AAT) is currently piloting a mentoring scheme for its members. There are 25 mentoring partnerships taking part in the pilot scheme, 12 in the South East region and 13 in the North East region. The scheme, which started in February and will run until the end of the 2003, has been very popular with over 600 applications for the few places available.

Each partnership consists of an AAT student member or newly qualified AAT member (mentee) and an experienced AAT full or fellow member (mentor). The actual mentoring is mainly taking place through monthly face-to-face to meetings, as physically meeting together to discuss issues and progress is often unbeatable. But occasionally mentoring also takes place at a distance - by telephone or e-mail.

The mentors have been trained to give advice and guidance on a range of areas from general study support to personal and career development. Richard Garnett MAAT explains why he volunteered as a mentor. "I felt it was time to put something back into my Association. I think I have experience I can usefully share with those new to accountancy whether studying or

beginning to develop their careers further after qualifying. By the end of the year I really hope to have helped my mentee to develop. I also think the scheme will offer a great learning opportunity for me too."

The AAT has also trained the mentees to help them get the most out of the mentoring relationship. One AAT mentee, Karen Cargill, believes mentoring will help her in lots of ways. "I was attracted to the scheme not only for the study support, but also for the access to technical, ethical and business guidance, and support for my personal development that a mentor can offer. I think my involvement in the pilot will help me feel more confident in my abilities, and will give me an invaluable insight into other organisations and areas of practice."

The AAT has set out ground rules for its mentoring scheme pilot in a mentoring code of practice. This code is to guide both mentees and mentors in how the scheme works and what is expected of them.

At the moment the scheme is operating as a pilot so no new mentees are being introduced to the scheme, however it is anticipated that early in 2003 the scheme will be extended and that a number of central government members will be included.

Further details can be obtained either via the website <http://www.aat.org.uk/mentoring> or from Martina 020 7415 7587

AAT

# INTERNATIONAL FEDERATION OF ACCOUNTANTS - UPDATE

This month I have chosen to scan the latest news releases from IFAC to find out what's new. For those of you still uncertain of who and what IFAC is to put it in context the federation is a worldwide organisation for the accountancy profession. Its mission is to develop and enhance the profession to enable it to provide services of consistently high quality in the public interest. Its current membership consists of 155 professional accountancy bodies in 113 countries, representing more than 2.4 million accountants in public practice, education, government service, industry and commerce.

So, from the press office over recent weeks :

## IFAC Proposes New Member Obligations to Strengthen International Profession

Seeking to clarify and strengthen its membership obligations and enhance the performance of accountants worldwide, the International Federation of Accountants (IFAC) has released exposure drafts of seven Statements of Membership Obligations (SMOs). These SMOs will help IFAC to assess three critical areas: the extent to which its 155 member organisations are

IFAC

implementing IFAC standards and International Financial Reporting Standards (IFRSs); whether member bodies have the structures in place to ensure that its members are complying with these standards; and whether member bodies have appropriate investigative and disciplinary processes for their members. Where IFAC member bodies do not have responsibility for these areas, they will be required to describe how they use their best endeavors to encourage those entrusted with such functions to implement the provisions of the SMOs.

The seven SMOs are on the following topics:

- Quality Assurance
- Auditing Standards and other International Auditing and Assurance Standards Board (IAASB) pronouncements
- Ethics Standards
- Education Standards
- Public Sector Accounting Standards
- Investigation and Discipline
- International Financial Reporting Standards

“The SMOs will serve as the foundation of IFAC’s new compliance program. The program will help us to identify barriers and other obstacles to convergence towards international standards and regulation. They also will provide us with the information we need to be of real assistance to member bodies who need support in achieving compliance or help in removing barriers to convergence,” states IFAC President René Ricol.

The compliance program will be based on a process of strict self-assessment and gap analysis. Member bodies will be required to report on the extent to which they are complying with the SMOs in each of the areas mentioned above. In areas where they are not complying, member bodies will be asked to develop actions plan outlining how and when they plan to meet their compliance responsibilities. The effective dates for the SMOs will vary, with those relating to professional standards having a proposed effective date of March 31, 2004.

In the interests of full disclosure and transparency, the results of the compliance program will be made public through IFAC’s website.

The exposure drafts of the SMOs may be accessed by going to [www.ifac.org/EDs](http://www.ifac.org/EDs).

## IFAC Board Proposes Changes to Code of Ethics Impacting Accountants Worldwide

IFAC is recommending significant changes to its Code of Ethics for Professional Accountants, expanding both the guidance and authority of the Code, which is applicable to all member bodies and to accountants worldwide.

An exposure draft of the revised Code proposes that the Code be elevated from a “model code” on which to base national requirements to a “standard,” requiring IFAC member body compliance. This change is part of IFAC’s overall efforts to work with its member bodies to raise the quality of practice by accountants worldwide.

The proposed revised Code specifically expands guidance for all individual accountants addressing integrity, objectivity, professional competence, confidentiality, and professional behaviour. Clearer identification of threats and safeguards are set out for professional accountants in public practice in the areas of second opinions, fees and remuneration, and custody of client assets.

The revised Code also provides new and in-depth guidance for professional accountants in business by addressing issues such as potential conflicts, preparing and reporting information, financial interests, inducements, and disclosing of information.

The exposure draft extends the principles-based approach, consistent with that used in Section 8 on Independence issued in November 2001, to the entire Code, addressing accountants both in practice and in business.

“It provides a conceptual framework to assist professional accountants in identifying, evaluating and responding to threats to compliance with fundamental principles,” explains Marilyn Pendergast, chair of the IFAC’s Ethics Committee. “We believe that this threats-and-safeguards approach better serves the public interest than a rules-based approach which cannot provide for all circumstances.”

## IAASB Proposes New Guidance on Auditors’ Responsibility When Reviewing Interim Financial Information

The International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) is inviting comments on a proposed International Standard on Auditing (ISA) designed to establish standards for auditors of entities when performing reviews of interim financial information of the entity. The exposure draft, entitled “Review of Interim Financial Information Performed by the Auditor of the Entity,” may be downloaded from IFAC’s website by going to [www.ifac.org/EDs](http://www.ifac.org/EDs).

The proposed standard applies to engagements to review interim financial information when all of the following criteria are met:

- a. The review is performed by an entity’s auditor;
- b. The interim financial information is prepared in accordance with an identified financial reporting framework;
- c. The entity is required or permitted under legislation, regulation, or equivalent authority to issue such interim financial information; and
- d. The audited financial statements of the entity are required to be filed with a regulatory authority, or equivalent, and are publicly available.

The exposure draft outlines the scope of these reviews, which is different from reviews performed in accordance with ISA 910, Engagements to Review Financial Statements. ISA 910 is broader in scope, covering reviews that are performed by a practitioner who is not the auditor of the entity. IAASB welcomes comments on whether the scope of the exposure draft on interim financial information is appropriate or whether it should be expanded.

The exposure draft features guidance on determining the terms of the engagements, procedures, evaluation of misstatements, management representations, and reporting the results of the interim review. In addition, an appendix includes examples of analytical procedures the auditor may consider, and provides illustrative review reports, modified review reports, and a management representation letter.

If you haven’t visited the site one thing which might provide an interesting diversion are the links to the many members websites.



## CIPFA INTRODUCES A NEW CPD SCHEME

CIPFA

At the AGM in June 2003 CIPFA members voted to introduce mandatory participation in the CPD Scheme. Implementation will be phased and will begin in January 2005 based upon the individual's date of election to the Institute:

Phase 1	January 2005 Members elected in or after January 1994
Phase 2	January 2006 Members elected between January 1984 and December 1993
Phase 3	January 2007 Members elected before January 1984

A new improved CPD scheme has been developed to coincide with these developments. It draws extensively on member feedback and national and international research concerning best practice. It will be launched in September so that all members have the opportunity to begin to use it on a voluntary basis ahead of the timetable for mandatory participation.

Two levels of participation have been developed. Level 1 is the basic scheme designed to meet all current requirements of regulators. Level 2 is the best practice scheme and focuses on planning, recording and reflecting on CPD development. Flexibility is key to this scheme so you may switch between the two levels at anytime. Members currently participating in the voluntary scheme will be considered to be participating at Level 2 unless advised otherwise.

The minimum number of hours is being reduced from 150 hours in a three-year period to 120 hours of verifiable activities over a three-year period and 20 hours of verifiable activities in any one-year. Members may, in special circumstances, request a reduction in the number of hours. Advice on individual circumstances is available from the CPD Section.

The new scheme continues to focus upon the development of technical and management knowledge and skills. The precise detail of the skills and knowledge to be developed is not prescriptive and the key is to make sure that the skills and knowledge are relevant and valuable to the individual. When undertaking development activities you will be encouraged to consider how best you learn and to select activities that support your learning style e.g. on the job learning, individual study attending briefing sessions, meetings or courses and undertaking volunteering activities. Wherever possible CIPFA asks that CPD activities should be verified or evidenced. This will usually involve an independent record confirming that the activity took place.

Monitoring arrangements are changing quite significantly from the current scheme. Annually, members will be asked to confirm that they have met the Scheme requirements at either Level 1 or Level 2. In addition a number of members will be randomly selected and asked to meet with an Institute representative to share the details of their CPD activities. For most members it is expected that it will be more convenient for this meeting to take place in their workplace. These discussions will aim to help members get real value from the scheme.

The supporting documentation you will be asked to provide at an Employer Visit will vary depending upon which Level you are participating at.

Level 1	Learning and Development Record (Level 1) Portfolio of Evidence
Level 2	Learning and Development Plan Learning and Development Record (Level 2) Portfolio of Evidence

Participation at Level 2 will be recognised through the use of an asterisk against your name in the Directory of Members, which is published on CIPFA's website. Participation at Level 2 for three continuous years will also be recognised through the award of a Certificate of CPD.

CIPFA is keen to work with employers who have introduced in-house staff development schemes. Accreditation of such schemes for CPD purposes is possible and a number of organisations have already been accredited. In practical terms this means that CIPFA members will be recognised as participating in both the CIPFA and employer scheme without the need to complete two sets of documentation. Members will be asked to declare their participation in the CPD scheme annually and if selected to share their CPD with an Institute representative the paperwork from the organisational scheme will be used as the basis for the discussion.

The Government Accountancy Service is in the process of developing a Continued Professional Development Scheme which has been provisionally accredited by CIPFA at Level 2 – the best practice level. This arrangement will be revisited once the Scheme has been finalised.

Advice and support about CIPFA's CPD Scheme is available from the CPD Section on 020 7543 5668/5706 or by emailing [cpd@cipfa.org.uk](mailto:cpd@cipfa.org.uk). Please visit the website at [www.cipfa.org.uk/cpd](http://www.cipfa.org.uk/cpd).



# ACCA LAUNCHES INTERNATIONAL FINANCIAL REPORTING DIPLOMA

Countdown to 2005 for IFRS explained in new microsite - [www.accaglobal.com/ifrs](http://www.accaglobal.com/ifrs)

ACCA today launches a dual initiative on the key issue of International Financial Reporting Standards (IFRS), which will be mandatory for all listed companies in the European Union within eighteen months. ACCA is introducing a diploma in international financial reporting and a dedicated site within its main website, which provides comprehensive materials in this area.

Mark Protherough, ACCA's Head of Education & Training, said: "The move towards IFRS is happening all round the world and represents one of the most significant changes in financial reporting for years. It is essential that everyone involved in the accountancy or finance profession knows fully what it will mean for them. This is why we have designed an IFRS microsite now for the lead-up to 2005."

Mark Protherough added: "The whole point of our site is that it caters for people who need widely differing levels of detail. For those who just need to update their knowledge, there are technical articles and

business news. There is also a suite of resources for companies needing advice on IFRS. But those who will be deeply involved in this area and who want to take the diploma (DiplIFR) will find this gives them a thorough grounding in the principles of international accounting standards."

ACCA has led the way in the accountancy profession by using international accounting rules as the basis for its syllabus since 1996. So the diploma is a natural development of ACCA's international approach. But the diploma and the microsite resources are available to all professional accountants not just ACCA members.

The diploma is an open-learning course supported by study material produced by ATC International. It can be completed in three to six months and is assessed by a single 3-hour written exam, held in June or December.

For further information please contact:

Ian Welch, Head of Corporate Communications, Tel: 020 7396 5729.

## MAKING CONNECTIONS AT YORK

The information said it was next to York station and they weren't wrong in fact the entrance was right outside the main exit, though I hasten to add once inside you wouldn't have known. The hotel really did reflect the golden age of travel, however this was not reflected in the facilities, a modern conference centre, which this year allowed a cabaret style set out and a good standard of accommodation.

The conference area was set out with stands from all the CCAB institutes and the sponsors PASS, a publication solely with students in mind and its free you just needed to register something many of us were to do over the two days. Sally and the team greeted us all providing all the information we needed and dealing with any queries we might have. I wandered into the conference room thinking I was early only to find people had already started to occupy seats in anticipation, however at 12.30 everyone made a move to the restaurant for lunch. A number of people seemed to know each other either from last year's event or mixing with work colleagues though I did get the impression the majority had not attended the conference before and it didn't take long before I got chatting to fellow trainees over lunch.

Roberta bought the conference to a prompt start going through all the housekeeping and administration information before introducing Mal Singh, DART's new leader who introduced the first speaker Vernon Soare, CIPFA's Director Technical Issues. Vernon spoke about the evolving role of accountants and how we would be at the heart of reform, supporting decision making, improving performance and adding value. He reminded us all that traditionally the accountant has been at the corporate centre controlling the business finance function and how accountants would need to move to the service delivery point, with a more stewardship focus. The role in future would be more about service partnerships with accountants developing new skills. On encouraged us to aim high in an organisational sense as well as at a personal level, but first we needed to pass our exams and then to continue to develop skills if



we were to operate in the different arenas accountants find themselves in.

The next session of the conference was an opportunity to spend time with our institutes an opportunity most of us had not had before. CIMA remains the biggest group but the other institutes increase in numbers each year and the number of AAT trainee's remains constant year on year. I understand from fellow trainees that the sessions were all good and useful even though we had just sat our exams, topics covered included how to build that vital portfolio of experience to gain your letters, how to build portfolios for NVQ studies, exam tips, including an interesting exercise with ACCA which proved to us that we tend to storm into the paper without reading the instruction – a little like making a flat pack furniture without reading the instructions!



A cup of coffee and back into the main room to listen to Douglas Broom, editor in Chief with Croner CCH Group - the publishers of PASS. Douglas spoke about progressing careers and how to make that impact and he'd obviously done his homework on the Government Accountancy Service. He reminded us that potentially we were tomorrow's leaders of our organisations and that in order to succeed we needed to make sure on top of our accountancy skills we acquired management and complimentary skills in communication and business. Douglas stressed that our career was in our hands and that the all round manager was as important as our specialist profession if we were to reach senior manager status. Whilst the opportunities were there for the taking he advised us that we should plan our future carefully and at our own speed as everyone would achieve there goals at different times. Douglas finished the day with an open forum jointly chaired with Roberta which answered many of the questions we had.

The evening was to be the hottest this year, but York offered a number of alternatives to end the evening following a tour of the Dungeons and a meal. This perhaps was not everyone's ideal night out and it was crowded for such a hot night, however with so many of us it would always be difficult to cater for everyone and at least we can all put it down to experience. This aside, however no one kept us there so we gradually wandered of into the night with new friends and old to explore what York had on offer, though many ended up in the pubs along the river.



The following morning began with an accounting standards update session lead by Clare Burton from FTC. Clare took us through the intricacies of FRS 15, FRED 29 and how it links to IAS 16 and 23. I was amazed at how clearly Clare put this across to us not an easy task at 9.00 am in the morning, however if I only remember a handful of points to use in the exams at least it will be a few extra marks.

The second session was to prove really interesting and wetted some of our appetites to work for the NAO as a

long-term goal. Glenda Roberts a senior auditor in the Education and Skills department gave a very frank presentation on the work of the NAO talking about their role, what they do in terms of financial audit, value for money evaluations, their links to colleagues in other organisations such as the Audit Commission, Cabinet Office, internal audit etc. Clare went on to speak about the skills and qualifications held by their auditors and



how people could pursue a career with them. Clare took a number of questions both at the end of her session and during the coffee break.

Ian Carruthers the Head of the Whole of Government Accounts (WGA) team joined us after coffee and provided an overview of what WGA is and why they are being introduced. For many of us this was new as we were either new to central government or were not involved in this area of work. Ian was informative and provided an interesting voyage through the work to date leaving us with a clear view of what lay ahead and plenty of information about how we could find out more.

The conference ended with a session on Career Pathways. We were joined by two accountants from DEFRA's office in York, both had agreed to step in to take the session at the last minute though the presentations would not reflect this. The first speaker was Mark Murphy, their systems accountants who spoke about his career to show how a qualification could open opportunities I can only dream of. Mark had qualified in the UK but went on to work overseas seeking opportunities and taking them when they arose in the Middle East and Canada before finally returning to his native Yorkshire. The pictures of water-skiing and white water rafting did make me wonder about what the future might hold. Mark also spoke about how his career had moved within the specialism and how he had continued to learn new skills as his career progressed.

His boss Roger Atkinson followed Mark, Head of the Finance Division, an SCS post, something else for us all to contemplate. Roger spoke about how really he was an helicopter pilot being trained in the Navy before leaving and taking up accountancy studies, he progressed via the private sector and then into the public sector working at the British Library and then onto DEFRA. Roger left us with no doubt that opportunities were there and that there had never been a better or more exiting time to be an accountant in central government. More to the point he stressed he had never had to leave his native and beloved Yorkshire.

With the conference bought to an end on an inspirational high we bid farewell to new friends before setting off homeward for the weekend with more than a little to think about. Who knows with luck next year I might be the one greeting old friends on day 1.



## CENTRAL GOVERNMENT PROVING ITS COMMITMENT TO STAFF TRAINING

Central government employees are the best supported in the country when it comes to training and professional development. In a recent survey of AAT student members, 89 per cent of those respondents working in central government received support from their employer during the course of their study, a figure significantly higher than the national average of 79 per cent.

This support takes a number of forms, but payment of college fees is by far the most popular with over three-quarters (78 per cent) of those interviewed - from all sectors - receiving assistance in this way. Other methods include provision of books and study materials (60 per cent), payment of their AAT membership subscription (60 per cent), study leave (54 per cent) and day release (48 per cent).

The survey also sought to understand students' reasons for choosing to train with AAT. The findings showed that the main motivation for choosing to do an accounting qualification was to back up existing work experience. Additional reasons included: because AAT is a widely recognised qualification; their employer recommended AAT; their college recommended AAT or because they wanted to become a fully qualified accounting technician.

For more information about the AAT and its qualifications, please contact: AAT Student Services on tel: +44 (0)20 7415 7644, e-mail: [studentservices@aat.org.uk](mailto:studentservices@aat.org.uk) or visit the AAT's website at [www.aat.org.uk/prospect](http://www.aat.org.uk/prospect)

### Career Development Events

The AAT will be holding two free career development events to help AAT members make the most of their membership and learn about the progression opportunities available within the accountancy profession.

Recruitment consultants will be on hand to offer practical tips on CV preparation and interview technique, while representatives from a number of the chartered accountancy bodies will be present to offer advice on the exemptions/fast-track routes available to AAT-qualified accounting technicians.

- Saturday 11 October 2003 - Manchester
- Wednesday 26 November - Newcastle

Full details are available on the AAT's website - [www.aat.org.uk](http://www.aat.org.uk) - or by contacting the AAT's Events Team on tel: 020 7415 7675 or e-mail: [neil.newman@aat.org.uk](mailto:neil.newman@aat.org.uk)

### ICAEW library

The ICAEW has opened its Library and Information Service (LIS) to full members of the AAT. The LIS provides access to a wealth of information covering UK accounting, auditing, taxation and company law and information, as well as related business and management subjects.

This is a further example of the close relationship between the AAT and ICAEW. AAT members are already entitled to use the ICAEW's Technical Advisory Helpline Service.

**For further details on the service contact the AAT's Member Services Section by email: [membersservices@aat.org.uk](mailto:membersservices@aat.org.uk) or tel: 020 7415 7600.**

### Increased university recognition

The AAT Accounting Qualification is now recognised by 20 universities in the UK for entry and exemptions onto finance-related degree courses. This is part of our on-going work to gain greater recognition of our qualifications within further education and to increase the options available to individuals who complete AAT. For further information on the exemptions provided please visit AAT website - [www.aat.org.uk/universityexemptions](http://www.aat.org.uk/universityexemptions)

The following 20 institutions offer degree entry for successful AAT students:

Northumbria University	Liverpool John Moores University
University Of Glamorgan	Bolton Business School
Oxford Brookes University	Reading University
University of Portsmouth	Sheffield University
Sheffield Hallam University	Thames Valley University, London
University of Essex	The Open University
De Montfort University Leicester	Loughborough University
Leeds Metropolitan University	University of Wales, Bangor
University of Central England	Bournemouth University
South Bank University	Kingston University

### Management development pilot

The AAT is piloting a range of interactive and flexible CPD opportunities covering management and personal skills. This is in response to requests from our members for specific support and guidance with management and personal skills.

The methods of support include:

- regular books, tip sheets, and briefings by post
- online guidelines, templates and checklists
- 'ask the expert' e-mail and one-to-one telephone coaching
- an online discussion forum to facilitate learning from each other
- discount on the current 'Developing Professional Management Skills' scheme

The pilot will run until the end of 2003 and if successful could be extended to all AAT full members next year.

In the meantime, AAT members can access the 'Developing Professional Management Skills' scheme. The scheme is made up of 18 modules covering a range of topics from 'Getting the best out of yourself' to 'Establishing organisational strategy'. The modules are based on the national management standards and are closely linked to the NVQs in management. AAT members can choose to complete just one module or a selection of modules relevant to their needs.

**For further information on either of the schemes please contact the AAT's Professional Development Section by e-mail: [profdev@aat.org.uk](mailto:profdev@aat.org.uk) or tel: 020 7415 7591.**

## AAT: What's new in CPD? Online CPD

The AAT's new online CPD log is proving very popular, with over 1,000 members already registered. AAT full members can access, update and print out their CPD activity log at anytime via the AAT's website - [www.aat.org.uk/members/cpdlog](http://www.aat.org.uk/members/cpdlog)

## Local branch meetings

The latest edition of the AAT's Professional Development Handbook was sent to all AAT members in August. The handbook contains details of national and branch events, seminars and CPD courses until the end of 2003.

**For a copy of the handbook please contact Priya Mandalia by e-mail: [priya.mandalia@aat.org.uk](mailto:priya.mandalia@aat.org.uk) or tel: 020 7415 7644**

## Changes to AAT student fees

From 1 September 2003 the AAT's fees for student members have been revised. The main change is the introduction of a one-off admission fee for all new students members (£20) to cover their initial registration costs. However this will NOT apply to student members that are already registered. Additionally some services that were previously provided at no cost will now be chargeable. These services are:

- late exam change
- duplicate certificates
- appeal against a skill test decision

All student members will still pay an annual student membership fee. From 1 September this fee will be £50 for student members based in the UK, and £40 for those outside the UK.

## How are the fees set?

This fee reflects the cost of providing support and services to all our student members, while the difference in price for UK and non-UK students is due to a £10 levy payable to the UK's Qualifications and Curriculum Authority (QCA) for each NVQ certificate issued to students on completion of a level.

## What do my fees pay for?

In addition to covering the cost of your membership administration and materials (for example, the Student Handbook and Student Record), the AAT's fees also provide for investment in further development. In the last three years alone the range of products and services available to AAT student members has greatly increased. These developments include:

- A dedicated student member telephone helpline to advise you and answer your queries
- Improved literature to support your learning and help you make the most of your AAT membership
- A revised website with up-to-date news, resources and career development advice
- An improved online discussion forum for you to share ideas, questions and best practice with other student members
- An online version of the AAT's magazine Accounting Technician containing an interactive job search and an archive of Study Zone articles related to specific study topics
- More careers days to advise you on your professional development options
- Increased exemptions and progression opportunities for those wishing to move on to chartered study
- Recognition from over 20 universities in the UK, for the AAT's qualification to provide entrance exemptions to a number of business and accounting degrees
- Preferential rates on a range of financial services

***If you would like more information about the fee changes or have any other queries regarding AAT student membership, please contact AAT Student Services on tel: 020 7415 7644 or e-mail: [studentservices@aat.org.uk](mailto:studentservices@aat.org.uk)***

## Summary of AAT student member fees

FEE PAYABLE	FROM 1 <sup>ST</sup> SEPTEMBER 2003
One-off admission fee	£20
Annual student membership fee (UK)	£50
Annual student membership fee (non-UK)	£40
Supplementary NVQ/SVQ	£10
Foundation exam	£26
Intermediate exam	£28
Technician exam	£30
Exam late entry	£75
Exam late change	£15
Post entry exam registration	£120
Foundation exam (tasks and answers)	£11
Intermediate exam (tasks and answers)	£12
Technician exam (tasks and answers)	£14
Payroll exam (tasks and answers)	£12
Audit exam (tasks and answers)	£12
Exam re-mark with feedback	£35
Unit certificate	£10
Duplicate certificate	£10
Student appeal against skill test decision	£35

# RAISING THE AUDIT THRESHOLD - RAISING THE RISK OF FRAUD



*A statutory annual audit may well soon be a thing of the past for thousands of small UK companies. But is this fact a cause for celebration or concern?*

There is little doubt as to which way the Government sees it. In his Budget speech last month the Chancellor referred to releasing such companies from the 'burdensome requirements' of the audit, subject to consultation this summer. From the turn of phrase used, one could be forgiven for assuming the decision has already been made, no matter what the results of the consultation.

For several years the Department of Trade & Industry has mooted the idea of raising the turnover threshold, below which companies are not required to have an audit, from the current £1m to around £4.8m, the maximum permitted in the European Union.

Two years ago, the Company Law Review Steering Group, a body appointed by the DTI, backed such a move, as part of a wider deregulatory analysis of the small company sector. It also called for such businesses to do without a company secretary and for a new regime for groups of companies, under which, in return for guarantees given by holding companies, the subsidiaries would no longer have to prepare or publish their own accounts.

All this of course sounds attractive to a government which is now coming under increasing fire for its record of imposing taxes, national insurance and red tape on smaller businesses. What better way to prove one's small business-friendly credentials than by removing what many see as a needless annual chore?

The trouble is, the audit is there for a reason. It is true that some passionately believe that bureaucracy will be cut and that companies would spend the money saved on more 'useful' advice from their accountants.

But ACCA is equally strong in its view that the audit is not a waste of time or money. It is both a valuable discipline and a guarantor of good financial housekeeping internally, and the best source of comfort for external stakeholders. Similarly a good company secretary is needed to ensure high levels of statutory compliance.

Lenders of finance and the tax authorities have always attached great importance to the audits of companies' accounts. The current tough economic outlook is hardly the time for less assurance to be given before lending decisions, for example, are made. The £1m turnover enables truly micro-companies to opt out of the audit regime, but keeps the safeguards for shareholders and creditors of slightly larger businesses.

One of the main dangers in abolishing the statutory audit is a distinctly higher risk of fraud. In 2001, the ACCA surveyed 1250 of its own practising firms, to determine the incidence of fraud they had encountered. On average, these firms had 215 clients, so the report covered 260,000 UK companies.

The principal cause of fraud was found to be personal gain by management and often involved the manipulation of financial records to disguise, suppress or alter transactions. In these cases management often over-rode financial controls to allow the fraud to be effected. But in 45% of the cases it was the external auditors who detected the fraud.

On the surface, raising the small audit threshold may seem a painless and popular way of cutting red tape. But there is a genuine chance that a large hike could lead to increased levels of deception and lower standards of compliance, governance and financial

management generally. The biggest losers would be stakeholders of affected companies, who would no longer have access to reliable accounts.

It seems odd that the Government is intending such a move at the same time as new Money Laundering regulations come into effect. From later this Summer, accountants, auditors and other professionals will face the risk of jail they fail to report suspicions of money laundering. What better way of uncovering such activities than by an audit? And of course in the wider context of global terrorism, reducing checks on companies finances seems to sit uneasily.

Some will no doubt accuse ACCA of special pleading for our members. Comments like: 'Well of course it is in your interests to retain the small audit isn't it?' will be directed at us. But, in fact, when surveyed, most of our members felt such a move would not have a significant impact on their practices. We also believe that many affected companies, seeing the value of the audit, will opt to move to voluntary audit regimes.

Of course the audit is not perfect. Think of Enron! But no one is suggesting removing the audit for multinationals. And all companies, no matter what their size, have duties to their stakeholders. We believe that, in the public interest, the Government should think again and leave the small company audit threshold alone.

Anthea Rose, Chief Executive, ACCA.

## Standards must be flexible for a global audience

*Last month I became president of ACCA, the first non-EU based accountant to enjoy such an honour. It is an appointment, which reflects the international nature of ACCA as an organisation, with offices in 70 countries supporting our near-100,000 members.*

This gives us a unique appreciation of the challenges and opportunities facing the accounting profession. Eighteen months on from the start of the Enron crisis, the need to restore the profession's battered image has not diminished, but it is being tackled in different ways throughout the world.

In the USA, the accounting profession has been stripped of its highest profile responsibility - that of monitoring public company auditor effectiveness. But in attempting to crack down on misleading financial reporting, the stringent provisions of Sarbanes-Oxley have created a political uproar which endangers relations not just between the US and EU but also between US regulatory authorities and equivalent regulatory bodies through the world.

In Canada, the Chair of the Ontario Securities Commission, David Brown, has recently launched a series of new governance and CEO/CFO sign-off proposals designed to "restore confidence and ensure Canada's ability to compete in the post-Enron world". Mr Brown stresses that Canada is an independent country with its own unique market - "Canadian measures to restore investor confidence will be as robust as those implemented in the U.S., but they will reflect the differences in Canadian markets".

These are sentiments with which Frits Bolkestein, the EC Commissioner responsible for Internal markets will surely sympathise. Europe is also trying to demonstrate its independence as a financial market place. The new European Commission proposals on auditor

oversight and corporate governance have been generally welcomed by ACCA. The proposal to require the implementation of International Standards on Auditing (ISAs) is long overdue. The decision to create a pan-European auditor oversight mechanism to co-ordinate the work of national oversight bodies is a sensible move.

## From a European perspective, ACCA's concerns are twofold.

First, we feel that the Commission is still holding back from encouraging the rapid development of a common governance framework for European listed companies. ACCA accepts that there are significant differences in business law and culture within the EU, but the rapid development of a single financial market demands the equally rapid emergence of comparable governance mechanisms, including common principles for the disclosure of corporate governance performance and the protection of shareholder rights.

Our second fear is that the proposed changes may not be in place soon enough to delay US requirements for European auditors to register with the new US oversight body - the PCAOB. This would be a tragedy for the European profession as it might encourage the development of "private" bilateral arrangements in advance, or perhaps in place of, proper mutual recognition.

ACCA believes that convergence around ISAs should become a feature of regulatory intervention in all developed, developing and transitional markets, as should the need to construct robust oversight and governance mechanisms. We expect to see this soon in the Asia Pacific region as well as in Central and Eastern Europe, where the new EU member states seek flexible regulatory mechanisms which ensure market credibility without asphyxiating market participants with US-style rules and regulations.

I use the term "flexible" quite intentionally, as I believe it is the key to effective regulation. As a 'big 4' partner, in Hong Kong, I am fully aware of the complexities and problems involved in the governance of large businesses.

Recent research carried out by ACCA of CFOs in China and South-East Asia revealed interesting regional attitudes to corporate governance post-Enron. The report showed that there was a heightened awareness of the relevance of sound corporate governance, and particularly the role of non-executive directors. China and Malaysia, in particular, were conscious about the need to reform if they were going to be able to raise overseas funds to develop their businesses.

Some respondents said that they would welcome a global principles-based approach to corporate standards. Others, however, said that a global approach would not be appropriate in Asia because of the complexity involved in developing pan-regional guidance and the need for local solutions. Traditional Asian business models remain strong and this often runs counter to developing transparent governance procedures.

It is interesting that some southern hemisphere countries are ahead of the game.

In South Africa, new governance mechanisms embrace the broader issue of corporate social responsibility which, for all the hype, has failed to register significantly on the corporate governance agenda in the USA or Europe. And in Australia, the recent ASX governance code tries to take a broader view, containing as one of its basic principles "the need to recognise legal and other obligations to all legitimate stakeholders".

International Financial Reporting Standards represent another area where the need for flexibility is important. The IFRS programme has, to date, been largely driven by the reporting requirements of large listed companies. This work is essential and must continue. But the International Accounting Standards Board itself has been slow to acknowledge the reporting needs of the vast mass of smaller companies.

The recent draft auditing standards issued by the International Auditing and Assurance Standards Board tell a similar tale - they are not designed for smaller firms of auditors, which will consequently struggle to apply them, putting at risk global acceptance of ISAs. This would be a great pity.

Flexibility is also important in the area of auditor liability, which is a real issue for all auditing firms. But the solution does not lie in the direction of fixed liability caps or disclaimers contained within the auditor's report. Rather, there should be a globally recognised endorsement of the principle of proportional liability. Securities markets regulators such as IOSCO should recognise the need for reform and join forces with the profession to encourage legislators globally to accept this simple principle.

As a truly international body, ACCA fully supports the concept of moving towards international accounting and auditing standards. But these must be suitable for many audiences and not take an inappropriate one-size-fits-all approach.

Sam Wong, President of ACCA.

## Money laundering laws - a threat to high-street accountants

*Money laundering, the process by which criminals try to disguise the origins of their ill-gotten gains, is big business. The Home Office estimates that about 2% of the UK's gross domestic product - some £18bn - falls into this category. It has been going on for many years and has increased in sophistication in line with developments in technology.*

But what is new is the UK's hugely expanded definition of money laundering and the Government's approach to tackling it. And the foot-soldiers in the front-line are not James Bond or M15 but now include ordinary high-street accountants.

One of the consequences of the so-called 'War on Terrorism', post-September 11, is that the profile of money laundering, as a facilitator not only of international terrorism but of drug trafficking, fraud and other serious crime, has been raised significantly. In order to prevent criminals from using the financial system to launder money, governments world-wide have acted swiftly to close whatever loopholes they can.

Following a new European Directive on money Governments world-wide have acted swiftly to close whatever loopholes they can laundering, the UK

Government is bringing in tough new laws later this month. These will require professional advisers and business people to keep their eyes open for signs of suspicious financial dealings and, where they spot any, to report them forthwith to the National Criminal Intelligence Service (NCIS).

These new laws adopt the hugely extended definition of money laundering, which was first introduced in the 2002 Proceeds of Crime Act. For accountants and other advisers, it now covers any financial crime, and has – crucially – no minimum limit. People are now taken to be engaging in money laundering if they conceal, disguise, convert or transfer criminal property; if they enter into any arrangement which they know or suspect facilitates the acquisition, use or control of criminal property by another person; or if they acquire, use or take possession of criminal property themselves. Criminal property can be the proceeds of any one of the thousands of crimes on the statute book, including tax evasion and the proceeds of bribery and corruption.

And, if accountants fail to report any suspicions that they have, then they will be deemed to have committed a criminal offence and could face imprisonment.

The inevitable outcome is a serious risk that accountants will play safe and report everything to NCIS, no matter how trivial. The whole thing will lead to a huge administrative burden for accountancy firms, and could be ruinously expensive for some. And of course these costs will inevitably be passed onto clients.

It must be hoped that some sort of agreement can be reached between the profession and NCIS as to what is a 'reportable event'. Otherwise accountants could end up spending more time filling out forms for NCIS than on client work.

But whatever transpires, all regulated individuals and firms will need to take appropriate measures to establish the true identity of prospective clients and customers. They must also ensure that their staff are trained so that they can recognise and deal with transactions which may be linked to money laundering. Necessary internal control procedures will require the appointment of 'money laundering reporting officers'.

Where such an 'officer' concludes that a particular matter gives rise to knowledge, or even a suspicion, of money laundering, the matter must be reported. Clients of accountants and tax advisers should note that their duty to report under the new Regulations overrides the advisers' duty of confidentiality to their clients.

Insolvency practitioners do not escape either, despite their not being specifically covered by the Directive. The UK Government has decided to apply the new regulations expressly to any person who acts as an insolvency practitioner under the Insolvency Act 1986.

Given that the maximum punishment for failure to observe these new requirements (where a fraud is actually occurring) is fourteen years in jail, they are being taken very seriously by accountants and, no doubt, by all the other professions covered. Any business person dealing with a new accountant, tax adviser or solicitor in the coming months can, therefore, expect to play their parts in the UK's crackdown on money laundering.

John Davies, Head of Business Law

## Include social and environmental data in new OFR says ACCA

*Directors should include high-level disclosures of their corporate social and environmental performance and policies in the new Operating and Financial Review, says ACCA (the Association of Chartered Certified Accountants).*

Responding to the Government's publication today of a consultation document on what information should be included in the OFR, ACCA believes guidance to directors needs to be clearer on the issue of

external stakeholder concerns, not just those of shareholders.

Roger Adams, ACCA technical director, said: "The focus of the OFR Working Group on Materiality, is primarily on identifying issues which are material to shareholders. This is in line with the recommendations of the recent Company Law Review.

"We believe, however, that there will be many social and environmental issues, which, although of great concern to other stakeholders such as customers, employees, lobby groups and developing country regulators, will be judged immaterial by directors for the purposes of separate disclosure in the new OFR. These might include issues such as child labour, bribery and corruption or localised environmental damage. There are also wider issues such as climate change and carbon risk which need to be addressed by many large companies", he said.

Social and environmental reporting is currently located largely outside the annual report and accounts. Approximately 70% of the FTSE 100 produces such stand alone reports. The problem is that, with the exception of the small socially responsible investment (SRI) community, the mainstream investment institutions pay little attention to these voluntary disclosures.

Roger Adams said: "ACCA would like to see the OFR contain a solid and substantial core of high-level disclosures relating to corporate social and environmental policies and performance, if necessary referenced to supplementary performance data".

Linking the additional responsibilities placed on directors by the new guidance with the recent Tyson report on widening the gene pool of competent non-executive directors, Adams said "ACCA believes that many boards currently lack the necessary skills and knowledge to make an informed judgement on the materiality of social and environmental issues. This adds considerable impetus to the need to identify and recruit independent non-executives from a wider background."

For further information please contact: Ian Welch, Head of Corporate Communications, ACCA; tel: 020 7396 5729. Roger Adams, Technical Director, ACCA; tel: 020 7396 5971.

## Would a merger between Customs and the Revenue work?

Chas Roy-Chowdhury, ACCA Head of Taxation, believes the 'bad cop' may outweigh the 'good cop' in a merged tax organisation, while businesses may have reason to fear more in-depth inquiries.

Dawn Primarolo, the paymaster-general, announced yesterday a major review of both the Inland Revenue and Customs & Excise, after a series of recent high-profile problems at both agencies. The Treasury has intimated that a merger between the two could be a possible solution. Such a fundamental reorganisation would certainly help deflect political attention away from the government's own embarrassment in the episodes such as the Mapeley Steps affair, where the two agencies transferred their property to a Bermuda tax haven.

But would, or could, a merger work?

The UK is unusual in having a split tax regime. Customs' VAT responsibilities have always sat uneasily with its immigration controls and its fight against drug smuggling. So, in theory at least, a merger could mean VAT collection being subsumed into the Revenue to form one general tax function, leaving a Customs Authority to chase drug traffickers.

A general tax agency could provide businesses with consolidated tax demands covering PAYE, Working Families Tax Credit, VAT, Customs Duties and Corporation Tax. Local offices could help taxpayers with enquiries on everything from Inheritance Tax to capital gains. Administration could be simplified.

Time could also be saved when a tax inquiry is launched. Currently, a

VAT investigation is often followed by a Revenue inquiry with consequent doubling of disruption to a business' affairs. One agency doing one inquiry would make some sense, but the danger is a much more in-depth investigation, with more issues to examine. And inspectors may find themselves under more pressure - real or perceived - to 'find' results to justify the costs of combined inquiries.

But the \$64,000 question is:- do the very different cultures at the UK's tax authorities lend themselves to a merger? The perceived problems here explain why a merger, while mooted for the last ten years or more, has never happened.

The Inland Revenue is more prepared to negotiate and has a more human face. By contrast, mention Customs investigators to accountants and business people and exasperation sets in. Once the Revenue has made a ruling, it generally sticks to it. VAT offices change their minds more often - partly because they tend not to commit themselves in writing.

The historical background to Customs is that it was not set up as a tax collecting agency, chasing payments from people who are essentially honest. It was set up to chase smugglers. Some of that ethos persists - and it is this which needs to change if a merged entity is to operate as an effective public service agency.

But my concern is that, in a merged tax authority, Customs' approach - and powers - would prevail. Customs has far greater powers of investigation and entry - greater than the police in some cases. If a merged tax authority takes on such characteristics, the 'bad cop' would sideline the 'good cop'.

Nor should it be forgotten that VAT and corporation tax are two very different animals. VAT is charged on a transaction basis and Customs' IT system is set up for regular payments over time. A lot of Customs' time is spent out in the field checking that retailers and traders have systems that will adequately account for VAT - an activity that contributes to the authority's rather fearsome reputation.

The Revenue's infrastructure, meanwhile, is geared to deal with annual or quarterly deadlines - so the risk is that there will be a hiatus of payments, which are processed and ideally cleared in time for the next deadline. The cost of bringing together two such disparate systems would be high indeed.

The different cultures also have major implications for staffing and training. The Revenue is geared towards professional qualifications and has a structure of tax exams. Customs, by contrast, is much more experience-driven. There is less structured training of staff and no integrated training package.

To sum up, I would say the problems of a merger between two such distinct bodies gives little grounds for confidence that it would succeed. But the string of disasters we have had recently - from the Revenue's family tax credit debacle and ceasing of reminders to people to pay enough NICs for a decent state pension, to Customs' failures in £billion fraud cases - means there might just be a sufficient head of steam now for this long-mooted merger to move from theory to practice.

For further information please contact: Ian Welch, Head of Corporate Communications, ACCA, telephone: 020 7396 5729



## ACCA ANNOUNCES NEW CHIEF EXECUTIVE

The Association of Chartered Certified Accountants (ACCA) today announced the appointment of its new Chief Executive. He is Desmond Hudson, until recently Chief Executive of the Publishing Division of Scottish Media Group.

Desmond Hudson will join ACCA on 7 July 2003 and take over as Chief Executive on 1 October 2003.

Aged 47, Desmond Hudson has had a varied career. After obtaining a law degree at the University of Leeds, he qualified as a solicitor and was a partner with a major provincial law firm, specialising in criminal law.

He then spent ten years in building societies and was, successively, Head of Lending at the Britannia Building Society and Operations Director and Managing Director at Britannia Life. Until April this year, he was a main Board director of SMG PLC (Scottish Media Group).

Commenting on his appointment, Desmond Hudson says: "ACCA's values are both distinctive and immediately attractive to me. I will be taking over a body with a strong sense of its core purpose - to give a common focus through the ACCA qualification to people of all races, religions and economic and social backgrounds, and to ensure that the ACCA brand stands across the world for opportunity, quality, integrity and a culture of innovation. As a leading player in the profession at both global and national levels, ACCA

plays a key role in supporting the practice of accountancy to the highest standards worldwide. I am very much looking forward to being a part of all this."

Sam Wong, ACCA's President, comments: "Over the last few years, ACCA has developed very rapidly. There is not likely to be any slackening in the rate of change - if anything, ACCA will grow in size and stature at an even faster pace.

"Desmond Hudson's experience has been wide-ranging. He has had an excellent mix of managing director and chief executive experience in the very different environments of building societies, and newspapers and publishing. This means that he has both worked in a regulated industry and will bring to ACCA a strong commercial background.

"The most important factor, however, is that Desmond has the energy, commitment and clear strategic vision to provide the drive and leadership required of ACCA's Chief Executive. He is well placed to give new impetus and to represent ACCA's commitment to all aspects of responsibility in accounting."

**ACCA is the leading global accountancy body with over 300,000 members and students in 160 countries.**

For further information please contact: Anthea Rose, Chief Executive, ACCA, telephone: 020 7396 5774.

# AUDIT THRESHOLD - PROTECT THE EXTERNAL SHAREHOLDERS, SAYS ACCA

External shareholders of small and medium sized enterprises should be given an enhanced statutory right to have independent audits conducted, says ACCA (the Association of Chartered Certified Accountants). It has made this call in response to government proposals to raise the turnover level, under which an independent audit is not required in any circumstances, to £5.6m from the current £1m threshold.

Commenting on the latest proposals from the Department of Trade and Industry (DTI), Jonathan Beckerlegge, Chairman of ACCA's Auditing Committee, warned that: "External shareholders of small and medium sized enterprises will be most affected by this latest example of deregulatory zeal. ACCA is proposing that private companies should only be exempt from the statutory audit if their shareholders have made positive decisions to give up the security which an audit brings".

"ACCA recognises and accepts that banks and regulatory bodies, such as the Association of British Travel Agents (ABTA), have the ability to enforce audits on smaller companies, whatever the exemption limit. Their very particular financial concerns will be protected whatever the Government chooses to do vis-a-vis general turnover threshold exemptions.

"However, the end result of the Government's new proposals will be to disenfranchise still further the small, external, non-managerial shareholder. These shareholders may be family members who do not participate in the day to day management of the company, or they may be friends or 'business angels' who have invested for very

personal reasons. We do not believe you should suddenly remove the benefits of the audit from these interest groups."

Reflecting on the UK Government's response to the Enron debacle, Jonathan Beckerlegge said: "Frankly we find it very hard to comprehend how a government which is committed to enhanced financial reporting and shareholder protection for large listed companies can contemplate a move which can only have an adverse impact on independent shareholders in smaller companies. Do we keep pushing the exemption threshold up in order merely to be compliant with EU regulations or should we be developing a more responsible attitude towards the needs of small investors?"

Jonathan Beckerlegge added: "We have no faith in across the board financial measures such as are currently being proposed. Instead, we should be seeking to develop a shareholder protection regime which mirrors the consumer protection regime. Central to this is the principle that all external shareholders should have an automatic right to audited accounts. Without such an elementary safety net, why would people knowingly invest in limited liability enterprises? If they later choose to opt out of the audit regime, it should be because they have examined the relative costs and benefits and decided, on balance, that their interests are sufficiently protected via other mechanisms".

For further information please contact: Colin Davis Head of International Communications; 0207 396 5738; Robin Jarvis Head of Small Business Affairs, 0207 396 5975

# GOVERNMENT SHOULD THINK AGAIN ON MONEY LAUNDERING SAYS ACCA

The Government should use the delay in introducing contentious new anti-money laundering laws to rethink its whole approach to the regulations, says ACCA (the Association of Chartered Certified Accountants).

The Money Laundering Regulations 2003, which should have been in place in June, have now been delayed until after Parliament reconvenes in October. This hiatus will add uncertainty to the profession's list of worries about the regulations, which will make it a legal obligation for accountants to report to the National Criminal Intelligence Service (NCIS) any suspicions, which they have, about their clients' possible involvement in money laundering.

David York, ACCA Head of Audit, said: "NCIS is already suffering major logistical difficulties because of the huge rise in suspicious activity reports (SARs) sent to it by accountants and other advisers. The Directive only requires specified acts to be deemed to be money laundering where they are committed intentionally. The Government should make it clear in official guidance that accountants and others only need to report cases where they believe that intentional malpractice is taking place.

He added: "This will cut down the backlog of cases, with which NCIS is already grappling, and which is threatening to clog the system and damage the fight against serious financial crime. As things stand,

when an honest mistake is made, for example on a declaration of taxable income, the accountant is faced with having to report this to NCIS even when corrected figures have already been sent to the Inland Revenue. This is a nonsense."

Accountants are currently caught between a rock and a hard place. They are under an obligation to report suspicions yet, if NCIS deems them immaterial, the accountants could be prosecuted for wasting NCIS' time.

David York said: "Those in the front-line of this new system are entitled to know where they stand and to be told what is material and what is not. The regulatory framework, as set out so far, is neither proportionate nor effective. The Government should use the regrettable delay of these regulations until the Autumn - which leaves accountants wondering what they should do in the run-up to this new regime - to rethink its whole approach in this area."

For further information please contact: Ian Welch, Head of Corporate Communications, ACCA, tel: 020 7396 5729. Bernadette Nwosu, Press Officer, ACCA, tel: 020 7396 5759. David York, Head of Audit, ACCA, tel: 020 7396 5977.

# NEW CODE IGNORES SMALLER SHAREHOLDERS AND OTHER STAKEHOLDERS SAYS ACCA

ACCA

Individual shareholders and external stakeholders have been ignored in the revised Combined Code of Corporate Governance, says ACCA (the Association of Chartered Certified Accountants). The revised Code is too focused on internal board dynamics and the relationship between the Board and large institutional shareholders.

ACCA urges the Financial Reporting Council, which has approved the enlarged Code today, not to consider it as the final word on corporate governance developments.

Paul Moxey, ACCA Head of Corporate Governance, said: "The revised Code contains many references to major shareholders - but these are institutions which only hold shares on behalf of others and therefore do not have a direct beneficial interest in companies' success. It would seem not to be too interested in smaller investors. It is a pity that the needs of real shareholders have largely been ignored."

ACCA, which has consistently argued that NEDs have a major role to play as "the conscience of the board", also believes that the interests of a wider range of stakeholders should have been explicitly recognised.

Paul Moxey said: "There are no provisions or principles here which focus on the broad framework of corporate responsibility. The FRC appears to have ignored those

who feel let down by business leaders and the investment community as the extent of corporate greed and negative environmental and social impact becomes clearer. Other codes, such as the recent King report in South Africa, have recognised the need for boards to be alert to issues of corporate social responsibility and accountability."

Paul Moxey concluded: "Despite the improvements brought about by the Higgs and Smith reports, the new Code looks like an opportunity missed. The UK had the chance to produce a really significant contribution to improving corporate governance, but, while there are useful points, much more could have been achieved had the will been there. We fear that, like many others, including elements of the UK Government, the FRC may see the forthcoming mandatory Operating and Financial Review statement as a panacea for wider stakeholder concerns. But the fact that companies will need to address non-financial issues in the OFR does not mean that a stronger lead on corporate governance could not have usefully been given here."

For further information please contact: Paul Moxey, Head of Corporate Governance, ACCA, telephone: 020 7396 5974. Roger Adams, Technical Director, ACCA, 020 7396 5971. Ian Welch, Head of Corporate Communications, telephone: 020 7396 5729.

CIMA

# EXEMPTION FEES CHANGING FROM 30 JUNE 2003 IMPORTANT NEWS FOR NEW APPLICANTS

The following exemptions charges will apply to all applications received from 30 June 2003:

- **Foundation level** £35 per subject
- **Intermediate level** £40 per subject
- **Final level** £45 per subject

All other fees are unchanged. A full list of fees is available online.

If you would like more information please contact CIMA Services, telephone 020 8849 2530, Email: [cima.services@cimaglobal.com](mailto:cima.services@cimaglobal.com)

CIMA

# CLAIRE IGHODARO BECOMES NEW CIMA PRESIDENT

## NEW CIMA PRESIDENT SETS CIMA PRECEDENT

Claire Ighodaro has become the first female and the first black President of CIMA worldwide. She was elected President at CIMA's AGM on 14 June. Her achievement marks an important point in the history of CIMA, which has 59,000 members and 77,000 students in 154 countries. She is the first female CIMA president since it was founded in 1919.

Claire, Finance Director, Broadband, BT Group, said:

"CIMA's unique business perspective is pivotal to our continued success as the qualification of choice for accountants in business, across public and private sectors. My career to date demonstrates the opportunities that membership of a chartered professional body brings. It is vital to have a professional badge, particularly in the post Enron accountancy world, where employers need to be reassured of the highest level of professional ethics and conduct that professional membership requires."

Claire went on to stress CIMA's forward looking perspective and the increasing expansion of the CIMA qualification:

"According to a survey released by Robert Half International in April, CIMA is 'rapidly becoming the chartered qualification of choice,' and our members continue to secure high level positions in leading companies. The CIMA qualification brings an understanding of the

relevance and meaning of numbers ensuring that board directors, managers and shareholders understand the implication of decisions and the measures that really drive their business."

Claire Ighodaro has, as a UK Trade Ambassador, led successful overseas trade missions on behalf of the UK Department of Trade and Industry and the Telecoms Industry Association. She is also a Board member of the London Employment Coalition. She has been a Member of Council of CIMA since 1995, and commenced her CIMA career in 1979.

She has also served as Chair of CIMA's International Committee during which time she helped set up an accounting institute in Poland, and was also involved in a new institute in Russia as well leading BT's investment in and support of, CIMA's UK schools' business management competition.

The other honorary officers elected at the CIMA AGM were Roland Kaye, Dean of the Open University Business School, the largest and leading distance learning Business School in Europe who was elected Deputy President and Ian Christison, elected Vice President.

If you would like more information please contact Lottie Muir, telephone 020 8849 2407, Email: [lottie.muir@cimaglobal.com](mailto:lottie.muir@cimaglobal.com)

## CIMA ANNUAL CONFERENCE 2003 FOCUS ON DRIVING UP SHAREHOLDER VALUE



Prestigious speakers including Derek Higgs and Sir Brian Pitman are among the line-up for CIMA's annual conference to be held on 12 and 13 November at the Victoria Park Plaza, London.

The two day conference will be chaired by Steve Marshall, former chief executive of Railtrack. It focuses on the role of finance in driving up shareholder value and how to manage risks and opportunities. At a time when the FTSE 100 has seen huge reductions in share values and trust amongst investors is at an all-time low, there has never been a more important time to ensure that your company is focused on the drivers that will enhance shareholder (and stakeholder) value.

With talks on everything from how to gear your whole company around the strategic objective of maximising shareholder value; why finance is the natural home of shareholder value management and how to make it work and case studies of leading global corporates, including Rolls-Royce and SABMiller, revealing best practice, the event aims to equip senior managers for the boardroom and to provide the perfect opportunity for networking. It is the essential event for finance directors, CIMA members and business managers with a financial remit.

The CIMA/Financial Management awards will be announced at a gala dinner on the evening of 12 November. The event will reward outstanding achievement in the world of management accountancy. Awards will be presented to the business leader of the year, employer of the year for businesses with under 500 employees, employer of the year for those with over 500 employees, recruitment consultancy of the year, software implementation project of the year, contribution to management accounting, finance team of the year, part-qualified of the year and tutor of the year.

Tickets for the conference and awards ceremony are now available. They will be sold on a first-come-first-served basis and cost £550 plus VAT for a one-day pass, £800 plus VAT for a two day pass, and £100 per seat (or £1000 per table of 10) for the gala dinner. Special discounts have been negotiated at the Victoria Park Plaza for those wishing to book accommodation.

For further information on the conference or to enter the awards visit the conference website or call 020 8849 2265.

### Do you have what it takes to win a CIMA award?

Have you been involved in a merger or acquisition? Have you implemented a new IT system? Or have you set up a successful business? The CIMA/ Financial Management awards highlight the achievement of financial managers, creative thinkers, employers and consultants who have changed the perceptions of finance professionals and the businesses in which they work. The categories are:

- **Business leader of the year:** you have made a significant difference to your company's success. Your commitment, leadership and skill have led to strategic and financial wins.
- **Employer of the year (under 500 employees); Employer of the year (over 500 employees), sponsored by Michael Page:** you must have demonstrated the biggest commitment to your CIMA staff and made the most of your trainees.
- **Part-qualified of the year:** for the up-and-coming business leader who can demonstrate initiative, creativity, financial skills, planning and good management.

- **Recruitment consultancy of the year, sponsored by GAAPweb:** firms must have contributed to the career development, support and promotion of CIMA members and trainees.
- **Software implementation of the year, sponsored by Frango:** the system must have brought significant cost reductions or a new revenue stream in line with corporate strategy.
- **Contribution to management accounting:** an organisation or individual must have made a significant contribution to the management accounting profession – through research, profile, commitment or a mixture of the three.

- **Tutor of the year:** for the tutor who has made a real difference to their CIMA students.
- **Finance team of the year:** for the finance team that has really pulled out all the stops and shown how excellent financial management can drive the business forward.

The closing date for entries is Wednesday 10 September. Visit the conference website for more information and to enter the awards.

If you would like more information please contact Centurion Events, telephone: 020 7880 6249.CIPFA

# CIPFA SEMINARS AND EVENTS ON CENTRAL GOVERNMENT FINANCE

CIPFA's first seminar event this year devoted exclusively to Central Government Finance took place on 17 July in London attended by some ninety delegates from a wide range of central government organisations. Current Developments in Central Government Finance, chaired by Martin Sinclair, Assistant Auditor General at the National Audit Office and Chairman of CIPFA's Central Government Panel, included two sessions on early accounts closure: Liz Corrin of the Treasury spoke on timetabling issues and Treasury guidance and Christina Earls from the Ministry of Defence gave a realistic user perspective. Joe Grice from HM Treasury, talked about the implications of the Treasury's revised Green Book, Paul Jackson of IPF spoke on e-government services: the next steps, Mal Singh of the Treasury on the central government finance agenda and Brian Grubb of the National Audit Office on resource accounting. The Treasury's

David Watkins gave an update on other major accounting issues and finally, Keith Osborn of the NAO brought delegates up to date on corporate governance post-Enron.

CIPFA is planning a further one-day seminar event: Current Developments in Central Government Finance will take place in November. This programme will include an overview of progress in Central Government finance practice and the likely challenges for the future, the financial aspects of procurement, excellence in financial management, resource accounts and budgeting, early closure of accounts and the latest on Whole of Government Accounts.

For further detail, or to book a place, please contact Alex Aarons, email [alex.aarons@cipfa.org](mailto:alex.aarons@cipfa.org)

## CIPFA SPECTRUM

The second edition of CIPFA's new publication 'CIPFA Spectrum' features an article on the Central Government Finance Professional by Martin Sinclair, Assistant Auditor General at the National Audit Office and Chairman of CIPFA's Central Government Panel. Martin takes as his starting point that today's senior finance professional needs to be an influential leader. The success of the organisation, be it a department, NDPB or agency, depends on it. The article highlights some valuable lessons to be learnt from central government experience in 2001/02 and sets out a number of forthcoming

challenges that senior finance professionals will need to address. Spectrum also includes an article by Jenny Carter, Project Director at the Accounting Standards Board, on Public Benefit Entities – Financial Reporting Principles and an International Public Sector Accounting Update by John Stanford, CIPFA's Assistant Director Technical and International. Spectrum provides policy and technical perspectives for on public services and technical issues and is available to all through the CIPFA website at [www.cipfa.org.uk](http://www.cipfa.org.uk)

# CIPFA PUBLISHES GOOD PRACTICE GUIDE ON PUBLIC REPORTING

Interest in the standard and scope of public services is at an all-time high. But are you achieving a meaningful dialogue with your clients and service users?

CIPFA has published a new guide, packed with ideas and advice to help you bridge the accountability gap. Drawing on best practice standards from right across the public

services and entries to the CIPFA/PricewaterhouseCoopers Public Reporting and Accountability Awards, it is a highly practical reference source. *Public Reporting & Accountability: A Good Practice Guide* is available online from the CIPFA Shop at [www.cipfa.org.uk](http://www.cipfa.org.uk)

# CIPFA LAUNCHES ONLINE STUDY LOUNGE FOR STUDENTS

CIPFA has set up an online Study Lounge, designed to assist CIPFA students with various aspects of exam preparation. The Study Lounge is aimed at current students of all stages of the qualification and contains information that will assist students with various aspects of

exam preparation. Its main features include downloadable Open Learning Material, Past Papers and a Discussion Forum for students to engage in conversation with one another about study issues. CIPFA students can log on at [www.cipfa.net/eandt/studylounge](http://www.cipfa.net/eandt/studylounge)

# 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 include

- Annual conference (this year's took the form of a debate on whether the Government's delivery agenda is working)
- A programme of early evening lectures and other events
- Free personal subscription to a range of respected publications including the journal *Public Money &*

*Management and the association's quarterly newsletter, Review.*

Forthcoming themes for publications and lectures include

- Public sector pay
- Transport policy
- Governance
- Devolution and regionalisation

# TO FIND OUT MORE

The PMPA is a national membership organisation managed and supported by CIPFA. Members of CIPFA, ACCA and CIMA are entitled to join at a discounted annual rate of £65 (2002-03).

Further information on joining the PMPA is available from the PMPA website - [www.pmpa.co.uk](http://www.pmpa.co.uk) (which includes a downloadable

application form) or from Sandra Harper at CIPFA, 3 Robert Street, London WC2N 6RL. Tel: 020 7543 5679; fax 020 7543 5695; email: [sandra.harper@cipfa.org](mailto:sandra.harper@cipfa.org)



## FRAUD ADVISORY PANEL SETS OUT ANTI-FRAUD PROGRAMME

Rosalind Wright CB, the new Chair of the Fraud Advisory Panel, has launched the independent watchdog's anti-fraud programme for the coming year at a breakfast reception hosted by the Lord Mayor of London at Mansion House. Melanie Johnson MP, Minister for Competition, Consumers and Markets at the Department of Trade and Industry, also spoke at the reception in support of the Panel's work. The Fraud Advisory Panel was founded in 1998 by the Institute of Chartered Accountants in England & Wales (ICAEW), which continues to support the Panel's work as its main sponsor.

Mrs Wright explained that commissioning a research project on the impact of fraud on the national economy was a priority for the Panel. A survey for the Home Office conducted in 2000 estimated the total economic cost of fraud to be £13.8 billion per annum. This not only calculated direct losses but also allocated costs to investigations, court proceedings and preventative measures and counted the extra tax revenue required to offset losses to public funds.

Mrs Wright said: "Obtaining information about the true extent and cost of fraud in the UK is vital to efforts to combat it. The Home Office figures may even underestimate the problem when you consider the potential scale of undiscovered and unreported fraud. The absence of an authoritative up-to-date survey doesn't help to drive the issue up the public policy agenda. The police desperately need more

resources to fight fraud. This isn't a victimless crime or one that only afflicts 'fat cats'. It endangers jobs, pushes up prices and harms pensioners and small shareholders. We need to get a better grip on fraud, and one of the first steps is obtaining reliable data."

Mrs Wright said the Panel will be actively seeking solutions to fraud and will act as an advisor and educator. The Panel plans to run a programme of seminars and lectures on cybercrime, identity fraud, proceeds of crime and the use of new powers created by legislation such as the criminalisation of cartels, which will attack big business fraud on a scale hitherto unaddressed in the UK.

Commenting on the Panel's role in fighting fraud, the Lord Mayor Alderman Gavyn Arthur said:

"The Fraud Advisory Panel has a unique and very important role to play. It combines expertise from across the City, Government and the police to help to prevent and stamp out fraud in our markets - and this is really vital to the City and to British industry and commerce. The safety, security and transparency of our markets has been the foundation of London's reputation as a global centre for financial services.

"This is why everyone in the City so greatly values and appreciates the work of the Panel, making our business centre safer and encouraging international investment founded upon this world-class reputation."

## GOVERNMENT MUST ACT NOW TO DETER IDENTITY THIEVES SAYS FRAUD ADVISORY PANEL IN NEW REPORT

The Government needs to clarify the situations in which data-sharing between both public sector and business organisations is lawful in order to help combat rising levels of identity theft says the Fraud Advisory Panel. This is one of a number of recommendations made in a report published today (Tuesday 22 July) by the Panel's Cybercrime working group. The Panel was founded in 1998 by the Institute of Chartered Accountants in England & Wales (ICAEW), which continues to support the Panel's work as its main sponsor.

The Panel's report, Identity Theft: do you know the signs?, provides guidance to businesses and individuals on detection, prevention, and dealing with a fraud once it has happened. The total number of identity frauds increased dramatically from 27,270 in 2001 to 42,029 in 2002 according to the Credit Industry Fraud Avoidance System organisation (CIFAS). CIFAS has estimated that reported cases have cost the victims £62.5 million per year. The National Criminal Intelligence Squad reports that the British economy suffers a loss of £1.3 billion per year as a result of identity fraud. The Home Office has also reported that it takes an average of 300 hours for victims of identity fraud to set the record straight.

Steven Philippsohn, head of the working group that produced the Fraud Advisory Panel's report, commented: "We believe the Government should clarify

through legal means those situations in which data-sharing between public sector and business organisations will be permitted. Greater data-sharing and cross-referencing of information about known frauds and fraudsters between governmental agencies and the business sector will mean there is a better chance of detecting identity theft at an earlier stage. "Fear of the regulators swooping down is hindering attempts to reduce fraud by means of data-sharing. Many organisations and police investigators are unaware that section 29 of the Data Protection Act allows for certain exceptions to be made to its general principles when personal or financial data is processed for the purposes of crime prevention. This must be made clearer."

In its report, the Panel examines the four main methods of perpetrating identity theft. These are:

- Application fraud - where a fraudster applies for payment cards and financial products in the name of his victim. (The Association for Payment Clearing Services - APACS - reported that application fraud cost the UK £10.2 million in 2002 compared to £6.6 million in 2001.)
- Account take-over - where the fraudster collates sufficient information about the victim to dupe the victim's bank that they are the victim. (APACS reported that account take-over fraud cost the UK £10.4 million in 2002.)

- Wholesale assumption of the victim's identity - obtaining false passports and identification documents or using the identity of a dead person, which may result in fraudulent claims for social security benefits. (CIFAS reported that 9,000 identity frauds in the UK in 2002 involved the use of a dead person's identification details compared to 2,500 in 2001. The Department for Work and Pensions estimates that the overall cost of benefit fraud is £2 billion, of which up to £50 million is based upon "wholly fictitious identities".)
- The fraudulent use of a business identity - where a fraudster may use invoices or company stationery to obtain goods and services without paying for them or may create an entirely false trading history. Alternatively, using the Internet, a fraudster may set up a copycat or similar website in order to dupe the customers of one business to part with money or credit card details.

The Panel's report advises companies to consider creating a database of frauds which they suspect or know have been carried

out against them. It also suggests that they explore the potential for data-sharing with other companies in their sector and with the public sector, in order to build up a central register of stolen identities, documentation and selected biographical data relating to criminals held by the government.

Members of the general public are advised to take care when disposing of personal documentation. Recommendations include never putting your ATM receipt in the receptacle provided at the cash machine and to consider investing in a shredder for home use. Bin raiding is one method employed by identity fraudsters in order to build up a financial picture of their victim. Experian, one of the two leading Credit Reference Agencies used by the Financial Services in the UK, carried out a survey last year into identity theft.

Of the 71 urban local authorities responsible for refuse collection contacted by Experian, 53 said that bin raiding occurred in their area.

## ICAEW WELCOMES ANNOUNCEMENT THAT UNLISTED COMPANIES CAN OPT TO USE IAS FROM 2005

The Institute of Chartered Accountants in England & Wales (ICAEW) has welcomed the Government's decision to allow unlisted companies to opt to use International Accounting Standards in their annual and consolidated accounts from 2005.

David Illingworth, the Institute's President, commented: "There has been a lot of uncertainty among smaller companies as to whether adoption of International Accounting Standards would be made mandatory or optional, so today's announcement provides welcome clarification. The decision to review the impact of the European Regulation around 2008 is sensible, since by that time it is likely that UK GAAP will be significantly similar to IAS and therefore a possible

mandatory extension will be less burdensome to UK businesses.

"This announcement will give unlisted companies some welcome breathing space, but it doesn't provide an excuse for heads to be buried in the sand. Businesses of every size will eventually be affected by International Accounting Standards. Companies need to consider the implications now and make the necessary preparations."

The Institute is committed to raising awareness of IAS. It has set up a website ([www.iasknowledge.com](http://www.iasknowledge.com)) as a resource for both accountants in practice and the wider business community to keep track of developments as the 2005 deadline draws closer.

## ICAEW WELCOMES AUDIT EXEMPTION DEBATE

The Institute of Chartered Accountants in England & Wales welcomed the Government consultation on the statutory audit exemption threshold.

Commenting on the consultation, Institute President David Illingworth said: "Whilst the proposals have the potential to ease regulatory burdens on small business, there needs to be a careful balancing of the potential benefits of an increase in the audit exemption threshold with the possible drawbacks, which will impact on a range of stakeholders, including those representing the public interest.

"Should the limit rise, it will be important to ensure the continued truth and fairness of accounts prepared by companies claiming audit exemption, so that stakeholders' interests are not adversely affected."

The Institute has undertaken pre-consultative research amongst its members on the impact in terms of the costs and benefits of the last increase in the audit exemption threshold and views on the likely impact of a further increase, which it will be feeding into the Government review.

## CHARTERED ACCOUNTANTS WELCOME HIGGS ANNOUNCEMENT

David Illingworth, President of the Institute of Chartered Accountants, today welcomed the Financial Reporting Council's (FRC) publication of the revised Combined Code on Corporate Governance, based on the recommendations set out in the Higgs Report published in January 2003.

David Illingworth commented:

"I'm pleased with the final text of the revised Combined Code. The

FRC has been through a rigorous consultation process with the business community and other interested parties to ensure that the final version incorporates the key recommendations of the Higgs review and builds on the strength of the existing Code."

David Illingworth continued:

"I particularly welcome the strengthened role for the audit committee in monitoring the integrity of a company's financial reporting, and the

importance the Code places on the relationship between the auditor and the audit committee.”

“Importantly the new Code continues to recognise the importance of the ‘comply or explain’ principle, which I believe is at the heart of the UK approach to corporate governance. It must be right that if a company chooses not to adopt one of the best practice recommendations set out in the code that they should be allowed to

explain why. Transparency is the key issue.”

David Illingworth concluded:

“I believe that the new Combined Code will help create more effective boards and will be an important step forward in rebuilding investor confidence in our capital markets.”

## CHARTERED ACCOUNTANTS CAN NOW WIN £2,000 FOR THEIR CHARITY

The Institute of Chartered Accountants in England & Wales (ICAEW) invited its members to apply for the fourth Everybody Counts Awards, to give them a chance to win £2,000 for the charity or community project they work with.

Everybody Counts was launched in October 1999 by the Institute to encourage and support its members involved in voluntary work and to help connect volunteers with a project or charity looking for assistance. The Awards scheme was launched in conjunction with Accountancy Age magazine to recognise the difference Chartered Accountants can make to their local community.

David Illingworth, ICAEW President, commented: “Everybody Counts continues to be successful and the number of volunteers rise each year. These awards are a way of celebrating the achievements of our fellow Chartered Accountants in the work they do to help charities and local community projects. The charities

themselves benefit by receiving much-needed funds when their Chartered Accountant wins an award.”

The awards are split into four categories: younger member, member of a small business, member in practice and retired member. The winner of each category is selected on the basis of the time, level of involvement and commitment they have devoted to the charity or project as well as the difference their work has made.

The deadline for applications is 15 January 2004 and the winner will be announced at the Institute’s annual dinner in March. Members wishing to enter the awards should visit [www.icaew.co.uk/everybodycounts](http://www.icaew.co.uk/everybodycounts) and apply online. Alternatively, they can contact Jade Peters on 020 7920 8692 for an application pack. Those currently not involved in voluntary work but who would like to be, should visit the site’s self-registering and matching service.

## WINNER OF ‘YOUNG ENTERPRISE BUSINESS ADVISER’ AWARD ANNOUNCED

Sharla Dandy of the Nationwide Building Society has been announced as the winner of the ‘Young Enterprise Business Adviser 2003’ award, which is supported by the Institute of Chartered Accountants in England & Wales (ICAEW). The Institute’s President, David Illingworth, presented the national award at the Young Enterprise annual awards ceremony on Tuesday 15th July at the Savoy Hotel, London. Chartered Accountant Sharla Dandy won the award for providing business advice to students at Cheltenham Ladies College on their company ‘Ignition’.

Ignition produced ‘wine charms’ – decorative objects which clip around the stem of any wine glass, allowing people at social events to easily distinguish their individual glass from those of other drinkers.

Students involved in the Young Enterprise Company Programme<sup>3</sup> gain valuable insight into the running of a business and receive useful advice from volunteers within the business community. The Business Adviser award was introduced last year to recognise the support

these volunteers offer the programme, and the importance of their knowledge and expertise to the students’ learning.

Students across the country involved in the Company Programme were invited to make nominations for the award. Sharla Dandy was selected for the national award from 10 regional winners.

David Illingworth, President of the Institute of Chartered Accountants, said: “The Young Enterprise Programme offers students valuable business experience. This award recognises the commitment and support business advisers give to these young entrepreneurs. Their input is vital to help students make the most of the opportunity to run a company for real.”

Commenting on her award, Sharla Dandy said: “I am delighted to receive this award. Young Enterprise is an extremely worthwhile programme which will help to develop our business leaders of the future.”

# PRESIDENT OF INSTITUTE OF CHARTERED ACCOUNTANTS WELCOMES NEW COMPANY LAW PROPOSALS

David Illingworth, President of the Institute of Chartered Accountants, welcomed Government proposals for a new Companies and Community Interest Bill to be introduced later this year, and looked forward to the Government bringing forward the other key recommendations of the full Company Law Review.

David Illingworth commented:

“We welcome the Secretary of State’s announcement that the Government intends to bring forward some elements of the widely acclaimed Company Law White Paper. In particular we believe that measures to extend the powers for auditors to obtain information from employees, and a requirement for Directors not to withhold information from their company’s auditors, will assist auditors in their work.”

“We also look forward to seeing further detail on some of the other proposals contained in the Secretary of State’s announcement, including the suggestion that the Inland Revenue should have a gateway to the Financial Reporting Review Panel (FRRP).”

David Illingworth continued:

“Among the other measures we would like to see included when the draft Bill is published is the implementation of the Company Law Review’s recommendation to deal with the issue of auditor liability reform, through the repeal of Section 310 of the 1985 Companies Act, which prohibits auditors from contracting with companies to limit their liability.”

“Moreover the accountancy profession has long argued that the current law of “joint and several liability” of auditors is unbalanced and we need new legislation to place sensible limits on auditor liability. At present audit firms are not only expected to carry liability for their own negligence, but in practice they also carry the liability of directors and perhaps others who may bear far greater responsibility for a loss than the auditors.”

“Of course auditors should not be able to walk away unharmed from any audit where they may have failed to perform their duties effectively. They must be held responsible for their own actions but they should not be liable for the shortcomings of others. This remains an important aspect of company law reform and will greatly assist the effective functioning of companies and the wider capital market at a time when auditors are being asked to assume greater reporting responsibilities.”

David Illingworth concluded:

“We look forward in due course to the implementation of the full recommendations of the Government’s own Company Law Review, including proposals for a mandatory Operating and Financial Review (OFR) to improve the quality of corporate reporting. I hope that the Government will listen to the views of the business community to find the necessary Parliamentary time at the earliest opportunity.”



## ICAS CALLS FOR POLITICIANS TO BE MORE ACCOUNTABLE FOR THEIR PROMISED OUTCOMES

The annual reports of public sector bodies should include more accountability from politicians for the achievement of promised outcomes and important longer term issues, according to the Public Sector Task Force of The Institute of Chartered Accountants of Scotland (ICAS).

This is one of the recommendations in the Scottish Institute’s Task Force’s consultation paper, Accounting for Public Service - Towards a New Reporting Framework.

The aim of the consultation is to encourage debate on how public sector reporting might be improved to enable the electorate to understand, through clear and transparent reporting, how their taxes have been spent - and the impact of that expenditure during the reporting period and over the longer term.

Norman Murray, Chairman of the ICAS Public Sector Task Force said:

“The paper recognises that past accountability has focused almost exclusively on resources consumed and products and services supplied, with little accountability as to whether the overall desired, or even promised, outcomes have been achieved or are any nearer to being achieved. It calls for accountable representatives, whether they be elected or appointed, to take responsibility for their stated outcome objectives and the extent to which these are achieved, or become nearer to being achieved, during each reporting period.”

“We hope that this consultation paper will contribute to the search for greater probity, and advance the debate on public sector reporting and, in particular, the reporting of outcomes and current accountability for longer term matters.”

The Task Force highlights the fact that accountants have a key role to play in ensuring that financial and related reports reflect fully the true costs of the services and products consumed today, describe fully the key issues affecting future service provision and report against the long term objectives and other long term issues which are foreseeable.

The paper’s key recommendations are:

- more of the detailed information on service provision and other matters be made available on a drill down basis, such that the annual reports of public sector bodies can be freed up to focus on key aspects of service performance and broader issues;
- annual reports should reflect the true costs of service provision, including an appropriate amount for the period to reflect costs likely to become evident only over the longer term;
- an Operating and Financial Review (OFR) be required in the annual report of each public sector body, which should discuss key aspects underlying the financial statements and the body’s ability to continue to provide the required level of service provision into the future;
- the accountable representatives of each public sector body, whether elected or appointed, should take responsibility for a statement (possibly as a discrete part of the OFR) which reports on the achievement of short and longer-term outcomes.



## ICAS ISSUES PRACTICAL GUIDANCE FOR AUDIT COMMITTEES

The Institute of Chartered Accountants of Scotland (ICAS) published practical guidance for audit committees, to help them carry out their additional responsibilities efficiently and effectively. 'Appraising your Auditors: A Guide to the Assessment and Appointment of Auditors' is intended to provide useful and practical assistance to audit committees.

Additional responsibilities are being given to audit committees following the proposed guidance developed by a group appointed by the Financial Reporting Council (FRC) and chaired by ICAS Past-President Sir Robert Smith which was published in January of this year. As a result, audit committees are taking an even more critical role in monitoring the relationship between company and auditor, and overseeing the independence and objectivity of the auditors.

In identifying a need for practical guidance, the ICAS Business Law Committee has prepared this booklet to provide assistance to audit committees in overseeing the company/auditor relationship and, when appropriate, selecting new auditors.

In the foreword to the guide, Sir Robert Smith affirms the importance of practical guidance in assisting audit committees in their new, expanded role, and commends the booklet for the help and guidance that it gives to listed companies in their relationship with auditors.

Ian Paterson-Brown, Chairman of the ICAS Business Law Committee Working Party, which developed the guidance, said:

"We hope that, not only will this booklet provide guidance on the means by which listed companies monitor the performance of their auditors and their relationship with the company, but it will also lead to an environment of continuous improvement in the standard and disclosure of corporate governance practice and, in particular, those issues in which the audit committee plays a pivotal role."

"It also provides guidance on the issues to consider when appointing auditors, with suggestions for appropriate procedures and criteria which might be applied in selecting the new auditor."

## ICAS RESEARCH CALLS FOR IMPROVED PERFORMANCE REPORTING IN CHARITIES' ANNUAL REPORTS

Improvements in accountability are critical in maintaining public confidence in the charities sector, according to a research report published by The Institute of Chartered Accountants of Scotland (ICAS).

'Performance Reporting by UK Charities: Approaches, Difficulties and Current Practice' examines the current state of performance reporting by charities through the medium of the annual report. The research report found that performance information is not widely disclosed by charities in their annual reports. It argues that charities have accountability to those outside their immediate management and that the annual report is an important tool through which accountability can be demonstrated. It points out that external users, particularly contributors to charities, have legitimate information needs and must primarily rely on the annual report to meet those needs. It also argues that while information disclosed in the financial statements is of importance, the inclusion of performance information in the annual reports of charities will lead to a more accountable charity sector.

The research report compared the annual reports of the top 100 UK fundraising charities over two periods 1996/1997 and 2001/2002. It concluded that:

- There is extensive reporting of basic background information.
- There is an inadequate discharge of performance accountability.
- There has been some limited improvement in performance reporting over time.
- Performance reporting is poor in comparison with the UK public sector.
- There may be a lack of willingness to disclose performance information.
- The scope for window dressing may have impacted on performance reporting.

Co-author of the report Ciaran Connolly said:

"To maintain confidence, improvements in accountability, in particular with regard to performance accountability, are essential. Such improvements could be viewed as a necessary condition for further growth of the sector. Without the provision and promotion of specific charity-focused guidance, it is likely that the present state of reporting by charities will continue. If the annual reports of charities are to meet the information needs of users, guidance and support is essential."

# ICAS & FTC ANNOUNCE JOINT TRAINING AGREEMENT

The Institute of Chartered Accountants of Scotland (ICAS) and the Financial Training Company (FTC) today announced a joint agreement to provide AAT training through the Modern Apprenticeship scheme in Scotland.

The AAT (Association of Accounting Technicians) qualification is an alternative route to entering Chartered Accountancy (CA) training. University does not suit everyone and the levels of student debt can deter some school leavers from entering higher education. The AAT qualification provides the opportunity to start earning right away, with the potential to progress onto CA training ahead of those who have taken the more traditional university route.

AAT training involves highly practical skills, which are immediately transferable from the classroom into the work place. It means employers can recruit high calibre school leavers with the aim of supporting them through their AAT studies and onto CA training. The employer benefits from a more skilled workforce, and as the majority of these young people tend to remain with their employer; the skills remain within the firm.

FTC offer funded AAT training in Scotland through the Modern Apprenticeship programme.

AAT studies can be completed through day or evening classes in Glasgow or Edinburgh or through distance learning.

Mark Allison, ICAS Director of Education said:  
"This joint agreement with FTC has been set up to increase the

training provision for AAT students throughout Scotland. Students will be able to attend classes within the FTC offices in Glasgow, and at the Institute's premises in Edinburgh, and ICAS lecturers will be directly involved in teaching the qualification. In addition, FTC operates a highly successful distance learning programme, which includes a dedicated support team, enabling students to study towards the qualification regardless of their location. We hope that this collaboration with FTC will result in a significant increase in the number of AAT students progressing on to CA training."

Clare Morley, the AAT's Director of Education and Training, said:  
"The AAT is delighted that, through this agreement, ICAS and FTC will be able to expand the provision of accountancy training to a wider number of Scottish school leavers without them needing to take a university degree. Offering the AAT's qualification as part of the Modern Apprenticeship programme will also make the training of younger members of staff more attractive to employers, with government funding available to offset their training costs."

Kathy Rushton, Manager of FTC Scotland, said:  
"FTC has always been keen to provide courses in Scotland and repeat the outstanding pass rates already achieved in England and Wales where we experience pass rates of 90% and above. Our link with ICAS will ensure that students studying towards the AAT qualification within their authorised training offices will benefit from obtaining the best possible work experience combined with high quality tuition from FTC."

# INSTITUTES OF CHARTERED ACCOUNTANTS REPORT ON AUDIT REGULATION

The Department of Trade and Industry has today made public the eleventh report on audit regulation from The Institute of Chartered Accountants of Scotland (ICAS), the Institute of Chartered Accountants in England and Wales (ICAEW), and the Institute of Chartered Accountants in Ireland (ICAI). The report is for the year to 31 December 2002.

The report shows that the Institutes undertook over 1,080 monitoring visits during the year. Ninety one per cent of firms visited required no action at all or already had suitable plans in place to improve their audit work. Eleven firms had their registration as auditors withdrawn following a monitoring visit compared with 18 in the previous year.

As in previous years, emphasis was placed on monitoring the largest audit firms which in turn audit the majority of listed companies. Forty-six of the monitoring visits made in the year were to firms who audit listed companies, of which there are nearly 100 registered with the Institutes. These visits included those to the largest firms who are visited on an annual basis.

The number of complaints about audit work fell from 94 in 2001 to 80 in 2002.

John Hobbs, Chairman of the Joint Audit Committee for the three Institutes said:

"There has been a great deal of debate about the regulatory framework and there are now a number of proposals for change. Throughout this period the Institutes have continued to operate the current arrangements that have a number of features, initiated by the Institutes, to safeguard the public interest. We have independent non-accountant individuals as members of Institute committees, public oversight through the Review Board, full time inspectors who are independent of the firms and rigorous in their work and our focus on the auditors of listed companies will increase further in 2003. These are all key features that will be used as a foundation for going forward. The Institutes will co-operate in the development of the new arrangements and will work to ensure that their introduction is as seamless as possible."

# NEW CHIEF EXECUTIVE FOR ICAS

Ian Marrian has been appointed the new Chief Executive and Secretary of The Institute of Chartered Accountants of Scotland. He is the first ICAS member in over half a century to hold the post.

He succeeds David Brew, who has decided to step down after bringing to a successful conclusion the first stage of a major modernisation of the Institute.

Ian Marrian has many years' experience of both the Institute and the accountancy profession. A former partner of Deloitte, Haskins & Sells,

his career with ICAS began in 1981 when he was seconded as director of education.

He joined full time in 1984 and spent the following 11 years pioneering the Institute's new model for education and training, for which ICAS is so renowned. During this time, Ian was also appointed Professor of Accounting at the University of Edinburgh. He became Deputy Chief Executive and Secretary in 1995.

The Institute is currently undertaking a major review of its strategy

and management structure. This review was begun by David Brew, in conjunction with a Working Group set up by its Council to determine its direction to 2010 and beyond. The findings of this Group will be presented to the Council this month, and consultation with members will follow. The outcome will be a more focused Institute, resourced to meet the challenges ahead.

Ian's excellent credentials and extensive experience mean that he is ideally placed to lead the Institute through the next exciting phase of development.

Speaking of Ian's appointment, ICAS President Murdoch McKillop said:

"I am delighted Ian Marrian will be with us to guide the implementation of our new strategy, and to help us celebrate our 150th anniversary in 2004. His unique knowledge of our Institute and the regard in which he is held by Members and Staff alike, will be invaluable as

we go forward."

Commenting on David Brew's stewardship of the Institute, the President said:

"I would like to thank David for the significant contribution which he has made to maintaining ICAS' pre-eminence as a professional accountancy body on the national and international stage. He leaves with the appreciation of the Office-bearers and Council for his hard work, intellect and scrupulous integrity, and with their best wishes for the future".

David Brew said:

"I have found my time as Chief Executive of the Institute thoroughly stimulating and rewarding. I have been privileged to help shape ICAS to meet the undoubted challenges it will face going forward. I wish the Institute every success in the run up to its 150th Anniversary."

## ICAS APPOINTS NEW DIRECTOR OF RESEARCH

Dr Christine Helliar has been appointed Director of Research at The Institute of Chartered Accountants of Scotland (ICAS).

Dr Helliar, a Senior Lecturer at the University of Dundee, will take up the part-time post in August succeeding Vivien Beattie, Professor of Accounting at the University of Stirling.

In collaboration with Professor Ken Peasnell, the Institute's Professorial Research Fellow, Dr Helliar will advise the ICAS Research Committee on research needs, projects and priorities as well as helping to promote the ICAS research activity. She will also play a key part in maintaining the academic rigour of the Institute's research output.

An honours graduate in Mathematics and Management

Studies from the University of London, Dr Helliar completed her PhD "Risk, Derivatives and Management Control" in 1999. With significant research experience, Dr Helliar has a wide range of research interests from auditing, finance, treasury and financial reporting, derivatives usage, risk, and corporate governance to accounting education and management control.

Nigel Macdonald, Convener of the ICAS Research Committee said:

"I am delighted that Dr Helliar is joining ICAS as Director of Research. The combination of her strong academic and business experience and enthusiasm for effective communication will help us maintain the Institute's international reputation for producing high quality relevant research whilst keeping our membership aware of its significance."

## WEBSITE OF THE MONTH

If you've ever wanted to know more about the internet: its history, Mud to Spam, how to search more efficiently this sites for you  
<http://www.LivingInternet.com/>

For those who follow the markets and want the latest information – quotes, news, analysis or copy of the latest report try ;  
<http://uk.biz.yahoo.com/sectors/>

or if you fancy learning something new this autumn try  
<http://www.hotcourses.com/>

Its that time of year again for information on the football try:  
<http://www.4thegame.com/>  
<http://www.football-league.premiumtv.co.uk/>

or rugby:  
<http://www.rfi.uk.co>  
<http://www.rfu.com>  
<http://www.sru.org.co>  
<http://www.wr.u.k>  
<http://www.irishrugby.ie>

For the latest in films, entertainment and clublife:  
<http://www.empireonline.co.uk/>  
<http://www.nightclubbinuk.com/>

Trying a new dish or not too sure how much ingredients to put into a home made pie:  
<http://www.allrecipes.com/>

Some light reading for the serious minded:  
<http://www.passmagazine.com/>  
<http://www.accountancy-uk.co.uk>

# REPORT ON THE GOVERNMENT ACCOUNTANCY SERVICE PLAN FOR THE YEAR ENDED 2002-03

This report sets out progress against the 2002-03 Government Accountancy Services (GAS) Plan. The GAS plan is an annual document in which the Head of the GAS sets out objectives for the year. The Development of Accountancy Resources Team (DART), the team that supports the Head of GAS, has prepared the report.

## (1) Promoting the use of resource-based information across the Senior Civil Service

**Outcome:** Integrating resource-based training in the longer term, into senior management programmes provided by Cabinet Office, remains a priority. Organisational and programme design changes within their Corporate Development Group, meant that progress on this front picked up towards the end of the year. Treasury has agreement for "Managing Resources" principles to be introduced into almost half of CDGs corporate leadership programmes – the first of these was delivered by the Head of GAS at TMP 68 in March – which culminated in half the group taking forward the outcome of the session into a case study. Outside of "corporate" programmes, there remains an on-going concern about the lack of progress that some departments are making, on addressing the financial skills shortfall at SCS.

## (2) Assisting departments experiencing difficulties in embedding the Managing Resources principles by taking appropriate action

**Outcome:** Three further editions were added to the series of "Managing Resources", which complimented supported initiatives on "Reporting to the Board", "Better decision taking in departments" and "Faster Closing". Comprehensive feedback was undertaken on all the "Managing Resources" booklets, from various stakeholders within central government. This included PFOs, Head of Profession, NAO, Finance divisions and accountants. Over 200 responses have been received, and the feedback from all these groups has generally been very positive. There is a high level of awareness and interest in the booklets, and have had a positive impact in spreading awareness of the changes. Departments cited that they are making frequent use of the booklets for their own training courses. Issues arising from the feedback, which are also under consideration, include maintaining interest, the scope for consolidating what has already been produced, or including further aspects of resource management, and how best to broaden the audience beyond the finance and training communities.

The Head of GAS also commissioned a study to set the criteria for financial skills to help PFOs assess the adequacy of those skills in their departments. A presentation was subsequently made to PFOs and HOAPs in early 2003. The findings are to be incorporated into a wider study on "Improving financial skills at a senior level in departments".

## (3) Liaising with departments to help identify best practice in both training and the use of resource-based information

**Outcome:** The PFO sponsored Finance Training Committee was re-established early in 2003: as a means of identifying and sharing information between Treasury and across departments. In addition to working with departments, the Central Accountancy Team and General Expenditure Policy, have been instrumental in helping to drive forward the scope for producing resource based information in a timely and efficient manner. GEP are undertaking a survey to establish how departments are putting this information to best use. During the year a further two sets of good practice notes have been issued to FTC members and made available via the gsi site. The first set offered advice and guidance on Evaluation covering Reactionnaires, Validating Training and Impact on Performance. A further set was issued on Training Policy, Strategy and Plans, why they are required

and how they link to the wider organisational strategy etc.

## (4) Support for the Whole of Government Accounts (WGA) Team Communication Strategy and Plan

**Outcome:** GAS members have been updated on WGA progress, mainly through the GAS conference and Gassete. On-going communications are handled within the project team itself, so there was not a major requirement for support during the year.

## (5) Implementation of recommendations arising from the HOAP/SP review

**Outcome:** During July 2002 the DART team issued revised guidance on the role of the HOAP, which was officially adopted at their summer conference. An extensively updated and revised HOAP/SP folder of information and guidance was issued to all members of the network during the autumn of 2002. For the first time this information was made available via the GAS intranet site. The recommendations have been fully implemented, however, work continues with the HOAP network in developing the role to ensure the guidelines are appropriate and deliverable.

## (6) Support for the Government Accountancy Service (GAS)

### (i) Arranging

- One self-financing GAS conference
- One self-financing trainee conference
- Two conferences for Heads of Professions and Senior Professionals
- Up to three workshops for Networks

**Outcome:** This year again saw both the GAS and Trainee conferences fully subscribed and the key performance target to achieve a 90% or above satisfaction rate being achieved. The Trainee and Qualified conference exceeded this target; with the HOAP conferences just meeting it. Typical feedback from individual delegates included "Always achieves what it sets out to do", "one of the best conferences I have attended whilst working in the public sector", "very knowledgeable and interesting speakers" and "keep up the good work a very enjoyable and informative two days". The rate of attendance amongst HOAPs only averaged between 35-38 which is just over half of the total number. DART, however, are examining suggestions from delegates and continue to strive for improvements where possible including the inclusion of more government-related issues, including corporate governance, risk management, use of accounting systems, technical topics such as rationale behind central accounting policies

### (ii) Communicate with accountants in the GAS through

- 4 editions of the Gasette magazine between May 2002 and March 2003
- Talks at conferences and on CSC courses on request (where resources permit)

**Outcome:** Four copies of GASETTE were published with a circulation of about 4,000 per issue. Whilst this figure appears to have remained static DWP no longer receive 250 hard copies preferring to load an electronic version on their own intranet site. This year has also seen the magazine undergo an extensive re-design and re-launch which has resulted in favourable feedback from readers. Participation in outside events included giving talks at the Civil Service College, DWP, HMCE, DTI, UKPA, OGC, IR and DfID. These talks were as a result of invitations and have focussed on updates post RAB, student training and CPD requirements.

### (iii) Co-ordinate

- The Finance Training Committee, Investigative and Smaller Departments Networks

**Outcome:** The Finance Training Committee underwent its own review with the membership agreeing the committee should continue but in a new format. A number of training related topics were identified and these will be explored via a series of workshops during the coming year. The Special Investigations network has again continued to grow and two successful conferences have been held attracting both external and internal speakers. As with the main conference the aim is to achieve a 90% satisfaction rating, which the 2002 conference attained. The Small Departments network is to be launch during May 2003 as a result of extensive discussions undertaken with HOAPs and senior members of the relevant departments. This year has also seen the formation of a new forum – the Systems Accountants Network Group -, which has continued to grow during the five months it has been in existence. The group is sharing good practice on accounting systems implementation projects and is working with OGC on outlining a common system specification.

#### (iv) Provide

- Statistics on the GAS, for use by customers in departments, and to provide the Head of GAS and other internal customers with aggregate information on the size and structure of the GAS
- Subject to resource availability, ad hoc advice to HOAPs and other tasks for departments(e.g advice on recruitment exercises)
- Advice and guidance on Continuing Professional Development for accountants and distribution of details of courses for qualified and trainee (including information on corporate discounts)
- A survey of UK-based colleges which provide accountancy education, for use by trainee accountants in the GAS and their managers
- A salary survey for accountants and trainees incorporating allowances and study terms

**Outcome:** All statistics and surveys were provided within the target timescales during 2002-03. The March 2002 database update showed there were around 2000 accountants in departments and agencies, compared with around 2100 in March 2001. The slight reduction was attributed to improved data being collected from some departments and the machinery of government changes moving some members outside the barriers of the GAS. There were also around 800 trainees and under 1500 accounting technicians, which are broadly comparable with the figures for last year. Numbers can fluctuate when individuals transferring to the higher accountancy qualification stages i.e. technician to trainee and trainee to qualified and the completeness of data supplied by departments.

#### (v) Maintain Links with

- The major accountancy institutes, training and other bodies as an outward looking organisation ourselves
- Overseas governments who are progressing RAB-type initiatives to learn from their experiences in developing and implementing training programmes
- Departments, particularly those responsible for co-ordination of professional groups, to discuss human resource issues (eg emerging thinking on the modernising government agenda)

**Outcome:** Links with outside organisations included working with the major accountancy institutes on a number of review exercises and CPD requirements,

recruitment/training companies and other bodies on an ad-hoc basis. This has enabled DART to play a role in advising on the future direction of the government accountancy profession and ensured that qualifications are relevant in meeting the needs of GAS members.

DART have also been involved in a number of visits to the Treasury and other departments including the Treasury Board of Canada, the Malawi Government and the Malaysian Ministry of Finance. GAS is also represented on the NHS Professional Alliance, which is responsible for the provision and training of finance staff throughout the organisation.

#### (vi) Other

- Act as a liaison point for interchange of accountants

**Outcome:** Activity in this area was minimal as there was very little demand for interchanges during the year

#### Internet/GSI (Government Secure Internet)

Development of the DART website and co-ordination of the Directorate website framework including WGA and CA. Identifying a publication strategy and linkages between departmental intranet, GSI and the Internet. Encouraging greater interaction across the GAS through establishment of electronic discussion groups, bulletin boards, technical query sections etc. Exploring electronic links to accountancy colleagues in the NHS and other sectors.

**Outcome:** This year has seen the launch of the GAS gsi website which has provided accountants across government with a central point to access information sourced by DART. The site continues to be developed and mechanisms for linking with external sites and the use of discussion groups and message boards is still in development with the Treasury's internal IT department. The goal remains to make better use of technology in communicating with members.

#### (Additional task) Monitoring risk of qualification and delay in the 2002-03 resource accounts.

**Outcome:** In-year risk-based continuous analysis of departments' progress helped to identify problems and give the basis for Treasury support.

There was improvement in both the number of accounts qualified on true and fair grounds, the strength of remaining qualifications and the number of late accounts.

DART also contributed to the move for faster closing. Monitoring the timeliness of accounts, showed that only 3 of the 2001-02 accounts were signed after the 30 November statutory deadline. This was significantly lower than in previous years. However, there remain at least half of all departments, whose accounts are signed on or just before the statutory deadline. All PFOs were circulated the "relative" position of their department's performance. Improvement are expected to continue, as departments move towards and accelerated timetable for preparing and submitting their accounts. The Central Accountancy team is to co-ordinate a working group looking at the best practice in enabling the "faster closing" of resource accounts. The aim is to have department's accounts signed, certified and laid before Parliament by the end of July for 2005-06.

# GOVERNMENT ACCOUNTANCY SERVICE PLAN 2003/04

(1) To support departments and Agencies in making financial management a risk managed priority: by increasing commitment and capability with respect to skills, organisation and leadership best practice. We will achieve this by:

- i. Addressing the skills shortfall within the SCS.
- ii. Addressing the skills shortfall below SCS.
- iii. Risk managing and monitoring departments experiencing difficulties in embedding the Managing Resources principles.
- iv. Integrating Financial Management requirements within other Treasury drivers.

(I) Addressing the skills shortfall within the SCS.

A key element will be to address the issue financial skills at a senior level within departments. There exists a fundamental need to ensure that the new financial framework is understood, and that the information now available is used to best effect for Spending Reviews, reporting financial performance, control and accountability. The approach will be twofold: firstly, targeting the content of key SCS and feeder grade leadership development programmes administered by Cabinet Office through CMPS, secondly, improving financial skills at a senior level in departments.

(II) Addressing the skills shortfall below SCS.

In conjunction with the Central Accountancy and Resource Budgeting Teams, we will continue to work with departments to develop practical solutions, for addressing shortfalls in the need for resource based financial management skills. The aim is to continually improve the competency base of practitioner's and users of resource based information. In addition to Heads of Professions and Senior Finance Professionals, DART will work through other groups, such as the PFO sponsored Networks on training and faster closing. Our focus will be on enabling and embedding the identified skills need, within departments own training and development strategies.

(IV) Risk monitoring and managing departments experiencing difficulties in embedding the Managing Resources principles

To continue working with departments, Treasury's Central Accountancy and General Expenditure and Policy teams in using resource based information for better management information, performance management and decision making. A key area will be helping departments to appreciate what a high performing finance function should look like and sharing best practice to aid the transformation and modernisation of central finance functions.

(IV) Integrating Financial Management requirements within other Treasury drivers.

To work holistically, with wider Treasury colleagues in Resource Budgeting and Spending Teams. We will achieve this, wherever practical and possible, by integrating our financial management best practice and skills requirements using SR 2004 as a driver. We will continue to support and work with colleagues responsible for best practice in Financial Accounting, Accountability and the Implementation of Whole of Government Accounts.

(2) Supporting the Government Accountancy Service (GAS)

To increase levels of professionalism across Central Government through the GAS, by providing members with a quality and cost effective service. We will achieve this through:

- I. Raising levels of professionalism.
- II. Creating networks that promote excellence.
- III. Supporting departments to meet skills shortfall
- IV. Marketing and Communication.

(I) Raising levels of professionalism

To augment the public sector Continuing Professional Development needs of qualified and trainee members, through two self-financing conferences and quarterly editions of the Gazette (the journal of the Government Accountancy Service).

To provide information on tuition providers so that departments can make informed choices about cost, quality and geography of where their trainee members receive academic learning.

Support departments in the wider development of their accountants and trainees through secondment and interchanges.

(II) Creating networks that promote excellence

To engage Heads of Accountancy Profession and Senior Finance Professionals, in the continuous improvement of financial management, reporting and audit across central government; through formal and informal networks.

To encourage departments to take the initiative in publicising achievements and successes that can be drawn on by others. When necessary, facilitate best practice networks, where resources permit, such as the Finance Training Network (Skills), System Accountants Group (Accounting and Management Information Systems) and the Smaller Departments Network (Generic issues).

(III) Supporting departments to meet skills shortfalls

To establish trends within the profession by analysing data on the profession, in terms of size and composition of the GAS: as one element of driver data for members services, for departments and other interested bodies, and to allow comparatives to be made with other specialists groups (public and private sector) on pay and allowances – to provide early indication of likely demand and supply problems.

To provide a point of reference for public sector accountancy vacancies which can help meet departments business needs and career opportunities for our members.

(IV) Marketing and Communication

Fostering good relations with the accountancy institutes, tuition providers, recruitment consultants and overseas governments so that the GAS remains a learning specialism.

To educate those outside government about the public sector excellence and how this can be transported elsewhere.

To promote the role of GAS, Treasury and DART by taking selective opportunities to speak at public sector venues.

To e-enable, through the Government Secure Internet, as much of our communication and member services as resources will permit.

## Recruitment Update

Closing Date	Dept	Grade/ Level	Job	Location	Press/ Trawl	Appointee
07/03/2003	DCMS	SEO	Accountancy Advisor	Central London	Trawl	Filled name not provided
07/03/2003	Department for International Development	7	Accountant General	Turks & Caicos	Press Islands	Unsuccessful
03/03/2003	DTI	6	Deputy Finance Controller	London	Trawl	Julia Shaw
14/03/2003	HM Prison Service	HEO	Banking Manager Payables Manager	London	Trawl	Linda Davies
14/03/2003	HM Prison Service	HEO	Accounting Systems Manager	London	Press	Elaine Hope
14/03/2003	Scottish Executive	SCS	Head of Audit & Accountancy Service	Edinburgh	Web	Aileen Wright
20/03/2003	HM Prison Service	SCS	Director of Finance	London	Press	Filled name not provided
21/03/2003	DFES/DWP Sure Start Unit	7	Finance Management Team	London	Trawl	Information not available
21/03/2003	LCD (DCA)	SEO	Accountant	London	Trawl	Information not available
March 2003	Home Office	SCS	Accountant	Birmingham	Press	Information not available
March 2003	The Royal Surrey County Hospital	SCS	Director of Finance	Guildford	Press	Information not available
28/03/2003	Meat Hygiene Service	HEO	Finance Executive	York	Trawl	Information not available
28/03/2003	Dept for Transport		Various Vacancies	London	Press	Information not available
04/04/2003	Cabinet Office	HEO	Head of Finance	London	Web	Filled name not provided
04/04/2003	Eastbourne NHS	7	Assistant Director of Finance	Eastbourne	Press	Filled name not provided
04/04/2003	Learning Skills Development Agency	6	Financial Controller	London	Press	Information not available
14/04/2003	National Probation Service	7	Senior Finance & Resource Manager	Preston	Press	Information not available
16/04/2003	Highways Agency	HEO	Project Accounting Team	Bristol, Bedford, Birmingham, Leeds	Trawl	Information not available
16/04/2003	Department for International Development	6	Senior Financial Manager	London	Web	Information not available
11/04/2003	The Met Police	HEO	Finance & Resource Managers	London, Pimlico, Barnet	Web	Information not available
9/04/2003	The Youth Justice Board	SEO	Financial Planning Manager	London	Web	Ms D. Imalasingham
11/04/2003	Charity Commission	6	Head of Financial Regulations	Liverpool, London, Taunton	Press	Information not available
25/04/2003	DOH	EO	Finance Assistant	London	Press	Filled name not provided
30/04/2003	UK Passport Agency	SEO	Heads of Finance	Peterborough, Newport	Press	Peterborough Mr Brian Henry Newport Mrs Heather Sarak
April 2003	DWP	HEO	Finance Manager	Norcross	Press	Information not available
17/04/2003	DWP	SEO to 7	Various vacancies (5)	Norcross, Birmingham, Sheffield	Press	Information not available
22/04/2003	Highways Agency	SEO	Financial Reporting Team Leader	Hemel Hempstead	Trawl	Information not available
22/04/2003	Highways Agency	SEO	Fixed Assets Team Leader	Hemel Hempstead	Trawl	Information not available
22/04/2003	Highways Agency	SEO	Accounting Policy Team Leader	Hemel Hempstead	Trawl	Information not available
17/04/2003	Job Centre Plus	7	Finance Manager	Leeds	Web	Information not available
01/05/2003	Sport England	SCS	Director of Finance	London	Press	Information not available
01/05/2003	Eastern Wakefield NHS Trust	7	Head of Finance	West Yorkshire	Press	Filled name not provided
05/05/2003	Cambridgeshire Fire & Rescue Service	SEO	Head of Finance	Huntingdon	Press	Information not available
06/05/2003	Meat Hygiene Service	6	Director of Finance	York	Press	Filled name not provided
May 2003	DEFRA	7	Group Accounts Manager	York	Press	Information not available
27/05/2003	The Highways Agency	7	Business Analyst	Broadway, Birmingham, West Mid	Web	Filled name not provided
29/05/2003	DEFRA	6	Finance Manager	Guildford	Trawl	Filled name not provided
28/05/2003	NHS National Treatment Agency	HEO	Finance Officer	London	Press	Filled name not provided
20/05/2003	House of Commons	7	Assistant Director of Operations	London	Press	Information not available
06/06/2003	Home Office	SCS	Head of Finance	London	Press	Information not available
06/06/2003	Hertfordshire NHS	HEO	Project Accountant	Trust Head Office	Press	Filled name not provided
18/06/2003	OFWAT	6	Head of Finance Services	Birmingham	Trawl	Filled name not provided
27/06/2003	Government Office for South Wales	7	Head of Finance	Bristol	Trawl	Information not available
26/06/2003	Merseyside Police	6	Head of Finance	Liverpool	Press	Campaign postponed
26/06/2003	HM Treasury	7	Accountancy Policy Manager	London	Press	David Watkins

NB 'Information not available', details will be published in the Winter edition.

# DIARY DATES

OCTOBER 2003						
1	PPP/PFI and Partnering	CIPFA	To be confirmed	4	Practical Group Accounts Workshop	CCH Central London
1	Accounting Standards Update (with IASB slant)	ACCA	Southampton	4	Accounting Standards Update	ACCA Manchester
1-2	Effective Writing	CCH	Central London	6	Special Investigations Conference	DART* London
1-3	Government Accounting	CMPS	Sunningdale	10	Key Persuasive Techniques for Accountants	CCH Cambridge
3	Key Development in Management Accounting	CCH	Central London	11	Money Laundering	CCH Central London
3	Financial Aspects of Sponsoring NDPBs	CMPS	London	11	Corporate Governance	CMPS London
3	Pensions Update	ACCA	London	12	Accounting Standards Update	ACCA Leicester
3	Key Developments in Management Accounting	CIMA	London	13	Introduction to Business Risk Management	CIPFA London
6	Faster Financial Closing	CCH	Central London	13	Better Budgeting	CIMA London
6	Performance Measurement	ACCA	London	13-14	GAS Qualified Conference	DART* York
6	Faster Financial Closing	CIMA	London	18	The Development of Accounting Standards	ACCA Croydon
7	Technical Update for Accountants in Government	CMPS	London	19	Faster Financial Closing	CCH Central London
8	Getting to Grips with the FRSSE	CCH	Central London	19	Accounting Standards Update	CIPFA London
9	Accounting Standards and Reporting Requirements	CCH	Birmingham	19	Faster Financial Closing	CIMA London
13	Current Developments in Management Accounting	ACCA	York	19-20	International Accounting Standards Workshop	CIMA London
15	Retirement Benefits: FRS17 Explained	CCH	Central London	19-21	Government Accounting	CMPS Sunningdale
15	Performance Measurement	ACCA	Brighthouse	19-21	Effective Presentation	CMPS Sunningdale
16	Accounting Standards and Reporting Requirements	CCH	Central London	21	Preparing for IAS in 2005	ACCA London
16	Practitioners' Seminar Groups - Accounting Standards Update	ACCA	Cardiff	25	Advanced Presentational Techniques	CCH Central London
16	International Accounting Standards Update	CIMA	London	26	An Introduction to Budgeting and Budgetary Control	Publicsecta .com Leeds
17	Procurement Project Management in a PFI/PPP Context	CIPFA	Stirling	26-27	Making Successful Presentations	CCH Central London
20-22	Resource Accounting and Budgeting	CMPS	Sunningdale	<b>DECEMBER 2003</b>		
21	Accounting Standards Update	ACCA	Dundee	1	Key Developments in Management Accounting	CIMA Glasgow
21	Performance Measurement	ACCA	Reading	2	Spreadsheet Skills	CCH Central London
22	AAT - Forensic Accounting	CIPFA	Walsall	2	What's New in Financial Reporting?	ACCA London
22	Practitioners' Seminar Groups - Accounting Standards Update	ACCA	Kegworth	3	International Accounting Standards	CCH Central London
22	Accounting Techniques for Better Performance Management	CIMA	London	4	An Introduction to Budgeting and Budgetary Control	Publicsecta .com London
22-24	Effective Presentation	CMPS	Sunningdale	4-5	Accounting Standards In-Depth	CIMA High Wycombe, Bucks
23	Practitioners' Seminar Groups - Accounting Standards Update with FRSSE	ACCA	Hove	5	Key Persuasive Techniques for Accountants	CCH Central London
28-29	Making Successful Presentations	CCH	Central London	8-10	Resource Accounting and Budgeting	CMPS Sunningdale
29-31	The Accounting Standards Masterclass	CIMA	East Midlands	9	Accounting Standards Update	ACCA Plymouth
30	Advanced Presentational Techniques	CCH	Central London	16	Accounting Standards Update	ACCA Birmingham
<b>NOVEMBER 2003</b>				17-19	Effective Presentation	CMPS Sunningdale
1	Fraud and Special Investigations	CIPFA	To be confirmed	<b>JANUARY 2004</b>		
3	New Accounting Standards	CIMA	Bristol	19-21	Government Accounting	CMPS Sunningdale
4	Spreadsheet Skills	CCH	Banbury	19-21	Effective Presentation	CMPS Sunningdale
4	Money Laundering	CCH	Gatwick	24	Head of Accountancy Profession Conference	DART* London

\*Information to Heads of Profession  
[www.cch.co.uk](http://www.cch.co.uk)  
[www.publicsecta.com](http://www.publicsecta.com)

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

# 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
<b>ACR</b>			
2 Apr	Chris Butler (ACR)	PFOs	MS PFO(03)14: Statement of Internal Control (SIC) - this letter covers a draft DAO letter on the SIC, including a proposed pro-forma SIC for 2003-04..
10 Apr	Gordon Adam (ACR)	PFOs	MS PFO(03)18: Draft Audit Committee Handbook - this letter covers a draft of the handbook. It develops the policy principles for audit committees appended to DAO13/00, encompasses the recommendations of the Sharman Review, and is compatible with the recent Higgs report on non-executive directors and Smith report on best practice guidance for audit committees
2 July	Chris Butler (ACR)	PFOs	MS PFO(03)32: Managing the Risk of Fraud - A Guide for Managers - this letter covers a copy of a revised guide that shows how the principles of sound risk management, governance and control apply to fraud and other irregular activities that might lead to fraud.
<b>CA</b>			
3 Apr	Andrew Carpenter (CA)	RABIG	RABIG(2003)08: Trading Fund and NDPB Guidance - Provisions - this letter proposes aligning the guidance on the accounting treatment of provisions in the TF and NDPB guidance with that in the Resource Accounting Manual (RAM).
3 Apr	Chris Richards (CA)	RABIG	RABIG(2003)11: Treatment of Profits and Losses on disposals of assets in the Operating Cost Statement (OCS) - Proposed RAM amendments.
4 Apr	Sue Gamble (CA)	RABIG	RABIG(2003)09: Note of the Outcome of the 20 March meeting of the Financial Reporting Advisory Board (FRAB).
7 Apr	Chris Ruston (CA)	RABIG	RABIG(2003)10: 1ST Batch of Amendments for 2003-04 RAM, NDPB and TF Accounting Guidance.
7 Apr	Chris Ruston (CA)	RABIG	RABIG(2003)10: 1ST Batch of Amendments for 2003-04 RAM, NDPB and TF Accounting Guidance.
10 Apr	Nick Bailey (CA)	RABIG	RABIG(2003)12: Accounting treatment of notional costs by NDPBs - this covers contains proposals to clarify the treatment of such costs
16 Apr	Nick Bailey (CA)	RABIG	RABIG(2003)13: Charitable NDPBs - Preparation of Summary Income and Expenditure Accounts - this letter contains a proposal that the requirement should be dropped for NDPBs that are charities to prepare a summary income and expenditure accountancy in addition to a Statement of Financial Activities (SOFA).
7 May	Nick Bailey (CA)	RABIG	RABIG(2003)14: Withdrawal of RABIG(2003)12 Accounting Treatment of Notional Costs by Non-Departmental Public Bodies (NDPBs) - this letter

Date Issued	Issued by	To	Subject
			informs departments of a decision not to restrict the options for the treatment of the credit entry relating to the recognition of notional costs in NDPB accounts.
3 June	Nick Bailey (CA)	RABIG	RABIG(2003)15: Non-Departmental Public Bodies (NDPBs) Guidance Section 7.8 - this letter informs departments of the deletion this section of the NDPB guidance, dealing with the difference between the depreciation charge in the Income and Expenditure account and the release from the deferred grant account where assets are financed from grant-in-aid.
6 June	Sue Gamble (CA)	RABIG	RABIG(2003)17: Discount and Interest Rates - A useful annex? - proposed annexes to the Resource Accounting Manual (RAM), NDPB guidance and Trading Fund guidance on the relevant rates and when they should be used.
7 June	Nick Bailey (CA)	RABIG	RABIG(2003)16: Amendments to Section 6.1 of the NDPB Accounting Guidance - this letter outlines proposals for clarifying the arrangements for signing the Statement of Internal Control (SIC) produced by NDPBs with charitable status.
11 June	Sue Gamble (CA)	RABIG	RABIG(2003)18: Note of 30 May meeting of the Financial Reporting Advisory Board (FRAB).
16 June	Chris Ruston (CA)	RABIG	RABIG(2003)19: 2ND batch of amendments for the 2003-04 versions of the RAM, NDPB guidance and Trading Fund guidance - update on latest changes to the accounting guidance.
23 June	Nick Bailey (CA)	RABIG	RABIG(2003)20: RAM Appendices 4.1 and 15.1 - this letter proposes to delete these appendices giving worked examples of early departure costs.
30 June	Chris Richards (CA)	RABIG	RABIG(2003)21: Report of the Financial Reporting Advisory Board (FRAB) for 2002-03 - this letter informs departments that the latest FRAB annual report is now available.
1 July	Nick Bailey (CA)	RABIG	RABIG(2003)22: Publication of Annual Reports and Accounts - this letter proposes that Non-Departmental Public Bodies (NDPBs) should prepare combined reports and accounts.
11 July	Chris Richards (CA)	RABIG	RABIG(2003)23: Report of the Financial Reporting Advisory Board (FRAB) - HM Treasury Response - this letter covers the HM Treasury response to the 2002-03 report by the FRAB.
14 July	Chris Richards (CA)	PFOs	MS PFO(03)34: FRAB Report - HM Treasury Response - this letter covers the HM Treasury response to the 2002-03 report by the FRAB.
21 July	Sue Gamble (CA)	RABIG	RABIG(2003)24: Note of the Outcome of the 10 July meeting of the FRAB.
23 July	Sue Gamble (CA)	RABIG	RABIG(2003)25: 3rd Batch of Amendments to the 2003-04 Resource Accounting Manual (RAM), NDPB Annual Reports and Accounts Guidance and Trading Funds Accounting Guidance.

Date Issued	Issued by	To	Subject
<b>EFA</b>			
2 May	David Shore (EFA)	PFOs	MS PFO(03)23: Adjustments to Resource Accounts - this letter provides guidance to departments on the adjustments necessary to correctly state departments' 'indebtedness' to the Consolidated Fund in the transition from cash accounting to resource accounting. A template is provided for departments to use.
29 May	Ian Taylor (EFA)	PFOs	Cashflow Management Scheme - this letter gives details of the experience of running the scheme through 2002-03, and more detail on the need for reliable cashflow information.
<b>FMRA</b>			
25 June	Andrew Likierman (FMRA)	PFOs	MS PFO(03)29: Central Government Accounts (CGA) - Milestone 3 performance and 2002-03 Dry-run Actions - this letter reports departments' performance in meeting milestone 3 (dry-run CGA for 2001-02) and reminds designated bodies of the deadlines for the production of 2002-03 dry-run CGA.
<b>GEP</b>			
7 Apr	Adam Sharples (GEP)	PFOs	MS PFO(03)16: Preparing for Spending Review (SR)2004 - Budgeting Consultation Group - this letter informs departments of the setting up of the BCG and its membership.
23 Apr	Adam Sharples (GEP)	PFOs	MS PFO(03)21: Establishing Best Practice on Resource Budgeting - this letter seeks returns from departments to a questionnaire on resource-based management (RBM).
2 May	Adam Sharples (GEP)	PFOs	MS PFO(03)04: Autumn Performance Reports (APRs) - this letter informs departments of a Treasury review of the first round of APRs.
21 May	Adam Sharples (GEP)	PFOs	MS PFO(03)26: Supply Estimates Concordat - this letter encloses a concordat setting out the various roles and responsibilities of departments and Treasury in ensuring the accurate and timely production of the Parliamentary Supply Estimates.
28 May	Adam Sharples (GEP)	PFOs	MS PFO(03)27: Review of Efficiency in Public Services - this letter informs departments of the setting up of the review and inviting comments and ideas, together with an invitation to a workshop on 25 June.
<b>TOA</b>			
28 Mar	Rob Molan (TOA)	Accounting Officers (AOs)	Dear Accounting Officer (DAO) letter DAO(GEN)07/03: Model Management Statement and Financial Memorandum for Executive Non-Departmental Public Bodies (NDPBs) - this letter informs departments of the model statement and financial memorandum.
4 Apr	Rob Molan (TOA)	PFOs	MS PFO(03)15: Audit Liaison Group (ALG) - this letter advises departments that the ALG has been set up.
16 May	Rob Molan (TOA)	PFOs	MS PFO(03)25: Actual and Contingent Liabilities - this letter informs departments that their annual returns showing actual and contingent liabilities as at 31 March 2003
22 May	Brian Glicksman (TOA)	Accounting Officers (AOs)	Dear Accounting Officer (DAO) letter DAO(GEN)08/03: Tax Planning and Tax Avoidance - this letter advises departments against using tax

Date Issued	Issued by	To	Subject
			advisers to reduce departmental tax liabilities, to base procurement decisions on the need to secure value for money (independent of any tax advantages), and to apply restrictions to the use of offshore jurisdictions by successful bidders to procurement contracts.
28 May	Brian Glicksman (TOA)	AOs	DAO(GEN)09/03: Statement on Internal Control (SIC) - this letter reminds departments of the SIC requirements, provides a pro-forma for a 2003-04 SIC, and advises on the interpretation of a 'significant internal control problem' that requires commentary in the SIC.
13 June	Brian Glicksman (TOA)	Accounting Officers (AOs)	Dear Accounting Officer (DAO) letter DAO(GEN)10/03: Sharman Report - Implementing Government Commitments on audit and access - this letter informs departments of the coming into force of two Statutory Instruments concerning the C&AG's statutory powers of audit and access.
11 July	Brian Glicksman (TOA)	Accounting Officers (AOs)	Dear Accounting Officer (DAO) letter DAO(GEN)11/03: Distribution of DAO letters - this letter informs departments that DAO letters will in future only be distributed electronically.
16 July	Rob Molan (TOA)	PFOs	MS PFO(03)35: Revisions to Government Accounting (GA) 2000 - this letter contains proposed changes to GA chapters 4 (the Accounting Officer) and 30 (insurance).
<b>WGA</b>			
16 Apr	Ian Carruthers (WGA)	Consolidation Managers	Dear Consolidation Manager (DCM) letter DCM 3/03: Central Government Accounts (CGA) Standard Chart of Accounts (SCOA) 2002-03 - Annual Update - this letter covers the updated version of the SCOA and SCOA Definitions.
12 May	Ian Carruthers (WGA)	Consolidation Managers	Dear Consolidation Manager (DCM) letter DCM 4/03: 2002-03 Central Government Accounts (CGA) Excel Consolidation Pack for Second Dry Run - this letter alerts departments and other bodies that do not have access to the Government On-Line Data (GOLD) consolidation system of their required outputs for CGA for 2002-03, together with deadlines for submission of those outputs.

## TECHNICAL UPDATE NO.32

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

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

### PUBLICATIONS

The Board's periodical Inside Track, provides an update of the Board's on-going projects.

The only publications issued during May have come from the Board's Urgent Issues Task Force (UITF) and do not affect accounting by central government bodies..

Draft UITF Abstract 'Accounting for Treasury Shares' (Information Sheet 59) and Draft revised UITF Abstract 'Accounting for Employee Share Ownership Plan (ESOP) Trusts' (Information Sheet 60)

However, the Treasury is considering the implications of the proposals contained within.

Proposed UITF Abstract 'Accounting for Emission Rights' (Information Sheet 61)

The UITF issued for comment a proposed Abstract on accounting for emission rights. The draft Abstract sets out proposed accounting principles for participants in a 'cap and trade' scheme. The UK's Emissions Trading Scheme is an example of such a scheme.

### ASB UPDATE

#### *Share-Based Payments*

This is not an issue that impacts on accounting by central government bodies. The Board has held a discussion on the main themes emerging from the UK responses to FRED31 that proposes the expensing of share-based payments at fair value.

#### *Business Combinations Phase 2*

The IASB's project is in two phases:

- Phase 1 – is to specify one method of accounting for business combinations, thereby eliminating merger accounting.

- Phase 2 – cover issues arising in respect of the application of the purchase method, accounting for combinations where an acquirer cannot be identified, and accounting for business combinations involving entities under common control (this last issue is of particular importance to central government).

The main aspect discussed by the ASB concerns the recognition and measurement of the net assets acquired (excluding goodwill) – where it is proposed that assets acquired and liabilities assumed should be measured at fair value.

This has significant implications for central government, given that the revaluation of fixed assets is mandatory. The Treasury is closely monitoring events.

### Revaluation

The Board has discussed a draft paper from the Revaluation Group, to proposed amendments on revaluation to IAS16 Property, Plant and Equipment (PP&E).

The proposals cover the following main areas:

- Revaluation basis – this is deemed to be fair value;
- Alignment of requirements for all PP&E;
- Proposed changes to disclosure requirements.

The Treasury is keeping a close watch on this project.

ISAR Guidelines on Accounting by Small and Medium-sized Enterprises (SMEs)

ISAR proposes a three-tier structure for financial reporting:

? Level 1: for listed companies – such companies would apply IASB standards;

? Level 2: for significant commercial and business enterprises that do not issue public securities or financial reports to the general public.

? Level 3: for the smallest entities, often owner-managed. Such enterprises should use simple accruals-based accounting. The Board discussed a proposed response to the guidelines. The Board's view was that the work should now be passed to the IASB for further development.

### 2003 CIPFA/LASAAC Statement of Recommended Practice for Local Authorities

The Board has approved the final version and the Board's statement of negative assurance on the SORP will highlight that:

- Where FRS17 is not applied in 2003-04, then the SORP does not adequately reflect the requirements of the existing pensions standard, SSAP24; and
- The fact that a different discount rate to the AA corporate bond rate is being used to discount pension liabilities.

### Reporting Financial Performance

The Board considered issues on the joint ASB/ IASB project to develop a single statement of financial performance.

The IASB staff proposed that it should be referred to as a 'profit statement'. The Board, however, expressed a preference for a 'statement of comprehensive income', with the columns headed:

- Total Comprehensive Income
- Before Remeasurement
- Remeasurements.

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

### IASB/US Financial Accounting Standards Board (FASB) convergence project: disposal of non-current assets

The aim of the project is to reduce the differences between IAS and US GAAP. It is planned that the implementation of this IFRS will lead to the withdrawal of IAS35 Discontinuing Operations as well as impact on FRS3 Reporting Financial Performance. A number of aspects have been considered:

- The introduction of the classification of assets held for sale (proposal to be identified separately on the balance sheet);
- The measurement of assets and disposal groups held for sale;
- Depreciation of assets held for sale; and
- Definition of a discontinued operation.

The Board will expose the IASB's proposals in the UK as a FRED, with an ASB Preface covering the above concerns. The Treasury will consider the implications for central government bodies.

### Revenue Recognition

The Board has considered the responses to the ED issued in February of a new Application Note (AN) to FRS5: Revenue Recognition. Views are mixed as to whether the Board should press ahead and issue a final AN. However, the Board is continuing work to preparing a final version of the AN.

The Board's view is that additional guidance on outsourcing and maintenance contracts will be useful, linked to the work due to be taken forward by the International Financial Reporting Interpretations Committee (IFRIC) on accounting for service concessions. The Board will also consider whether it should add in any further areas for additional guidance.

### IASB Insurance Project Phase 1

The main proposal for Phase 1 is that, with limited restrictions, existing accounting policies will be accepted. The ED should be exposed in the UK as a consultation paper, explaining the Board's concerns about the effect of the proposals in the UK between 2005 and the uncertain date at which the Phase 2 requirements replace them. These proposals will be relevant to the Export Credit Guarantees Department (ECGD).

### IASB Proposals on Derecognition of Financial Instruments

The Board has discussed the IASB's latest proposals for derecognition of financial instruments in a revised IAS39. The proposals imply the concepts should be applied as follows:

- A transferor should first identify what has been transferred;
- If the transfer results in the transferor giving up substantially all benefits and risks of ownership, the transferred asset should be derecognised;
- If the transfer results in the transferor retaining substantially all risks of ownership, the transferred asset should continue to be recognised;

If the transfer of an asset does not meet the above two tests, the transferor should evaluate whether it has retained control of the asset. If it has retained control, it continues to recognise the asset to the extent that it might reacquire its previous contractual rights. If it has not retained control, it derecognises the asset.

## UPDATE: PSNC

### Accounting for Service Concessions

The PSNC has been updated on the work that the ASB has been leading for the IASB on accounting for service concessions. The ASB had presented an initial report to the IASB's meeting with national standard-setters in April 2003. These essentially propose a treatment as close as possible to the present requirements of Application Note F.

The IASB has agreed that there was a need to clarify accounting for service concessions before 2005. The PSNC has expressed strong support for the proposal that the international work should produce a solution as close as possible to Application Note F. It was agreed that the ASB would keep as close as possible to IFRIC on its service concessions project. The Treasury is keeping a close watch on this, given the implications for accounting for PFI.