Audit of Procurement

Audit and Evaluation Services Report

May 2025

Canadian Grain Commission
Commission canadienne des grains

Canada

Table of contents

Executive summary

Procurement activities are essential for the Canadian Grain Commission to acquire goods and services that support its objectives. The Canadian Grain Commission must ensure that all procurement processes are fair, transparent, and can withstand scrutiny. This involves implementing a framework and supporting processes that help all procurement stakeholders, including training, while continuously monitoring trends, risks, and compliance to enhance the Canadian Grain Commission's procurement tools and resources.

The audit revealed that the Canadian Grain Commission has an established procurement and contracting framework with processes and controls focused on ensuring compliance with approved policies, guidelines, directives, and relevant legislation, committed to managing procurement in a way that supports operational outcomes while demonstrating responsible stewardship and delivering value aligned with the Government of Canada's objectives.

Of the 22 examined procurement control and process areas, only 8 required the development of Management Action Plans.

Key strengths include a procurement management framework supported by a knowledgeable and experienced team. The organization ensures proactive disclosure of all contracts and amendments exceeding $10,000, with no evidence of contract splitting. Notably, revisions to the procurement framework were already in progress prior to the audit.

Contracts and amendments are properly justified, signed in a timely manner, and aligned with security clearance requirements. Overall, contract deliverables are clearly defined, and Section 32 and 34 approvals are consistently documented. Supporting documentation confirms the delivery of goods and services.

The audit also uncovered additional commendable findings, highlighting strong performance across several domains. Appendix A outlines well-controlled and low-risk areas and provides a comprehensive summary of assessed criteria.

Although the areas below had several positive findings, there were enrichment opportunities that could lead to even greater benefits in the following areas:

1. **Governance, oversight, and roles and responsibilities**
   - While the audit found several strengths in the procurement framework, further documentation and procedure updates, and enhanced training would be beneficial.
   - The Canadian Grain Commission does have a functioning Procurement Review Board; however, revising the Procurement Review Board's mandate and improving its oversight capabilities would enhance its effectiveness.
   - The Canadian Grain Commission's intranet outlines roles and responsibilities in detail. The audit suggested additional updates and augmented communication of roles and responsibilities, which will aid in furthering process clarity.
2. **Strategic procurement and performance**
   - Procurement planning and monitoring are conducted regularly at the division level in conjunction with the procurement team. The audit suggested reinstating a

    Canadian Grain Commission strategic procurement plan to elevate strategic alignment with Canadian Grain Commission’s overall objectives and performance.
- Further enhancements in performance metrics and quality assurance processes were suggested to support the team's focus on continuous improvement.

3. **Procurement risk management**
    - The audit highlighted several effective risk mitigation strategies. Additional risk discussions and further documentation, including enhanced integration with enterprise risk management, would strengthen the process further.
4. **Policy compliance and controls**
    - The audit found proactive measures for conflict of interest and recommended formalizing the documentation of conflict-of-interest assessments to further enhance monitoring.
    - Business requirements were outlined for each sample item selected. To improve consistency and efficiency, it is recommended to further standardize the documentation of business requirements and the criteria for vendor evaluation.

It is also worth noting that prior to this audit, the Procurement, Contracting and Material Management unit had already launched a comprehensive review of the procurement framework and expressed their eagerness to integrate the recommendations presented in this report. At the time of reporting, several improvement actions listed above had already been underway.

Conclusion

The audit concluded that the Canadian Grain Commission's procurement processes generally comply with required policies and guidelines, with opportunities for further enhancements identified.

The audit team extends its sincere appreciation to the Chief Financial Officer, the Procurement, Contracting and Material Management unit, and their staff for their invaluable cooperation throughout the audit process.

Statement of conformance

In my professional judgment as Chief Audit and Evaluation Executive, this audit was conducted in accordance with the Global Internal Audit Standards from the Institute of Internal Auditors and the Policy and Directive on Internal Audit of the Government of Canada, supported by our quality assurance program.

We developed appropriate audit procedures and gathered sufficient evidence to substantiate the findings and conclusions in this report. These conclusions are based on a comparison of the conditions at the time with pre-established audit criteria agreed upon with management, and they specifically pertain to the entity examined and the defined scope and period of the audit.

Angela Davis, CPA, CA, CFE, CFCS

Chief Audit and Evaluation Executive

1.0 Introduction

Procurement activities are crucial for the Canadian Grain Commission to obtain the goods and services needed to meet its strategic and operational goals. It is imperative that the Canadian Grain Commission ensures all procurement and contracting processes facilitate the successful delivery of services to the public while remaining transparent and accountable to scrutiny from the public, media, and Parliament. Any indication of actual or perceived unfairness in the bidding process or misuse of public funds can harm the reputation of the Canadian Grain Commission and the Government of Canada. Preventing this situation requires establishing a comprehensive framework and supporting processes that engage all procurement stakeholders, including training programs. It also involves continuously monitoring trends, risks, and compliance, demonstrating due diligence and assuring Canadians that public funds are managed responsibly and efficiently.

Objectives, criteria, and scope

The objective of the audit is to provide reasonable assurance that management controls concerning contracting and procurement activities were in place and operating as intended to ensure compliance with applicable Government of Canada and Canadian Grain Commission contracting and procurement policies, guidelines, directives, and procedures.

Detailed criteria for this audit are derived from the Treasury Board Secretariat's Directive on the Management of Procurement, Treasury Board Secretariat Manager's Guide: Key Considerations When Procuring Professional Services, Values and Ethics Code for Public Sector, and the Directive on Conflict of Interest that were in effect within the audit scope period, i.e. between April 1, 2023, and March 31, 2024. See Appendix D: Procurement Suit of Instruments for a brief description of policies and directives used to develop audit criteria.

The scope of the audit includes all non-competitive and competitive procurement contracts that were awarded between April 1, 2023, and March 31, 2024.

The scope of the audit excluded:

- procurement and contracting activities provided by external contracting authorities, such as Public Services and Procurement Canada and Shared Services Canada
- accounts payable processes relating to procurement and contracting
- acquisition cards due to the low number of cards used and low purchasing limits

Approach and methodology

This audit was conducted by the internal resources of the Canadian Grain Commission's Audit and Evaluation Services. The audit procedures included reviewing the procurement policy and guidance documents, interviewing management and staff, and testing a sample of procurement files. The selection of files for testing was based on risks while ensuring that the sample included all significant categories of purchases, such as professional services, goods, IT equipment and services, and scientific equipment services.

2.0 Background

At the Canadian Grain Commission, the Chief Financial Officer is the Senior Designated Official for Procurement with authority and functional responsibility for establishing, implementing, and maintaining a departmental procurement management framework consisting of processes, systems, and controls. The Chief Financial Officer supports the Deputy Head's (Chief Commissioner's) accountability for ensuring compliance with the Treasury Board Secretariat Directive on the Management of Procurement and other procurement-related policies and guidance.

The Procurement, Contracting and Material Management unit, within the Finance division, provides guidance, advice, and administration services to the Canadian Grain Commission business owners and also serves as the delegated contracting authority for the Canadian Grain Commission. This unit of 11 team members consists of: 1 manager, reporting directly to the Chief Financial Officer, 7 procurement and contracting specialists, 3 procurement team leaders, and 4 junior procurement officers procuring goods and services. In addition, there are 3 material management staff members responsible for the delivery, storage, and distribution of acquired goods. They ensure products are received, stored correctly, and distributed to the end users as required.

Business owners (Directors and managers of Canadian Grain Commission's business divisions or their delegates) are responsible for planning their procurement activities, ensuring funds availability before initiating a procurement action, defining the expected benefits, monitoring and certifying the delivery of goods and services, and ensuring alignment of their procurement decisions with the Canadian Grain Commission's strategic directions and compliance with the Canadian Grain Commission's procurement policies and procedures.

The Canadian Grain Commission's Security Operations unit, within Finance, assists business owners with identifying the security clearance requirements based on the asset and information protection level and validates the security clearances for vendor companies and their employees involved in performing services.

To provide an overview of Canadian Grain Commission procurement activities, the table below summarizes the contracts and purchase orders (excluding procurement card expenditures) that the Procurement, Contracting and Material Management division has awarded within the audit's scope period (April 1, 2023, to March 31, 2024). Note: This represents the total amount and number of awarded contracting and purchasing arrangements, not the total amount paid, and includes multi-year contracts. The aggregate value of these awarded contracting and purchasing arrangements, amounting to $5,495,506, represented approximately 7.5% of the Canadian Grain Commission's total annual expenditure budget.

Table 1: Summary of contract and purchase orders 2023-2024

Category	Number	Value	%	Description
Contracting via Shared Services of Canada	32	$1,239,329	23%	These are primary contracts for goods and services mandated for procurement through Shared Services Canada and Public Services and Procurement Canada, including information technology software, laboratory and research supplies, and various routine services used by federal government departments.
Contracting via Public Services and Procurement Canada	9	$968,345	18%	
Call-ups against standing offers	95	$410,827	7%	Call-ups are contracts that utilize terms and conditions and prices that have already been predetermined by Public Services and Procurement Canada. These call-ups allow departments to quickly procure goods or services without the need for a new procurement process.
Purchase orders	588	$1,631,570	30%	Low-dollar purchases that can be made without going through the formal procurement protocol. These often include everyday items or services that federal government departments might need, such as office supplies, minor repairs, or routine services.
Canadian Grain Commission contracts	19	$557,877	10%	These are contracts awarded by the Canadian Grain Commission, the majority of which are for maintenance and training related to the scientific equipment utilized by the Grain Research Laboratory.
Public Services and Procurement Canada supply arrangement (excluding professional services)	31	$452,437	8%	Goods and services are procured through Public Services and Procurement Canada supply arrangements, which involve pre-approved and pre- screened vendors. This process allows federal government departments to acquire necessary goods and services quickly and efficiently, leveraging established relationships with trusted suppliers to meet operational needs.
Public Services and Procurement Canada supply arrangement (professional services)	4	$235,121	4%	Professional services procured through Public Services and Procurement Canada supply arrangements with pre- approved and pre-screened vendors.
Total	**778**	**$5,495,506**	**100%**	

3.0 Findings, observations, recommendations, and Management Action Plans

The Procurement, Contracting and Material Management unit was found to be made up of highly skilled professionals who bring valuable experience to procurement, who have in-depth training and a solid understanding of federal government procurement policies and processes. In addition, this unit has in place a procurement framework that includes a series of robust tools, procedures, and training.

It is also worth noting that prior to this audit, the Procurement, Contracting and Material Management unit had already launched a comprehensive review of the procurement framework and expressed their willingness to integrate the recommendations presented in this report. By the time of reporting, several improvement actions had already been underway.

Overall, the audit did not reveal significant issues or violations of fundamental procurement principles within the federal government.

During the audit, we examined 22 procurement control areas, identifying that only 8 required the development of Management Action Plans, which are detailed in this section. The audit also uncovered numerous commendable findings, highlighting strong performance across various domains. Furthermore, there were a few areas where minor enhancements could lead to even greater benefits. Details on areas that were found to be well-controlled and did not result in audit recommendations and management action plans can be found in Appendix A: Well-controlled and Low Risk Areas.

Theme 1: Governance, oversight, and roles and responsibilities

Procurement management framework

What was expected

We expected clear, formal, and easily accessible procurement policies, procedures, and guidance for the Canadian Grain Commission community to be in place.

What was found

The audit team identified several strengths within the Canadian Grain Commission's established procurement framework, noting that it generally aligns with the spirit of the Treasury Board Secretariat Directive on the Management of Procurement. Experienced professionals on the Procurement, Contracting and Material Management team play a crucial role in upholding the framework.

Opportunities for further enhancement were also observed, which included updating the procedures, forms, and process road maps to reflect the latest practices could significantly improve the procurement process efficiency. Additionally, implementing an enhanced awareness or training strategy would help ensure that Canadian Grain Commission business owners stay up to date with all emerging procurement process requirements.

Recognizing these needs, the Manager of the Procurement, Contracting and Material Management unit is proactively drafting a new procurement framework. This initiative demonstrates the Procurement, Contracting and Material Management unit's commitment to continuous improvement and support of business owners.

Why this is important

Priority: Significant improvement is required

Enhanced and timely review and issuance of formal guidance, including their communications to business owners regarding procurement procedures and requirements, aids in preventing inconsistent and potentially non-compliant practices, exposing the Canadian Grain Commission to various risks, including reputational risk.

Recommendation 1:

The Chief Financial Officer/Manager of Procurement, Contracting and Material Management should establish a process for regularly reviewing and updating procurement guidance, procedures, and forms to ensure compliance with current practices and policies. Additionally, a strategy can be developed to inform Canadian Grain Commission business owners of the procurement management framework processes and requirements.

Management Action Plan 1:

"Management accepts this recommendation.

The Manager of Procurement, Contracting and Material Management has drafted a Departmental Procurement Management Framework, which is currently with the Chief Financial Officer for review and acceptance. Once finalized, it will be communicated to all business managers at the Canadian Grain Commission, with training to follow. The estimated completion date is March 31, 2026.

The enhanced procurement management framework will establish a procedure for ongoing maintenance of the framework. This process will ensure timely updates to align with evolving government policies and directives. Furthermore, an annual management review will be implemented to systematically assess changes and ensure that all significant updates are effectively incorporated."

Governance body and oversight

What was expected

We expected to see a fully functioning governance body with a mandate to provide guidance and oversight over all aspects of the procurement framework, including strategic planning and operational activities.

What was found

The audit identified the Procurement Review Board at the Canadian Grain Commission as a key governance body responsible for overseeing procurement activities. Comprised of the

Manager of Procurement, Contracting and Material Management unit and representatives from various departments, including Finance, Industry Services, the Grain Research Laboratory, Real Property and Security, and Information Management and Technology Services, the Procurement Review Board plays a crucial role by approving procurement requests that exceed $10,000.

Since July 2024, the Procurement, Contracting and Material Management unit has been actively working to revamp the Procurement Review Board's mandate, objectives, and responsibilities. This initiative reflects a commitment to addressing identified issues and improving the overall effectiveness and accountability of the procurement review process.

To aid in this process and further enhance the effectiveness of the Procurement Review Board, opportunities for further improvements were noted. One key element would be to update and enhance the Procurement Review Board's terms of reference to more clearly articulate its mandate, authority, roles, and responsibilities. Streamlining the approval process and establishing regular meetings could also foster greater collaboration and oversight. Additionally, providing targeted training for new Procurement Review Board members would ensure they are well-equipped to fulfill their roles.

Why this is important

Priority: Significant improvement is required.

Effective governance bodies play a critical role in departmental procurement by reducing the procurement risks on key business functions and initiatives. They help ensure procurement priorities are clearly defined and aligned with the Canadian Grain Commission's strategic departmental objectives. This enhanced governance also provides executive management with greater visibility into high-risk or complex procurements, particularly those carrying elevated reputational risks.

Recommendation 2:

In consultation with the appropriate executive leadership, the Chief Financial Officer/Manager of the Procurement, Contracting and Material Management unit should revise the Procurement Review Board mandate, roles, responsibilities, and organizational positioning to enhance its effectiveness in overseeing the procurement framework and risks and provide ongoing governance.

The accountability of the Procurement Review Board to the Executive Management Committee or other executive authorities should be considered. This relationship, defined in the updated terms of reference, will help to establish expectations, ultimately enhancing the Procurement Review Board's effectiveness and aligning its objectives with the Canadian Grain Commission's strategies. Regular reporting, including metrics and requests for feedback from the executive management, would also facilitate continuous improvement while maintaining the flexibility of the Procurement Review Board's processes as needed.

Management Action Plan 2:

"Management accepts these recommendations.

The Manager of Procurement, Contracting and Material Management will update the terms of reference for the Procurement Review Board, including the mandate, roles, responsibilities, and organizational positioning by September 30, 2025. The new terms of reference will be presented to the Executive Management Committee in 2025 and once approved, will be posted on the Canadian Grain Commission's internal website, StaffNet.

The Manager of Procurement, Contracting and Material Management will design a process for periodic reporting of procurement activities and metrics for the Executive Management Committee by September 30, 2026."

Roles and responsibilities

What was expected

We expected to find that the Canadian Grain Commission community would have clearly defined, effectively communicated, and well-understood roles, accountabilities, and responsibilities.

What we found

Roles, responsibilities, and accountabilities related to the procurement process have been defined and shared on the internal website, StaffNet. This includes a helpful matrix that outlines the roles of the Procurement, Contracting and Material Management unit's management and staff, business owners, the Procurement Review Board, and other Canadian Grain Commission stakeholders.

To enhance the effectiveness of these roles, it would be beneficial to update this information to ensure consistency and alignment with the processes observed by the audit team. Delivering timely updates on changes and developments in the procurement process will further enhance collaboration and understanding among all stakeholders involved.

Why this is important

Priority: Significant improvement is required.

A clear understanding of roles, responsibilities, and accountability within the Canadian Grain Commission procurement process ensures that business owners know each party's role and can efficiently and effectively obtain the goods and services they need.

Recommendation 3:

In conjunction with the revision of the procurement framework, as indicated in Management Action Plan 1, the Chief Financial Officer/Manager of the Procurement, Contracting and Material Management unit ensures that:

- Procurement-related roles, accountabilities, and responsibilities are revised for up-to-date relevance, interconnection with one another, and consistency with current practices. It is recommended that the governing documents provide a more detailed elaboration of these roles to enhance clarity and accountability.
- There are established mechanisms and processes to communicate roles, responsibilities, and accountability to the business owners.

Management Action Plan 3:

"Management accepts these recommendations.

The Manager of Procurement, Contracting and Material Management will update the roles, accountabilities, and responsibilities on StaffNet and the procurement management framework and communicate them to stakeholders by September 30, 2025."

Theme 2: Strategic Canadian Grain Commission procurement and performance

Strategic procurement plan

What was expected

We expected to see the strategic approach to procurement integrated with other Canadian Grain Commission operational plans.

What was found

Currently, procurement planning and monitoring occur at the divisional level, allowing individual divisions to address their specific needs and priorities.

While the Canadian Grain Commission previously engaged in a 3-year procurement planning process, it was paused during the COVID-19 pandemic due to evolving priorities. By reinvigorating this practice, we can create a more integrated approach to procurement that aligns with the organization's overarching objectives while effectively responding to the needs of various divisions.

Why this is important

Priority: Moderate improvement is required.

A unified strategy for procurement, the Procurement, Contracting and Material Management unit will enhance the Canadian Grain Commission's ability to plan effectively and allocate resources to align with the organization's strategic objectives.

Recommendation 4:

The Chief Financial Officer/Manager of the Procurement, Contracting and Material Management unit should establish a strategic-level procurement planning process that is fully integrated with the divisional procurement planning efforts to ensure that procurement resource planning is both effective and efficient in the medium to long term.

This could be incorporated in conjunction with Management Action Plan 2, to incorporate regular feedback and guidance from the executive management to facilitate effective oversight and continuous improvement throughout these processes.

Management Action Plan 4:

"Management accepts these recommendations.

The Manager of Procurement, Contracting and Material Management will implement a procurement planning template into the budgeting process and communicate to stakeholders by March 31, 2026. As part of the updated Procurement Review Board process noted in Management Action Plan 2, a review of the Canadian Grain Commission procurement plan is to be conducted at the beginning of the year, as well as mid-year reviews."

Procurement performance measurement

What was expected

We anticipated finding well-defined performance metrics, an effective process to monitor performance against these metrics, and activities focusing on continuous improvement.

What was found

The Procurement, Contracting and Material Management unit has developed performance metrics, including procurement request and contract processing timelines, that are currently available on the internal website, StaffNet. There is an opportunity to enhance these metrics by implementing a supporting process to monitor compliance and assess relevance, potentially integrating them into the overall strategic procurement planning process.

In addition, this process is supported by informal 'peer' reviews by procurement officers and the Manager of the Procurement, Contracting and Material Management unit, which provides a good foundation for quality assurance. To improve this process, creating detailed documentation of the risks that prompt reviews and their outcomes would offer clarity and promote enhanced accountability.

Establishing clear review criteria and effectively communicating findings could further support necessary metrics and corrective actions.

This process could be further strengthened through executive management engagement by establishing regular reporting and monitoring on compliance with timelines, policies, and guidelines.

Why this is important

Priority: Moderate improvement is required.

A clear performance measurement strategy and quality assurance process support decision making, strategic alignment, and accountability while ensuring complete files and risk documentation, thereby reducing the risk of instances of non-compliance and facilitating process improvement.

Recommendation 5:

The Chief Financial Officer/Manager of the Procurement, Contracting and Material Management unit should implement the following controls:

- Review current service standards for business relevance and best practices and address gaps to meet business needs and align with the Canadian Grain Commission's strategic objectives.
- Establish a systematic risk-based approach for monitoring and reporting adherence to these metrics.
- Establish a formal risk-based quality assurance process to identify and correct procurement noncompliance and inefficiencies. Consider the use of checklists and other tools to ensure files have all required documentation, approvals, and forms.
- Institute regular reporting to senior management concerning high-risk procurement areas, adherence to procurement policies and directives, the effectiveness of quality improvement measures, and overall performance.

Management Action Plan 5:

“Management accepts these recommendations.

The Manager of Procurement, Contracting and Material Management will review current service standards, develop a process to monitor compliance, and report to the Executive Management Committee periodically on adherence to service standards by September 30, 2026.

The Manager of Procurement, Contracting and Material Management will establish a risk-based quality assurance process and develop tools and checklists to identify and correct procurement issues, ensuring alignment with policies and improving efficiency by March 31, 2026.

The Manager of Procurement, Contracting and Material Management will design a process for periodic reporting of procurement activities and metrics for the Executive Management Committee by September 30, 2026.”

Theme 3: Procurement risk management

Procurement risk management

What was expected

We anticipated observing a comprehensive set of effective internal controls designed to identify and manage risks throughout the procurement process.

What was found

The audit highlighted several effective risk mitigating strategies implemented by the Procurement, Contracting and Material Management unit throughout the procurement lifecycle. These strategies include the Procurement Review Board review, a procurement request triage process, and the mandatory Security Requirements Check List, which serve as valuable controls for managing procurement risks. In addition, through discussions with the Procurement, Contracting and Material Management team, risk discussions and considerations take place at various stages of the lifecycle.

There is an opportunity to enhance the procurement risk management process by improving the documentation of risk discussions, particularly those related to reputational risk, operational risk, non-compliance with the Treasury Board Secretariat's Directive on the Management of Procurement, and adherence to the Values and Ethics Code. Strengthening this documentation would support more robust evidence of due diligence and provide greater clarity and transparency in risk management practices.

Additionally, fostering greater integration between procurement risk management and the Canadian Grain Commission's enterprise risk management processes may further bolster the effectiveness of risk mitigation efforts.

Why this is important

Priority: Moderate improvement is required.

A documented, strong, and consistently implemented risk management strategy aids in ensuring efforts to prioritize and appropriately manage the highest-risk areas. This alignment safeguards Canadian Grain Commission procurement against being out of sync with strategic and operational priorities, risking non-compliance with legislation, and potentially exposing the Canadian Grain Commission to significant harm.

Recommendation 6:

The Chief Financial Officer/Manager of the Procurement, Contracting and Material Management unit should ensure further enhanced risk controls. For example:

- A structured process is in place to identify, assess, and manage risks associated with procurement activities. This should include a standardized approach for documenting risks that are relevant to each procurement action.
- Controls that actively manage and mitigate risks throughout the procurement lifecycle. This encompasses establishing clear procedures for conducting risk assessments before approval and ongoing evaluations during the procurement process.
- A feedback mechanism allowing for real-time reporting of risks as they arise. This will ensure that adjustments can be made proactively to prevent potential issues.

Management Action Plan 6:

"The Manager of Procurement, Contracting and Material Management, in addition to the Management Action Plan for item 5, will explore other best practices and opportunities for further improvement, the Procurement, Contracting and Material Management unit will look at what other departments are doing with regard to documenting risk assessments and formulate a standardized approach for this recommendation by March 31, 2026."

Theme 4: Policy compliance and controls

Managing procurement conflict of interest

What was expected

We expected to see formally established and consistently upheld controls that ensure the integrity of the procurement process, fully complying with the Values and Ethics Code for the Public Sector and the Directive on Conflict of Interest.

What was found

Various proactive measures are in place to encourage business owners to consider and appropriately disclose potential conflicts of interest during their dealings. One of the key initiatives is the Canadian Grain Commission's Value and Ethics Code, which is mandatory for all newly hired employees. This code highlights different scenarios that may lead to potential conflicts of interest and provides clear guidelines for employees to disclose any such conflicts or to seek guidance when necessary. It also directs employees to the Canadian Grain Commission Values and Ethics Office or Senior Officer for Disclosure for further clarification on issues related to potential conflicts.

As for the controls at the procurement process level, the audit found that the Procurement Review Board form, required for purchases exceeding $10,000, serves as a proactive tool for business owners to reflect on possible conflicts of interest, particularly concerning contracts with former employees, right from the beginning of the procurement process.

Upon reviewing a sample of procurement files, the audit noted the absence of documented evidence regarding disclosed conflicts of interest.

Why this is important

Priority: Moderate improvement is required.

Ensuring that there are documented results of conflict-of-interest self-assessment by the stakeholders involved in the procurement process demonstrates a commitment to integrity, transparency, and accountability. This minimizes the risks of ethical issues arising throughout the procurement lifecycle. Additionally, it ensures that project authorities are better informed of any perceived conflicts and associated mitigation measures, ultimately enhancing transparency and accountability within the process.

Recommendation 7:

The Chief Financial Officer/Manager of the Procurement, Contracting and Material Management unit should establish a clear procedure for documenting whether or not any conflicts of interest exist at the beginning of procurement activities. This procedure should also necessitate the maintenance of documentation on all mitigating measures, if applicable, throughout the entire procurement lifecycle.

Management Action Plan 7:

“Management accepts this recommendation.

The Manager of Procurement, Contracting and Material Management will integrate a conflict-of-interest attestation and implement mitigations, if required, on the purchase requisition that will document evidence of conflict-of-interest disclosures for procurement files by March 31, 2026.”

Business requirements

What was expected

We expected to see documentation supporting clearly defined business requirements and vendor evaluation criteria, endorsed by the proper contracting authority prior to vendor selection.

What was found

The audit review of a sample of contracts revealed that all examined files incorporated information, showing that the documentation for the statement of work and evaluation methodology had been largely prepared prior to contract signing.

However, inconsistencies in the format and approach used to document the statement of work and the evaluation methodology across the files made it difficult to ascertain the precise timing of the statement of work's creation and whether it was appropriately reviewed by the designated contracting authority.

Additionally, the audit noted variations in the business justifications for procurement actions, which differed among various forms and different business owners.

Why this is important

Priority: Moderate improvement is required.

Using a consistent format in defining and documenting business requirements in procurement reduces the risk of misalignment between procurement objectives and the acquired goods or services. A consistent approach also may enhance contracting efficiency.

Recommendation 8:

The Chief Financial Officer/Manager of Procurement, Contracting and Material Management should:

- develop a standardized approach for defining, documenting, approving, and storing business requirements throughout the procurement lifecycle. This might include the use of electronic tools with built-in workflows and templates to enhance efficiency and ensure uniformity.
- establish a quality assurance protocol at the file level to verify that all documentation adheres to required standards. This process will help to enhance the integrity and reliability of the documentation throughout the procurement process.

Management Action Plan 8:

"Management accepts these recommendations.

The Manager of Procurement, Contracting and Material Management will create a more consistent format for documenting business requirements and store them for each new procurement file by March 31, 2027.

The Manager of Procurement, Contracting and Material Management will establish a risk-based quality assurance process and develop tools and checklists to identify and correct procurement non-compliance and inefficiencies by March 31, 2026."

To explore more opportunities for streamlining our procurement process, the Canadian Grain Commission has agreed to pilot a new contract modernization tool that is offered by Public Services and Procurement Canada, which will help to align the contract documents and create a more standardized approach. The pilot is to begin this fiscal year with the chance to fully implement at the end of the pilot.

4. Overall conclusion

The audit concluded that the Canadian Grain Commission's procurement processes generally comply with required policies and guidelines, with opportunities for further enhancements identified.

All findings from the audit have been formally communicated to the Chief Financial Officer and the Manager of the Procurement, Contracting and Material Management unit. Addressing the identified areas for improvement will contribute to providing reasonable assurance that procurement and contracting activities are functioning as intended and are aligned with the established policies and legal requirements.

The audit team extends its sincere appreciation to the Chief Financial Officer, the Procurement, Contracting and Material Management unit management, and their staff for their invaluable cooperation throughout the audit process.

Audit team:

Angela Davis, Chief Audit and Evaluation Executive

Anna Chugunova, Team Leader/Manager

Danielle Hoppensack, Auditor, CPA Student

Appendix A: Well-controlled and Low Risk Areas

Expectations	Observations	Comments
1. Controls are in place to ensure the integrity of the procurement process is maintained and consistent with the Values and Ethics Code for the Public Sector and the Directive on Conflict of Interest. Contracts, including amendments, over $10,000 meet minimum proactive disclosure requirements.	Regarding proactive contract disclosure, no issues were found; all contracts and amendments exceeding $10,000 were disclosed appropriately, as confirmed by the sample tested.	N/A
2. Procurement and contract controls ensure that expenditure initiation and Section 32 is performed by the individual with the right delegated authorities and documented. The risk of incompatible duties is mitigated.	The audit found that the Canadian Grain Commission has established and maintains a comprehensive and up-to-date set of procedures and tools to ensure a risk-based delegation of authority in key areas such as finance, procurement, material management, and human resources. Additionally, there is strong evidence that mandatory training and ongoing awareness activities are in place to promote accountability among the delegated authorities. However, it's noteworthy that there is currently no automatic mechanism to verify the Section 32 authority in real time at the moment of commitment. As a result, procurement officers must rely on their familiarity with Canadian Grain Commission staff and maintain manual records. To mitigate this risk, the Finance division supplies monthly reports to all cost centre managers. These reports detail commitments against their allocated funds, enabling managers to verify and challenge any discrepancies.	As part of Management Action Plan 1, consider reviewing the sufficiency of procedures and controls, ensuring that Section 32 authority is validated promptly.
3. There is evidence that the proper contracting authority has reviewed the statement of work and the evaluation criteria.	The audit review of a sample of contracts revealed that all examined files incorporated information, showing that the documentation for the statement of work and evaluation methodology had been largely prepared prior to contract signing.	N/A
4. Procurement and contract controls ensure that Justification for non-competitive contracts (for	Upon testing a sample of procurement files, we were able to locate justification for all sole-sourced	As part of Management Action Plan 1, the Chief Financial Officer/Manager of

example, sole sourcing) is documented, valid (1 of the 4 exceptions to competitive bidding) and substantiated where it's applicable.	purchases, although there is an opportunity to strengthen supporting documentation by standardizing the supporting documentation format.	the Procurement, Contracting and Material Management unit should ensure that an updated framework includes guidelines for consistent sole-source justification documentation.
5. Procurement and contract controls ensure that the price is validated for fairness and reasonableness.	During testing, auditors noted discrepancies in procurement files regarding the presence of documentation evidencing price validations. The Procurement, Contracting and Material Management team clarified that multiple factors drive their formal price validation approach. These include materiality, the procurement tools in use, the specific government policies and directives that apply, and the nature of the goods or services being procured. Also, given that these influencing factors are constantly changing, the team finds it challenging to establish a one-size-fits-all set of requirements for supporting documentation.	As part of Management Action Plan 1, the Chief Financial Officer/Manager of the Procurement, Contracting and Material Management unit should ensure the renewed procurement framework includes procedures or forms to document price validation.
6. Procurement and contract controls ensure that controls are in place to prevent contract splitting.	An audit testing of a sample of contracts, amendments, and non-standing purchase orders that could potentially involve contract splitting revealed that no such split purchases occurred. When examining multiple contracts or orders from the same vendor, the audit assessed whether the goods or services were initially unforeseeable and checked if the cumulative total reached a threshold that would require increased scrutiny or if any controls were bypassed. Although procurement officers are effective in preventing contract splitting, there are currently no formal policies, guidance, or checklists in place to explicitly prohibit this practice or to evaluate risks at the beginning of each procurement action.	As part of Management Action Plan 1, the Chief Financial Officer/Manager of the Procurement, Contracting and Material Management unit should ensure the renewed procurement framework includes procedures to identify and control risks of contract splitting.
7. Procurement and contract controls ensure that controls are in place to ensure compliance with the terms of a standing offer or a contract against a supply arrangement when the Canadian Grain Commission utilizes them.	The audit found evidence of the contracting officers' assistance and support to the business owners throughout the procurement stages, including verification and monitoring compliance with the standing offer and supply arrangement conditions.	N/A
8. Procurement and contract controls ensure that a copy of the contract signed by the signing authority, a	The audit testing revealed that each procurement contract file contained a copy of the signed contract, and	N/A

written contract is on file, and contracts are issued before goods or services are received.	all reviewed contracts were duly signed before the receipt of goods and services.	
9. Security requirements are addressed to ensure compliance with the Policy on Government Security.	The audit found that the Canadian Grain Commission procurement process mandates the completion of the government-mandated Security Requirement Check List to accompany all procurement requests for services involving access to protected and classified information and assets. This checklist determines the security clearance needed for contractors and their firms. Security and procurement officers review and approve the requirements, which are being included in all contract terms and conditions.	N/A
10. Contract amendments are justified, substantiated, and issued before the receipt of services and an expiry date.	Upon testing a sample of procurement files, we found that all contract amendments were justified through adequately completed purchase requisition forms and signed by proper Section 32 authorities.	N/A
11. Controls ensuring the responsible business owners verify and sign off on the contract deliverables.	Upon testing a sample procurement file, it was found that all files contained invoices signed by the appropriate Section 34 authorities. An established process is in place whereby the accounting payable employees verify the signatures of the Section 34 authorities on invoices before entering them into the payment system for processing.	N/A
12. Adequate documentation is maintained to support the delivery of goods and services in compliance with the contractual terms.	Upon testing a sample procurement file, it was found that all files contained evidence of delivered services and goods certified by the appropriate Section 34 authorities.	N/A
13. There is a mechanism for timely reporting on and acting on non-compliance with the contractual terms and conditions.	Although discussion on contract disputes and potential resolutions does exist, the current procurement guidelines did not include a formal process for identifying and escalating potential contract disputes and non-compliance to senior management or seeking advice from the Procurement Review Board. The Manager of the Procurement, Contracting and Material Management unit is currently drafting an escalation procedure to be integrated into the revised procurement management framework. This addition will help ensure a consistent approach to handling	As part of Management Action Plan 1, the Chief Financial Officer/Manager of the Procurement, Contracting and Material Management unit should ensure a clear procedure for a consistent and systematic approach to identifying, escalating, and documenting contractual disputes.

	contractual disputes as part of the updated procedures and quality assurance process.	
14. Post-contract lessons learned, activities and reporting are in place.	The audit revealed that the procurement team engages in informal discussions about the outcomes of each procurement and contract action, identifying areas for improvement. However, these discussions and improvement plans have not been systematically documented.	As part of Management Action Plan 1, the Chief Financial Officer/Manager of the Procurement, Contracting and Material Management unit should implement a documented approach to the lessons learned exercise, ensuring thorough documentation. This includes developing action plans to address identified weaknesses and reporting on improvements, which will help mitigate procurement risks and enhance future effectiveness.

Appendix B: Procurement process description

The procurement process begins when business owners submit their procurement requests by email to the procurement general inbox. Procurement and contracting officers, with help from administrative support, will guide the next steps, procurement options, and necessary documents. Typically, the following set of forms is required from business owners:

- Purchase Requisition Form that certifies fund commitment by the Section 32 delegated authority against a cost centre.
- Accessibility Form that acknowledges that accommodations were assessed in compliance with the *Accessibility Act* while planning to purchase goods or services.
- Procurement Review Board Form used for purchases over $10,000. This form requires business owners to detail specific business needs for the planned expenditure, estimated costs, cost centre, and the signature of the delegated authority. It also asks whether requirements for information technology, green procurement, real property, security, conflict of interest, and other risks were considered.
- Security Requirement Check List helps the business owner identify security clearance requirements for vendor firms and individual consultants.
- Information Management and Technology Services Procurement Request Form outlines the requirements for obtaining information technology products or services.
- Statement of work document is used to develop detailed business requirements for and expected deliverables.

Once the procurement and contracting officers have reviewed and validated the forms and information provided by the business owners, a ticket is issued and assigned to an appropriate procurement and contracting officer based on their specialization, availability, procurement complexity, price, and urgency. After creating the ticket, the procurement commitment is recorded in the financial SAP system, and procurement and contracting officers begin the relevant procurement process. The procurement and contracting officers provide ongoing support and advice to the business owners throughout the process until completion.

Appendix C: Priority ranking scale

Each of the recommendations in this audit was ranked according to the definitions described in the table below.

Priority of improvement to address a risk/recommendation	Definition
Well-controlled	Well-managed complaint processes, with no significant weaknesses noted.
Low	Overall, the processes are managed effectively with room for minor improvements.
Moderate	Requires management focus where at least one of the following criteria is met: ✓ control weaknesses, but exposure is limited because the likelihood of the risk occurring is not high ✓ control weaknesses, but exposure is limited because the impact of the risk is not high
Significant	Requires immediate management focus where at least one of the following three criteria are met: ✓ financial adjustments material to line item or area or the department ✓ control deficiencies represent serious exposure ✓ major deficiencies in an overall control structure

Appendix D: Procurement suite of instruments

This list includes the key applicable legislation, policies, directives, and guidance for procurement in the Government of Canada used by the audit team to develop audit criteria.

1. **Treasury Board Secretariat's Directive on the Management of Procurement** as of May 2021. The objective of this directive is that procurement of goods, services and construction obtains the necessary assets and services that support the delivery of programs and services to Canadians, while ensuring best value to the Crown.
2. **Treasury Board Secretariat's Manager's Guide: Key Considerations When Procuring Professional Services** as of October 2023. This guide is for managers who need additional resources to achieve organizational goals and are considering procuring those resources as professional services through a contract.
3. **Values and Ethics Code for Public Sector** as of April 2012. This code describes the values and expected behaviours that guide public servants in all activities related to their professional duties.
4. **Code of Conduct for Procurement** as of May 26, 2023. This code outlines expectations and obligations for suppliers and their subcontracted suppliers who respond to bid solicitations or provide goods and services to Canada.
5. **Directive on Conflict of Interest** as of April 2020. This directive provides direction to persons employed and designated senior officials to enable them to minimize risks associated with conflict of interest and conflict of duties situations with the goal of upholding the values and ethics of the public sector and the public interest.