

Pakistan Institute of Public Finance Accountants

PIPFA JOURNAL

Vol.4 Reg.No. SS-1112

Oct. - Dec. 2010

**Becoming a Key Player in
Shared Services**

**The Pitfalls of
Pay-For-Performance**

**The New Thinking on Key
Performance Indicators**

**Embedding Risk Management
Practices for Improved
Organisational Performance**



**An Exclusive Interview of
the President ICMAP**



PIPFA AGM



**Pakistan Institute of
Public Finance Accountants**

The Words from the Noble Qur'an

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ
مَنْ جَاءَ بِالْحَسَنَةِ فَلَهُ خَيْرٌ مِنْهَا ۖ وَهُمْ مِّنْ فَرَعٍ يَوْمَئِذٍ آمِنُونَ.

In the Name of Allah, the Most Gracious, the Most Merciful

Whoever brings a good deed (i.e. belief in the Oneness of Allah along with very deed of righteousness), will have better than its worth; and they will be safe from the terror on that Day

(Surat Al-Naml: 89). (*Tafsir Ibn Kathir*)

PAKISTAN INSTITUTE OF PUBLIC FINANCE ACCOUNTANTS (PIPFA)

constituted by

The Auditor General of Pakistan (AGP),

The Institute of Chartered Accountants of Pakistan (ICAP)

and Institute of Cost & Management Accountants of Pakistan (ICMAP).

PIPFA is also an associate member of
International Federation of Accountants (IFAC).

MISSION STATEMENT

“Identification, development and
imparting Knowledge to provide a structure
for the training of accounting professionals
in the specialized areas.”



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PIPFA's Membership entails many advantages like:

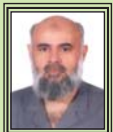
- ☆ Entitlement to use Designatory letter APA or FPA and distinction of membership.
- ☆ Continuing professional development through publication, seminars, workshops etc.
- ☆ Eligibility for chief financial officer or company secretary of listed company.
- ☆ Entitlement for qualification pay etc.to PIPFA Public Sector qualified.
- ☆ Opportunities to inter-act at the national level with elite accounting community.
- ☆ Exemptions in examination of ICAP, ICMAP, CIMA-UK, ACCA etc.
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- ☆ We are also pursuing Higher Education Commission of Pakistan to grant PIPFA qualified / members equal to B.Com Graduate.
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- ☆ On qualifying Final stage, one may apply for the management level jobs like Financial Advisor / Finance Officer / Financial Analyst.
- ☆ Elevation in Auditor General of Pakistan for BPS 17 is possible after qualifying PIPFA.
- ☆ Students may join Audit firms as Audit Trainee or starting internship in Financial Institutes / Organizations.

Views expressed here do not necessarily represent the official policy of the Institute.

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President's Message

Dear All,

I have been provided an opportunity, as your president, to make a commitment with the organization to work for its growth and recognition even though challenges are more than ever before because of rapid changes in world economy and needs of the profession.

The Institute's response to the current and long-term issues is to take the initiatives to achieve our vision of leading the profession and to maintain its inspirational influence with government sector and regulators, who already have a sustainable and growing membership.

The Board, in order to ensure the Institute is on the right track, undertook a substantial strategic review during the year. This review confirmed our overall strategic plan and made necessary amendments to take us into 2011.

PIPFA, for many years, was mainly perceived as an organization that produced middle tier accounting qualification but with the passage of time it has evolved into supportive and collaborative body especially in the context of training the government sector for strengthening their accounting and auditing systems. PIPFA is also trying to set and improve professional standards of our members by updating them and keeping them abreast of the changes in the field of accountancy and is determined to prepare them to play significant role in global economy.

PIPFA Journal is meant to foster a sense of community among members and reflects the high standards we uphold. We want the journal to serve as a forum of debate for the profession, simultaneously raising and commenting on accounting issues and informing on professional and regulatory developments. Since our members serve a wide variety of roles, PIPFA Journal also covers wider financial and economic issues.

I hope you will enjoy PIPFA Journal and I look forward to your comments and suggestions as it is our promise to shape a Journal of your choice.

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Chairman Publication & Seminar Committee's Message



Welcome to the first edition of the PIPFA Journal 2011. This periodical function as an excellent mean of establishing a regular platform for sharing recent news events, activities and developments related to the institute, the economy in general and other professional bodies.

In addition, the PIPFA journal will provide critical insight and information on recent changes in the world of Accounting, on both domestic and international fronts. It will include valuable articles from professional persons of repute, helpful surveys and of course, any topical issues/activities relating to relevant constituent bodies such as the AGP, ICAP and ICMAP, with the intent to keep all stakeholders in the loop regarding important industry events. The Publication Committee is currently doing its utmost to find ways to promote the PIPFA Journal as a professional journal that will provide invaluable contribution to its readers' career growth and development. The only way that this objective can be achieved effectively is through the active participation of our members and students. To this end, we welcome any suggestions and feedback from our members and students that can lead to ameliorating the services that we provide.

Your contribution could be in the form of valuable articles as well as ideas for future topics. In this regard, please feel free to contact either the organization directly at pipfa@pipfa.org or the Publication & Seminar Committee at member@pipfa.org.pk.

Thanking You,
Sincerely,

An Exclusive Interview of ICMAP PRESIDENT

Mr. Hasan A Bilgrami, has been elected as the President of the Institute for a period of three years i.e. 2009 to 2011. He is President & CEO of BankIslami Pakistan Limited. He is the first member from the financial sector to head a professional institute of accountants. Mr. Bilgrami brings to the Council almost 20 years of professional experience which includes nine years at Board level.

Mr. Bilgrami graduated in Commerce from Karachi University and is a Fellow member of the Institute of Cost & Management Accountants of Pakistan and a Fellow of the Canadian Securities Institute.

Mr. Hasan A. Bilgrami is the Founding Chief Executive Officer and Director of BankIslami. His association with BankIslami started as a consultant to the sponsoring shareholders right at the inception of the project where he was responsible for developing the business plan, arranging permissions, staffing and capital raising. Previously he worked as the Head of Asset Management with the National Investment Trust (NIT), as Country Manager Consumer Banking & Corporate Business with Gulf Commercial Bank (now PICIC Commercial Bank Limited) as General Manager Corporate Finance with ORIX Investment Bank and



as Director and Head of Corporate Finance with Khalid Majid Husain Rahman, then a member firm of Deloitte & Touche.

He is a Director on the Board BankIslami's subsidiary, BankIslami Modaraba Investment Limited, KSB Pumps Limited as well as a Chairman of its Audit Committee, Haleeb Foods Limited, Institute of Capital Markets and Pakistan Institute of Corporate Governance. He has also been a Director on boards of PICIC, Soneri Bank Limited, Crescent Commercial Bank Limited, Fauji Fertilizer Company Limited and National Refinery Limited.

The interview was commenced with a brief introduction of PIPFA by the then Chairman Publication Committee (PC), Mr. Shahzad Ahmad Awan. He said in his preliminary remarks that PIPFA is a body constituted jointly by the Institute of Cost and Management Accountants of Pakistan (ICMAP), the Auditor General of Pakistan (AGP) and the Institute of Chartered Accountants of Pakistan (ICAP). These three are the major stakeholders having 75% share in the governing board of PIPFA and are at the helm of affairs. He said that PIPFA is also associated with International Federation of Accountants (IFAC). The Institute is providing nationwide quality professional education with major emphasis in Islamabad, Faisalabad, Lahore and Karachi. The Chairman thanked the President ICMAP for sparing his precious time out of his busy schedule for PIPFA and sought permission to formally start the interview.

Chairman: Briefly tell us about ICMAP's objectives, functions and future strategies.

President ICMAP: The Institute of Cost & Management Accountants of Pakistan is one of the sponsoring bodies of PIPFA, so the objectives, functions and future strategies of the Institute are not need to introduce as we are in this profession for more than half century. ICMAP was established to provide Industrial Accountants because it was the dire need of the industrial sector to have qualified accountants not only in the era when it was founded but the same need still exists and will continue in the future as well. It was back in 1950-60s when the industries were nationalized and if we look into history, we found that by 70-80s most of our members were in the government sector, who, I think, probably inherited to government due to nationalization. The public sector and government controlled institutions were continuously the largest

employer of the CMAs but the trend has drastically changed over a period and now the financial sector has become the largest employer of our graduates. Despite we are not specialized in the financial sector, we have about 350 members in this sector, which is a considerable strength. I think that in the future we would have dual focus both on the service and manufacturing sectors. Keeping in view the current trend, CMAs are no longer only for manufacturing sector. Likewise, I am expecting that as we move forward the share of our graduates in the government will also fall because the public sector is gradually losing its craftiness as an employer of choice. So that's a flair I am foreseeing.

Chairman: Sir, recently we have seen in newspapers that you have launched new programme i.e., Intermediate / A-level entry stream. Just let us know the eligibility and the willingness and acceptability of prospective students towards this programme.

President: Most of the people make their career choice after their high school in Pakistan. This aspect was under debate for many years that we should also open our qualification for high-school students along with existing entry stream at graduate level. Actually, more than one Council deliberated on this matter and finally it was decided that we should come into main stream of attracting students after high school while retaining our competitive edge at graduate level. As we have come at high school level, we are doing the same what other institutions are doing but at graduate level, still we are one of the prominent institutions which is inducting the students at graduate level and we continue our presence at this entry level.

Mian Muhammad Shoaib: You agree that the course outlines of ICMAP and ICAP are more or less same but at the time of hiring there is a big difference between CAs

and CMAs. Employers are giving priority to CAs. In my opinion the only difference is articleship. Do you have plan to address this issue being the President of ICMAP.

President: You are right but training is not only the main difference because on the one side, someone qualifies in first attempt and may have more than five years of experience during his / her qualification but on the other hand, people we are targeting are those who are already working and studying. We are targeting the segment who is working and studying where career is focused but study is the second priority. On the other hand, ICAP and other institutions are focusing students from affluent families who can defer their practical career for 5 to 6 years to complete their studies first and then start from high level position. We have programme where a student can earn and learn together and in fact when they reach to final stages most of the students are working. The difference doesn't get wider but getting narrower as you start progressing career along with studies and I have seen a salary survey that showed that when a Management Accountant starts the career the difference is pretty big but by the time when they enter their 50s and mid 50s the gap is pretty narrow. I have seen many Management Accountants who have excelled and they are doing well and they are working with Chartered Accountants with same pace.

Mian Muhammad Shoaib: I would like to quote here one of my shocking experience. when I was in a management consulting firm for audit and came across the hiring process. They were preferring CAs on CMAs and offering them better salary package than CMAs. I expect that they should back CMAs not the CAs. What is that.

President: No, it is more than that. It is also then when somebody qualifies CA. He/she gets ready market within the professional firms from where he / she is directly or indirectly associated. The firm sets the flow and we don't have set mechanism in the Institute. Firms have also an active relationship with their clients and become an influencing source for the placement of their students / qualified. The third factor is that if you start from high level, you tend to go fast. We also understand that there is dozen of business schools offering MBA in Pakistan and teaching the subjects more or less same and salaries of their graduates are different. So there is a big difference in the market acceptability of various B-schools despite offering one qualification of MBA but I am very much satisfied that the graduates so far produced from the Institute in the last 50 years have achieved great careers and they have not done worst compare to CAs. I am very happy with their achievements.

Chairman: I thought ICMAP is supposed to be the sole provider of Cost and Management Accounting education, training and professional certification in Pakistan, but these days we have seen CIMA's presence in Pakistan. How do you see this if you are the sole provider of this education in Pakistan then how is it possible for a foreign institute to offer the same education / qualification.

President: We have started looking towards this trend because Pakistan is the exclusive domain of ICMAP and we have the right and prerogative to provide Cost and Management Accounting education and certification in

Pakistan. We have taken notice of this and looking into it from various angles and will most probably take some steps. Here I would like to say that it is not only CIMA, other foreign institutions such as ACCA, IMA, CFA, etc are also doing the same. As the world is shrinking and becoming global, people would have offers & opportunities worldwide. Frankly, a time would come, we will not be able to do much about this concern. Let's say somebody delivering education through web and taking exams through computers then what we would do about it. So the long term answer for this is to raise our standard and quality to the level that we may become an education of choice and not by a statutory or through monopoly.

Chairman: Cost of goods in Pakistan is getting worst day by day. As a CMA, how we may work to confront this unstable situation.

President: It is a million dollar question but a friend of mine told me that electricity cost in Canada and London is cheaper than Karachi. When the input cost increases, Pakistan gradually will lose its competitive both in the local and international markets and when you are not competitive then you will be massively hit by both internal and external factors affecting the economy and those driving the prices. So we need to achieve efficiency and to improve the processes to achieve our lost competitiveness. I think the industry in particular and the society in general are looking towards Cost and Management Accountants to help industry for streamlining the processes and re-engineering the businesses so that inherited increasing cost could be nullified. But it is a system issue and ICMAP, alone, unfortunately can't do anything. Just see electricity cost which is sky rocketing.

Chairman: It is generally said that ICMAP decides their passing criteria according to market demand of industry. What is your opinion about this perception.

President: Absolutely fictitious. I completed almost 6 years in the Council, and have watched the things very closely, we strictly go by the laid down passing criteria of the Institute which we have already announced as 50% and whosoever come upto that level passes the exam. Though I haven't the privilege to serve the examination department but it has nothing to do with supply and demand. It is entirely on merit and the perception that we pass as per market demand, has no ground.

Mian Muhammad Shoaib: Like ICAP, why not ICMAP also outsources its education.

President: We have done it. It has been outsourced now and currently we are working with more than 20 such outsourced centres. They are ICMAP Registered Education Providers (IREPs) affiliated with ICMAP where students can acquire education as per ICMAP's prescribed curriculum. ICMAP is also providing coaching facilities at its own centres. Now the students have the choice and it is not mandatory for them to come to ICMAP only.

Chairman: If you compare the GDP of Pakistan with rest of the countries in the region, we have the lower GDP . As a Chief Executive of one of the leading Islamic Financial Institution, what you suggest to improve the situation.



A group photo of Mr. Shahzad Ahmad Awan, Chairman (PC), Mian Shoaib, Member (PC), Mr. Hasan A. Bilgrami, President ICMAP, and Mr. Mushtaq Ahmad Madraswala, Executive Director, ICMAP.

India where people also go abroad but they come back and contribute. The worst aspect of this trend is that not only our own nationals but even the foreigners are not coming to Pakistan for joint ventures, so as a result the quality of management, infrastructure, management practices and research is gradually going down.

Chairman: Being the President of Bank Islami of Pakistan, how do you see the difference between Islamic Banking and conventional banking.

President: The growth trajectory of Islamic Bank is 3-4% more than the conventional banks. It shows that Islamic banks are growing but yet they are very small share of the market i.e., nearly about 6%. It is long way to go. I think that in next 10-15 years it would be around 25-30%.

Additional Director Members: Why Islamic banks have not suffered as much as compared to the conventional banks?

President: Islamic banks as a whole did not suffer all over the world because they are backed by hard and real assets whereas conventional banks are backed by artificial assets. Secondly, most of Islamic banks' depositors are faith-driven and they strictly observe payment on time. In conventional banks depositors are rate-driven, most of them believe on late payment and early withdrawal.

Chairman finally thanked the President for sparing time for PIPFA.

President: The only and shortest way is to improve governance, because if you look at the growth trajectory of Pakistan it has gone very well when there was a stable government and it started growing as we moved towards political stability. I am not a great fan of former President Pervez Musharraf but when he provided stability, the growth rate went to 6% p.a. and if I correctly quote, the same trend was observed when Mr. Ayub

Khan was the President of Pakistan when the GDP was reached to 7 to 8% p.a. One should not take this as no confidence or vote against the democracy or anything like that but the purpose is only to underline the importance of political stability in Pakistan. We are suffering because of poor governance and lack of political stability. Unless we would not have stable political scenario in the country and will not ensure good governance, unfortunately we will not be able to improve our overall GDP. It also has social consequences because educated community and professionals are either moved outside the country or looking for the first opportunity to take-off from Pakistan. There is serious brain drain issue and it is two-folded i.e., first they leave at a young age and secondly at the height of their career when they can contribute maximum, they get settled overseas or opted for permanent immigration, unlike China and



Mr. Shahzad Ahmad Awan, presenting a souvenir to Mr. Hasan A. Bilgrami, Mian Shoaib is also present.

Corporate Elevation of Mr. M. Ashraf Bawany

Former President PIPFA

We are pleased to share that Mr. M. Ashraf Bawany, former President of the Pakistan Institute of Public Finance Accountants, The Institute of Cost & Management Accountants of Pakistan (ICMAP) and the Memon Professional Forum (MPF) has recently been elevated to the position of Deputy Managing Director of BOC Pakistan Limited, a leading manufacturer & supplier of industrial and medical gases in the country since 1949. BOC Pakistan is a member of The Linde Group, Germany.

BECOMING A KEY PLAYER IN SHARED SERVICES

By Ian Herbert, lecturer,
and Will Seal, professor,
at Loughborough University Business School

Management accountants can be crucial participants in shared service centres - if they can adopt an outward facing role at the nexus of information flows. This discussion between a group FD and a management accountant shows how it can happen.

Much has been written about the power of financial shared service centres (FSSC) – lower costs, clearer focus, better IT, new location, new people, scalability, standardisation, and so on.

Our aim in this article is to discuss a common frustration from shared services managers that, when things go right, shared services are invisible, but otherwise, they are simply a cost to the business.

Management accountants can be key players in FSSCs, either as managers of the financial shared services or as in-house customers of the FSSC.

How can they adopt an outward, front office, role, at the nexus of organisational information flows and supply chain relationship with divisions, rather than the inward looking, back office, role that accountants might have been traditionally used to?

Niggling directors

The scene is set in the office of a hypothetical group finance director. He is in discussion with financial shared services centre manager Josie Lockhart - a management accountant who has been with the group for 12 years. She worked in the corporate head office until the FSSC was set up three years ago.

GFD: I keep getting niggled about shared services from the divisional directors. They are not saying the service is bad, but that they don't like paying for it. When I press them, they say that they aren't sure if they're getting value for money. **JL:** Our problem is that, while everybody accepts the rationale for shared services, I seem to be engaged in a constant PR campaign. I should be spending more time improving the service, but instead I feel more like a sales rep.

GFD: OK - let's stand back for a moment. What do you think the purpose of the FSSC is? I buy the arguments that it's saving money, it makes commercial sense, and everyone is doing it, so it can't be that bad! But, tell me why we should do it? Why don't we just contract the whole thing out - now, of course, that we understand it?

JL: The FSSC was originally conceived to reduce headcount and increase efficiency through using better IT, business process re-engineering and cutting out duplication between divisions.

The initial revolutionary change developed into a culture of continuous improvement within the FSSC and, as the FSSC became established, the confidence of the business unit management has largely been won.

More recently, we have started to reflect on what else shared services represent. In one sense it has become the glue that binds the company together. If you think for

a moment what is difficult about this business it comes down to pleasing customers, and keeping the support of our stakeholders.

Now to put that into perspective, we live in a globalised world and many companies can do what we do technically. But they can't do it on the scale that we do and in the way that we do it. To put the question the other way around "Why don't our technical staff set up in competition?" The answer is that they would be denied the oxygen of the support services that they presently rely on (and take for granted)!

GFD: And the bottom line is?

JL: That shared services make a commercial logic beyond the individual tasks that we do. No doubt a third party outsourcing specialist could also do those tasks, but taken together, shared services define and preserve what we do. Moreover, to stakeholders, shared services define how we do it.

Let me explain.

Stakeholders want to be assured that we look after their interests. This means making decisions in their best interests and protecting the value of the company. In essence, this is corporate governance. In other words, accountability, visibility and transparency - all the things that a shared service centre enhances.

By placing the common support services outside of the strategic business units, we are creating visibility of those processes, while the business units focus on their core competencies. We know what's going on without interfering. Control is improved.

Best of both worlds

GFD: But 20 years ago we had most of the support functions in head office and everybody said "That's bad - it's all too remote, ivory tower thinking." Now the gurus exhort us to think local, get close to the customer, to choose solutions that are "best of breed" not simply some homogenous global standard. Are you telling me that we've moved backwards?

JL: In the past 20 years there has been a trend in both the public and private sectors towards outsourcing and marketisation such that market forces then determine the best price. Running a business becomes a case of satisfying customer needs by packaging a bundle of bought in services around a core expertise. The outsourcing model assumes that the market can't be wrong, or at least, it's difficult to criticise the notion of market forces as a control mechanism. The alternative model is not to trust anyone and to do everything in house - that is, within the hierarchy of the firm.

THE PITFALLS OF PAY-FOR-PERFORMANCE

by Wim Van Der Stede

Pay-for-performance (PFP) is often seen as a virtually guaranteed means of achieving employee alignment and motivation and hence superior business performance. But, as Wim Van der Stede points out, PFP has its own potential pitfalls unless handled with care.

PFP is an incentive scheme in which employees receive extra, performance-dependent compensation for their work if they reach certain performance targets. The most common form of PFP incentive awards are cash bonuses. Nearly all firms above minimal size provide some form of PFP to some employees, at least to management level and above. But PFP schemes are also provided at nonmanagement levels and are becoming increasingly popular in the non-profit sector, such as healthcare, where personnel are being rewarded for meeting healthcare service delivery targets.

There are, of course, many benefits from PFP for both the business and the employee. The former gains, presumably, from improved employee alignment and motivation (more of this, later). But PFP also makes compensation more variable with business performance, allowing the business to pay higher compensation only when it can best afford it while reducing compensation expenses when performance is poor. The incentive payments are not entitlements and they are not annuities: they are one-time payments based on performance. Employees appreciate the extra cash, when they meet their performance goals. What's more, employees often feel that their efforts are rewarded more fairly as they are paid for performance rather than for 'pulse' (ie for just being there) or for seniority. Indeed, the primary rationale for pay-for-performance is to differentiate pay: to provide higher rewards for employees who make the largest contributions. By better recognising employee contributions, firms can more effectively encourage outstanding performance.

PFP - what is there not to like?

So what is there not to like about driving employees to work harder by offering them money for achieving certain performance targets? To answer this question, let us examine the key thrust of PFP: stimulus. Stimulus has two elements, namely:

1. informational - the PFP rewards attract employees' attention and inform or remind them of the importance of the rewarded performance. Merely telling employees that customer service, for example, is important might have some effect on their behaviours. But including customer service measures in annual bonus plans is more likely to convince them to emphasise customer service. The rewards signal the performance areas that are important and help employees decide how to direct their efforts. Because money is almost universally valued, monetary awards are highly effective in directing employees' attention; and
2. motivational - some employees need incentives to exert the extra effort required to perform tasks well: ie to work hard, do a good job, and succeed. Sometimes even hardworking employees need incentives to overcome their natural aversion to some difficult or tedious actions that are in their organisation's best interest, such as working cooperatively with other divisions to resolve customer complaints, making cold sales calls to get more business, preparing paperwork, or

training employees.

For the above two reasons, one of the most widely-held beliefs about human behaviour in organisations is that monetary incentives are the most powerful drivers of performance.

Distorted performance in multifaceted jobs

However, providing informational and motivational stimuli by connecting pay to performance may be trickier than it appears. This is so primarily because most jobs that employees perform in today's economy are multifaceted, consisting of many desired activities which compete for the job holder's time and attention. A good example of such multitasking, as this is often called, is delivering current performance at the same time as developing new business. In addition to the challenge of that dual goal there is a further complicating factor: delivering current performance is relatively easily measured in, say, accounting terms, whereas developing new business is much harder to define, less certain, slower to emerge and harder to measure by any readily-available performance measures, accounting or other.

Given that this measurement complication is likely to lead firms to emphasise the more-easily measurable task by including it in the incentive system, the result is that the PFP system is likely to induce the employees to focus a disproportionate amount of their attention to delivering current performance at the expense of, in this example, developing new business. This is, ironically, testimony that PFP works - employees respond to what is signalled by the incentive system as being important (the informational stimulus) and what they are rewarded for (the motivational stimulus). But it comes at the expense of devoting less attention to important-yet-under/unrewarded activities that are just as critical, sometimes even more critical, for success.

Weak incentives may be best

Therefore, when multitasking is desired - which arguably is the case for most jobs in today's developed economies - it may be best to provide relatively weak incentives for any of the desired dimensions of performance. Although this advice perhaps seems paradoxical, this is so because PFP systems that are not well-calibrated across all the important dimensions of a job will distort the effort allocation of employees because improving incentives for one task may worsen those for other tasks leading employees to overemphasise the better compensated activity and undersupply the other.

There is an abundance of examples illustrating this point, but consider the following one*. City officials wanted to tackle overtime in a garbage collection service. To motivate the garbage collectors to finish early, they were offered an incentive scheme where they would be paid full time even if they reported back early. And it worked! Garbage collectors came back consistently early and received full pay for the shift, which was apparently an attractive deal for them. But despite this good effect, there was also an increase in preventable traffic accidents, missed pickups of garbage, and trucks filled over the legal

weight limit. By emphasising time in the incentive scheme, time is what they got or, rather, rushed time - at the expense of safety, service, and obeying work rules.

I particularly like the above example because garbage collection is not exactly what comes to mind when thinking of multitasking, yet even this job is apparently complex enough to be subject to the effects of distorted incentives. Consider, then, the complexity involved in determining appropriate weights on the multiple dimensions of, say, managerial jobs, and one can see how easy it is for incentives to have potentially damaging effects. The punch line is that there are very few jobs, even apparently simple ones, where what is counted is all that counts.

Attracting the 'wrong sort'

Organisations not only turn to PFP systems to motivate employees who are already there, but also to attract talented employees of a desired profile. This is particularly so when businesses overtly offer compensation packages with belowaverage base salaries but with PFP compensation elements that provide the opportunity to earn above-average total compensation if excellent performance is forthcoming. These packages tend to appeal to employees who are entrepreneurial, rather than risk averse, and those who are confident about their abilities to produce superior results.

Initiatives to use compensation packages to attract and retain such employees often are seen as a key feature of a firm's recruitment strategy aimed at building a performance-driven culture.

While this is quite a reasonable strategy to pursue, it is not without its downsides. First, when incentives become increasingly leveraged - ie, when incentive pay becomes an increasingly important and larger part of employees' total compensation packages - the incentives are also more likely to have the distorting effects discussed above, especially when they are not carefully calibrated. Second, and related, when highly leveraged, it is not a stretch to see how quickly such compensation packages can turn a performance-driven culture into a money-driven one. This has two undesirable implications, of which businesses should be aware, namely:

- that those who come for the money are also likely to leave for the money (despite this being counter to the intended effect of PFP on employee retention); and
- that evidence suggests that PFP systems almost always lead to higher compensation.

Regarding the latter, to improve recruitment, businesses will have to offer compensation packages that are comparable, or even superior, to those offered by their competitors if they want to attract employees from the same labour pool. Thus, once introduced, PFP systems are likely to create a labour market that forces companies to follow suit in order to attract talent without necessarily the benefit of greater motivation and/or retention. It is easy to see, then, how PFP quickly becomes an institutionalised practice or business necessity rather than

a motivational tool aimed at promoting a performance-driven business culture.

THREE POINTS TO CONSIDER IN YOUR REWARD STRATEGY

- Incentive structure – badly structured incentives are more likely to have unintended consequences relative to weaker but possibly more complete incentives across all the important dimensions of an employee's job.
- Incentive intensity – some of the downsides of PFP systems are proportional to their intensity. More is not always better and good incentive effects can sometimes already be achieved at relatively low levels beyond which the (un)desired incentive effects may decrease (intensify) quickly.
- Money, money, money? Complement monetary incentives with various non-monetary rewards, which can have good effects and are often less costly to the firm, yet valued by employees.

'More' PFP is not always 'better'

How then to break free from these unintended consequences? After all, hardcore advocates of incentives could still claim that this shows that incentives work! I, too, believe that they work, but I do not believe that more is always better. As a matter of fact, some of the downsides of PFP systems seem to be proportional to their intensity. Whereas it is impossible to perfectly calibrate incentives in multitask settings, even presumably relatively simple ones, the negative side effects of illcalibration are exacerbated when incentive pay constitutes a larger part of total compensation. Interestingly, research** suggests that the positive effects of PFP might already be achieved with a relatively low incentive intensity, and that the motivational effects of PFP taper off quite quickly beyond a meaningful amount.

Moreover, although money clearly is a motivator for the vast majority of employees, it is by no means the only thing that people value. Other research*** has shown that firms tend to over-estimate their employees' concerns for financial rewards and under-estimate intrinsic job features, such as their desire to build a reputation; enjoy decision authority, perform meaningful work, and be appreciated. Not only can non-monetary rewards fulfil a potentially effective role as part of an incentive package, they also place a smaller financial burden on the firm.

Conclusion

When Warren Buffett recently started looking for a 'new Buffett' to help him run his investment empire, he reportedly said "job hoppers and money-grubbers need not apply". In so doing, Buffett highlighted the key point about PFP: that while money is an important motivator with potentially good effects on performance, when it becomes the sole or even just the predominant stimulus it is likely to backfire on businesses' ability to attract, motivate, and retain the talented employees for which PFP was designed.

Cont'd on page 24

THE NEW THINKING ON KEY PERFORMANCE INDICATORS

By David Parmenter

David Parmenter is chief executive officer of waymark solutions, specialising in assisting organisations with measuring, reporting and improving performance. parmenter@waymark.co.nz

Very few organisations really monitor their true key performance indicators (KPIs), because very few have explored what a KPI actually is, says performance consultant David Parmenter

Show me a company which thinks it has KPIs which are measured monthly and quarterly, and I will show you measures that do not create change, alignment and growth and have never been KPIs. But first let me explain what a KPI is through two stories...

An airline

My favourite KPI story is about the late Lord King, who set about turning British Airways (BA) around in the 1980s by reportedly concentrating on one KPI. Lord King appointed some consultants to investigate and identify the key measures he should concentrate on to effect a turnaround in the ailing airline. They came back and told Lord King that he needed to focus on one critical success factor (CSF): the timely arrival and departure of aeroplanes.

Finding the CSFs and narrowing them down to no more than five to eight is a vital step in any KPI exercise, yet one seldom performed! Lord King, however, was reportedly not impressed since everybody in the industry knows the importance of timely planes. However, the consultants then pointed out that this is where the KPIs lay and they proposed that Lord King focus on late plane measures.

As a result, he was notified, wherever he was in the world, if a BA plane was delayed over a certain time – say, two hours. The BA airport managers at the relevant airports therefore knew that if a plane was delayed beyond a certain 'threshold', they would receive a personal call from Lord King. Predictably, it was not long before BA planes had a reputation for leaving on time.

The 'late plane' KPI was linked to most of the CSFs for the airline. It linked to the 'delivery in full and on time' CSF – namely, the 'timely arrival and departure of aeroplanes', it linked to the 'increase repeat business' CSF, and so on.

The importance of the 'timely arrival and departure of aeroplanes' CSF can be seen by its impact on all the six perspectives of a modified balanced scorecard (BSC) – see A balanced scorecard with six perspectives box (in which I have added employee satisfaction and environment/ community to the traditional four perspectives). Late planes impacted all six balanced scorecard perspectives, because they:

- * increased cost in many ways: including additional airport surcharges, and the cost of accommodating passengers overnight as a result of late planes being 'curfewed' due to noise restrictions late at night (financial perspective);
- * meant unhappy customers, and alienated those people affected by the late arrival of the passengers – ie possible future customers (customer satisfaction perspective);
- * created a negative impact in the wider community and thus reduced the potential pool of future employees (community perspective);
- * incurred wastage of food, since hot food has a short serving window, and wastage of fuel as planes endeavoured to make up for lost time and operated outside

their most economical flight speed (environmental perspective);

* had a negative impact on staff development as staff would repeat the bad habits that had created late planes (learning and growth perspective);

* adversely affected supplier relationships and servicing schedules resulting in poor service quality (internal process perspective); and

* led to employee dissatisfaction as they had to deal both with frustrated customers and the extra stress each late plane created (employee satisfaction perspective).

A distribution company

A chief executive officer (CEO) of a distribution company realised that a critical success factor for their business was trucks leaving as close as to capacity as possible. Large train trucks capable of carrying more than 40 tonnes were being sent out with small loads as despatch managers were focusing on 'deliver in full on time' to customers.

Each day by 9am, the CEO received a report of those trailers that had been sent out underweight. The CEO rang the despatch manager and asked whether any action had taken place to see if the customer could have accepted that delivery on a different date that enable better utilisation of the trucks. In most cases the customer could have received it earlier or later, fitting in with a past or future truck going in that direction.

Just as with the airline example, staff did their utmost to avoid a difficult phone call with their CEO. And the resultant sending out of more trucks at, or close to, capacity had a significant impact on profitability.

Characteristics of a KPI

KPIs represent a set of measures focusing on those aspects of organisational performance that are the most critical for the current and future success of an organisation. Crucially, there are only a few KPIs in an organisation (no more than 10) and they have certain characteristics. These include:

- * that they are measured frequently eg daily or 24/7 (KPIs are not measured monthly);
- * that they are non-financial measures (not expressed in \$s, £s etc);
- * that they are acted upon by the CEO and the senior management team on a daily or 24/7 basis;
- * that all staff understand the measure and what corrective action is required;
- * that responsibility can be tied down to the individual or team;
- * that the KPI has a significant impact on the organisation eg it impacts on most of the critical success factors and balanced scorecard perspectives; and

* that positive movement affects all other performance measures in a positive way.

KPIs should be monitored and reported 24/7, daily, or in a few cases, perhaps weekly: to measure a KPI monthly is to shut the barn door well after the horse has bolted. KPIs are therefore 'current' or future measures as opposed to past ones. When you look at most organisational measures, they are very much past indicators measuring events of the last month or quarter. These indicators cannot be and never were KPIs. That is why a satisfaction percentage (eg 65%) from a customer satisfaction survey performed every six months can never be a KPI.

When you put a pound or dollar sign to a measure you have not dug deep enough. Sales made yesterday will be a result of sales calls made previously to existing and prospective customers, advertising, amount of contact with the key customers, product reliability etc. I term any sales indicators expressed in monetary terms as result indicators which will be further explained in this article. In many organisations a KPI may rest with certain activities undertaken with your key customers who often generate most, if not all, of your profit.

All good KPIs that I have come across – those that have made a difference – had the CEO's constant attention, with daily calls to the relevant staff. Having a potentially career-limiting discussion with the CEO is not something staff want to repeat, and in the above mentioned airline's case, innovative and productive processes were put in place to prevent a recurrence. A KPI should tell you about what action needs to take place. The BA 'late plane' KPI communicated immediately to everybody that there needed to be a focus on recovering the lost time. Cleaners, caterers, ground crew, flight attendants, and liaison officers with traffic controllers would all work some magic to save a minute here and a minute there, whilst maintaining or improving service standards. A KPI is deeply enough embedded within an organisation to be tied down to an individual. In other words, the CEO can ring someone and ask "why?" Return on capital employed has never been a KPI as it is a result of many activities under different managers. Can you imagine the reaction if a general manager was told one morning by the CEO "Pat, I want you to increase the return on capital employed today"?

A KPI will affect most of the critical success factors and more than one balanced scorecard perspective. In other words, when the CEO focuses on the KPI, and the staff follow, the organisation scores goals in all directions.

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A KPI has a flow-on effect on other performance measures. Reducing late planes would improve performance measures around improved service by ground staff as

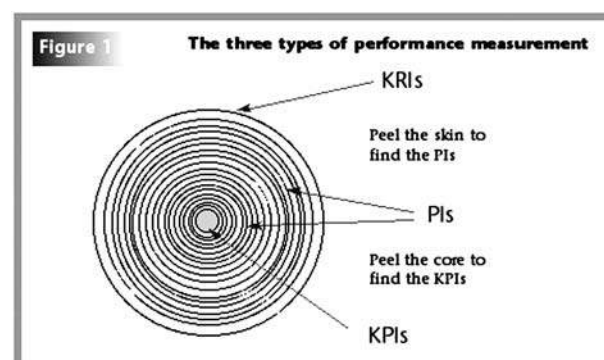
there is less 'fire fighting' to distract them from a quality and caring customer contact.

A KPI has a flow-on effect on other performance measures. Reducing late planes would improve performance measures around improved service by ground staff as there is less 'fire fighting' to distract them from a quality and caring customer contact.

The three types of performance measure

From the research I have performed, from workshop feedback across diverse industries and as a by-product of writing a 'Key performance indicators manual' (second edition), I have come to the conclusion that there are three types of performance measure:

A balanced scorecard with six perspectives		
FINANCIAL	CUSTOMER	ENVIRONMENT/ COMMUNITY
Utilisation of assets Optimisation of working capital Focus on top 10% of customers	Seamless service Increased customer satisfaction	Supporting local business Green Globe 21 Community leadership
INTERNAL PROCESS	EMPLOYEE SATISFACTION	LEARNING AND GROWTH
Delivery in full on time Effective relationship with key stakeholders Optimising technology	Positive company culture Retention of key staff Increased recognition	Empowerment Increased expertise Adaptability etc



* key result indicators (KRIs) – which give an overview on performance and are ideal for the board as they communicate how management has done in a critical success factor or balanced scorecard perspective;

* performance indicators (PIs) – which tell staff and management what to do; and

* key performance indicators (KPIs) – which tell staff and management what to do to increase performance dramatically.

I use an onion analogy (see Figure 1) to describe the relationship of these three measures. The outside skin describes the overall condition of the onion, how much sun, water and nutrients it has received, how it has been handled from harvest to supermarket shelf. The outside skin is thus a key result indicator. The layers represent the various performance indicators and the core is where you find the key performance indicators.

The 10/80/10 rule

Kaplan and Norton recommend no more than 20 KPIs, and Jeremy Hope (of 'Beyond budgeting' fame) suggests fewer than 10. To aid those involved in performance measurement I have developed the 10/80/10 rule. This means an organisation should have about 10 KRIs, up to 80 PIs and 10 KPIs: there is very seldom a need for more measures, and in many cases fewer can be used.

Key result indicators (KRIs)

The common characteristic of KRIs is that they are the result of many actions. They give a clear picture of whether you are travelling in the right direction, and of the progress made towards achieving desired outcomes and strategies. They do not, however, tell management and staff what they need to do to achieve desired outcomes. Only PIs and KPIs can do this.

KRIs that have often been mistaken for KPIs include:

- * customer satisfaction;
- * net profit before tax;
- * profitability of customers;
- * employee satisfaction; and
- * return on capital employed.

A car's speedometer provides a useful analogy. The board will simply want to know the speed at which the car (the organisation) is travelling. Still using this analogy, management needs to know more information since the car's speed is a combination of what gear the car is in and what revs the engine is doing.

In fact, management might be concentrating on something completely different, such as how economically they are driving eg a gauge telling them how many kilometres they are getting per litre, or how hot the engine is running. These are two completely different performance indicators.

Separating out KRIs from other measures has a profound impact on the way corporate accountants report performance. There is now a separation of performance measures into those impacting governance (up to 10 KRIs in a dashboard) and those impacting management.

Performance indicators (PIs)

The 80 or so performance measures that lie between the KRIs and the KPIs are the performance indicators (PIs). The performance indicators, while important, are not 'key to the business'. PIs help teams to align themselves with their organisation's strategy. PIs complement the KPIs and are shown with them on the organisation's, divisions', departments' and teams' scorecards.

PIs could include:

- * profitability of the top 10% of customers;
- * net profit on key product lines;
- * % increase in sales to the top 10% of customers;
- * % of employees participating in the suggestion scheme; and
- * duration of the cash to cash cycle (eg 65 days).

Removing the lead/lag confusion

Many management books talk about 'lead' and 'lag' indicators which I believe merely clouds the KPI

debate. Using this new way of looking at KPIs we dispense with the terms lag (outcome) and lead (performance driver) indicators. I have presented to nearly 2,000 people on KPIs and I always ask "is the 'late planes in the air' KPI, a lead or lag indicator?" The vote count is always evenly split. Surely, this is enough proof that lead and lag labels are not a useful way of defining measures?

KRIs replace outcome measures, which typically look at activity over months or quarters. PIs and KPIs are now characterised as either past, current or future measures. The new concept called 'current measures' are those monitored 24/7 or daily. You will find the real KPIs in your organisation are either current or future measures (see **Leads and lags** box).

Leads and lags

PAST MEASURES

(last week/fortnight/ month/ quarter)
eg number of late planes last week / last month

CURRENT MEASURES

(24/7 and daily)
eg planes over two hours late (updated continuously)

FUTURE MEASURES

(next day/week/ month/quarter)
eg number of initiatives to be commenced in the next month/two months to target areas which are causing late planes

The lead/lag division did not focus adequately enough on the timing of the measures. Most organisations that want to create alignment and change behavior need to be monitoring what corrective action is to take place in the future.

In other words if quality improvements are to happen we need to measure the number of initiatives which are about to come online in the next week, fortnight, month. If we want to increase sales what is important to know is what the number of meetings which have already been organised/scheduled with our key customers in the next week, fortnight, month is.

Last words

You should consider the following:

- * ask your management to review the two presentations on KPIs I have recorded on www.bettermanagement.com – search 'parmenter' using the search engine;
- * deliver a PowerPoint presentation to the senior management team to get buy-in for your KPI/BSC project; and
- * link with an external expert who can contribute to brainstorming sessions designed to ascertain the CSFs for your organisation.

EMBEDDING RISK MANAGEMENT PRACTICES FOR IMPROVED ORGANISATIONAL PERFORMANCE

By: Patrick Ow

Improving business results require risk management practices to be simplified and embedded seamlessly into normal business operations, planning and budgeting processes, and organisational culture. It is no longer an add-on or a management fad. Private and public sector organisations alike have struggled to understand risk management implementation steps and techniques. For those who have overcome it, they are reaping the fruits of their labour

High performing organisations, having developed strategies through a sound strategic planning process, must ruthlessly implement strategies by removing performance barriers or risk through enterprise-wide risk management practices.

Organisations can implement their strategy and perform well if:

- * Everyone understands strategic, unit and departmental objectives, measures and targets and key priorities (clarity).
- * Everyone is connected emotionally and engaged to strategic themes, key objectives and organisational priorities (commitment).
- * There is clear "line-of-sight" for each individual, department, and unit so that they are closely aligned to the organisation's key priorities (translation).
- * Structure, system and cultural barriers are removed through embedded enterprise-wide risk management process (enabling).
- * Everyone works together to arrive at better ways to achieve objectives and targets, removing "it's not my job" thinking (synergy).

* Individuals are responsible for achieving targets (accountability).

* Everyone is a de facto risk manager (responsibility).

Risk is the likelihood of something happening (either positive or negative) that will have a consequence or impact (arising from the event) upon the achievement of objectives. Risk management standard AS/NZ 4360:2004 defines risk as "the chance of something happening that will have an impact on objectives."

Risk = Likelihood X Consequence

Like the risk management process itself, an enterprise-wide approach (or commonly known as enterprise risk management, ERM) to manage risks arose from the business sector and it is being adopted by public and not for-profit organisations around the world.

The Committee of Sponsoring Organisations of the Treadway Commission (COSO) has broadly defined ERM as "a process, affected by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage

Table 1 Risk & Control Cycle

Risk/Control Cycle	Description	Key Questions
Set/Confirm Objectives	Clarify what the organisation seeks to achieve, starting with its vision and strategic objectives.	<ul style="list-style-type: none"> What are we trying to achieve?
Identify Events/Risk to Achieving those Objectives	Identify all events and risks that may affect/ impact the achievement of these objectives.	<ul style="list-style-type: none"> What could go wrong? What could happen that would affect our objectives?
Assess Risks	Assess <i>likelihood</i> that each risk will materialise and calculate the <i>consequences</i> arising from the risk.	<ul style="list-style-type: none"> What is the <i>likelihood</i> or probability that the risk will occur? What is its <i>consequence</i> or impact if the risk does eventuate?
Identify Risk Responses	Identify and select cost-effective responses to managing risk, based on a Board – approved risk appetite.	<ul style="list-style-type: none"> What are the risk responses or options available to us to address risk?
Execute Control Activities To Address Risk	Implement cost-effective risk control activities to address or mitigate risks, as encapsulated in a risk management plan.	<ul style="list-style-type: none"> How do we rate the control effectiveness? In the light of risk control assessment and prioritisation, what is the most cost-effective way to address/mitigate the risk?
Develop Effective Information and Communication	Develop cost-effective information and communication systems and processes to enable the organisation in meeting its objectives, and for timely reporting of risks and decision-making.	<ul style="list-style-type: none"> How can we integrate risk as well as performance information and indicators into our everyday business performance reporting and decision-making processes?
Implement On-going Monitoring Activities to Ensure Controls are Effective	Once risk controls are established, develop and implement on-going cost effective monitoring activities to ensure that risk management and control practices continue to operate effectively and efficiently as an integral part of organisational culture and business processes.	<ul style="list-style-type: none"> How do we use information management systems and technologies/IT to maintain or enhance our on-going risk monitoring and performance reporting capability?

risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.” The enterprise-wide approach to risk management does not necessarily negate or replace the traditional risk management process and mitigating risk controls, which is summarised in Table 1. Controls are policies, procedures, practices and organisational structures designed to provide reasonable assurance that operations are effective and efficient, organisational reporting is complete, reliable, accurate and timely, and that all applicable laws and regulations are complied with.

Effective risk management calls for a collaborative approach involving all parts of the organisation. Taking an enterprise-wide approach to risk management is vital as risk in different units may be within the risk appetite of that individual unit. Taken together, that unit’s risk might exceed the risk appetite of the organisation as a whole – in which case, different risks responses may be required to bring the individual unit’s risk in line with the organisation’s risk appetite.

The starting point is the organisation’s objectives, encapsulated by their vision and strategy.

realistic, and timed) performance measures and quantifiable targets are developed. Measures and targets are important as what gets measured gets managed and done.

From the highest level, guided by organisational structure, organisational vision and strategies are cascaded down and forms the strategic objectives, and performance measures and targets, which in turn cascades down, is weighted and forms each business and supporting units’ objectives, and performance measures and targets. Then it cascades down further as departmental and project objectives where applicable. Ultimately, all objectives must be cascaded into everyone’s individual performance objectives, as measured by their annual performance plan. (See Diagram 1).

Prioritise objectives throughout each level of the organisation. For prioritisation, develop strategic themes (or value drivers) that align to the organisational vision and strategy. Examples of strategic themes include revenue growth, sustainable outcomes and efficiency. Eliminate organisational activities or initiatives that do not support strategy implementation. The prioritisation process ensures clear focus or line-of-sight performance for everyone within the organisation.

Diagram 2 Cascading Corporate Measures using the Balanced Scorecard Approach

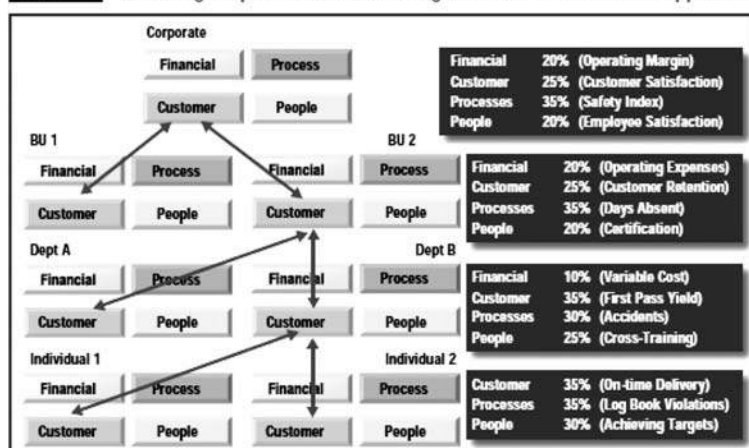
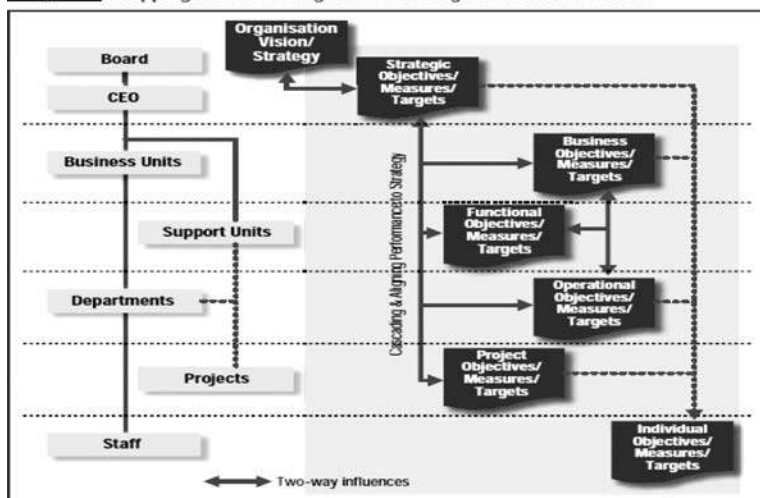


Diagram 1 Mapping the Cascading Process to Organisational Structure



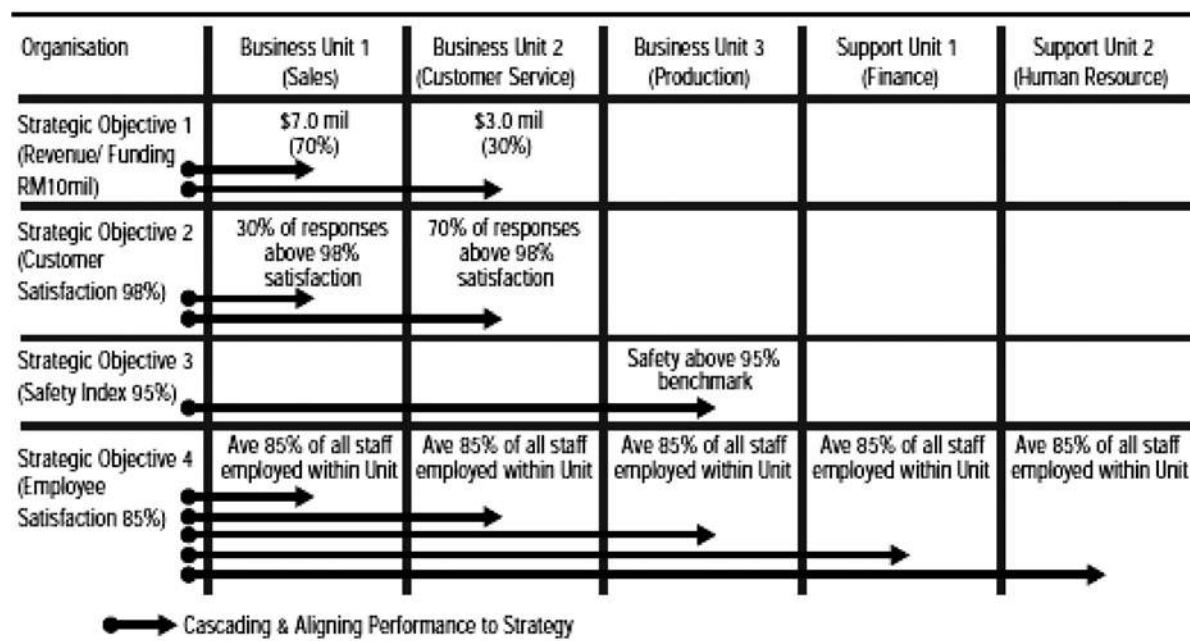
From objectives, SMART (specific, measurable, achievable,

Use management tools like the balanced scorecard to cascade down top-level objectives, and performance measures and targets systematically throughout the

organisation, right down to each individual, which is based on four perspectives (financial, customer, processes, and people).¹ (See Diagram 2)

1 "Beyond Measurement Alone – Optimising Corporate Performance," Accountants Today, November 2005, page 48.

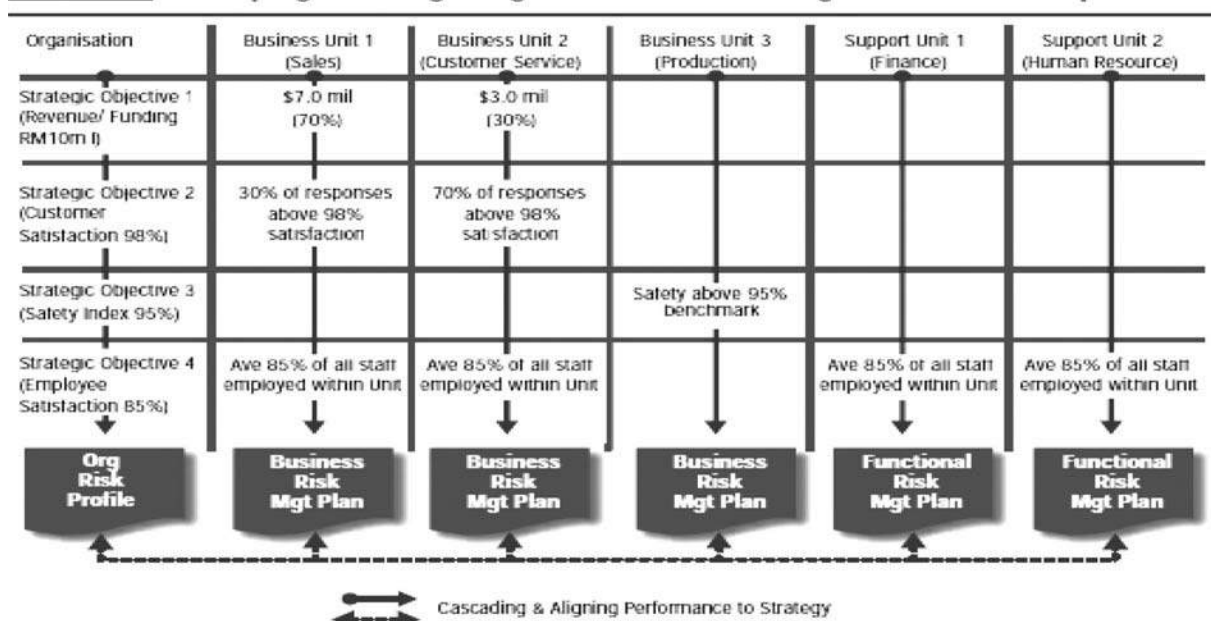
Diagram 3 Cascading and Aligning Corporate Measures Enterprise-Wide



Map and allocate each strategic objective into business and support units' objectives as shown in Diagram 3. Not all strategic objectives are applicable to all units. "Weight" the achievement of each unit for clarity so that individuals managing their own unit are clear about their unit performance, avoiding any finger pointing. Eliminate joint responsibilities.

Thereafter, develop risk management plans for each level of objectives (whether strategic, business, functional, operational and project) as an integral part of organisational culture, planning and budgeting processes, and performance management practices. (Shown in Diagram 4)

Diagram 4 Developing and Integrating Individual Risk Management Plans Enterprise-Wide



All risk management plans interact with each other constantly, "passing" risk items up and down through different organisational levels based on its implementation capability over the risk items. Criteria for passing risk are categorisation, materiality and/or impact upon the organisation - similar to perhaps the criteria for passing information to the Board.

For example, if a unit cannot address risk solely by itself because they do not have control, influence and/or authority over the implementation of the risk control, that unit's risk must be passed up as a risk item into the organisational risk profile for corporate action.

Alternatively, if the risk control was operational in nature within that unit, the Unit Head would pass down that risk item into the department's risk management plan for the Department Head's attention. The Department Head would then be responsible for that risk. This interaction process ensures that someone will act upon risk identified from any part of the organisation.

Integrate the risk management process into the strategic management process if organisational culture and processes permits as shown in Diagram 5.

Diagram 5 Integrating Risk Management into Strategic Planning Process²

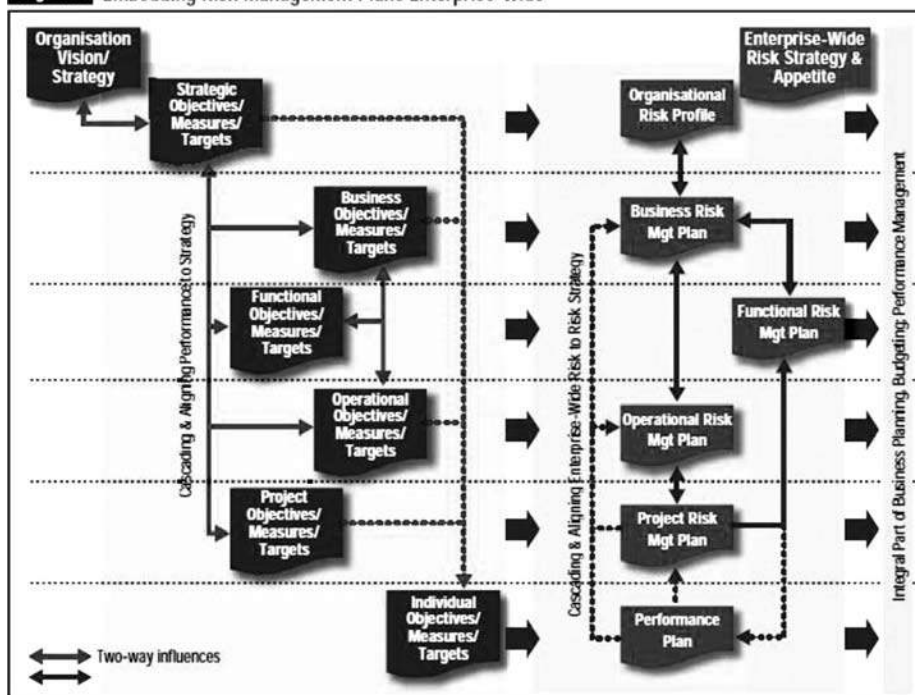


For example, accompany business proposals with a sub-section on risk management. The risk management sub-section clearly sets out all key risks affecting the achievement of the business proposal, clearly identifying responsibility and accountability for risk control, what funding is allocated from existing (or future) budgets to address these risks and whether the business proposal clearly promotes the achievement of organisational strategy through clear measurable output and/or outcomes.

As part of a manager's monthly performance report, include a section on risk management, identifying issues or risk

potentially affecting the manager's performance for their unit or department. This way, risk management is not about box ticking but becomes an integral part of performance reporting and management. Therefore, risk management must NOT be an add-on or separated as an independent activity. Risk management must be part of organisational culture, embedded as part of everyday organisational life as shown in Diagram 6. The risk management plan is therefore a "living document" embedded as a sub-set of performance reporting and budget reviews, where risk and achievements are constantly monitored and evaluated against strategy and objectives.

Diagram 6 Embedding Risk Management Plans Enterprise-Wide



Take note of the following: 1. Avoid silo-based risk management practices as changes to one part of any system or organisation will affect other parts since the whole can exceed the sum of its parts. 2. Supporting units' objectives must support the achievement of business units' objectives. 3. Adequately resource risk controls activities from budgets but prioritise against strategic themes. Otherwise, risk management plans become meaningless. 4. Monitor and report on risk activities through performance reports, rather than specific risk reports. Integrate risk reporting into performance or monthly reports as it aids the achievement of business results, providing management with assurance that a responsible person is continuously monitoring or implementing risk controls. 5. Rename your Risk and Audit Department to Business Assurance Department. 6. Avoid "risk manager" job titles since risk ownership is a collective matter. Using one of the many approaches shown in Table 2, inputs, activities, outputs, and outcomes are chain of events that describe organisational, unit and departmental performance. Inputs (e.g. qualified trainers recruited) lead to activities (e.g. training activities), which lead short-term out puts (e.g.

number of training sessions conducted). At some point, the customer or beneficiaries served by organisational activities will either achieve or not achieve the long-term outcomes (e.g. improvement in staff competencies and behaviours as the long-term result of the training).

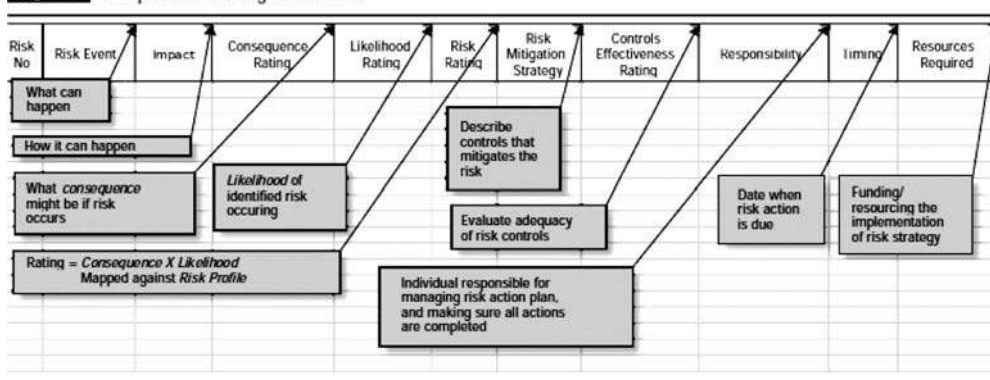
Inputs and activities answer the question "Are we doing things right?" whereas outputs and outcomes answer the question "Are we doing the right things?" By measuring/quantifying the chain of events, we are able to determine the performance barriers or risk, which would feed into risk management plans. Knowing the measures help in the risk identification process.

Subsequently, risk management plans (Diagram 7) can be developed from the inputs, activities, outputs, and outcomes chain of events. The risk management plan sets out cost-effective risk controls required to achieve objectives, evaluation of risk likelihood and consequences, and determine inherent risks the organisation is prepared to accept in line with the Board-approved risk appetite as encapsulated in its Enterprise-wide Risk Strategy.

Table 2 Risk & Control Cycle

Item	Description	Sample Performance Indicators/Measures
Objectives	<ul style="list-style-type: none"> Goal, planned or intended outcome. 	<ul style="list-style-type: none"> Improve quality of learning and student performance.
Inputs	<ul style="list-style-type: none"> Resources consumed by the system, including cost/workforce. Financial/staffing. 	<ul style="list-style-type: none"> Government Funds — \$30.0 mil. 100 qualified trainers.
Activities	<ul style="list-style-type: none"> Steps to produce the output. Quality, quantity, timeliness, efficiency. 	<ul style="list-style-type: none"> 2,000 training hours. 1,000 workshop hours.
Outputs	<ul style="list-style-type: none"> Products & services produced. Productivity (units of work). 	<ul style="list-style-type: none"> 20,000 trained teachers. 4.3 million new textbooks. 90% trainer satisfaction.
Outcomes	<ul style="list-style-type: none"> Results that accomplish the mission; impacts. Behaviour changes. Programme/service effectiveness. 	<ul style="list-style-type: none"> 20% increase in student test scores. 10% increase in future earnings of primary school graduates.
Risk and Critical Assumptions	<ul style="list-style-type: none"> Assumptions are risk and enabling factors. They are external conditions that are outside the direct control of the organisation. Achieving objectives can depend on whether assumptions hold true. Assumptions are made about the degree of uncertainty (degree of risk) between different levels of objectives. 	<ul style="list-style-type: none"> Inadequate provision of Government funding. Selected trainer is competent. Students have the ability to concentrate.

Diagram 7 Sample Risk Management Plan



State Bank News

State Bank raises Policy Rate by 50 bps to 14 percent from Nov. 30th

The State Bank of Pakistan has decided to raise its Policy Rate by 50 basis points to 14 percent with effect from November 30, 2010. This decision was taken at a meeting of the Central Board of Directors of the State Bank of Pakistan held under the Chairmanship of Governor SBP, Mr. Shahid H. Kardar in Lahore.

"SBP's efforts to counterbalance the rapid expansion in reserve money and arrest the rising inflation expectations would require an increase in the policy rate," the State Bank said in its Monetary Policy Decision while explaining the rationale behind the increase in policy rate. It said that the inflation is rising and showing persistence because of relentless government borrowing from the SBP. The rising Net Domestic Assets (NDA) to Net Foreign Assets (NFA) ratio of SBP balance sheet and its strong association with CPI inflation also suggest that the inflation is likely to persist at double digit levels during much of FY11 and possibly in FY12.

SBP will disburse Rs 189.286 million as interest-free loans amongst 1,436 students for 2009-2010 session

Rs 189.286 million will be disbursed as interest-free loans amongst 1,436 students for 2009-2010 session. An amount of Rs 189.29 million will be disbursed as interest-free loans to deserving students for higher studies within Pakistan for the 2009-2010 session as approved by the Apex Committee for Student Loan Scheme. The Apex Committee for Student Loan Scheme met under the chairmanship of SBP Deputy Governor, Mr. Yaseen Anwar in Karachi and approved the interest free loans that will be given to 1,436 deserving students in different disciplines from all over the country for pursuing Graduation, Masters and Ph. D studies for the 2009-2010 session. The meeting was attended by representatives of the Finance Division, State Bank of Pakistan, National Bank of Pakistan, MCB Bank Limited, Allied Bank Limited, Habib Bank Limited and United Bank Limited.

Pakistan's financial system size increases to Rs 9.2 trillion by June 2010:

SBP Report Pakistan's financial system size, in terms of assets, increased to Rs 9.2 trillion by end-June 2010 showing a robust growth of 20 percent from December 2008 level of Rs 7.71 trillion, says State Bank's Financial Stability Review 2009-10, which was released today.

The Report, which presents an assessment of financial

stability for 2009 (CY09) and the first half of 2010 (H1-CY10), is based on the theme of "Role of Government in the Financial Sector" and assesses the government's developmental role in enhancing the financial development in the country. The Report said that stability of the financial system is largely derived from the pre-dominant position of the banking sector, as other components of the financial system continue to grow at a more gradual pace. "Domestic banking sector assets constitute 73.2 percent of total financial system assets", the Report added. It said the bank deposits, which have a key contribution in maintaining financial stability, grew by 13.5 percent in CY09, and 8.2 percent in H1-CY10, bringing the total deposit of the banking system to Rs. 5.1 trillion by end-June CY10. "This bodes well for enhancing prospects of financial stability, especially keeping in view the slowdown in deposits growth in CY08," the Report added.

Shahid Kardar stresses upon coordinated response to changing macro economic environment

Mr. Shahid H. Kardar, Governor, State Bank of Pakistan has said that the future strategy to control inflation must include coordinated and timely response to changing macroeconomic conditions along with a concerted effort to raise the productive capacity of the economy. Addressing members of the business community at the Federation of Pakistan Chambers of Commerce and Industry (FPCCI) in Karachi today, Mr. Kardar stressed that any delay in implementing such a strategy would only make the policy trade-offs much more difficult resulting in continuing uncertainty regarding desirable economic outcomes.

Responding to various queries regarding Monetary Policy, SBP Governor said that Monetary Policy has played its part in correcting the macroeconomic imbalances, but other government policies have not been that supportive. "Had the SBP not responded, the inflation outlook and reserve position of the country would have been worse," he added.

Mr. Kardar explained that the growth in broad money and thus inflation would have been much higher if the private sector had also continued to borrow unchecked from the banking system along with the public sector. He said some observers can comment that availability of cheap credit to the private sector would have supplemented productive capacity, helping reduce the output gap but given the deterioration in the law and order conditions and energy sector problems in the last three years, it is highly unlikely that investments in the country, by both local and foreign investors, would have grown rapidly.

Federal Board of Revenue News

FBR gives away Rs 420m ST refunds

Federal Board of Revenue (FBR) has distributed as many as 168 cheques worth Rs 420.8 million on account of Sales Tax refunds among 41 claimants at a simple but impressive ceremony held here in the Federal Capital.

Addressing the ceremony, Federal Minister for Finance Abdul Hafeez Sheikh highly appreciated the day and night efforts of FBR Chairman Sohail Ahmed in active interaction with the business and trade community to ensure speedy

payment of admissible refunds. He hoped that the introduction of technology and automation of systems by the FBR would bring in more transparency, minimise manual interaction between the tax officials and the refund claimants and expedite the issuance of refund cheques to the manufacturers-cum-exporters through the centralised cheque issuance system. This system would also minimise the possibility of involvement of a number of persons within the process of sales tax refund verification process, he added.

In his speech, FBR Chairman Mr. Sohail Ahmad said FBR had constituted a Task Force to expedite clearance of the sales tax and federal excise refunds stuck up in the field formations.

The Task Force has been set up in Karachi, Lahore and Faisalabad to clear pending refunds on top priority basis. He added that tax officials should not act like policemen, and they should work as facilitator to the taxpayers. The taxpayers must timely get the refund without going through agony. Following board-in-council decision, the FBR has changed the rules to ensure that manufacturers-cum-exporters should file claims through the ERS, Sohail added. Earlier, Imtiaz Ahmed Khan, General Manager, Pakistan Revenue Automaton Limited (PRAL), gave a technical presentation explaining key features of the Expeditious Refund System (ERS). He said the ERS facility would be initially extended to commercial exporters and accountholders of commercial banks, and refund amount would be directly transferred to the bank account of the taxpayers under the plan to expedite refunds under the 'reformed general sales tax' (R-GST).

He said that from October 1, 2010, all manufacturers-cum-exporters would be required to obtain refund through the ERS. This would end the cumbersome paperwork to be completed by the refund claimants. Later, different categories of taxpayers would be gradually brought into the ERS. Under the centralised sales tax refund payment system, the processing of the refund claims would be done in the Regional Tax Offices (RTOs), but the computerised printing of cheques would be done at the FBR level. The FBR would dispatch the cheque to the taxpayer through courier, eliminating intervention of the RTOs during this period. The FBR would be engaged in electronic reporting of the procedure to the relevant LTU/RTO.

The IT expert of the FBR said that a pilot project would be launched from March 2011 to directly deposit the refund into the bank account of the taxpayer. In this regard, the FBR has started consultations with the banks including HBL, ABL, UBL and MCB.

FBR striving to increase tax-to-GDP ratio

Federal Board of Revenue (FBR) is striving to broaden the tax net and enhance the tax-to-GDP ratio to lessen the country's dependence on external capital flows to fund the much-needed development projects.

This was stated by Mrs. Riffat Shaheen Qazi, Member FATE, FBR, while speaking to a group of some 30 college students from Talagang, district Chakwal, who visited the Facilitation and Taxpayers Education (FATE) Wing of the FBR for an academic briefing.

Mrs. Qazi welcomed the students and apprised them of the role and importance of FBR in the national economy. She also briefed the students on structure, working, functions and significance of FBR and its line departments like Inland Revenue (Income Tax, Sales Tax, and Federal Excise Duty) and Customs department. The presentation highlighted the reforms process, new image and approach of FBR.

The students were informed about the FBR's efforts for promoting Taxpayers Facilitation and motivation for

voluntary compliance of fiscal laws. They were further briefed on the developments of Inland Revenue Service and integration of tax matters.

In the end a session of questions and answers was also conducted. The students and the faculty members felt enlightened about new face of FBR.

FBR reconstitutes team to work on VAT levy from next year

Federal Board of Revenue (FBR) has reconstituted a team set up to deliberate, study and come up with a comprehensive plan to enforce value added tax (VAT) from July next year.

The team earlier set up through a board's order on July 2, 2009 has been reconstituted to include Mr. Asrar Raouf (BS-21) of Income Tax Group as chairman of the team while members include Khawaja Tanvir Ahmed (BS-20) of Customs & Excise Group, Mr. Ibrar Ahmed Khan (BS-20) of Customs & Excise Group, Dr. Muhammad Iqbal (BS-19) of Income Tax Group, Dr. Tariq Masood (BS-19) of Income Tax Group, Mr. Mustafa Kamal (BS-19) of Income Tax Group, Mr. Ghulam Ai Malik (BS-18) of Customs & Excise Group, and Dr. Iftikhar Ahmad (BS-18) of Customs & Excise Group. The team has been tasked to interact with the private sector and trade bodies to take their input for the formulation of a comprehensive plan to enforce VAT from next fiscal year.

Tax administrations of Direct Taxes, Sales Tax and Federal Excise integrated into Inland Revenue

The Human Resource Management (HRM) wing of the Federal Board of Revenue (FBR) organised a day-long workshop on 'Change Management' at a local hotel in Islamabad on February 18, 2009. The workshop attended by FBR Chairman Mr Ahmad Waqar, all Members and Director Generals of Government of Pakistan is committed to enhance domestic resource mobilization as part of its stabilization and reform strategy to meet the targets of sustainable growth. A key element in this regard is the establishment of a fair and efficient tax administration. FBR has been undergoing a comprehensive Program of Tax Administration Reforms. The Program aimed at restructuring of FBR on the pattern of leading modern tax administration. The Tax Reform Program envisaged a functionally integrated tax administration of sales tax, federal excises and direct taxes. The key element was to facilitate the taxpayers by providing universal self-assessment across all taxes. It would not be possible to implement the system effectively without having a functionally designed tax administration. The FBR continued to operate in separate domains of Direct Taxes and Sales Tax / Federal Excises with partial design adjustments at Headquarters and field formations.

Accordingly, the tax administrations of direct tax, sales tax and federal excise have been integrated into a single position of Inland Revenue headed by a single Member. He is responsible for all field operations at the Regional Tax Offices and Large Taxpayers Units across the country. This step is intended to facilitate taxpayers by creating a single window access and aligning all business processes to promote a tax compliant culture.

In addition, a new support function of enforcement & accounting has been introduced in the functional design which is to be administered by a separate Member. At the

same time the taxpayers' audit has also been entrusted to an independent Member separating it from the internal audit function.

IFAC NEWS

New Members Appointed to the International Auditing and Assurance Standards Board

The Public Interest Oversight Board (PIOB) has confirmed a number of new and reappointed members of the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board supported by the International Federation of Accountants (IFAC). The appointments were recommended by the IFAC Board and are effective January 1, 2011. The PIOB is an independent body that oversees IAASB activities.* The new members of the IAASB are:

- Jean Blascos (France), a practitioner in a transnational firm;
- Jianshen Chen (China), a practitioner in a large national firm; and
- Merran Kelsall (Australia), a non-practitioner and chair of a national auditing standards setter.

The following members were reappointed for an additional term:

- John Archambault (United States), a practitioner in a transnational firm;
- Jon Grant (United Kingdom), a non-practitioner and staff member of a national audit regulator; and
- Caithlin McCabe (Australia), a practitioner in a transnational firm.

In addition, Diana Hillier was reappointed as deputy chair of the IAASB.

These six new and re-appointed members will work alongside the chairman, Prof. Arnold Schilder, the deputy chair, and the other 10 board members in setting high-quality auditing and assurance standards. In addition to standard setting, the IAASB strives to enhance the quality and uniformity of audit practice throughout the world by promoting the adoption and implementation of its International Standards on Auditing (ISAs).

"These new members are excellent choices for the IAASB," said IFAC Chief Executive Officer Ian Ball. "In addition to being highly qualified individuals, their appointments maintain the balance of nine practitioners and nine non-practitioners on the board. The appointments also enhance the diversity of the board in terms of gender, regional, and professional balance."

IPSASB Publishes International Public Sector Conceptual Framework Documents for Comment

The International Public Sector Accounting Standards Board (IPSASB) today released for comment an exposure draft (ED) and two Consultation Papers related to its project to develop a Conceptual Framework for the general purpose financial reporting of public sector entities. The Conceptual Framework is the IPSASB's key strategic objective for 2010–2012 and is of fundamental importance to the future

of global public sector standard setting for at least the next 10–15 years.

Conceptual Framework Exposure Draft 1 (CF-ED1), Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Role, Authority, and Scope; Objectives and Users; Qualitative Characteristics; and Reporting Entity, refines the issues highlighted in a Consultation Paper published in 2008 and reflects the IPSASB's consideration of the responses to that Consultation Paper. CF-ED1 proposes that the objectives of financial reporting should be to provide information for accountability and decision-making purposes. It also proposes that the scope of financial reporting should extend beyond the traditional financial statements to include more comprehensive financial and non-financial information.

The Consultation Paper, Elements and Recognition in Financial Statements, identifies alternative asset and liability-led and revenue and expense-led approaches to financial statements and considers the key characteristics of assets, liabilities, revenue and expenses. It also discusses whether further elements should be defined and examines approaches to the recognition of elements.

The Consultation Paper, Measurement of Assets and Liabilities in Financial Statements, considers the measurement bases that may be appropriate for the elements that are recognized in financial statements. It discusses historical cost, market value, and replacement cost and then examines deprival value as an approach to select the most relevant measurement basis.

Summaries of the Consultation Papers can be found in the "At a Glance" publications, which have been posted along with the Consultation Papers. A staff draft, Key Characteristics of the Public Sector, identifies and provides an overview of some of the main characteristics of the public sector that distinguish it from the private sector and, therefore, have a potential impact on the development of a public sector Conceptual Framework. The IPSASB is not seeking comments on this draft at this time. This document will be further considered by the IPSASB in 2011 and, following approval, will be formally exposed for comment.

"The Conceptual Framework provides the set of principles that underpin the IPSASB's standard-setting activities over the long term," said IPSASB Chair Andreas Bergmann. "Given the central role that the Conceptual Framework will play in the IPSASB's future standard-setting activities, I strongly urge all stakeholders to submit comments on this ED and the two Consultation Papers."

IAESB Proposes Clarified Standard on Continuing Professional Development

The International Accounting Education Standards Board (IAESB) today released for public exposure a proposed revision of International Education Standard (IES) 7, Continuing Professional Development: A Program of

Lifelong Learning and Continuing Development of Professional Competence.

IES 7, drafted in 2004, introduces the concepts of continuing professional development (CPD)—learning that develops and maintains competence to enable professional accountants to perform their roles effectively—as relevant, verifiable, and measurable learning activities and outcomes. The proposed redrafting aims to assist the ongoing worldwide development of CPD systems and compliance mechanisms. IAESB expects to increase the opportunity for mobility of labor, and in so doing to contribute to the global economy through these revision efforts.

“The IAESB would like to encourage a more innovative approach to meeting CPD needs,” said Mark Allison, chairman of IAESB. “We believe we can achieve this by confirming the existing requirements of the standard and the recommended measurements for appropriate CPD activity, and emphasizing the range of available approaches to CPD systems.”

This exposure draft is the first in a series of planned revisions over the coming year. The IAESB plans to clarify the obligations of CPD through the revision of IES 7, and to draw international attention to prequalification education for accounting professionals and the competencies of an auditor through revisions of additional standards.

International Federation of Accountants Posts Notice of the 2012 Call for Nominations for Boards and Committees

The International Federation of Accountants (IFAC), the global organization for the accountancy profession with members and associates in 125 countries, has issued an announcement to alert its members and the public of its Notice of the Call for Nominations to IFAC Boards and Committees in 2012

Both the Notice of the Call for Nominations and its companion guide, Developing a Nominations Strategy, are designed to help the members of IFAC, and others, identify the most qualified person for nomination to each available position on the boards and committees, while also achieving a gender, regional, and professional balance. These in-depth documents, located on the IFAC website, contain strategic and practical advice for nominating organizations, which allows them to make more informed decisions in their selections and to understand the requirements and expectations of the nominees.

The official 2012 Call for Nominations for Boards and Committees supported by IFAC will be issued on January 15, 2011, and nominations may be submitted from January 15 to March 15, 2011.

Each year, roughly one third of the 150+ positions on the boards and committees come up for rotation, though for some of those positions serving members may be re-appointed. The nominating process is designed to ensure a diverse membership, and a transparent and consistent approach to filling available positions. For more information about the nominations strategy, its due process, nominating committee members or for guidance in selecting the best candidate, please visit www.ifac.org/NominatingCommittee.

ICMAP News

KBC has signed an MoU with Express Toastmaster Club (ETC)

The ICMAP is signed an MoU with Express Toastmaster Club (ETC), a charter club of Toastmaster International. Now, ETC shall hold its fortnightly meetings at ICMAP Head office Premises where members of ICMAP can join the club for learning and improving Communication and Leadership skills which are necessary for their professional growth for free of cost. ETC offers a unique platform where members can hone their communication skills including effective public speaking, listening, and evaluation skill based on its motto "We learn-by-doing" in a comfortable, friendly, and positive atmosphere. There is no instructor and no student in a Toastmasters club. Instead, members help each other to improve every facet of communication and leadership skills by using a unique format developed by Toastmasters International in collaboration with Karachi Branch Council of ICMAP.

Mr. Muhammad Rafi elected as Vice President of South Asian Federation of Accountants (SAFA)

In the 72nd Assembly meeting of South Asian Federation of Accountants (SAFA) held on January 9, 2011 at Chennai, India, Mr. Muhammad Rafi, a Fellow Member and Past President of ICMAP, has been elected as Vice President of SAFA - an apex body of SAARC.

Mr. Rafi has also represented Pakistan at the International Federation of Accountants (IFAC), Public Sector Committee during 2000-02. Currently, he is the Chairman of ICMAP-ICAP Joint Committee, Member of ICMAP National Council and Member of the Consultative Group of International Public Sector Accounting Standards Board. He is also the Chairman of SAFA Committee on Governmental Accounting and Public Sector Enterprises. Mr Rafi has presented many papers at national and international conferences & seminars.

Presently serving as General Manager (Finance) in the Oil & Gas Development Company Limited (OGDCL), Mr. Rafi has overall 34 years of experience at senior management levels.

44th Annual General Meeting of the Institute of Cost and Managements Accountants of Pakistan:

The 44th AGM of ICMAP held on Friday 31st December, 2010 at ICMAP Islamabad.

ICAP News

ICAP Organised an Examination Certificate Award Ceremony

The Institute of Chartered Accountants of Pakistan held a ceremony at Pearl Continental Hotel, to award the Examination Certificates to those students who had passed the final examination held in summer 2010 and also awarded Certificate of Merit and Gold Medal to those students who had performed outstandingly in the Foundation & Intermediate Examinations of Spring & Autumn 2010. The ceremony was attended by ICAP Council members, its Past Presidents, eminent professionals and parents of students.

Mr. Sohail Wajahat H. Siddiqui, Managing Director, & Chief Executive Officer, Siemens (Pakistan) Engineering

Company Ltd., and Mr. Parvez Ghias, Chief Executive Officer, Indus Motor Company Ltd., were invited on this occasion as guest speakers.

President ICAP Mr. Saqib Masood in his welcome address, while felicitating the newly qualified CAs, winners of Certificate of Merit & Gold Medal and their parents in his welcome address stated that these newly qualified CAs need to be optimistic and positive all the time which attitude will take them high and above in the journey called life. He also emphasized on the new responsibilities of these qualified CAs.

Mr. Sohail Wajahat H. Siddiqui said that the role of CAs is similar to a doctor, who knows the financial problems and their solutions as doctors know the problems of a human body. He outlined the path to success which he said can be achieved with hard work and modesty and work life balance.

Mr. Parvez highlighted the role of CAs to bring positive changes in organizations. He emphasized on improving interpersonal skills and broadening their horizons to bring the best possible changes in organizations. He challenged them that while their qualifications give them foundation to achieve success in the corporate world they need to strive for excellence to achieve their goals. Examination Certificates, Certificates of Merit and Gold Medal were distributed by the Guest Speakers, President, Vice President-South and other Council members of ICAP. Mr. Babar Sharif, the Ameena Khatib Foundation Gold Medal winner in the subject, Financial Accounting 2 – Spring 2010 expressed his thank to Allah and his parents and teachers for this achievement.

Mr. Saad Kaliya, Chairman Southern Regional Committee of ICAP which organized the ceremony, in his concluding remarks congratulated the newly qualified CAs, winners of Certificates of Merit and Gold Medal and their parents. He emphasized that in order for CAs to continue to enjoy the trust of the society, highest level of professional ethics and integrity needs to be maintained.

Results of the Writing Skill Competition

The Institute of Chartered Accountants of Pakistan announced the result of writing skill competition. The winners are:-

1st Position

Safoora Khalil CRN 63033 RAET SBS Karachi

2nd Position

Ravi Kanji CRN 59625 RAET SBS Karachi

3rd Position

Mushtaq Ahmed CRN 67455 NCBMS Islamabad

PIPFA News

Welcome New Members

Fellow Members

1.	RASHID SHOAB	(FPA-5095)
2.	MUHAMMAD ASLAM BHATTI	(FPA-5096)
3.	SAMMER AHMAD	(FPA-5097)
4.	GHULAM MUDASSAR	(FPA-5133)
5.	HASSAN MASUD	(FPA-5158)

Associate Members

1.	ATIF NAZIR	(APA-5051)
2.	KHAWAR MUNIR	(APA-5052)
3.	ANEEL AHMED	(APA-5053)
4.	WILSON	(APA-5054)
5.	ASIF AMIRALI	(APA-5055)
6.	BANTI LAL	(APA-5056)
7.	KHALIL UR REHMAN	(APA-5057)
8.	SHAHZAD RIZWAN	(APA-5058)
9.	JAMIL AHMAD KHAN	(APA-5059)
10.	MAJID HAMEED TAHIR	(APA-5060)
11.	FAISAL JAHANGIR	(APA-5061)
12.	MUHAMMAD JAVAID	(APA-5062)
13.	AYESHA ZAHOR	(APA-5063)
14.	MUHAMMAD RAZA WAHEED	(APA-5064)
15.	TAHIR ABBAS	(APA-5065)
16.	HASSAN AHMAD CHISHTI	(APA-5066)
17.	SAADIA SATTAR	(APA-5067)
18.	MUHAMMAD IMRAN ABBAS	(APA-5068)
19.	MUHAMMAD SHAHID ZAFAR	(APA-5069)
20.	MUHAMMAD NADEEM	(APA-5070)
21.	RAJESH KUMAR	(APA-5071)
22.	MUHAMMAD ASHRAF	(APA-5072)
23.	KALEEM ULLAH	(APA-5073)
24.	KHAYAM AHMED	(APA-5074)
25.	MUHAMMAD USMAN	(APA-5075)
26.	SHAHID	(APA-5076)
27.	AYAZ ALI	(APA-5077)
28.	MUHAMMAD YASIR	(APA-5078)
29.	SAIMA RASHEED	(APA-5079)
30.	SULMAN NAWAZ	(APA-5080)
31.	SAMAN HASSAN	(APA-5081)
32.	SYED MUHAMMAD ASIM SHAMIM	(APA-5082)
33.	SYED MUHAMMAD KAMAL SHAMIM	(APA-5083)
34.	FAHIM	(APA-5084)
35.	MIAN HASNAT ALI	(APA-5085)
36.	ZAHIR SADIQ	(APA-5086)
37.	MUHAMMAD ZOHAIB SHAUKAT	(APA-5087)
38.	FALAK NAZ	(APA-5088)
39.	USMAN LATIF	(APA-5089)
40.	QASIM RAZA	(APA-5090)
41.	MATLOOB HUSSAIN	(APA-5091)
42.	MUHAMMAD SAJID HAMID KAPADIA	(APA-5092)
43.	QAISER AHMED	(APA-5093)
44.	MUHAMMAD NASIR JAMIL	(APA-5094)
45.	FARHAN AFTAB	(APA-5098)
46.	HASSAN ALI SHAH	(APA-5099)
47.	SHAHNAZ RASHEED	(APA-5100)
48.	MUHAMMAD JAHANGIR AHMED SIDDIQUI	(APA-5101)
49.	AHMED BILAL SHEHZAD	(APA-5102)
50.	MOEID SULTAN	(APA-5103)
51.	SHAFQAT ALI	(APA-5104)
52.	MUHAMMAD KHURSHID ALAM	(APA-5105)
53.	ABDUL MAJID	(APA-5106)
54.	WAJID HUSSAIN	(APA-5107)
55.	HUNAIN	(APA-5108)
56.	AHMED HUSSAIN ABBASS	(APA-5109)
57.	IJAZ AHMED	(APA-5110)

58.	MUHAMMAD QASIM	(APA-5111)
59.	JAVVAD ASGHAR ALI SOPARI WALA	(APA-5112)
60.	MUHAMMAD IMRAN BASHIR	(APA-5113)
61.	MUHAMMAD AKRAM	(APA-5114)
62.	MUHAMMAD NAWAZ	(APA-5115)
63.	OMAIR MAHMOOD ZAKARIYA	(APA-5116)
64.	MUHAMMAD MEHMOOD BIKIYA	(APA-5117)
65.	ADNAN KHALID	(APA-5118)
66.	YASIR GHAFAR	(APA-5119)
67.	IRFAN ANJAM	(APA-5120)
68.	MUHAMMAD IMRAN	(APA-5121)
69.	ZAHID SALEEM	(APA-5122)
70.	HAFIZ NASIR HUSSAIN	(APA-5123)
71.	ARSHAD MAHMOOD	(APA-5124)
72.	MUHAMMAD JAMSHAD IQBAL	(APA-5125)
73.	SHARF- UR- RAHMAN	(APA-5126)
74.	MUHAMMAD AZAM DANISH	(APA-5127)
75.	SYED AZHAR ULLAH HUSSAINI	(APA-5128)
76.	HAMEED AKRAM	(APA-5129)
77.	ZUHAIB MUNEEB	(APA-5130)
78.	SHABBEER	(APA-5131)
79.	ABID SHAFI	(APA-5132)
80.	USMAN YOUSAF	(APA-5134)
81.	NABEEL SHAIKH	(APA-5135)
82.	MOHSIN RAZA	(APA-5136)
83.	ABID IQBAL	(APA-5137)
84.	MUHAMMAD ILYAS	(APA-5138)
85.	MUHAMMAD ASIF SEEMAB	(APA-5139)
86.	KALEEMULLAH PANHWAR	(APA-5140)
87.	NOMAN TAYYAB KHAN	(APA-5141)
88.	MURTAZA MAHMUD	(APA-5142)
89.	MUHAMMAD ALTAH HUSSAIN	(APA-5143)
90.	MUHAMMAD UMAIR SIDDIQUI	(APA-5144)
91.	MUHAMMAD HANI LAKHANI	(APA-5145)
92.	MUHAMMAD LABEED SUBHANI	(APA-5146)
93.	SHAHZAD AHMAD	(APA-5147)
94.	QASIM ABDUL SATTAR	(APA-5148)
95.	MUHAMMAD USMAN MAJEED	(APA-5149)
96.	SADAF TABASSUM	(APA-5150)
97.	FAIZAN AHMED	(APA-5151)
98.	ABDUL RAZAQ	(APA-5152)
99.	QAMAR HUSSAIN	(APA-5153)
100.	IMTIAZ AHMAD	(APA-5154)
101.	MUHAMMAD ASIF RAZAQ	(APA-5155)
102.	IMRAN AHMAD KHAN	(APA-5156)
103.	ALTAH HUSSAIN	(APA-5157)

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2.	CH. KHALID MAHMOOD MAHOTA	(FPA-1244)
3.	MUNEEB NAZIR MIR	(FPA-1638)
4.	NAZEER AHMED	(FPA-1782)
5.	ARSHAD ZAMAN	(FPA-1830)
6.	REHMAT ULLAH BARDAIE	(FPA-1978)
7.	SYED TALIB IMAM ZAIDI	(FPA-2269)
8.	MOHAMMAD IMRAN NOORANI	(FPA-2271)
9.	SAFDAR MATIN KHAN QAZI	(FPA-2331)
10.	SHEIKH MOHAMMAD AKMAL	(FPA-2334)
11.	ZULFIQAR NOORANI	(FPA-2507)
12.	AHSEN KAMAL	(FPA-2651)
13.	SYED QASIM ALI BUKHARI	(FPA-2705)
14.	KHURRAM ALTAH	(FPA-2710)
15.	ZULFIQAR AHMAD	(FPA-2758)
16.	AGHA MUJEEB AHMED KHAN	(FPA-2777)
17.	SYED ASAD ALI RIZVI	(FPA-2780)
18.	DILROZ KHAN	(FPA-2820)
19.	MUHAMMAD ALI	(FPA-2825)
20.	SOHAIL AZIZ	(FPA-3001)
21.	SYED ZAFAR AHMAD	(FPA-3050)
22.	ALI AKBAR	(FPA-3069)
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26.	SYED JAWED ASDAQUE	(FPA-3142)
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29.	GHULAM YASEEN	(FPA-3170)
30.	MUSTAFA FIDA	(FPA-3177)
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35.	KASHIF AHMAD	(FPA-3360)
36.	OMAR HASAN	(FPA-3369)
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38.	ZULFIQAR ALI	(FPA-3383)
39.	MUHAMMAD WAJID ALI	(FPA-3389)
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17th AGM of PIPFA

17th Annual General Meeting of the Pakistan Institute of Public Finance Accountants held on Saturday 30th October, 2010 at PIPFA Head Office, Karachi.



Participants of the 17th. AGM PIPFA

PIPFA NEW OFFICE BEARERS FOR 2010-11

Pakistan Institute of Public Finance Accountants in its 87th Board meeting, held on December 25, 2010 has elected new office bearers for 2010-11. Mr. Rashid Rahman Mir has been elected as the President of the Institute for the year 2011. Further, Mr. Sajid Hussain as Vice President, Syed Imtiaz Hussain Bukhari as Secretary and Mr. Shahzad Ahmad Awan as Treasure have been elected for the same term.

Cont'd from p - 7 : BECOMING A KEY PLAYER

Both approaches have advantages and drawbacks. Indeed, both can result in reduced control by ceding power either to divisional management, who might have their own agendas, or third parties, who might seek to exploit the contract.

Thus the FSSC can be seen as the best of both worlds. An arm's length, quasi-commercial business model, combined with a customer focus centred on in-house business partnering.

GFD: But I'm now confused. Are you saying that the FSSC is standardising everything or not? We have put a lot of work into becoming more efficient through the "joined up company" initiative. How can we simply have the best of both worlds? **JL:** The FSSC has a basic premise of standardisation and there are certain hard points in the system in terms of input/output formats and the monthly reporting time line. But around that we can accommodate a certain amount of customisation around divisional business protocols and commercial expediciencies. The FSSC was never intended to be a one size fits all approach - that's one of the chief advantages over using a third party outsourcer. But neither can it do everything differently. Bigger picture **GFD:** So why then do some divisional managers keep challenging the role of shared services? Why don't you just explain things to them? **JL:** Because the monthly service level agreement monitoring meetings tend to get bogged down in detail.

We don't get the opportunity to step back and appreciate the bigger picture. Often divisional managers complain about things they know we can do nothing about because the policy is set at board level. **GFD:** OK, but to be fair to the divisions, shared services need to ensure that they're doing the right things for people at the right time. This is marketing. We can all be too introspective. A friend of mine recently stayed at a hotel and gave scores of either four or five out of five for all the questions on the room feedback form. However, under "any other comments" she wrote 'I'll never stay in this hotel again!' The hotel had simply not understood the needs of customers and thus had asked the wrong questions - at least as far as my friend was concerned. Next there is the day-to-day role of selling - that is, communicating the product offering and getting feedback on your performance. Selling is about getting face to face and sorting the service before it becomes a problem. Service level agreements will always be an ideal. It's also important to have a close personal understanding between parties. To summarise, a shared service is not just about operational expediency - it has a real purpose, a mission. It goes beyond simply cutting headcount and being a halfway house to third party outsourcing. It underpins our corporate governance model by operating as a quasi-commercial business with clear SLAs. But it also adds value by uncluttering our frontline divisions. The constant tension between the FSSC and divisional directors is natural. It's a part of normal business communication and understanding - we could say internal marketing. Without it, services would not be continually improved and would ultimately become misaligned with the business. Now tell me what your recommendations are? **JL:** 1. The overall rationale and value of shared services needs to be defined and articulated more clearly by the board 2. We need to revisit the performance measures now that the FSSC has achieved steady state and separate them into controllable and uncontrollable factors. The SLAs can then focus on the ongoing relationship. 3. We need to improve communication and understanding between the FSSC

and business units. We have something to learn from our colleagues in marketing staff and maybe staff secondments between the shared services and the divisions could help to foster deeper understanding in the long term. For example, some companies use shared services as a corporate training ground. I will write a discussion paper for the next meeting. **GFD:** Sounds good. Fancy lunch? This article is a part of a CIMA funded research project. Ian Herbert and Will Seal would like to hear from anyone who is involved with shared services and is having to rationalise the overall role and relationships with business customers. For a copy of their latest research paper on shared services, email: i.p.herbert@lboro.ac.uk

Cont'd from page 9 :
THE PITFALLS OF PAY-FOR-PERFORMANCE

Footnotes

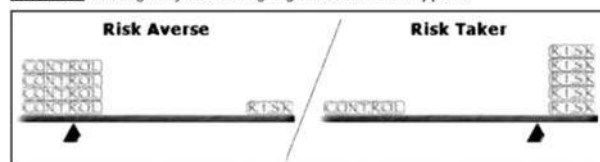
- * Jeffrey Pfeffer and Robert I Sutton, 'Hard facts, dangerous half-truths, and total nonsense' (HBS Press 2006, page 120).
- ** B R Bucklin and A M Dickinson, 'Individual monetary incentives: a review of different types of arrangements between performance and pay', *Journal of Organisational Behaviour Management*, 21, no.3 (2001), pp 45-137.
- *** Watson Wyatt Worldwide, 'Strategic rewards: maximising the return on your reward investment' (Company Survey Report, 2004)

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Cont'd from p - 17 : Embedding Risk Management

The organisation can either be a risk-averse or risk-taking organisation. By shifting the risk control fulcrum as shown in Diagram 8, organisations can strategically position and set their risk tone for managing risk. However, there is always a cost to implementing risk controls. Weak currency may for example become an inherent risk that the organisation has to accept, with little it could do directly.

Diagram 8 Strategically Positioning Organisational Risk Appetite



In summary, performance is all about achieving the corporate objectives and executing organisational strategy. Performance barriers or risks must be identified and mitigated as part of managing organisational performance. Enterprise-wide risk management practices must therefore be an integral management tool that forms part of any corporate performance management system.

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