

# the account

CIPFA

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## CONFERENCE LAUNCH



*Sebastian Coe KBE to open the CIPFA 2008 conference*

### **Stepping up to the mark: taking responsibility**

The 2008 CIPFA Northern Ireland Annual Conference, sponsored by Sellick Partnership, has been launched with the announcement that Sebastian Coe KBE will provide the opening address on 1 October 2008 in the Slieve Donard Hotel.

Lord Coe will open the conference with an inspirational address on the topic of 'Taking on World Class Competition'. Inspired as a child by a local sporting hero, Seb's own talent, commitment and discipline eventually led him to 12 world records and two Olympic golds.

He has since led Britain's 2012 bid – determined to connect with and inspire the next generation. As all

eyes turn to Beijing, Seb recalls competing against the world's top athletes. The line-up of national and international speakers at the 2008 conference also include: Sir Brian Kerr, Lord Chief Justice for Northern Ireland; and John Cassis international motivational speaker.

The CIPFA conference is now in its 17th year and is one of the most highly regarded events in the calendar of the public sector in Northern Ireland.

For further information on the programme, booking arrangements and discounts, please contact Emily Kennedy on 028 9026 6774 or via e-mail at [emily.kennedy@cipfa.org](mailto:emily.kennedy@cipfa.org)

# CIPFA NI IN ACTION

## Had enough of evening classes?

It is good to keep the old brain cells working by continuing to learn and develop. If you are tired of trying to study in the evenings, why not enrol in our day-release AAT Accountancy or Payroll Qualifications.

Once again, CIPFA has topped the UK average with superb exam pass rates for AAT students in Northern Ireland, achieving 100% pass rate for students at Technician Level and 96% pass rate for students at Intermediate Level in the December 2007 examinations.

CIPFA Northern Ireland is the only accredited training provider for the AAT Accountancy Qualification in Northern Ireland. Classes for Intermediate and Technician Level commence in September 2008, in preparation for June 2009 examinations, with Foundation Level commencing in January 2009.

## CIPFA success

As 2008 begins, so do new opportunities open to the four newly qualified CIPFA accountants, Maureen Brown, Pamela Dugdale, Victoria Leeman and Anthony Stockdale who were recently presented their CIPFA membership certificates.

Forty five students are currently undertaking the CIPFA Professional Accountancy Qualification (PAQ) in Northern Ireland. The autumn timetable of classes is due to be released shortly and will offer tuition for the following modules: Management Accounting; Financial Accounting; Financial Performance and Reporting; Audit and Assurance; Governance and Public Policy; Leadership and Management; Case Study; and Strategic Business Management.

If you are interested in any of the above qualifications, please contact Una McGuinness by telephone on 028 9026 6773 or via e-mail at [una.mcguinness@cipfa.org](mailto:una.mcguinness@cipfa.org) and Una will be happy to meet up with you to discuss.

## In-house training - what's hot?

All of CIPFA Northern Ireland's public and accredited courses are also offered on an in-house basis. The most requested courses' leader board changes each year. Already, 2008 sees three hot contenders for the title:

- Fraud Awareness
- Financial Management
- Grant-Funding in the Public Sector

If there are 6/8 staff interested in a particular topic, an in-house course is often the most cost effective way of providing the training, also allowing for custom tailoring to the organisation's exact needs.

For further information on an in-house course, please contact Sharon Brown on 028 9026 6770 or via e-mail at [sharon.brown@cipfa.org](mailto:sharon.brown@cipfa.org)

## PRINCE ... not pauper!

Or more simply: success ... not failure!

As pressure increases for public servants to deliver projects on time, to the required specification and within budget, project management has become a necessity in the public sector. This is reflected in the high levels of demand and momentum for CIPFA's PRINCE2 training in 2008. To date, we have delivered three full programmes in the first quarter of 2008 and have a further course running on 12-16 May 2008 to meet the demand for this high quality training programme.

The PRINCE2 training programme provides in-depth training on professional project management, helping public sector officials meet project objectives within project tolerances.

If you are interested in registering to attend the May PRINCE2 programme, or require further details on CIPFA's project management training, please contact Emily Kennedy on 028 9026 6774 or via e-mail at [emily.kennedy@cipfa.org](mailto:emily.kennedy@cipfa.org)

## On Board

A recent survey of Board members undertaken by the Scottish Executive has found high levels of satisfaction with the On Board Guide and the On Board induction training provided by CIPFA Northern Ireland. The key findings from the survey were that:

- 80% of respondents reported that the On Board Guide had helped them to understand their role as a Board member
- Maximum advantage was obtained by public bodies working with CIPFA to design and deliver customised, collective and locally delivered On Board training to all their Board members, complementing the On Board Guide
- Over 80% of Board member respondents found the On Board training course extremely helpful
- While Board members with voluntary sector experience were most likely to attend On Board training (62%), those from the private sector were least likely to attend (35%), although this group rated the training as most helpful (86%)
- The On Board training programme plays a critical role in enhancing Board members' understanding of the roles of Ministers, Officials and Accountable Officers

A number of respondents highlighted the importance of being offered this training early in their Board careers, with several suggesting that this training should be a core part of the induction process.

The survey recommended that:

- The Scottish Executive should consider integrating an On Board training event into a programme of core induction training and encourage Board members to attend this event within the first 12 months of appointment
- NDPBs should consider using the On Board guidance as a resource to complement other continuous professional development events on governance, relationships and financial management

## On Board programme 2008/09

CIPFA Northern Ireland has launched its public On Board programmes in Northern Ireland for 2008/09. The courses will be held in The Mount Business and Conference Centre on 3 June 2008; 5 September 2008; 3 December 2008; and 3 March 2009.

### Ethical standards training

Following the recent high profile coverage of the conflict of interest at the Northern Ireland Tourist Board, CIPFA Northern Ireland has launched an Ethical Standards workshop for managers and staff in public bodies. CIPFA Northern Ireland already has a highly successful 'Scandal and How to Avoid It' session in the On Board programme, but this workshop will focus on the key principles of public life and the practical outworkings of these principles for public service employees, particularly those coming from a private sector background.

The session which is available on an open basis (10 June) or on an in house basis, e.g. over a long lunch or a half day, is an interactive workshop with practical case studies and tips to avoid getting into difficulty in this minefield! For further information, please contact David Nicholl on 028 9026 6770 or via e-mail at [david.nicholl@cipfa.org](mailto:david.nicholl@cipfa.org)

### Demand for Cross Border training soars

CIPFA and partners - the Centre for Cross Border Studies (CCBS) and Cooperation Ireland - have been commissioned by the SEUPB to run a fifth North/South programme in May 2008. Already, there are more applications than places available.

The Centre for Cross Border Studies recently published the best projects from the first four training programmes entitled 'The Wind Across the Border'. The publication was launched by Dr Chris Gibson, Chair of the Centre for Cross Border Studies at a special event dedicated to the memory of Michael McCartan who successfully participated on the first programme. A free copy is available from CIPFA - please contact Emily Kennedy on 028 9026 6774 or via e-mail at [emily.kennedy@cipfa.org](mailto:emily.kennedy@cipfa.org)

## Governance - making it happen!

CIPFA Northern Ireland is delighted to welcome **Sir Robert Smith**, Chair of the Weir Group and author of the Combined Code Guide for Audit Committees (The Smith Report), as the keynote speaker at the CIPFA seminar, 'Governance - Making it Happen' on 21 May 2008! Other key speakers include:

**Jane Bloodworth** - Head of the Internal Audit Division, DEFRA. Jane will examine the role of Internal Audit and the Audit Committee in gathering assurance to support the Statement of Internal Control.

**Keith Wade** - founder and Director of CATS International will examine the power and influence of internal audit, and how it might maximise its value to the organisation.

**Brandon McMaster** - Director of the Northern Ireland Audit Office's value for money division, currently overseeing a joint NIO/NIAO review of the implementation of recommendations of the Northern Ireland Affairs Committee Enquiry into organised crime in Northern Ireland.

**Sam Sittlington** - Detective Inspector with the PSNI Economic Crime Bureau Financial Investigation Unit, specialising in the investigation of money laundering and proceeds of crime.

The cost of attending this seminar is £295 plus VAT per delegate (holders of the CIPFA ADPA - £145 plus VAT). Discounted rates are available for additional delegates. For further information and booking arrangements, please contact Emily Kennedy on 028 9026 6774 or via e-mail at [emily.kennedy@cipfa.org](mailto:emily.kennedy@cipfa.org)

## High flying executives

The second Senior Executive programme that CIPFA runs in partnership with the Institute of Directors, finished in November 2007 and was again notable for its overall success.

Of particular note was the high pass rate by participants in the Diploma in Company Direction and the award of the coveted IoD distinction to Anne

McBrien of Belfast Health Trust and Mark McNaughton of the Police Service of Northern Ireland. This achievement is all the more spectacular as these were the only distinctions awarded in the whole of the United Kingdom!

The Senior Executive Programme deals with strategic issues, strengthens leadership capability and enables management of change in organisations. The next programme starts in the autumn and is virtually full-up with only a few remaining places available.

For those interested in participating in the Senior Executive Programme, please contact Steve Mungavin on 029 9026 6778 or via e-mail at [steve.mungavin@cipfa.org](mailto:steve.mungavin@cipfa.org)



*Distinguished executives - Anne McBrien and Mark McNaughton at IoD Headquarters*



*Achievements of finance staff Maureen Brown CPFA (centre left) and Elizabeth Hunter MAAT (centre right) were marked at the Northern Ireland Housing Executive's Awards Ceremony. Sharing their success (L-R) is: David Lamb, Assistant Director of Finance; David Nicholl, CIPFA; Brian Rowntree, Chairman; Paddy McIntyre, Chief Executive; and Clark Bailie, Director of Finance*

# MINISTER OF FINANCE

## PETER ROBINSON

*Peter Robinson MP MLA is the Minister of Finance in the Northern Ireland Assembly. In this interview, David Nicholl, Head of CIPFA Northern Ireland, discusses some key public finance and accountability issues with the Minister.*

***How did you cope with suddenly moving from being a constituency MP/MLA to acquiring responsibility for the Northern Ireland Block overnight?***

This time round, it was not as traumatic as when I was the Minister for DRD. We reached agreement on Devolution in late March 2007 but powers were not devolved until May and Direct Rule Ministers freed up officials to assist us in the interim period. So I had a longer lead in time than would be usual. There was time to get fully briefed by officials and I managed to visit most parts of the Department and bring myself up to speed.

Like all Ministers, I relied heavily on my officials to brief me and provide advice (and, still do). But as time goes on, you become more relaxed in the job, the issues are no longer new to you, you are more aware of how they need to be handled and you appreciate the various sensitivities.

However, I am always learning – I believe that when a Minister feels that he/she knows it all and has nothing more to learn, it is probably time for him/her to move on!

***Given that senior civil servants have effectively been running Northern Ireland for the last 35 years, how do you redress the balance/put them back in their proper place?***

The Civil Service was put in a very difficult position during Direct Rule, and one not of their own choosing, when they were virtually leaderless. Devolution has brought a much greater workload for civil servants answering Assembly Questions, preparing for the Assembly and dealing with a local

Minister but it is a much more fulfilling role. I think that senior Civil Servants are either very good actors or they are enjoying the challenges of Devolution.

Working relationships are good and there is mutual respect for our respective roles. I often take their advice but I can also challenge their advice. But I do value the advice of people who have been in this Department a lot longer than I have.

***What do you see as the main spending priorities for Northern Ireland and the Executive in the coming years?***

The main priorities for the Executive are set out in the Programme for Government and it is my task to fund these priorities in the Budget. The main priority for this Government is economic growth.

***How does the Executive sell the hard choices to a public conditioned to relying on a limitless public purse to fund everything?***

I do not agree that there has been a limitless public purse in the past but under Direct Rule, we always had somebody else to blame when the money was not forthcoming. People are just going to have to get real to the fact that there is a limit to the budget available. We allocate the money available in accordance with the Executive's priorities, we will try to drive out inefficiencies and ensure that maximum value is obtained for every pound spent. If the public wants more money spent on Department/Service A, then there must be a recognition that it has to come from a reduction in the funding for Department or Service B, C or D.

***How do Executive Ministers achieve collective, cabinet responsibility given the differing backgrounds, policies and parties involved?***

The Northern Ireland Executive is unique with four different parties coming together in an involuntary coalition and there is no doubt that achieving

collective, cabinet responsibility represents a real challenge. However, unlike the previous Devolved Administration, Ministers are now bound by the Ministerial Code which means that Ministers have to accept and abide by a collective decision.

There is no doubt that if the Executive could operate as a collective entity, it would be a very powerful instrument for good in Northern Ireland. However, personality will play a part and some Ministers will be more responsible than others and some will be more conducive to operating as a team player than others. There will always be a tendency for some to put party interests first. However, only time will tell!

***Over the past 10-15 years, the public has become very negative about politics and politicians in Great Britain and Ireland. There is a general perception that politics is a dirty business and that standards in public life have fallen (David Blunkett, Flood/Dirt Enquiry etc). Can the new Assembly and the Executive buck this trend and restore confidence in public life or do you believe that ultimately Ministers and Assembly Members will be unable to resist the temptation to stick their noses in the trough?***

Ultimately politicians are a microcosm of society. There has undoubtedly been a lowering of standards among politicians over the years but this is a reflection of the falling standards in society generally. However, the wonderful thing about democracy is that, unlike the situation in other walks of life, a politician who has behaved badly can be removed at the ballot box.

***In Northern Ireland, there are probably as many public servants auditing, measuring and regulating as there are actually delivering. Have we got the balance right between compliance and delivery?***

I do believe that we need auditors and the various regulators to ensure high standards and safeguard the public interest. If there are any doubts as to the propriety etc of the actions of politicians or senior officials - referring back to your previous question – then compliance measures (and auditors etc to enforce them) are vital to ensuring high standards and public confidence.

If we take Freedom of Information (Fol) as an example of 'red tape' as you suggest, yes there has been concern expressed in some quarters at the amount of time spent by officials answering Fol requests, but it is clear to me that Fol has resulted in more openness and transparency in public life and things coming into the public domain which 10/20 years ago would never have seen the light of day.

I do agree, however, that 'delivery' is vital and we must move faster in some areas and not be hidebound by bureaucracy. In particular, I would like to see less risk averseness in the top echelons of the Civil Service - there needs to be a culture where calculated risks can be taken – especially in areas like economic development – without recrimination. It is wrong to criticise public funding for a project like Seagate, for example: just because circumstances change and something goes belly-up does not mean that we should not have taken the decision in the first place.

***Do you believe that the target setting culture in the public services results in genuine performance improvements or just manipulation of systems and information to ensure that targets are seen to be met?***

I am a firm believer in setting targets in every area of my life and this extends to personal and party. People need targets to be stretched to achieve their optimum performance. Yes, I recognise that some people will manipulate the information etc, but this is not a reflection on target setting per se but rather deficiencies in the monitoring process.

***You recently announced the establishment of a Performance, Efficiency and Delivery Unit. How do you envisage this Unit working in practice? How do you avoid PEDU turning into a talking shop/toothless tiger like so many of these Units?***

It is important to have the right people – and I intend to have a small Panel with key individuals from the public and private sector who will not be afraid to probe and challenge, asking those two vital questions, why? and why not? The Unit will be also fully staffed by officials; individuals who are not easily put off when they start challenging in other Departments; and perhaps face opposition.

All too often, the reason that we are doing something is because traditionally it has always been done, not that it is still relevant/beneficial today.

The next important element in ensuring success is the right co-operation that they will get from the various Departments and I have no reason to believe that such co-operation will not be forthcoming. The Unit will be reporting to me and as I allocate the funding across the various Departments, I will make sure that the Unit's views are acted upon and that it is not a toothless tiger.

***How will your Ministerial colleagues react to cuts in their budgets as a result of your implementation of these recommendations?***

I believe that the Civil Service and my Ministerial colleagues will be supportive of this PEDU initiative and where efficiencies can be made, then they will have the primary responsibility to make them. However, I make the recommendation to the Assembly on the resources that should be allocated to Departments and where I am made aware of waste in a Department, I will not be funding waste.

***It is generally accepted that 11 Departments for Northern Ireland is excessive, compared to Scotland (5) and other parts of the United Kingdom. Will PEDU have the scope to examine Departments and their structures and efficiency?***

There is no doubt that we only need six or seven Departments and that we do not need 108 MLAs – three times the number per head of population that Wales and Scotland have.

However, there is a separate Efficiency Commission that the First and Deputy First Minister are legally obliged to establish to review the political bureaucracy which will include the number, structure and functions of Departments.

This Review by the Efficiency Commission has the potential to yield savings of several hundred million pounds although whether proposals will attract cross community support in the Assembly is another matter. PEDU may have an opinion on these matters but it is really the task of this Commission.

***Does the Executive have any plans to introduce assessment of the performance of local councils (CPA), as in the rest of the UK?***

In my opinion, the performance of local councils varies greatly and in due course, Arlene Foster (DOE) may well want to look at such issues. However, her hands are more than full at present with the RPA and related considerations.

***In your opinion, based on past experience, is central or local government more efficient?***

There are some local authorities in Northern Ireland which are very efficient and could teach central government an awful lot about efficiency but likewise there are others which are profligate in their spending and could learn considerably from central government. It is not a case that local government is good and central government is bad – there are examples of good and bad practice in both sectors.

***Is the introduction of water charges a DRD matter, a DFP matter or an Executive matter?***

It is a matter for the Executive as a whole as it is a cross cutting matter. Operational responsibility for water lies with DRD but there are clearly financial implications for DFP. I am delighted that the Executive's decision to endorse Conor Murphy's proposals on water charging was a unanimous one, just like the decision to agree Workplace 2010, the Programme for Government and the Budget. It shows that the Executive can act collectively and can take important and difficult decisions – the water charging decision was a particularly difficult one.

***Do you now accept that, as a matter of principle, taxpayers in Northern Ireland should pay for water as in other parts of the United Kingdom?***

The Executive accepts that people in Northern Ireland have been paying for water and should not have to pay twice. That is why we have been separating out that part of the Regional Rate that relates to payment for Water (£160).

However, the cost of improving our infrastructure in relation to water and sewerage is huge and this will become an increasing burden on the public purse.

The issue of water charging was left on our table by the Direct Rule Ministers and we have tried to address the matter sensibly but minimising the pain caused to ratepayers.

***In your opinion, should the basis of payment be based on household income or usage of water?***

I know from my time at DRD that 90% of the cost of water is for the infrastructure needed to supply the water not the water that comes through the pipes. The cost of bringing water to a family of one which uses little water and the cost of bringing water to a family of six which uses a considerable amount of water is precisely the same.

I am in favour of metering as it can encourage people to conserve water etc but there are no real cost benefits to be had from people using less water.

***The Comptroller and Auditor General for Northern Ireland recently published a series of reports into the funding and management of PFI projects in Northern Ireland. Do you think that PFI has a future in Northern Ireland under a Devolved Administration?***

I am not a fan of PFI per se. I am not ideologically opposed to it but I believe that we should look at all procurement options and select on the basis of best value for money. In my opinion, the PFI route will continue to be used but only when there is a clear and unambiguous case that it provides good value for money – and we can learn from the experience gained to date which type of projects are suited to the PFI approach.

I suspect that many of the adverse comments on PFI projects have been directed at cases where either the PFI route was not the best option or where insufficient care was taken in negotiating the contractual arrangements.

***The Review of Public Administration has taken several years and millions of pounds to come up with its proposals for the future. Based on experience to date, do you believe that the RPA will deliver significant financial savings?***

I am a sceptic – the history of restructuring in order to make efficiency savings is not covered in glory, it

must be said. Usually, when we get to the stage where the efficiency savings start to be realised, the structures are changed again!

You are always going to take the hit in the early years with redundancy costs etc and it is usually only from year three on that savings start to emerge. In theory, a smaller number of bodies should produce efficiency savings but if you look at the original RPA proposals, a Unitary Roads Authority was going to be divided up between seven Councils which would have been much more costly.

In fairness to the RPA, there are some recommendations that will result in better service delivery and eventually the smaller number of Health, Education etc Boards should produce savings.

***How is the DFP shared services project Account NI progressing and will real benefits be achieved?***

It is a good project. Departments will be joining in different waves but as the momentum grows, I am confident that it will deliver real benefits.



*Peter Robinson MP MLA and Gerry Robinson at the CIPFA Northern Ireland Conference 2007*

# MAKING STRATEGY WORK

*Jean Pousson, Managing Partner of a specialised consultancy practice set up to provide finance and strategy consultancy to a range of international clients, discusses the common pitfalls of strategy implementation.*

It is well documented that although the strategy may have been the 'right' one, the Executives simply could not make it happen. Strategy implementation is not like an architect handing over a building design to the appropriate contractors. It is much more complex than that. As Peter Drucker once remarked "... at some point strategy must degenerate into work ...". So, what are those killers of strategy implementation?

## Lost in translation

The articulated vision and strategy is unclear to the majority of people within the organisation. The typical words such as 'global', 'leading', 'world-class' and 'first-class' mean different things to different people. As the strategy percolates down the organisation, different business units start to put their own (well-intentioned) spin on the corporate strategy. The result is disconnecting, conflicting objectives, competing business unit strategies and an overall unhealthy state of affairs.

In addition, even if the vision has been well articulated and communicated, if it is not shared - if the employees do not believe in it - there will be immense implementation issues. Do not therefore underestimate the need to win the hearts and minds of your people.

## A simple test

Give your statement of vision/mission to a good representative sample of your employees and ask them to write a couple of bullet points as to what these statements mean to them. Then compare the findings.

## Key success factors

Another reason for implementation difficulties lies in the fact that very often key/critical success factors are not properly transferred into key performance indicators and measurements. People manage what they are measured on. This will never change! Therefore if business units' budgets and performance indicators are arrived at in isolation of the overall key success factors, the organisation ends up with a high number of non value added measurements. The wrong things are being measured! Looking at a typical cost centre manager's budget, one should be able to reconcile the metrics there with the overall statement of strategy.

## Bureaucracy

*"A device for converting energy into solid waste."* This quote aptly describes what can happen if the organisation's structure and processes are not aligned to its strategy.

Activities happen because they always have. Behaviour becomes mindless. Precedent and memory substitute for thinking. It becomes a case of "*we have always done it this way*". Executives therefore constantly need to fight this straight-jacket of conformity and not allow this busy idleness to take root.

## Culture

There are enough books and writings devoted to this subject. Suffice to say that culture and strategy need to be aligned. A recent executive casualty was the departure of Ms Carly Fiorina of Hewlett Packard, where her tough management style constantly clashed with the more collegial culture in place. In assessing the possible strategic choices, an assessment of the organisation's culture and values must feature in the choice process.

## Leadership

Again there are numerous books on the topic. In the context of strategy and implementation, leaders must 'walk the talk'. They must communicate clearly. Executives often fail to understand that they are always sending a message that their behaviour and communication are always under the spotlight. They need to be particularly careful about off-the-cuff comments and behaviour which are often interpreted as hard data.

### In summary . . .

Strategy implementation must not be viewed as a discrete set of activities that can simply be delegated when the Board has approved the strategy. Implementation issues must feature upfront when all strategies are being assessed. Executives underestimate implementation obstacles at their peril.

Would you pass a strategy audit? Jean Pousson asks: "*Why not have an occasional strategic health check as an on-going exercise?*"

Organisations have financial audits; compliance reviews; and health and safety checks, but very rarely subject themselves (voluntarily) to a strategy audit. Such activity is often imposed by an incoming new Chief Executive, normally aided by consultants, or by a parent reviewing its business portfolio. Very often this review yields some very good results and is instrumental in the fresh direction of an organisation. So why not have the occasional strategic health check as an on-going exercise?

Such a process can be lengthy and time consuming but here are a few quick pointers:

1. Do you have a proper strategic planning process? When was it last changed i.e. the process? Is it closely aligned to the annual financial budgetary/planning exercise? Strategy life cycles have become shorter and shorter and cannot be subjected to an annual review only. Don't allow the process to take over.
2. Do your employees really understand the

strategy of the business? To test this, go and ask a couple of employees, at all levels, and see whether the answers are consistent.

3. Could you articulate your strategy very simply i.e. a few simple words/sentences?
4. How do you compete? This is a key question that you should be able to answer very quickly and very clearly.
5. What is your current source of competitive advantage? To what do you attribute your success?
6. What about your competitors? Could you articulate their strategies as well? What is the most radical thing that your competitors could do? What could you do that your competitors would find impossible to replicate in the short to medium term? Is your strategy and that of your competitors becoming more alike or more divergent? Remember, your most dangerous competitors are the ones just like you! Because, at that point, you have very few strategic options left.
7. When did you last revisit your core business? Have you ever questioned your current business model? Be careful not to rely on the ongoing flywheel of momentum. Past success is no guarantee of future success and hope is not a strategy!
8. Are you able to attract new customers? A sure sign of a business entering into a difficult period is its inability to attract new customers.
9. What have been the most significant strategic decisions made over the last 12 months by the executive team?
10. Are you able to attract and retain talented people?
11. Who is involved in strategy formulation? This is no longer the sole preserve of the Chief Executive and his/her team. The environment has simply become too complex and too fast changing for this. Employees and other stakeholders need to be involved as well.

# ALL CHANGE IN FURTHER EDUCATION

*After an extensive review and consultation which began almost six years ago, the Further Education (FE) sector in Northern Ireland was reorganised on Wednesday 1 August 2007. Sixteen colleges of various sizes were merged to form six area based colleges as part of the Department for Employment and Learning's strategy 'Further Education Means Business'. David Reid examines, from the Department's perspective, why this reorganisation has come about, the aims and objectives of such a major reorganisation, the achievements to date and what the long term goals of the sector are.*

## **Why have colleges merged?**

Historically, mergers are something that we tend to associate with the private sector, but more recent years have seen a proliferation of merger activity in the Northern Ireland public sector, primarily as a result of devolution in 1998 and 2007 and the Review of Public Administration. There is no doubt that mergers are an important vehicle for public bodies to deal with rapidly changing environmental conditions in a global economy. There are several reasons for public bodies to merge, primarily these are: efficiency savings gained through greater economies of scale; enhanced community image as organisations become larger; or maybe even for reasons of financial stability. In the case of FE, the merger must be seen in a much wider context.

The merger of the FE sector is a key enabling project in the 'Further Education Means Business' strategy. This strategy has been aligned with the vision for the Northern Ireland economy: that by 2015, it is seen as highly competitive in global terms; it is based on high value added jobs, with progressive leadership from a strong cadre of skilled local managers; it has increased export levels; and it attracts substantial amounts of inward investment. Its people are entrepreneurial and innovative; small businesses are encouraged to grow; and strong, coherent services and support for businesses of all sizes are provided. Employment has increased, leading to an expansion

of the workforce and migrant workers are playing a valuable role in the economy. The workforce is literate, numerate and has good Information, Computing and Technology (ICT) skills. Individuals can solve problems, work in teams, are innovative, enterprising and expect to learn new skills throughout their working lives. A broader adoption of technology and e-learning will have reduced transport and location barriers.

The role of the FE sector is critical in supporting business and industry in Northern Ireland in order to achieve this vision for greater economic growth. FE also has a very definite role in supporting social cohesion throughout communities in Northern Ireland. The reorganisation of the sector will ensure better co-ordination of resources to meet the sector's objectives. The six new colleges are now all similar in size and this is helping to secure the long term viability of the colleges in the six regions. While colleges are merging, they will continue to operate through the existing network of campuses (48) and outreach centres (around 850). This will help to ensure continued ease of access for students and communities across Northern Ireland.

## **What will this extensive reorganisation achieve?**

The review of FE placed the sector at the heart of Lifelong Learning in Northern Ireland. FE is ideally placed to strengthen economic development, enhance social cohesion and advance individual's skills and learning. To take this forward, the Department and the FE sector have been working together to implement changes that will:

- Provide a sharper and greater focus on skills and qualifications provision for the Northern Ireland economy
- Deliver a curriculum which is more clearly related to economic and workforce needs

(continued on pages 17 and 18)

# CIPFA NORTHERN IRELAND

## SPONSORED BY SELICK PARTNERS

### A student's view by Tim Johnston

Before commencing my study towards the CIPFA Professional Accountancy Qualification, I probably fell into the common trap of seeing all accountants as stereotypical 'bean-counters'. Over a year later, I am pleased to report that it seems I was wrong! Looking round the hall at the start of the 2007 CIPFA conference, I was amazed by the diversity of age, backgrounds and personalities of the delegates, the speakers, the sponsors – everyone connected with the event - those preconceptions were swiftly blown away!

Listening to the excellent range of speakers throughout the conference, I was struck by what appeared to be an underlying, unifying theme of what each had to say – *"It's all about your people"*. From the opening speech from Finance Minister Peter Robinson, to the closing address from retired US Col Ed Hubbard, the speakers all stressed the oft-repeated view that people are any organisation's key resource.

Three speakers in particular stood out for me, each perhaps for slightly different reasons. One spoke of dealing with the inefficiency inherent within a huge national organisation, the next of dealing with problems in a smaller, no less important organisation, and the last of dealing with problems within that most difficult to manage of organisations, yourself!

Firstly, Sir Gerry Robinson gave a fascinating insight into his approach to addressing major structural problems in the NHS. His common sense, yet totally radical approach to restructuring a hospital in England hinged on one key factor – you have to have the right people doing the right thing. So simple to say and agree with, but so hard to implement. The restructuring of the Health Service in Northern Ireland arising from the RPA, made his comments strike a chord – I really wonder if his approach could work, or whether the inertia of such a vast leviathan would stifle the innovation he advocates. Will we have the bravery to find out?

Next, Dr Alan Lennon, immediate past Chairman of CCEA, explained how he led the organisation from the public humiliation of an exams crisis to its inclusion in the Sunday Times 'Top 100 Companies to work for'. His honesty and recognition of his own faults, allied to his inner belief and confidence in his ability and that of others to effect change for the better, was a remarkable example of putting leadership and management theory into practice. Proof that the topics we study in the CIPFA Professional Accountancy Qualification can have a practical, successful application in the real world.

Finally, closing speaker Col Ed Hubbard set new standards in impressing me! Having had all those delegates present confirm that they felt they had bad days in the recent past, he set about redefining how bad a bad day could get throwing our relatively minor concerns into sharp relief. He told of his experience in prison, where he was held in terrible conditions for over 6½ years during the worst years of the Vietnam War.

While most of us would have felt that this was as bad as life could get, Col Hubbard and his colleagues turned the experience around. Drawing inspiration from within, they motivated themselves and each other to make a positive experience from something so awful. They devised a code to allow communication and, using that code, learned poetry, told jokes, even learned languages! Col Hubbard's address highlighted the amazing power of the human mind and made all of those present wonder just what could be achieved if even part of it could be harnessed effectively.

Each of these speakers in particular, but in truth all of the others to a greater or lesser extent, focused on people, motivation, self-development and self-belief.

I, for one, found the whole conference to be an inspirational event and one that I would recommend to anyone who plans a career in Public Finance in Northern Ireland. I am really looking forward to conference 2008!

# ANNUAL CONFERENCE 2007

## SHIP FINANCE RECRUITMENT SPECIALISTS



*Gerry Robinson with conference officials*



*Delegates enjoy a coffee break*



*Col Ed Hubbard with Joanna Cunningham of Sellick Partnership*



*Delegates get warmed up for the pub quiz!*



*A packed conference hall on day one*



*Peter Robinson MP MLA addresses delegates*

# TECHNICAL ACCOUNTING

*Brigitte Worth of the Department of Finance and Personnel provides a fresh perspective on the impact of International GAAP for public sector accountants.*

## **But I don't have any financial instruments .... do I?**

In the public sector, we have all become very used to the idea that financial instruments have very little impact on our financial statements. Under UK GAAP for the public sector (FRS 13), the impact is usually limited to a bit of disclosure in one of the notes to the accounts that was probably drafted a few years ago and generally doesn't change very much.

You could be forgiven for thinking that financial instruments were not really all that applicable to the public sector. The move to International GAAP will change that.

The definition of a financial instrument (in IAS 32) is broad and covers items such as debtors, creditors and cash which all organisations deal with, as well as those that are less common to the public sector such as investments, loans and shares.

So, I would be very surprised if there was a public sector body that doesn't have financial instruments.

The first question you are probably asking is "so what?" We might have to draft a few more disclosures, but there won't be any real impact on the numbers in the accounts ... will there?

IAS 39, which deals with the recognition and measurement of financial instruments, has different valuation methods for financial instruments than UK GAAP. All financial instruments must initially be valued at 'fair value' (the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction). There is an expectation in the draft IFRS-based Financial Reporting Manual (iFRReM) that subsequent measurement will then be at amortised cost.

The good news is that, for most assets and liabilities,

fair value and amortised cost will not represent a change from current practice of recognising a debtor or creditor at invoice value less any payments received or paid on account. However, for some items such as long-term loans that do not carry a current rate of interest, fair value will be lower than cost and this will need to be reflected in the balance sheet value of the item.

There are also a number of unexpected items within the scope of IAS 39 that will require assessment and potential balance sheet recognition.

Possibly the most unexpected and potentially significant of these is financial guarantee contracts. For example, a public sector entity may provide a guarantee of payment on default of another organisation for economic development reasons or to secure a more favourable rate of interest for a contractor in return for a lower contract price. IAS 39 specifically includes these items within the definition of financial instruments and requires that their fair value is measured and put on the balance sheet.

Now, I am actually sad enough to admit to quite liking FRS 12's way of dealing with provisions based on the probability of payment and have been very happy to exclude these contracts from contingent liability disclosure on the grounds that payment is 'remote'. So, it comes as a bit of a shock to find that under International GAAP, they not only find their way into the accounts but actually appear on the balance sheet and represent a charge in the income statement. But there is no avoiding it unless the fair value of the liability is assessed as zero.

The other item that you need to watch out for is the embedded derivative. These like to hide in other contracts, such as leases or PFI deals, and are required to be accounted for separately under IAS 39. For example, if the cost of lease payments were set to rise in line with the price of diamonds, then the lease would contain an embedded derivative, which would need to be accounted for at fair value on the balance sheet. This is a somewhat extreme example but contracts routinely include clauses where prices rise in line with inflationary measures such as the retail price index. Unless the economics of the

embedded derivative are shown to be similar to those of the host contract, for example the settlement of a contract in a foreign currency where that currency is the currency of a party to the contract, then separation is required.

In addition to the above, the disclosures required under IFRS 7 are more wide reaching than those in FRS 13 and will require careful consideration in drafting to ensure that they cover all relevant issues.

However, the iFReM makes it clear that entities that are subject to its guidance should not provide detailed disclosures unless these are necessary to enable the users of the accounts to obtain an understanding of the entities financial position, performance or cash flows. Therefore, it is probable that the disclosures required by IFRS 7 in entities applying iFReM will be minimal compared to entities who undertake complex financial transactions. So, there is some good news for the printing budget!

## BRANCH NEWS

### Lunchtime events kick start 2008

The 2008 series of lunchtime events kicked off on 18 February with a highly topical presentation on Government priorities and spending plans by Richard Pengelly. As Head of Budgeting in the Government's Department of Finance and Personnel, Richard is at the heart of spending priorities and plans in Northern Ireland. He was therefore well placed to provide a presentation that covered the budgeting process as well as implementation of the Programme for Government by the publication of delivery plans; robust monitoring arrangements; enhanced financial management; strong (risk-based) performance management; and the establishment of the Government's Performance and Efficiency Delivery Unit (PEDU).

The second event in March attracted nearly 60 public sector executives who learnt about the role and influence of political advisors in Northern Ireland's devolved Government. Brian Barrington, Barrister, Advisor to the SDLP and previously Special Advisor to Assembly Minister Margaret Ritchie, de-mystified the role of our political advisors and explained how they work within the structures of Government.

The next event is on 9 May in the Linen Hall Library when the implications of faster closing of accounts will be addressed. In particular, the session will look at the need to work smarter, to look at processes differently and the importance of financial reporting and auditing during the year and especially at the

The poster for CIPFA Northern Ireland Branch's 2008 event programme is a vertical, purple and blue graphic. At the top, the CIPFA logo is displayed in white and purple. Below it, the text reads 'Northern Ireland Branch' and 'Programme of Events 2008'. The events listed are: 'Government Priorities and Spending Plans' (18 February 2008, CIPFA Offices); 'The Role of Political Advisors in a Devolved Government' (20 March 2008, CIPFA Offices); 'Implications of Faster Closing of Accounts' (9 May 2008, The Linen Hall Library); 'Effective Support for the Accounting Officer' (6 June 2008, The Mount Conference Centre); 'Transforming the Finance Function by Merger' (12 September 2008, The Spires Centre); and 'Effective Government Relationships' (17 October 2008, The Edge). At the bottom, it states 'All events will be held between 12.00 pm and 2.00 pm' and features three circular images of landscapes. The logo for 'Brightwater' is also present at the bottom.

nine-month reporting stage. In this session, Sean Laverty, Head of Financial Planning and Control within NIO, and Tomas Wilkinson, Audit Manager in the NIAO, will outline the practical implications of faster closing based on their experience since the NIO have been required to meet the faster closing timetables from the 2005/06 financial year.

During June, September and October 2008, the lunchtime events will tackle important issues such as Effective Support for the Accounting Officer, Transforming the Finance Function by Merger and Effective Government Relationships.

The lunchtime events have proved extremely successful since their inception in 2000 and continue to grow in popularity with a high number of delegates already signed up for the remaining 2008 events. If you are interested in attending any of the remaining lunchtime events and have not yet registered your interest, please contact Nicola Greer on 028 9026 6770 or via e-mail at [nicola.greer@cipfa.org](mailto:nicola.greer@cipfa.org)

## Annual luncheon 2008

CIPFA Northern Ireland's Annual Chairman's Luncheon is always an enjoyable event for CIPFA members and invited guests and the 2008 event was no exception. This year, the lunch was held on 28 February in Belfast Castle and the Northern Ireland Branch was honoured to welcome John Butler, the CIPFA President, and over 130 guests that included representatives from other professional bodies and senior executives from across the public services in Northern Ireland.

John O'Dowd MLA, Chairman of the Northern Ireland Assembly's Public Accounts Committee, was the keynote speaker who provided an interesting insight into the work of the Assembly's spending watchdog. Mr O'Dowd also paid tribute to CIPFA members for their contribution to financial management in public bodies.

The lunch was sponsored by Brightwater recruitment specialists who claimed the event was the best of its kind on the local circuit!



*John O'Dowd MLA; John Butler, CIPFA President; Mark McBride, Northern Ireland Branch Chairman; Mike Shoebridge, Brightwater; and top right Tim Johnston, Chair of the CIPFA Northern Ireland Students' Society*

## Northern Ireland students take the reins!

The ever-growing body of CIPFA students in Northern Ireland has organised itself into a formal Students' Society that was formally launched at the members' annual luncheon. The Society exists to promote and support CIPFA students at all stages of their CIPFA studies. The Society is also keen to welcome students from CIPFA's other professional

programmes such as the Association of Accounting Technicians (AAT), the Diploma in Public Audit (DPA), and the Advanced Diploma in Public Audit (ADPA).



*Kerri Burgess, Sarah-Jane Mowbray, Colin Childs and Jayne McIlveen, all members of the CIPFA Northern Ireland Students' Society Executive Committee*

The Society is planning a series of events in 2008 to enhance students' awareness and experiences of the public sector at large and to assist students as they progress through their qualifications. In addition, a number of social events are planned including a formal summer ball that is being held on 14 June 2008 in the Slieve Donard Hotel, Newcastle and an exam techniques event on 21 May 2008 in CIPFA's offices.

For further information on these events, please visit the new students' society website at [www.cipfa.org.uk/regions/ni/students.cfm](http://www.cipfa.org.uk/regions/ni/students.cfm)

## Branch support local charity



*Mark McBride, Chairman of CIPFA Northern Ireland and Steve Mungavin of CIPFA, hand-over a cheque representing the proceeds of the Branch's charitable activities to Patricia Liesching, Development Officer of local charity the Ulster Cancer Foundation*

# ALL CHANGE IN FE

## [CONTINUED FROM PAGE 11]

- Support businesses, in particular SMEs, in enhancing productivity and competitiveness and providing opportunities for business creation, incubation and development
- Provide learners with the skills and knowledge to enhance their employability
- Ensure that there are clear progression routes for learners
- Provide greater access to vocational, professional and technical education for 16 to 19 year olds
- Ensure that the Essential Skills of Communication and Application of Number, together with the wider key skills, are available to all full-time learners: embedding enterprise as a central component of FE
- Enable flexible approaches to learning through the use of technologies
- Encourage partnerships with other education and training organisations and greater responsiveness to local needs
- Provide access to learning for a wider variety of learners

Delivering the vision will also require input from other Government Departments (notably the Department of Education and the Department of Enterprise, Trade and Investment), schools, universities and other providers of education and training. The continued commitment and support of all key stakeholders is essential in ensuring that the long term goals of the 'Further Education Means Business' strategy can be delivered.

### **Delivering successful change**

In order for the change to be delivered successfully, the reorganisation has required the co-operation and commitment of a wide range of people and

organisations within the FE sector including governing bodies, the college Directors and their staff, the trade unions and student representatives.

The Department is delivering its vision for FE through a programme of 12 individual projects using formal programme and project management methodologies and approaches. The projects have been developed carefully to reflect all major aspects of 'Further Education Means Business' and they take account of responses made through an extensive consultation exercise. The vision for the FE sector is that by 2010 all elements of 'Further Education Means Business' will have been implemented in full and will be operational in all colleges across Northern Ireland.

The core elements of the programme are:

- The size and structure review, associated governance and transition arrangements necessary to ensure the sector is effective, efficient and offers value for money
- Improved arrangements for partnership and collaboration, both within the sector and between colleges, universities, schools, employers, and other education and training organisations
- Links to economic and labour market assessments that provide forward views of skill needs in the short, medium and long term
- A curriculum that meets the identified skills needs
- Arrangements to measure and enhance the quality of provision and its economic relevance
- Performance management arrangements
- A funding model and associated planning arrangements that ensure funds are directed at the priorities set for the sector

The Department has identified a number of key milestones for each of the individual projects that,

together, comprise the Northern Ireland Further Education Strategy Implementation Programme. However, in addition to the delivery of these milestones, the success of the FE strategy will also be assessed against a wide range of success criteria which relate to the delivery of the outcomes identified in the Department's strategy.

A robust quality management system has been developed in respect of all aspects of college activity and provision. The quality system includes college self-assessment, rigorous inspection by the Education and Training Inspectorate and customer feedback. Alongside this, key performance indicators have been identified and these are monitored on a regular basis to ensure that the strategic aims for the sector are met. These performance indicators also form a key part of colleges' annual college development planning process, and inform budget allocations to colleges.

The implementation programme is overseen by a Programme Board which includes representation at a senior level from relevant Northern Ireland Departments and from the FE sector. All of the projects have a Project Manager. A Programme Support Office has been established to ensure that project outputs are delivered on time and to the required quality. Where appropriate, representatives from the FE sector are involved in project work and in quality assuring project outputs.

## Key achievements to date

- All six of the new FE colleges merged on schedule on 1 August 2007. This is a major milestone for the overall FE Programme because this is a key enabling project for the effective delivery of the policy aspects of 'Further Education Means Business'
- The 'Re-structuring the Sector: Governance' project has led to the appointment of new Chairs and governing bodies
- The 'Funding Project' has led to the creation of a fully integrated funding model for the FE sector. A funding model has been implemented that is transparent, simple, equitable and accountable. It encourages and supports colleges to deliver against the Department's

strategic priorities for the sector and contributes to the financial stability of the sector through a robust planning model

- A new strategic planning process for colleges, the College Development Plan or CDP, has been implemented. The new CDP and budget setting process for the 2007/08 academic year was managed very successfully
- The Department has achieved its Public Service Agreement (PSA) Targets on Essential Skills

## Current work

The Department's strategy aims to ensure that the curriculum offered by colleges is sufficiently economically focused to meet the skills needs of employers, while also meeting the needs of individual learners and this is currently the main subject of two extensive consultations. The Department is aiming to ensure that an appropriate balance is achieved between provision that meets the needs of employers and individual learners and that provision continues to promote social inclusion.

## Looking forward

We have come a long way since 2001 and a number of key milestones have been achieved as noted above, but between now and 2010 there is still a significant amount of work to be done. While the strategic direction for the sector is set by Government, colleges - supported by the Association of Northern Ireland Colleges (ANIC) - have been at the forefront of the implementation on the ground. Great credit must be paid to the work that colleges have done so far in implementing change while ensuring that business as usual for students has continued.

Working together with colleges and with the key stakeholders in the sector, has brought about change that is already helping to strengthen economic development, enhancing social cohesion and advancing individual's skills and learning. Much has been achieved to date and we are well on the road to ensuring that full implementation can be achieved by 2010.

# CHANGE - FOR BETTER OR WORSE?

*In this article from his series on project management, Clive Billenness explores the challenges of managing changes to a project.*

There are countless jokes and quotations from famous authors about human resistance to change. Given that the great majority of projects are intended to bring about improvement through some form of change, any Project Team should expect to commit a reasonable proportion of their time and resources to managing the business change which the project will deliver.

Separate to this, however, given that project management activity is often focused on managing uncertainty, it is likely that during the life of any project it will be necessary to make changes to project's timescales, deliverables or budgets. Such changes need to be carefully managed if the project is to continue to completion without unexpected delays, cost over-runs or adverse effect on the confidence of stakeholders in its outcomes.

The PRINCE2 method contains a component dedicated to the control of change within a project, treating it as an integral part of the project's day-to-day management.

The first principle of the PRINCE2 approach is that changes should only arise from issues which have been identified and documented in an Issue Log. This log, in turn, forms part of the overall project documentation maintained by the Project Manager. Issues can be raised by anyone with an interest in either the project or its outcomes. This is the prime control for ensuring that the reasons for change can be tracked, their potential impact assessed and remedial actions prioritised.

An issue may document a change in the business environment affecting either the supplier or the user of the project's outputs. Potential sources of issues include:

- A change in the legislative or fiscal environment

- A modification to the overall business goals or, possibly, structure of the organisation
- A wider change in the programme of which this project is a part
- A change in the needs of a customer/supplier
- Actions taken by another organisation which impact on the delivery of the project
- A problem or risk arising which had not been previously identified
- A problem or error arising with work already undertaken (an off-specification)

These types of issue can lead to reactive change, where a response is required to new facts or situations. There is also requested change, arising from a stakeholder requesting a change to the scope of the project. The latter is often associated with the pejorative phrase 'scope-creep' and I will consider this separately.

Turning first to reactive change, where an issue leads to the decision that the Project Plan or a Project Deliverable must be modified. A request for change should then be prepared, the impact of the proposed change considered and an authorisation process followed to decide whether to make the change or continue as before. It is best if this change request process is defined at the very beginning of a project during its initiation phase. It may also be appropriate to determine levels of authority depending on the magnitude of the impact of the proposed change.

In cases where the required change can be accommodated within project time and cost tolerances, then provided all those affected by the proposed change are supportive of it, it is usually sufficient to grant the Project Manager authority to approve such changes and report them in due course to the Project Board.

Where the impact is of greater magnitude and will exceed tolerances or markedly alter the outcomes of the project, greater scrutiny will be required. Although in all cases ultimate approval will lie with the Project Board, Board members may prefer to create a Change Advisory Group of people with the necessary technical and business understanding of the proposed changes and their impact to properly assess the merits of what is proposed and make a recommendation to the Board for approval or rejection. The Project Manager will always be a member of this group, although it is usually best chaired by a representative of the Senior User as they will have most to gain or lose from the proposed change in the long run. Please note that I have used the term 'Change Advisory Group' – I recommend not adopting any name which includes the word 'Board' since that implies (incorrectly) a transfer of final authority away from the Project Board.

This process may be helpful when a project is likely to be highly susceptible to change – for example during new software development or building design.

Once a change has been approved, it is the responsibility of the Project Manager to make any changes necessary to the Project Plan, Product Descriptions, Business Case and Benefits Realisation Strategy to reflect its impact. From then on, the change forms part of the project and will be reported on in the normal way. The originating issue in the Issues Log is annotated to show how it was dealt with and the Risk Register is reviewed to consider any new risks arising, or existing risks affected by the change.

There will be occasions where an urgent change is required to maintain progress on the project overall. It is best to have an agreed procedure for expedited consideration of such changes, possibly involving only the Project Manager, Project Executive and Chair of the Change Advisory Group together with any other party affected by this one change. Approvals given by this route would be reported to the Project Board at its next meeting.

I would now like to consider the issues relating to requested change. Many initially well-defined projects have suffered delay or failure because of persistent expansions to their original scope without a full analysis of either the capability of the project to

deliver the expanded requirement, or of its impact on other aspects of the project.

The annals of project management history are filled with tales of projects which expanded and extended until their sponsors lost patience and cancelled them at huge financial loss or were compelled by time, cost or political pressures to launch a system incapable of fulfilling either its original or its now-extended specifications. Aside from the financial loss to shareholders or the public purse, the reputational damage of either of these outcomes to an organisation can be almost irrecoverable and, at an individual officer level, career-ending.

It is often tempting to tack one more new requirement onto an existing project rather than recognise it for the separate entity it really is. Where this is proposed, it is essential to properly assess the economic, functional and time impact of the proposed change on the existing project. This should include a careful assessment of whether the anticipated benefits deriving from the proposed change truly outweigh any costs or delays they create or risks they add.

It can sometimes be preferable either to treat such requests for extension to the scope of a system as a separate project or to defer them into a second phase, allowing the first phase to proceed and deliver benefits on time. Although this may extend the period during which users have to tolerate change taking place, early delivery of working project outcomes will increase confidence that Phase 2 et seq deliverables will also be delivered on time and to quality. This is far better than creating an apparently interminable project which continues to consume time and money but never seems to deliver anything.

In summary, it is advisable to establish procedures and levels of authority for the management of change requests as early as possible during the life of a project. These should provide appropriate consideration of the consequences and benefits of implementation. Special care should be taken when considering any change request which would extend the scope of the overall project. Remember that any change can potentially bring a project one step closer to success – or to disaster. Only with a structured approach can you begin to separate one from the other.

# CIPFA MEMBER PROFILE

*Ivor Johnston is Deputy Director of Services in the Assets Recovery Agency (ARA). In this article, Ivor provides an outline of the Agency's role and the tripartite merger that will shape the future of assets recovery in Northern Ireland.*

## **What does the Assets Recovery Agency do?**

The Assets Recovery Agency (ARA) was launched in February 2003 under the Proceeds of Crime Act 2002. In addition to criminal confiscation proceedings following conviction, it gave ARA unique new powers to allow us to seek civil recovery of the proceeds of unlawful activity in the High Court. The Agency can also issue tax assessments where there are reasonable grounds to suspect that there is taxable income, gain or profit from criminal conduct. In addition to these powers, the Agency offers its expertise to other agencies to assist them in confiscating assets through the criminal process.

Its other statutory imperative is to build capacity for assets recovery through the promotion, delivery of training, accreditation and continual development of Financial Investigators across the whole of the assets recovery community which includes all those bodies involved in taking the profit out of crime.

With a clear focus on crime reduction, the Agency's overriding objectives are: to make sure crime doesn't pay by disrupting and dismantling criminal enterprises through the recovery of criminal assets; and to promote and facilitate the use of financial investigation as an integral part of the criminal process across the assets recovery community.

Constitutionally ARA is a Non-Ministerial Department, in other words an independent Government department. The Director (Alan McQuillan) reports to the Home Secretary but is operationally independent.

By removing the ill-gotten gains from the pockets of criminals, ARA removes the key motivation - money. This sends a clear message to others who would think about getting involved in similar activities: that crime doesn't pay and alleviates the effects of crime on communities.

Leaving illicitly obtained assets in the hands of criminals is damaging to society. Firstly, these assets provide the working capital for further crime, leading to a vicious circle of criminality. Secondly, by simply imprisoning criminals yet leaving their assets untouched, this enables them to enjoy a life of luxury on their release, often allowing them to run their criminal empires from behind bars. Finally, criminals living off the proceeds of crime are appalling role models and send the wrong message to our young people that crime pays.

The Agency can only act on referrals from other law enforcement agencies and prosecution authorities. This is where for a variety of reasons, the criminal process cannot be progressed. If a case is to be considered for adoption for civil recovery, it must meet the following criteria:

- It must normally be referred by a law enforcement agency (LEA) or prosecution authority
- Recoverable property must have been identified and have an estimated value of at least £10,000
- There must be evidence of criminal conduct that is supported on the balance of probabilities

If a case doesn't meet the civil recovery test and there is 'reasonable grounds to suspect' income from crime, ARA can call in tax affairs and serve a tax assessment. The burden of proof then shifts to the criminal (taxpayer).

In addition to the above, the Agency can investigate and support others in criminal confiscation cases and obtaining and enforcing confiscation orders.

## **How is the Agency governed?**

The Management Board is responsible for the overall corporate governance and management of the Agency. This includes agreeing operational and other strategies and policies; upholding the Agency's vision and values; setting delivery targets; and ensuring their achievement.

It consists of the Director, Deputy Director Operations, Deputy Director Services, Head of Finance and two Non-Executive Directors (NED).

The Board meets once a month and is chaired by the Agency's Director, Alan McQuillan.

The Audit Committee meets quarterly and is chaired by a Non-Executive Director. Its purpose is to support the Director, as Accounting Officer, by monitoring corporate governance and control systems within the Agency.

***What are your main responsibilities?***

As Deputy Director of Services, I have overall responsibility for the Agency's Centre of Excellence Training function. The Centre of Excellence is a key part of the Agency's commitment to making other law enforcement agencies more effective in their use of the Proceeds of Crime Act powers to remove unlawful gains from those who should not hold them.

Over the four years of the Agency's work to date, we have provided training for over 6,000 people and accredited some 1,200 Financial Investigators who we know are now using the powers to the full. We provide high quality financial investigation training and accreditation to law enforcement agencies and other Government Departments to ensure that Proceeds of Crime Act powers can be used to meet a wide range of Government objectives.

Our drive within the Centre of Excellence is to maintain our goal of being international leaders in the training and development of Financial Investigators and the external accreditations the Centre has obtained to date begin to recognise this expertise. Our international work also demonstrates the synergy between the needs of law enforcement across the UK to support emerging countries in developing their financial investigation awareness, and by building links which will enable us to co-operate successfully with other jurisdictions.

I also lead the ICT, Policy and Performance, HR and Facilities functions, having responsibility for their strategic direction, performance systems, external relations and policy development.

As the ARA Senior Responsible Officer for the

mergers, I have the key pivotal role in leading on the change management programme in preparing for the merger of the Agency's statutory role, functions and staff with the Serious Organised Crime Agency (SOCA) and the National Policing Improvement Agency (NPIA).

***What are the main challenges that you face?***

I have many challenges arising from the drive to improve upon Agency performance whilst simultaneously managing the mergers with SOCA and NPIA. We are currently working closely with SOCA and the new NPIA in a change management programme to ensure a smooth transition of the ARA business into these organisations. These changes will allow the Centre to continue to promote the use of financial investigation as an integral part of criminal investigation and will further open the way to mainstream financial investigation across the law enforcement community.

***What is the most/least enjoyable aspect of your job?***

There are many enjoyable aspects to my job and I consider myself very fortunate to have been given the opportunity to work in a very high performing and successful organisation and helping to ensure that crime doesn't pay!

I work with an incredibly enthusiastic and motivated team. ARA is a relatively small organisation with just over 220 staff nationwide and, as a result, we have a very 'flat' management structure with open communication channels. This creates a unique relationship between senior managers and staff. The least enjoyable aspect of the job is undoubtedly the travelling and being away from my family on a regular basis.

***Can you explain the rationale behind the structural changes the Agency faces?***

Action to recover the proceeds of crime is one of the Government's top priorities for reducing harm [law enforcement]. The merger between SOCA and ARA will offer synergies and help us deliver on the stretching new targets on asset recovery announced in the Rebalancing the Criminal Justice System exercise and the Home Office's Assets Recovery

Plan. The merger is provided for by the Serious Organised Crime Act which received Royal Assent in October 2007. The Act makes provision for the merger to be brought in force by order and it is expected that this will be in April 2008.

Many of ARA's clients have made their money from serious organised crime so it makes sense to bring ARA's business together with SOCA as this will enable those engaged in civil recovery to benefit from the work that SOCA is doing to develop a greater insight of how serious organised crime operates, and how ancillary, financially complex crimes, such as money laundering, work. At the same time, civil recovery is seen increasingly as a critical part of the toolkit for tackling serious organised crime, so bringing ARA's work inside will support SOCA in its responsibility for reducing harm by serious organised crime.

***What is the process of change and how is it being managed?***

A tripartite merger programme has been set up with representatives from all three agencies working together to ensure a smooth transition that maximises the expertise and best practice from each organisation. The programme team began work in March 2007 and significant progress has now been made towards the merged organisation. As the ARA SRO, I have overall responsibility for the changes from an ARA perspective. The process is being managed using a structured project management methodology, with several workstream 'leads' all having responsibility for discrete areas of activity.

***Does the Agency have financial recovery targets to meet?***

The Agency's main financial recovery target is to recover more than our baseline funding. This target was achieved in 2006/07 and we are on course to do the same in 2007/08. ARA has been testing new legislation through the courts and has inevitably encountered several lengthy legal challenges. These have been valuable, as they have demonstrated how robust the legislation is and set the stage for future success.

Overall, performance on asset recovery has improved significantly in recent years: it has almost

doubled since the 2002 Proceeds of Crime Act to over £100m in 2006/07. But the government believes that more can be achieved, and that this move should support further improvement.

***Does the Agency provide value for money?***

In order to fulfil our purpose of reducing crime and making communities safer by taking away the proceeds of crime, we need to do all we can to maximise our efficiency and ensure that we commit our resources to where they can make the most impact. Central to these efforts are our systems for monitoring the progress of individual cases and our overall progress against targets. We also have an extensive programme of internal audit work and we work closely with our external auditors and benefit from the scrutiny of our Audit Committee. The external scrutiny to which we are subjected to is invaluable.

In February 2007, the National Audit Office (NAO) published a Value for Money study on the Agency, setting out a range of recommendations for making the Agency's casework and monitoring of Financial Investigators more effective. We welcomed this report and the subsequent PAC report in October 2007 as valuable contributions to our efforts to maximise our effectiveness. During the current year, we have looked in depth at the NAO's recommendations and assessed the costs and benefits of the changes recommended. In this context, we will be working with SOCA and the NPJA to agree an action plan which will address some of the points in the report for the next year and will also give them a base for the future.

***What do you do in your spare time?***

What spare time? I am firmly of the belief that an active body leads to an active mind and I attempt to squeeze in a gym session each morning before arriving at the office. I also believe strongly in continuing my own professional development and recently completed the joint CIPFA/IOD Diploma in Company Direction and achieved Chartered Director status. I am a member of the Governing Body of Belfast Metropolitan College, having served as a Governor of Castlereagh College prior to the merger in July 2007. I am also a co-opted member of the Arts Council of Northern Ireland's Audit Committee.



## Which path will you choose to follow?

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