

## Chapter 10

# Saskatchewan Research Council—Purchasing Goods and Services

### 1.0 MAIN POINTS

The Saskatchewan Research Council purchases various goods and services to deliver research and development services. The Council purchased approximately \$72 million in goods and services in 2018-19.

This chapter sets out the results of our audit on the Council's process to purchase goods and services.

Overall, at November 2019, the Council has reasonable processes in place to purchase goods and services from suppliers. It needs to make improvements in the following areas:

- Give staff written guidance on setting the time tenders should remain open, and communicating tender results with suppliers.

Such guidance helps increase the likelihood of suppliers responding to tenders and the Council achieving best value. Also, establishing standard minimum tender periods and establishing guidance on communicating tender results would help the Council show it treats suppliers fairly and complies with external trade agreements.

- Consistently follow its established policies for purchasing cards (p-cards, company issued credit cards) including always respecting p-card individual transaction limits, and better monitoring changes to those limits.

Not following purchase card policies and monitoring individual card limits increases the risk of employees making inappropriate purchases.

- Formally assess and track supplier performance.

Having a formal supplier evaluation process reduces the risk of using unqualified or inappropriate suppliers.

Effective procurement processes are key to ensuring purchases are transparent, fair, and support the Council's achievement of best value. Not having effective procurement processes increases the risk of not using public resources wisely and placing the Council's reputation at risk.

### 2.0 INTRODUCTION

The Saskatchewan Research Council, a provincial crown corporation, provides applied research, development and demonstration, and technology commercialization to clients



within Saskatchewan and around the world.<sup>1</sup> It focuses its efforts on the mining, minerals and energy sectors, and related environmental considerations.<sup>2</sup> A Cabinet-appointed Board of Directors oversees the Council.<sup>3</sup> The Board has responsibility for strategic planning, risk oversight, and monitoring of financial and business performance.<sup>4</sup>

The Council's head office is located in Saskatoon, Saskatchewan. At March 2020, the Council had staff in over 350 full-time positions located in Saskatoon, Regina, Prince Albert, and Calgary. Its staff include experts with a broad range of science and engineering specialties.

The Council routinely procures goods and services related to the delivery of research, development, design, consultation, and innovation of natural and management sciences services.<sup>5</sup> As set out in **Figure 1**, in 2018-19, the Council had revenues of \$72 million and expenses of \$75.5 million. At March 31, 2019, it held assets of \$81.8 million, including tangible capital assets of \$46.5 million.

**Figure 1—Revenue and Spending for Major Programs**

	Actual 18-19	Actual 17-18
	(in millions)	
Contract Revenue	\$ 51.0	\$ 53.9
Transfer from General Revenue Fund	20.4	21.1
Other Income	0.6	0.4
<b>Total Revenue</b>	<b>\$ 72.0</b>	<b>\$ 75.4</b>
Salaries and Benefits	29.3	29.3
Services	21.8	23.1
Accommodations Charges	11.3	9.0
Supplies	5.9	6.0
Depreciation	5.7	5.4
Travel, Training, and Education	1.5	1.4
<b>Total Expense</b>	<b>\$ 75.5</b>	<b>\$ 74.2</b>
<b>Net Income (Loss)</b>	<b>\$ (3.5)</b>	<b>\$ 1.2</b>
Tangible Capital Asset Additions	\$ 25.5	\$ 4.8

Source: Adapted from the Saskatchewan Research Council *Annual Report 2018-19*, pp. 14, 29.

The Council has made its Purchasing Branch responsible for centrally overseeing procurement decisions of certain purchases (e.g., over \$5,000).

The Council has 20 business units. Business units are responsible for identifying purchasing needs and then working with the Purchasing Branch to purchase goods or services. The Council has made supervisors within Business units responsible for overseeing purchases made through purchasing cards (e.g., those typically under \$5,000).

<sup>1</sup> [www.src.sk.ca/who-we-are/about-us](http://www.src.sk.ca/who-we-are/about-us) (24 March 2020).

<sup>2</sup> [www.src.sk.ca/sites/default/files/files/resource/SRC%20Overview\\_Oct19.pdf](http://www.src.sk.ca/sites/default/files/files/resource/SRC%20Overview_Oct19.pdf) (24 March 2020).

<sup>3</sup> Cabinet appoints the Board under the authority of *The Research Council Act*.

<sup>4</sup> Saskatchewan Research Council *Annual Report 2018-19*, p. 9.

<sup>5</sup> Under *The Research Council Act* (s. 11), the Council can make purchases and enter into agreements for the performance of research projects.

The Council's purchasing and procurement goal is to serve clients by obtaining best value in supply chain management, from acquisition to disposal.

Effective procurement processes are key to ensuring purchases are transparent, fair, and support the Council's achievement of best value. Not having effective procurement processes increases the risk of not using public resources wisely and placing the Council's reputation at risk.

### 3.0 AUDIT CONCLUSION

**We concluded, for the 12-month period ended November 30, 2019, the Saskatchewan Research Council had, other than in the following areas, effective processes to purchase goods and services. The Saskatchewan Research Council needs to:**

- **Better incorporate into its purchasing requirements the obligations of applicable external trade agreements about making tender awards public**
- **Provide guidance in setting the amount of time to ensure suppliers have sufficient time to respond to tenders, and consistently document its communications with suppliers not selected during tenders**
- **Monitor compliance with its policy for single transaction limits when using purchasing cards, and return individual transaction card limits to normal limits when special circumstances no longer exist**
- **Formalize its process to assess and track supplier performance**

**Figure 2—Audit Objective, Criteria, and Approach**

**Audit Objective:** To assess the effectiveness of the Saskatchewan Research Council's processes, for the 12-month period ending November 30, 2019, to purchase goods and services.

**Audit Criteria:**

Processes to:

1. Set policies for procurement of goods and services
  - 1.1 Maintain approved and clear policies for purchasing goods and services and for monitoring and reporting on compliance
  - 1.2 Align policies with externally-imposed requirements (e.g., New West Partnership Trade Agreement, Canadian Free Trade Agreement, legislation) <sup>A,B</sup>
  - 1.3 Keep staff and suppliers informed of purchasing policies
2. Define the need and specifications for required goods and services
  - 2.1 Define, in sufficient detail, the need for suppliers' and agency's understanding
  - 2.2 Define specifications to encourage open and effective competition
  - 2.3 Specify other requirements (e.g., warranty, delivery, packaging, performance guarantees)
  - 2.4 Use specifications that align with relevant authorities (e.g., legislation, policies, agreements)
3. Treat potential suppliers equitably and fairly
  - 3.1 Identify feasible sources of supply
  - 3.2 Document basis of sourcing decision (e.g., sole source, invited bid)
  - 3.3 Obtain appropriate authorization to initiate purchase (e.g., approval to tender)
  - 3.4 Obtain quotations fairly
4. Select suppliers for required goods and services
  - 4.1 Evaluate potential suppliers for best value
  - 4.2 Document decision for supplier selection
  - 4.3 Obtain appropriate approval to buy goods and services
  - 4.4 Inform bidders of competitive purchasing decisions
  - 4.5 Obtain written contractual agreements



5. **Manage Suppliers**
  - 5.1 Validate suppliers
  - 5.2 Pay suppliers in accordance with written contracts
  - 5.3 Track performance of key suppliers
  - 5.4 Report performance problems to suppliers
  - 5.5 Address supplier performance problems promptly

**Audit Approach:**

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook—Assurance* (CSAE 3001). To evaluate the Council's processes, we used the above criteria based on our related work, reviews of literature including reports of other auditors, and consultations with management. The Council's management agreed with the above criteria.

We examined the Council's criteria, policies, and procedures relating to purchasing goods and services for the 12-month period ended November 30, 2019. We interviewed staff responsible for the purchase of goods and services, including senior management. We assessed the Council's purchasing processes by examining purchasing documentation (e.g., policies, tender documents, purchase orders, contracts, and invoices). We tested samples of purchases (tenders, quotes, single and sole source, purchase cards, invoices).

<sup>A</sup> The New West Partnership Trade Agreement is an accord between the Governments of British Columbia, Alberta, Manitoba, and Saskatchewan that creates Canada's largest, barrier-free interprovincial market. [www.newwestpartnershiptrade.ca/the\\_agreement.asp](http://www.newwestpartnershiptrade.ca/the_agreement.asp) (20 April 2020).

<sup>B</sup> The Canadian Free Trade Agreement is an intergovernmental trade agreement that came into force on July 1, 2017. Its purpose is to reduce and eliminate, to the extent possible, barriers to the free movement of person, goods, services, and investments within Canada to establish an open, efficient, and stable domestic market. [www.cfta-alec.ca](http://www.cfta-alec.ca) (3 April 2020)

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

### 4.1 Policies and Signing Authority Kept Up-to-Date

The Council has clearly assigned responsibility for maintaining procurement-related policies, and has well-established processes to keep its key policies up to date.

The Board retains responsibility for approving the signing authority policy. The signing authority policy sets out the limits of authority assigned to specific positions of responsibility, and approved signing authority values. For example, it authorizes the President and CEO to sign all documents and agreements on the Board's behalf with a value of less than \$2 million in any one fiscal year.

The Board has formally delegated responsibility for maintaining other policies and procedures necessary for the Council's operations, and keeping them current, to its executive management team (i.e., President and CEO, and vice-presidents). It requires a periodic review of all key policy and procedures every three years, including those related to buying goods and services. The Council tracks each policy and procedure including when each was last updated.

To maintain awareness of good purchasing practices, a member of the Purchasing Branch sits on the Provincial Corporate Procurement Committee.<sup>6</sup> This Committee provides the Council with information about Saskatchewan Government procurement practices, and new or emerging external requirements.

Our review of procurement-related policies and procedures found appropriate personnel had reviewed and approved each document, and kept them up-to-date. Procurement-related policies and procedures include the Procurement Policy, a Purchasing Card Policy

<sup>6</sup> The Provincial Corporate Procurement Committee consists of members from major Saskatchewan corporations representing Crown corporations, government ministries, and the private sector. Members share procurement opportunities with Saskatchewan suppliers and aim to maximize Saskatchewan and Indigenous content when acquiring goods and services in accordance with trade agreements.

(and supporting procedures), and the Competitive Bid Process Guidance. We found management appropriately reviewed and approved the Council's procurement-related policies and procedures within the last three years.

Also, the Council has a Code of Conduct and Ethics policy. We found it appropriately addresses conflicts of interest (e.g., the Council expects its employees to identify and declare possible conflicts of interest.)

For 23 purchases we tested, the Council followed its approved signing authority policy, where the appropriate individual approved the request to purchase (e.g., purchase requisition, purchase order, specifications for tender).<sup>7</sup>

Having clear responsibility for keeping policies up-to-date helps the Council maintain policies that appropriately reflect its expectations of staff.

## 4.2 Comprehensive Procurement Policies Generally Exist

Other than two areas related to public tendering processes, the Council maintains a comprehensive set of written procurement-related policies and procedures.

The Council gives staff sufficient and clear direction about purchasing in various documents and has embedded additional direction within its purchasing IT system. Documents include policies for signing authority, general purchasing, use of purchasing cards and related guidance including specific guidance on use of the competitive bid process.

The Council makes these policies and procedures available to staff on its intranet, and uses e-mails and corporate newsletters to advise staff of changes to them.

Our review of these procurement-related policies, procedures and information embedded within its purchasing IT system found their content consistent with good practice for the procurement of goods and services. For example, the Council:

- Outlines key principles when making purchasing decisions (e.g., achieve best value, encourage use of purchase cards for low value purchases, require staff to ensure consistency and fairness when purchasing goods and services)
- Sets out available procurement methods (e.g., purchasing cards, direct awards, competitive requests for quotes and public tenders)
- Sets reasonable dollar value thresholds to guide which procurement method to use; staff are to:
  - Use purchasing cards for purchases under \$5,000
  - Obtain a minimum of three quotes from suppliers when buying goods and services over \$5,000
  - Publicly tender when buying goods and services over \$25,000; and post tender on the SaskTenders website (e.g., posting when expected purchase values are within limits set out in trade agreements)<sup>8</sup>

<sup>7</sup> See Section 4.3 for testing of purchases made using purchase cards.

<sup>8</sup> SaskBuilds Corporation administers SaskTenders website ([www.sasktenders.ca](http://www.sasktenders.ca)) (16 March 2020). SaskTenders is the primary gateway for public sector tender notices for Saskatchewan. The external trade agreements establish thresholds requiring



- Use direct awards (i.e., single and sole sourced purchases) where staff can, in writing, demonstrate only one supplier can meet the requirement of the procurement (sole source) or where multiple sources of supply are available, but legitimate rationale exists to award to only one supplier (single source)<sup>9</sup>
- Sets out guidance for evaluating potential suppliers when staff use competitive procurement methods (e.g., quotes, public tender)

The Council makes its Purchasing Branch responsible for overseeing individual purchases of goods and services over \$5,000. A Purchasing Branch staff member:

- Must review and approve requests for individual purchases exceeding \$5,000 prior to entering into the purchase
- Assess the reasonableness of using a direct award method of purchases before the Council selects the supplier and enters into the purchase

We found the Council's guidance on selecting the appropriate purchasing method aligns with external trade agreements. For example, the New West Partnership Trade agreement requires agencies (like the Council) to use the SaskTenders website to publicly tender purchases of goods and services over \$75,000.

Also, within the public tendering documents (e.g., request for proposal), the Council specifies unsuccessful bidders can meet and debrief with the Council. This process provides both the Council and suppliers an opportunity to provide comments and feedback on the purchasing process.

However, we found the Council does not provide staff with sufficient direction in two areas.

First, the Council does not indicate how it expects staff to communicate the results of its evaluation of tenders to successful and unsuccessful suppliers (e.g., through letters of intent, phone conversations, posting award notice to SaskTenders). The Canadian Free Trade Agreement, to which the Council is subject, requires making public contract award notices (e.g., posting notices on the SaskTenders website). In addition, the Council does not expect staff to keep track of or document the results of debriefs with unsuccessful suppliers (e.g., document whether they occurred, and if so, document key discussion points).

Not establishing expectations for communication with successful and unsuccessful suppliers responding to public tender requests increases the risk of the Council not demonstrating to suppliers the fairness and transparency of its purchasing decisions. In addition, it risks violating requirements of external trade agreements.

**1. We recommend the Saskatchewan Research Council establish expectations about when and how to communicate results of tenders for purchases with suppliers.**

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organizations to post tenders on the SaskTenders website. These are required for procurements exceeding \$75,000 for goods or services, and \$200,000 for construction.

<sup>9</sup> The Council's purchasing IT system includes examples for when it is appropriate to use direct award purchases.

Second, the Council has not established a standard minimum amount of time to leave tenders open to allow suppliers sufficient time to respond to tenders. Good practice suggests 25 to 35 days is sufficient time to allow suppliers to respond to tenders.<sup>10</sup> Good practice recognizes the time allowed would vary depending on the complexity and size of the purchase—more complex or large purchases should give suppliers more time to respond.

Not having guidance on how much time to give suppliers to respond to tenders or requests for quotes increases the risk of not giving suppliers sufficient time to respond. This in turn increases the likelihood of suppliers choosing not to respond or providing incomplete responses, resulting in fewer viable options. In addition, establishing guidance (e.g., factors to consider, standard minimum amounts of time) can help the Council treat suppliers fairly and equitably and achieve best value.

**2. We recommend the Saskatchewan Research Council establish guidance on setting the amount of time to allow suppliers to respond to tenders.**

Having comprehensive policies helps reduce the risk of employees making purchases that are either inappropriate or not in accordance with the Council's expectations. It also helps to ensure that the Council is operating in compliance with governing trade agreements, and is fair and transparent with potential suppliers.

### 4.3 Need to Follow Established Policies for Purchasing Cards

The Council is not always following its established processes for employees' use of purchasing cards (i.e., p-cards, company-issued credit cards). Also, the Council is not always reducing single transaction purchase limits after granting temporary increases for a single purchase due to special circumstances.

At November 2019, the Council had assigned 173 purchasing cards to staff.

The Council expects staff to use purchasing cards to buy small dollar value items (i.e., generally for purchases less than \$5,000).

The Purchasing Card Policy and Purchasing Card Procedure gives staff clear and complete guidance on their use. See **Figure 3** for details on the policy and procedures. The Council was in the process of updating these documents as at March 2020.

<sup>10</sup> Adapted from information provided by the Saskatchewan Ministry of Trade and Export Development. To assist government agencies, the Ministry prepared a document that summarized agencies' procurement obligations under domestic and international trade agreements (2018).

**Figure 3—Key Content of Council Purchasing Card Policy and Procedure**

The Council's purchasing card policy and procedures appropriately set out:

- Responsibilities of cardholders (e.g., accountability for purchases, proper security of cards, requirements to submit monthly expense reports). It requires cardholders to acknowledge acceptance and understanding of these responsibilities in writing.
- Types of purchases that are acceptable (e.g., business purchases, travel) and unacceptable (e.g., personal purchases, fixed assets).
- Approval process for distributing cards to staff and for setting and changing credit card limits (e.g., Finance Branch is responsible for determining maximum allowable dollar value limits for single transactions and monthly transaction totals). The Council sets individual transaction limits at \$5,000, unless management approves an individual purchase limit change for a specific purpose.
- Monthly process for reconciling transaction statements to supporting receipts, and related approvals.
- Expectation that purchases must not be split in order to bypass single transaction limits.

Source: Adapted from Saskatchewan Research Council Purchasing Card Policy and Procedure.

We found monthly transaction limits of individual employees ranged between \$5,000 and \$100,000, depending on the individual, with most employees having the standard limit of \$5,000.

For one of 17 purchasing card transactions we tested, an employee did not follow the Council's policies by splitting a purchase exceeding \$5,000 into two amounts. The employee's single transaction dollar limit was \$5,000. The employee did not have approval to exceed their single transaction limit. There was no evidence the supervisor responsible for reviewing and approving the employee's monthly statement noticed the split purchase transaction.

Adhering to purchasing card policies and procedures reduces the risk employees make inappropriate purchases on purchasing cards. Appropriately monitoring purchasing cards allows management to confirm purchases are appropriate and align with the Council policy.

### **3. We recommend the Saskatchewan Research Council monitor compliance with its policy for individual transaction limits when using purchasing cards.**

For two of 17 purchasing card transactions we tested, the Council did not reduce the individual transaction limit after granting an increase to the limit to accommodate an earlier single purchase due to a specific circumstance. We found:

- In one instance, an employee made an additional purchase with a dollar value in excess of their normal individual transaction limit of \$5,000. The employee had an increased individual transaction limit of \$10,000 for approximately 2 months after making a previous purchase where the employee had received proper approval for the higher limit for that previous single transaction.
- In one instance, an employee had an increased individual transaction limit of \$30,000 for approximately 10 months after making a purchase where the employee had received proper approval for the higher limit for that single transaction. The employee's normal individual transaction limit was \$5,000. In our review of purchases, we found the employee did not make any further purchases in excess of \$5,000.



Not actively monitoring and returning temporary increases to an employee's purchasing card transactions limits to prior established transactions limits increases the risk of employees making inappropriate purchases or purchases not in accordance with the Council's expectations.

4. We recommend the Saskatchewan Research Council monitor the continued appropriateness of individual transaction limits on purchasing cards when approving temporary changes to dollar value limits for special circumstances.

#### 4.4 Compliance with Procurement Policies Actively Monitored

The Council actively monitors compliance with its procurement-related policies and procedures, and takes appropriate steps to address non-compliance.

The Council makes the Purchasing Branch responsible for monitoring compliance of purchases with its procurement-related policies and procedures. We found, since August 2019, the Branch uses its procurement IT system to assist with this monitoring.

Since August 2019, the Purchasing Branch identified eight purchases where a business unit received goods or services, or engaged a supplier prior to receiving the appropriate approval of the purchase (i.e., non-compliance with policy).

In addition, for one purchase, the Branch found an employee did not obtain approvals for a direct award before the contractor started the work, and also determined the purchase should have been tendered instead.<sup>11</sup>

For each of these purchases, a member of the Purchasing Branch discussed the non-compliance with the relevant staff, and reinforced the expectation of compliance with procurement policies.

We found the results of the Branch's monitoring were consistent with the results of our testing of purchases (see details in the **Sections 4.1, 4.5, and 4.6**).

Having well established processes to monitor whether purchases comply with Council policies and taking action when purchases did not align with established policy reinforces the importance of compliance, and helps foster a culture of compliance.

#### 4.5 Appropriate Procurement Method Used

The Council makes decisions about the appropriate procurement method consistent with its policies, and consistently documents the basis of the procurement method selected as outlined in its purchasing policies.

As noted in **Section 4.2**, the Council has established policies to guide staff in the selection of procurement methods.

<sup>11</sup> For the other seven purchases, it determined that staff selected the appropriate procurement method



For 22 out of the 23 purchases we tested, the Council sufficiently documented its rationale for selecting the procurement method used.<sup>12</sup> For these 22 purchases, reasons for selecting the method were consistent with the Council's procurement-related policies and procedures.

For one of the 23 purchases we tested, the rationale for use of the selected direct award method was not sufficiently clear. As noted in **Section 4.4** above, the Purchasing Branch appropriately identified this exception earlier as part of its monitoring activities, and they discussed the non-compliance issue with relevant business unit staff.

Of the 23 purchases we tested, 10 were made through tenders, 10 through direct awards, and three (which were each less than \$5,000) were made through a purchase order.

We did not identify any instances where there was a conflict of interest between the Council and the supplier.

Where its policy requires the use of competitive procurement methods, the Council appropriately initiated quotes and tenders based on identified needs, and evaluated responses consistent with its policy.

For 10 tenders we tested, the Council used guidelines in its procurement policy to determine which procurement methods to use (e.g., request for at least three quotes for purchases over \$5,000, public tender for purchases of goods and services over \$25,000)

Selecting an appropriate method to procure goods and services helps the Council treat suppliers equitably and fairly, and obtain the best value when spending its resources.

## 4.6 Suppliers in Competitive Procurements Identified and Selected Consistent with Policy

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The Council consistently followed its competitive procurement policies for buying goods and services.

Instead of sharing its internal policy and procedure documents with suppliers, the Council provides them with basic procurement information online via its website, with a link to the SaskTenders' website.

For 10 tenders we tested, the Council:

- Documented the identified need for the good and/or service within the related request for quotes or proposals to potential suppliers, or within the tender documents
- Authorized the initiation of the purchase consistent with its delegation of authority policy

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<sup>12</sup> These 23 purchases do not include the 17 purchase card transactions we tested in **Section 4.3**.

- Clearly defined specifications (e.g., details of the goods or services required, methods for responding, evaluation process) to enable suppliers to understand the Council's expectations and prepare a bid; specifications also included other requirements and relevant authorities (e.g., suppliers' compliance with *The Employment Standards Act*, Workers Compensation Board), where necessary
- When necessary, posted the tenders on the SaskTenders website as required by external trade agreements
- Collected responses to tenders via e-mail or directly by someone who is independent from the tender evaluation process
- Maintained a listing of all previous bidders on projects and provided information on new projects to those bidders who had previously bid on a similar project
- Used responses to the request for quotes/proposals or tenders to identify potential suppliers
- Included, in its tender documents, mandatory requirements of suppliers, and criteria used to evaluate the supplier when awarding the tender
- Used appropriate staff to evaluate supplier responses; the team included representative(s) from the Purchasing Branch along with representatives from the impacted business unit(s)
- Established appropriate criteria (e.g., evaluation handbook, individual criteria) to evaluate bids
- Appropriately approved the selection of suppliers based on the lowest bid for quotes or the selection criteria for tenders within a reasonable timeframe, and successful suppliers were those with the lowest bid for quotes or with the highest score based on the Council's evaluation criteria for tenders.

Following its competitive procurement policies for buying goods and services helps the Council treat suppliers equitably and fairly, and buy goods and services at the best value.

## 4.7 Tender Communications with Suppliers not Consistent

Although the Council appropriately selected the suppliers for tenders, it did not consistently communicate with suppliers during the tender process.

For each of the 10 tenders we tested, we found the Council:

- Maintained tendering documentation (e.g., bids, evaluations) indefinitely on a secure drive.
- Utilized an evaluation team when evaluating the tenders and the process was consistent and transparent for each item tested.
- Consistently selected the bidder with the highest score.



- Properly approved nine competitive bids in accordance with policy. However, we found one instance where the Council informed the winning bidder of the results before they obtained the appropriate approvals.

However, for each of those 10 tenders we tested, we found the Council did not:

- Have a consistent process to inform bidders on the results of its evaluation. We found the Council informed suppliers using letters of intent or regret, email, and phone calls.
- Comply with the external trade agreements regarding posting a contract award notice on the SaskTenders website.<sup>13</sup>

For three of an additional 10 tenders we tested, the Council did not have supporting documentation of communication of the tender results with the supplier (i.e., results communicated through phone call). For each of these instances, we were unable to assess whether the Council approved the supplier selection before communicating with the successful supplier or whether the communication was timely.

Not documenting communication of the tender results increases the risk, in the event of a dispute with respondents to tenders, the Council does not have records to show it appropriately notified suppliers. In addition, maintaining records of such communications helps show that the Council has treated suppliers fairly and equitably. See **Recommendation 1** about establishing expectations about when and how to communicate tender results with suppliers.

## 4.8 Tendering Time not Aligned with Good Practice

The Council typically uses a shorter tender time than good practice suggests, and does not justify the basis of this shorter timeframe.

As noted in **Section 4.2**, the Council has not established a standard minimum amount of time to leave tenders open to allow suppliers to have sufficient time to submit responses.

Based on our testing of 10 tenders, the Council typically left submissions open for 14 to 21 days, which is less time than good practice suggests. Good practice suggests 25 to 35 days is sufficient time to allow suppliers to respond to tenders.<sup>14</sup> The amount of time allowed may vary depending on the complexity of the goods or services purchased.

For 10 tenders, we compared the amount of time the Council allowed for suppliers to respond to a tender against good practice. We found:

- For three tenders we tested, the Council allowed a tendering time in excess of 25 days; for one of these three tenders, it allowed 35 days.

<sup>13</sup> Agencies using SaskTenders for procurements over \$25,000 must post contract award notices on the website as required under the Canadian Free Trade Agreement.

<sup>14</sup> Adapted from information provided by the Saskatchewan Ministry of Trade and Export Development. To assist government agencies, the Ministry prepared a document that summarized agencies' procurement obligations under domestic and international trade agreements (2018).

- For the other seven we tested, the Council used six different tender periods that ranged from seven to 22 days. While the Council received multiple bids (i.e., more than one supplier responded) to each of these tenders, it did not justify the basis for using a shorter timeframe.

Not providing suppliers with sufficient time to respond to tenders increases the likelihood of fewer suppliers responding, which can increase the risk of not achieving best value. In addition, establishing standard minimum tender periods helps the Council treat suppliers fairly. See **Recommendation 2** about establishing guidance on setting amount of time to allow suppliers to respond to tenders.

## 4.9 Sufficiently Robust Contract Templates Used

The Council has established and consistently uses robust contract templates when drafting and finalizing contracts with suppliers.

The Council has developed standard contract templates for the different types of goods or services it purchases (e.g., consulting services, engineering services, supply and install of products). In 2017, the Council's external legal consultant reviewed all of its contract templates including its terms and conditions on purchase orders to ensure they align with good practice.

The Council uses either contracts or purchase orders as legally-binding documentation of the purchase.

When staff decide to use contracts, the Council expects staff to use these templates when drafting contracts. It also expects its in-house legal representative to review all contracts before management approves and finalizes them.

For each of the 28 purchases we tested, the Council used the appropriate contract or purchase order template as expected.<sup>15</sup> Each purchase where staff used a contract, the Council properly reviewed and approved the contract prior to its finalization.

Maintaining robust standard wording of contracts (contract templates) helps organizations save time on purchasing activities, and can reduce legal costs. They can also help both staff and suppliers consider and understand key aspects common to purchasing certain types of goods and services.

## 4.10 Existence and Validity of Suppliers Considered

The Council considers the existence and validity of suppliers prior to making payments for goods or services, or setting them up in its procurement IT system.

The Council uses its purchase requisition process to segregate duties and to add new suppliers into its system.

<sup>15</sup> The 28 purchase items we tested includes tendered purchases resulting in a contract or purchase order and non-competitive purchases (i.e., sole source, small dollar value), but does not include those made using a purchase card.



When a business unit decides to use a new supplier, it must complete a purchase requisition.<sup>16</sup> Only staff in the Purchasing Branch can approve a purchase requisition.

Two Branches within the Council are involved in setting up a new supplier (i.e., the Purchasing Branch, and the Finance Branch).

The Purchasing Branch told us it verifies the validity of new suppliers through confirmations (e.g., obtains insurance, researches supplier online) before including them in the supplier master listing in its purchasing IT system. The Branch does not keep evidence of its work.

The Finance Branch also maintains a listing of suppliers in the financial reporting IT system. It sets up suppliers based on approved invoices for payment and approved purchase orders.

The Council appropriately applies user access controls to limit the ability to change the supplier master listing in both IT systems. The financial reporting IT system assigns a unique vendor number to each supplier. The supplier master listing includes the name of the supplier, vendor number, address, and banking details.

Our testing of user access found the Council appropriately restricted the ability to edit/add suppliers to a small number of staff.

For each of the 13 payments we tested, the Council paid the appropriate supplier (i.e., supplier named on invoice). Our additional audit work (e.g., research of company online and agreed to address in system) for each of these suppliers found the supplier was a legitimate business.

Having appropriate controls over the ability to set up new suppliers and change information about suppliers helps reduce the risk of making payments to fictitious suppliers.

## 4.11 Improved Supplier Management Needed

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The Council does not formally assess supplier performance, and does not document the results of those assessments.

Rather the Council takes an informal approach where staff verbally discuss issues as they arise with suppliers and address performance issues as they occur.

In our testing of 33 purchases, we did not identify any significant supplier performance issues. Nor were any identified in discussions with management.

The Council does not formally assess whether suppliers performed to a satisfactory level (e.g., were timelines met, was the quality of the work acceptable) after the conclusion of the contract or after its receipt of goods and services.

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<sup>16</sup> A purchase requisition is a form that outlines the details of a goods or services an organization wants to purchase and why (e.g., business need for purchase, expected timing of receipt, expected value of purchase).

Good practice suggests use of formal processes to assess the performance of those suppliers an organization plans to use in the future. It also suggests documenting the results of the assessments so they can be shared with all areas involved in purchasing decisions. This allows for appropriate consideration of supplier performance when making future purchasing decisions.

Assessing suppliers at the conclusion of a contract is important as assessments can impact whether or not suppliers are selected for future projects. Without a consistent process to assess and track the performance of suppliers, the Council increases its risk of using unqualified or inappropriate suppliers (e.g., use of suppliers that did not perform as expected in the past).

**5. We recommend that the Saskatchewan Research Council establish a formal process to assess and track supplier performance.**

## 5.0 SELECTED REFERENCES

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