

**AUDIT COMMITTEE
Report No. 21-005**

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Purchasing Policies Exceptions

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PURPOSE:

1. To provide to the Audit Committee with annual information regarding purchasing policies exceptions.

CONTEXT:

2. District policy, in alignment with the legislated Broader Public Sector (BPS) procurement directive, sets forth rules with respect to following a procurement process that is fair and transparent to all stakeholders.

As a general rule, a competitive procurement process is followed as outlined in the District purchasing policies; however, from time to time, special circumstances require non-competitive procurement.

All BPS organizations, including the District, may use non-competitive procurement only in situations outlined in the Canadian Free Trade Agreement (CFTA), and the Canada-European Union Comprehensive Economic and Trade Agreement (CETA).

KEY CONSIDERATIONS:

3. Process for Non-Competitive Procurement
Prior to the commencement of a non-competitive procurement, supporting documentation is completed and approved by the appropriate superintendent and the Director of Education or Chief Financial Officer.

Supply Chain Management (SCM) staff record and track all non-competitive procurement transactions in a central database under the following three categories as deemed acceptable by the free trade agreements (see Appendix A):

- non-application;
- single source; and
- sole source.

Non-application means that the goods or services being procured do not require a competitive bid process. Single source means that only one supplier is

approached for a particular good or service. Sole source means that only one supplier can supply the goods or services required.

A fourth category of non-competitive procurement, nonconformance, is also tracked. Non-conformance procurements are those that fall outside of the free trade agreement exceptionalities and outside of the requirements of the District's purchasing policies. Nonconformity is defined as failure or refusal to conform to a prevailing rule or practice. Typically, these are the purchases where the requisitioner failed to obtain a sufficient number of competitive bids.

In the case of nonconforming procurement, SCM staff will not convert the purchase requisition into a purchase order and payment does not occur until a rationale is documented that indicates the reason for non-conformance. The nonconformance procurement must then be authorized/signed by the appropriate superintendent and Director of Education or Chief Financial Officer for processing and payment to occur.

In the case of exceptions, SCM staff follows up with the schools or departments reminding them of the District's purchasing policies and provides guidance with respect to strategic sourcing and possible procurement processes that can be used in future.

Training is provided on an ongoing basis through the Finance department's school support hotline, telephone support and guidance from SCM staff, and periodic presentations at school operations meetings (principals and vice-principals) and office administrator meetings.

Purchasing Policies Exceptions

Attached as Appendices B and C are the purchasing policies exceptions that occurred between September 2019 to August 2020, as well as the previous annual (2018-2019) purchasing exception report for comparison purposes.

As noted, the total dollar value of purchase orders processed in 2019-2020 was 5% higher than the previous year. The number of purchasing exceptions remained the same in the sole source category and has increased slightly in the non-application and single source categories from the previous year. However, the non-conformance purchases remain at less than 1% of the total number of purchase orders processed and less than 1% of the total dollar value of purchase orders processed.

SCM staff continues to make presentations to principals, vice-principals, office administrators and departmental staff on the BPS procurement directive competitive bidding requirements, as well as the District's purchasing policies.

RESOURCE IMPLICATIONS:

4. Competitive procurement ensures optimum value for money.

COMMUNICATION/CONSULTATION ISSUES:

5. There is regular communication with schools and departments regarding tendered standing offer contracts that have already gone through the rigour of a

competitive procurement process. This enables schools and departments to acquire goods or services in a timely and cost effective manner. Updated purchasing policies and procedures are communicated to District staff in a timely fashion. Purchasing policy nonconformance is brought to the attention of the requisitioner and to their respective superintendent to prevent future occurrences.

This purchasing exceptions report is provided on an annual basis. Due to the fairly consistent reporting results for the past three years it appears that an annual reporting schedule is adequate. However, should there be an occurrence of substantial non-conformance, it will be brought to the attention of the Audit Committee immediately, and not wait for the annual report.

STRATEGIC LINKS:

6. The report aligns with the 2019-2023 Strategic Plan's pillar of developing a culture of social responsibility by modeling accountability and by building system capacity in resource allocation.

GUIDING QUESTIONS:

7. The following question is provided to support the discussion of this item by the Committee:
 - How does this activity connect with the Audit Committee's objectives?

Michael Carson
Chief Financial Officer

Camille Williams-Taylor
Director of Education and
Secretary of the Board

APPENDICES

Appendix A Allowable Exceptions

Appendix B Purchasing Policies Exceptions for Fiscal Year 2019-2020

Appendix C Purchasing Policies Exceptions for Fiscal Year 2018-2019