

Date: 2024-01-24

Subject: **Limited Tendering Audit Report 2023**

Contact: Claire Fang Mu, Director, Internal Audit

Report Number: CAO's Office-2024-097

Improvement Required**Recommendations:**

1. That the report titled: Limited Tendering Audit Report 2023, to the Audit Committee Meeting of Feb 6, 2024, be received and the recommendations contained in **Appendix 1: Limited Tendering Audit 2023 Report** be approved.

Overview:

This report fulfills [Committee of Council Resolution 6.4/8.2.1 CW316-2023](#) "That Internal Audit be requested to review the limited tendering activities, in accordance with the Purchasing By-law, as set out in this report, and report back to Council through the Audit Committee."

The report highlights the opportunities to improve the City's limited tendering procurement processes, particularly in implementing conflict of interest declaration by bidders and City staff involved in procurement and formalizing the procedures for conducting due diligence reviews of the justifications put forward by buying departments.

The overall audit was rated as **"Improvement Required."**

The audit noted the following strengths relating to controls and processes surrounding Limited Tendering:

- Adherence to Purchasing By-law 19-2018, specifically Schedule B regarding award authority in limited tendering procurements
- Implementation of a central depository for organizing and maintaining all contract-related documents
- Reporting regularly to the Council on limited tendering procurements to support governance and oversight and to comply with the Purchasing By-law requirement



- Management and oversight of purchasing activities led by experienced and knowledgeable staff.

The issues and associated management action plans are detailed in the audit report located in **Appendix 1: Limited Tendering Audit Report 2023**.

See **Appendix 4** and **Appendix 5** for the criteria for rating findings and audit report rating.

Please also see **Appendix 6** for the presentation slides for this audit report.

Internal Audit discussed the following improvement opportunities with Purchasing staff:

Process	Finding	Rating
1. Lack of conflict of interest consideration and disclosure	<p>Under the current procurement practices, the requirement for disclosing actual, potential, and perceived conflict of interest does not apply to limited tendering. Specifically, the following risk control measures have not been enforced:</p> <ul style="list-style-type: none"> • Submission of a conflict of interest declaration by the bidder(s) • Conflict of interest declaration by City staff participating in the purchasing decision 	
2. Lack of a robust verification process for limited tendering justification	<p>Purchasing does not have formalized procedures for conducting due diligence reviews of justifications for limited tendering procurement put forward by buying departments.</p> <p>4 out of the 16 limited tendering activities we reviewed did not include appropriate key documents to substantiate the limited tendering procurements.</p>	

These issues and associated management action plans are discussed in more detail in **Appendix 1**. These issues are rated as per the criteria described in **Appendix 4**.

Conclusion:

Our review of City's procurement activities in Q2 2023 identified opportunities for improvement in the areas of incorporating conflict of interest consideration and declaration, and in formalizing the due diligence review of the limited tendering justifications put forward by buying departments.

Implementing the recommendations in this report will enhance the City's limited tendering process and ensure compliance with the current Purchasing By-law.

The overall report rating is determined per the audit report rating criteria explained in **Appendix 5**.

Authored by:

Reviewed by:

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Attachments:

- Appendix 1 – Limited Tendering Audit Report 2023
- Appendix 2 – Limited Tendering Standard Form
- Appendix 3 – Limited Tendering (LT) Checklist
- Appendix 4 - Criteria for Evaluating Audit Findings
- Appendix 5 - Criteria for Audit Report Rating
- Appendix 6 - Presentation Slides