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## CIPS L4M1 - Question & Answer 2024 with complete solutions

Q1. Outline FIVE differences between purchasing goods and purchasing services. - ANSWERS1. Goods are tangible, services are intangible;

2. Services cannot be separated from their supplier;
3. Heterogeneity: goods are usually uniform in nature while services are unique at each delivery
4. Services 'perish' immediately on delivery whereas goods can be stored until required
5. Products are easier to specify, being tangible

Q2. Explain THREE circumstances in which a competitive tendering exercise might not be the best approach to making a purchase. - ANSWERS1. Urgency

2. Commercial confidentiality or national security (e.g. military organisations);
3. Value of the purchase;
4. Production costs cannot be measured accurately;
5. Price is not the only criterion for supplier selection and contract award
6. Intellectual Property Rights and monopoly

Q2. Describe TWO e-sourcing tools and their use in procurement and supply. - ANSWERS1. E-Catalogues

2. E-Tendering
3. E. Auction
4. Reverse Auctions
5. Online supplier evaluation data

Q3. Explain the role of a shared services unit (SSU). - ANSWERS1. SSUs reflect a desire to centralise and share services

The shared service provider becomes a dedicated provider of services such as; finance, HR, IT and procurement which continue to be provided internally

An SSU manages costs and quality SLAs to demonstrate value for money.

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## CIPS L4M1 Exam Syllabus Topics:

Topic	Details
Topic 1	<ul style="list-style-type: none"> <li>• Procedures, strategies, manuals, and internal function involvement.</li> </ul>
Topic 2	<ul style="list-style-type: none"> <li>• Understand and analyse the need for compliance: This section measures skills of compliance officers and sector-specific procurement managers in understanding different economic and industrial sectors such as</li> </ul>
Topic 3	<ul style="list-style-type: none"> <li>• Understand and analyse aspects of organisational infrastructure that shape the scope of procurement and supply chain functions: This section measures that skill of supply chain strategists and organizational analysts in understanding corporate governance, documented policies, accountability, and ethics. It also covers the impact of organisational policies and procedures on procurement and supply</li> </ul>

Topic 4	<ul style="list-style-type: none"> <li>Understand and analyse the added value through procurement and supply chain management: This section of the exam measures skills of supply chain managers related to identifying added value outcomes in procurement and supply and evaluating cost savings, service improvements, and innovations contributions. It also measures procurement and supply processes that contribute to added value.</li> </ul>
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### CIPS Scope and Influence of Procurement and Supply Sample Questions (Q13-Q18):

#### NEW QUESTION # 13

Industry Sectors can be classified as Primary, Secondary and Tertiary. What is meant by an 'industry sector'?

Describe the main characteristics of and types of business you will find in these. (25 marks)

#### Answer:

Explanation:

See the solution in Explanation part below.

Explanation:

How to approach this question

- The first question can be a simple introduction with a bit of extra detail. The main 'meat' to your essay is going to be explaining the three sectors, their characteristics and example businesses.

- Aim for three well explained characteristics as a minimum

Example essay

An industry sector refers to a broad category or grouping of businesses and economic activities that share similar characteristics and functions in the production and distribution of goods and services. These sectors are often classified into three main categories: Primary, Secondary, and Tertiary. Here are the main characteristics and types of businesses you will find in each of these industry sectors:

1. Primary Sector:

\*Characteristics: The primary sector involves activities related to the extraction and production of raw materials and natural resources directly from the environment. This sector relies on nature and weather patterns: businesses in the primary sector are highly dependent on natural factors such as climate, weather, soil quality, and geographic location. These factors can significantly impact the productivity and profitability of primary sector activities. Extreme weather such as floods can severely impact this sector. Moreover there is a seasonality to this sector and many activities in the primary sector require a significant amount of manual labour, particularly in agriculture, fishing, and forestry. However, modern technology has also been integrated into some primary sector activities to increase efficiency.

\*Types of Businesses: a. Agriculture: This includes farming, crop cultivation, livestock raising, and forestry.

b. Mining and Extraction. c. Fishing and Aquaculture: Forestry and Logging: Includes the harvesting of timber and related activities.

2. Secondary Sector:

\*Characteristic: The secondary sector focuses on the transformation of raw materials and intermediate goods into finished products. The main characteristic of the sector is that it requires high levels of machinery and industrial techniques. There is a reliance on technology. Secondly, the secondary sector adds significant value to the products compared to their raw material form. This value addition is achieved through processing, assembly, and quality control processes. The third main characteristic is standardisation: Manufacturing processes often involve standardization of components and processes to ensure consistency and quality in the final products. Standardization helps in economies of scale.

\*Types of Businesses: a. Manufacturing: This sector includes factories and plants that produce tangible goods such as automobiles, electronics, textiles, and machinery. b. Construction: Involves the building and construction of structures like buildings, bridges, and infrastructure. c. Utilities: Companies providing essential services like electricity, gas, and water supply fall into this category.

3. Tertiary Sector:

\*Characteristic: The tertiary sector is also known as the service sector and involves businesses that offer various services to consumers and other businesses. The main defining characteristic of this sector is Intangibility: Services are intangible and cannot be touched or held. They are often experienced directly by consumers through interactions with service providers or through the use of technology. Secondly, High Human Involvement: The tertiary sector relies heavily on a skilled and often highly educated workforce to deliver services effectively. This can include professionals such as doctors, lawyers, teachers, and customer service representatives. Lastly, Customization: Many services are customized to meet the specific needs and preferences of individual clients or customers. This personalization is a key characteristic of the tertiary sector. For example Legal Advice will always be different depending on the specific needs of the client.

\*Types of Businesses: a. Retail and Wholesale: Businesses engaged in the sale of goods to consumers or to other businesses. b. Healthcare and Education: This includes hospitals, clinics, schools, colleges, and universities. c. Financial Services: Banks, insurance companies, and investment firms are part of this sector. d.

Hospitality and Tourism: Hotels, restaurants, travel agencies, and entertainment venues fall into this category.

e. Professional Services: Legal, accounting, consulting, and IT services are part of the tertiary sector.

These industry sectors represent the different stages of economic activity, with the primary sector providing raw materials, the secondary sector processing and manufacturing goods, and the tertiary sector offering services and distribution. Together, these sectors form the backbone of an economy, contributing to its growth and development Tutor Notes

- I've gone overboard on naming the types of organisation in the different sectors. You don't have to remember all of these. 3 examples is sufficient to get good marks. I've just named them all so you can see what could be considered a right answer.

- Some people are talking about Quaternary and Quinary Sectors. CIPS is not one of those people, so don't worry if you come across those terms in any further reading. But FYI

1.

\*Quaternary Sector: This sector involves knowledge-based activities, including research and development, information technology, and data analysis.

\*Quinary Sector: The quinary sector comprises high-level decision-making and leadership roles in areas such as government, academia, healthcare, and top-level corporate management.

- LO 4.1 p.196

#### NEW QUESTION # 14

In the supplier selection part of the Procurement Cycle, what criteria can a Procurement Manager use to ensure they award to the best supplier? (25 points)

#### Answer:

Explanation:

See the solution in Explanation part below

Explanation:

How to approach this question:

- This is quite an open question and there are many different things you could mention. One way to approach it would be to use Carter's 10 Cs- discuss a couple of these. OR just give a couple of criteria in different paragraphs. Some ideas include: Supplier financial status, Reputation / Reference, Quality, Availability, CSR Policies / Ethics / Environmental considerations, Accreditations, Added Value. This list is not exhaustive.

- If you're going for Carter's 10 Cs you could name a couple of these: competency, consistency, capability, control, cost, cash, clean, communication, culture, commitment

- I don't think either approach is better or worse. Choose the criteria you know the most about and write about those.

- The question doesn't tell you how many criteria to name, so you have to make a judgement call here. I would aim for 5-6. But if you can only remember 4 that's fine. The main thing they're looking for is that you explain for each one 1) what it is 2) how procurement can check 3) why procurement would look at that criteria 4) an example. If you do too many you risk not going into enough detail on each. It's a balance. 5 is always a good number to aim for if the question doesn't state.

Example Essay

In the procurement cycle, the supplier selection phase is a critical juncture that demands consideration. Procurement Managers shoulder the responsibility of identifying and awarding contracts to suppliers who not only meet immediate needs, but contribute to the long-term success of the organization. This essay explores various criteria a Procurement Manager can employ to ensure the selection of the best supplier: financial stability, reputation, quality, availability, CSR policies, and added value.

Financial stability is a foundational criterion in supplier selection. Assessing a supplier's financial status involves a multifaceted evaluation, with liquidity and gearing ratio taking center stage. The acid test, comparing short-term assets to liabilities, offers insights into a supplier's ability to settle debts promptly, with a ratio exceeding 1 indicating financial health. Meanwhile, the gearing ratio, reflecting the proportion of capital funded by loans, aids in gauging financial risk, with a ratio below 50% considered low-risk.

Relying on published Profit and Loss statements and income statements, along with financial credit checks from platforms like Dun and Bradstreet, empowers Procurement Managers to make informed decisions. This financial scrutiny is imperative to avoid entering contracts with suppliers facing imminent financial struggles, safeguarding against potential disruptions to the supply chain.

Reputation and references are another pivotal criterion. Seeking references from previous contracts allows Procurement Managers to gauge a supplier's track record in successfully delivering on similar commitments. Independent reviews and informal market inquiries supplement this information, providing a holistic understanding of a supplier's performance. However, caution is advised in overreliance on past performance, as variables like personnel changes or contract scale differences may impact outcomes. Recognizing that past shortcomings may have been addressed internally further emphasizes the need for a balanced approach to reference evaluation.

Thirdly, Quality. Beyond the product itself, considerations extend to the supplier's technological capabilities, manufacturing processes, and relevant accreditations such as ISO 9001. Physical visits to supplier sites may be warranted, especially for products like raw materials where samples can be requested. Adhering to recognized safety standards and assessing factors like fire retardancy ensures that the quality of manufactured goods aligns with established benchmarks.

Next, Availability is another important criteria to consider. Procurement Managers must evaluate a supplier's capacity and capability to meet specific requirements. Inquiries about existing contracts and flexibility in response to demand fluctuations provide insights into a supplier's commitment and responsiveness. Assessing the supplier's workload and the significance of the buyer in their client portfolio helps determine the level of attention and service the buyer can expect. A buyer may wish to avoid working for a supplier who is already stretched very thinly with other contracts.

Corporate Social Responsibility (CSR) policies and ethical considerations have gained prominence in supplier selection. Beyond legal compliance, Procurement Managers may scrutinize a supplier's history for convictions or negative press related to corruption, bribery, or fraud. The presence of a Modern Slavery Policy and Environmental Policy, along with relevant accreditations like ISO14001 or Fair Trade certification, attests to a supplier's commitment to ethical and sustainable practices. Procurement would likely seek to appoint a supplier whose CSR vision aligns with their own company's.

Lastly, added value is an important criteria to consider. This is particularly so for Public Sector Organizations governed by the Social Value Act. In addition to meeting contractual requirements, suppliers may offer knowledge sharing, training, improved processes, or contribute to social value by employing local community members or providing apprenticeships. This criterion aligns procurement decisions with broader organizational goals, enhancing the overall impact of supplier relationships and benefitting the local community.

In conclusion, a careful combination of financial scrutiny, reputation assessment, quality evaluation, availability considerations, CSR policies, and added value analysis forms the bedrock of effective supplier selection in the procurement cycle. Procurement Managers, armed with a holistic understanding of these criteria, should seek not only to fulfil immediate needs, but also consider the long-term impact of supplier appointments.

Tutor Notes

- A 'good' scoring answer (50-70%) will explain the criteria well and give examples. If you're looking for a distinction level answer (70%+) you could also mention advantages, disadvantages and risks associated with each of the criteria. For example, when looking at references and reputation it's important to know that a supplier would only ever provide a good reference to you, they would never tell you of a contract that failed. Another example is that financial data may be skewed- a supplier may have a low score if they are just starting up or have recently remortgaged a property. It's therefore important to get a commentary as well as the figures / scores.

- You could also mention that criteria could be weighted e.g. more importance given to quality than financial status and also consider how easy or difficult it would be to get the information e.g. a supplier may say they have lots of availability to deliver the service you require, but they may just be saying this to win business. How do you know for sure?

- Social Value Act isn't in this syllabus. If you work in Public Sector procurement it's something you'll be very familiar with. If you don't or you're outside of the UK do not worry about this. I've just included it to show how you can bring in your own knowledge to questions like this. You could think of particular criteria that's important to your industry and write about that. The Social Value Act: What is it, and why is it important? ([santaler.co.uk](http://santaler.co.uk))

- Study guide p.77

### NEW QUESTION # 15

What is a P2P system (5 points)? Explain the impact that using IT systems can have on the way the Procurement department of an organisation functions (25 points).

**Answer:**

Explanation:

See the solution in Explanation part below

Explanation:

- Definition of P2P - Purchase to Pay or Procure to Pay is the process an organisation takes from ordering a product to paying for it. The main stages of this process are product ordering, supplier requisition to pay, budget authorisation, receipt of delivery, and invoice processing.

- Impact of using IT Systems - can include the use of these systems: EPOS, barcodes/ RDIF, e-commerce systems such as POs and invoicing, and electronic communications such as email. Impacts can be; increased productivity, quicker processes, higher levels

of visibility, increased responsiveness to demands, cost savings, less paper used, supplier relationships are managed virtually rather than in person. Generally the impacts are positive, but you could also discuss some disadvantages or challenges a department might face as the question is quite open.

#### Example Essay

A Procure-to-Pay system is a comprehensive solution that automates and integrates the procurement process within an organization, covering the entire lifecycle from requisitioning goods or services to making payments to suppliers.

The P2P process includes the following: a buyer requests an item, they put in a requisition, it is accepted by the supplier, the item is delivered and the item is then paid for. The order of the steps may be different depending on the industry / requirement (e.g. sometimes payment is made before delivery), or sometimes there are additional steps such as getting the requisition approved by a manager.

Nowadays the P2P process is mainly digitalised- orders are made online or via a PO system and payment is made via BACS. It is not common to pay for items in cash or by cheque any more. This digitalisation has had many effects on the way the procurement department functions. The P2P system streamlines and standardizes the purchasing process, enhancing efficiency, transparency, and control.

The integration of Information Technology (IT) systems has a profound impact on the functioning of the Procurement department within an organization. This digital transformation brings about significant improvements in efficiency, transparency, collaboration, and decision-making processes. Some of the key impacts include:

- Raised productivity - using IT systems results in quicker processes and they're often more accurate and consistent than humans doing the tasks manually. For example, an electronic requisition system can flag when a requisition isn't completed properly (e.g. part of the requisition is missing or a supplier name has been spelled incorrectly). When doing this manually the errors may not be spotted.
- Innovation - the use of IT means new avenues can be explored in terms of new product markets and new supply chains. Without the use of IT, procurement may be limited to working with local suppliers or those they can find in the phone book. Using IT systems such as e-auctions and even just the internet to complete research, opens up more opportunities to make purchases. This could involve working with international supply chains and result in cost savings for the business.
- Improved business processes - the use of IT means there is more transparency as everything is recorded and it is easier for managers to oversee. This results in less risk exposure for the business, particularly in fraud. The use of IT also standardises processes which makes it easy for everyone to know what to do.
- When IT is used, there is an increased responsiveness of the procurement function - it allows for 24/7/365 ordering compared to making purchases in person in a shop which may only be open 9-5. Moreover, there are paperless communications when IT is used- this has a positive environmental impact
- Supplier Relationship Management (SRM) - IT systems support Supplier Relationship Management by providing tools to assess and manage supplier performance. This can include logging KPIs and tracking supplier performance. SRM functionalities enhance communication, collaboration, and visibility into supplier relationships.

In summary, the integration of IT systems into the Procurement department transforms traditional practices, making processes more streamlined, data-driven, and strategically focused. The impact is not only on operational efficiency but also on the ability of the procurement function to contribute strategically to the organization's overall objectives.

#### Tutor Notes

- The word impact is quite vague. I've mainly talked about advantages but you could discuss the impact that the use of IT has had on the department, not just in how it functions, but in how it is perceived. IT has professionalised the procurement industry as a whole- it's no longer seen as 'purchasing' but as a vital function within a business that contributes to added value and strategic goals.
- You could also talk about the impact it's had on ways of working. The use of IT has allowed for innovative procurement and manufacturing techniques such as Just-In-Time. The use of IT also ends silo-working, instead allowing for more collaboration with other business departments and the supply chain as a whole.
- LO 3.4 P. 171

#### NEW QUESTION # 16

What is meant by the term 'centralised procurement'? (10 points) Explain 2 forms of Hybrid Procurement Structures (15 points).

#### Answer:

##### Explanation:

See the solution in Explanation part below.

##### Explanation:

- This is essentially two mini essays, so you can do them completely separately if you like.

1) Definition of centralised procurement - when an organisation has a designated procurement function which makes purchases on behalf of other teams. When departments need to make a purchase, they would do this by approaching the procurement department who would purchase the item they need. This is in contrast to devolved procurement where departments can make purchases themselves.

2) Explanation of 2 forms of hybrid structures- there's a couple in the study guide you can pick from - consortium, shared services,

lead buyer and outsourced. In the old syllabus they used to discuss SCAN - Strategically Controlled Action Network and CLAN = Centre Led Action Network. This has been removed from the new syllabus, but I don't think it would be wrong to use SCAN and CLAN in this essay if you wanted to. However they are more complicated than the others and if you can talk about other models instead I'd definitely go for that.

Example Essay:

Centralized procurement refers to a procurement strategy where an organization consolidates its purchasing activities into a single, central department or unit. Instead of allowing individual departments or divisions within the organization to independently manage their procurement processes, centralized procurement involves the concentration of these activities under a unified structure.

Key features of centralized procurement include:

1) Single Procurement Authority: In a centralized procurement system, there is a designated procurement authority or department responsible for handling all purchasing decisions. This central entity has the authority to negotiate contracts, select suppliers, and make procurement-related decisions on behalf of the entire organization.

2) Streamlined Processes: Centralized procurement aims to standardize and streamline procurement processes across the organization. This can include the establishment of uniform procurement policies, procedures, and documentation to ensure consistency and efficiency.

3) Economies of Scale: By consolidating purchasing power, centralized procurement allows organizations to leverage economies of scale. Bulk purchases, standardized contracts, and negotiations with suppliers on a larger scale can lead to cost savings and more favourable terms.

4) Improved Coordination and Communication: Centralized procurement enhances coordination and communication within the organization. With a centralized structure, there is better visibility into overall procurement activities, allowing for improved collaboration, information sharing, and strategic planning.

Moreover, this centralized control helps manage risks, ensure transparency, and monitor adherence to ethical and legal standards.

5) Consolidated Supplier Relationships: Centralized procurement enables the organization to consolidate its relationships with suppliers. This can lead to stronger partnerships, better negotiation positions, and improved collaboration with a select group of suppliers that meet the organization's needs.

6) Strategic Decision-Making: Centralized procurement allows organizations to make strategic decisions at a higher level. This includes aligning procurement strategies with overall organizational goals, optimizing the supply chain, and contributing to broader business objectives.

An example of centralised procurement would be in a hotel chain with several hotels across the UK. In a centralised procurement function there would be one team responsible for ordering everything for all of the hotels, rather than allowing the individual hotels to buy things themselves. Premier Inn is an example of a company that uses this structure- it allows them to buy stock in bulk and ensures that all hotels have the same equipment so customers expectations are always met.

Centralized procurement is often contrasted with decentralized procurement, where individual departments or business units manage their procurement independently (i.e. each hotel would buy their own supplies). The choice between centralized and decentralized procurement depends on various factors, including the size and structure of the organization, the nature of its operations, and the specific goals it aims to achieve through its procurement processes.

Consortium Procurement Model:

The consortium procurement model is characterized by the collaboration of multiple organizations forming a joint group (the consortium) to engage in collective buying activities. Typically composed of entities from the same industry or sector, these organizations unite their resources, expertise, and purchasing power to pursue shared procurement objectives. The consortium leverages this collective strength to negotiate contracts, conduct bulk purchases, and benefit from economies of scale, resulting in cost savings and increased operational efficiency. The UK University sector is an example of Consortium activities- many universities come together to 'group buy' items as this brings about many benefits.

The main benefit of this form of hybrid procurement model is the increased negotiating power and leverage derived from combining the purchasing volumes of participating entities. This often results in more favourable terms, competitive prices (through bulk purchases), and improved conditions with suppliers. Additionally, consortium buying allows organizations to share resources, knowledge, and expertise, fostering a collaborative environment that enhances overall procurement capabilities. By working together, consortium members can collectively address challenges, negotiate strategically, and navigate the procurement landscape more effectively.

However, consortium buying is not without its challenges. A potential disadvantage lies in the complexity of managing a collaborative procurement structure, involving coordination among diverse entities. Achieving consensus on procurement strategies, vendor selection, and contract terms may require considerable effort and compromise. Additionally, individual organizational needs and preferences within the consortium may differ, posing challenges in aligning priorities. It is essential to strike a balance between centralized decision-making and accommodating the specific requirements of each consortium member. Furthermore, the success of consortium buying relies heavily on effective communication and trust among participants. Any breakdown in communication or lack of trust could hinder the collaborative process, impacting the overall efficiency and success of the consortium's procurement endeavours.

Overall, while consortium buying offers notable advantages, its effectiveness is contingent on careful management of collaborative dynamics and effective communication strategies.

Shared Services Procurement Model:

In the shared services procurement model, various departments or business units within a single organization converge under a

centralized procurement function. Rather than individual units managing their procurement independently, a dedicated shared services centre is established to provide procurement-related services across the organization. This model facilitates streamlined processes, ensures consistency through standardized procedures, and capitalizes on economies of scale.

One key benefit is the potential for cost savings through economies of scale. By centralizing procurement, the organization can negotiate bulk purchases and standardized contracts, leading to better terms and prices. This consolidation of purchasing power enables the organization to optimize its resources and achieve overall cost efficiency. Additionally, centralized procurement allows for streamlined processes, standardized procedures, and better control over procurement activities. It promotes consistency, reduces redundancy, and ensures adherence to organizational policies and compliance requirements.

However, there are also potential disadvantages to centralized procurement. One notable challenge is the potential for reduced flexibility in meeting the unique needs of individual departments or business units within the organization. Centralization may lead to standardized approaches that might not be well-suited for all units, potentially impacting their specific requirements. Furthermore, the centralization of decision-making can result in increased bureaucracy and longer decision-making processes, potentially slowing down procurement activities. Additionally, there may be resistance from decentralized units that are accustomed to managing their procurement independently. Striking a balance between centralized control and accommodating the diverse needs of various units is crucial for the success of centralized procurement.

In conclusion, both the consortium and shared services procurement models represent strategies to enhance efficiency, realize cost savings, and optimize procurement processes. While the consortium model involves collaboration with external entities, the shared services model centralizes procurement functions within a single organization. The choice between these models depends on the unique goals, structure, and requirements of the organizations involved, each offering distinct advantages in the pursuit of effective procurement management.

Tutor Notes:

- This is from LO 3.3 p.161 onwards. There's quite a bit of information on these hybrid models so there's many ways it can come up as a question. There are different types of consortium, which I didn't go into in the above essay because it wasn't asked for as part of the question, but I'd familiarise yourself with this. Also with the pros and cons of each model, and think about when an organisation may choose this type of model.

#### **NEW QUESTION # 17**

Explain the impact that having a Corporate Governance Framework can have on the policies and processes of the procurement department (25 points)

**Answer:**

Explanation:

See the solution in Explanation part below.

Explanation:

A basic response would include:

- What a Corporate Governance Framework is - the system of rules, practices and processes which directs and controls a company. Corporate Governance refers to the way in which companies are governed and to what purpose.
- Impact this has on policies and processes - means the procurement department follows regulatory mechanisms (e.g. financial regulations, Codes of Practices), has a checks and balances system (such as auditing), uses e-procurement technologies, vets staff and suppliers, has a clear segregation of duties etc.

This is a very open question and there are so many correct answers. In fact, it's quite hard to give a wrong answer to this question - as long as your response explains a policy or process that a procurement department can have that ensures they're following Corporate Governance - that's right!

A good response may mention:

- Corporate governance is in essence a 'toolkit' that allows an organisation to effectively manage itself, ensuring that its policies and procedures are compliant with legislation and are ethical. It also ensures that the company meets its objectives.
- The impact Corporate Governance has on the procurement department will be in mandating the ways in which goods and services are procured and in the general ways of working of the procurement department.
- In your response you should mention 5 (ish) different ways Corporate Governance would impact on how procurement do their job. Examples include:

- Ethical Conduct - corporate governance ensures that the company is operating in a legal and ethical way.

This influences the processes Procurement will do and the type of suppliers they will engage with. This may also be in their approach to relationships and negotiations- seeking out collaborative relationships with suppliers rather than looking to exploit them. For example, an organisation that does not have a Corporate Governance structure may look to take advantage of suppliers and achieve the lowest cost possible at the expense of the supply chain and local community. An organisation that has strong Corporate Governance would work with suppliers, developing the relationships and thinking long-term about the impact on the local community. The organisation may therefore prioritise standards such as Fair Trade over price, and this would be reflected in the way tenders are evaluated by the procurement department.

- Use of Checks and Balance system- Corporate Governance ensures strong financial controls are implemented throughout the

organisation. For the procurement department this may result in purchases being made to strict budgets (rather than just spending whatever they want), and business cases being written up and approved before the organisation spends a large amount of money on a single item. Another impact may be in the use of audits. For example, peer reviewing tenders and contract awards to ensure all members of the Procurement Team are following internal processes correctly.

- Anti-fraud prevention mechanisms. An important area of Corporate Governance is ensuring the organisation is free from fraud and corruption. This impacts on Procurement's policies and processes as it will mean scrutinising tenders and who is being awarded contracts. It may result in high levels of Due Diligence being completed on suppliers before entering into contracts and providing a whistle-blowing service for staff to report issues.

- Security measures- this will be to protect the organisation from risk. It may include the procurement department vetting new staff by completing background checks. It may also involve the segregation of procurement duties so that no individual has too much power. E.g. one person raises the requisition and another person approves the purchase. Security may also be in ways of working such as password protecting documentation and limiting access to confidential information.

- Use of a Purchasing Policy Manual - this provides operational guidance on procurement policies and procedures to all staff members. It may detail things like who has permission to order what, who the Delegated Purchasing Authority (DPA) is and the roles and responsibilities of the team.

An excellent response may also include

- Reasons why Corporate Governance Frameworks impact on procurement policies and practices. This could include reasons of accountability, reputation and risk management, procurement's links with other departments.

- You could also look at what processes would look like with Corporate Governance compared to without it (with CG = rule driven, autocratic but organisation is protected from risk. Without CG = laissez-faire, everyone does whatever they like, very risky)




- You could also provide further examples, either real life or hypothetical. Investopedia has some great information and examples you could use: Corporate Governance Definition: How It Works (investopedia.com)

## NEW QUESTION # 18

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We know that most candidates have a busy schedule, making it difficult to devote much time to their Scope and Influence of Procurement and Supply (L4M1) test preparation. ValidVCE offers CIPS L4M1 exam dumps in 3 formats to open up your study options and adjust your preparation schedule. Furthermore, it works on all smart devices. This L4M1 Exam Dumps format is easy to download from our ValidVCE and a Scope and Influence of Procurement and Supply (L4M1) free demo version is also available. You can check the material before you buy it.

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