Chapter 17
Saskatchewan Research Council—Purchasing Goods and Services

1.0 MAIN POINTS

By December 2024, the Saskatchewan Research Council (SRC) fully implemented the four outstanding audit recommendations we made in 2020 to strengthen its processes when purchasing goods and services.

We found SRC established and provided a reasonable amount of time for suppliers to respond to tenders. It also established and followed its process for communicating the results of tenders with suppliers.

SRC improved its monitoring of revised purchasing card (p-card) transaction limits. For example, we found SRC appropriately approved increased p-card limits and then lowered them after necessary purchases were made for the transaction limit changes we tested.

SRC also established and followed its policy to assess and track supplier performance.

Effective purchasing processes are key to ensuring purchases are transparent, fair, and support SRC's achievement of best value.

2.0 INTRODUCTION

2.1 Background

The Saskatchewan Research Council is Canada's second largest research and technology organization with 1,600 clients in 22 countries, primarily in the mining, minerals, and energy sector.[1] A Cabinet-appointed Board of Directors oversees SRC.[2] The Board has responsibility for strategic planning, risk oversight, and monitoring of financial and business performance.[3]

The SRC head office in Saskatoon employs over 350 staff encompassing a range of science and engineering specialties.[4]

SRC routinely purchases goods and services related to research, including development, design, consultation, and other services. In 2023–24, SRC had revenues of $80.1 million along with expenses of $82.2 million. As of March 31, 2024, SRC had assets of $205 million, including $89 million in property, plant, and equipment.[5]

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[1] www.src.sk.ca/who-we-are/about-us (26 November 2024).
[2] Cabinet appoints the Saskatchewan Research Council Board under the authority of *The Research Council Act.*
[3] Saskatchewan Research Council, *Annual Report 2023–24*, p. 8.
[4] www.src.sk.ca/who-we-are/about-us (26 November 2024).
[5] Saskatchewan Research Council, *Annual Report 2023–24*, pp. 12–13. SRC's salaries account for 37% of its total expenses.

2.2 Focus of Follow-Up Audit

This chapter describes our second follow-up audit of management's actions on the recommendations we made in 2020.

We concluded the Saskatchewan Research Council had effective processes to purchase goods and services for the period ended November 30, 2019, except for the areas in our five recommendations.[6] By December 2022, SRC implemented one recommendation.[7]

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

To complete this follow-up audit, we discussed actions taken with SRC management. We assessed p-card transaction limits and extensions to cardholder limits, supplier performance evaluations, and public tender postings on SaskTenders.

3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at December 3, 2024, and the Saskatchewan Research Council's actions up to that date.

3.1 Tender Results Communicated to Suppliers

We recommended the Saskatchewan Research Council establish expectations about when and how to communicate results of tenders for purchases with suppliers. (2020 Report – Volume 1, p. 124, Recommendation 1, Public Accounts Committee agreement December 14, 2023)

Status—Implemented

The Saskatchewan Research Council established and followed its process to communicate the results of tenders to suppliers.

SRC approved a Standard Operating Procedure in July 2023, outlining guidelines for staff to follow when communicating tender results with bidders. It requires SRC staff to communicate with successful bidders shortly after approval of the winning bidder, and with unsuccessful bidders within one week of issuing a purchase order to the successful bidder. We found these timelines reasonable. SRC requires staff to document communications with both successful and unsuccessful bidders.

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[6] *2020 Report – Volume 1*, Chapter 10, pp. 119–133.
[7] *2023 Report – Volume 1*, Chapter 21, pp. 203–208.

We tested eight public tenders and found SRC had appropriate approvals for all eight bids before communicating the results to the successful bidders. SRC also sent letters of intent to successful bidders and letters of regret to unsuccessful bidders for all eight bids in accordance with its procedures (i.e., after approval of the winning bidder, and after finalizing contracts or purchase orders).[8]

Following formal expectations for communicating with successful and unsuccessful suppliers responding to tender requests reduce the risk of SRC not demonstrating the fairness and transparency of its purchasing decisions in a timely manner.

3.2   Guidance Set and Followed for Tendering Timeframes

> ***We recommended the Saskatchewan Research Council establish guidance on setting the amount of time to allow suppliers to respond to tenders.***
> (*2020 Report – Volume 1*, p. 125, Recommendation 2; Public Accounts Committee agreement December 14, 2023)

Status—Implemented

The Saskatchewan Research Council established and followed its guidance on timeframes to allow suppliers to respond to tenders.

SRC's Standard Operating Procedure includes the specific timeframes for suppliers to respond to different types of purchasing competitions. For example, it expects the following competitions to be open for certain timeframes:

➢   Requests for Quotation: 2–3 weeks

➢   Requests for Tender: 2–3 weeks

➢   Requests for Proposal: 3–4 weeks[9]

SRC can extend the timeframes based on the project's size and complexity. We found SRC's timeframes were reasonable and similar to good practice (i.e., within 25–35 days).[10]

We tested 10 public tenders and found all 10 bids were open for two to four weeks (i.e., in accordance with SRC guidance).

Formal guidance on how much time to give suppliers to respond to purchasing competitions provides suppliers with sufficient time to respond and helps SRC treat suppliers fairly and equitably as well as achieve best value.

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[8] The Saskatchewan Research Council communicated the letter of intent to successful bidders within 1–14 days of approval. SRC communicated letters of regret to unsuccessful bidders within one day of finalizing contracts or purchase orders.
[9] A request for quotation is an open invitation to suppliers inviting them to submit bids (dollar values) for supplying specified goods and/or services. A request for tender is a formal communication inviting suppliers to submit options that meet requested specifications for goods and/or services. A request for proposal is an open invitation to suppliers inviting them to submit comprehensive proposals that outline their project approach, pricing, schedule, and qualifications.
[10] 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).

3.3 Purchasing Card Limits Monitored

We recommended 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. (*2020 Report – Volume 1*, p. 127, Recommendation 4; Public Accounts Committee agreement December 14, 2023)

Status—Implemented

The Saskatchewan Research Council improved its processes to monitor purchasing card transaction limits when it approves temporary limit increases and extensions, as well as re-adjusted those limits afterward.

SRC revised its Corporate Purchasing Cards Procedure in April 2024. It establishes guidelines for setting limits for purchasing card (p-card) holders and outlines the process for requesting temporary credit limit increases. While it does not have any formal guidelines for reducing temporarily increased limits, it informally expects staff to reduce increased limits after purchases are made (usually within one week).

During the period from July 2023 to November 2024, SRC had 144 active p-card users. We found almost all p-card users had limits consistent with SRC's recommended transaction limits (i.e., $20,000 for monthly limit and $5,000 for a single transaction).

We tested 14 active p-card users and found 12 p-card limits consistent with SRC's recommended limits. We found it reasonable the other two p-card users tested had higher monthly limits due to their position and business unit (e.g., Finance and Purchasing Departments).

SRC made 145 changes to p-card transaction limits from July 2023 to November 2024, with 71 transaction limits increased over SRC's standard $5,000 for a single transaction. We tested seven temporarily increased transaction limits and found SRC appropriately approved all limits before it readjusted the limits. We found staff readjusted five of these seven temporarily increased transaction limits within one week. For the other two transaction limits tested, we found it reasonable to take longer (14–16 days) to readjust limits due to unique circumstances (e.g., multiple transactions required with the higher temporary limit).

Actively monitoring and returning temporary increases to p-card transaction limits to prior approved limits timely reduce the risk of cardholders making inappropriate purchases or purchases made not in accordance with SRC expectations.

3.4 Supplier Performance Monitoring Started

We recommended the Saskatchewan Research Council establish a formal process to assess and track supplier performance. (*2020 Report – Volume 1*, p. 133, Recommendation 5; Public Accounts Committee agreement December 14, 2023)

Status—Implemented

The Saskatchewan Research Council established and followed its policy to assess and track supplier performance.

In August 2023, SRC developed a Standard Operating Procedure that requires staff to conduct a yearly evaluation on key vendors for each fiscal year.[11] We found SRC's requirements appropriate.

We found SRC evaluated 16 suppliers from April 2023–August 2024 in September 2024, based on the suppliers SRC paid the most between those timeframes. This follows SRC's procedure to select vendors to evaluate based on dollars spent.

We found SRC evaluated these suppliers based on the requirements in its policy:

➢ Safety performance (e.g., personnel wearing appropriate personal protective equipment)

➢ Product quality

➢ Timeliness of deliveries

➢ Appropriate documentation (e.g., invoices, packing slips)

If SRC identified suppliers with poor performance during its evaluation, it would discuss identified concerns with the suppliers. None of the suppliers evaluated had a score less than 3.25, so SRC did not require further discussion with suppliers.[12]

None of the suppliers SRC evaluated had bid on the eight public tenders we tested in **Section 3.1** (thus we could not observe SRC considering prior performance when evaluating and selecting suppliers, but SRC told us it would consider its supplier evaluations in tenders).

A consistent and formal process to assess and track the performance of suppliers helps SRC to select qualified or appropriate suppliers.

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[11] The Saskatchewan Research Council's procedure allows staff to select vendors for evaluation at their discretion using professional judgment based on repetitiveness, volume, dollars spent, or other factors.
[12] SRC evaluated suppliers based on a score from 1–5, with 5 being the strongest performance and 3 or below being poor performance.