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THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND & WALES

Faculty of Finance and Management

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'THE PATH IS SMOOTH THAT LEADETH ON TO DANGER'

WILLIAM SHAKESPEARE

BUDGETING

Measuring the success of annual budgeting

Successful budgeting processes need clear objectives. **Sir Andrew Likierman** of the London Business School explains how to prevent your budget from looking like a collection of managers' wish lists.

It's as much a feature of corporate life as computers and monthly pay slips. Virtually all organisations do it. Yet it has few supporters. Too bureaucratic, static and formal, takes too long, out of date too quickly and excessive focus on financial measures. These are only some of the accusations levelled at the annual budgeting process.

So how do we know if our own budget process is successful? Set out below is a framework to make that judgement, starting with the barriers that have to be overcome. These include:

- poorly formulated (or no) objectives;
- confusion between objectives and constraints – planning and control are essential, but this does not mean imposing one particular way of doing things;
- poor implementation – many budgets are disliked because the process is dysfunctional. But this is not about budgets. It's about the way budgeting is done;
- absence of comparisons – if finance staff rarely leave and there is no outside scrutiny, there may be little awareness of what's going on elsewhere;
- results can't easily be linked to outcomes – it's easy to lose track of the impact of the budget. But is it reflective of good budgeting that we always meet our plan, or of bad budgeting when everyone bids low to hit the target? and
- not enough emphasis on quality – budget mechanics are pretty obvious but the quality of the outcome is rarely considered.

Taking action

So what's to be done? Assuming you are directly responsible for the budget process or a key player in deciding what form the budget takes, the buck stops with, or at least near, you. Three ways to improve the measurement of the process are to clarify the objectives, get better measures and recognise the limitations of measurement.

1 *Clarify the objectives.*
The term 'budget' is used in so many different ways that clarifying objectives has to start with defining the process. It can cover annual or rolling forecasting and planning. It is very likely to include the basis for control, authorisation, coordination and performance evaluation. It is also likely to be linked to other processes, including strategy, costing, risk management and value analysis. It

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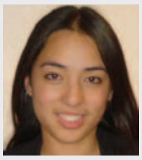

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SURVEY PRIZE WINNER
Congratulations to Faculty member Russ Houghton, financial reporting manager with mobile phone company 3 UK, who is the winner of the prize draw for our technical issues survey. He receives £100-worth of Marks & Spencer vouchers.

may be used as a means of signalling, discussing, communicating and gaining commitment.

Once the budget process has been defined, objectives can be set out. Without them, the budget will be no more than a means of reconciling, more or less messily, a collection of individual managers' wish lists.

The objectives will need to strike a balance between a number of managerial tensions. These include:

- the need for adequate time for consultation and reflection before the beginning of the year, set against the need for shorter lead times for key forecasts; and
- the need for adequate flexibility in forecasts, balanced with the need to have a basis for resource planning and the danger of excessive time in rebudgeting.

Who's to do this? While it must be the responsibility of finance, other key players – the board or executive committee, senior line and functional managers and finance itself – need to be involved.

The results then need to be spelled out and communicated to all those involved in the budget process,

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which probably means almost everyone. Good communication plays a big part in turning unwilling form-filling into commitment.

2 *Get better measures.* These should cover both content and process and will need to be thought through in terms of the objectives and culture of the organisation. There are plenty of possibilities. On content, for example, success might be about how well risk analysis is integrated into planning, whether key projects are separately identified, and the quality of supporting non-financial (including intangible) measures.

Objectives of budgeting

These will be specific to an organisation's needs and should be reviewed each year, but some examples are set out below.

In preparation, budgeting is intended to provide:

- a robust foundation for plans for the coming period within the strategic framework, recognising the need for flexibility and current priorities, and linked to the risk register;
- the basis for performance measurement and control in a way which reduces the risk of divergence between individual and corporate goals;
- opportunity to discuss choices for the coming period widely, within and across units and functions;
- authorisation procedures which combine accurate monitoring with commercial flexibility; and
- recognition of the high cost of time for those involved and incorporating best practice.

After completion, its purpose is to provide:

- an agreed basis to proceed on the basis of commitment;
- an opportunity to communicate the overall results and their implications; and
- lessons for the improvement in the process for the next cycle.

The quality of the budget process also needs to be reviewed each year. Is it about spending a lot of precious time going through the motions, filling in the forms and then raising last year's figures across the board by 5%? Or does it add value by considering new opportunities, using forecasts to review assumptions about priorities and reassessing risk? And at the end of the process, is there commitment to the outcome? The level of detail needs to reflect the desired control framework; otherwise, with too much detail, there is a danger of micro-management.

Success could be about mitigating the perverse effects of control systems which rely on fixed targets in an uncertain world. This is not about the meaningless question 'Should it be top down or bottom up?' (answer: 'A combination of the two'.) but about setting a workable baseline while managing the inevitable game-playing. The means to do so might include varying timescales within an annual framework, using budget revisions during the year to mitigate pressures, or going for rolling budgets.

Or success could be about making sure that the budget supports remuneration and recognition by giving appropriate incentives and avoiding perverse incentives. It might be about introducing variety without unnecessary complexity through, for example, periodic in-depth scrutiny of different parts of the budget each year. It could be about helping to break down administrative silos by focusing on projects, customer groups or risk areas.

Tension (or lack of it) in budgeting, on the other hand, is not a suitable measure of success. Tension is inevitable when managers bid for a limited pool of resources. So success will be about how tension is managed and how far people feel they are involved in, and committed to, the outcome of the discussions.

A questionnaire may be one way to get the information about whether the process was successful, but it's probably better, a few weeks after the next budgeting process, to discuss what happened with colleagues. Their views will build a picture for improvement, though prompting may be necessary if a colleague doesn't have experience of more than one way of doing things. In any case, be careful to give enough time to explain.

Of course judgement about what people say is also necessary. Budgeting is not about popularity, and anyway, most of the costs are borne by participants and most of the benefits flow to the organisation as a whole. But if there is a strong and widespread belief that the whole process takes too long or does not add value, there will need to be better communication and/or changes in the next budgeting round.

> Numbers, too, include judgements

There's plenty of information on best budgeting practice, not only in print*, but from conferences and informal discussions. Outsiders – the non-executives, the auditors etc – should be asked for ideas. Find out from them how others judge budget success. And don't ignore good practice inside your own organisation.

3 *Recognise the limitations of measurement.*

There won't be a final cost benefit figure for the budget process. Many of the benefits, whether in better planning, resource allocation, control or any other aspect, are intangible. Similarly, while some costs can be identified, budgeting is usually a part of what a lot of people do, and a definitive calculation of the time they spend may be accurate but is certainly hazardous.

In any case, the cost comparison is with what people would be doing if they were not budgeting and the benefit comparison with the effects of how much better the organisation would manage itself using an alternative process. Even with a full transition to a radical alternative, such costs and benefits will be largely intangible.

Recognition of the limitations of measurement is not an argument against constant appraisal of the budget process, but an acknowledgment that in any assessment, costs and benefits should be part of a commentary, not just figures based on dubious assumptions.

So a verdict will likewise be a judgement. This is not a second-best to numbers. As accountants know well, numbers, too, include judgements and have to be interpreted.

Conclusion

An assessment of this kind does not have to be complex, and a bit of time spent each year looking for improvements will be well spent. Judging by the level of complaints in most organisations, better measurement looks like a one-way bet. A winning one. **F&M**

* *See for example the 2004 special report 'Better budgeting' published jointly by the Faculty and CIMA.*

Faculty article in IFAC merit awards

An article published in a Faculty special report last year has been nominated as one of the 2006 Articles of Merit by the New York-based International Federation of Accountants (IFAC). The nomination is part of the annual awards organised by its Professional Accountants in Business committee.

The Faculty article is 'How to measure the corporate centre' by David Pettifer of PricewaterhouseCoopers UK and Andrew Campbell of Ashridge Strategic Management Centre. It was published in the 'Performance measurement' special report (SR9) in September 2005.

Altogether 10 articles were selected by the IFAC committee from a large number submitted by member organisations from material published last year. They will be collated and published as a booklet, which will be available to download as a PDF from the IFAC website (www.ifac.org/store) in the near future.

The overall winner of the 2006 awards was the article 'Performance measures in supply chains' by Kim Langfield-Smith and David Smith, which was previously published in the *Australian Accounting Review*. **F&M**

OUTSOURCING - 1

Evaluating and ranking the business processes

When deciding whether or not to outsource a process, what should be your criteria? In the following article,* **Professor Ravi Aron** suggests a 'revenue distance test' as a useful yardstick. However, the second article, opposite, suggests that there are more fundamental questions still.

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In the last decade, companies have discovered that outsourcing some tasks to cheaper locations is one way to deliver efficiencies and cut costs. But the simple act of outsourcing to a lower cost base has evolved into a complex process that can inflict considerable damage if not dealt with in a sophisticated and scientific manner. The damage can range from not achieving the expected cost savings to losing control to a third party, particularly when a company's more essential processes are outsourced.

Questions concerning which business processes should be outsourced and whether the outsourcing should be done onshore or offshore require careful financial and strategic consideration. Most companies – about 60% of those who outsource – focus only on cost savings, and many fail to achieve those savings in addition to not taking into account other opportunities that outsourcing offers.

Linking outsourcing to revenue
As with everything that is complex, the best way to ensure successful outsourcing is to ask the right questions. Before outsourcing a business process, an executive should ask, "How much does this process – compared with other processes – contribute to our product's being better than the competition's product?"

Evaluating and ranking each business process for its contribution to creating value for customers and to capturing that value for the company is a central part of a model I have developed to help finance executives make outsourcing decisions. Called the 'revenue distance model' – since it measures the distance between a process and revenue creation – the tool offers a simple way for executives to put a comparative valuation on each business process that is a candidate for outsourcing.

In other words, revenue distance captures the importance of a business process to the company. Those that are ranked high are critical for revenue generation and thus are best held close to home, and those that have low rankings could be, and perhaps should be, outsourced.

> Revenue distance captures the value of processes

A finance executive following the revenue distance method should first rank every process that is a candidate for outsourcing on a 1-10 scale as though only one question exists, namely how much does the given process contribute to creating value for the customer? (On this scale, one signifies 'most important' while 10 means 'least'.) Next, they should rank the process for its contribution to capturing that value for the company.

Adding up the two ranks produces the revenue distance of that process. Using this method, the smaller the revenue distance number, the lower the distance of the process from the point where money is made. In other words, the smaller the number, the more critical the process, and the less sense in outsourcing it. On the other hand, processes with moderate to large revenue distance can very beneficially be outsourced.

Value creation and value capture
The revenue distance model also recognises that the relative importance of value creation and value capture will be different for different industries. For instance, a company in a nascent industry would rank processes that help in value creation very high. For mature industries such as retail, banking and hospitality, however, value capture will be more important than value creation. For example:

- Apple Computers' iPod depends on the success of value creation. The company is good at product design, and as such will not outsource any of its design processes. However, it can outsource its value capture processes, such as retail and distribution management; and by contrast
- for a company like Dell, whose competitive edge is the way it manages its supply chain, outsourcing distribution is not a good idea.

To accommodate business processes which rank disproportionately high in value creation and not in value

For further information on this topic, the recent F&M special report 'From outsourcing to offshoring' (SR5) is available to members as a PDF on the Faculty website
www.icaew.co.uk/specialreports

** This article first appeared in knowledge@wharton, the e-newsletter of Wharton Business School, www.wharton.upenn.edu* capture, or vice versa, the values for the disproportionate side should be weighted to prevent a skew in results.

Keeping it in-house at a high cost
Not only will this exercise allow finance executives to determine what should be outsourced, but it will also reveal those processes that a company keeps in-house at a very high cost. Some of these processes enable the creation of value but are not crucial to beating the competition: for instance, in a financial services company that originates home loans, the processes of documentation, loan servicing, etc, are necessary parts of the business, but are not the differentiators which help it achieve a competitive edge. Therefore, such processes could be outsourced.

Very often, the revenue distance exercise reveals that more than 50% of business processes in a corporation are responsible for creating less than 25% of value, and that a handful of processes create a high percentage of value. Thus, by keeping the majority of the low-value processes in-house, the company could be leaving a lot of money on the table as well as wasting managerial time and talent.

A good example of such waste is one large financial services company that had been outsourcing without going through the revenue distance exercise. It found that some processes were working out well, while others were prone to repeated and costly breakdown. However, after applying the revenue distance model, the company discovered that three out of the 10 processes it was outsourcing abroad were not good candidates for outsourcing. Also, the company found a number of other processes that should have been outsourced and has since reworked its outsourcing strategy.

Conclusion – the need for a disciplined approach
Using sophisticated tools such as revenue distance has become critical as companies now outsource not only information technology-related processes but also business processes. In fact, the most important trend in business process outsourcing in the last five years is that corporations have realised it is not a practical operations decision, but a highly strategic one. Depending on the scope and nature of the engagement, there are several different people involved in the decision making. Very often it is decided at the highest level – the chief financial officer or even the chief executive officer. This trend has emerged for a number of reasons, including the recognition that outsourcing can now have a direct impact on business line objective.

The strategic intent behind outsourcing has changed too. It used to be cost savings, but there are now other virtues that companies try to harvest from outsourcing, including increased operational flexibility.

Also, there is the cost-quality frontier which favours one location more than the other. If a retail bank, for instance, is looking to lower transaction errors, it will be more cost-effective to set up a shop in India, China or the Philippines where it could be staffed by workers with master's degrees and financial or accounting backgrounds more easily than in the US.

Despite the increasing critical nature of outsourcing, only in the last two years have some discipline and formal rigour been brought into the process. The most common metric used is called a 'zero one' approach which eliminates a process from outsourcing if it could potentially cause the company to lose significant revenues were something to go wrong.

Yet that model results in several necessary but non-critical processes being kept in-house, leading to a big waste of managerial time and talent. The revenue distance model, on the other hand, provides a concrete methodology for not only identifying what business processes can be outsourced, but also what the cost is of keeping them in-house. **F&M**

OUTSOURCING - 2

But is a given process fit for outsourcing at all?

Whilst conceding that the revenue distance test is a useful tool, outsourcing expert **Peter Scott** suggests that more key questions centre on whether a given process is suitable for outsourcing at all.

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Professor Aron's approach is a valuable tool for companies concerned about outsourcing processes which create significant customer value, but in practice the key issue is usually more basic – whatever the value it adds, can the process be outsourced at all?

As a partner in a firm specialising in advising clients on sourcing decisions, I would say that Professor Aron's assertion that 60% of companies which outsource focus only on cost savings is about right – if anything, it might be a little on the low side. And yes, a significant minority does fail to achieve its targets. However, in our experience most companies still tend to err very much on the cautious side when deciding what to outsource and are very conscious that it is not a good idea to outsource core competencies. As a consequence, if the results of business process outsourcing (BPO) do fall short of expectations, it is much more likely to be because the process was not conducive to outsourcing than because it is high-value-adding and should therefore have been retained.

In practice, providing the candidate list for outsourcing is probably the easier part of the challenge. Whatever the value that it adds to the business, each process still needs to be evaluated in terms of its 'outsource-ability' – can a third party provide the service to the required level, using the resources in the budget, without excessive reliance on the client? When BPO deals fall short of expectations it is often because the answer to this question is 'No'.

So, how to assess whether a process can be outsourced? Alsbridge uses five inter-linked criteria, which are set out in the box, right.

A yes/yes/no/yes/no set of responses means that, prima facie, the process can be outsourced. More work is of course then required to define the 'hand-offs' (where one party's responsibility ends and the other's begins) between client and BPO service provider, and to define what happens when the service provider reaches the end of the decision tree. But the fundamentals are likely to be in place to enable outsourcing to work.

Professor Aron's revenue distance test approach is undoubtedly a valuable development which will help companies in deciding which processes to outsource.

However, for the time being at least, the key question is not whether a process should be outsourced but whether it actually could be. **F&M**

The five inter-linked criteria

✔ *Can the process be documented?*
This is arguably the most fundamental requirement of all – if the work cannot be documented a BPO service provider will not be able to set up an efficient, repeatable and, above all, quality-assured process for delivering the service.

✔ *Is it rules-based?*
Service provider staff will need to know what to do in as many different situations as possible, obviously so that they don't do the wrong thing but equally importantly so that they don't have to keep on referring back to the client for guidance, which will quickly beg the question of what the point of outsourcing was.

✘ *Does it involve judgement?*
No service provider will make business judgements for clients, nor should they. Their expertise generally lies in running transactional processes more cost-effectively, more efficiently or at a higher quality – not in taking better business decisions for clients. This is not normally an issue, but could become one if, for example, value added tax (VAT) reporting requirements change, the service provider asks the client for guidance and the client has no one left who is competent to decide.

✔ *Can it be learned by a suitably qualified person in no more than six to eight weeks?*
The issue here is business case. Most BPO transition plans involve the work actually being learned in about three weeks. If it takes much longer, transition costs could damage the business case payback. In addition, long learning processes raise the question of whether the work is too complex to outsource.

✘ *Where offshoring is involved, is physical proximity required to deliver the service?*
Clearly, if the service has to be delivered face-to-face it can't be offshored, either to a BPO service provider or to an in-house shared service centre.

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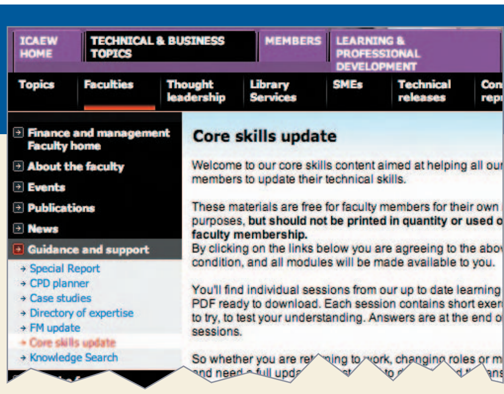
on the Faculty website



The Faculty web pages have a range of content aimed at helping all members update their technical skills – go to www.icaew.co.uk/index.cfm?route=135299. Remember to log in to obtain full access.

You will find individual sessions from the relevant professional stage ACA learning materials ready to download as PDFs. Each session contains short exercises for you to test your understanding. Answers are provided at the end of the sessions. The available topics are: business finance; business management; financial reporting; and taxation.
So whether you are returning to work, changing roles or moving to international financial reporting standards and need an update, or you just need to dip in to find the answer to a specific question, these materials are for you.

www.icaew.co.uk/fmfac

What does XBRL really mean for UK companies?

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For seven years there has been much talk of 'XBRL', and its importance to business. But in reality few business people knew what the acronym meant, let alone what its effect would be. Here **Paul Booth** explains XBRL, its origins and the implications for the way financial information is collated, processed, transmitted and absorbed.

On Budget day (22 March) this year, Lord Carter of Coles released his long-awaited 'Review of HMRC online services'.[1] Judging by the press coverage it generated, one might be forgiven for drawing the conclusion that the report was all about the filing date for personal tax returns and that it was therefore primarily of interest to accountants in practice who prepare returns on behalf of clients.

Such a conclusion would be erroneous. The report is far more wide-ranging, and a whole section of its recommendations is entitled 'For business and employers'. The report sets out which returns to government agencies must in future be filed online instead of on paper, and by what dates these filings should become mandatory. The government announced that it was accepting Lord Carter's recommendations.

But the report went further than that. One interesting detail was that it said not only that companies must, from 31 March 2010, file their company tax returns online but also that they should file the returns using XBRL. So what exactly is XBRL?

The background to XBRL

Admittedly, the name is a bit off-putting. It's yet another acronym, and one whose meaning is not immediately obvious, nor even guessable. And it looks just the sort of term that must have been invented by a boring IT-nerd. So can't we just ignore it, leave all this stuff to the 'techies' and get on with our real work?

No, we can't. Even if we don't know, or don't care, what it's called or how it works, XBRL is likely to become increasingly important to business over the next few years. This article focuses primarily on the practical impact of XBRL but it also seeks first to give a simple explanation of the underlying technology.

> By 2010 all company tax returns must use XBRL

Let's proceed with an explanation of the technology by stages, starting with technology that will already be familiar to all. Hypertext markup language (HTML) is the coding language that is used for web pages. Your web browser reads that language and knows how to display it on your screen. It is a 'tagging language', which means that a block of text can be surrounded by 'tags' that tell the browser how that text should appear. For example, *elephant* denotes that the word 'elephant' must appear in bold type. There are other tags that indicate where on the screen the text should appear; and then, of course, there are the tags that turn a piece of text into a hyperlink to another site.

Extensible markup language (XML) does all of that, but is a bit more sophisticated. Besides telling a web browser (by means of a stylesheet) how to display a piece of text, it describes what that text is. For example, a list of names and addresses might use tags something like this: *<name>Mr John Smith</name> <addr1>23 Acacia Avenue <addr2>Birmingham</addr2>*… and so on. A programme that can read this kind of code could be told by a user to extract just the names, or just the names and phone numbers; to display or process those elements in some way; or to export them to another programme.

For XML to be useable, there has to be an agreed vocabulary (known as a schema): the computer that is reading the XML document has to know, for example, that the first line of a physical address is tagged 'addr1' and not 'addrfirstline'. There are XML-based languages already in use in many different fields including, for example, chemical markup language (CML) and even theological (ThML). In the business field, one of the best known is ebXML, which was developed as a joint initiative of the United Nations and OASIS[2] to facilitate global e-business.

XBRL goes another stage further

Extensible business reporting language (XBRL) is one such use of XML. But it goes yet another stage further. Besides applying identifying tags to items of data, XBRL can show how items are related to each other, and therefore how they are calculated. For financial reporting purposes, a number of taxonomies have been developed and several more are currently under development. These taxonomies are dictionaries and categorisation schemes, which define the tags for particular items of data, such as 'net profit', 'assets' or 'equity'. Different taxonomies are needed for different

1. *Available for download at www.hmrc.gov.uk/budget2006/carter-review.pdf*
2. *Organisation for the Advancement of Structured Information Standards: a not-for-profit, international consortium that drives the development, convergence, and adoption of e-business standards. See www.oasis-open.org.*

countries' generally accepted accounting principles (GAAPs), for international financial reporting standards (IFRS), and for any specific business reporting requirements of particular industries or regulators.

'Extensible' is a key word. What it means in practice is that the language can be extended as required. If a need arises to use a new business data concept, it can be accommodated in a new taxonomy or in an extension to an existing taxonomy. This gives XBRL great power and flexibility.

Business benefits

So what practical benefits does XBRL bring? It's all about efficiency in the collection, transmission, storage and processing of business data. Potentially, any organisation that prepares, transmits or uses business data will benefit. Within a company, information that has come from a number of sources (for example, different divisions, using different accounting systems) can be assembled quickly and easily if those sources are outputting XBRL. Internal management reports can be efficiently and accurately generated using software that selects the required pieces of data by looking for the appropriate tags. Similarly, reports for external use – for example those required by lenders or regulatory authorities – can be automated; and software can be used to check and validate it.

Users of business data – investors, analysts and regulators – stand to benefit greatly from XBRL. For example, when a large number of companies in a particular industry sector all publish financial reports using XBRL, investors and analysts will be able to assemble genuinely comparable data from those companies and analyse it. Lenders will be provided with speedier and more accurate tools for tracking financial performance and assessing credit risks.

Mandation by government

Government and regulatory bodies are already reaping the benefits of XBRL, and are now turning out to be the strongest drivers for its adoption. It is easy to see why online filing gets the required information into the hands of the government agency much more quickly and easily. But that is just the beginning of the process, not an end in itself, since the information is (one hopes!) being collected for a purpose – or indeed for several purposes. Once collected, some information may have to be made available for public access; and in many cases decisions have to be based on analysis of the information. If the information is collected in XBRL in the first place, many of these processes can be automated. Much costly and error-prone re-keying can be eliminated; the processes can be speeded up; and human beings can concentrate on 'higher level' decision-making rather than routine data manipulation.

Tax authorities can exploit the enhanced analysis capability in order to identify and target errors and fraud, thus using their investigative resources more efficiently. In the long run, the taxes we pay to fund these services are used more efficiently – so we all win. XBRL-enabled e-filing has already been in place in Companies House for several months, and some 30,000 sets of accounts have been submitted.

The launch has deliberately been low-key, so that any teething troubles can be ironed out while volumes are relatively low. Implementation is proceeding by stages, starting with the simplest kinds of accounts: those of dormant companies, audit-exempt abbreviated accounts and audit-exempt full accounts. Because the vast bulk of accounts submitted to Companies House are the simplest, the XBRL-enabled forms already in place can accommodate well over half of them; and once the facilities currently under development are completed, that will rise to 85% – all accounts except those requiring audit.

> XBRL can show how items are calculated

Next in line is Her Majesty's Revenue and Customs (HMRC), which requires rather more information than Companies House; and work on the required taxonomies is not yet complete. Currently a company tax return consists of three components: a CT600 form, statutory accounts, and computations. The computations are paper-based and there is no standard format; similarly, the accounts are currently all on paper. Furthermore, companies also have to submit accounts elsewhere, and it is wasteful for them to have to submit slightly different versions of the same information to different places at different times.

For further information about XBRL, see the XBRL International website at www.xbrl.org and the XBRL UK site at www.xbrl.org/uk

Longer term, it will make sense to provide a single electronic submission point for all the information that different government departments and agencies require. XBRL will enable each to take those pieces of information that it needs. The justification for Lord Carter's recommendation that the use of XBRL for company tax returns should be mandatory within four years is therefore clear. This will be a powerful driver for its adoption by UK businesses.

XBRL has been seven years under development, and the worldwide accountancy profession has been playing a leading role throughout that time. In the UK, the ICAEW has been facilitator of the XBRL UK consortium since 2000. Taxonomy development – mapping accounting standards and other business reporting concepts onto a complex hierarchical structure – is a long process that requires significant technical input and considerable consultation with many interested parties. In the UK it is now coming to fruition in practical applications. Undoubtedly more will come on stream in the next couple of years.

Conclusion

One significant implication of the increasing use of XBRL is that businesses contemplating acquiring or replacing software applications would be well advised to consider whether to seek systems that have XBRL functionality – or, at least, to enquire what plans the software suppliers have to incorporate XBRL functionality into their products. **F&M**

Implementing corporate codes of conduct

Should you have a corporate code of conduct, if so what form should it take and how do you make it 'stick'? These and other questions were answered by **Anne Davis, Caron Bradshaw** and **Peter Welch** at a recent Faculty event. Helen Fearnley reports.

Anne Davis is the ICAEW's accountancy markets and ethics manager. anne.davis@icaew.co.uk

Caron Bradshaw is the ICAEW's business law manager. caron.bradshaw@icaew.co.uk

Peter Welch, who recently stood down as a long-standing Faculty committee member, is a director of Yule Catto & Co plc, and is chairman or director of various private companies. peter.welch@virgin.net

The Faculty's recent event on 'Implementing corporate codes of conduct' explored the purpose of such corporate codes of conduct (CCC), their nature, the types of organisation employing them, and their benefits and drawbacks in practice.

The panel consisted of the Institute's ethics manager Anne Davis, its business law manager (and immediate past head, ethics advisory services) Caron Bradshaw, and former Faculty committee member and veteran businessman Peter Welch. It considered the theoretical and practical issues associated with developing and implementing corporate codes of conduct.

What is a CCC?

Davis, as first speaker, started off by summarising the basics. She defined a CCC as "a written statement setting out values, standards of behaviour and business practices, employed by a variety of organisations, industries and professions, and taking various forms or styles".

Codes of conduct are often available on an organisation's website and referred to in the annual reports, corporate social responsibility reports and sustainability reports.

Who uses one?

These codes are part of the governance listing requirements for all companies quoted on the New York Stock Exchange (NYSE) and NASDAQ. Also Securities and Exchange Commission (SEC) reporting companies – even if non-US reporting (eg UK companies with American Depositary Receipts) – are implicitly required to have CCCs that apply to the organisation's key officers, or explain their absence, under Section 406 of the Sarbanes-Oxley Act 2002 requirements.

And while CCCs are not compulsory for UK companies – listed or otherwise – the Ethics at Work (2005) survey by the Institute of Business Ethics found that CCCs were used by:

- 92% of FTSE 100 companies;
- 65% of FTSE 350 companies; and
- 65% of the full sample.

Usually a large company's CCC will be of considerable length and substantial detail. However, this is not always the case and certainly not a guarantee of the greatest success – as demonstrated, Davis pointed out, by the simple one page code which serves US healthcare giant Johnson & Johnson so well.

Why have one?

Those organisations that already have codes will have adopted them for a variety of reasons, eg:

- to provide guidance on expected standards of behaviour to employees and other stakeholders;
- to reduce risk;
- to guard the organisation's reputation and breed trust;
- to optimise stakeholder relations such as supplier and customer relations; and
- to improve long-term shareholder value.

Hence those now considering adopting one need to be very clear about their underlying objectives for doing so. According to a consultation paper from the International Federation of Accountants (IFAC), 'Developing a code of conduct', the three main objectives for having a code are:

- to aid legal and regulatory compliance;
- to manage and improve shareholder relations and expectations; and
- to encourage certain corporate values and beliefs.

Some organisations, Davis suggested, might prefer to adopt a phased approach when developing a code of conduct, focusing on the objective of compliance first and only then incorporating other aims such as managing for stakeholder demands and expectations and creating an organisation with enduring values and beliefs.

The contents

The content of the code of conduct will be influenced by its objectives. It is difficult to assert exactly what a given organisation's code should contain, as it should be unique to that organisation. However in Davis's view, having looked at a broad sample of codes of conduct now publicly available, some key areas that an organisation might want to include are:

- *an introduction* – in the form of a letter from the chief executive officer (CEO) or chairman. This letter helps to put the code of conduct in the right context, and refers to the values and standards of the organisation as well as the intent of the code;
- *a list of the company's espoused values* – eg fairness, transparency, integrity;
- *the expected standards of behaviour* – mostly focused on obligations to the stakeholders (stakeholder approach) or key concerns for the organisation (issues approach):
  - standards under the stakeholder approach would consider obligations and standards when relating to clients, suppliers, employees, investors, the community and the environment;
  - standards following the issues-based approach would look at issues key to the organisation such as bribery and corruption, confidentiality, conflicts of interest, gifts and hospitality, discrimination and so on;
- *compliance and reporting* – areas to consider include accountability, how compliance will be achieved (eg requiring a signed affirmation statement from the employee confirming that they have read and understood the code), and incorporating the code of conduct into the appraisal and disciplinary process; and
- *details of offered help and advice* – these include ethical conflict resolution frameworks and confidential helplines or hotlines.

There are a number of ethical conflict resolution frameworks, but essentially these all suggest that the following questions should be considered when trying to resolve an ethical conflict:

- what are the relevant facts?
- what are the ethical and business issues?
- what are the possible options for resolution? and
- what are the consequences of such options?

Looking at style and accessibility, the CCC should be written in plain, positive language, be precise and clear, and be easily accessible, for example through the website, in printed form and/or on CD ROM.

Practical hints

Davis also provided some practical hints for developing your code, including undertaking plenty of initial fact-finding about the objectives and cost benefits of having one, obtaining leadership commitment, discussing potential content with stakeholders, piloting it within a small group, considering how to publicise it and how you will make it 'live' within the organisation, and – most importantly – making sure it is regularly reviewed.

> Ensure that codes are reviewed regularly

You also need, she added, to consider the practicalities – such as that by having a code you also court the possibility of failing to implement it well. And, finally, you must find a code that is unique to your organisation – copying another organisation's template is not a sensible option. To be successful, a code of conduct should be a living, inspirational document, not an aspirational one.

For further information on establishing a code she recommended visiting:

- IFAC 'Developing a code of conduct' www.ifac.org;
- Institute of Business Ethics www.ibe.org.uk; and
- Good Corporation www.goodcorporation.com

Difficulties in implementing CCCs

Caron Bradshaw, speaking next, tackled the potential difficulties for individuals in trying to both observe and implement a CCC.

In operation, she stressed, there is far more involved than just the code's wording. Those trying to abide by it will be subject daily to pressures and expectations, both internal (eg the requirement for good financial performance) and external (such as their own professional code of conduct, and the burden of consumer expectations).

Yet the struggle to follow the CCC is entirely necessary. It is in instances where a code, once devised, is considered 'dealt with', and left to gather dust on a shelf, that most trouble arises when it needs to be revisited in times of conflict.

When conflict occurs

Indeed, she went on, it is rarely the wording that gives rise to conflict. Rather, problems occur when the methods or behaviours encouraged by the corporate code appear to contradict those apparently dictated by your own professional code of conduct.

A simple example of this is the finance director (FD) member of the group pension scheme who is also one of its trustees. As FD they should presumably be championing the interests of their employer, as a trustee they should be defending the rights of the present and future pensioners (and also the legal position of the trust itself, and of their fellow trustees). And as an individual they will have their own interests to protect.

Another instance is the small family business in which the shareholders are also management, there is no outside funding, and the chairman is a dominant personality, who tends to see the business as an extension of his personal funds. The internal pressure would be for the FD to turn a blind eye; but professional ethics would suggest otherwise.

If faced with such a dilemma, how many of those present would resign, she asked? How many would stay and try to fight this tacit corporate code by changing acceptable behaviours? How many believed implementing a code of conduct was their own responsibility? Or that they were expected to be able to do so single-handedly?

The audience's answers were mixed, but Bradshaw's view on the last question, at least, was a definite 'No.' An FD, she said, needs to have the board's support to change organisational behaviour.

Hence, if theirs is a lone voice, finance individuals can find themselves in an invidious position. And the larger the company, the greater the potential for behavioural conflicts, since it will have operations in places with different cultural values and different rules, laws and regulations, as well as a high public profile to protect. In such cases having a good code is not enough, if it is not observed. As Bradshaw pointed out, Enron, at the time of its misdoings, was in possession of "a fantastic code of conduct".

So what can you do?

This is no mere academic problem. Only recently a chartered accountant was convicted under new financial services authority (FSA) powers for 'recklessly misleading' the Stock Exchange, and sentenced to three years in prison. And this was despite there not having been found any 'intent' to mislead.

So what should the FD do, to avert possible ethical conflicts? Bradshaw recommended the following:

- look at your company's code, check that it aligns with your own ethics and that of your professional body;
- if there is a difference, seek to exert influence to align the conflicting codes;
- seek to remove internal practices that are inconsistent with the corporate code;
- consider effective frameworks for resolving conflicts (eg consider what has been effective in past resolutions); and
- seek advice sooner rather than later.

On this last point she was particularly adamant. Too often, she said, the ethics advisory services' advice is sought when the member is too far down the line to find a wholly successful or easy resolution.

For help in resolving conflicts, visit: www.icaew.co.uk/ethicsadvice

Corporate codes – an experience

Finally, Peter Welch described his experience of codes in action. After some 40 years in business, including a raft of appointments with public companies – as, variously, chairman, deputy chairman, executive and non-executive director – this amounted to a very considered view. And his overwhelming message was that, while codes are on balance a good thing, "there is absolutely no substitute for your own judgement".

First, though, he examined the reasons for a code – from the director's point of view. These are, he said:

- to guide proper behaviour (by way of suggestion);
- to prescribe it (by instruction);
- to proscribe improper behaviour (by prohibition);
- to remind users of how they should conduct themselves; and
- to inform them of what is expected.

Welch said he spoke as someone who had been initially sceptical about corporate codes. For example he had begun by regarding the Combined Code – as developed, piecemeal, via the Cadbury, Greenbury, Hampel, Turnbull, Higgs and Smith reports – as a misguided attempt to move more responsibility into the boardroom.

> Beware 'smart, lawyer-like compliance'

With hindsight, however, he admitted that the Code has, broadly, improved governance in the UK. Even so, he warned of the danger of "smart, lawyer-like compliance" with the letter of the Code.

Welch also pointed out the potential downside – when there are too many codes, or codes going into too much detail. In these circumstances people forget what they are being instructed to do, or else "they adopt form over substance".

The company he is currently involved in, he revealed, has only two, very concise codes in addition to the Combined Code. The first of these is simply proscriptive about what that company considers corrupt behaviour. The second code, on whistleblowing, provides guidance on the clear channel of communication through which any employee can report misbehaviour to their superiors.

In his own prescription for codes of conduct, Welch had the following recommendations:

- recognise that the world is real and imperfect;
- avoid prissiness;
- seek the important issues;
- avoid trivia;
- have as few as possible;
- keep them simple; and
- stress the importance of judgement.

Conclusion

The subject was then thrown open to a question and answer session, in which all aspects of drawing up, implementing, and reviewing a corporate code of conduct were explored.

These included the idea of developing a code from the bottom up by seeking employee opinion (something, the panel cautioned, needing leadership and commitment from the top if the whole exercise is not to become bogged down) and the dilemma of whether a code should be based more on the principles of justice and fairness, or on those of utility.

On the latter, Bradshaw was emphatic in her response – that there is no one answer for all companies. What she was keen to point out is that the ethics advisory services is pragmatic, rather than adopting a 'more-ethical-than-thou' position.

"Whilst an individual is obliged to take a position acceptable to the standards of the profession, there may be circumstances where the individual in finance has to compromise on perfection in ethical standards, in order to move the business forward. But what that individual can do is continue trying to push those around them to the highest common standards of behaviour," she said.

She went on to say that ultimately, "if your company's effective code of conduct doesn't allow you to do that, you should leave and join one whose code does." **F&M**

FACULTY PROFILE

Of banking, coaching and neurolinguistics...

Rick Payne, elected to the Faculty committee in May, has a long track record in wholesale banking prior to qualifying as a management coach and trainer. Here he tells us his thoughts on business, and the needs of Faculty members.

Rick Payne already found the Faculty's events and publications "of great interest" when he decided – partly in response to an appeal for new committee candidates – that it was "time to put something back".

His own career to date furnishes him with plenty of material to draw upon in this endeavour. He joined KPMG in 1983 as a graduate (economics and politics) trainee and soon after qualifying pursued his interest in the wholesale banking sector. Starting as County NatWest's technology financial controller in 1987 he then moved rapidly – averaging a job change every eighteen months – through a series of roles from bond funding and projects, to money markets financial controller. These were interesting times in the wake of the City's Big Bang. As he recalls, "NatWest had geared up significantly for deregulation in 1986, but found it was lacking the management information for decision-making. I was involved in putting those management information systems in place."

Specialised

Five years later, in 1992, he took "a big step up in responsibility", becoming financial controller, banking and specialised finance – part of NatWest Markets which encompassed all of the bank's wholesale and investment banking activities. He was in charge of a large department dealing with all financial control matters relating to banking, specialised finance, investment banking and corporate finance. This meant guiding a team of some 30 people in integrating business from various parts of the group.

In 1994, having mentioned for a couple of years in his appraisals that he would be interested in an appropriate overseas opportunity, he was surprised one Friday morning to be asked if he was interested in becoming regional financial controller for Asia Pacific. He was even more surprised, only weeks later, to find himself there, doing the job.

Rick Payne is a trainer and coach, with 20 years' experience in banking. He is also studying for an MSc in organisational behaviour. the_coach@dsl.pipex.com

When he returned from Asia in late 1996, NatWest Markets was continuing to experience "turbulent times". This resulted in three roles in quick succession – head of the finance change management team, head of reporting, and project director, financial systems. In mid-1999 he took on another new brief – head of finance, NatWest global financial markets. With a team of 40, he was responsible for consolidated reporting, planning, analysis and implementation of the global general ledger.

All change

It was while Payne was in this role that 'bank wars' began – with both Bank of Scotland (BOS) and the Royal Bank of Scotland (RBS) entering into a bidding war for NatWest. And, when RBS finally won the battle, there was further stress as the RBS management took control, and the process of integration began. Throughout all this Payne was involved in the change management process, eventually focusing on the area he has always been passionate about – the development of people. This culminated in achieving Investors in People (IiP) recognition for the finance division of corporate banking and financial markets, an accolade almost unique in the field of wholesale banking.

Now, however, having done the IiP implementation a couple of times, he recognised that this was an area in which he had a desire to be more involved and decided to move on. Supported by RBS, he qualified as a management coach, enabling him to facilitate the development of individuals in a one-to-one relationship. He subsequently qualified as a neurolinguistic programming (NLP) trainer, as well as a user of psychometric tests such as the Myers Briggs Personality Questionnaire. As a result he is now visiting lecturer at Essex and City Universities, and trains in areas including communication, coaching, financial services and accounting.

He has also just completed his second year of a three-year MSc in organisational behaviour, which he embarked on as "a welcome chance to enhance my critical thinking".

Naturally, within the Faculty he would like to help promote the development of financial professionals. However, he feels that it is important to support the committee in representing the needs and requirements of the Faculty membership as a whole rather than his own individual biases. Like all committee members, he is keen to get feedback on what the Faculty is doing well and where there is room for improvement. **F&M**

In January this year, Rick Payne gave a Faculty lecture 'Communication and influencing skills for finance professionals'. To see a video recording of this event, go to www.icaew.co.uk/index.cfm?route–129356.

What to do when the VAT man surprises you

Kevin McCormick is a technical manager at the Tax Faculty.
kevin.mccormick@icaew.co.uk

What are your rights when inspectors from Her Majesty's Revenue and Customs (HMRC) arrive unannounced? **Kevin McCormick** considers the law concerning value added tax (VAT) related visits from HMRC.

In an ideal world advisers would, as a matter of course, brief businesses on what to do should the tax man arrive unannounced. But it isn't necessarily always so. And without such a plan of action, considerable disruption may result from such a visit: for example, if the HMRC officers remove the books and accounts without warning.

Small businesses – and in particular, cash traders such as restaurants, take-aways, public houses, night clubs and retail shops – are the most likely to experience an unannounced visit. One of the first precautionary steps such businesses should take is to instruct reception staff always to check identities, to ensure visitors are who they say they are. Obviously another key safeguard is to provide staff with the emergency telephone number of someone who can help – the FD, the tax manager, or an outside adviser such as the business's accountant – should HMRC come to call.

Assuming those simple protective measures have been taken, this article very briefly describes the law relating to such visits, depending on the powers with which the surprise visitors are armed. It also highlights limitations in the officers' powers, of which you may not be aware.

Power to obtain information with a court order

With an unannounced visit of this sort, it is first necessary to find out whether the officers concerned have arrived with a court order. HMRC has wider powers where a court order has been obtained.

A justice of the peace may issue a search warrant and an order for access to recorded information if he is satisfied by information on oath that a fraud offence of a serious nature is being, has been, or is about to be committed. And in these circumstances HMRC will be able to remove documents and recorded information.

However, there are provisions requiring HMRC to provide a record of documents removed and a procedure for obtaining free of charge photocopies of such documents.

> Removal of documents must be recorded by officers

Power to enter business premises without a court order

An authorised HMRC officer has power to enter business premises at any reasonable time for the purpose of exercising any powers given under the VAT Act 1994 (Paragraph 10 (1), Sch 11). However, whilst this power enables HMRC officers to enter premises without a court order, once they are in those premises their powers are limited.

They have the power to inspect the premises and inspect any goods found on them. However, the power to 'inspect' is by eye, whereas 'search' – as with a court order – is by hand. These powers of entry do not give power to search or to obtain records or documents. There are separate powers to enable HMRC officers to obtain information and documents, but these powers do not provide instant access to such records.

Power to obtain documents without a court order

HMRC officers have power to obtain such information relating to a supply of goods and services as they may reasonably specify. They also have power to obtain any documents relating to a supply including acquisitions and importations from outside the UK. Documents relating to a supply include invoices and day books or their equivalent, management accounts and any profit and loss account and balance sheet. HMRC also has power to obtain such documents if they are held on computer. Although there is also a specific 'hands on' power to check the operation of any computer, the HMRC manual instructs staff not to exercise this power even if invited to do so by the taxpayer.

Time within which documents must be produced

The legislation provides that documents to which HMRC is entitled must be provided within such time and at such place as it may reasonably require (Para. 7(2), Sch 11, VAT Act 1994).

This is not seen as a power to obtain instant access to documents. There is no specific power for the production of documents instantly. It is a question of what is reasonable. It could be argued that it is not reasonable to expect the instant production of the accounting records of a business. Where such a request is made it may be appropriate for the taxpayer to ask HMRC to put its request in writing stating a reasonable time within which the records should be produced. Where this is done it would be unusual for HMRC to specify a time of less than seven days.

However, even though HMRC does not have the power to obtain instant access to VAT records, there is nothing in law to prevent an HMRC officer politely asking for immediate access to documents. It is a matter of judgment whether to cooperate with this. Sometimes allowing HMRC instant access to the records is the quickest and cheapest way of dealing with its enquiries. **F&M**

How the pensions white paper affects employers

What will the government's pensions white paper mean for employers? **Alastair McLeish** explains the impact of its proposals.

Alastair McLeish is partner, head of UK Pensions, KPMG in the UK. alastair.mcleish@kpmg.co.uk

In May, the government finally issued its pensions white paper. This sets out far-reaching changes to both state and private provision. If these seem merely plans for rearranging the deckchairs on the Titanic, it is only fair to point out that the government has closely followed the 500-page deckchair layout proposals of Adair (now Lord) Turner's Pensions Commission.

The government aims to bring most of the paper's proposals into force from 2012. Once in force, some changes will have an immediate impact; others will only be felt over a period of decades.

Enrol all eligible employees

Of the changes affecting employers, the key one is a requirement to enrol all eligible employees automatically into a pension scheme – either a new national Personal Accounts Scheme (PAS) or the employer's own scheme (provided it offers equivalent or better benefits).

The PAS is intended to offer low-cost private provision for those people without existing access to adequate pension savings. It will operate on the basis of privately-invested individual money purchase accounts, with a minimum level of contributions paid via a central clearing house.

The proposed minimum contributions are:

- 4% employee;
- 3% employer; and
- 1% as tax relief (at basic rate; higher rate relief also available).

These minimum contributions will be based on earnings between the lower earnings threshold and upper earnings limit for national insurance purposes (so broadly £5,000 to £30,000 at present). The employer contribution will be phased in over three years, with the likelihood of further transitional support for smaller businesses. For an employee earning £23,000 per annum (national median earnings), the effect of a 3% contribution will be to add 26 pence to the hourly wage.

Once in the PAS or employer's alternative, employees are able to opt out – though it appears that they must then be automatically re-enrolled every three years! Employees under age 22 and very low earners will be exempt.

Cost implications for employers

The white paper trumpets the effectiveness of automatic enrolment in increasing participation rates. What it plays down, however, is that any such participation increase represents a direct cost increase for employers – who may be tempted to offset the cost by reducing more generous contribution rates under existing arrangements.

> Participation increase means a direct cost increase

The obvious alternatives are to offer lower wage increases, raise prices or accept lower profits. There is a further psychological risk that, over time, the minimum level of contributions demanded under the automatic enrolment proposals could come to be seen as a norm – reinforcing the cost-led temptation to downscale employer-sponsored provision.

However, the likelihood of downscaling should not be overstated. Our research found that some 80% of participants had no intention of changing their existing arrangements and that only 1% would opt for the PAS to cut costs. Larger companies at least will view the minimum contributions levels as analogous to the national minimum wage: just as they have to offer competitive rates of pay to recruit quality staff, they will find that an attractive pension scheme is an important element of the remuneration package they offer.

Contracting out

Of the other proposals concerning private pension provision, the main ones concern the highly complex area of schemes' and individuals' ability to contract out of the state second pension.

Firstly, money purchase contracting out under both occupational and personal pension schemes will be abolished. Contracted-out money purchase schemes have become increasingly rare as the rebate terms have worsened over successive reviews. Inertia keeps many members contracted out after it has ceased to be worthwhile for them, and providers are clearly anxious that they run the risk of legal claims from such cases.

Secondly, contracted-out final salary schemes will be allowed to convert old guaranteed minimum pension rights into scheme benefits of the same actuarial value. This will finally enable defined benefit schemes to rationalise benefit structures that have become increasingly complex over time. Although there will be a one-off cost in converting these rights, there will be a greater long-term gain in administrative simplicity and member comprehension.

Conclusion

This is still only a white paper, and much of the devil will be in the detail of legislation once published. For now, there is no specific action to be taken, but remember that in the future pensions costs will apply potentially in respect of all employees, not just those in current arrangements. **F&M**

The Faculty of Finance and Management
ON-LINE DIRECTORY OF EXPERTISE

A value network

Do you have a question that needs answering?

Want to discuss something with another Faculty member?

Did you know that ICAEW Faculty members can contact one another through our Directory of Expertise?

We currently have over 1,000 Faculty members listed in the directory, each of whom has registered their expertise in one or more topics.

We believe that amongst the Faculty membership there are answers to most issues faced in business. The Faculty wishes to facilitate the sharing of this knowledge and encourage you to make use of the service.

This is a mutual technical support system for Faculty members and we encourage you to use it. Please bear in mind that members have put themselves forward voluntarily. The directory is not a commercial initiative and operates on the basis of trust and we expect members to use the service appropriately.

The fact that so many Faculty members have now registered on the directory indicates the willingness of members to help each other.

You may recall that one of the Faculty's strategic initiatives is to develop a 'value network' for members to link with and support one another. The directory is an example of this. If you would like to register, contact me on maria.carlstrom@icaew.co.uk.

Please let us know how you get on, and let me have any feedback by email.

Maria Carlstrom
Website executive,
Finance and Management Faculty,
ICAEW

We regret that, for legal reasons, this service is currently only available to Faculty members who are also ICAEW members.

How do I use the Directory of Expertise?

1. Go to the web site www.icaew.co.uk/fmfac and log in.
2. There is a direct link on our home page – 'Search Directory of expertise'.
3. Click on 'Enter the Directory of expertise'.
4. Scroll through to the bottom and search on specialism, location, size and sector. You can then narrow this search down further. For example, at the time of writing, a search produced 47 Faculty members who could be contacted to discuss shared service centres. Narrowing the search to Europe gave 23 members; specifying only large businesses gave 19; and limiting it still further, to manufacturing, gave eight members from large European manufacturing businesses who could discuss shared service centres.
5. When you have a list of names, click on a name and find out a few more details.
6. Contact your chosen Faculty member by phone or email. Please make sure that you introduce yourself as a fellow member of the Faculty and explain where you found their details.

What does it cover?

Strategy and organisation
General expertise
Marketing
Business planning
Strategic alliances and joint ventures
International enterprise
Managing change
Organisation
Leadership

Performance management
General expertise
Balanced scorecard
Benchmarking
Value based management
Business process re-engineering
Quality

Operations management
General expertise
Modern manufacturing techniques
Outsourcing
Purchasing and supply chain management
Shared service centres

Human resources
People management
Incentive schemes
Employment law

Information and knowledge management
General expertise
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Knowledge management
Innovation
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Financial strategy
General expertise
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Financial modelling and forecasting
Valuations
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Selling a business
Management buyouts

Treasury and financial control
General expertise
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Costing
Budgeting and control
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Financial reporting
International accounting standards

Other
Small and medium enterprises
Project management
Company secretarial
Professional development
Environmental and social issues
New finance function
Sustainability/corporate social responsibility
Health and safety
Legal updates
Ethics and integrity

FORTHCOMING FACULTY EVENTS

BOOKING To attend any Faculty event, please fill out the form in the Events flyer which is part of this month's mailing. Telephone payments by credit/debit card can be made to 01908 248159 (all major cards accepted). Faculty members only may book by email at fmfac@icaew.co.uk. For all queries, call the Faculty team on ***020 7920 8508****.*

21 September
EVENING EVENT
(Chartered Accountants' Hall, London)

WOMEN'S EVENT – THE SUCCESSFUL FINANCE DIRECTOR

Following on from the hugely popular women's event last year we are providing another opportunity to share experiences and network with other successful women, as well as to acquire or update key skills. This year's innovative event will allow you to participate in several sessions including meeting a leading head-hunter, taking part in a discussion with a panel of top women finance directors, learning how to maximise your personal impact and achieve productive networking. Registration 5.30pm, event 6.00pm until 7.45pm. Canapés and drinks will be served.

– *Target audience:* Senior female finance professionals.

– *Benefits:* The opportunity to increase your peer network and refresh key management skills.

- Faculty members: FREE • Non-Faculty members: £20.00 (+ VAT) • Event code: TFFMLEC060921
- To book, see BOOKING above • Final date for receipt of booking details: 14 September 2006

4 October
ONE-DAY CONFERENCE
(The Hatton, 51-53 Hatton Garden, London EC1)

ICAEW/FFM FINANCE DIRECTORS' CONFERENCE 2006

This year's conference, organised by CCH Professional Development, will embrace the latest developments in the world of the finance director while providing inspiring ideas. Registration 9.00am, event 9.30am until 5.30pm.

- Faculty members: £325.00 (+VAT) • Other ICAEW: £449.00 (+ VAT) • Non-ICAEW: £499.00 (+ VAT)
- Upon purchase, both ICAEW members and non-ICAEW members who are non-FFM members will receive the benefits of FFM membership for the rest of 2006 • Event code: 6CF0003
- To book, see the website www.cchseminars.co.uk or call 01635 588 898 or email cchseminars@cch.co.uk

12 October
ONE-DAY CONFERENCE
(Mermaid Centre, Blackfriars, London EC4)

ICAEW/FFM FINANCIAL CONTROLLERS' CONFERENCE 2006

This one-day conference, which is organised by CCH Professional Development, is aimed at financial controllers or equivalent and will address both technical and personal skills. Registration 9.00am, event 9.30am until 5.15pm.

- Faculty members: £325.00 (+VAT) • Other ICAEW: £449.00 (+ VAT) • Non-ICAEW: £499.00 (+ VAT)
- Upon purchase, both ICAEW members and non-ICAEW members who are non-FFM members will receive the benefits of FFM membership for the rest of 2006 • Event code: 6CF0004
- To book, see the website www.cchseminars.co.uk or call 01635 588 898 or email cchseminars@cch.co.uk

17 October
BREAKFAST LECTURE
(Chartered Accountants' Hall, London)

RECENT ACCOUNTING CHANGES

David Chopping, the technical partner of Moore Stephens LLP, will discuss recent and forthcoming accounting changes. This will include changes to recent standards, both in the UK and internationally, proposals for smaller companies, and proposals for the future of UK accounting. It will also review the introduction of IFRS in the UK. Registration 8.30am, event 9.00am until 10.00am. Pastries and coffee will be served during registration.

– *Target audience:* All finance professionals who need to be aware of UK or international financial reporting changes.

– *Benefits:* An increased awareness of recent accounting changes.

- Faculty members: FREE • Non-Faculty members: £20.00 (+ VAT) • Event code: TFFMLEC061017
- To book, see BOOKING above • Final date for receipt of booking details: 10 October 2006

IN FUTURE ISSUES...

Finance & Management

- The corporate governance of subsidiaries
- A risk-based approach to internal controls
- Getting value from information technology
- Breaking the innovation disappointment cycle

IN OCTOBER'S MAILING...

- *Executive summary*
  A quarterly guide to the key editorial themes and articles of Faculty publications.

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