

FINANCE AND MANAGEMENT CASE STUDY

Final Test of Professional Competence examination
29 November 2006

QUESTION 1

Time allowed – 40 Minutes

From 12.20 p.m. to 1.00 p.m.

The case study has been prepared on the assumption that candidates will not necessarily have a detailed knowledge of the type of organisation to which it refers. No additional merit will be accorded those candidates displaying such knowledge.

The weighting of the question is indicated in the parentheses at the end of the question.

Candidates should submit all papers produced during the examination, but they should distinguish clearly between formal answers (including appendices) and working papers.



FINANCE AND MANAGEMENT CASE STUDY

QUESTION 1

NOTES TO CANDIDATE

- (i) Answer to be prepared as on 29 November 2006 by Kim Cardine, Finance Manager at The Countess of Firth's Charitable Trust.
- (ii) The question below is intended to test the candidate's understanding of the situation in the case.

QUESTIONS

1. Draft a briefing note for the Chief Executive in response to the attached memorandum. (20%)

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MEMORANDUM

To ~ Kim Cardine, Finance Manager
From ~ Iain Verary, Chief Executive
DATE ~ 29 November 2006
Subject ~ Tay Shop (CONFIDENTIAL)

The Chair of Trustees has faxed me the attached letter from Lady Bank, the Trust's Patron. I have arranged to meet the Chair at 1.15 pm today to discuss the issues raised in the letter. The Chair has confirmed that Lady Bank did not offer any firm evidence to back up her allegations.

I am just about to leave the office, but should be back at 1.00 pm., and shall need a briefing note from you by then. The letter raises a number of diverse issues, but these can probably be brought together under three main headings as follows –

- Tay Shop

Compare the performance of the Tay shop, against the average for our shops as a whole, and against the Clyde shop in particular. Look at the level of volunteer input and also the financial results. For the financial comparison, use the 2005/06 outturn data, taking out the costs of, and income from, the collector. Focus especially on sales and profit and use rent as a proxy for size of shop.

- Handbag and related performance issues – Mrs Struther

Whilst Lady Bank is eager for the matter to be passed to the police, the options are clearly broader than this for example:

- Reference to the police
- Dismissal
- Disciplinary action
- No action – we have plenty of other issues to tackle if the Tay shop problems can be shown to be immaterial.

Please let me have your views on the specific “handbag” allegation; any wider concerns about Mrs Struther’s performance from both a financial and management perspective; your view on each of the options I have identified above; and your recommendation as to the course of action we should take in respect of Mrs Struther.

- Shop management

To help the Trust’s Chair and me, some notes explaining –

- Any improvements we can make to the general management and audit arrangements for the shops to prevent a recurrence of this type of situation
- The advantages and disadvantages of appointing an accounting firm to provide an independent internal audit function for the Trust as a whole.

Do not assume any prior knowledge on my part. Keep all your notes brief and to the point, as I will have little time to assimilate the information on my return. Wherever possible, use facts, numbers and financial data to support the points being made and present them in a format that is readily accessible for me.

Iain Verary

Chief Executive



Karen Larich
36, Fàilte Close
Pentland
GA2 R20

26 November 2006

My dearest Karen,

It was good to see you again last night at the dinner that I organised for the Friends of CFCT at Invergowrie Castle. There was an issue that I wanted to raise with you, but the chance never arose and perhaps it was not the right occasion anyway.

As you know the Trust's Tay shop is very dear to me and I call in there on a regular basis. I have to say that I am becoming increasingly concerned about its performance and the behaviour of Anne Struther, who took over as manager there about 15 months ago now. In my view, Mrs Struther is a disaster. Her attitude towards both customers and shop volunteers leaves a lot to be desired and, in the case of volunteers, is tantamount to bullying. A number of my acquaintances used to act as volunteers at the shop, but most gave up soon after Mrs Struther arrived. Volunteer hours used to be well in excess of 100 per week! Not now, I suspect. As a result the shop is now poorly serviced compared with the Trust's other shops, especially as Mrs Struther seems to have no idea about layout of stock. This seems to me to be haphazard and I personally have seen customers unable to find what they are looking for.

My acquaintances also tell me that sales have fallen, so the profit too must be suffering, although Mrs Struther insists that she made a good profit in 2005/06 - "far higher than flagship Clyde", she says. It is also clear to my acquaintances that the petty cash is not recorded properly so how can we be sure that Mrs. Struther isn't helping herself?

Finally, and this was the last straw, I saw a valuable item that I had personally donated to the Tay shop in the window of a second-hand shop in Clyde. The item was an expensive and exclusive handbag with a designer label. The handbag was so unusual that there can be little doubt at all that it was the one donated by myself a few days earlier. Moreover, I went back to the Tay shop and it was not there. I can only conclude that Mrs Struther must have appreciated the value of the handbag and sold it to the second-hand shop, keeping the proceeds for herself.

I know from my previous involvement that Trust staff are often overworked and that auditing takes second place. I feel that these problems would have come to light sooner if the Trust employed a local firm of accountants to act as its internal auditors.

I am sorry to trouble you but the Trust is close to my heart, as you know, and I cannot abide pilfering of this sort. I would suggest getting the police involved immediately.

Warmest regards

Penny

Invergowrie Castle ~ Tay ~ TA1 1ER