

How are we doing?

KPIs must be selected top-down and measured using real-world data to get a clear view of performance



By John Wilkes, SAS

The days of government departments defining their own performance targets without reference to the outside world are long gone. Government managers everywhere are expected to become more and more accountable. They have to meet increasingly demanding targets, defined from the point of view of the people their department or agency is supposed to serve. They are also expected to monitor and demonstrate continuous progress.

And of course we should all give three cheers for such a philosophy. That is, if only we could answer the question, "where on earth do we start?" For in practice it is usually extremely difficult for public institutions to get a clear view of performance.

Some of the issues are similar to those faced in the private sector. Both public and private sector organisations need to measure a highly complex body that is in perpetual motion. That means measuring not just linear progress but multidirectional cause-and-effect relationships that transcend organisational and functional boundaries. Other issues are public-sector specific. For profit-driven organisations the market serves as the ultimate arbiter of success, because the paying customer and the beneficiary are generally one and the same. Customers who feel they are getting value for money will probably come back for more.

In public services things are somewhat more complicated. There are usually at least two customers to satisfy:

1. **the paying customer** (typically the taxpayer, as represented by the government through budget-holding departments and the Treasury) whose main concern is value for money; and
2. **the beneficiary**, whose main concern is a successful outcome, usually regardless of cost.

"Repeat business", which is generally an indication of success in the private sector, may be an indication of the opposite in public services. Patients who are satisfied with their hip replacements, and crime victims who feel that justice is done do not, as a rule, show their satisfaction by coming back for more.

Measuring performance "outside-in"

Traditionally performance has been measured "inside-out" rather than "outside-in". In other words government managers have

tended to report on how a department's internal processes have coped with the incursions of the outside world (for example, "number of claims processed").

True, many government bodies have shifted their emphasis from measuring inputs ("how many hospital beds do we have?") to measuring outputs ("how many hip replacements do we perform?"). Many have implemented quality improvements by measuring output trends, identifying process defects and taking corrective actions. But these improvements tend to be tactical. They are still looking at the world from a producer's perspective. From a patient's point of view the real question is, "how has my quality of life improved as a result of clinical intervention?". From a crime victim's point of view the real question is "has the injustice I have suffered been remedied?" From the taxpayer's perspective the measure is likely to express - in some way - a return on the investment: "how far does my tax pound go in improving education/health/law and order?"

So how do you decide the appropriate performance targets that reflect such outcomes, and how do you measure them? Increasingly the targets are imposed on departments by ministers acting as the "champions" of the paying customer and the consumer of services.

Given the size and complexity of government departments and statutory sector agencies, the diversity of the processes they perform, and the tangled interdependencies between functions and departments, getting an "outside-in" or "customer-centric" view of performance is no easy matter. What is critical to success in meeting the goals and objectives? What needs to be measured? Can it be measured? And, perhaps most vexing of all, where is the data that will enable you to measure it? These are all questions addressed by the KPI approach to management.

Key performance indicators (KPIs) are indicators used to report progress towards delivery on factors identified as critical to the success of an organisation's goals and objectives. In a progressive environment, KPIs can also serve as tools for change, providing input into process management that will assist in bringing about sustainable performance improvements. Ideally, the identification of KPIs should help to identify the root causes of problems or deficiencies.

There are essentially five elements that are essential to any KPI-based management system:

1. A statement of the appropriate **objectives**.
2. KPIs that are truly **measurable** and tied into the overall strategic plan.

continued on page 3

C o n t e n t s

How are we doing?	1
Special Investigations Group	4
Day in the life of a forensic accountant	5
International accounting standards	6
Website of the month	7
Book Aid International	7
CCAB Viewpoint	8
And Not a Lot of People Know That !	14
Civil Service Sailing	15
OECD Symposium	15
ACCA Results	16
Developments in Resource Accounting Guidance	16
Comparison of Professional Accounting Bodies	18
Publications from the Treasury	19
Recruitment News	21
Whats happening at Dart	21
Whats on	22
GAS Qualified Conference	23
Technical Update	27

EDITORIAL



Welcome to the winter edition the last in the annual cycle of Gasette magazines and my first year as your editor.

Back in 1996, as part of the Review of the Government Accountancy Service, a number of areas were identified in which accountants operated. Looking at the list of contents for this issue it seems to reflect these many and varied roles, especially with the introduction of a regular slot for the Special Investigations Group. During the coming issues they will bring information on topical issues and details of forthcoming events.

February will see our annual task of issuing everyone with their information held on the GAS database to update. If at the same time, as completing your return, you would like to comment on Gasette, e.g. what's good, what's missing, your comments would be appreciated. After all to coin a phrase 'at the end of the day' Gasette is produced for you !

Perhaps the Spring edition could be your opportunity to fulfil that lifelong ambition to see your name in print. Remember contributions do not have to be long, and are always welcome, you may be able to suggest a useful website, a date for the diary, or a snippet of information that would interest others this does not necessarily have to be on accounting - see Chris Malone's item in this edition on Civil Service Sailing.

My thanks go to those of you who have picked up the gauntlet and provided me with copy and as always my regular contributors. Next edition sees the publishing of winter exam results; so if you were successful let me know. Ideas for articles on a subject that you'd like to know more about let me know next copy date is 12th April 2001, which believe it or not is Maundy Thursday.

On that note it only leaves me to hope you all have a good Easter break !

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.

3. **Programmes** to achieve the objectives.
4. Solid **costing** programmes and the accounting means and methods for getting good cost information.
5. A preparedness to change **management processes** to focus on KPIs.

Defining KPIs

As most government managers already know, defining KPIs is very difficult. It can also be highly contentious as soon as you start crossing functional and organisational boundaries. So it is all too easy to fall into the trap of defining KPIs in "inside-out" functional or sectional terms, and to find the relevant data in local silos to measure signs of local, tactical progress. This often creates a "comfort zone" enabling individual managers to point to local quality improvements without reference to broader policy objectives. Such localised optimisation may actually be counter-productive from a customer's perspective, and can lead to conflicts of interest between functions and departments. For example, one function's efforts to "streamline" a process and increase throughput may simply create more work further down the chain, perhaps for customer-facing functions.

Therefore, to get the full value from a KPI management system the KPIs *must* be defined from a top-down, strategic perspective by managers with the power to promote change. While everyone in the organisation has a role to play in performance improvement, only strategic-level management has the specific responsibility to define overall policy objectives (Point 1 above). Only strategic-level management has the power to authorise change (Point 5).

Moreover a top-down approach to information is required to achieve an integrated "customer-centric" view of performance. The information that must be brought together typically resides in several different silos scattered across departmental and functional boundaries. Consider, as a very high-level example, the government policy initiatives to reduce "social exclusion". Appropriate KPIs transcend the traditional departmental walls, embracing issues such as employment, housing, health, special needs, mobility and much else besides. The same individuals are likely to appear on several different databases, and information in any one of these only gives a partial view of an individual's predicament. Only by integrating and consolidating the information can you get meaningful answers to questions such as "what is the impact on employment of targeted investment in social housing?" And only when you answer questions like these can you make appropriate process adjustments that will improve service delivery.

IT-supported KPIs

So an integrated information strategy is an essential ingredient of KPI management - though this should not be interpreted as an opportunity to offload the "where on earth do we start?" question onto the IT function! No amount of IT can decide for you which are the appropriate KPIs (although today's data mining techniques can reveal (often with very surprising results) linkages and correlations that will support the selection of appropriate KPIs). Before you start creating integrated information hubs you must define your strategic business plan, followed by prioritised goals and measures and some of the initiatives that will help you to achieve these goals.

Without a firm grip on your IT strategy you will not know which KPIs are already measurable and available to provide solid baseline performance information. Consequently the senior government officials who authorise and appropriate funds won't see any evidence of return on investment. And without feedback and analytical reporting solutions, they won't see anything to convince them of a relationship between your initiatives and desired

outcomes. It pays to have senior IT folk involved right at the start of the project.

Some tips on best practice

The trick is to stay with the "top-down" vision defined in the business strategy while keeping one's feet firmly planted on solid ground. Here are some tips that will help you to stay on course:

- Do not try to do everything at once, but on the other hand do not get bogged down in local tactical issues.
- Refer to your business strategy and goals to prioritise and inform your choice of KPIs.
- Invest plenty of time in defining your informational requirements, identifying the sources of the raw data and integrating it.
- Invest in software that is scalable and can handle large volumes of multi-source data. A KPI system will break down quickly unless the underlying system has powerful data-collection and integration functionality.
- Do not be tempted to rush out and buy a point solution, especially if the vendor promises to solve all your problems. You will simply end up compounding your difficulties by adding yet another island of data.
- The aim of integration should be to facilitate consolidated "customer-centric" views. Do not integrate information for a specific application or report, as this will limit flexibility.
- Involve senior IT staff and IT-aware domain specialists at an early stage to ensure that IT is driven by architecture, rather than developed on an ad hoc basis.
- Introduce solutions on a small scale first and then cascade throughout the organisation at a speed that users can accommodate. "Quick wins" promote further success.
- Exploit Internet technologies to achieve rapid cascading through the organisation. If possible, introduce business intelligence portal technologies, which deliver analytical capabilities via the web. This will allow you to roll out solutions tailored to each manager's unique perspective without incurring high costs.
- Be sure that the KPI management solution links the plan and objectives to the departmental budget. The solution is an opportunity to reduce the proportion of the time financial managers spend accessing and managing data.

The balanced scorecard

Many organisations are now introducing knowledge management models such as the balanced scorecard and the EFQM (European Foundation for Quality Management) Excellence Model to track and manage performance. These models group KPIs under headings (such as Finance, Customer, Internal Processes and Learning and Growth) and seek to identify cause-and-effect linkages between KPIs. For example, they can help to reveal cases where a modest investment in staff training might have a disproportionately high impact on customer satisfaction. By demonstrating linkages between KPIs and sharing actionable information you will avoid sending managers down tactical quality improvement cul-de-sacs.

Once again it should be emphasised that models such as the balanced scorecard are wholly dependent on the quality of the information fed into them. What's more, they must have built-in flexibility and scalability to meet specific organisational requirements now and in the future. No KPI-based management system is a "once-and-for-all" solution. KPIs must be constantly reviewed and where necessary changed to reflect new priorities. Our experience shows that balanced scorecards and similar

solutions, if properly planned and implemented, highlight the incredible variety of factors that influence KPIs, and form an excellent basis for discussions on strategic improvements in performance. By demonstrating the effect that initiatives and actions have on outcomes they can also motivate managers and staff at all levels.

Forward-looking managers are not interested in simply complying with a utilitarian vision that everything must be measured to prove its worth. Rather, they want to seize the opportunity to manage more proactively, where improved outcomes (meaning optimum customer service at least cost to the taxpayer) are measured and valued more than increased outputs.



NEW SPECIAL INVESTIGATIONS GROUP

Welcome to a new and regular feature.

Following last summers HOAP conference a small group of departments who have Investigative accountants have come together to form a steering group to bring together accountants from this specialised area.

At their second meeting, on 9th January, the purpose and criteria for membership was decided and this copy of Gasette sees the official launch of the group.

Purpose: to provide a forum for investigative accountants in central government to share good practice and technical information. To provide opportunities for cross-department training, as a way of reducing cost; to promote better communication and to explore the possibility of organising a conference to cater for the requirements of this group.

Membership Criteria: Members will be either fully qualified or part qualified CCAB accountant. However, events will be open to colleagues of members.

Founder members:

	Contact	
INTERVENTION BOARD		SARAH MILUM
DFEE		NORMAN WHITE
PRISON SERVICE		RICHARD WILSON
OFFICE OF FAIR TRADING		JOHN BLAKEMORE
BENEFITS AGENCY		DAVID ROPER NEWMAN
SFO		STEPHEN LOW
DTI		JEFF GILBERT
HMCE		COLIN BOOKER
SPS/MOD		JOHN CLARK
IR		TOM CARNE
CHARITY COMMISSION		JOAN KINNINGS
MINISTRY OF AGRICULTURE		MICHAEL COOPER / CHARLES LEWIS

It is hoped that if demand warrants that the group will organise seminars and workshops, with guest speakers, covering topical subjects. Below is a list of proposed topics:

- Technical** Criminal Procedures and Investigations Act - New Disclosure Regime
Regulation of Investigatory Powers Act & Human Rights Act
Interviewing Techniques

- Topical** The Reform of the Criminal Courts
Expert Witness Guidance
Joined Up Criminal Justice System
Burden of Proof

Your feedback is required - we would like to know what your top three subjects are to help in organising our first event in late March. Please either E mail Roberta, who is acting as co-ordinator, or fax back the slip on this page or post it back.

 Return to Roberta Woodcock, 4th Floor Allington Towers, 19 Allington Street, London SW1E 5EB
 E mail roberta.woodcock@hm-treasury.gov.uk
 Fax 020 7270 1744

I would be interested in events on the following topics:

- Disclosure
- Regulation of Investigatory Powers & Human Rights Act
- Interviewing Techniques
- The Reform of the Criminal courts
- Expert Witness Guidance
- Joined Up Criminal Justice System
- Burden of Proof
- Other(please specify)

Delete as appropriate

Name.....
 Department.....
 Telephone No.....
 E mail.....
 Fax No.....

A DAY IN THE LIFE OF A FORENSIC ACCOUNTANT

Ring, Ring, Ring, Ring.
 'Hello.'
 'Time to get up, Dave, we're on the road in an hour.'
 'OK, What time is it?'
 'Five o'clock.'
 'You must be joking.'
 'No I'm not. Get a move on - the hotel has agreed to do an early breakfast.'

It's 0600 now, Three police officers and myself are climbing into an unmarked Ford Mondeo, as we head-off to pre-position for a series of raids in support of a Ministry of Defence Police (MDP) Fraud Squad (FS) investigation. My team, headed by a Detective Sergeant (DS) and supported by a two Detective Constables (DC) plus myself, are off to position ourselves outside a Ministry of Defence (MoD) building. We have to be ready to enter our building at the same time as four other teams, spread over a fifty mile radius, enter theirs. We will be entering two buildings belonging to the MoD and three private houses belonging to directors of building firms suspected of fraud and, in collusion with a MoD employee, corruption offences against the Department. At 0645 we're in position, ready to enter the building at 0700. The DS reports our readiness to the Detective Inspector (DI) acting as the operational controller. At 0700, the DS and a DC enter the building to 'serve the warrant' on the buildings occupants and a short while later they call for the other DC and myself to join them.

The operation had actually started two days earlier, with a briefing in the MDP Briefing Centre at MDP headquarters, Wethersfield, near Braintree. The briefing started with an introduction from the Senior Crime Manager, a Detective Chief Inspector (DCI), who in turn handed over to the DI as Crime Manager, and head of the team which had been investigating the directors, and the MoD employee, for a number of months. The DI gave an overview of

the nature of the enquiry, before introducing the Investigation Officer (IO) to provide a detailed briefing. The IO and I had discussed the likely accounting issues earlier in the day, and when questions were asked as to what the teams could expect to find in the way of accounting records, at the homes of the company directors, she handed over to me to provide the details. Once the formal briefing was over, each of the individual raid teams got together to discuss the issues relevant to their location; seeking clarification from the IO, or DI, as necessary. The main issue for my team was to confirm which MoD forms were being used, as they could vary from Service to Service. The following day was used for transit to a hotel in the operational area. Not too close, as we don't want to alert the suspects, but close enough to reach our designated location without the potential for delay. Once we've checked-in, we go for a drive past the location to establish the best route and transit time, while going over the routine to be followed the following day. A relatively, early dinner is followed by a good night's sleep.

It's 0715. We've got a long day ahead. We start by familiarising ourselves with the layout of the building before we set ourselves up in the large office that will act as our 'ops room' while we're on site. It's here that we will bring any items we 'seize', to examine, or put in boxes/plastic bags, before removing them from the building later in the day. My primary role within the team is to advise the police officers as to the relevant accounting records and files required, so that we do not remove any non-essential items; to examine any paperwork passed to me for examination, and advise on it's relevance; and to clarify systems and procedures, where necessary. I'm also there to 'hump and dump' boxes of paperwork, if necessary. However, as the day goes on and the pressure to complete the search increases, because the MoD staff are waiting to go home, I find myself working alongside a DC, providing clarification where it's needed, while he records, and 'bags and tags',

details of the items concerned. All the items removed from individual offices are taken to our temporary 'ops room' where a more detailed record of items is made. Next a query from the DS, and we're off to the archives to establish whether or not we need any of the archived files for future examination. There's dust everywhere. (I knew I shouldn't have worn my best suit!) Luckily two other teams have now arrived to help us. They're briefed by the DS before one of the teams starts taking some of the items seized, 'property' as it's called, out to a van which has now arrived on the scene; ensuring that we have given the building occupants a 'receipt' for what we're taking.

Before too long we've completed our search of the building and it's time to go. There's time for one last team-talk to ensure that we haven't overlooked anything, as once we leave the building we cannot come back without a new warrant, and we've finished.

It's 1915. The DS reports to the DI that we're clear, he in turn will report back to Wethersfield, and then it's off back to the hotel from what has been a long, and intense day's work.

The end of one of my more exciting days at work, but of course the less exciting, but equally interesting, aspects of the job was to follow. Following our return to Wethersfield we de-brief the operation and discuss any issues that have arisen, then it's down to the real work. All the items, including any computers recovered, have to be itemised prior to examination and analysis. An end to the enquiry is still many months away.

This is the first of a series of articles and I am looking for someone to provide me with copy for the next issue. Don't be shy promote your area of accountancy your colleagues are interested in what opportunities there are out there.

INTERNATIONAL ACCOUNTING STANDARDS - CRITICAL ISSUES FOR LISTED COMPANIES

Thursday 14 December 2000

By JOHN BLAKEMORE, HOAP, OFT

The conference was timed to follow the final meeting of the outgoing Board of the International Accounting Standards Committee (IASC). The IASC has reorganised itself so that it will be easier to reach agreement on new accounting standards. The conference discussed the quality of current International Accounting Standards (IASs) and what will need to be done by the new Board to improve them. It also considered the main differences between UK standards and IASs and what the UK accountancy profession needs to do to be ready to use IASs.

A further context was provided by the European Commission's decision in June 2000 to require all EU listed companies to prepare their consolidated accounts using IASs from 2005. **Karel van Hulle**, the EC's Head of Financial Information and Company Law, explained why the EC had decided to require IASs. European Governments had agreed a Financial Services Action Plan to make markets more competitive and capital markets more efficient. This requires comparable financial regulation and better enforcement of accounting standards. From 2005, IASs will have the backing of EC law for listed companies, but for this to happen the EC must retain some control over standards. This would come through an EC endorsement mechanism that would determine whether IASs should be adopted in the EU. If all goes to plan, the Council of Ministers and the European Parliament will approve the use of IASs sometime in 2001.

David Cairns and **Christopher Nobes**, leading academics on IASs, spoke about a report they had prepared comparing UK accounting standards with IASs. It identifies the differences and suggests an action plan for convergence, some of which involves changing UK standards to comply with IASs but suggesting that some IASs should change to match UK standards. The ASB has decided that the report should be treated as a discussion draft with parties commenting on it. The report concludes that although the UK is broadly in line with IASs, UK listed companies will have to

make a lot of changes to their accounting to meet the new requirements. Christopher Nobes thought that the UK accountancy profession faces a huge task in becoming familiar with using IASs by 2005.

Sir Bryan Carsberg, Secretary General of the IASC, identified some of the main issues that would greet the new IASC Board. He thought merger accounting is likely to be prohibited soon. There is an international consensus for a single income statement and the issue is now how that should be subdivided. Sir Bryan also identified the need for an IAS for the public sector, which should be as close as possible to private sector accounting.

The new IASC Board will be more independent of national standard setters and its voting arrangements will make it easier to reach agreement on new standards. The new Board will at least have the support of the International Organisation of Securities Commissions (IOSCO) for using IASs in cross-border listings. This was obtained in May 2000 after years of negotiations. However the US Securities and Exchange Commission (SEC) still requires a full reconciliation from IASs to US accounting standards for any company listed in the US.

Mary Keegan, a Partner with PwC and the incoming chairman of the ASB, spoke about how the Big 5 accountancy firms were trying to ensure there will be consistent application of IASs throughout the world. The big firms seem keen to avoid any accusation that they are not being sufficiently rigorous in their auditing of IASs.

Finally, **Sir David Tweedie**, the retiring chairman of the ASB and the incoming chairman of the IASC, gave a summary of the ASB's achievements in its first 10 years. In particular, he highlighted how the early years were spent ridding UK accounting of the excesses of the 1980s. Sir David saw a continuing role for the ASB even if UK companies are required to report using IASs. There will always be concerns specific to the UK and the ASB will have a role in influencing the arguments on emerging issues. He saw his new role at the IASC as one of harmonising national regulation with IASs and of improving the existing IASs.

WEBSITE OF THE MONTH

Thanks to those of you who are starting to get the idea of this article for contributing the following suggestions:

www.ovalworld-online.com

A must for Surrey CC fans, and one produced by Marcus Hook in LCD's HQ Accountancy Division. In addition, to keeping abreast of all the latest news and gossip from the Oval there are excellent links to all the other county teams and International sides plus for the non-cricket lovers links to other sports.

www.bdo.co.uk

A site for the market watchers BDO have a dedicated section on market trends which contains a summary of all the main business surveys carried out during the quarter. For the speculator there is a comprehensive report on the AIM and its trends.

www.kidsons.co.uk

In addition to containing the expected Kidsons include their monthly 'Forensic Briefing', a comprehensive guide to recent cases and changes to legislation etc.

www.webpagesthatsuck.com

A feast of information for anyone designing or building a site. A great guide in how not to do it, including daily examples !

www.rinkworks.com/dialect

To finish something a little light hearted this site offers the facility to type in any URL of your choice and before your eyes it converts it into the selected lingo. For example, on applying Swedish chef, 'latest bulletins' becomes 'letest boolleteens'.

As always suggestions either serious or light-hearted are always welcome.

BOOK AID INTERNATIONAL

Once again many thanks for all the books we have received here at Allington Towers. The books were forwarded to Book Aid International for onward transmission and they recently contacted us to let us know how valuable all your contributions were. Mr Anyomi the Centre Manager for the Integrated Centre for Employable Skills, Uganda made the following comment

"Our initial reaction was one of wonder, as the books are all new and so appropriate for our purpose"

Unfortunately we are unable to take anymore books but if you want to make a further contribution, who are Book Aid ?

They run the Ranfurly Library Service that provides 750,000 books each year to support literacy, education, training and publishing in more than 60 countries around the world. Over 85% of books go to 13 countries in sub Saharan Africa.

So what will they accept ? Books under 10 years old in good condition that are relevant to the people in the countries they work. The books they need most are

- Children's picture and story books
- Adult fiction - popular and the classics
- School, college and university textbooks
- Dictionaries
- Atlases and encyclopaedias
- Technical and vocational
- Professional
- Journals - academic and professional but no more than two years old

Books can be sent to:
Book Aid International
39-41 Coldharbour Lane
Camberwell London SE5 9NR

For more information see www.bookaid.org

CCAB VIEWPOINT JANUARY 2001

AAT

AAT Member wins place in the 'Trainee Accountant of the Year' final

Vethanayagam Ramesh MAAT, won a place in this year's final of the Pass/TMP Harrison Willis Trainee Accountant of the Year competition. Up against five other contenders at the recent final at Claridges hotel, Vethanayagam won £100. This year's winner was CIMA NHS trainee Simon Bowker from Bristol.

Having worked for Dixons for the past thirteen years, Vethanayagam currently works as an Assistant Accountant in Hemel Hempstead. He began studying for CIMA last year, when he also became a Member of the AAT. Vethanayagam said; "My favourite subject is financial accounting, I love working with numbers. In 13 years I have never had a day off sick - I love my job".

There were six trainee accountants in the final who were judged by four judges:

- **Steve Randall**, Director of Finance in the regions TMP Harrison Willis
- **David Melvill**, CIMA Past President and Kodak's European Treasurer
- **Paul Maxin**, Senior Manager in PriceWaterhouse Coopers Business Advisory Services
- **Graham Hambly**, PASS Magazine editor

PASS magazine is the monthly magazine for part qualified accountants from all the chartered accountancy bodies. TMP Harrison Willis is one of Europe's longest established executive resourcing consultants which specialises in the finance sector.

More than 25,000 books collected for the President's Millennium Book Appeal

The President's Millennium Book Appeal has been a huge success, collecting more than 25,000 books for the AAT Students in Africa and the Caribbean where study text resources are extremely limited. The books have been distributed to Centre libraries in proportion to their number of Students in:

- Botswana
- The Gambia
- Guyana
- Jamaica
- St Lucia
- Swaziland
- Trinidad & Tobago
- Zambia

The idea for the Millennium Book Appeal, came from Margaret Rawding, AAT President, 1999/2000, during her Presidential visit to Southern Africa in September 1999. In Botswana and Swaziland, she saw that it was not uncommon for ten Students to share an old worn copy of a text book. The stark contrast between the facilities of Students in the UK and those in some other

countries, prompted Margaret Rawding to seek to redress the balance, and ensure that all AAT Students receive equal opportunities to study the AAT qualification.

Margaret Rawding said: "We didn't even know how big a job it was going to be. We were hoping to get 3,000 or 4,000 books, but had no idea if the actual figure would be smaller or larger. To end up with almost 27,000 books were beyond anyone's expectations."

The AAT would like to thank in particular all those AAT Members, Affiliates, Students, Approved Assessment Centres and publishers, especially BPP Publishing, who donated books to the Appeal. Special thanks must also go to the City of London School for Boys, who provided a prime locality, considerable storage space, plus staff and time to take deliveries of books arriving from around the UK. We would also like to thank Seabourne, a London based distribution firm who provided their services at cost only; all the AAT staff who helped with the collection, stock checks, sorting and despatch of books from London; and all the AAT Members, Approved Assessment Centres and other organisations who helped with the distribution of the books to their final destinations.

Margaret Rawding concludes: "The unexpectedly enthusiastic response to the Appeal will make a noticeable difference to the way AAT Students work in Africa and the Caribbean. It means Students will have access to probably one book between two or three for every module."

The President's Millennium Book Appeal is now closed. If you have any remaining text books that you would like to put to good use, please contact Book Aid on +44 (0) 20 7733 3577

ACCA

Professional support...

- **Technical Advisory Service**

ACCA provides a free Technical Advisory Service for members and their colleagues who have a technical or ethical query. Contact: 020 7396 5920 or e-mail advisory.enquiries@accaglobal.com

Comprehensive coverage...

Partnerships

ACCA has established a series of partnerships with other organisations to provide a wider range of co-ordinated initiatives. Our partners include the Charities Finance Directors' Group and the [Public Management and Policy Association](#).

Innovative and forward thinking...

Public Sector Networks

ACCA Public Sector Networks (England, Wales and Scotland) are dedicated to providing outstanding services for accountants working in the public sector. They act as an accessible source of information and learning and provide support and advice for accountants/finance professionals working in the challenging environment of the public sector. Membership of the Public Sector

Networks is free to members of other CCAB bodies. Members receive a quarterly newsletter and free lecture programme.

Informative debate...

Courses

The Public Sector Networks organise a series of free lunchtime and evening lectures. In addition, ACCA has organised a series of fee paying courses specifically for public sector accountants, which will take place in Autumn 2000. Copies of the training brochure will be available shortly. If you are interested in attending any of the above events please contact Kevin Parker on 020 7396 5877 or e-mail k.parker@accaglobal.com.

Supporting students and employers

Training Department

Training Department activities involve:

- Meeting ACCA students and their employers to promote and support ACCA training
- Making new employer contacts to discuss ACCA training
- Promotion of all ACCA services, including attendance at relevant fairs, conferences and meetings.

Involvement in cross-departmental projects to advise on training matters.

ACCA calls for greater APB consultation

The Association of Chartered Certified Accountants (ACCA) wants the Auditing Practices Board (APB) to consult more extensively on proposed new auditing standards.

The move comes as the association expresses fears over the danger of a two-tier system for listed and other companies after the APB's recent Statement of Auditing Standards (SAS) 240 'Quality control for audit work'.

A similar proposal has now reappeared in proposed SAS 610 Communication with directors, says the ACCA, but the APB has not invited responses on this specific point.

"We are concerned that APB may be committed to introducing into the UK what amounts to 'Big Generally Accepted Auditing Standards' (GAAS) and 'Small GAAS' without appropriate consultation," said Jonathan Beckerlegge, chairman of ACCA's auditing committee.

"In doing so it stifles debate on a topic which is itself much more important than the proposed change to SAS 610. We urge APB to widen the debate by inviting comment on this specific issue."

The ACCA is also concerned that the APB is being "insular" in its approach to adopting International Standards of Auditing. The proposed SAS departs "significantly" from ISA 260.

"With the likely convergence of auditing standards in Europe to International Standards on Auditing during this decade, it is now imperative for APB to do everything in its power to promote a smooth transition. Unnecessary departures from international standards such as we see in the SAS 610 case do not greatly assist the convergence process," said Beckerlegge.

First Oxford Brookes degrees awarded to ACCA students

The first Association of Chartered Certified Accountants (ACCA) students have been awarded BSc degrees in applied accounting from Oxford Brookes University as part of their studies.

The scheme, which allows ACCA trainees to gain an Oxford Brookes degree on the successful completion of a special project, was launched last year.

Thirty-six students from across the globe decided to submit Research and Analysis Projects for assessment, and 31 were awarded degrees. Four students, from Poland, Malaysia and the UK, were awarded first class degrees, 16 achieved 2.1 degrees, six achieved 2.2 degrees and five achieved third class degrees.

Mark Protherough, ACCA's head of student affairs, said: "We are delighted with the success of these pioneering students, who not only had to pass tough ACCA examinations, but then had to prepare and submit demanding research projects for assessment by Oxford Brookes".

"We already have 15,500 students registered for the joint ACCA-Oxford Brookes scheme and we anticipate thousands more will seek to gain a prestigious UK degree in applied accounting, as well as becoming fully qualified ACCA professionals."

Oxford Brookes University, which is currently developing an MBA qualification with ACCA, has also had cause to celebrate as its Business School has been awarded two perfect scores of 24 out of 24 in review visits by the Quality Assurance Agency for Higher Education (QAA). Two subjects - Economics and Business & Management - were assessed in the following areas: curriculum design, content and organisation; teaching, learning and assessment; student progression and achievement; student support and guidance; learning resources; and quality management and enhancement.

Simon Williams, Director of Oxford Brookes Business School, said: "We are extremely pleased to be awarding degrees to the first cohort of ACCA students. Many of the projects submitted were of a very high standard and the students are to be congratulated on their hard work and resulting success".

"We are proud to welcome them as Brookes alumni and hope that they will continue to be associated with Oxford Brookes Business School in the future. The year 2000 was a memorable one for us, signing a partnership agreement with ACCA and the wonderful achievement of perfect scores in two QAA Subject Reviews being among the highlights. Past, current and prospective students and employers can be assured of the excellence and relevance of programmes provided by this School."

For further information, please contact:

Colin Davis, ACCA Deputy Head of Communications +44 (0) 20 7396 5738

Sarah Johnson, ACCA Liaison Officer, Oxford Brookes University +44 (0) 1865 485702

CIMA

CIMA fellow clinches top professional accolade

Craig Bennett, Group Finance Director of telecoms company The Caudwell Group, has clinched the top UK professional accolade of Financial Director of the Year in this year's Accountancy Age awards.

Craig, 37 and a CIMA fellow, won the title for his central role in the company's success story. Managing the turnover of more than £1bn a year, he has built his career on strong leadership skills and a go-ahead style in a tough corporate environment.

The Caudwell Group is now 13 years old, and over the last decade has grown at a phenomenal rate of 60% a year. As Group Finance Director, Craig has fostered flair and innovation without losing a grip on the financial controls, and hopes to oversee group turnover as it hits £3bn by 2007.

"That's a difficult balancing act, which many innovative businesses can't manage, and that's why they go bust," Craig says. "But we managed it because sound finances are at the heart of our success." Drive and ambition have marked Craig out in his company. When he joined, The Caudwell Group had a staff of 25; it now employs 2500. He is now responsible for a team of 90 management and chartered accountants, and the company, with its headquarters in Stoke-on-Trent, incorporates 14 companies in eight countries.

Craig left school after his A-levels and landed his first management post at 19 at the GPO, where he was responsible for staff twice his age. A first-class degree in business studies, followed by the CIMA qualification, led him to The Caudwell Group, where he was impressed by the ambition and entrepreneurial spirit of its founders.

"I wanted to have an equity stake in a company and I also wanted to help it grow."

Craig endorses the value of CIMA to his staff. He has signed up his management accountants to CIMA's Training Through Partnership (TTP) scheme, an employer-based initiative designed to help businesses integrate training with business needs.

"The practical element of CIMA is fundamental from our point of view. It requires our trainees to apply their knowledge in the wider business context. This is particularly relevant for us as this company expects trainees to make an impact on the business from the start."

Institute of Management Accounting launched to meet the needs of business in Poland

IRZ (Instytut Rachunkowosci Zarzadzczej), the Institute for Management Accounting, has just launched in Poland as a sister institute to CIMA.

National Polish TV newsreader Grazyna Bukowska chaired the conference launch in Warsaw on 'Management accountancy - the navigation system for business in the 21st century'.

CIMA President Mike Jeans attended the conference launch to add his enthusiasm, support and good wishes to IRZ, together with Claire Ighodaro (Chair of CIMA's International Committee), Kathy Grimshaw (Director of Corporate Development at CIMA) and Slawomir Chirzanowski (Managing Director of the

Foundation for the Development of Accountancy in Poland).

The presenters were united in their message - the importance of management accountancy, its techniques and philosophy in enabling both private and public organisations to add value to their stakeholders.

We at CIMA wish IRZ and Poland a prosperous and exciting future and look forward to working with them in pursuit of excellence and the development of management accountancy.

Transforming the finance function

The latest in our highly successful series of Hot Topics Forums took place on Friday 17 November at the City Conference Centre, London. Over 60 senior delegates representing a broad cross-section of commercial and public sector organisations (from international banks and telecommunications companies to government departments and charitable entities) enjoyed a concentrated morning's session. The packed agenda combined analysis of the operating environment currently facing management accountants, the drivers behind the increasingly rapid changes to these conditions and the impact and challenges that they set for business managers.

Margaret May, Managing Director of Management Accountants in Practice, and member of CIMA's Council, gave the first presentation, explaining how factors including rapid technological development and innovation, government legislation and the rise in shareholder power have presented the traditional finance function with fresh challenges.

Traditionally the safe haven of 'number-crunchers' concerned with purchase order generation, invoice processing and the like, finance professionals are under ever-increasing pressure to develop and enhance their business contribution to deliver increased shareholder value.

Production and presentation of acceptable monthly management accounts and a clean set of end-of-year financial statements are no longer sufficient in the fast-changing globalised marketplace. 'Added value' is now the name of the game for successful and efficient finance operations. So, where is this 'added value' to be found? The rise in Shared Service Centres and increasing use of the Balanced Company Scorecard were two potential (and very different) sources that the forum profiled.

Huge advances in information technology and international telecommunications have resulted in dramatic changes to almost all aspects of the finance function at Boots Healthcare International. Graham Eardley, Operations Manager at BHI's Service Bureau, shared his experiences at the 'coal-face', and outlined some of the management issues that the implementation of a Shared Service Centre has generated there.

The Bureau handles the financial transactions of BHI's product distribution to sales outlets throughout Europe, and Graham suggested that international cultural differences can be the most problematic aspect of tackling such a huge project. Perhaps surprisingly, the choice of operating system may not be a critical factor - unsurprisingly, the delivery of timely, accurate and appropriate management information often is. More information on Graham's experience in implementing an International Service Bureau can be found in the [downloadable presentation](#).

The implementation of Balanced Company Scorecards focuses not only on the finance function, but simplifies the key business-wide

perspectives that help to define and, through observation and correct management, deliver, strategic business aims.

Tristan Maynard, Senior Partner at the BCS Partnership Ltd, set out how the clear, focused reporting of key performance indicators can dramatically improve the usefulness of management accounts. A case study included in the presentation by Gary Ashworth (Managing Director, Knowledge-Capita.comLtd) drilled down to the detail of Balanced Scorecard Implementation. This showed how to identify and track the key relationships between higher-level strategic initiatives, and their impact at a readily measurable level in terms of critical success factors for departmental teams and individuals.

If you would like more information please contact Liz Murby

Phone: +44 (0) 20 8674 9080

Email: liz.murby@cimaglobal.com

New Year Honours for CIMA Fellows

CIMA fellows Tim Cooper-Jones and Alderman Sir Clive Martin have been included in the New Year Honours.

Tim Cooper-Jones, currently European Director of a major e-procurement project for Unilever, has been awarded an OBE. This was in respect of his services to the food industry.

He said: "I am very honoured to receive this award, which I feel is a reflection of the excellent way in which industry and government can work together when circumstances require."

In addition to his 22-year career with Unilever, Tim is Treasurer and Board Member of the Institute of Grocery Distribution and a Council and Executive Member of CIMA.

Alderman Sir Clive Martin was awarded a knighthood in respect of his services to the City of London; he completed his year of office as Lord Mayor last November.

CIPFA

Review of Audit and Accountability for Central Government: CIPFA's evidence

CIPFA submitted evidence to Lord Sharman's review of the arrangements for the audit and accountability of Central Government in the twenty-first century. CIPFA's evidence was structured around the following three key questions posed by Lord Sharman:

- What is public money?
- What degree of audit and accountability is appropriate to public money?
- What are the appropriate arrangements for those in receipt of public money to account to Parliament?

While these questions appear relatively straightforward, in CIPFA's view they require complex answers not least because of a lack of generally accepted definitions of some of the terms used. CIPFA's response seeks to demonstrate the complexity of the issues and to provide a framework within which to answer the questions.

The main points raised in CIPFA's evidence are:

- The term 'public money' is not simply defined, as the boundary between 'public' and 'private' expenditure changes with the method of service provision

- The audit and accountability framework for public money should have sufficient flexibility to reflect the different service procurement methods
- While public money should be subject to a wide scope audit, the extent of the scope is a matter of judgement for the key stakeholder or commissioner of audit
- As a general statement the proportionality principle should apply, that is the higher the risk and materiality of public expenditure, and the greater the uncertainty of outputs and outcomes, the wider should be the scope of public audit and accountability
- Approaches such as contract monitoring and reliance on the work of other auditors and inspectors may imply a reduced level of public audit under some service delivery methods
- The extent to which organisations in receipt of public money should report directly and in detail to Parliament will vary according to the service delivery method
- Accountability to Parliament should extend to performance information and the existence of systems of controls within organisations spending public money
- Partnership and cross-cutting working will challenge the traditional accountability structures within central government
- Effective financial accountability, particularly in the context of resource accounting and Whole of Government Accounts, will require a consistent quality of financial advice from professionally qualified accountants

Health and Social Services: Pooled budgets

A joint publication by CIPFA's Health and Social Services Panels provides guidance on the establishment and management of pooled budgets and will be published early in 2001:

There are six sections in the guide that look at the following different elements of pooled budgets for partnerships.

- Background
- Managing the Pooled Budget
- Corporate Governance
- Financial Accountability
- Audit
- Other issues.

A checklist is provided to assist implementation and Department of Health guidance (extracted from the Health Act 1999) is also included.

The guidance has been produced in conjunction with the Department of Health and provides essential guidance for practitioners and organisations as they develop partnership arrangements under the Health Act 1999.

Full details of this document are available on the Policy and Technical pages of the CIPFA website www.cipfa.org.uk

Preparing finance staff for the modernised NHS

The Health Panel submitted a response and press release to the recent DoH discussion document and has offered support in the review of Building Framework for the Future and the development of shared services. In broad terms CIPFA supports the vision set out in the document but goes on to outline how NHS finance staff must develop their management and communication skills and adopt a more customer focussed view when making decisions.

Full details of this document are available on the Policy and Technical pages of the CIPFA website www.cipfa.org.uk

CIPFA's Central Government Panel: Future Events

CIPFA's Central Government Panel now plans to hold four seminars in 2001: Resource Accounting and Resource Budgeting. This event will give participants a timely opportunity to discuss the lessons learnt to date.

Central Government Finance: an Update. This event will be linked to the release of the forthcoming Central Government Panel publication "An Introductory Guide to Central Government Finance".

Performance Management Corporate Governance in Central Government.

Dates for the above seminars have yet to be arranged, but if you would like further details of these courses when available, please ring Lesley Lodge on 020 7543 5772 or email lesley.lodge@cipfa.org. For further details of CIPFA's programme of courses, please ring Alex Aarons on 020 7543 5751 or email alexandra.aarons@cipfa.org.

Public Management and Policy Association (PMPA)

CIPFA, together with 26 other institutions including the ACCA, CIMA and FDA, is a stakeholder in the PMPA. The association is funded by member subscriptions and offers a timely and exciting range of lectures, workshops, and publications.

The PMPA runs an extremely popular evening lecture programme (priority for places goes to PMPA members). Forthcoming speakers include:

Professor Vernon Bogdanor (Brasenose College, Oxford) on Reform of the Civil Service: A Sceptical View. *Chairman*: Sir Christopher Foster (PricewaterhouseCoopers). 6 February 2001

Robert Hazell (Constitution Unit). Will be in Belfast, jointly with FDA. 8 March 2001

Sir Richard Wilson (Head of the Home Civil Service) on Reforming and Modernizing the Civil Service. 15 March 2001

Rod Aldridge (Executive Chairman: Capita) on Public-Private Partnerships. Date to be confirmed.

Steve Orchard (Chief Executive: Legal Services Commission) on Community Legal Services Partnerships. Date to be confirmed.

Keith Hellawell (Anti-Drugs Co-ordination Unit) on Joining-Up Government to Control Drug Abuse. To be held in Liverpool. Date to be confirmed.

Dame Rennie Fritchie (OCPA) on The Role of the Commissioner of Public Appointments. 10 July 2001

Colin Talbot (Glamorgan Business School) on Performance Measurement. 4 October 2001

Caroline Mawhood (NAO) on Performance Management. Date to be confirmed.

Can 19th Century Institutions Deliver 21st Century Needs?

The Public Management and Policy Association (PMPA) have finalized its annual conference programme. Its 2001 conference will be held at the Bournemouth International Centre at the same time as the CIPFA Conference. CIPFA members can attend the

PMPA conference either by registering for the CIPFA conference or joining the PMPA-PMPA's membership fee (£65 for CIPFA members in 2001) includes a free place at the annual conference. The conference theme is: *Can 19th Century Institutions Deliver 21st Century Needs?*

The conference will be on 14 June 2001 and will be chaired by David Walker (*The Guardian*; and PMPA Policy Board member).

Sessions will include:

Parliament: Peter Ridell (*The Times*)

Central Government: Faith Boardman (London Borough of Lambeth)

Public Finance: Richard Harbord (London Borough of Hammersmith & Fulham)

Defence: Lawrence Freedman (King's College)

Prisons: Baroness Vivien Stern (International Centre for Prison Studies)

Local Government: Professor Michael Clarke (University of Birmingham)

Schools: Alan Parker (London Borough of Ealing)

Joining In

Further information on joining the PMPA is available from Sandra Harper at CIPFA, 3 Robert Street, London WC2N 6RL Tel.: 020 7543 5679; fax: 020 7543 5695; e-mail: sandra.harper@cipfa.org

ICAEW

Ian Wright to Chair ICAEW Financial Reporting Committee

The Institute of Chartered Accountants in England and Wales (ICAEW) has appointed Ian Wright, a partner in the Global Reporting team at PricewaterhouseCoopers, as Chairman of the Financial Reporting Committee.

Ian Wright commented:

"I welcome the challenge presented by this new opportunity. UK accountants face many issues over the next five years in preparing for the transition to international accounting standards and it is vitally important that the UK accounting profession exercises its full influence over the development of IAS in that period.

Major changes to accounting will result from redesigning the profit and loss account and the likely advance of fair values, such as for financial instruments. Whilst managing all of this change, businesses will need to explain the impact on their financial statements. The Committee looks forward to working with preparers of financial statements to provide input to the new standards, in particular to ensure that the results can be explained by all involved and not just professional accountants."

Ian Wright's appointment follows the selection of Robert Hodgkinson, who has chaired the Committee since 1997, to represent the UK members of the Consultative Committee of Accountancy Bodies on the Council of the Fédération des Experts Comptables Européens (FEE). Robert will continue to

head up the Committee's work in finalising guidance on preparing prospective financial information (see note 1):

1. The Financial Reporting Committee is responsible for the development of Institute policy on accounting issues and for ensuring that the Institute is in a position to reflect authoritatively the views of members on financial reporting matters. The Committee comprises a broad balance of preparers and users of financial statements, including members in business and in practice, in the public sector and in academia.

The Financial Reporting Committee carries out proactive projects on topics that are likely to be of interest to members. A common theme of recent projects has been the need for improved disclosure of forward-looking information. During the past three years, the Committee's proactive output has included the following papers:

Revenue and expense recognition: An issues paper - November 2000

Prospective financial information: Challenging the assumptions - issued for comment by 19 February 2001

Inside out: reporting on shareholder value - October 1999

No surprises - The case for better risk reporting - July 1999

Financial performance - Alternative views of the bottom line - January 1999

Pro forma financial information (TECH 18/98) - September 1998

Financial reporting of risk - Proposals for a statement of business risk - December 1997

The international dimension - April 1997

Robert Hodgkinson to represent Accounting Profession in Europe

UK members of the Consultative Committee of Accountancy Bodies (CCAB) have appointed Robert Hodgkinson, a partner in Arthur Andersen's Professional Standards Group, to represent the UK profession on the Council of the Fédération des Experts Comptables Européens (FEE). As Chairman of the ICAEW's Financial Reporting Committee, Robert has been a member of the CCAB's International Accounting Committee. He will also serve on the FEE Executive and chair FEE's Auditing Working Party. He follows in the footsteps of Mary Keegan who joined the FEE Council in 1997.

Robert Hodgkinson commented:

"I hope I can be a worthy successor to Mary Keegan who has worked tirelessly on behalf of the UK accounting profession in Europe. The next few years are going to be crucial as the EU gears up to implement international accounting standards by 2005 and develops its approach to auditor independence and ethics.

UK accountants in business, public practice, government and the academic world have a great deal to offer internationally. I look forward to working with colleagues in Europe to support the European Commission and the International Federation of Accountants in their efforts to make sure that globalisation brings real benefits to business and individuals."

ICAS

Andersen Partner to be future President of ICAS

London-based Murdoch McKillop, currently Senior Corporate Restructuring Partner in Arthur Andersen's Global Corporate Finance practice, has been nominated as Junior Vice-President of The Institute of Chartered Accountants of Scotland (ICAS). He will take up office in April 2001 and is expected to become President of the Institute in April 2003.

Born and educated in Glasgow, Murdoch McKillop has been actively involved with the Institute for a number of years. He is a Past President of the Society of Practitioners of Insolvency (SPI), now the Association of Business Recovery Professionals (R3).

He joined Arthur Andersen in Glasgow in 1971 as a new graduate and was admitted as a Member of the Institute in 1975. In 1980 he had his first experience of corporate recovery work and in 1983 he started Arthur Andersen's Scottish Corporate Recovery practice, initially in Glasgow and then in Edinburgh also.

By the late '80s the Scottish practice was well established and with the onset of the recession in mid-1990 Murdoch started increasingly working south of the border. Following his appointment as one of the Joint Administrators to the Maxwell Private Companies, he transferred to London in 1991. Probably best known for his work on Leyland Daf and Ferranti, he has spent much of the last three years working on major re-structuring projects in South East Asia.

Welcoming the ICAS Council's nomination, Grenville Johnston, the current President of the Institute, commented:

"We are delighted that Murdoch has agreed to accept the post of Junior Vice-President. He has made an outstanding contribution in his chosen field and brought enormous credit to the profession. His experience as the ICAS representative on the Council of SPI and then as its President will stand him in good stead as he joins the Institute's leadership in April next year."

Murdoch McKillop will join the Council of ICAS with immediate effect and will be presented for election as Junior Vice-President to the Institute's Annual General Meeting in April 2001. At that time, Grenville Johnston will pass the Presidency to Andrew Christie. Cahal Dowds will assume the Presidency in April 2002.

For further information please contact:

Christine Waugh, ICAS, 0131 347 0315

Gordon Robertson, FMS Public Relations, 0131 624 5035

ICAS seek expert e-business advice

The Institute of Chartered Accountants of Scotland (ICAS) has brought together the cream of Scotland's e-business community to address the new challenges and opportunities being created by the rise of e-business. The "Tech 2000: Strategic E-Business" Conference, being held on Tuesday 14 November in Glasgow will provide finance professionals with a complete overview of e-business and how it can impact on their business.

Steve Wright, Marketing Manager of ICAS's training arm, CA Business Courses, says: "E-business is now an important part of the running of many businesses and it is key in these situations to

develop sound strategies for its implementation and development. We have invited experts in e-business from many disciplines to take our delegates through e-business, detailing how it effects the business and in particular the finance function."

Chaired by Sandy Finlayson, Partner, Murray Beith Murray and Alison Loudon, Chairman of Apple Software and Data Discoveries, the Conference also boasts speakers including Chris Gorman, Chief Entrepreneur, Reality Group, Scott Parker, Director of eFinance, KPMG, John Leggate, Vice President, Digital Business, BP Amoco and Simon Levene, Director of Knowledge Management, PricewaterhouseCoopers.

The Conference also contains workshops on specific topics such as "Online Security and Risk Management" so that delegates can

obtain a more practical knowledge. Steve Wright adds: "Ultimately, we want delegates to walk away from this Conference with a clear and focussed strategy for the development and implementation of a sustainable e-business strategy for their organisation or firm. The speakers, a mixture of workshops and conference, provides the framework to achieve just that."

Tech 2000: Strategic E-Business will take place on Tuesday 14 November 2000 in the Glasgow Moat House Hotel between 09.00 and 17.00.

For further information please contact:

Steve Wright, ICAS, 0131 347 0222

Gordon Robertson, FMS Public Relations, 0131 624 5035

NEW AND NOT A LOT OF PEOPLE KNOW THAT !

Financial Power

AccountancyAge has published its list of the top 50 financial figures whose decisions will affect the working lives of the profession in 2001. The list can be accessed via their website www.accountancyage.com - look out for some familiar names.

Farewell to Hector !

January saw the retirement of Hector the Inspector, the Revenue's likeable cartoon character who was introduced to the public five years ago. The reason for his early retirement is that he has become too popular for his own good.

Accountants & 20th Century

At the turn of the last century there were 5,754 qualified accountants rising to 44,059 in 1951, in 2000 there were estimated to be over one-quarter of million, with two-thirds working in business.

DTI and CIMA

DTI, in conjunction ATC, are organising CIMA day release courses and are offering places to other departments. The timetable for future examinations are Intermediate Stage 2: May 2002, Intermediate Stage 3: May 2003 with Finals in November 2003. Foundation courses are currently being run for Financial Accounting Fundamentals and Management Accounting Fundamentals with the concluding foundation papers to be taken in May 2001. Cost per student based on whole course costing £5175, which includes tutorials, revision classes and materials. Further details from Jo Tatum : Jo.Tatum@dti.gsi.gov.uk or 020 7215 2707

Year of the Golden Dragon

2001 is the year of the Golden Dragon and according to Feng Shui experts in order to improve your success you should tape three Chinese coins, tied together with red thread to the most important files in the office - could lead to interesting comments from bosses and colleagues alike.

Conference dates for 2001

Trainee conference July 12th & 13th at Wyboston Lakes, Wyboston, Bedfordshire. Details to HOAPs in March.

Qualified Conference November 21st and 22nd at Hanover International, Hinckley, Leicestershire. Details to HOAP in the summer

HOAP Summer Conference July 18th and 19th at Robinson College Executive Centre, Wyboston, Bedfordshire

If you come across anything that you think may be of interest to others let the Editor know.

Civil Service Sailing - Solent Yacht Racing Regatta

You can come yacht racing with the CS Sailing Association in a yacht representing your Department against others, in the annual CSSA Interdepartmental Offshore Racing Series (IDOR). CS Departments compete against each other for several trophies in a fleet of matched yachts in several races in the Solent and around the Isle of Wight over 5 days.

Each yacht requires a skipper and first-mate who can convince the charter company of their competence to control the boat and crew, and the rest of the crew can be of varying experience from dinghy sailors to novices. There will be about ten identical yachts with room for 5-8 persons to live aboard overnight in a marina in Cowes, for the 5 days, on 14 - 18 May this year.

Some Departments sponsor their crews or give special leave or subsistence allowances due to the team building aspects of the event. Costs therefore vary, but it will be less than a package holiday in the summer, and lots more fun. The CSSA also organises other events, racing, cruising and tuition in yachts and dinghies at various sites around the UK. The CSSA also has its own marina and its own yachts!

For further information on IDOR or the CSSA in general please contact Ken Pavitt, 8 Collett Way, Grove, Wantage, Oxon OX12 0NT Telephone 01235 764800 or e-mail kenwpavitt@aol.com.

I have also been asked to provide a brief report on the happenings at the 2001 IDOR for a future edition of GAZETTE and shall be happy to do so - watch this space.

Christopher Malone
DSS Internal Assurance Services, 505H, Norcross, Blackpool
(01253 332534)

OECD SYMPOSIUM : ACCRUALS ACCOUNTING AND BUDGETING IN GOVERNMENT 13-14 NOVEMBER 2000

David Loweth, Head of Central Accountancy Team, HM Treasury

If you thought that the UK was alone in implementing accruals (resource) accounting and budgeting, then think again. The introduction of accruals is becoming big business for governments across the world. In recognition of this development, the Public Management Service (PUMA) of the Organisation for Economic Co-operation and Development (OECD) and the French Ministry of Economy, Finance and Industry co-hosted a symposium last November. The purpose of the symposium was to share experiences and views on the developments towards adopting accruals accounting and/or budgeting in governments, given that over a half of the 29 OECD member countries had adopted accruals to some degree, with others planning to follow.

The level of interest in the symposium was such that over 120 representatives attended from 23 OECD member states, 7 non-member states, and 3 international institutions.

Following a keynote address from Florence Parly, the French Budget Minister, the symposium was organised around five main sessions :

- **The application of accruals : agency and/or whole of government level; financial reporting only or budgeting as well?** - this session threw up a stark contrast in views between those countries which felt strongly that both accounting and budgeting should be on an accruals basis (notably Australia, New Zealand and the UK), and those which argued for retaining budgeting on a cash basis (eg France and the USA). While there was some scepticism expressed about the benefits to be gained from accruals budgeting, the majority view was to have both accounting and budgeting on the same basis, not least given the confusion of operating dual systems. In response to those who feared that control over cash would be diminished under accruals, Australia and New Zealand - the two countries with the most experience of operating in an accruals environment - stressed very strongly that in fact control over cash had been enhanced. The session also highlighted an issue to which little attention had been paid to date, namely how to deal with accruals appropriations. Moving wider, there were also issues discussed to do with the links to outputs and performance reporting, and a number of countries stressed the need for the move to accruals to be seen in the context of wider public management reforms.
- **Valuation issues** - this session focused on the practices applied to the recognition and valuation of non-commercial assets (notably heritage and military assets), and whether valuation should be at historical or current values. The debate highlighted that the treatment of social security benefits, in particular the basic state pension, was a real issue for many countries, and one where there was scope for international co-operation and liaison.
- **Setting of accounting standards** - a PUMA survey revealed that in most member countries accounting standards for government were determined by the Finance Ministry, with or without independent advice. Only Australia and New Zealand had fully devolved standard-setting to the national independent accounting standard-setter.
- **Implementing accruals** - this session highlighted issues on the need for planning, putting in resources and getting the commitment for the move to accruals, systems, training and skills issues. For the UK, this session highlighted on-going communications and training issues for Resource Accounting and Budgeting (RAB), and a need to take on board these lessons in taking forward Whole of Government Accounts (WGA).
- **The wider impact of accruals** - this session focused on the impact of accruals on transparency, fiscal policy setting, the legislature and the public. One particular feature to emerge from this session was a plea for financial reporting to be more 'joined-up', in particular a need to sort out and reconcile the differences between GAAP-based accounts, National Accounts, and the International Monetary Fund's (IMF's) Government Financial Statistics.

Overall the symposium provided a useful opportunity to find out what other countries are doing in the accruals area, and to learn from their experiences, as well as passing on our experiences in the UK to others. What is clear is that, like it or not, accruals in government are here to stay!

LATEST SUCCESSES

ACCA RESULTS AUGUST 2000

NAME	DEPARTMENT
CERTIFICATE STAGE	
Module C	
Clare Veronica Goldsmith	Inland Revenue
Module D	
Linda Palmer Curry	DSS (Benefits Agency)
Neil Winston Heasman	HM Customs & Excise
Victor Palombo	Inland Revenue
Charles Robert Ashby	
Scott Burton Lindsay	Inland Revenue
Kenneth Gary William Davidson	
PROFESSIONAL STAGE	
Module E	
Lorraine Margaret Devlin	Inland Revenue
Colin Bailey	Inland Revenue
Carol Holloway	DfEE
Deborah Anne Lill	DSS
David Charles Friedman	MAFF
Colin David McLean	Employment Service
Helen Louise Lord	HM Customs & Excise
Denise Marie Bush	Home Office (HM Prison Service)
Anthony Lynch	DSS (Benefits Agency)
Module F	
David Joseph Caffrey	Inland Revenue
Andrew Martyn Williams	HM Customs & Excise
Steven Richard Giles	DSS (Benefits Agency)

Developments in Resource Accounting Guidance

The final amendments to the 2000/01 version of the RAM have been agreed by Financial Reporting Advisory Board. This publication is due to be available on the internet with free access in April this year. There will also be a hard copy version available from the Stationery Office. This earlier timetable for the publication of the revised version of the Manual was embarked upon following comments made in the Post Mortem of the 1998/99 version of the Resource Accounting Manual. Many of the amendments to the Manual that have been agreed by the Financial Reporting Advisory Board were also implemented because of comments made in the Post Mortem. The Central Accountancy Team in the Treasury will shortly be undertaking a post mortem of the 1999/2000 version of the Manual and hope that this review will be as beneficial as the last. This will, of course, be reliant on departments inputting into the review.

Throughout the year, as amendments to the Manual have been agreed, the Central Accountancy Team have been issuing their 'home made' versions so that hard copies of the Manual can be updated. It is planned that the Website version for next year will also be updated throughout the year as the Financial Reporting Advisory Board agrees amendments. This approach will also be adopted for the Executive Non-Departmental Government Bodies Annual Report and Accounts Guidance and the Trading Funds Accounts Guidance.

Membership of the Resource Accounting and Budgeting Implementation Group (RABIG) has recently been reviewed. The purpose of RABIG is to provide the point at which departments collectively feed into the policy-making process on resource accounting and budgeting and whole of government accounts. Wherever possible information will be distributed using Email, improving both the speed of receipt in departments and the ease with which departments can circulate issues to their Agencies and NDPBs. All letters to RABIG are now being numbered to enable departments to satisfy themselves that they have received them all. The next RABIG meeting (a Whole of Government Accounts Special) is taking place on 15 February.

MARDI GRAS AND ALL THAT JAZZ

GAS TRAINEE CONFERENCE 2001

WHEN ? 12TH & 13TH JULY

WHERE ? Wyboston Lakes, Wyboston, Beds.

WHO ? AAT and CCAB Trainees
(including diploma students)

The conference will contain its usual mix of sessions including: exam techniques, institute briefings, technical update, departmental perspective, Whole of Government Accounts (WGA) update, sponsor session & GAS update

Mardi Gras theme night sponsored by FTC - appropriate dress required within reason and modesty !

Further details and application forms will be sent to HOAP & Senior Professionals in the Spring. Sally and the team at Thames Management Services will once again handle the administration.

If you have any queries regarding eligibility for this event please contact the DART team on 020 7270 1750.

Comparison of Professional Accounting Bodies:

We have been asked how one qualification compares to another. The table below has been produced to give an indication of how the qualifications vary from each other. However, following the recent reviews undertaken by the institutes there is to differentiate one from the other in terms of basic content.

Next issue will give details of exemptions to each of the qualifications.

Exam Level:	ICAEW PS2 subjects (formerly TC1 subjects)	ACCA Foundation (formerly Papers 1 - 4)	CIMA Foundation (formerly Stage 1)	CIPFA Professional 1
Foundation Level	Auditing & Assurance Financial Reporting Business Finance Accounting Taxation Business Management	Preparing Financial Statements Financial Information for Management Managing People	Financial Accounting Fundamentals Economics for Business Business Law Business Mathematics	Accounting Theory & Practice Management Accounting Audit Information & Financial Management
Intermediate Level	PS 4 subjects (formerly TC2 subjects)	Certificate (formerly Papers 5 - 8)	Intermediate (formerly Stage 2)	Professional 2
	Auditing & Financial Reporting Business & Financial Management Advanced Taxation	Information Systems Corporate and Business Law Audit & Internal Review Business Taxation Financial Management & Control	Financial Accounting Management Accounting & Performance Management Finance Systems & Project Management	Financial Reporting & Accountability Accounting for Decision Making Public Policy & Taxation Business Strategy & Management
Advanced Level	TATC and FAE (formerly TC2 and FAE)	Professional (formerly Papers 9 - 14)	Final (formerly Stage 4)	Professional 3
	Case Study	Performance Management (optional) Financial Reporting Advanced Taxation (optional) Strategic Business Planning & Development (core) Advanced Corporate Reporting (core) Strategic Financial Management (core)	Management Accounting - Financial Strategy Management Accounting - Business Strategy Management Accounting - Information Strategy Management Accounting - Case Study	Finance & Management, Case Study Examination Project

Source: Financial Training Company, by Jonathan Colletta

Note: The above levels are similar in academic standings/qualification across the professional bodies.

Note: The CIPFA Foundation Level needs to be completed if you are a school/college leaver with A Levels, and/or if you have no previous accountancy experience. Full exemption from the Foundation Level can be obtained if you are of Graduate/HNC and other Professional Qualification Level. **See CIPFA table below for details of subjects covered.**

Key for ICAEW:

PS = Professional Subject
TC = Technical Core
FAE = Final Admitting Exam
TATC = Test of Advance Technical Competence

CIPFA Foundation Level

Financial Accounting
Cost Accounting &
Quantitative Analysis
Law & Effective Management Skills

NEW PUBLICATIONS FROM THE TREASURY

Below is a selection of relevant guidance and publications to aid you in keeping up to date with developments – if you are aware of any team's publication that have been overlooked please contact the editor.

Copies of certain papers can be found on their web site www.hm-treasury.gsi.gov.uk/psd

CA

Date issued	Issued by	To	Subject
16 Oct	Tracy Gordon (CA)	RABIG	Accounting for NLF Loans, Public Dividend Capital (PDC) and voted loans – this letter seeks views on the proposals to amend the resource accounting manual (RAM) in relation to accounting for the above items. For NLF Loans, the proposal is that a sponsoring department should recognise a liability to the NLF in its resources accounts and an asset of the loan to a recipient body. Comments are requested by 6 November
31 Oct	Sue Gamble (CA)	RABIG	Amendments to Accounting Guidance – this letter covers amendments to the Resource Accounting Manual (RAM), Executive Non Departmental Public Body (NDPB) Annual Reports and Accounts Guidance, and Trading Funds Accounts Guidance.
03 Nov	Chris Richards (CA)	RABIG	Cost of Capital Charge : NLF Loans, Public Dividend Capital (PDC) and voted loans to Public Sector Bodies Outside the Departmental Resource Accounting boundary – this letter sought views on the proposals to amend the Resource Accounting Manual (RAM) in relation to the cost of capital charge applicable to investments in public sector bodies outside the boundary. Comments were requested by 24 November .
03 Nov	Chris Richards (CA)	RABIG	Proposed RAM Amendment : Cash Flow Statement – this letter set out a revised and expanded layout of the cash flow statement in resource accounts. Comments from departments were requested by 24 November .
10 Nov	Sue Gamble (CA)	RABIG	Note of the outcome of 30 October meeting of the Financial Reporting Advisory Group (FRAB) – this letter sets out the decisions taken by the FRAB at its 30 October meeting.
10 Nov	Larry Pinkney	RABIG	Amendments to the RAM and NDPB Accounting Guidance Government Grants Payable – this letter sets out proposals for the treatment of Government grants payable. Grants payable should be recorded as a liability where there is an obligation to transfer economic benefits. Comments have been requested by 4 December .
10 Nov	Andrew Carpenter (CA)	RABIG	Accounting for Capitalised Decommissioning Costs – this letter seeks views on potential changes to the RAM, NDPB and Trading Fund guidance on the treatment of such costs where there are changes in estimates. Comments were requested by 1 December .
10 Nov	Tracy Gordon	RABIG	Criteria for Inclusion of consolidated Fund Standing Services in Resource Accounts - this letter proposes clarifications to the RAM in respect of determining when CF standing services should be included within a department's resource accounts. Comments have been requested by 4 December .
24 Nov	Sue Gamble (CA)		Note the outcome of 17 November meeting of the FRAB – this letter sets out the decisions taken by the FRAB at its 17 November Meeting.
5 Dec	Sue Gamble	RABIG	Amendments to Accounting Guidance – this letter covers the most recent amendments to the Resource Accounting Manual (RAM) for 2000 – 01, Executive Non-Departmental Public Body (NDPB) Annual Reports and Accounts Guidance and Trading Funds Accounts Guidance.
8 Dec	Chris Richards (CA)	RABIG	Resource Accounts : Amounts due to the Consolidated Fund other than Consolidated Fund Extra Receipts (CFERs) – this letter sets out the proposed treatment of such amounts. Comments from departments are requested by 5 January
11 Dec	Sue Gamble (CA)	RABIG	RABIG meeting : 15 February 2001 – this letter gives details of the next scheduled RABIG meeting.

TOA

24 Nov	Brian Glicksman	Accounting Officers (AOs)	Dear Accounting Office (DAO) letter DAO (GEN) 10/00 : Government Accounting 2000 – Consolidated version - this letter informs departments of the publication of the consolidated version of the Government Accounting at the end of November
28 Nov	Glenn Hull (TOA)	PFOs	Corporate Governance and Risk Management - this letter covers a draft DAO letter on the introduction of requirements to introduce Statements of Internal Control in Central Government financial statements. It also provides a progress report of the on-going work on risk management. Comments on the draft DAO letter have been requested by 8 December .
29 Nov	Brian Glicksman (TOA)	(AOs) Accountings Officers	DAO letter DAO(GEN)11.00 : Commercial Insurance for Wider Market Activities – this letter gives details of additional Treasury delegation concerning the use of commercial insurance.
21 Dec	Brian Glicksman (TOA)	Accountings Officer (AOs)	Dear Accounting Officer (DAO) letter DAO(GEN) 12/00 :Further Guidance on the Requirement to Disclose Data relating to salary and Pension Entitlements – this letter provides guidance on the requirement to disclose in annual accounts data about the salary and pension entitlements of named key managers, in particular concerning compliance with provisions of the Data Protection Act 1998.

GEP

13 Oct	Ciaran Martin (GEP)	Selected Principal Finance Officers (PFOs)	Resource Accounting : Departmental Action Plans – this letter was sent to PFOs of those departments which did not receive a clear audit opinion at Trigger Point 3, It follows the request of the Public Accounts Committee (PAC) for information on departments action plans to address problems identified at TP3. Information on such action plans has been requested by 10 November .
31 Oct	Ciaran Martin (GEP)	Principal Finance Officers (PFOs)	Public Spending under RAB – Guidance for Departments – this letter sets out an outline of proposed single guide on the public spending framework under RAB. Comments from departments are requested by 17 November .

EFA

5 Dec	Ian Taylor (Exchequer Funds and Accounts, EFA)	PFOs	Financing Departments Estimates for 2001-02 – this letter sets out arrangements which the Treasury plans to adopt from 1 April 2001 for the funding of departments net cash requirements under resource Estimates.
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WGA

22 Nov	Ian Carruthers (WGA)	Principal Finance Officers (PFOs)	Whole of Government Accounts (WGA) : Memorandum to Parliament – this letter covers a draft Memorandum on the development of WGA. Comments are requested by noon 7 December .
23 Nov	Andrew Likierman	PFOs	Public Accounts Committee (PAC) report on progress on resource accounts : Management Information Systems (MIS) – this letter covered a draft Memorandum to Parliament on the PAC's request for information on departmental MISs. Comments were requested by 28 November , and a further draft will be circulated for final comments in early December.

RECRUITMENT SEPTEMBER - NOVEMBER 2000

Closing Date	Dept	Grade / Level	Job	Location	Method/ Location of ad.	No. Applied	No. Interviewed	Appointees
22/9/2000	HM Land Registry	EO	Fixed Assets Manager	London WC2A	Trawl	1	1	No Appointment
28/9/2000	Charity Com	EO-HEO	Accountants (2 Vacancies)	London Liverpool	Trawl			LIVERPOOL: Jackie Duck & Ken Brew
30/9/2000	HM Prison	Grade 2B	Financial Systems Dev.Man.	London	Press A/Age	11	7	Cletus Aifuobhokan
5/10/2000	FCO	HEO to SEO	Various Accountancy Vacs	Hanslope Park	Press A/Age	29	5	Matthew Morissey
30/10/2000	Cabinet Office	B & A	Asst. Director, Head of Fin & Resources Group	London	Trawl	10	3	Richard Long
1/11/2000	C&E	SEO	Band 9 Acct. Fin Statements & Pol	Southend	Trawl	2	1	Frances Thomas
10/11/2000	Royal Parks Agency	EO to HEO	Deputy Head of Finance	Hyde Park London	Trawl	0	0	Re advertised
13/11/2000	UKPA Glasgow	EO	Team leader in Fin & Accom	Glasgow	Trawl	17	6	Kirsteen Watt
16/11/2000	OFTTEL	Grade 7	Accounting Advisor	London EC4M	Press/Trawl	4	3	No Appointment
16/11/2000	HM C&E	SEO plus	Collection Accountant	Thames Valley	Trawl and Press	12	4	David Bond

WHATS HAPPENING AT DART

*TRAINING FOR RESOURCE ACCOUNTING AND BUDGETING (RAB)
CHECKLIST FOR ACCOUNTING OFFICERS ASSURANCE
ON DEPARTMENTAL TRAINING ACTION PLANS:
JANUARY - MARCH 2001*

Late January saw Accounting Officers receive details of the DART checklist to ensure that departments have action plans in place relating to ongoing accountancy training.

Following the training assurance which formed part of the third trigger point for RAB implementation, members of the Finance Training Committee agreed, in the autumn of 2000, that departments would produce a further assurance that RAB training was still continuing to target and to plan. This further assurance is to be given to the Treasury prior to the end of March 2001 and is geared to progress within individual departments having been negotiated with the Development of Accountancy Resource Team (DART) on that basis.

A key concern of Parliament is the use departments will make of management information generated by the new RAB-based systems. In addition to following up key milestones and coverage of target audiences identified at trigger point 3 (TP3), the assurance will cover how departments are preparing managers to be more proactive in handling the information they will receive and seeking out additional information as part of the decision making process. The emphasis will therefore be on more interpretative, analytical training rather than the quantitative, systems based training that has taken place to date. This checklist will be used as a guide and while not every question is applicable to all departments, they have been encouraged to confirm which questions are not applicable in their case and why.

If you have any queries or would like to know more please contact either Roberta or Kevin at DART.

WHAT'S ON

February

3	Recent Developments in Management Accounting	AAT	London
10	Excel Intermediate	AAT	South Bank University
14	Accounting & Auditing Standards Update	ACCA	Aberdeen Atholl Hotel
17	Excel Advanced	AAT	South Bank University
19	FTC Meeting		Allington Towers
20	Accounting for Fixed Assets		Quorum Training
20	Emotional Intelligence	CIMA	Great Barr
23	Successful simulation writing	AAT	Gloucester Bowden Hall Hotel

March

7-8	Softworld Accounting & Finance		Grand Hall Olympia, London
8	Accounting Principles for Banking & Treasury Support Staff		Quorum Training
10	Internet For Accountants	AAT	London
12	Accounting for Non-Accountants	BMS	Training Center
14	Public Sector Conference	AAT	Birmingham
14	Consultancy Skills		Corporate Training Plc
27	Accounting Standards & Reporting Requirements	ABG	London Hotel Russell
28	Joint AAT/Employer Course	AAT	Hampshire

April

2	Financial Planning & Control	CIMA	London
5	Assertiveness for Women		Industrial Society
10	Financial Reporting Update	AAT	London
25	The art of effective work planning	AAT	London
3	Understanding Accounts & Budgets	ABG	London

May

4	Better Business Writing Skills		Janus Business Training
9	Taxation Update	AAT	London
10	Taxation Update	AAT	London
14-18	AAT Adult Learners Week	AAT	
17	Is Consultancy a viable choice For you?	CIMA	

June

5-6	Public Expenditure & Government Accounting	CMPS	London
18-21	Government Accounting	CMPS	London
19	High Impact Communication	AAT	London

July

11-13	Financial Management in Government	CMPS	Sunningdale
12-13	GAS Trainee Conference		Wyboston Lakes
18-19	HOAP Conference		Robinson College

GAS Qualified Conference, Birmingham, 14/15 November 2000

Kevin Ross (DART)

The theme for this year's GAS Qualified Conference was 'The Future of Finance in Government' which covered a wide range of topical accountancy issues including a review of the Finance Staff Strategy for the Modernised NHS, Risk Management, the Whole of Government Accounts Programme, an accounting standards update and yet still had time to include a session on how to be 'Positive under Pressure'! Overall, 97% of delegates who filled in feedback sheets (about 110 in all) ranked the conference 3 out of 5 or above in how well it met its objectives. Comments included "very useful, highlights the problems across Government departments" and on a lighter note, in respect of the Quiz night, "good fun but a surprising level of cheating!"



The GAS Dinner

PricewaterhouseCoopers (PwC) sponsored the conference and in addition to delivering a workshop session on 'Preparing for NAO Audit' (plus a main presentation on 'Accountability in Government'), also sponsored a visit to the Seaworld Aquarium for a drinks reception prior to the conference dinner. This appeared to go down very well with delegates who worked up an appetite touring the Aquarium before returning to the conference venue for dinner.



Sea World Aquarium

As far as the main business of the conference was concerned, what follows are selected highlights of individual sessions. For anyone wishing a more detailed account, attendance at the next qualified conference (21/22 November 2001) is highly recommended!

Finance Staff Strategy for the Modernised NHS

Mark Mansfield, Director of Finance, Coventry Healthcare NHS Trust, outlined the main elements of a discussion document recently issued to the 14,000 finance staff working in the NHS, which presented a "vision" of the way in which the discipline might develop. The document (entitled "Preparing Finance Staff for the Modernised NHS") sets out four incontrovertible facts:

- The business environment is changing - largely driven by technology
- Finance is at the forefront of change
- Government is modernising the public sector
- The NHS has an ambitious modernisation programme in the form of the NHS Plan

In terms of the role of the finance in the modernisation agenda, the NHS Finance Function has a key role in ensuring financial resources are used effectively to support NHS objectives, supporting clinicians and managers in providing cost effective, high quality services and managing risks/maintaining financial control. However, the changing environment has meant that a number of influences are being brought to bear which will have an impact on future finance activities within the NHS namely business management developments; technology developments; the impact of public sector modernisation and as a sub-set of the latter category NHS modernisation.

Business Management Developments

A key feature of the impact of business management developments is the increasing tendency to focus on core activities and share or outsource support services. This is coupled with the integration of business and finance responsibilities underpinned by the development of the Corporate Governance agenda. Finally, the development of output based performance management is adding emphasis to the need to make sure the NHS is contributing to the whole health of the community rather than being viewed in isolation as a service provider.

Technology Developments

Developments in electronic information exchange and transaction processing have led to better information management and communications both within and beyond the NHS. Easier "Web-based" access to information has also been a key contributory factor to this. At the same time, there have been developments in the integration of financial with other information and enhanced reporting through improved feedback and analysis tools.

Public Sector Modernisation

There was currently a whole raft of initiatives taking place under the 'joined up government' banner involving the integration of services across agencies. As far as the NHS was concerned, this involved the implementation of co-ordinated planning and exploring avenues of joint working with social services and the voluntary sector. Other factors that were having an impact included Best Value and the e-Government strategy.

NHS Modernisation

In terms of 'joined-up' working, the NHS was looking at ways in which it was possible to work across traditional clinical and organisational boundaries. New forms of Performance Assessment

(PAF) included the use of different measures of output as well as the costing of integrated care packages encompassing the 'patient journey' rather than looking at individual elements of cost.

Looking to the future, business understanding coupled with planning and analysis may well be key skills for the NHS finance function, coupled with core competences in management, communication, consultancy and training. Greater awareness would be needed of technological change and opportunities together with knowledge of partner organisations and agencies and the role they could perform in the 'joined-up' NHS.

The overall impact of change was likely to be reduced numbers but greater financial awareness throughout the organisation. There were likely to be new opportunities for finance staff, some of which could also move into more generalised roles. In addition, joint working was likely to result in the development of a business partner role. The combination of all these factors was likely to result in a leaner and more professional workforce.

Mark concluded with a brief summary of the next steps following the publication of the Discussion Document. These were continued consultation with staff and users of NHS services followed by an analysis of findings from the review process. Draft proposals would then be issued on which it would be necessary to consult before finally a new strategy and action plan would come into being. This was likely to happen from about February 2001 onwards.

Risk Management

This was one of two optional workshops led by PwC that looked at risk management from formulation to implementation asking questions such as why risk management was necessary and what should be considered when formulating a risk management framework. Jed Turnball and Tracey Longmate (both Senior Managers employed in PwC's Global Risk Management Practice and Client Training Group respectively) led the workshop.

The first thing to consider was the type of risk that posed a threat to any organisation. E-commerce and the expansion of the use of the Internet in general posed new threats that had to be taken account of when formulating a risk management strategy. Cyber hacking was such a threat where great damage could be done through the deliberate manipulation of data on web sites. Other potential Internet problems included on-line customer overload if capacity is exceeded leading to a 'gridlock' situation. Alternatively, a big expansion in service delivery could slow the overall process up so much that any advantages to be gained through e-commerce could be lost. The following facts on e-business security give some idea of the scale and severity of the threats posed by fraud and cyber hackers:

- On average, every site newly installed on the Web will be accessed within 28 seconds and attacked within 5 hours
- 75% of organisations surveyed reported financial losses due to security breaches ranging from financial fraud to theft of proprietary information to laptop computer theft
- Worldwide, firms lost \$20 billion in 1999 because of computer outages and hackers, according to Lloyd's of London
- Last summer, e-Bay lost \$5 million in sales and \$4 billion in value after a hacker shut down its site for 22 hours

It was clear therefore that a policy of risk management was necessary to manage the critical, emerging and potentially important risks. This involved establishing the organisation's

vision for risk management and how the necessary structure and roles could be adapted to support this. Key considerations were the needs of the business in terms of process design, facilitation and reporting as well as what had to be considered when establishing risk management procedures and why. Overall, the main message in terms of promoting effective risk management was that in addition to establishing the necessary procedures it was essential to get people actively involved. The advice was - find out what needs to be done, get a project up and running, get people involved and change behaviour. The result would be effective risk management from formulation to implementation.

Preparing for NAO Audit

The alternative workshop choice was a PwC/MoD based discussion on the business issues faced by the MoD in preparing for this year's audit by the NAO and how the MoD worked with PwC to define and procure a training solution.

The >Preparing for NAO Audit= training course had come about because NAO had felt that at the time of examination MoD's audit trails and supporting documentation were inadequate, there were problems with the valuation of fixed assets, a lack of management review and difficulties with capturing Debtor/Creditor information. These issues can be categorised into problems of attitude (lack of management review), skill shortages (inadequacy of audit trails) and knowledge (difficulties with capturing Debtor/Creditor information). Once this has been done it is possible to put together a solution in training terms to address the problems that have been identified.

In terms of considering the solution the first thing to consider is what sort of training is appropriate (bearing in mind the grade and prior knowledge of personnel and also whether training should be classroom or IT delivered and the possibility of courses leading to formal qualifications). Other issues are where the training should be delivered and in what timescale as well as potential numbers involved.

The advice from PwC was to engage departmental expertise in providing the training solution as this was essential to the credibility of the whole process. Expertise could be utilised in adding stories, examples and real-life case studies as well as providing documents, regulations and departmental contacts/pilot candidates.

In addition to the advice on the content of training courses, PwC pointed out the benefits of ensuring the NAO team received a warm welcome on arrival and that sufficient accommodation was reserved for them - these were two fairly small points but created the right atmosphere in terms of ensuring the relationship with the auditors went smoothly from the start.

As far as the training itself was concerned, feedback from MoD Chief Accountants indicated the course was a good introduction to audit and helped de-mystify the process. However, it was recognised that training alone would not provide the solution in this particular case as there was also a need for follow-up once the training was delivered. Having said all that, PwC pointed out that pressure from the top would have an impact on readiness for audit as would the threat of a PAC hearing.

Overall, it was important that a diagnosis was made before training could begin, active involvement of the client was essential with training that should be job-related and implemented as an overall package of solutions.

Positive Under Pressure

Dr Malcolm J Vandenburg (Founder & Chairman) Positive Under Pressure, talked about the current theories which govern the management of stress in the workplace including theoretical models and a review of the literature published in academic journals. One of the major considerations of stress was how this manifested itself in terms of absenteeism and decreased productivity. A number of studies had been undertaken to address this relating the role of the individual to the aims and objectives of the organisation with a view to minimising individual stress and enhance job performance, job satisfaction and consequently organisational belief.



Dr. Malcolm J Vandenburg "Positive under pressure"

Looking at absenteeism in the short term, the most significant causes of absenteeism were colds and minor ailments (40%) and stress (12%). It followed therefore that preventative action was the best option in coming to terms with stress management. It was clear that a number of people could cope with pressure and if anything thrived on it. Looking at this particular group, it was essential to ensure that the amount of pressure they were exposed to was not so much that they were subject to >burn-out=. It was therefore management of stress to ensure that maximum levels were not exceeded that would result in effective stress management rather than avoiding stressful situations in the first place.

Accountability in Government in the 21st Century

Michael Dallas and Janet Eilbeck delivered this session (both Michael and Janet are partners with PwC). The main focus of the presentation was on the massive agenda for change brought about firstly through the implementation of resource accounting, resource-based supply and the Whole of Government Accounts Programme as well as the potential impact of International Public Sector Accounting Standards (IPSAS) on the accounting and reporting processes of central government. At the same time the development of Public Service Agreements, Service Delivery Agreements, the Corporate Governance agenda, PFI and Partnerships all contributed to the change agenda. Finally, the environment in which government itself operated was also subject to change through initiatives such as Modernising Government, E-government, Joined-up Government and Better Quality Services.

In order to make the change process a success, a major culture shift had to take place that was supported by top of the office commitment. This had to be supported by better management information, clearer management accountabilities and management of risk. Underpinning all of this was the support provided by world class accounting skills.

In terms of better management information, this had to address the agenda of managers who then had to use the information that was provided, including non-financial data. At the same time

information on budget and outturn, the overall agenda (PSAs/SDAs etc) and improvements through initiatives such as Better Quality Services had to be integrated into a more comprehensive management information package.

Looking to the need for enhanced financial management, this covered four key areas:

- Accounting policy and practice (technical matters)
- Accounting processes (IT)
- Communicating financial data
- Using the new data and contributing to decision making

On technical matters, the convergence of International Accounting Standards and the impact of IPSAs were two of the main issues to be addressed shortly as was of course the impact of the WGA Programme and RAB. On the IT side, systems were becoming ever more complex with the impact of multi-function systems, joined up systems and shared service centres and outsourcing. All of these factors could contribute to weaker audit trails so it was essential this was recognised and addressed.

Communicating financial data involved a whole range of considerations to maximise the impact of what was being communicated. The first of these was the nature of the information i.e. graphical, narrative or numeric and whether it was technical, non-technical or a combination of both. Next, if a paper version, electronic version or both were required. Finally is full information required or would a summary version suffice? Clearly, all of these factors would have an impact on whether the information itself was historic, current or forward looking.

The million dollar question in all of this was what's in it for me? In conclusion Michael and Janet thought the opportunity to be part of a team influencing change on this scale, involvement in the move from measurement to management and the ability to bring a high level of technical skills to bear were prime motivators for accountants in the GAS.

CPD Sessions:

There were two CPD sessions; one on Inheritance Tax delivered by Jonathan Colletta (Financial Training Company Ltd) and a more general accounting standards update presented by Deborah Laing (Senior Burnham Lecturer, School of Finance Management, Worthy Down). A number of delegates chose the Inheritance Tax workshop which covered the basic rules on transfers, reliefs, exempt transfers and post mortem reliefs including assets in the estate and lifetime transfers. The main emphasis of the workshop was on detailed calculations underpinning the principles of Inheritance tax with outcomes geared to particular circumstances or situations depending on the needs of the individual and his/her surviving beneficiaries.

The accounting standards update covered FRS 5 (Amendment PFI), FRS 11 (Impairment of Fixed Assets), FRS12 (Provisions and Contingencies), FRS 13 (Disclosure of Derivatives and Financial Information), FRS 14 (Earnings Per Share) and FRS 16 Current Tax. Overall, this session demonstrated both the validity and application of the accounting standards together with the practical application of each and any particular circumstances that need to be considered in each case.

FRS 15

Judy Randle (Financial Training Company Ltd) gave a presentation on FRS 15 (Tangible Fixed Assets) together with UITF 23 (Application of the transitional rules in FRS 15) and UITF 24 (Start up costs). The main thrust of the presentation was how FRS

15 applied to central government departments and agencies with specific examples from the Resource Accounting manual (RAM) where appropriate. Areas for discussion were initial measurement of tangible fixed assets, recoverable amount, subsequent expenditure and valuations/revaluation.

Whole of Government Accounts Programme

Ian Carruthers, Head of Whole of Government Accounts (WGA) Programme, HM Treasury, covered the aims of the WGA Programme, drivers and benefits as well as the scope and staged approach to implementation. The aim of the WGA programme is to produce GAAP-based Whole of Government Accounts for the UK from 2005/6 onwards. The programme had a scoped and staged approach taking on board Central Government Accounts from 2003/4 (of which there were about 50 departments and 250 Non-Departmental Public Bodies, making about 300 accounts in all). This would be followed in 2005/6 by Local Authority accounts (c550), National Health Service Trusts (c800) and Public Corporations (50) making a grand total of about 1700 accounts in all.

One of the main challenges was the number of bodies involved, which necessitated the sub-consolidation at departmental level first. Another challenge was the variety of systems in use and how this would impact upon the consolidation process. Again, this pointed to the need for a flexible consolidation package that was secure, auditable and tried and tested. Potentially, this would be an off the shelf package located within the Treasury which would enable data submission via the Government Secure Intranet (GSI), thereby retaining central control of the consolidation process.



Ian Carruthers "the WGA Programme

Looking ahead to 2001, one of the actions would be to appoint Central Government Accounts (CGA) Consolidation Officers as well as the implementation of new Central Government accruals-based policies. At the same time it would be necessary to progress convergence with NHS and local government accounting policies. In addition, once the consolidation software had been purchased and implemented it would be necessary to develop and pilot a consolidation pack and guidance as well as embark upon a training and communications strategy to ensure that everyone was aware of the aims of the Programme and the necessary skills were in place to ensure successful implementation.

Round-up on Resource Accounting and Budgeting (RAB) and looking to the future

Andrew Likieman (Head of the Government Accountancy Service) talked about progress to date on RAB and how this was being taken forward in departments and agencies. He started by congratulating the many people who had put a great deal of effort into developing departmental and agency accounts. July 2000 had been a significant month in this respect because the PAC had given

the go-ahead to cease production of Appropriation Accounts from 2001/02 onwards and by the end of the month the Government Resources and Accounts Bill had become law. In one sense, this marked the formal end to a process that began back in 1994 with the publication of the White Paper 'Better Accounting for the Taxpayers Money'.

The second critical dimension to RAB that was now a major preoccupation is how to make best use of the information that has been created. This poses three questions:

How do we know if departments have successfully implemented RAB?

Examples of how we would know if departments had successfully implemented RAB included closer working between those responsible for planning and budgeting. In terms of decision-taking the choices submitted by accountants should be equally understandable to non-accountants. Finally, when looking at external reporting and feedback, whether or not others outside the process sought the advice of those who were closely involved in producing this information.

What are the barriers to success?

These include

- Culture and history
- Lack of understanding
- Structures inside departments (eg lack of flexibility)
- Implementation so far
- Incentives (the lack of)

How can we overcome these barriers?

Clearly a major factor here was the help and support provided by the GAS in defining best practice and then disseminating this across government. It was also fair to say that many of the barriers were transitional in nature ie in ten years time many of these will have been overcome simply through gaining a greater understanding of RAB and the benefits that could come from it.

In conclusion, Andrew gave a round-up of current issues including progress to date on the Sharman Review and Corporate Governance developments. A final message was the need for accountants to reach out and make bridges into new areas and disciplines such as the developing field of performance measurement where accountants could make a significant contribution as well as in bridging accounting and budgeting functions within departments to take forward a more integrated approach under RAB.



Andrew Likieman "Round up on RAB

TECHNICAL UPDATE No. 22

It has been a busy few months for the standard setters; as foreshadowed in Technical Update 21, three FREDs have become FRSs, there have been two new exposure drafts, a consultation paper and a couple of papers from the Urgent Issues Task Force.

New Accounting standards

On the FRS front, the new standards are FRS 17 Retirement Benefits; FRS 18 Accounting Policies and FRS 19 Deferred Tax.

FRS 17 - Retirement Benefits

The magnum opus! FRS 17 was issued in November 2000 and sets out the requirements for accounting by employers for retirement benefits. It replaces SSAP 24 and UITF Abstracts 6 and 18. Its proposals will have considerable impact on the way in which pension costs are accounted for in future both by private sector and public sector employers. It is not possible to give more than a flavour of its main requirements and work is continuing to assess the impact for departmental resource accounts and the wider central government and whole of government accounts.

The good news is that the accounting arrangements for defined contribution schemes are straightforward - employers will account simply for their contributions and provide a note of (a) the nature of the scheme (ie that it is a defined contribution scheme); (b) the cost for the period; and (c) any outstanding or prepaid contributions at the balance sheet date.

But for defined benefit schemes, things are not so simple.

The main requirements are:

- Pension scheme assets are to be valued using fair values (eg market values) rather than actuarial values;
- Pension scheme liabilities are to be measured using the projected unit method (defined in the standard);
- Pension scheme liabilities are to be discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability;
- Full actuarial valuations should be obtained at least every three years and updated at each balance sheet date;
- Employers are to recognise an asset in their balance sheet to the extent that they are able to recover a surplus in the pension scheme; conversely they are to recognise a liability to the extent that they have a legal or constructive obligation to make good any deficit in the pension scheme;
- Such asset or liability is to be shown separately on the balance sheet after other net assets;
- Changes in the value of the asset or liability arising from other than contributions to the scheme are to be analysed into the following components (the standard provides definitions of the terms):
 - The current service cost
 - The interest cost
 - The expected return on assets
 - Actuarial gains and losses
 - Past service costs (if any)
 - Settlements and curtailments (if any).
- Various disclosures as described in detail in the standard.

The accounting treatment of the various components of the movement in the asset or liability is as follows:

- Current service cost is shown within the appropriate statutory heading within the profit and loss account;
- The interest cost and the expected return on assets are shown as a net amount as part of finance costs, adjacent to interest;
- Actuarial gains and losses are included within the STRGL and are not recycled into the profit and loss account;

- Past service costs are recognised in the profit and loss account over the period until the benefits vest - the benefits may vest immediately, in which case recognition is also immediate;
- Gains or losses on settlements or curtailments are recognised immediately in the profit and loss account.

What does all this mean for central government?

The standard addresses cases where several employers participate in a single defined benefit scheme and are unable to identify their share of the overall surplus or deficit in the scheme. Subject to a number of conditions, the standard allows such employers to account as if the scheme were a defined contribution scheme - ie only for the contributions. They need not recognise the surplus or deficit in the scheme. The initial view is that certain public sector schemes satisfy the conditions set out in the standard which means that, for example, central government departments need only account for the accruing superannuation liability contributions (aslcs) payable to the Principal Civil Service Pension Scheme.

The position is less certain in other cases and work is continuing to assess the implications. Examples include the Local Government Pension Scheme, those for the police service and the fire service, the by-analogy schemes operated by a number of bodies (mostly NDPBs), and other schemes or arrangements such as those for the judges or for single individuals or small groups. The initial view is that the full requirements of FRS 17 will apply in these cases although, as noted above, the full implications are still being considered.

As most pension schemes in central government are unfunded, the requirements in respect of the valuation of assets and treatment of the return on those assets will not be relevant. On the other hand, while the surplus or deficit in a funded scheme will be the difference between the value of the scheme's assets and the actuarial valuation of its liabilities, an employer which has to follow the full requirements of the standard will have to recognise the entire liability of the scheme where it has a legal or constructive obligation to meet that deficit.

What needs to be done now?

The ASB, in recognition of the difficulties which will arise in implementing FRS 17, has allowed a long implementation period. The full range of the requirements will not become effective until 2003-04 (or more accurately, for financial periods ending on or after 22 June 2003); for 2001-02 and 2002-03 there is a requirement to make certain disclosures. So there is no need to do anything for 2000-01 and further guidance on the disclosures for 2001-02 will be made in due course.

FRS 18 - Accounting Policies

FRS 18 was issued in December 2000. It supersedes SSAP 2 (which, for those with long memories, goes back to 1971) as well as UITF Abstracts 7 and 14. It updates the four "fundamental accounting concepts" (going concern, accruals, consistency, prudence) described in SSAP 2 to reflect the thinking behind the ASB's *Statement of Principles for Financial Reporting*. FRS 18 replaces these concepts with a framework which requires accounting policies to be selected against four objectives (see below) which form the core qualities of financial information

The new standard:

- Sets out the principles to be followed in selecting accounting policies and the disclosures needed to help users to understand the accounting policies adopted and how they have been applied;
- Requires an entity to adopt the accounting policies which are

most appropriate to its particular circumstances for the purpose of giving a true and fair view within the constraints of other accounting standards and company law;

- Requires entities which follow a SORP to disclose whether the SORP has been followed and to give details of, and explanations for, any departures.

"Going concern" and "accruals" remain at the heart of accounting, although FRS 18 interprets accruals somewhat differently from SSAP 2. Rather than relating accruals to the matching of revenues and costs, FRS 18 requires the non-cash effects of transactions and other events to be reflected as far as possible in the accounting period in which they occur.

"Consistency" and "prudence" are no longer regarded as fundamental concepts, but rather form part of the four objectives against which the appropriateness of accounting policies to an entity's particular circumstances should be judged, viz:

- Relevance
- Reliability
- Comparability
- Understandability.

Entities will have to adopt the "most appropriate" accounting policy which satisfies these four objectives.

FRS 18 redefines accounting policies to distinguish them from estimation techniques; The standard clarifies that the effects resulting from changes in estimation techniques should be accounted for in the year, whereas changes in accounting policy should be accounted as a prior year adjustment. The appendix to the standard, helpfully, includes a number of examples of what are, and what are not, changes in accounting policy.

FRS 18 appears to raise no fundamental issues from a central government accounting viewpoint. However, accounting policies will need to be reviewed to ensure that they meet the "most appropriate" test. In addition, it may be necessary to review the estimation techniques again to ensure that they meet the "most appropriate" test.

A paper on the implications of FRS 18 has been sent to RABIG members with suggested amendments to the RAM and the guidance for NDPBs and trading funds. It is hoped to discuss the amendments at the next FRAB meeting on 1 March 2001.

FRS 18 comes into force for accounting periods ending on or after 22 June 2001, although the requirements in respect of SORPs come into effect for accounting periods ending on or after 24 December 2001. In either case, for bodies with a 31 March year-end, FRS 18 will affect 2001-02.

FRS 19 - Deferred Tax

December 2000 also saw the issue of FRS 19 on deferred taxation. It replaces SSAP 15.

The objective of the new standard is to ensure that:

- Future tax consequences of past transactions and events are recognised as liabilities or assets in the financial statements; and
- The financial statements disclose any other special circumstances that may have an effect on future tax charges.

As many bodies within central government are Crown bodies, and hence are not liable to tax, FRS 19 will have no impact. The new standard may, however, be relevant to those NDPBs and perhaps other categories of non-Crown bodies which sell revalued properties - FRS 19 prohibits the recognition of deferred tax on timing differences arising when, among other things, a fixed asset is revalued without there being a firm commitment to sell that asset.

In view of the rather limited relevance of FRS 19 in central government, this Technical Update does not go into much detail

about its specific requirements. If deferred taxation is an issue, more detailed study is recommended.

FRS 19 is effective for accounting periods ending on or after 23 January 2002, ie 2001-02 for those bodies with a 31 March year-end.

Exposure drafts

On the exposure draft front, FRED 22 Revision of FRS 3: Reporting Financial Performance was issued on 14 December 2000. It proposes the preparation of a single statement of financial performance which would combine the current profit and loss account and the statement of total recognised gains and losses. The new statement would be divided into three sections:

- Operating (where most revenue and expenses would be reported);
- Financing and treasury
- Other gains and losses.

Recycling between the sections will not be permitted.

The period for comment runs to 30 April 2001. The proposals will have an impact for central government accounting.

The second exposure draft is un-numbered, but concerns a study, *The convergence handbook*, undertaken at the request of the ASB to compare international accounting standards (IASs) and UK financial reporting standards. The authors of the study have made recommendations as to how the differences identified should be resolved. As a result, the ASB is treating the study as an exposure draft and is seeking comments by 30 April 2001. Copies of the study can be obtained from Jennifer Hay at the Centre for Business Performance (020 7920 8634) - it costs £25.

ASB Consultation Paper

On 14 December 2000, the ASB published as a Consultation Paper the text of a proposed standard on financial instruments prepared by the Joint Working Group (JWG). The JWG is a group of representatives of international accounting standard-setters from thirteen countries plus the International Accounting Standards Committee (IASC).

The gist of the paper is that virtually all financial instruments should be measured at fair value with the gains and losses being recognised in the profit and loss account. Fair value is defined as "an estimate of the price an enterprise would have received if it had sold an asset, or if it had been relieved of a liability on the measurement date in an arm's length exchange motivated by normal business considerations".

In some respects the paper is controversial and the ASB is keen to get as many responses as possible by the deadline of 30 June 2001. The ASB recognises the desirability of a common international approach to accounting for financial instruments.

Documents issued by the Urgent Issues Task Force

The Urgent Issues Task Force has issued a further Abstract (No 27) which clarifies the requirements of FRS 10 (*Goodwill and Intangible Assets*) as regards the useful economic life of goodwill. The implications for central government bodies seem somewhat limited. The Abstract, which was issued in early December 2000, came into effect immediately.

The second document issued by the UITF is a draft Abstract *The date of awards to employees of shares or rights to shares*. It clarifies an interpretation of UITF Abstract 17 Employee share schemes. It does not seem to have much relevance to central government bodies.