

MANAGEMENT

Professional 2 examination 9 December 1999

From 10.00 am to 1.00 pm,
Plus ten minutes reading time from 9.50 am to 10.00 am

Instructions to candidates

*Answer **four** questions in total: **Two** questions from Section A and **both** questions from Section B. The number of marks for each question are shown in italics in the right-hand margin.*

All workings should be shown. Where calculations are required using formulae, calculators may be used but steps in the workings must be shown. Calculations with no evidence of this (for example using the scientific functions of calculators) will receive no credit. Programmable calculators are not permitted in the examination room.

Formula sheets, statistical tables, graph paper and cash analysis paper are available from the invigilator, where appropriate.

SECTION A (Answer TWO questions)**1**

You are the Deputy Finance Director of Heatherton Housing Association; a medium sized organisation based in the Midlands.

The Finance Director (FD) has been involved in a road accident and is unlikely to be fit for work for approximately six months.

The Chief Executive Officer (CEO) of the Association has asked you to undertake the Finance Director's role until he can return to work.

Clearly you will not be able to undertake your own role and that of the FD, so some of the tasks will have to be delegated. Normally the Association would allow a temporary member of staff to be recruited to assist you or your staff, however due to an above average number of lost days due to sickness and the consequent use of temporary staff earlier in the year the budget is overspent.

After an initial discussion with the CEO it has been decided that you and your team (three finance assistants and one CIPFA trainee), along with the CEO will have to absorb the FD's work, with time off in lieu being given for any extra work once the FD has returned to work.

The CEO has suggested that you should have overall responsibility for delegating the FD's tasks and once you have decided how to proceed you should let her know.

- **Requirement for question 1**

Prepare a report to the CEO that:

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|-----|--|------|
| (a) | Identifies circumstances where it would be appropriate for the CEO to undertake the FD's role/task. | 5 |
| (b) | Details the types of tasks you intend to delegate to your staff, and the types of tasks you do not intend to delegate to your staff. | 10 |
| (c) | Explains how you intend to monitor the tasks delegated to your staff. | 5 |
| | | (20) |

2

You are the Chief Internal Auditor (CIA) of Pennycress District Council. The audit section is divided into three teams of two members of staff, plus one trainee who rotates between the teams. Each team comprises a senior auditor and an audit assistant. You have tried to give the teams as much freedom as possible when on audit, providing the senior auditor of each team appraises you weekly of progress and/or problems. Two days ago you received a letter of resignation from an audit assistant. This was a complete surprise. You have been informed that he has been offered a position at a neighbouring authority.

You are disappointed to note in the letter that he stated, 'I am becoming increasingly frustrated in my current post and feel very demotivated. I feel I get no support from the Senior Auditor and he does not trust me'.

Clearly you need to find out the cause of the problem. You cannot speak to the Senior Auditor for two weeks as he is on annual leave, but you can discuss the matter with the Audit Assistant.

You would like to hold an exit interview, however, the Finance Director (FD) is not convinced this will be worthwhile. 'He is unlikely to be truthful with you', he has stated.

Nevertheless, you have a meeting with the FD later today when he has agreed to listen to your arguments for holding an exit interview

- **Requirement for question 2**

Prepare a set of notes that you can refer to during the meeting that outlines:

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|-----|---|---|
| (a) | The potential benefits of an exit interview. | 8 |
| (b) | The various reasons the audit assistant may not be entirely truthful at the exit interview. | 6 |
| (c) | How you could get round the problems identified in (b) above. | 6 |

(20)

3

You are a recently qualified accountant working for Hilldown Open Prison. Financial and Operational Management of the prison rests with the Governing Governor. She visited your office this morning clearly irate about something. "Sometimes this place just drives me mad" she said. "There is no one here capable of making a decision. All we do is have meetings with no productive output!"

The Governing Governor had recently devolved responsibility for certain issues and decisions to lower governor grades who sat on the Management Team. She was clearly not happy with the results so far.

You suggest that perhaps one reason for the Management Team's inability to take decisions was that they are unaware of the decision making process and would benefit from some training in this area.

The Governing Governor agrees and feels that she should deliver the presentation herself the following week at the next meeting of the Management Team. She asks you to meet her tomorrow in order that she can discuss the relevant issues with you.

- **Requirement for question 3**

Prepare an outline of the issues to be discussed at the meeting with the Governing Governor covering the following:

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|-----|--|----|
| (a) | An outline of the decision making process including a description of each stage. | 10 |
| (b) | The way in which different types of decision can be classified generally within organisations. | 5 |
| (c) | Factors that need to be considered when evaluating alternative solutions. | 5 |

(20)

SECTION B (Answer BOTH questions)**4**

You are the newly appointed Finance Manager for the Social Services Department of a recently formed Blurton Unitary Authority. The finance function is devolved in that all staff and costs associated with the finance function are the responsibility of the Director of Social Services. You also have a responsibility to the Authority's Finance Director for corporate financial reporting and control purposes.

Upon taking up your new post, you discover that the Authority is currently replacing its General Ledger and Purchase Ledger systems and, as a devolved finance manager, you are responsible for ensuring the smooth implementation of the new systems within the Social Services Department.

Upon investigating the current situation, a number of issues are brought to your attention:

- Your predecessor was not comfortable with modern IT based information systems and it is thought that this, and the fallout still being felt following the creation of the new Unitary Authority, were major contributing factors to his early retirement.
- Your finance section is split between the Accounting and Information Section (which performs the roles of management accounts, financial advice and departmental maintenance of the General Ledger) and the Payments Section (which is responsible for the online input of bills relating to the Department).
- The head of the Payments Section, Tracy Jacks, was transferred from the previous County Council and tells you that she "has years of experience in managing the payments section of a Social Services Department". Tracy is the person to whom the day to day management of the systems implementation was given, as the new Unitary Authority inherited the former County Council's systems. She informs you that in her opinion "there is no need to play around with the systems as they have always worked in the past – if it ain't broke, don't fix it".
- Your deputy informs you that he never supported Tracy's involvement in the project as in his view "she is too stuck in her ways and anyway, she doesn't understand the accounting side of the system".
- You discover, from conversations with the Central Service Project Team, that progress within the department has been slow and is now far behind schedule. Tracy is cited as being uncooperative, argumentative and generally unsupportive and that the delays are putting the success of the entire project in jeopardy. Tracy tells you that she has not been able to spend enough time on the project due to the pressures of workload over the last six months.

You are naturally concerned about the situation and keen to resolve it quickly, as it will reflect badly on the Department if the new systems do not go ahead on time. You feel that

Tracy is resistant to the changes and is using her long years of experience and position within the section as a means to subvert the new systems. You arrange a meeting with your deputy for tomorrow in order to discuss your views with him and use his greater knowledge of the staff in the section to possibly identify a new person to manage the systems changeover.

- **Requirement for question 4**

Prepare a briefing note that you can refer to at the meeting that:

- (a) Identifies possible reasons why Tracy may be so resistant to the introduction of the new system. 10
 - (b) Suggests possible ways to overcome Tracy's resistance so that even if she is taken off the project she will not be able to undermine its success. 5
 - (c) Outlines the types of power that people can hold within organisations and how this may help in the choice of a new person to manage the systems changeover. 15
- (30)

5

On the train on your way to the office this morning you read an article titled "Anti-hierarchy gurus fall flat on their faces" in your newspaper . The article examines the trend toward flatter organisational structures:

"Reorganising for a flatter management structure is still all the rage. Middle managers, it is said are unnecessary, expensive, red-tape bureaucrats...Old ideas about a logical and restricted span of control are out-dated....Delaying, downsizing, rightsizing and capsizing gurus are agreed that flatter is better"

Overall though the article concludes that *"There is mounting evidence that the alternative models to the traditional structure do not work"* stating that *"In short a hierarchy is a rather good way to control work processes. It defines who is responsible to whom for what"*¹

As you are currently studying for your P2 examinations you are interested in the content of the article and realise that on reflection you perhaps haven't given much consideration to "traditional structures" and ideas on span of control as an important management issue. You resolve to revisit your study of these areas and to pass the journey you decide to make a set of notes for yourself on these issues.

• **Requirement for question 5**

Prepare your notes covering the following areas:

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|-----|--|---|
| (a) | A summary of types of organisational structure. | 6 |
| (b) | The influence of the classical theorists (Weber, Fayol and Taylor) in relation to organisational design including limitations on the span of management. | 8 |
| (c) | The arguments put forward to support delayering initiatives. | 8 |
| (d) | The factors to consider when deciding whether or not to remove a layer of management. | 8 |

(30)

¹*Daily Telegraph "Anti-hierarchy gurus fall flat on their faces" A FURNHAM April 1999*