



THURSDAY: 30 November 2017.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

SECTION A

QUESTION ONE

- (a) Identify FOUR types of risks associated with procurement operations. (4 marks)
- (b) Interpret the following fundamental terms with respect to the code of ethics governing the conduct of professional procurement auditors.
 - (i) Integrity. (2 marks)
 - (ii) Objectivity. (2 marks)
 - (iii) Confidentiality. (2 marks)
- (c) Citing two reasons, explain the importance of supplier transition planning as a risk management strategy in procurement. (4 marks)
- (d) Describe THREE challenges of auditing e-procurement systems. (6 marks)

(Total: 20 marks)

SECTION B

QUESTION TWO

Manu Company Limited is a global soft drink firm. The organisation is currently facing fierce competition in the market and the board of directors has decided to outsource the risk management to a third-party.

- (a) Propose FIVE methods that Manu Company Limited could use to mitigate risks associated with non-performance of the third-party. (5 marks)
- (b) Discuss the benefits of interviewing key stakeholders when reviewing these outsourced contracts. (5 marks)
- (c) Explain the importance of “auditors liability to other laws’ in managing the outsourced contract. (10 marks)

(Total: 20 marks)

QUESTION THREE

- (a) Discuss FIVE advantages to a procurement auditor of reviewing past audits undertaken in an organisation. (10 marks)
- (b) Explain FIVE areas of application of Information Communication Technology (ICT) in procurement audit and review. (10 marks)

(Total: 20 marks)

SECTION C

QUESTION FOUR

Grand Green Ltd. (GG) is a retail giant that specialises in fresh farm produce and fast moving consumer goods. In the recent past, GG has been facing challenges in retaining its suppliers who are mostly farmers. A risk audit by an external auditor revealed that GG’s procurement department has been engaging suppliers without formal contracts. The external auditor recommended to the board of GG for the recruitment of a qualified procurement risk auditor to keep and maintain an elaborate risk register for ease of risk taking.

Required:

- (a) Propose FIVE contractual clauses that GG could include into the contract while engaging the suppliers to mitigate the risks of supplier failure. (10 marks)
- (b) Describe FIVE circumstances under which a procurement auditor can be held liable for professional negligence. (10 marks)
- (c) Explain FIVE reasons why GG should consider keeping a risk register. (10 marks)
- (d) Examine FIVE relative merits for using a third party procurement risk management expert. (10 marks)

(Total: 40 marks)

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KISM AND KASNEB

CERTIFIED PROCUREMENT AND SUPPLY PROFESSIONAL (CPSP)

PART II

PROCUREMENT AUDIT AND RISK MANAGEMENT

THURSDAY: 26 May 2016.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

SECTION A

QUESTION ONE

- (a) Define the following terms:
- (a) An audit. (2 marks)
 - (b) Procurement. (2 marks)
 - (c) Auditing. (2 marks)
- (b) “The auditor has both statutory and professional obligation to achieve certain objectives in an audit examination”.
- (i) Highlight these objectives. (5 marks)
 - (ii) Outline the practical limitations encountered in achieving these objectives. (2 marks)
- (c) Distinguish between internal and external procurement audit. (5 marks)
- (d) Explain the phrase “True and fair view” as used in auditing. (2 marks)

(Total: 20 marks)

SECTION B

QUESTION TWO

- (a) Define internal procurement control systems. (1 mark)
- (b) It is a common practice amongst audit firms to use standardized internal control questionnaires as a means of recording and assessing a client’s system of control.
- Draft SIX questions that should be included in an audit questionnaire for the procurement process. (6 marks)
- (c) (i) Define a “Procurement audit programme”. (1 mark)
- (ii) Enumerate the advantages of an audit programme. (5 marks)
- (d) (i) In planning the programme audit, the auditor uses professional judgment to assess the level of audit risk that is appropriate.

Discuss “audit risk” clearly bringing out its components. (7 marks)

(Total: 20 marks)

QUESTION THREE

- (a) Write short notes on the stages of pre-contract award that are assessed in a procurement audit. (10 marks)
- (b) Write short notes on the stages of post-contract award that are assessed in a procurement audit. (10 marks)

(Total: 20 marks)

SECTION C

QUESTION FOUR

ABC Ltd. is a local telecommunication company. It offers integrated communication services and mobile money transfer. Following the 'cut throat' competition in the market, the management has decided to outsource its call centre department to an international company. Mr. Oletepesi, who is the head of procurement feels there will be significant risk if the call centre is outsourced. His main concern is that the sensitive data on ABC Ltd. will be shared and this might increase risk of fraud. He is also concerned with difficulties in communication and assurance on performance. He feels this project will be difficult to implement and needs careful planning.

- (a) Analyse FIVE fraud risks that ABC Ltd. might encounter in outsourcing a call centre. (10 marks)
- (b) Suggest possible interventions to mitigate the fraud risks identified in (a) above. (10 marks)
- (c) Propose FIVE methods Mr. Oletepesi can use to obtain background information about the international company. (10 marks)
- (d) Discuss the elements to be included in a BCP (business continuity plan) incase the outsourced service fails. (10 marks)

(Total: 40 marks)

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CERTIFIED PROCUREMENT AND SUPPLY PROFESSIONAL (CPSP)

PART II

PROCUREMENT AUDIT AND RISK MANAGEMENT

THURSDAY: 24 November 2016.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

SECTION A

QUESTION ONE

- (a) Differentiate between:
- (i) Civil liability and criminal liability. (2 marks)
 - (ii) Contracts audit and performance audit. (2 marks)
- (b) Explain THREE benefits of Business Continuity Planning (BCP) in procurement audit and risk management. (3 marks)
- (c) Risk control in procurement is the process by which an organisation reduces the likelihood of a risk event occurring. One way to do this is to use the “four T’s” process. (8 marks)
- Explain the “four T’s” process.
- (d) Highlight FIVE consequences of not managing procurement risk effectively in an organisation. (5 marks)

(Total: 20 marks)

SECTION B

QUESTION TWO

- (a) Citing relevant examples, discuss FIVE qualities of a good procurement audit report. (10 marks)
- (b) Explain FIVE qualitative risk identification tools that may be used in procurement risk and audit management. (10 marks)

(Total: 20 marks)

QUESTION THREE

- (a) Explain the role of procurement professionals in procurement risk management in an organisation. (10 marks)
- (b) As a procurement auditor you must always be alert to the risks of “fraud” or “error”.

Discuss the key differences between these risks indicating how the two types of risks would impact on the procurement auditor’s approach to an audit. (10 marks)

(Total: 20 marks)

SECTION C

QUESTION FOUR

Mercury Monitoring Company specialises in manufacturing of parts of motor cars. The company has a large customer base including the interested third parties. The company has been going through a tough phase and the Finance Director has declared that it is not a going concern. The auditors have expressed concern that ICT tools are not available to use in the audit process and that performance audit review should be intensified.

Required:

- (a) (i) Describe the role of a procurement auditor in an organisation. (5 marks)
- (ii) Discuss the contribution of procurement audit to risk management. (5 marks)

- (b) Explain FIVE potential indicators that Mercury Monitoring Company is not a going concern as the company's Finance Director claims. (10 marks)
- (c) Describe the importance of Performance Audit Review process. (10 marks)
- (d) Describe the content of an audit engagement letter. (10 marks)
- (Total: 40 marks)**
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KISM AND KASNEB

CERTIFIED PROCUREMENT AND SUPPLY PROFESSIONAL (CPSP)

PART II

PROCUREMENT AUDIT AND RISK MANAGEMENT

THURSDAY: 25 May 2017.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

SECTION A

QUESTION ONE

- (a) Explain the meaning of the following terms as used in procurement audit and risk management.
- (i) Audit trail. (2 marks)
 - (ii) Audit engagement letter. (2 marks)
- (b) Differentiate between procurement audit and financial audit. (6 marks)
- (c) Explain FIVE common procurement fraud red flags in an organization. (10 marks)
- (Total: 20 marks)**

SECTION B

QUESTION TWO

- (a) Discuss FIVE principles of procurement audit. (10 marks)
- (b) Describe FIVE methods for obtaining audit evidence. (10 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Propose FIVE contents of a supply chain risk management plan. (10 marks)
- (b) Explain the guiding principle for allocating risk management responsibilities. (10 marks)
- (Total: 20 marks)**

SECTION C

QUESTION FOUR

Forensic audit at Skypoint Research Centre, a public entity responsible for developing HIV vaccine, found that there have been massive losses due to weak procurement controls. While Local Purchase Orders (LPOs) are computer generated, an administrator, not working in procurement department has been issuing out LPOs. Having been allowed to sign on behalf of the accounting officer, the staff has been issuing LPOs to various suppliers and directing them to deliver supplies to unauthorised destinations. It is not yet clear how long this has been going on, it only came to light after the resignation of the administrator.

You have been contracted to advise the management on the following:

- (a) Additional procurement controls to curb such losses. (10 marks)
- (b) The various stakeholders regulating public procurement whom the management should liaise with. (10 marks)
- (c) Risk mitigation measures available to Skypoint Research Centre. (10 marks)
- (d) Supplier relations management framework to weed out corrupt suppliers. (10 marks)
- (Total: 40 marks)**



CERTIFIED PROCUREMENT AND SUPPLY PROFESSIONAL (CPSP)

PART II

PROCUREMENT AUDIT AND RISK MANAGEMENT



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THURSDAY: 24 ^{Nov} November 2018.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

SECTION A

QUESTION ONE

- (a) Distinguish between procurement auditing and accounting. (4 marks)
- (b) Define procurement benchmarking as a risk assessment technique. (2 marks)
- (c) Outline FOUR strategies for managing contract risks in procurement. (4 marks)
- (d) Explain FIVE benefits of external recovery services. (5 marks)
- (e) Identify FIVE disadvantages of using ICT tools in conducting procurement audits. (5 marks)

(Total: 20 marks)

SECTION B

QUESTION TWO

- (a) Prepare a procurement audit plan for auditing a procurement entity. (12 marks)
- (b) Explain FOUR factors that can increase risk in any single area of audit. (8 marks)

(Total: 20 marks)

QUESTION THREE

- (a) A successful audit must always be followed by a review process of the audit.
Analyse FIVE contents of a Performance Audit Review Report. (10 marks)
- (b) It is important to conduct a background check on the client before a procurement audit.
Evaluate FIVE kinds of information to be gathered about the client. (10 marks)

(Total: 20 marks)

SECTION C

QUESTION FOUR

Case Study

Diamond Club is a members' only club with sporting amenities, accommodation rooms and a restaurant. The club was opened in 2000 and has since attracted many members. Unfortunately, over the past five years some members have been defaulting on their yearly subscriptions and monthly credits. This has forced the club's management to stretch their finances in order to meet their expenses. Suppliers are not paid as agreed and most of them have stopped honouring the club's purchase orders, or have been making late deliveries or supplying low quality products and services.

The club Secretary has engaged the services of a procurement audit firm to audit and assess the club's status and offer recommendations to ensure that issues arising are addressed.

Required:

- (a) Describe the role of procurement auditees at Diamond Club. (10 marks)
- (b) Explain FIVE sources of procurement audit evidence at Diamond Club. (10 marks)
- (c) Evaluate FIVE justifications for a business continuity plan at Diamond Club. (10 marks)
- (d) Stakeholder involvement eases planning and decision-making. (10 marks)

Defend the above statement in relation to the situation at Diamond Club.

(10 marks)

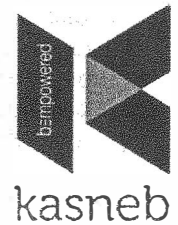
(Total: 40 marks)



CERTIFIED PROCUREMENT AND SUPPLY PROFESSIONAL (CPSP)

PART II

PROCUREMENT AUDIT AND RISK MANAGEMENT



THURSDAY: 23 May 2019.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

SECTION A

QUESTION ONE

- (a) Distinguish between the following terms as used in procurement audit and risk management:
- (i) Risk mapping and risk identification. (2 marks)
 - (ii) Control risk and detection risk. (2 marks)
 - (iii) Assurance engagement and audit engagement. (2 marks)
- (b) Outline FOUR reasons why a procurement auditor should adhere to professional code of ethics when carrying out an audit. (4 marks)
- (c) Highlight FIVE factors that the auditor should consider when assessing the reliability of audit evidence. (5 marks)
- (d) List FIVE basic elements of the procurement audit report. (5 marks)

(Total: 20 marks)

SECTION B

QUESTION TWO

- (a) Discuss FIVE circumstances under which the use of a computerized audit technique would be more appropriate. (10 marks)
- (b) Propose FIVE components that should be included when preparing operational audit plan for auditees. (10 marks)

(Total: 20 marks)

QUESTION THREE

- (a) Explain FIVE ways in which a head of procurement of an entity can detect and mitigate supply chain risks. (10 marks)
- (b) Evaluate FIVE reasons why an auditor should understand the legal and regulatory framework of an entity before conducting an audit. (10 marks)

(Total: 20 marks)

SECTION C

QUESTION FOUR

Case Study

Kenya Choice PLC (KC)

Kenya Choice PLC (KC) is a retail giant with branches spread across the East Africa region. KC was recently delisted from the Regional Securities Exchange after it was established that the Board of Management had been colluding with the external auditor in falsifying audit reports to reflect sound financial standing.

The investigation was instigated by complaints arising from KC's critical suppliers who felt that the retail giant was becoming insolvent as the debt owed to them had been accumulating and becoming a risk to their operational wellbeing. Notwithstanding, the current state of affairs at KC, the shareholders believe that the retail chain is capable of a turn around and are considering appointing an audit consultancy firm to conduct a review so as to ascertain the going concern status of KC and to recommend various aspects of business continuity planning that the firm should adopt to maintain essential business operations during the turn around process.

Required:

- (a) Describe FIVE audit procedures that the audit consultancy firm could carry out at KC to ascertain its "going concern" status. (10 marks)
- (b) Propose FIVE reasons why KC's audits should be reviewed before making an audit assurance report. (10 marks)
- (c) Recommend FIVE risk management strategies that KC procurement function should adopt when evaluating critical suppliers (10 marks)
- (d) Select FIVE important aspects of business continuity planning that could enable KC to maintain essential business operations (10 marks)

(Total: 40 marks)

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CERTIFIED PROCUREMENT AND SUPPLY PROFESSIONAL (CPSP)

PART II

PROCUREMENT AUDIT AND RISK MANAGEMENT



THURSDAY: 29 November 2018.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

SECTION A

QUESTION ONE

- (a) Distinguish between the following terms as used in procurement audit and risk management:
- (i) Risk impact and risk likelihood. (2 marks)
 - (ii) Compliance audit and risk based audit. (2 marks)
- (b) Discuss FIVE benefits of using audit sampling in procurement audit assignments. (5 marks)
- (c) Explain FIVE reasons why procurement audit should adhere to International Auditing Standards. (5 marks)
- (d) Discuss SIX indicators of fraud in the post contract award phase of the procurement process. (6 marks)
- (Total: 20 marks)**

SECTION B

QUESTION TWO

- (a) Assess FIVE issues that can lead to rejection of a procurement audit report. (10 marks)
- (b) Predict FIVE security breaches that may compromise the performance of an electronic procurement system. (10 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Explain FIVE circumstances under which a procurement auditor may escape liability for breach of client confidentiality. (10 marks)
- (b) Examine FIVE factors that may influence the outcome of a procurement audit. (10 marks)
- (Total: 20 marks)**

SECTION C

QUESTION FOUR

Case Study •

MAUA PUBLIC CORPORATION (PLC)

Maua PLC is a public corporation established in 2011 to support the empowerment of micro-small and medium entrepreneurs. The following year the government through its ministry of finance received a 4.8 million dollar grant to support the implementation of this objective from one of its multilateral development partners.

A recent audit report from the National Audit Office highlighted a number of malpractices most of which were procurement related. Most of the procurement contracts were as a result of direct procurement which were not adequately supported and justified in accordance with the public procurement laws. Some of the contracts were found to have addenda whose values were more than the original contract values. Payments were made for goods not delivered and most of the contracts were awarded to the relatives and friends of the corporation staff.

Required:

- (a) Advise Maua on FIVE circumstances under which it would not be advisable to rely on internal auditors guidance. (10 marks)
- (b) From a procurement audit point of view, evaluate FIVE qualitative risk assessment techniques the auditors from National Audit Office may have used. (10 marks)
- (c) For purposes of continuity, Maua PLC may have to develop a continuous audit reports tracking system. Write FIVE reasons to support this view. (10 marks)
- (d) Examine FIVE stakeholders Maua PLC should involve to mitigate against the findings in the audit report. (10 marks)
- (Total: 40 marks)**
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CERTIFIED PROCUREMENT AND SUPPLY PROFESSIONAL (CPSP)

PART II

PROCUREMENT AUDIT AND RISK MANAGEMENT



WEDNESDAY: 27 November 2019.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

SECTION A

QUESTION ONE

- (a) Distinguish between the following terms as used in procurement audit and risk management:
- (i) Direct physical loss and indirect consequential loss. (2 marks)
 - (ii) Procedural audit and management audit. (2 marks)
 - (iii) Procurement audit and financial audit. (2 marks)
- ~~(b)~~ Outline SIX major steps in risk management process. (6 marks)
- (c) List THREE main types of audit engagements and services. (3 marks)
- (d) Explain FIVE ways procurement performance audit review may contribute to risk management. (5 marks)
- (Total: 20 marks)**

SECTION B

QUESTION TWO

- (a) Describe FIVE possible indicators of fraud at the tendering phase of a procurement cycle. (10 marks)
- (b) Analyse FIVE reasons why a procurement auditor may decide to use a short form audit assurance report. (10 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Illustrate FIVE ways procurement auditors can use information technology in undertaking their duties. (10 marks)
- (b) Explain FIVE circumstances where a procurement auditor may be held liable for damages, for material misstatements expressed in an audit opinion. (10 marks)
- (Total: 20 marks)**

SECTION C

QUESTION FOUR

Case Study

NEW ERA PLC

New Era Plc is a public sector organisation under the ministry of health. The entity's mandate is procurement and distribution of a broad range of health products to government-run health care facilities throughout the country. Being a public sector entity, New Era is subject to all the procurement regulatory frameworks. Every year, New Era engages a procurement audit firm to undertake an audit and review of its annual procurement contracts. Last year, New Era engaged Precision Procurement Consultants (PPC) to review their Sh.15 billion spent through 25 – 30 contracts. The terms of reference (TOR) of the procurement audit engagement in part were: PPC were to undertake a risk identification and assessment, audit their outsourced services, review their business continuity planning and undertake the review of a carefully sampled lists of contracts.

Precision Procurement Consultants are excited about the assignment. Upon signing the contract, PPC moved in with a detailed engagement plan covering all the areas provided in the TOR. Owing to the massive data relating to the large number of transactions, PPC adopted very robust Computer Assisted Audit Techniques (CAATs) to help in analytics.

During the review of one of the contracts, the following working paper was used:

The contract No. NE/OIT/203/18: Procurement of Health Machines and Equipment	The contractual delivery date was 29/09/2018
The procurement method used was open international tender as envisaged in the plan	The contract was signed on 30/08/2018
Invitation to tender was done on 14/04/2018 and tender submission done on 14/05/2018	The performance security of Sh.27.5 million was furnished on 02/09/2018 valid for 120 days
Five bidders bought and submitted the tender documents	On 22/08/2018 Tim Group PLC was notified of the outcome of the contract
Tim Group PLC awarded contract at contract price of Sh.275 million	The tender validity lapse date was 13 July 2018
No record of post-qualification evaluation provided	The award notice was not published

NB: Available documents were: Purchase requisition, procurement notice, bidding document, bid opening minutes, all the original bids, bid evaluation report, notification of the successful bidder, contract agreement/purchase order, contract award notice, copies of bid securities, advance payment security, performance security, delivery notes/certificates, payment of voucher, payment receipts and supplier invoice.

Required:

- (a) Examine FIVE compliance issues raised in this audit. (10 marks)
 - (b) Recommend FIVE contractual remedies that New Era PLC might have to put in place to mitigate the risks associated with the compliance issues in (a) above. (10 marks)
 - (c) Assess FIVE fundamental ethical audit principles that PPC should ascribe to in the course of their engagement at New Era PLC. (10 marks)
 - (d) Examine the key elements that PPC will have to include in their presentation to the consumers of the audit report. (10 marks)
- (Total: 40 marks)**