

## Appendix 1

### Material Exceptions

*Note: Terms used in this Appendix are either defined herein or in the accompanying attestation letter.*

#### Scope - Defined

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We conducted an internal review (“**the Review**”) of a small sample of contracts drawn from all the contracts managed and completed by us during the Applicable Period. The contracts comprised in the sample were selected based on their spend value and complexity, and in terms of the audit plan approved by our Board. Results of the Review are provided below.

#### Scope - Exclusion

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The scope of the Review excluded testing compliance with the following Mandatory Requirements (MR), since the accountability of all the aspects thereof do not fully vest in SSW:

MR #1 – Hospital Segregation of Duties:

- Organizations must segregate at least three of the five functional procurement roles: Requisition, Budgeting, Commitment, Receipt and Payment. Responsibilities for these roles must lie with different departments or, at a minimum, with different individuals. Where it is not feasible to segregate these roles, i.e., for smaller organizations, adequate compensating controls approved by an external auditor must be put in place.

MR #2 – Establishment of the Approval Authority:

- Organizations must establish an approval authority schedule (AAS) for procurement of goods and non-consulting services. The AAS must be approved by the Board of Directors of the organization or its equivalent prior to commencement of procurement.
- Prior to commencement, any non-competitive procurement of goods or non-consulting services must be approved by an authority one level higher than the AAS requirements for competitive procurement.

MR #15 – Executing the Contract

- The agreement between the Organization and the successful supplier must be formally defined in a signed written contract before the provision of supplying goods or services commences.

MR #22 – Contract Management:

- Payments must be made in accordance with provisions of the contract. All invoices must contain detailed information sufficient to warrant payment. Any overpayments must be recovered in a timely manner.
- Establish expense claim and reimbursement rules compliant with the Broader Public Sector Expenses Directive and ensure all expenses are claimed and reimbursed in accordance with these rules.
- Ensure that expenses are claimed and reimbursed only where the contract explicitly provides for reimbursement of expenses.

MR #23 – Procurement Records Retention

- For reporting and auditing purposes, all procurement documentation, as well as any other pertinent information must be retained in a recoverable form for a period of seven years.

#### Exceptions Noted

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The Procurement Directive and Canadian Free Trade Agreement require public posting of award notice for open competitive procurements. In one case such posting was delayed beyond the prescribed time periods.