

Question One: Deeland Police (Example 1 - Good Answer)

Report

To: CEO of the Department for Internal Affairs

From: An Accountant

Date: 1 September 20X5

Subject: Performance measurement for Deeland Police

This report provides recommendations of KPIs for the new critical success factors for DP. Next, an evaluation of the value for money service is made. Further, the use of non-financial performance indicators for DP is discussed. Finally, the report assesses the use of league table in measuring the performance of Deeland Police.

(i) the critical success factors and key performance indicators for Deeland Police

1. Greater protection and more support for those at risk of harm

At first, this CSF sounded more general 'Protecting and supporting those at risk of harm'. The adviser wanted to emphasise 'greater' and 'more', as the previous government failed at protecting those at risk of harm. By adding these words, the shift to other, more specific KPIs is being highlighted. Now, DP will be evaluated against how it better protects those at risk of harm.

Recommended KPIs:

Population/number of police officers – this KPI will show how many police officers are at service for a certain group of citizens. There is a huge difference if, for example, there was 1 police officer for 1,000 citizens and 1 police officer for 500 citizens. The higher the number of police officers per 1000 citizens, the better protected those would feel, as the officers will have more time to deal with their problems.

Response to an incident within the allocated time is a good KPI showing how fast the police is in responding to those at risk of harm. The higher the rate, the more protected the citizens will feel.

2. Be better at catching criminals

This CSF is better than previously stated 'ensuring criminals are caught and brought before the courts' since this is a particular concern for DP, given that historically, there is a high probability that once caught they are brought before the court.

Recommended KPIs:

Number of crimes solved in the year/number of crimes reported in the year – this will show the proportion of crimes reported which were actually solved in a year and will highlight how good the DP is doing on catching criminals.

Number of criminals brought to court/number of criminals convicted – this data is not currently being measured by the DP. However, it is extremely important that criminals are not only caught but also evidence is being provided in order to ensure criminals are convicted for the crimes they committed.

3. Reducing the causes of crime by increased involvement with local communities

This CSF is better than the previous ‘achieving long-term solution to the causes of crime’ as it provides a means of reducing the causes of crime. The previous CSF was too general and did not provide a way to achieve it, compared to the new one which is more specific.

Recommended KPIs:

Number of local victim protection centres – this will show how many victim protection centres there are in the community, which are able to help victims to integrate into the society after they have suffered a crime. By helping victims to integrate, providing psychological support, local authorities ensure they will become good citizens and that further crime is not sought.

Number of volunteers/number of police officers – will provide information on the proportion of people wanting to help police officers to catch criminals and reduce causes of crimes. Volunteers come from the local communities and will highlight the involvement of the local communities.

4. Create a task force to develop skills in the detection of virtual crime

This CSF is better than the previous ‘addressing new forms of crime arising in a virtual world’ as the previous one was too general. There are a lot of new form of crime in the virtual world and the DP (as any other police) won’t be able to address all of them. However, by reformatting this CSF, a way of achieving the CSF is highlighted.

Recommended KPIs:

Number of police officers qualified for virtual crime/total number of police officers = this KPI will give information on the proportion of police officers who have certain skills, knowledge and expertise in this area. Virtual crime has some different characteristics compared to physical crime, so it is important to ensure that police officers who investigate have sufficient skill and expertise.

Number of virtual crimes/number of police officers responsible for virtual crimes – this will show the proportion of police officers who specifically responsible for this type of crime.

(ii) and evaluation of the value for money service provided:

Value for services is a performance measurement tool specifically used for NFP organisations, that want to understand whether they are providing good quality services with the available funds. VFM can be assessed by the 3 measures:

Economy – this will measure how good DP is in using the funds available to them. It is desirable that the best outcomes are achieved using the lowest costs. One way to measure economy will be staff salaries. In the DP there are administrative staff and police officers, therefore it is important to break down the costs, in order to understand whether and where economy is achieved.

All staff costs, on average, have decreased during the 3 years from 40k in 20X3 to 42k in 20X5. This means that personnel costs have reduced and therefore economy was achieved throughout the period. Further, we can see that police officer salaries have increased from 57k to 59k in the 3 years. This means that economy was not achieved in respect of the police officers' salaries.

Efficiency – This is a measure of how much output is achieved by the inputs provided to the DP. This can be measured as population to police officers. The proportion of citizens per police officer has increased during the 3 years so less time will be available for the police officers to take care of citizens, catch criminals and be involved in reduction of virtual crime.

Effectiveness – this will focus on whether the DP is achieving its stated objectives. The CSF regarding being better at catching criminals will be addressed by the ratio of resolved crimes in a year to total reported crime. As can be noticed from the spreadsheet attached, effectiveness measured through this ratio is decreasing year on year, meaning police officers are less effective in trying to reach targets. Also the number of complaints per police officer has increased meaning that people feel less protected than 3 years ago.

(iii) the use of league table in measuring the performance of Deeland Police

League tables are lists of some indicators (financial and non-financial) for many other police departments ranked against each other. By using league tables, DP will be able to see their position against other police departments in other countries and assess performance.

Advantages

The use of league tables will increase competition as DP will see what position it occupies in the league table and it will be eager to get a higher rank. This is particularly important for DP, which is a NFP organisation, with political factors playing an important role (previous government already failed at achieving some CSFs).

If the league table are published on the internet, it will increase transparency and so accountability in the eyes of the citizens will increase. DP will know the information is public and will try to improve their service.

League tables will provide staff with choices as where to work. Some police officers may feel that would do better in other police departments which provide higher salaries.

Police officers may feel encouraged if the league table reflects their performance, for example they may feel motivated to work towards goals and targets if the position in the league table is good.

Disadvantages

Police officers may be resistant to the introduction of league tables especially if the league table ranks them low, which will also affect motivation and affect achievement of targets.

As the DP officers are unified and have public support, their reaction towards the introduction of league tables will be important. If they don't like the idea and are reluctant to change, they may leave their jobs or ask for higher salaries. This way, the government will be forced to take some important and maybe drastic decisions, as to whether replace the current police officers or provide them with better conditions in order for them to accept the league tables. Also the public are likely to support the police and for the current government it is important to be seen as efficient and effective in the public eye, so the police officers' reaction will be of great significance.

Therefore, it is very important that police officers understand the use of league tables and this not simply imposed on them.

Summary of marks:

Technical:	
Part i	14
Part ii	11 (8 on WP, 3 on SS)
Part iii	9
Total technical marks	34
Professional:	
Communication	5
Analysis and Evaluation	3
Scepticism	1
Commercial Acumen	3
Total professional marks	12 (Max 10)
Overall total	44

		20X5	20X4	20X3	Marks
	Population ('000s)	11,880	11,761	11,644	
	Number of police officers	37,930	38,005	38,400	
	Number of administrative staff	12,320	12,197	12,075	
	Number of crimes reported in the year	541,735	530,900	520,282	
	Number of violent crimes reported in the year	108,347	106,180	104,056	
	Number of crimes solved in the year	297,954	300,934	303,943	
	Number of complaints	7,624	7,512	7,483	
	Cost of police force for the year (\$m)	2,248	2,226	2,203	
	Staff costs (all staff including police officers) (\$m)	2,026	2,103	2,141	
Economy	Staff salaries (all staff)	40318	41891	42417	1 mark
	Police officers costs	59,217	58,571	57,370	
Efficiency	Population/number of police officers	313	309	303	1 mark
	Complaints/police officer	5.929	5.994	6.022	
Effectiveness	Crimes solved/crimes reported	0.55	0.57	0.58	1 mark
	Response to an incident within the allocated time limit	84%	86%	87%	

Question Three Coruisk – (Example 1 - Good Answer)

(a)

Purchasing

Coruisk may need to reduce its suppliers so as to better develop relationships and work with ones who can be relied up to meet high quality material demands.

It should be considered whether the remaining two suppliers provide this need and Coruisk should work closely with them to improve quality and reduce lead time. This is important as the material from the suppliers needs to be the right amount and the right quality because if it isn't this will lead to delays in meeting Ericht's orders. Supplier agreements will need to be detailed, probably include SLAs and be reviewed regularly.

Production

Coruisk needs to consider its flexibility with regards to lead times on production as they will potentially need to speed up to prevent potential stock outages at Ericht on highly popular items.

Small production runs will often be required with a mix of dresses to meet sales demands which change the current process at Coruisk. This might reduce the efficiency of production and Coruisk may have to assess alternative measures so as not to see adverse efficiency ratings compared to budget.

A change to how staff bonuses are awarded will have to be made as the number of dresses per period will vary based on Ericht's needs. A better measure may look at on time production or quality of output.

Staff will need to be more flexible to work overtime during periods of high demand and take time off during low periods downtime. This could be a large culture shock to workers who appear to be used to stable working patterns and regular high bonuses in relation to maximised outputs.

Coruisk currently identifies failures at the final stage before items leave the warehouse and this will be too late under JIT.

Coruisk needs to take a very serious approach to the change as if the needs of Ericht aren't met and they choose to move to a different supplier or they decide to move production inhouse this could lead to the corporate failure of Coruisk.

(b)

TQM looks to reduce the costs of non-conformance, which in the report is extremely high at \$568,000 (12.62% of revenue).

The way to do this is invest in conformance costs, particularly prevention, which is important for JIT as it is too late to establish faults at the end of production or by the customers. Coruisk should focus on prevention particularly around training so that staff are using machinery properly and understand all parts of production. Routine maintenance should be increased as it appears there is a lot of downtime, which can't be afforded under JIT which requires reduced lead times.

Summary of marks:

Technical:	
Part a	13
Part b	4
Total technical marks	17
Professional:	
Analysis and Evaluation	3
Scepticism	0
Commercial Acumen	2
Total professional marks	5
Overall total	22

Question Three Totaig – (Example 1 - Good Answer)

(a)

Totaig appears to operate as a differentiator with a target of producing high quality and innovative appliances.

Selection of measures

Value provided to shareholders shown in the year-on-year financial reporting needs to be considered across all areas and functions of the business and within the measures set.

Financial measures directly relating to value should be set such as a move from ROI to RI to consider an actual measure of value and element of risk. Operating profit margin is still helpful to see Totaig's ability to control cost.

Net present value over the full product lifecycle should be used by directors and management when making decisions on product development to truly establish products that will add value and add to the sustainability of Totaig.

Timescales

Totaig should concentrate on the unit cost to compete and undercut its competitors in the short and long-term. Waste in production should be eliminated through Total Quality Management and potentially reduce inventories and obsolete products through JIT manufacturing. Target costs should be set, and achievement continually measured. This need to be an immediate change with cost reduction seen in the first year so as to be competitive with overseas rivals.

Totaig also will need to not only measure quality costs but non-financial external measures such as reduced return rates and customer complaints which will also consider some brand awareness and loyalty which can lower the threat from the new overseas entrants and potential substitutes.

Management levels

Targets should be at all levels (strategic, tactical and operational) but are driven by an overall strategic target which will focus the organisation. The targets relating to production cost and quality would be operational, but acquisitions are strategic.

Difficulties

VBM is complicated and managers will need training if they are to understand the new approach, especially the idea of value drivers. Information systems will need investment as currently basic, and this could be expensive for Totaig as collection of data for VBM will be extensive.

(b) see spreadsheet

Summary of marks:

Technical:	
Part a	11
Part b	5
Total technical marks	16
Professional:	
Analysis and Evaluation	4 (3 on WP, 1 on SS)
Commercial Acumen	2
Total professional marks	6 (max 5)
Overall total	21 (16 +5)

	\$'000	
Operating profit	10,000	
Advertising cost	450	1 mark
Provision	-200	1 mark
Tax	-1,870	
Tax relief on interest	-330	1 mark
NOPAT	8,050	

	\$'000	
Capital employed	88,944	
Provision	500	
	89444	1 mark

	\$'000	
NOPAT	8,050	
Less: capital employed x WACC	8050	
EVA	0	1 mark

Based on this Totaig is not currently adding any value, however it isn't depleting value either. It is at a static point.

1 mark for **Analysis and Evaluation**
for performing the EVA calculation and
and providing an appropriate conclusion
which interprets the result