

Chapter 22 Saskatchewan Water Corporation—Purchasing Goods and Services

1.0 MAIN POINTS

Each year, Saskatchewan Water Corporation (SaskWater) purchases a variety of goods and services including professional services, materials and supplies, and repairs and maintenance. In 2021–22, SaskWater purchased \$33 million of goods and services.

By December 2022, SaskWater improved its processes to purchase goods and services. Key improvements included:

- Consistently documenting rationale and obtaining proper approval for selecting non-competitive procurement methods for purchases over \$25,000
- Reporting regularly to senior management and the Board for purchases made using sole source procurement methods
- Consistently following procurement policies when approving the purchase of goods and services

Strong processes to buy goods and services supports transparency, fairness, and achievement of best value in purchasing activities.

2.0 INTRODUCTION

2.1 Background

Under *The Saskatchewan Water Corporation Act*, the Board of Directors is responsible for managing the business and affairs of SaskWater.¹ This includes overseeing the purchase of necessary goods and services.

Figure 1 shows SaskWater's purchases of goods and services from 2020 to 2022. The yearly amount it purchases fluctuates depending on the extent to which it is expanding or maintaining the infrastructure used to deliver its water and wastewater services (e.g., wastewater facilities, pipelines).

Figure 1—SaskWater Purchases from 2019–22

	2019–20	2020–21	2021–22
	(in millions)		
Capital items and projects	\$ 24.4	\$ 16.2	\$ 8.8
Operations, maintenance and administration	10.1	12.0	12.0
Bulk water purchases ^A	11.7	11.7	12.2
Total	\$ 46.2	\$ 39.9	\$ 33.0

Source: SaskWater *Annual Report 2020–21* (pp. 54 and 68) and *Annual Report 2021–22* (pp. 68 and 81).

^A SaskWater purchases bulk water from municipalities such as the City of Saskatoon, and provides this water primarily to other municipalities that do not have their own supply of drinking water.

¹ *The Saskatchewan Water Corporation Act*, sections 4 and 13.



SaskWater distributed the authority to make purchases throughout the Corporation with over 100 of its staff involved in purchasing goods and services. Its Corporate and Customer Services Division is responsible for making purchases related to administration (e.g., office supplies, insurance, audit, and IT services). The two units of its Operations and Engineering Division are responsible for making purchases related to infrastructure and maintenance. The Engineering unit is responsible for making purchases related to capital projects (e.g., infrastructure projects); this includes purchases with values over \$100,000. The Operations unit is responsible for making purchases related to maintenance activities (e.g., repairing water infrastructure).

SaskWater must use purchasing processes that are transparent, fair, and achieve best value. Not having adequate purchasing processes increases the risk of not receiving best value in procurements.

2.2 Focus of Follow-Up Audit

This chapter describes our second follow-up audit of management's actions on the four remaining recommendations we originally made in 2018.

In 2018, we assessed Saskatchewan Water Corporation's processes to purchase goods or services for the 12-month period ended December 31, 2017. Our *2018 Report – Volume 1*, Chapter 10, concluded Saskatchewan Water Corporation had, except for the seven recommendations made, effective processes to purchase goods or services over \$25,000.²

In 2020, we completed our first follow-up audit for the period ending December 31, 2019. SaskWater implemented three of our seven recommendations.³

To conduct this audit engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook—Assurance* (CSAE 3001). To evaluate SaskWater's progress toward meeting our recommendations, we used the relevant criteria from the original audit. SaskWater management agreed with the criteria in the original audit.

To complete this follow-up audit, we interviewed SaskWater staff involved in the procurement process, and reviewed Board reports, contract templates, sole-sourcing rationale documentation, and purchasing support.

3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation, including the date on which the Standing Committee on Crown and Central Agencies agreed to the recommendation, the status of the recommendation at December 31, 2022, and SaskWater's actions up to that date.

² *2018 Report – Volume 1, Chapter 10*, pp. 143–155.

³ *2020 Report – Volume 1, Chapter 31*, pp. 281–286.

3.1 Procurement Policies Consistently Followed

We recommended Saskatchewan Water Corporation follow established procurement policies when approving the purchase of goods and services.

(2018 Report – Volume 1, p. 152, Recommendation 6; Standing Committee on Crown and Central Agencies agreement September 17, 2019)

Status—Implemented

SaskWater has documented procurement policies and communicated them to its employees. It consistently followed its procurement policies when purchasing goods and services.

SaskWater policies require its staff to obtain approval of purchases in accordance with its delegation of authority schedule. SaskWater implemented Enterprise Resource Planning (ERP) software in October 2021, which fully automated the approval process (e.g., creation of electronic purchase orders and requirement for electronic authorization from the proper SaskWater official).

Our testing of 14 purchases over \$25,000 found SaskWater consistently followed its procurement policies. We found staff obtained appropriate approval of the purchase order (e.g., by a vice president) before SaskWater committed to the purchase, included appropriate support for purchases, and properly segregated duties between the purchase and receipt of goods and services.

Proper approvals and procurement policies decrease the risk of making inappropriate purchases or using inappropriate procurement methods.

We recommended Saskatchewan Water Corporation require staff to include documented rationale for selecting non-competitive procurement methods for purchases of \$25,000 on purchase orders submitted for approval. *(2018 Report – Volume 1, p. 149, Recommendation 2; Standing Committee on Crown and Central Agencies agreement September 17, 2019)*

Status—Implemented

SaskWater requires staff to include documented rationale when utilizing non-competitive procurement methods. SaskWater expects vice presidents to approve all sole sourced procurements over \$25,000. Our testing found SaskWater consistently documented rationale and obtained proper approval when making sole sourced procurement decisions.

SaskWater policy for sole sourced procurement requires rationale to be included with the approval memo for the procurement as to why sole sourcing is appropriate. The appropriate vice president is to review this rationale and provide approval before completing the purchase.

We tested eight sole sourced purchases made between December 1, 2021, and November 30, 2022, and found documented rationale for selecting non-competitive procurement was present for each item and was reasonable. The appropriate vice



president reviewed and approved the rationale before the purchasing process was completed.

Appropriate documentation and approval of sole sourcing decisions reduces the risk of inappropriate sole sourcing decisions taking place and mitigates the risk of SaskWater paying more than necessary for purchases.

3.2 Quarterly Reporting on Sole Sourced Purchases Completed

We recommended Saskatchewan Water Corporation require its staff to report regularly on purchases using sole sourcing to senior management and the Board. (2018 Report – Volume 1, p. 150, Recommendation 3; Standing Committee on Crown and Central Agencies agreement September 17, 2019)

Status—Implemented

SaskWater effectively tracks procurements that use sole sourced methods. SaskWater's Enterprise Resource Planning software tracks these purchases and management reports to the Audit and Finance Committee on a quarterly basis.

Our testing of two quarters from its 2022–23 fiscal year found that SaskWater prepared reports on sole sourced purchases on a quarterly basis and presented to the Audit and Finance Committee as expected. The contents of those reports matched the sole sourced purchases we tested in **Section 3.1**, verifying the accuracy and completeness of each report (i.e., reports contained all sole sourced purchases we expected).

SaskWater made 11 sole sourced purchases between December 1, 2021, and November 30, 2022.

Providing complete and regular reporting on sole sourced procurements informs the Audit and Finance Committee of the level of use of sole sourcing and provides information about SaskWater's compliance with its procurement policy.

3.3 Steps for Tracking Supplier Performance in Place

We recommended Saskatchewan Water Corporation track performance problems with suppliers in a way that this information is available to staff making purchasing decisions. (2018 Report – Volume 1, p. 155, Recommendation 7; Standing Committee on Crown and Central Agencies agreement September 17, 2019)

Status—Intent of Recommendation Met

SaskWater developed a policy and tracking sheet to track supplier performance. Beginning in September 2022, SaskWater also included requirements for vendor performance evaluations in its contracts with its suppliers (e.g., contractors, consultants).

In September 2022, SaskWater developed an appropriate Vendor Performance Management Policy and communicated it to staff.

It also developed a Vendor Performance Evaluation Form to track vendor performance. The form will track quality of work along with other important project deliverables (e.g., properly supervising staff, adhering to safety standards, meeting timelines, delivering project on time and budget). This will enable SaskWater to select vendors who demonstrated good performance on past projects.

We assessed the contents of this evaluation form and found it to be sufficient and appropriate to adequately track vendor performance.

SaskWater also implemented a vendor performance management clause into its contractor and consultant contracts since September 2022. We tested two contracts signed subsequent to September 2022 and found SaskWater included the vendor performance management clause in each signed contract as expected. The clause clearly states SaskWater will evaluate the vendor based on their performance in delivering the various deliverables in the contract.

The first contract signed with the vendor performance management clause is expected to end in February 2023. As a result, the first use of the vendor performance evaluation form is expected to occur in March 2023.

Effective evaluation and tracking of suppliers' performance allows SaskWater to identify any vendors with known performance problems. It also informs SaskWater on whether future contracts with various suppliers should be considered.

