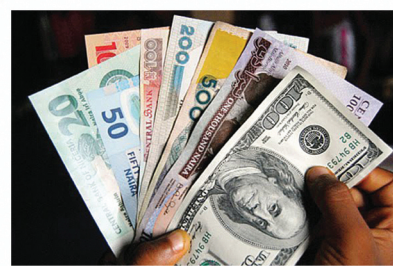
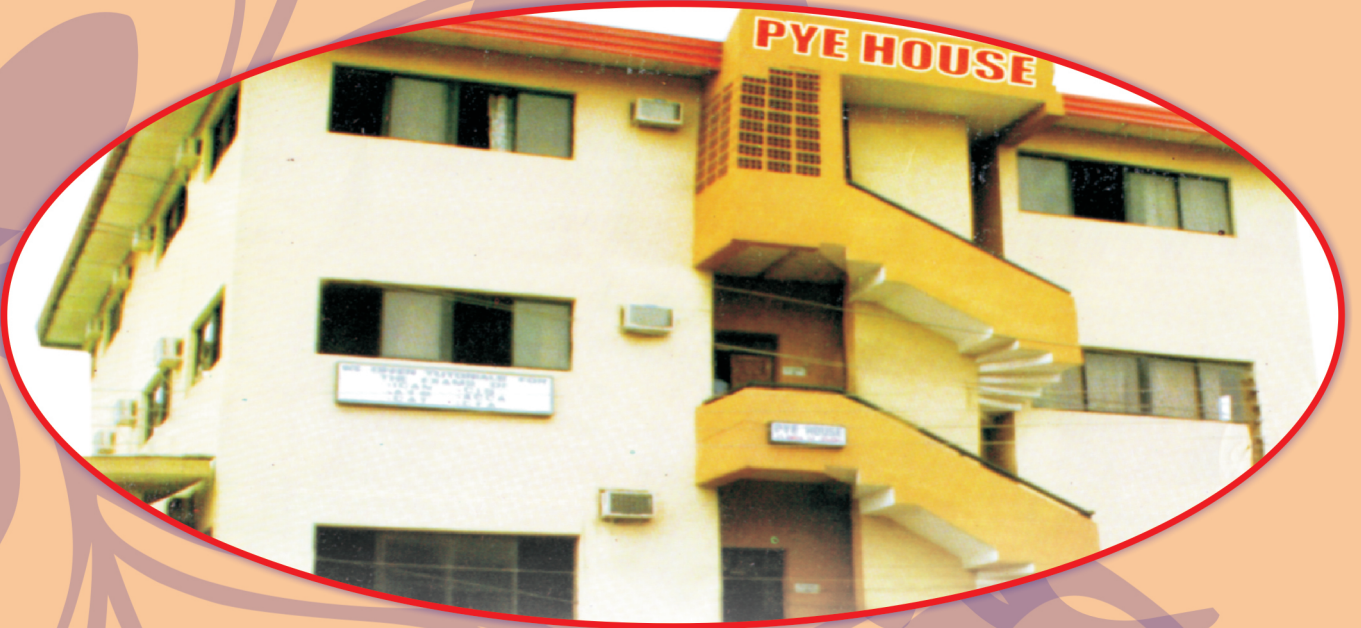


Financial Reporting And Value Creation In The Public Sector: Issues, Challenges And Prospects



● **Return On Talent: Creating Value Through Motivation**

STUDENTS PYE NIG. LTD.



Students PYE was established in November 1986 to prepare students for examinations leading to professional certificate in accountancy. As a national leader in accounting and finance education, Students PYE was one of the first in the country to be recognised by all stakeholders as excellent lecture centre for accountancy, finance and other related business programmes.

ICAN PROGRAMMES

Students PYE NIG. LTD is a leading tuition house in Nigeria providing tutorial lectures for all ican examinations including the ATS foundation and professional stages of the institution examination over a period of two decades.

Why Study With Student Pye

Some of the factors that highly recommend STUDENTS PYE include the following;

Small Class sizes, Comfortable classes equipped with air-conditioners and modern teaching aids, Central location and therefore ease of accessibility of the school, Committed, caring and experienced teaching team, Free internet and e-mail facilities, Continuous support from our friendly administration team.

Our Faculty & Staff

STUDENTS PYE outstanding faculty brings to you a unique background of accomplishment and expertise. Our tutors are talented and dedicated individuals who are attentive and committed to students' learning experience. Through their guidance, encouragement and strong support, our students will earn qualifications that will equip them to deal with a world that is full of unpredictable challenges

Other programmes at PYE

we also provide tutorial classes for examinations of
ACCA, CIS, CFA etc.

for registration enquiries and further information, call
The Registrar, STUDENTS PYE NIGERIA LIMITED
(accountancy & management tutors)
PYE House, 14, Oweh Street, Jibowu, Lagos.
Tel: 01-7745383, 01-7732630, 01-8962803,
Or visit: www.studentspyeng@yahoo.com

P
A
S
S
Y
O
U
R
E
X
A
M
S

you are welcome!

NEWS

4

- ICAN Is The Most Powerful Professional Body In Nigeria
- ICAN Membership Is Not Discriminatory, Says Doyin Owolabi
- Chartered Accountants Can Make Good Leaders
- I Will Sell ICAN's Whistle-Blower Campaign Against Corruption
- Ernst & Young Hosts 48th ICAN President
- PhD In Accounting Does Not Make One A Chartered Accountant
- We Shall Not Compromise Standards, Says Auditor-General
- SIAO Is A Bridge Between Small And Big Firms
- Aregbesola Tasks ICAN On Involvement Of Accountants In Frauds
- FIRS Is Doing Great Job

COVER

11

- Financial Reporting And Value Creation In The Public Sector: Issues, Challenges And Prospects

FEATURE

13

- Return On Talent: Creating Value Through Motivation

THE EXAMINER

21

Editorial Staff

EDITOR

Dayo Ajigbotosho

ASSISTANT EDITOR

Muyiwa Dare

STAFF WRITER

Sunkanmi Oloketuyi

ADVERTS

Orhue Gobadia

ICAN Students' Journal

(ISSN: 1119 - 9636) is published quarterly by the Institute of Chartered Accountants of Nigeria, Plot 16, Professional Centre Layout, Idowu Taylor Street, Victoria Island, P.O. Box 1580, Lagos. Tel: 7642294, 7642295, Fax: 2610304

E-mail: info.ican@ican.org.ng
corporateaffairs@ican.org.ng;
daajigbotosho@ican.org.ng
or info.ican@ican.org.ng
ICAN Website: www.ican-ngr.org

The views expressed by correspondents or contributors in this journal are not necessarily those of the Institute. The Institute reserves the right to refuse, cancel, amend or suspend an advertisement or insertion and no liability can be accepted for loss arising from non-publication or late publication of any advertisement or insertion. All articles are subject to editing.

*Correspondence should be addressed to:
The Corporate Affairs Department, ICAN
P.O. Box 1580, Lagos.*

Editor's Note

Value creation in the private sector as key driver of the economy in any society is largely measured by returns to shareholders. This simply implies that private sector does not create value in the society without considering the profit which could be generated from these ventures.

The public sector on the other hand when creating value for the society neither consider profit nor income generation. Instead, it creates social value, i.e. value for individuals, community and even the society at large thereby adding value to the efforts of donor organizations, aid agencies and civil societies. Public sector value creation also involves creation of enabling environment in which private sector operations thrive successfully.

Our lead article entitled "**Financial Reporting and Value Creation in the Public Sector: Issues, Challenges and Prospects**" dealt with how the public sector could deliver the right services to the society in the most efficient, effective and economical manner. The article also explained how financial reporting could contribute to value creation in the public sector?

Apart from the cover story, our feature article entitled "Return on Talent: Creating Value through Motivation" seeks to broaden our reader's understanding of what drives and motivates talents and how talents can be managed in order to create value as well as give insight into some challenges involved in the process.

Also in this edition, the proceedings of the 42nd Annual Accountants Conference held in Abuja between 15th and 19th October 2012 was comprehensively reported for your delight.

We wish you a merry Christmas and prosperous new year in advance as you read this edition. Please, remember to send your contributions and reactions to daajigbotosho@ican.org.ng; or dayoajigbotosho@yahoo.com

ICAN Is The Most Powerful Professional Body In Nigeria - Afe Babalola

The Legal Luminary and founder of Afe Babalola University, Ado-Ekiti (ABUAD), Chief Afe Babalola (SAN) has described the Institute of Chartered Accountants of Nigeria (ICAN), as the most powerful professional body in Nigeria.

Babalola made this assertion while receiving the 48th President of ICAN, Mr Doyin Owolabi who had paid him a courtesy visit in his office at the University campus in Ado-Ekiti. He maintained that ICAN had come of age with the production of qualitative Chartered Accountants who can compete favourably with others from any part of the world. He said that the relationship between ICAN and the University has been cordial in the last three years it opened for



ICAN President Doyin Owolabi and his entourage with students of Afe Babalola University, Ado-Ekiti, Ekiti State.

supports to the development of the University through donation of various materials for academic purposes, promising that the University will not disappoint ICAN.

ICAN Membership Is Not Discriminatory, Says Doyin Owolabi

The 48th President of the Institute, Mr Doyin Owolabi, has urged the Accounting students of Ladoke Akintola University of Technology, Ogbomosho, to disabuse their mind from the erroneous belief that ICAN examination is difficult and meant for certain categories of people.

He said this during an interactive session organised by members of ICAN Ogbomosho/Oyo & District Society during his visit to the District. He said: "Membership of ICAN is opened to all categories of people regardless of their race, ethnic and socio-economic background as long as such individual is able to prove beyond reasonable doubt that he/she is worth the certificate."

Owolabi also encouraged the students to take advantage of ICAN Scholarship Scheme and embrace a flourishing career in the Accountancy Profession.

In a related development, the President also disclosed that the relationship between ICAN and ANAN is cordial. He made this statement when he paid a courtesy visit to the Acting Vice-Chancellor of Ladoke Akintola University of Technology (LAUTECH), Ogbomosho, Professor Adeniyi Sulaimon Gbadegesin, who was represented by the Provost of College of Health Sciences, Professor Ayode Adesokan.

Owolabi recalled that two years ago when Association of National Accountants of Nigeria (ANAN) applied for membership of the International Federation of Accountants (IFAC), the umbrella body for all Accountancy Bodies around the world, ICAN sponsored and mentored the Association in line with the IFAC guidelines.

He said; "ICAN is now playing the role of big brother to ANAN and as a result, the relationship between the two bodies has been cordial".



Founder, Afe Babalola University, Ado-Ekiti, Chief Afe Babalola (SAN), welcoming ICAN President, Doyin Owolabi to his office.

business, adding that the authority of the Institution would not relent to ensure the sustenance of the relationship.

Earlier, Owolabi had intimated the ABUAD founder that he was on the tour of Ado-Ekiti District society of ICAN to know the challenges facing ICAN members in the course of discharging their responsibilities to their employers and clients and how such could be surmounted. He also described ABUAD as one of the best Universities in Africa, considering the quality of education being dished out to their students.

He buttressed his point with the excellent performance of some students of the school in the ICAN examinations they sat for. According to him, three students of the school won various awards from ICAN for excellent performance.

In the same vein, the Vice Chancellor of Ekiti State University, Ado-Ekiti, Professor Oladipo Aina commended ICAN members in the service of the Institution, for contributing positively to the growth and development of it.

He said that though, the University was established 30 years ago, plans are in the pipeline to transform it to world-class Institution. He added that ICAN members in the school have been contributing positively to the plan. He expressed appreciation to ICAN for its

The ICAN President also used the opportunity to urge the LAUTECH management to take advantage of the various programme of the Institute such as the Mandatory Continuing Professional Education (MCPE), Annual Accountants' Conference, Intensive Course on International Financial Reporting Standards (IFRS) to improve staff capacity on a regular basis in order keep them abreast of the current trends in the Accountancy Profession.

Chartered Accountants Can Make Good Leaders

- Don

Members of the Institute of Chartered Accountants of Nigeria, by virtue of their training and exposure can rule Nigeria successfully. This was the submission of the acting Vice Chancellor of the Osun State University, Osogbo, Professor Ganiyu Olatunde while playing host to the 48th President of the Institute, Mr. Adedoyin Owolabi who was on a 3-day district tour in the State.

Professor Olatunde said that since Chartered Accountants understand financial management very well, they could therefore make good leaders. He praised ICAN for standing tall among other professional bodies in the country and for setting standards in financial sector of the economy.

He disclosed that the University was so impressed with the good jobs members of the Institute are doing, adding that it was a policy in the University to employ only Chartered Accountants as senior officers in their financial department. He further said that ICAN is taking the lead among other professional bodies in human development.

Earlier, the ICAN President had disclosed that he was in the University to pronounce the desire of the Institute to let all stakeholders feel the activities of its members within the environment they work as well as to intimate students of tertiary institutions on the need for them to register for ICAN examinations and pass before graduation. According to him, this is in line with the policy of "catch them young" of the Institute.

Mr. Owolabi disclosed further that the Institute offers grants to members in the academia who want to pursue PhD to the tune of N500,000 as part of sponsorship in order to encourage them for the programme. He also enumerated the various scholarships set aside for students who register for ICAN examinations of different stages. The President however made a pledge of N100, 000 as donation for books to the accounting department of the University.

ICAN Accreditation Of Schools Does Not Symbolise Loss Of Confidence - Doyin Owolabi

The 48th President of the Institute, Mr Doyin Owolabi, has said that ICAN accreditation exercise does not symbolise loss of confidence in a school's standards but to keep it abreast of contemporary accounting issues as they evolve in the interest of the school and the students.

Owolabi made the clarifications at the Enugu campus of University

of Nigeria on Monday, August 13, 2012 during his visit to Enugu District and Society of ICAN. He stated further that as an ICAN accredited University and a stakeholder in the area of producing students for ICAN, it was apt that his team visits the school during the 2-day working visit to Enugu State.

Speaking further, the ICAN President disclosed that ICAN's middle level manpower development scheme called Accounting Technician Scheme West Africa (ATSWA) has been redefined on the West African map. He said: "Other countries like Mali, Mauritius, Cameroun etc. have embraced the scheme which was hitherto targeted at West African sub-region. This scheme has also helped the Nigeria society both academically and professionally by producing middle level Accountants to assist the Chartered Accountants in practice and socially by engaging the youths positively".

He also mentioned that the Institute awards scholarship to both deserving accounting and non-accounting students who are interested in diversifying. He said "this is one of the ways the Institute plough back its resources into the society where it operates".

Welcoming the delegates to her office, the Deputy Vice Chancellor of the University, Prof. (Mrs.) Ifeoma Enemo, stated that she was so delighted having the team in her school. She promised the ICAN President of taking actions on all the issues raised. She acknowledged the usefulness of ICAN publications to students and lecturers, and appreciated past gestures in terms of computers, soft ware and books donation and requested for more due to increase in the number of students' enrolment into the accounting department of the school.

Emulate ICAN, Don Advises Other Professional Bodies

The Vice Chancellor of Ajayi Crowther University, Oyo, Professor Timothy Kolawole Jaiyeoba has urged other Professional bodies in Nigeria to emulate the Institute of Chartered Accountants of Nigeria (ICAN). He made this statement when the 48th President of ICAN Mr. Adedoyin Idowu Owolabi paid him a courtesy visit in his office.

He posited that ICAN as a trail blazer should be emulated by all other professional bodies as far as good service delivery is concerned. He added that professionals trained by ICAN are most useful to the society.

In his response, the ICAN President reiterated that it is a culture of the Institute for any sitting ICAN President to visit District societies as a way of getting feedback from their members as well as their employers. He announced that ICAN has made provision for a grant of N500,000 for any of its members who wish to pursue a PhD programme in order to encourage members to attain academic excellence as well as add value to their employers.

He also stated that the Institute has a scholarship scheme for the benefit of students and graduates of Institutions of higher learning in Nigeria whose Accountancy Programme is accredited by ICAN. He therefore urged members and students to take advantage of these unique opportunities at their disposal.

Accounting Students Must Register For ICAN Examination Before Graduation - Yabatech Rector

The Deputy Rector, Administration, Yaba College of Technology, Lagos, Dr. Harrieth Akubuiro, has said that the management of the school will ensure that all accountancy students in the Institution register with the Institute of Chartered Accountants of Nigeria (ICAN) and sit for its examinations before graduation.

The Deputy Rector who represented the Rector of the School, Dr. Kudirat Ladipo, gave the admonition while receiving the 48th President of ICAN, Mr. Doyin Owolabi in her office. She said, "being the first higher Institution in Nigeria, YABATECH and ICAN, the foremost Accountancy professional body in Nigeria, have a long standing relationship". She promised to ensure that students in the Accountancy department pass ICAN examinations before graduation. Earlier, the ICAN President had observed that majority of YABATECH Accountancy students no longer register for ICAN student membership nor sit for its examinations again. He said YABATECH students happened to be in the fore front in ICAN membership and many were even prize winners at the examinations.

"You need to review this stand in order to regain your place of pride in the Accountancy profession because students in most private Universities have taken over and they are even qualifying as ICAN members before graduating or during their youth service year," the ICAN President charged.

I Will Sell ICAN's Whistle-Blower Campaign Against Corruption - Gov Fayemi

Ekiti State Governor, Dr Kayode Fayemi has commended the Whistle-Blower Bill against corruption, which is to be sponsored by the Institute of Chartered Accountants of Nigeria (ICAN), saying he would sell it to the nation's National Assembly.

Fayemi gave this assurance in his office while receiving the 48th ICAN President, Mr Doyin Owolabi who paid him courtesy visit on Thursday. He posited that ICAN's decision to sponsor such Bill is a right one in the right direction, adding that professionals like Chartered Accountants and others are expected to be at the forefront of the struggle against corruption.

"Our country needs this. Chartered Accountants are not surface people, they give attention to details and there is no way anybody, organization or government can do without them. The whistle-blower campaign is the right step and I will sell it."

"I live by example. When I took over as Ekiti State Governor, I declared my asset openly. So, I don't see reason why a public office holder should be afraid to do so openly if he doesn't have a hidden agenda. The word 'declare' itself means doing things openly to let people know," the governor expatiated.

Speaking further, he commended ICAN for turning out good products and promised that the tie between the Institute and Ekiti state will continue to wax stronger. He also declared that recruiting over 50 Chartered Accountants into the service of the state was not a mistake but deliberate action to ensure probity and accountability.

Earlier, Owolabi had intimated the governor on why he was in the state. He said he was on a four-day tour of Ado-Ekiti District of the Institute to have first-hand information about the challenges facing ICAN members in discharging the responsibilities to the users of their services.

He commended governor Fayemi for the good works he's doing in the state and encouraged him to continue for the benefit of the people of the state. He also applauded him for employing many ICAN members in the state as well as complying with the federal government directive that every government establishment should separate Finance and Administration departments from each other. He assured the governor of ICAN's support since his government is working in the same direction with ICAN on zero tolerance for corruption and maintaining accountability.

Ernst & Young Hosts 48th ICAN President

It was a night of good old memories and fun as the Partners of Ernst and Young, Nigeria, one of the big four Professional Accountancy firms in Nigeria host the 48th President of ICAN, Mr. Adedoyin Owolabi, to a dinner. The dinner which took place on Friday, August 10, 2012 at the magnificent Radisson Blu Encourage, Victoria Island, was witnessed by friends and professional colleagues of the ICAN President.

In his short address, the Regional Managing Partner, Ernst & Young Nigeria, Mr. Henry Egbiki described Owolabi as a man of many parts, noting that Doyin's contribution to the profession spanned over 17 years and still counting.

He said: "Doyin, your persistence in the activities of ICAN even when some of us decided to do other things have brought you thus far. We can only pray that God will continue to give you more strength to execute all you have planned for the Institute during this Presidential year". He gave the assurance that Ernst & Young, Nigeria which has been known for continuous and seamless quality services will continue to support the Institute at committee level and other activities.

Sir Abiodun Adeniji who came in company of his wife, Olajumoke also described Doyin as very dutiful and energetic at the profession and in the church. He recalled that over the years, Doyin would participate actively at ICAN functions and yet never failed to appear in church at 7am on Sunday to officiate in his capacity as a lay reader.

"I really do not know how you got the energy but I can only pray that God will see you through and continue to protect you in your journeys throughout the Presidential year", he concluded.

Doyin, who was obviously overwhelmed by the encomiums showered on him by his friends and professional colleagues, thanked the firm for the lavish dinner offered. He also seized the opportunity to seek technical support from the firm as he enjoined its partners to participate actively at committee level not only as members but also as facilitators at seminars and symposia.

PhD In Accounting Does Not Make One A Chartered Accountant - Doyin Owolabi

The 48th ICAN President, Mr Doyin Owolabi has said that possessing a Doctorate degree (PhD) in Accounting does not confer the status of Chartered Accountant on the holder.

Owolabi declared this while answering questions during a live phone-in radio programme entitled "The Role of Chartered Accountants in the Development of the Nigerian Economy" on the Federal Radio Corporation of Nigeria (FRCN), Enugu Network Station.

The ICAN President likened the issue to a situation where a Law graduate could not be called to bar until after passing through Law School and medical student who could not be a certified doctor until after passing through medical school.

"So also, a University or Polytechnic graduate of accounting cannot be called a Chartered Accountant without passing through required ICAN exams and two years professional practical experience," he declared.

Aregbesola Tasks ICAN On Involvement Of Accountants In Frauds

The Governor of Osun State, Mr Rauf Aregbesola has challenged the Institute of Chartered Accountants of Nigeria to tackle the involvement of some professional accountants in some celebrated unethical conducts which are quite worrisome.

This call was contained in a speech he delivered while hosting the 48th President of ICAN, Mr. Adedoyin Owolabi who was on the tour of Osun state District Society of ICAN.

The Governor who noted incidents of poor corporate governance and deliberate fraudulent practices such as the reported oil subsidy scandal, police pension misappropriation, said, effort is needed from professionals like the chartered accountants to correct these anomalies.

His words, 'I am hereby challenging your noble institute to look into this urgently with a view to coming up with propositions meant to ensure a robust and meaningful financial framework and monitoring mechanism of same. The masses are looking up to you and of course you cannot afford to let us down'.

While thanking the governor for engaging chartered accountants in his cabinet as Commissioner for Finance and Commerce as well as Special Advisers, ICAN President advised him to deliver the dividends of democracy to the people of the state efficiently and at minimal cost. He therefore assured him that the Institute will do will not lower its standard in terms of service delivery.

We Shall Not Compromise Standards, Says Auditor-General

The Auditor-General of the federation, Mr. Samuel Ukura, FCA, has said that his office will not compromise the professional standards of accounting auditing, no matter what happens.

Ukura declared this in his office in Abuja while hosting the 48th President of ICAN, Mr Doyin Owolabi, who had been there to pay him courtesy visit. While expressing satisfaction in being a member of the Institute, Ukura declared that about 183 members of ICAN are working with him in his office. He however promised to continue to encourage his staff who are members of the Institute to be attending ICAN programmes to develop themselves. He called on ICAN to feel free to discuss with his office in case they need personnel in the areas of Performance Audit

The ICAN President had earlier told the Auditor-General that he was in his office to rub mind together on how to foster better relationship between the two organisations. He thanked the Auditor-General for the confidence reposed in ICAN and its members through mass employment of the members. He asked the Auditor-General to make use of opportunities abound in ICAN as far as training and re-training of his staff is concerned.

SIAO Is A Bridge Between Small And Big Firms - Owolabi

The 48th ICAN President, Doyin Owolabi has described SIAO Partners, a firm of Chartered Accountants as a bridge between small and big firms. He stated this at the Institute's Secretariat, Victoria Island, Lagos, while playing host to the firm's 5-man delegate led by its Principal Partner, Pastor Ituah Ighodalo on a courtesy visit.

He said, "SIAO has come of age and I am proud to identify with you being a strong representative of my generation in the profession. In view of your composition, a convergence of sole practices to form more robust and stronger practice, you are like a bridge between the big and the small firms". He told the visiting delegate that, "you have simply carried out IFAC's policy which encourages the merger of weak smaller firms to form strong and vibrant practice and discourages the acquisition of these small firms by the big ones".

Responding, Pastor Ighodalo said, "this is the very first official visit of SIAO to ICAN and we are here to congratulate Doyin Owolabi on his investiture as the 48th President of our Institute". Further he said, "we are also here to introduce SIAO to the Institute, discuss issues that are germane to ICAN and Nigeria, proffer suggestions and lend full support to the Institute in every area we can". He noted that the discrimination against local firms and preference for foreign ones has reached the roof top and even at the Federal level. This he said is adverse to the growth of local firms and therefore urge the Institute to call for unbiased treatment and fair competition to engender growth of local firms. He also advised that ICAN should make more comments and contribution to National budget.

FIRS Is Doing Great Job - ICAN President

The 48th President of ICAN, Mr Doyin Owolabi had described the Federal Inland Revenue Service (FIRS) as an organisation doing great job that will go a long way in showing the whole world that Nigeria is a serious country.

Owolabi made the assertion in Abuja when he paid courtesy visit to the office of the Chairman of the FIRS. According to him, FIRS

has made Nigeria to realise that it cannot depend solely on oil and external revenue alone as a means of survival. He also thanked FIRS for partnering with ICAN in moving the nation forward.

Responding, the acting Chairman of FIRS Mr. O.C. Chuke described ICAN's visit to the office as a privilege and congratulated ICAN President on his election as the 48th President of the Institute. He promised that FIRS would continue to work together with ICAN to take Nigeria to greater heights by building enduring institutions.

Utilize Your Excess Capacity Positively, ICAN Boss Urges Students

The 48th President of the Institute of Chartered Accountants of Nigeria, Mr. Doyin Owolabi, has urged Nigerian Students to put their excess capacities to good use by engaging in useful and developmental programmes instead of engaging in social vices like cultism, drug abuse, lesbianism, homosexuality etc.

Owolabi gave the advice during an interactive session with students of the Department of Accounting & Finance, Ajayi Crowther University, Oyo. He also reiterated that the Council of the Institute has put in place a scholarship scheme for the benefit of students and graduates of Institutions of higher learning in Nigeria whose Accountancy Programme is accredited by ICAN.

He therefore urged Nigerian students and graduates to take advantage of these unique opportunities at their disposal. He said that the ICAN Scholarship scheme is open to both students & graduates of Accounting and non-accounting programmes. The Scholarship scheme entails free ICAN Examination fees and free reading materials.

Ife Varsity Pledges Support For ICAN

The Vice Chancellor of Obafemi Awolowo University, Ile-Ife, Osun state, Professor Bamitale Omole has promised the support of the Institution to the Institute of Chartered Accountants of Nigeria (ICAN).

The VC disclosed this when the 48th President of the Institute, who is also an alumnus of the University, Mr Adedoyin Idowu Owolabi paid him courtesy visit in his office in Ile-Ife. He also promised that the authority of the school would sponsor all members of the Institute in the employment of the University, to the forth coming Annual Accountants' Conference holding in October this year.

In his response, the ICAN President expressed appreciation over the warm reception given him and his entourage. He said he was especially happy as the university he left several years ago has remained great as ever.

I Solicit Support Of ICAN, Says AGF

The Accountant-General of the Federation, Mr Niyi Otunla, FCA, has called on the Institute of Chartered Accountants of Nigeria (ICAN) for support in order to make the works in his office easier.

Otunla made this call while receiving the 48th ICAN President,

Mr Doyin Owolabi and his entourage in his office in Abuja. He thanked ICAN for the support it has been offering in the area of provision of qualified personnel to his office.

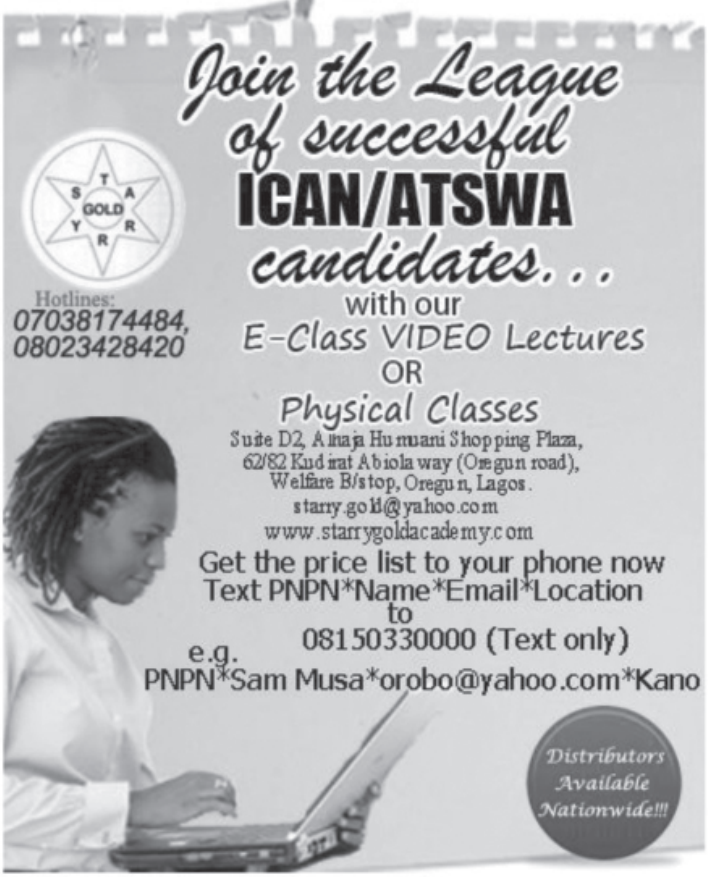
In his reaction, the ICAN President intimated Mr Otunla about the whistle-blower Bill the Institute is planning to sponsor on corruption. He also solicited for the support of the Accountant-General on it. While thanking him for his support to ICAN members in his office, Owolabi implored him to continue assisting the members by sponsoring them to ICAN programmes and events.

ICAN Members Are Worthy Ambassadors Of Accountancy Profession

The Deputy Provost of the Federal College of Education (Special), Oyo, Mr. Durojaiye Akinyemi has said that members of the Institute of Chartered Accountants of Nigeria (ICAN) are worthy ambassadors of the accountancy profession.

Speaking on behalf of the Provost, Mr Emmanuel Olufemi Adeniyi, Akinyemi stated this when the 48th President of Institute of Chartered Accountants of Nigeria, Mr. Doyin Owolabi, paid a courtesy visit to the College on Tuesday, September 11, 2012.

He said that the College is lucky to have a number of ICAN members on its payroll, adding that all the ICAN members on their payroll have exhibited honesty, trustworthiness and confidentiality in discharging their duties, thereby giving kudos to ICAN for producing credible professionals.



Join the League of successful
ICAN/ATSWA
candidates...
with our
E-Class VIDEO Lectures
OR
Physical Classes
Suite D2, Ainaja Humani Shopping Plaza,
62/82 Kudrat Abiola way (Oregun road),
Welfare B/stop, Oregun, Lagos.
starrygold@yahoo.com
www.starrygoldacademy.com
Get the price list to your phone now
Text PNP*Name*Email*Location
to
08150330000 (Text only)
e.g.
PNPN*Sam Musa*orobo@yahoo.com*Kano
Distributors Available Nationwide!!!

NIGERIA NEEDS STRONG INSTITUTIONS

FOR NATIONAL DEVELOPMENT - ICAN

The sweet memories of the just concluded 42nd Annual Accountants conference of the Institute held between 15th and 19th October 2012, could not be forgotten in a jiffy. It was indeed a gathering of professionals from all walks of life and from all the nooks and crannies of the world.

The theme of this year's conference **"Building Enduring Institutions for National Development"** was chosen to emphasize the socio-political situation of the country in line with the requirements needed to ensure its rapid development.

The conference was held at the International Conference Centre and Abuja Sheraton Hotels and Towers, Abuja and declared open by the President of the Federal Republic of Nigeria, Dr Goodluck Jonathan, represented by the Accountant-General of the Federation, Mr. Jonah Ogunniyi Otunla, FCA.

The conference was attended by 3,950 participants comprising of Chartered Accountants, and other professionals from various disciplines from Nigeria, Ghana, Guinea Bissau, Benin Republic, Sierra Leone, South Africa, Gambia, United Kingdom and the United States of America.

The lead paper, **Building Enduring Institutions for National Development** presented by Pat Utomi, pointed to the fact that in the absence of institutions, strong men dominate and the effect of such dominance is weakened rule of law and aggravated uncertainties. Utomi explained that while institutions have and follow rules, strong men have friends and follow whims. He believes that the result of one is calculable probability of outcomes while uncertainty comes out from the other one.

According to him, uncertainty makes decision making problematic and often results in either the avoidance of economic engagement or the high cost of hedging against undesired outcomes. These high transaction costs, he said, translate to uncompetitiveness for the economy. The Professor of Political Economics expatiated further that more troubling is high uncertainty which results in poor economic performance that can create a class of people who are so left out that they feel they have nothing to lose. He said with the belief that they have no stake in the social order, they turned to conduct that more or less usher in anarchy.

Utomi posited that institutions matter a lot, hence his concentration on how societies found strong institutions, disclosing that many of the institutions the British bequeathed to India continue to survive while many of those left to Nigeria have floundered. He enjoined the country to focus more on how to establish and sustain enduring institutions, adding that all must understand its primacy of place of place in quest for human progress.

He expressed optimism that if institutions are to evolve to aid nation building, business associations acting strongly, are imperatives. The

critical areas for institutions to be built or invigorated, according to Utomi, are in Education, Law and Order, Financial Markets, Communication and Land Reform.

After an exhaustive discussions, brainstorming and deliberations on the theme and sub-themes through technical sessions, participants agreed unanimously that there's need to build enduring institutions that can help develop the Nigeria nation.

The conference noted that the problem of slow pace of development, corruption, political, economic and social uncertainty is largely a result of the absence of strong institutions that clearly define the boundaries of acceptable behaviour and provide for effective sanctions against those who step outside these institutional boundaries, irrespective of their social and economic status.

Participants also agreed that the political leadership has not shown sufficient degree of vision, self-sacrifice, self-restraint and political will in directing the affairs of the nation. According to them, this has led to poor governance, which had contributed to the problem of weak institutions and the attendant consequence of underdevelopment.

It was observed that due to poor institutions, a lot of people feel being left out of the scheme of things and that they have nothing to lose, a situation that can lead to the breaking down of law and order. The conference unanimously agreed that all stakeholders must focus on the building of institutions and regard such as a national priority, if the nation is to reverse the trend of under-development. Participants are of the opinion that Nigerians are suffering under the weight of huge infrastructure deficit since the portfolio of physical infrastructure serving the country were put in place more than four decades ago. A call was made for concerted effort by governments to ensure that capital expenditures are emphasized in the annual budgets.

Also, Chartered Accountants are called upon to play a more active



ICAN members with the 48th President at the conference

role in public governance advocacy and political engagement as a way of stamping their professional mark on the political space. They are also enjoined to develop their capacity for generating credible and reliable financial reports that presents a true and fair view of the results of the performance entity.

Financial markets in which investors have confidence were also identified as the foundation for strong economies and accelerated development. Though, a whistle-blower's protection Bill/Act is desired to tackle corruption, accountants and other stakeholders are enjoined to fully explore the available legal instruments for managing the incidence of corruption. One of such legislation is the Freedom of Information Act, which could be used to obtain relevant information about the activities of those entrusted with public assets.

Declaring the conference open, the President, Dr. Goodluck Jonathan noted the Institute's strategic contributions to the country's capacity building efforts. He expressed appreciation over ICAN's support in building capacity for the nation's Federal Treasury Academy through a twinning arrangement with the Chartered Institute of Public Finance and Accountancy (CIPFA) of the United Kingdom.

He confirmed that Nigeria is facing enormous development challenges imposed by limitations of human and natural resources, political, economic and corporate governance issues. He said that the situation is worsened by weak institutional arrangements, abandonment of development planning, inadequate performance benchmarks for public officers and unwillingness of many stakeholders to think and act patriotically. He added that it is the aim of the government to re-institutionalize development planning and place greater premium on capital allocation in annual budgets.

In his welcome address, the ICAN President, Mr. Doyin Owolabi declared that regrettably, Nigeria's 52 year old history pointed to a yawning gap in institutional development as institutions of state are remembered, not by their statutory mandate and quantum of service delivery but by the exploits of their transient leaders. He lamented

that in the face of a string of weak institutions the country still parades strong political leaders, saying such deficit is a recipe for anti-development. He stated further that the actions and inactions of institutions can affect growth and development through a variety of ways including their effects on investments, functioning of markets competition, socio-economic policies, rule of law, security, business environment etc.

On the way forward, the ICAN President declared that the realization of the Nigerian dream is bound to the degree of premium placed on the building of strong and enduring institutions which can define, regulate and enforce compliance to acceptable practices for the common good.

"The nation requires strong institutions that will make development and regulatory environment conducive to effective operation of economic development and democratic process that is consistent with good governance. The task of building such strong institutions must start today for the benefit of tomorrow," he added.

Declaring the conference close, Gombe State governor, Alhaji Ibrahim Dankwabo expressed appreciation to those who took time out to attend the conference. He also commended the Institute for putting the conference in place, advising that those at the helms of affairs should endeavour to make use of the various suggestions made available from the conference, for the benefit of the nation's development.

The sub-themes of the conference include: *Governance and Sustainable Development: Addressing the Leadership Challenges; Building Trust in Financial Report: Meeting the Stakeholders' Expectations; Entrepreneurship: Empowering the Nigerian Youths for Global Economic Challenge; Whistle Blowing: Setting a Framework for Corporate and Public Accountability; Doing Business in Nigeria: Fiscal, Legislative and Judicial Challenges; Financial Reporting and Value Creation in the Public Sector: Issues, Challenges and Prospects.*

Apart from paper presentations, workshops and plenary sessions, there was a gala night on Thursday during which the number one juju musician, King Sunny Ade treated the participants to his latest tunes. There was also an open raffle draw in which a member and Chairman of Lokoja District & Society, Mr. Emmanuel Onoja (MB No: 016461) won a brand new Kia Cerato car. The raffle draw was part of the packages of the conference. Other prizes like LCD television, gas cookers, laptops, fridges, were also won at various times in the course of the conference.

There were also sporting activities such as jogging, excursions and exhibitions. Other programmes of the conference include District Societies competition where the Society of Women Accountants of Nigeria (SWAN) emerged as the best dressed district and overall performance. It also emerged as the largest contingent.



The winner of the star prize of a brand new Kia Cerato car, Mr. Emmanuel Onoja, showing the car's key to the audience at the conference

FINANCIAL REPORTING AND VALUE CREATION IN THE PUBLIC SECTOR: ISSUES, CHALLENGES AND PROSPECTS

By Mike Suarez

We all know what value creation means in the private sector, and the extent to which it is measured largely by returns to shareholders. But what does value creation mean in a public sector context? The public sector is not usually trying to create profit directly, or even generate income, so we cannot use these as ways of measuring value creation. However, the public sector does create social value - value for individuals, for the community and for the public more generally - as well as adding value to the efforts of donor organisations, aid agencies and civil society. It is also critical to creating the environmental conditions in which the private sector can operate successfully and create value. So the issue of value creation in the public sector is therefore not only about the value that the public sector creates directly but also about how it contributes to the creation of value by the private sector.

Given the more complex nature of value creation by the public sector it may not be surprising that actually measuring and reporting on this value presents challenges. The absence of a relatively simple measure like profit or returns to shareholders means that the traditional form of financial reporting does not easily support the reporting of value created and added by the public sector. This is an issue that those currently developing reporting - both financial and wider reporting - are trying to address.

For CIPFA, value creation in the public sector stems from the services provided. That immediately raises the question of how public bodies can deliver the right services for their communities - services that represent value added or created - in the most efficient, effective and economical manner? And as professional accountants we are also interested in the question, what is the contribution that financial reporting can bring to the creation of value by the public sector?

In considering this latter question it is important to remember that financial reporting is just one component of public financial management (PFM). PFM is about ensuring that public money is channelled to create value, that it is used well, and is made to stretch as far as possible. A well designed PFM system provides leaders and managers with information to make decisions about which services to provide and how best to provide them, and to measure if they are using resources effectively.

From this we can say that financial reporting can contribute to improved financial management by ensuring that managers have the right kind of information on which to base the decisions they make.

In CIPFA's view, providing the right kind of information to managers means accruals accounting and budgeting. This is because accruals accounting delivers more complete and relevant information than alternatives, including cash accounting. This improvement in information is important, not only because it results in more accurate financial statements but also because it allows for superior decision

making. Cash accounting omits key information without which managers cannot expect to make optimal decisions and cannot expect to maximise value creation.

In advocating accruals accounting CIPFA recognises the challenges this brings for many governments around the world, the overwhelming majority of whom do not currently produce their financial information on the accruals basis.

Financial reporting is not an end in itself. The objectives of financial reporting by public sector entities are defined in the International Public Sector Accounting Standards Board's draft Conceptual Framework. These objectives are essentially to provide information about the entity that is useful to users of General Purpose Financial Reports for accountability purposes and for decision-making. And this links back to this central issue of value creation, since one aspect of accountability is the extent to which public sector entities have created value for individuals, the community and society more generally. Another is the extent to which they have complemented the efforts of donors and aid agencies. And at the heart of decision making are choices about the kinds of value to create and the most economical, efficient, effective and sustainable way of doing so. So financial reporting is key to demonstrating the creation of value.

If financial reports are to be useful to the users in the public sector, they need to reflect public sector values and circumstances and attempt to measure the extent to which value has been created. More and more countries have recognised this, and are moving towards the adoption of accruals based International Public Sector Accounting Standards (IPSASs).

IPSAS-compliant accounts will produce high quality information that will assist managers to better manage their organisations. But in complex organisations, these financial reports will themselves be complex. And effective reporting to stakeholders - reporting on value - needs to include performance and sustainability information as well as financial information. Bringing all of this information together will help key stakeholders - voters, taxpayers, service recipients, etc - to assess whether the organisation is delivering the right services in the best way.

The difficulties of bringing this information together in a way that is meaningful without being too complex, and which is not too burdensome to administer is being considered by the International Integrated Reporting Council (IIRC). The IIRC is developing a framework for this integrated reporting and is running pilot exercises with a number of mainly private sector organisations to identify good practice. Whilst integrated reporting is mainly a private sector initiative at the moment, the IIRC is keen to explore its applicability to the public sector as well, and CIPFA is contributing to this work. One of the key issues to be addressed is the significant question posed in this paper - how do we define value creation in the public sector? I hope that I have given some indication of the challenges

that arise in answering this question, given the very particular nature of value creation in the public sector.

Integrated reporting includes reporting on sustainability, from both the financial and environmental perspectives. However, to ensure that services can be delivered in the long term, we need to go beyond this. The International Public Sector Accounting Standards Board's work on Long Term Fiscal Sustainability will help governments identify the impact of policy decisions far into the future - 20 years, 50 years, or longer. This is about ensuring that the value created through delivering services can be sustained in the longer term, and that the value of those services can be maintained for the benefit of citizens, communities and society more generally.

As I have mentioned, one of the objectives of financial reporting - indeed, all reporting in the public sector whether it is financial reporting, integrated reporting, or reporting on long term fiscal sustainability - is to enhance accountability.

Accountability and good governance are key to delivering efficient, effective and economical public services. To help with understanding this, CIPFA has developed its Whole System Approach to Public Financial Management. This shows governance - which includes leadership, transparency and accountability - as a key facilitator of PFM. Good governance is essential to effective PFM. Equally poor governance will act as a barrier to good PFM.

To assist public sector organisations to improve their governance and accountability arrangements and practices, CIPFA is working with the International Federation of Accountants (IFAC) to develop an international good governance framework for the public sector. The overarching principles that are expected to form the basis of this framework are:

- Strong commitment to integrity and ethical values;
- Openness and stakeholder engagement;
- Defining outcomes in terms of sustainable economic, social and environmental benefits;
- Determining and delivering outputs and transfers to optimise achievement of intended outcomes;
- Developing the capacity of the organisation, and the capability of its leadership and the individuals within it;
- Managing performance and risks through robust control and strong public financial management; and
- Implementing good practices in transparency and reporting to deliver effective accountability.

I understand that a significant consultation document will be published next year. It ought to be clear that implementing these principles will help organisations to create value as I have defined it - through delivering the right services more economically, efficiently and effectively.

None of this is easy but now is a critical moment to tackle these challenges because we have seen in the last few years, and continue to see on an almost daily basis, the consequences of governments failing to ensure good PFM are potentially devastating. The sovereign debt crisis has highlighted failings in PFM across the world and the painful consequences for ordinary people relying upon services provided by the public sector.

CIPFA has responded to this global weakness in PFM by issuing its prospectus *Fixing the Foundations*. *Fixing the Foundations* acknowledges that initiatives like the PEFA framework, IPSASs, and CIPFA's own Whole System Approach to PFM provide a solid platform for further developments. But we should not allow their existence to obscure the big picture. Notwithstanding these successes, progress is slow. Too many efforts and resources are largely unco-ordinated with the result that the problem of weak PFM is being tackled in an inefficient, fragmented and wholly underpowered way.

If we are to address these weaknesses, governments, international organisations and the finance profession will need to come together to tackle the problems. This is why CIPFA is so proud of its relationship with ICAN which we hope will go from strength to strength in the years ahead.

CIPFA has a portfolio of relevant and effective tools, products and services which focus exclusively on meeting the challenges of bringing strong financial management and good governance to public sector organisations and to government as a whole. We are also working on a range of further ideas and initiatives to support and drive PFM improvement. But CIPFA acting alone on these and other initiatives is not the answer. We can achieve small increments of progress. But the undeniable need is for nothing less than global step-change improvement.

Achieving this change and putting PFM on a sound footing across the world would be the best way the accountancy profession could demonstrate its crucial contribution to value creation in the public sector.

Chartered Institute of Public Finance and Accountancy

CIPFA is the professional body for people in public finance. Its 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed.

As the world's only professional accountancy organisation to specialise in the public services, CIPFA's qualifications are the foundation for a career in public finance. They include the global benchmark professional qualification for staff working in public finance. They are taught by our in-house CIPFA Education and Training Centre as well as accredited training partners like around the world. In Nigeria CIPFA is working with ICAN to support Government finance staff.

Globally, CIPFA has launched a campaign - *Fixing the Foundations* - calling for sound public financial management and good governance. CIPFA works with donors, partner governments, accountancy bodies and the public sector around the world to advance public finance and support better public services ■

Mike Suarez is Executive Director of Finance and Resources at the London Borough of Lambeth. He is an elected member of Chartered Institute of Public Finance and Accountancy (CIPFA) Council and sits on its International Strategy Board.

RETURN ON TALENT: CREATING VALUE THROUGH MOTIVATION

By Ayotunde Yoloye

Introduction

"People are our greatest asset", is not just a slogan for many leading companies but a reality. However the management of this asset and ensuring an appropriate return thereon with every passing day is becoming an increasing challenge for many organizations.

There are several factors contributing to this challenge but by far the biggest challenge is the changing business landscape in which these businesses operate. The landscape is changing in so many different dimensions. The talent crisis, an ageing workforce in the western world, burgeoning populations in developing countries, the increase in global worker mobility and the organisational and cultural issues emerging from the dramatic pace of business change in the past decade.

UNDERSTANDING THE CHALLENGES

An understanding of these challenges is critical to the successful management of talent today. Let us look at some of these challenges.

Changing demographics

Demographic shifts show the steady creep upwards of life expectancy in many parts of the world, whilst at the same time birth rates are in rapid decline in most of the old economies. Even Latin America, the US and Asia are heading towards a 'greying' of the population. These dramatic shifts will lead to an unprecedented shortage of younger workers and the need to keep employees working until well past current retirement ages. The idea that companies would source talent needs from an unlimited supply of workers from emerging markets has not materialized. Talent shortages are just as critical in China, India, Eastern Europe and parts of South America.

An implication of this for Nigeria, has been the trend for some of its best talent to migrate to other economies. There is a high percentage of our local talent seeking to study abroad or opportunities for secondments abroad to provide a platform for absorption into the international job market.

The talent crunch

Organizations today are still facing serious challenges in finding the right quality of staff for their businesses. It is a known fact that talent will be as critical tomorrow as it is in today's world. 97% of CEOs in a PricewaterhouseCoopers global CEO survey said that having access to talent and key skills was the most critical factor for their long-term business strategy.

In the years ahead, fewer younger people will be working to support a significantly larger older generation. The race to capture the best has always been challenging, but with even less talent available in tomorrow's world, we can expect a talent crunch which will have a significant impact on the world of work. Business success is driven by having the right people to deliver the strategy and create growth. Over the next decade, people supply will be the most critical driving factor for business success. Companies may go to extreme lengths in their search for talent, and once they have it, they will take measures to keep people 'locked in' to their organizations. Without this talent, they will be unable to compete.

The consequences of these changes could mean that "millennials" – the next generation of workers, will be a powerful generation of workers. It is likely that those with the right skills and abilities will be in high demand. They may be able to command not only creative reward packages by today's standards, but also influence the way they work and where and how they operate in the workplace. The employer brand and the ability to engage will be key, as employees identify by their own measures which organizations are desirable and which are not. The internet generation with their social networking sites and technological savvy will lead to companies using technology innovatively to attract and engage with employees. We could see the employer/employee dynamic shift dramatically – the employee may call the shots in tomorrow's world.

Technology, globalization and global mobility

The rate of technological change in particular

has had a significant impact on the way the world does business and will continue to do so. The world has become a global village and the advent of the internet and e-commerce has truly made the world a global market. Globalization has given rise to a number of corporations merging or acquiring other entities in order to compete on the global stage.

There is a new global business landscape. Asia, Central & Eastern Europe, Brazil, Indonesia, Mexico and Turkey are challenging the mature economies for dominance. The US and Western Europe are re-establishing a competitive place in the new order, looking for low cost solutions in their outsourcing and offshoring initiatives, developing consolidation in mergers and acquisitions (M&A) activity, and recognizing the need for greater agility in order to respond rapidly to changing customer demands and sudden, unanticipated, financial crises.

Global companies demand global standards and the enshrining of global standards creates the platform for global mobility of resources. The demand for global worker mobility has increased dramatically in the last decade with the emergence of new markets and the globalisation of many industries. Companies struggle to get people to work overseas and the average cost of an assignee can be three to four times higher than a local hire. The return on investment of international assignments is often very poor, with up to 40% of assignees leaving the organisation within 12 months of returning to their host country.

The dynamics of business today are placing increasing demands on business managers to respond to their Human resource issues in new and innovative ways. People are critical. Levels of productivity, agility of response and innovation continue to be crucial to organizations as they struggle to adapt to the new world

As the globalisation of business and networks continue to gather momentum, all economies, whatever level of maturity

they have reached, are recognising their dependence on the people aspects of their strategies to leverage success. All those responsible for talent management in the immediate future need to be aware of the range of issues, key messages and implications of the rapid changes if they are to achieve optimal returns on their talent.

Understanding millennials

A variety of definitions have been given as to who constitute the Millennials. They have been variously referred to as generation Y or those born after the advent of the internet. A simple definition for millennials though will be those who enter into the workforce for the first time in the new millennium i.e. 1 January 2000.

Just as the expectations of the workforce of today differ quite significantly from the expectations of the workforce of yesterday, it is reasonable to expect that the expectations of the workforce of tomorrow will differ from the expectations of today's workforce.

All organisations and their Human Resource teams need to look seriously at the millennial generation if they want to be able to compete in tomorrow's world. More and more, as the millennials begin to take centre stage in the workplace, they will begin to reshape the workplace of tomorrow with their advanced technological savvy, social responsibility values and global outlook.

Organizations need to work through the complexity of having such diversity in the workforce. Many organizations today use customer segmentation strategies to understand the orientations of their customer base. Companies may need to look at using similar methodologies to understand the segmentation and orientation of their workforce. Having the flexibility to provide tiered offerings to suit employees at different stages of their life cycle as well as from different generations will be key to driving maximum value and loyalty from employees.

The future of business

Many studies have been undertaken to explore the future of society, the environment, business and even the workplace. One of such studies "The future of Work" was conducted by

Pricewaterhouse Coopers. The study outlines three organisational models of the future. These are:

Blue world - large corporates turning into mini-states and taking on a prominent role in society. In the blue world, the corporate are kings. Big company capitalism rules as organizations continue to grow bigger and individual preferences trump beliefs about social responsibility.

Orange world - specialization creating the rise of collaborative networks. In the orange world, small is beautiful. Companies begin to break down into collaborative networks of smaller organizations; specialization dominates the world economy.

Green world - the environmental agenda forcing fundamental changes to business strategy. In the green world, companies care. Social responsibility dominates the corporate agenda with concerns about demographic changes, climate and sustainability becoming the key drivers of business. Any of these three scenarios could exist but it is most likely that the three scenarios will exist side by side in the new world order, with some scenarios being more predominant than others in different economies. Already we are seeing the three worlds emerge. For example the US economy has a predominance of companies operating in the blue world, in India a number of large corporates have social responsibility as an integral part of their business strategy and globally, with the significant advances in technology and supply chain infrastructure, we are seeing a lot more of specialization and outsourcing of services by many organizations.

In Nigeria, we are seeing a mix of the three worlds emerge. For instance in the upstream sector of the Oil and Gas industry, we are seeing greater emphasis on social responsibility and a move to the green world as a result of the Niger delta crisis, In the telecoms and banking sectors we are seeing the emergence of the blue world, while in the information technology sector the orange world thrives as we see a number of smaller organizations specializing in different areas of the industry.

DEVELOPING STRATEGIES FOR OPTIMIZING RETURN ON TALENTS

To overcome these challenges and optimize return on talent, employers must develop

strategies that recognize the unique nature of the business environment of today and proactively embrace these challenges in its human capital management strategy. There are a limited number of human capital drivers that will have the most significant influence upon organizational performance in the years immediately ahead. They include:

- Leadership,
- Engagement,
- Talent management; and
- Learning and innovation.

They are closely interrelated and the inability to excel and compete in any single one will result in failure in them all. The winning strategy must therefore address them all. Organisations must have strategies built around these four drivers in order to optimize the return s on their talent.

Leadership

Leadership is essentially the ability to influence people to work effectively towards the achievement of an organization's goals. A tightened global business environment continues to produce even greater demands for enhanced leadership skills. PricewaterhouseCoopers records in its recent *Managing tomorrow's people* report that "globalization has led to a need for global leaders in a commercial world when there are not enough people with sufficient skills.

Leadership in the 21st century is increasingly seen as a shared responsibility and not the domain of a single person. Effective leadership emerges through the key players of an organization, who are committed to its purpose and competent to do what it takes to deliver the 'followership' to make it happen. If the leadership of an organization is effective then its comparative positioning against its competition would be superior.

There is little evidence in any field of organizational activity be it commercial, public or political, that the quality of leadership is developing at the pace required by the rapidly changing, globalised and networked world. There is limited evidence that the significant sums invested in leadership development programmes are delivering value for money. The CIPD report *UK Global Comparisons Leadership*

Forecast 2005-2006 stated that three in ten leaders fail to demonstrate the key qualities necessary for effective leadership.

Therefore, organizations that can get their leadership strategy right and create an environment in which its people thrive, will achieve superior returns on their talent.

Engagement

Research has shown a link between a highly engaged workforce and bottom line results, and the close relationship between employee engagement and customer satisfaction.

Engagement has been defined as, “a heightened emotional and intellectual connection with a job, organization, manager or co-workers” and the influences that such a connection brings “to apply additional discretionary effort to his or her work”. In essence an engaged employee is one who will do all that he or she can to deliver the requirements of the employer – and more.

Employers over recent years have demonstrated increasing interest in the engagement of their workforces and levels of employee engagement are beginning to be perceived among some investors as important indicators of a company's financial health, and longer term sustainability. It is believed that the more engaged employees are, the happier they will be on the job, the more committed to the job and the more productive they will be organization's therefore should seek strategies that increase the level of employee engagement. Employee engagement sometimes comes at a price as it may require higher levels of employee discretion and employee trust at the very time when employee error can lead to costly repercussions.

Talent management

Talent management can be defined as ‘attracting, retaining, developing and promoting outstanding talent’. Managing talent effectively is a competitive necessity. Filling critical roles in a business with competent and committed people every time, all the time, provides a performance edge that is essential for sustainable success. Talent management has been a key human capital trend for the last decade but there is very limited evidence on a global basis that

talent identification, acquisition, retention, development or leverage is taking place in a disciplined manner. Joseph Bower reports in the November 2007 Harvard Business Review as follows:- “I was appalled to learn recently that 60% of the respondents to a poll of 1,380 HR directors of large US companies said their firms had no CEO succession plans in place. The problem is not understanding or articulating what the talent issue is. The crux of the matter is that it lies, like so many other complex management challenges, in the practice.

Too many companies have over the last two decades ignored the hard work of building future leaders, while senior executives have focused increasingly on meeting the next quarter's earnings target.” Part of the challenge also relates to having a firm definition of what talent means in an organisation i.e. talent pools, emerging talent, succession, key positions and how the talent management strategy is connected with the HR and business strategy.

There is now an increasing move away from the identification of high performers and high flyers, towards the identification of “pivotal employees”. These are segments of the workforce that are expected to create value and determine the success of the organisation. Whereas high performers may break the mould of an organisation's direction, pivotal performers set the standards that ensure the sustainability of the existing business. This employee group always plays a disproportionate role in creating company value and success.

There is no short cut to effective talent management. It needs to be robust and done in a structured and disciplined manner. Organisations need a clear strategy for attracting, retaining, developing and promoting its outstanding talent in order to get on a consistent basis the best returns from its talent pools.

Learning and innovation

Key characteristics of a successful organization in the years ahead will include:

- agility – the ability to respond quickly to changing needs;
- customer focus – putting the customer at the centre of the organisation; and
- innovation – ability to innovate and spot new market opportunities.

In a sense, the only innovation that really counts, is that which meets defined customer needs and is agile enough to change direction when those needs change. The ability of an organisation to innovate remains one of the major contributors to its continued sustainable economic performance. Innovation cannot of course be viewed in isolation. The ability of an organisation to produce the innovation essential to remain competitive will depend upon a range of other actions it is undertaking, including its leadership development, its talent bank, the engagement of its employees, plus the infrastructures it has in place for exploring new customer offerings.

Again, there is a clear need for strategies that will support organization learning and innovation.

WHAT DRIVES AND MOTIVATES TALENT?

In 1959, Frederick Herzberg created a two-dimensional model of the factors affecting people's attitudes about work. As a result of his study, he concluded that factors such as company policies, supervision, interpersonal relations, working conditions, and salary are what he termed “hygiene factors” rather than “motivators”.

According to the theory, the absence of hygiene factors can create job dissatisfaction, but their presence does not motivate or create satisfaction.

In contrast, he determined from the data that the “motivators” were elements that enriched a person's job; he found five factors in particular that were strong determiners of job satisfaction:

- achievement
- recognition
- the work itself
- responsibility, and
- advancement.

These motivators (satisfiers) were associated with long-term positive effects in job performance while the hygiene factors (dissatisfiers) consistently produced only short-term changes in job attitudes and performance, which quickly fell back to its previous level.

In summary, satisfiers describe a person's relationship with what she or he does, many

related to the tasks being performed. Dissatisfiers, on the other hand, have to do with a person's relationship to the context or environment in which she or he performs the job. The satisfiers relate to what a person does while the dissatisfiers relate to the situation in which the person does what he or she does.

To deliver on the five factors that determine job satisfaction listed above, an organization must have the right leadership, engage its employees, manage its talent, learn and innovate.

With the change in demographics, we are finding that you could have as many as three different generations within the workforce at a given point in time. Hygiene factors may vary widely between generations but when it comes to motivators they remain essentially the same for all generations.

A recent Pricewaterhouse Coopers survey of 2,739 millennials world wide indicate the following expectations of millennials:

- The Millennials expect job mobility and want the opportunity to experience overseas assignments –80% would like to work abroad.
- 88% of millennials said they will choose employers who have corporate social responsibility (CSR) values that reflect their own and 86% would consider leaving an employer if CSR values no longer matched their expectations.
- The majority expect some element of office based work and only 3% expect to work mainly at home/ other locations. Most expect to be working mainly regular office hours with only 18% expecting mainly flexible hours.
- The notion of portfolio careers is not likely to become a reality for this group – 75% of whom believe they will have between two and five employers in a lifetime.
- Training and development is the most highly valued employee benefit. The number choosing training and development as their first choice of benefit is three times higher than those who chose cash bonuses. 98% believe working with strong coaches and mentors is an important part of their development.

- Over half the sample believes they will personally fund their retirement with only 5% believing their retirement would be funded by the government/ state and 17% by their employer.
- They envision a 2020 world where China, India and Russia will have more economic influence than the US and Europe (47%). And over a third of respondents believe that companies will be more influential than governments

The older generations tend to be more concerned with such issues as

- job stability
- Benefit packages that cater for the family and long term needs i.e
- health insurance,
- school fees,
- travel perks,
- housing facilities
- Retirement benefits
- Values protection
- Income that protects their standard of living
- Job satisfaction
- Career advancement

MANAGING TALENT IN A DIVERSE WORK PLACE

Managing talent effectively requires appropriate strategies in all aspects of the talent management value chain. There are three broad dimensions to managing talent. These dimensions are:

- **Attracting talent** – ensuring that the right type of people in the right numbers are brought into the organisation
- **Developing and promoting talent** – Ensuring that the people within the organization have the skills to continue to remain relevant to the organization over time
- **Retaining talent** – ensuring that the organization can keep the people it wants to keep within the organization.

Some of the key aspects of each dimension are discussed in more detail below.

Attracting talent

- **Awareness programmes** – How do you get potential employees to know about you. What is your selling point? i.e. do you have a clear statement about corporate responsibility – can you make

this part of your employer brand and be committed to deliver the promise?

- **Recruitment programmes** – What are your recruitment sources. Do you have a recruitment philosophy. How robust is the recruitment process. To what extent do the values of new recruits align with corporate values?
- **On line recruitment** – Provides immediate access to the global job market.
- **Road shows** – Going into the job market to articulate the employer brand – communicating internally and externally what it means to work for an organisation.
- **Affiliation with Other agencies** – Partnering with organizations to access their own skills pools
- **Alumni programmes** – How are alumni being managed? They are a strong influence on the public perception of your organization.
- **Internship programmes** – Programmes to attract and engage potential employees while they are still in school

Developing and promoting talent

- **Appraisal and counseling systems** – On the job assessments of employee performance and structured guidance to ensure that future performance aligns with set expectations
- **Personal planning programmes** – Employees make plans for their career in the context of the long term plans of the business
- **Career and succession planning** – Planning future people requirements and developing the capacity required
- **Global mobility/ Secondments** - Consider global working opportunities and how these support employee development and the development of the business.
- **Learning and Education** - Competence assessments and tailored people development programmes
- **Performance measurement** - Linking performance measures to business indicators - Employee engagement, performance and productivity are all measured systematically using robust metrics and analysis
- **Use of Technology** – Creative use of technology to enhance efficiency and

productivity e.g teleconferencing to reduce travel time.

Retaining talent

- **HR information systems** – Systems that provide HR information on a timely basis in the format that aids business decision making.
- **HR Metrics** - Use metrics and benchmarking to segment your workforce in order to understand what they want and how these desires might differ from other workers.
- **Flexible work arrangements** – Part time contracts, Flexi-time, working from home.
- **Job Evaluation** – Determining the relative worth of jobs within the organization.
- **Compensation Philosophy** – What is the organizations goal for the compensation structure it has in place. For example to put as much cash as possible in the hands of the individual, Provision of services to employees that encompass many different aspects of employees lives', often including housing, health and even education for their children.
- **Work life balance** – How does the organization support the employee to achieve the right balance between work and their personal life e.g locating offices near where people live, Staff buses.
- **Diversity management** – How is the organization handling the diversity of its people – gender, nationality, age etc.
- **Reward Strategies** - Think creatively about reward strategies and what motivates people? Are flexible benefits possible? Is it time to shift focus from cash bonuses and company cars to other things?

The world of work is going to become even more complex. Every organization needs to take a long hard look at its models and current people management strategies; how is it addressing reward, international mobility, employee engagement, development and learning? They must think about how these might change in the future and whether or not the strategy they currently have in place is future proof, is sustainable, sufficient and relevant for the plausible worlds of tomorrow.

MEASURING AND MONITORING WORKPLACE TALENT ACTIVITIES/TASKS

All human capital policies should be able to demonstrate their positive, measurable contribution to higher levels of people efficiency and effectiveness. Today people – in some cases at up to 70 per cent of overall costs – are often the biggest expense for the organisation. Yet, by and large organisations do a much better job of measuring their physical assets than they do measuring the impact of people on business results. Few organisations have achieved truly complete and real-time people measurement capabilities.

Effective people management on demands a comprehensive range of data and metrics available in one place. The range of data is not the only challenge that effective people management systems require. It is not enough to count people and turnover manually because the lag between the currency of the data and producing any meaningful reports and actions could be a quarter to six months. Measurement capabilities need to be real time or close to it. At the very least businesses need to be using people data that is less than 30 days old.

Having these data capabilities creates the foundation for highly effective talent management. It is critical to link the internal measures of employee satisfaction, engagement, innovation and so on with relevant metrics for customers to create a complete view of how people are contributing to the achievement of optimal business results. Understanding these links between people and bottom line performance is not as intangible as many people believe.

Key talent management metrics

There are a number of metrics that have been developed to measure the return on an organizations talent. These metrics give indications of how effective an organization has been in the key drivers of its talent management strategy i.e. leadership, engagement, talent management, learning and innovation. Some of the metrics are summarised below.

- Human Capital ROI – (Revenue – Non-wage costs) / (No of FTE x Average staff cost)
- Wealth created per FTE – (Profit after tax – 10% shareholders equity)/total FTEs)
- Average revenue per employee - Revenue/ total FTEs

- Staff turnover rate - Resignations/ headcount
- Remuneration/revenue % - (Total compensation + benefits)/total revenue
- Training Hours per FTE – Total FTE training Hours/No. of FTEs
- Career path ratio % - No. of FTE with Clear career paths/ No. of FTEs
- Workforce Diversity percentage (Women) – No of female FTEs/Total No. of FTEs
- Absence rate % - All absent days/FTE workdays
- Remuneration/revenue %
- Performance related pay %
- Attendance related pay %
- Training Coverage %
- Grievance rate per 1000 FTEs
- Revenue growth per FTE
- Profit per FTE - Profit before tax/total FTEs
- Costs per FTE - Total costs/total FTEs
- FTE costs as a % Revenue
- FTE costs as a % of Total Costs
- Sick days as a % of Total days work
- Staff Utilisation - time worked as a % of total work time available
- Staff realization – actual revenue earned as a % of standard revenue expected
- Ratio of total FTE to HR staff – Total No. FTEs/No. of HR staff
- Acceptance rate – Job offers accepted/ job offers made.

MAKING IT HAPPEN

For talent management to happen in any organization, there must be a talent management strategy that is closely aligned to the business strategy. The whole essence of managing talent is to achieve the business objectives of the organization. Therefore, any talent management strategy that is not aligned with the needs of the business is doomed to fail ab initio.

Three immediate first steps any organization needs to take in managing talent are to:

Create the right reward system – It is common knowledge that whatever gets measured gets done. Reward systems should be put in place that reward the kind of behavior that supports the achievement of the businesses objectives. Having a clearly articulated business strategy and an understanding of the key drivers for the success of the strategy is a necessary foundation for developing the right reward system. For instance, if business growth is a strategic objective, the reward system

should have some benefits that accrue to people when certain growth targets are achieved.

Understanding the financial value of talent – If you think that training people is expensive, think about the cost of ignorance. Organizations need to understand the true value of their talent. When they do, they will find that it is usually far cheaper to develop and retain its talent pools than to try and replace and train new talent. Understanding the true value of talent is a compelling driver for managing talent mobility and employee engagement.

Manage Talent mobility – employee engagement - Organisations must take a proactive approach to planning for and managing its talent pools. Employees need to understand the business strategy and understand where they fit into that strategy. The stronger the link, the easier it is to articulate a development plan and engage employees in a manner that they see their relevance to the organization as it evolves.

Other key steps required a developing a robust talent management programme include:

- **Benchmark current positions and service levels against industry metrics and best practice** - There are several assessment tools available to determine people skills, knowledge and abilities. These tools can be used to benchmark where an organizations people stand in the context of what the business strategy requires and identify the gaps between the actual and the expected. Competence assessments and worker profiling, provide the platform for a systematic development of the talent pool into the optimal human resource base for achieving the organizations business objectives.
- **Redesign people processes to be fit for purpose** – People processes must support the business strategy and not hinder it. Cumbersome or inefficient processes need to be eliminated
- **Organisational design that will enable the shift in mindset** – The changing business environment is constantly calling for major shifts in the way business is done. Technology for instance has made it possible for on-line recruitment, on-line service

provision, remote work practice etc. The organization design should support the shift in mind set required to achieve efficiencies e.g. the move to a paperless office.

- **Define a Change strategy** – Articulate a plan to change how things are done. Knowing where to invest in change and seek improved performance will separate the victors from the vanquished. The focus should be on areas where the payback is greatest.
- **Change readiness assessment** – Assess peoples preparedness and attitude towards the planned changes. The change strategy and communications plan must factor the readiness of the people for the changes to be made
- **Effective communication** – Continuous communication with stakeholders as changes are envisioned and implemented is critical to the success of a talent management programme. The style of communication must resonate with the people. Clear, succinct messages will be understood. Honest messages will be believed.
- **Training** – Skills building should be made a key performance measure for all employees. People must see that as performance standards change, they are being provided with the opportunity to develop the new skills required to function effectively in the evolving work place.
- **Measure effectiveness of change by talking to stakeholders** – The ultimate measure of success of any change is if it has the desired effect on stakeholders and ultimately the bottom line of the business. A process of obtaining feedback from key stakeholders of the impact of any changes to the process should be put in place
- **Practical support to sustain long term benefits** – The tone at the top should indicate that the initiatives put in place to manage talent are not one off events but will be institutionalized in the system. Senior management buy-in into the talent management agenda is crucial to its success.

WINNING THE WAR – A NEW CONTRACT

As society has progressed, it has always found a new way to do the same old things. Think about it. The slave trade in its crudest form has stopped but human trafficking still exists. Colonization of countries have stopped but

economic and intellectual colonization still exists. Yes conflicts and wars still exist, but many wars are now being fought through the spread of ideologies, economic and other sanctions. The examples are endless and the message is clear - the rules of engagement are changing. Any company that uses yesterday's ideas, to do business today, will not be in business tomorrow. The business landscape is changing and changing very fast. The way the war for talent is being fought now has also changed. In particular, new technology has opened up endless possibilities in the way the value of talent can be harnessed.

In today's knowledge economy, innovation is a major determinant of business success. A recent McKinsey survey found that 20% of companies have opened up their innovation processes to employees and customers and they report a 20% rise in the number of innovations on the average. Two new developments in innovation are open innovation and crowd sourcing. Some companies are now saying Why not let everybody have a crack at helping them develop a new product, improve an existing one or solve a vexing problem? They no longer specify who can participate in the innovation process. They welcome all comers. This, with the right technological support, gives the company access to the knowledge resident not only across its organization but across the world.

As organizations evolve, they need to be more nimble in anticipating where the business is going and positioning themselves to harness all talent available to support the move of the business in that direction. This means that succession planning models may need to change.

Researchers at the Rensselaer polytechnic found that companies fundamentally mismanage their innovation talent. Even though companies pay lip service to innovation, most do not provide the formal structure and support the programs need to succeed, such as an autonomous organization, processes tailored for highly uncertain work, and well designed metrics. To remedy the problem, companies must first understand that breakthrough innovations consist of 3 distinct phases: these are:

Discovery - creating and identifying high impact opportunities

Incubation – experimenting with

technology and business concepts to design a viable model for new business

Acceleration – developing a business until it can stand on its own.

Typically, large companies rotate high potential managers in and out of the innovation leadership role on a regular basis. That may give the rising star broad experience, but it deprives the company of any real innovation experience at senior level. They need to consider the unique competencies that each phase requires and develop appropriate paths in line with these competencies. However, rather than developing these paths, many firms assume that an individual will be promoted along with a project as it grows from discovery, through incubation to development.

Those that are going to win the war for talent are those who are ready to challenge the way things are done and change the way they do things. It calls for a new contract. In future, there will likely be an expectation that companies are at least apace with technological advancements. Today, some large companies do not even know on a given day, their total number of employees. Smart companies are already ahead of the game, replicating the likes of Facebook networking sites internally. Other organisations are making foreign assignments part of the promotion criteria. Many organisations are taking people metrics to a highly sophisticated level, way beyond the staff satisfaction survey which has become the norm.

As we endure the ramifications of a global economic downturn, many companies are looking to cut back the workforce and reduce people spend to cut cost. Some may be reducing their graduate intake or introducing a total hiring freeze. But in order to achieve long term growth objectives, it is critical that organisations have the right talent to help them navigate the challenges of a downturn and see them through to the other side. Businesses which cut back now might find that when the economic environment rebounds, they do not have enough of the right people to be in the best position for the upturn and to remain competitive.

Balancing short term pressures with long term business objectives is not easy. The

businesses which get the balance right and invest in understanding and nurturing the its people will be best positioned in the future. The success stories of tomorrow are companies that address their long term skills needs both creatively and holistically, today. Demographic trends, diversity, work-life balance and wellness are having a real influence upon the sustainability strategies for people management in organisations. Businesses will need to think carefully about how they engage with employees of different generations. Perhaps dependent on location or industry, companies will be forced to make significant changes as a result of new regulation, but also to remain competitive and sustainable in the eyes of customers, shareholders and employees. Company reward and retirement arrangements will change – possibly more towards performance related pay and the importance of hard measurement of people performance will be more crucial.

The new contract requires that organizations develop and implement positive, proactive policies related to all these trends, if they will successfully create the greatest value through their people tomorrow.

References

1. Managing Tomorrows people - The future of Work to 2020 - Pricewaterhouse Coopers
2. Managing Tomorrows people – How the downturn will change the future of work - PricewaterhouseCoopers
3. Managing Tomorrows people – Millenials ast work: Perspectives for a new generation - PricewaterhouseCoopers
4. Managing People in a Changing world: Key Trends in Human Capital Development – a global perspective -2008 -PricewaterhouseCoopers
5. Better change: Best practice for changing your organization – Pricewaterhouse Coopers Change Integration Team
6. Leadership lessons from india – Peter Capelli, Harbir Singh, Jitendra v Singh, Michael Useem – Harvard business review (R1003G) – March 2010
7. How BMW is Defusing the Demographic time bomb– Christopher H. Loch, Fabian J Sting Nicholas Bauer, Helmut Mauermann – Harvard business review (R1003H) – March 2010
8. Create three distinct career paths for innovators – Gina Colarelli O'Connor,

Andrew Corbett – Harvard business review (R0912G) – December 2009

9. How a Connected workforce Innovates – Andrew P. McAfee – Harvard business review – December 2009

Case study – What Motivates You?

Composition: In small teams of 15 -20

Timing: 10 minutes.

Instructions

Effective leadership emerges through the key players of an organisation, who are committed to its purpose and competent to do what it takes to deliver the 'followership' to make it happen. One of the most important functions of a leader is helping to motivate individuals in his team. To help you understand how to motivate others, let's get clear on what motivates you. Individually take a few minutes to think back over the last few years and identify one specific time when you felt **really** motivated. What were the **factors** that caused you to feel so motivated?

Note down on the post-its given to you 2 things that motivate you personally to excel in your job. Also list 2 things that demotivate you. Ensure you write each motivating and de-motivating factor on a different post-it.

When you have your 2 motivators and 2 demotivators please come up and post them on the appropriate flipchart marked "Motivators" and "Demotivators"

Case study – What Motivates You?

Feedback and Sharing (20) minutes

When participants have stuck their post-its on the flipcharts, each team is divided into two groups. One group is allocated to the motivators and one group to the demotivators. They should group similar items together. And organize the post-its so that they are arranged as a bar graph with each motivator/demotivator on the y axis and the number of times it was identified along the x axis.

Each team should summarise their causes of motivation and demotivation and feedback to the rest of the group in plenary ■

Mr. Ayotunde Yoloye delivered this paper at an ICAN MCPE programme.

INSTRUCTIONS TO AUTHORS

Authors seeking to have their articles published in The Nigerian Accountant are advised to adopt the following guidelines:

1. Article must be well researched on contemporary issues in the field of **Accounting, Audit, Investigations and Forensic Accounting; Taxation and Fiscal Policy Management; Consultancy and Information Communication Technology; Insolvency and Corporate Re-Engineering; Public Finance Management and Corporate Finance Management; Banking; Insurance; Manufacturing; Capital Market; Finance; etc.**
2. All articles should be typed on standard A4 paper and must not exceed twenty pages in 12points font and double spaced.
3. The title page should include the title and author's contact information (no other page should include author's information).
4. The second page should include the title and an abstract of not more than 150 words.
5. The paper must be properly referenced. The American Psychological Association style is preferable in the following format:

- a) **In the text:** Author's name and year of work e.g. Lucey (1997) or (Lucey, 1997) at the end of sentence Page numbers must be included for direct quotations, eg (Lucey, 1997, p.8).
- b) **List of references:** arranged in alphabetical order in the author-date format, e.g.

Book Reference

Lucey, T. (1997). Management Information Systems (8th ed.), London: Letts Educational.

Journal Article Reference

Wainer, H. (1997). Improving tabular displays: With NAEP tables as examples and inspirations. Journal of Educational and Behavioural Statistics, 22, 1-30.

Internet Reference

Baker, F.M. & May, A.J. (2007). Survey Research in Accounting. Unpublished manuscript retrieved January, 2008 from <http://www.maybaker.org/journals/webref.html>.

Two Hard copies of the paper saved in **Microsoft word** should be sent to the editor while the **Soft copy** should be forwarded to corporateaffairs@ican.org.ng daajigbotosho@ican.org.ng or dayoajigbotosho@yahoo.com.

ICAN STUDENTS' JOURNAL ADVERTISEMENT RATES (EFFECTIVE FROM JANUARY 2009)

COLOUR	N
Outside Back Cover (OBC)	100,000
Inside Front Cover (IFC)	90,000
Inside Back Cover (IBC)	80,000
Full Page (ROP)	70,000
Centre Spread	150,000
Bottom Strip	50,000

BLACK & WHITE	N
Full Page (ROP)	60,000
2/3 Page	45,000
1/2 Page	35,000
1/3 Page	25,000
1/4 Page	20,000
Bottom Strip	15,000

Advertisement is accepted provided it meets the required standards:

1. Advertisement must be prepaid.
2. Advertising artwork
 - i. Finished artworks, bromides or negatives for black and white adverts.
 - ii. Scan positives or colour separation guide for colour adverts.
3. All adverts films are to be submitted two weeks to production week.

For further detail, please contact:

Corporate Affairs Department

The Institute of Chartered Accountants of Nigeria
Pc. 16, Idowu Taylor Street, Victoria Island, Lagos.

Tel: 07098115163 or 08132965401

E-Mail: oguobadia@ican.org.ng

Website: www.ican-ngr.org

Our goal is to ensure success in ICAN exams. We have, therefore, provided solutions to some past questions to guide candidates in future exams. Although these suggested solutions have been published under the Institute's name, they do not represent the views of the Council of the Institute. ICAN will, therefore, not enter into any correspondence about them.

Question 1

- (a) Explain the following methods and procedures followed by the oil and gas companies in accounting for exploration and development costs according to SAS 14 - ACCOUNTING IN THE PETROLEUM INDUSTRY (UPSTREAM ACTIVITIES)

- (i) Full Cost Methods (2 Marks)
- (ii) Successful Efforts Methods (2 Marks)
- (iii) Reserve Recognition Accounting (2 Marks)

- b) JACKO OIL Limited was formed with authorized share capital of N2 billion of which N1.2 billion was issued and fully paid. The company engaged in oil prospecting investment in the off-shore coast of Bayelsa State of Nigeria.

During the first year of operations, the following transactions took place:

- (i) Exploration and development cost:

	N'000
AREA W	800
AREA X	660
AREA Y	100
AREA Z	120

- (ii) By the end of the first year

- Area W - was fully explored yielding 90,000 barrels
- Area X - was fully explored yielding 440,000 barrels out of which 240,000 barrels were extracted
- Area Y - exploration abandoned because no oil was found
- Area Z - exploration has reached an advanced stage but the quantity of resources was yet to be established

- (iii) Average production cost in each area of production is estimated at N1.00 per barrel.

- (iv) The company is obliged to sell all its oil to NNPC at N5 per barrel and the company reckons that its selling price of crude oil and production cost will not change adversely in the nearest future.

- (v) The company paid N1 million for the operating licence (OPL) and it is the normal practice to amortise licence cost over five years.

Required:

Prepare the Revenue Accounts for the first year of operation using full cost, successful effort and reserve recognition accounting methods. (9 Marks) **(Total 15 Marks)**

Solutions to Question 1

- a) (i) **FULL COST METHOD**

This method involves capitalization of acquisition, exploration and development costs, irrespective of whether or not the

activities resulted in the discovery of oil reserves.

The method allows costs to be carried forward where the value of the reserve discovered is at least equal to the cost incurred. However, full cost accounting takes into consideration all the operations of the company and not just the particular area where oil is discovered. The basis of amortization in 'full cost method' is proved reserve.

- (ii) **SUCCESSFUL EFFORTS METHOD**

Under the successful efforts method, cost associated with successful wells are capitalized while costs of unsuccessful acquisition and exploration activities are expensed. The use of celling tests is not mandatory under the successful effort method and the basis of amortization of pooled cost is only on unit of production basis. The basis of amortization is proved developed reserve.

- (iii) **RESERVE RECOGNITION ACCOUNTING**

With this method, revenue is recognized when the reserve is discovered rather than when the oil is sold. The method allows an enterprise to recognize the value of proved oil and gas reserve as assets. Changes in such reserves are valued as earnings in the financial statements. The method is not in common use and is not recommended by SAS 14.

JACKO OIL LTD REVENUE ACCOUNT FOR THE FIRST YEAR

	FullCost Method N'000	Successful Effort's Method N'000	Reserve Recognition Accounting N'000
Sales (w1)	1,200	1,200	2,650
Less: - Expenses:			
Operating license tw2)	(200)	(200)	(200)
Production cost (w3)	(240)	(240)	(530)
Exploration & Develop (w4)	(702)	(900)	(1,560)
Net profit (loss)	58	(140)	(360)

Working Notes:

- Sales - Full Cost N5x240, 000 = 1,200,000

Successful effort N5 x 240,000 = 1,200,000

Reserve recognition N5 x (440,000+90,000) = 2,650,000
- OPL $\frac{N1,000,000}{5}$ = N200,000
- Production Cost

Full Cost N1 x 240,000 = N240,000

Successful effort N1 x 240,000 = N240,000

Reserve recognition = N1 x 530,000 = N530,000

4. Exploration & Development Cost

Full Cost Method	Quantity	N'000
Area W	90,000	800
Area X	440,000	660
Area Y	-	100
Area Z	-	-
	<u>530,000</u>	<u>1,560</u>

Amount to be capitalized is lower of

i) $\frac{290,000}{530,000}$ i.e. $(90,000 + 440,000 - 240,000) \times \frac{1,560,000}{1} = \text{N}858,000$

and

ii) $(5-1) \times 290,000$ i.e. $(200,000 + 90,000) = \text{N}1,160,000$

Amount to be written off to P & L = $\text{N}1,560,000 - 858,000 = \text{N}702,000$

b) SUCCESSFUL EFFORT METHOD

	Total Amount N'000	Amount Capitalized N'000 (5-1) x 90	Amount Written off N'000
Area W	800	360	440 i.e. (800 - 360)
Area X	600	Lower of (a) $\frac{200}{440} \times 660 = 300$ and (b) $(5-1) \times 200 = 800$	360 i.e. (660 - 300)

Area Y	-	100
Area Z	-	<u>-</u>
		<u>900</u>

Working

Amount written off

	(N'000)
C. Area W	800
Area X	660
Area Y	100
Area Z	<u>-</u>
	<u>1560</u>

Examiners' Report

The question tests candidates' knowledge of the methods of accounting for oil and gas industries and their application.

Majority of the candidates did not attempt the question; while the few that attempted performed poorly.

The commonest pitfalls of the candidates include the following:

- Poor knowledge of the provisions of SAS14 Accounting in the Oil and Gas industry (upstream activities).
- Inability to distinguish between various types of costs in the Oil and Gas industry.

Candidates are advised to study the relevant provisions of the standards on oil and gas accounting.

PROTRAC ASSOCIATES IKORODU

1, Lagos Road, Garage Round About, Ikorodu, Lagos
ICAN Accredited Tuition Centre

Training Centre for:

ICAN - ATS/PROF
CIBN - CIBP/PROF
ACCA & CIS } Examinations

Minimum Registration Qualification:
5 Credit Including English &
Mathematics

OUR SCORECARD

We produced:

1. ATS 2 Award Winner in - Overall 2nd Prize September 2008
2. ATS 3 Award Winner in Cost Accounting 7 Budgeting Sept. 2008
3. ATS 3 Award Winner - Overall 3rd Prize Sept. 2008
4. ATS 2 Award Winner - Overall 3rd Prize Sept. 2010

PROTRAC is the place to be

LECTURE VENUE:

Ayangburen Primary School,
Garage Bus-Stop, Ikorodu.

FOR FURTHER ENQUIRIES:

Call: 01-8102624, 08033827712
08033050586, 08057742568



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

(Established by Act of Parliament No. 15 of 1965)



Have you been to
ICAN Library lately?

WHAT'S NEW?

The Institute has upgraded the existing library to virtual State. In the new arrangement, we integrate the virtual into the physical library structure, giving you an easy and affordable solution for sharing, archiving and distributing your e-content online.

E-Library

This is a digital/online library facility provided by a conventional library to read e-books and access other information resources. The e-library is part of a network with links to other libraries that provides access to digital information on the web.

WHAT FACILITIES?

EBSCO & EBRARY: Two most equipped e-library platforms In addition to the state-of-the-art IT equipment such as computer Work-stations, speedy Internet facility, printer, photocopier, etc

BENEFITS

- It gives you access to both relevant and updated information
- It gives you access to eBooks, audio books, peer review journal and multimedia business lectures
- Users are allowed to create personal folder, save and download relevant books. Need we mention download is optional with the information delivered in PDF documents page-by-page.
- They feature their own search engine, which can be integrated with other search engines. The platform supports full-text, keyboard, Boolean and proximity search.
- It gives you availability to customize your search links to online resources of your choice.

- Users can create their own personal folder.
- Users can share, print, save and download relevant books.
- Users can access the library from the comfort of their home/office
- It gives you unlimited access to resources because of its large research materials and its integration to other e-books databases.
- It gives room to multiple users
- It is user-friendly interface
- It provides periodic update of e library database contents

REGISTRATION PROCEDURE

Registration for this service is restricted to members and students at an affordable rate of N2, 000 per annum.

Payment can be made to any of the designated banks listed below.

Zenith Bank Plc
Account Name: ICAN E-LIBRARY
Account No.: 6212303395
Amount: N2, 000

UBA Plc
Account Name: ICAN E-LIBRARY
Account No: 00010300000042
Amount: N2,000

NOTE:

Members/Student must indicate their number, surname, first name, middle name in full and GSM phone number on the Bank teller.

Subscribed members are to send the above details to this email eoemeka@ican.org.ng, library@ican.org.ng
The Username and Password would be sent to member's email address within one week after payment is confirmed. This instruction also applies to subscribed e-library users for subsequent subscriptions

Looking *for*

Where to Receive Qualitative

ICAN | ATSWA | ACCA LECTURES...



RISK FREE

Standard Associates Limited

(Professional Accounting & Financial Tuition Providers ICAN | ACCA Accredited)

SOME OF OUR DEDICATED & EXPERIENCED LECTURERS INCLUDE:

- 1. Adedeji B.A. Guru**
Financial Accounting & Financial Reporting
- 2. Oluseyi Olanrewaju Mass Attack**
Financial Accounting & Financial Reporting
- 3. Uche Ejifor Relevant Lecturer**
Management Accounting & Strategic Financial Management
- 4. Fakunle Babatunde Ilabe**
Audit & Audit Practice
- 5. Emmanuel Ogunrinbokun Prof.**
Financial Accounting & Financial Reporting
- 6. Gboyega Adejuwon The Author**
Tax and Taxation Management
- 7. Adekoya Adesanya Oracle**
Management Accounting & Strategic Financial Management

UNIQUE FEATURES OF THE SCHOOL

- * Serene and conducive environment
- * Spacious parking facilities with adequate security
- * Comfortable air conditioned classrooms with convenient furniture for adults
- * Uninterrupted power supply
- * Experienced, seasoned & dedicated lectures
- * Centrally located along Ikorodu road
- * Competitive lecture fees
- * Good canteen facility

ICAN professional for May 2013 diet
Commences lecture on 8 December, 2012
Second stream after the release of the result

Please Contact Us

Risk Free Standard Associates Limited

5, Olusoji Idowu Street, Ilupeju, Obanikoro Bus-Stop, Lagos.

08039475507, 08023050654, 08052280602, **BB-PIN: 2827001D**

riskfreestandards@yahoo.com

BB-PIN: 282973EE

www.riskfreestandard.com

...we take the risk, while you take the success !!!