Contract Compliance

Beyond Vendor Oversight: Contract Compliance as a Pillar of Third-Party Risk Management

September 8, 2026

Location

Calgary, Alberta

Education

Bachelor of Commerce in Accounting
University of Saskatchewan

Associations/Certifications

Chartered Professional Accountant (CPA)

Certified Management Accountant (CMA)

Jaeson Jaman

CPA, CMA

Jaeson works with Internal Audit and Finance leaders to translate complex contract environments into recoverable value, stronger controls, and better oversight.

- Led contract compliance across $10B+ capital programs and large operational spend environments.
- Helps Internal Audit teams move from reactive vendor audits to structured, risk based programs.
- Experience resolving commercial disputes, claims, and cost recoveries in complex vendor arrangements.
- Works across Oil and Gas, Power, Mining, and Public Sector.

Known for helping organizations find real dollars, not just findings, and for building programs that management actually uses.

Related Experience

Global & Mid Market Mining Corporations

Major Canadian Upstream Organizations

Global Power Generation Organizations

Public Sector (Alberta/Saskatchewan)

Capital Projects >US$10B

Ask Jaeson About

Contract Compliance SME

Dispute Resolution

Claims Settlement

Investigations

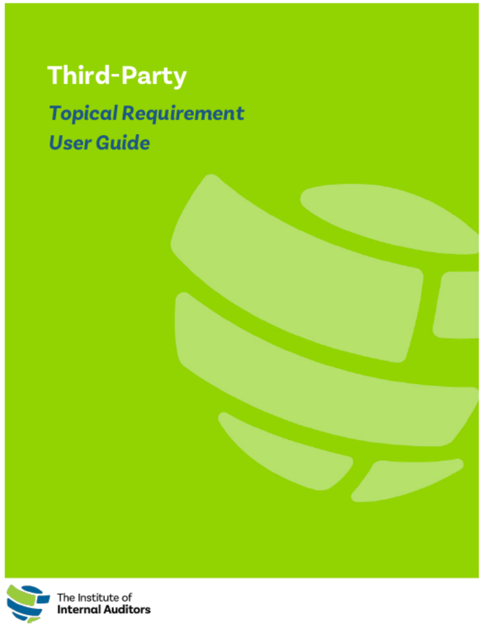
Negotiating Strategies

Litigation Support

What is available?

Topical Requirement – Third Party

- Applicability Rules
- List of Mandatory Requirements
- Organized by Governance, Risk Management and Controls
- Lists out minimum requirements
- Established documentation expectations
- Conformance will be explicitly tested during QAIP and EQAs



- Rationale and importance
- Detailed considerations and examples
- Practical application scenarios
- Mapping to frameworks
- Optional documentation tools
- Evidence of reasonable application for quality reviews
- Case studies & FAQs

Third-Party Risk Management

Table Stakes

When do the Topical Requirements start?

September 15, 2026, focusing on vendor risk frameworks, contract reviews, and continuous monitoring.

Definition

A third party is an external individual, group, or entity with whom an organization ("the primary organization") establishes a business relationship to obtain products or services.

The relationship may be formalized through a contract, agreement, or other means to provide the organization with products, services, labor, manufacturing, or information technology solutions, such as data storage, processing, and maintenance.

Third-Party Risk Management: What's in scope

Balance governance, risk, and controls

Governance

1. Formal strategy and approach
2. Policies and procedures
3. Roles and responsibilities
4. Stakeholder engagement

Risk Management

1. Comprehensive risk management processes
2. Regular risk assessment
3. Risk responses
4. Escalation and accountability

Controls

1. Due diligence
2. Contracting and approval
3. Contract management
4. Onboarding
5. Ongoing monitoring
6. Corrective action protocols
7. Renewal and expiration
8. Offboarding

Where are you at??

Question – Hands Up

How many of you attended the IIA session related to Third-Party Topical Requirements?

Yes (Hands up)

No (Hands down)

How many of you feel your current third-party audit approach would meet the expectations of the new Topical Requirements today?

Yes (Hands up)

No (Hands down)

How many of you have clearly defined:

- Scope across the Third-Party Risk Management lifecycle
- Minimum procedures
- Documentation expectations aligned to Quality Assurance & Improvement Program (QAIP)

Reliance on Third-Parties

A universe of complex risks

Financial

Vendor insolvency, cost overruns, fraud exposure, payment processing failures.

Reputational

Brand damage, media exposure, customer trust erosion, ethical lapses.

Operational

Service disruptions, performance failures, supply chain breakdown, business continuity gaps.

Strategic

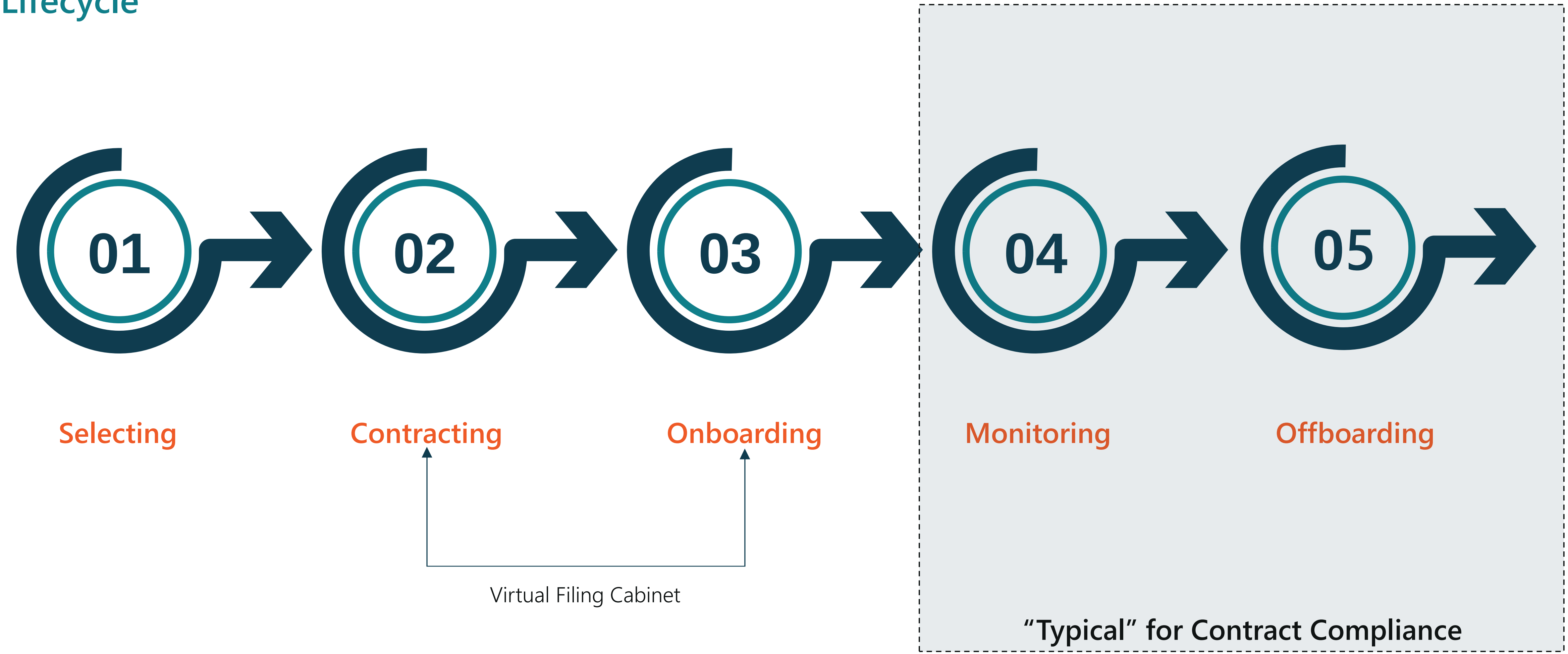
Market positioning, innovation blocks, M&A complications.

Compliance & Legal

Regulatory violations, contractual breaches, audit failures, dispute resolution.

Third-Party Risk Management

Lifecycle

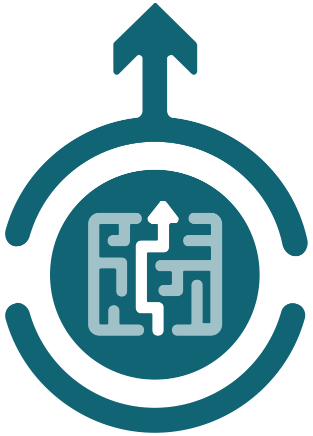


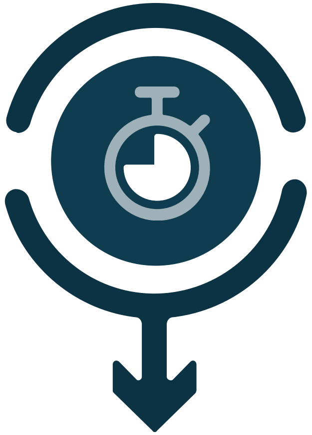
Contract Compliance

The W's

Who
Internal Audit, Supply Chain, Procurement or via external consulting firm.

What
Vendor Audit, Joint Venture, Cost of Service Agreements, Funding Agreements





When
Most typically after the money has been spent..
Problem with that approach?

Why
Cost recovery, risk mitigation, investigation, compliance.

Mapping Contract Compliance Across All Three Lines

First Line

Own & Manage

Contract Owners · Procurement
AP · Project Managers

- Day-to-day invoice review against contract terms (three-way match).
- Enforcing change order controls (i.e., no work proceeds without written approval).
- Monitoring vendor performance and SLA compliance in real time.
- Flagging non-conformance and escalating issues through proper channels.

Second Line

Oversee & Challenge

Risk Management · Legal
Compliance · Vendor Management Office

- Maintaining the contract repository; ensuring all contracts include right-to-audit clauses.
- Setting policy on contract monitoring thresholds and escalation triggers.
- Continuous risk monitoring across the vendor portfolio (KRIs, spend dashboards).
- Ensuring high-risk third-party arrangements are flagged for deeper review.

Third Line

Independent Assurance

Internal Audit

- Independent assurance that Line 1 and Line 2 controls are designed and operating effectively.
- Risk-based selection of contracts for deep-dive compliance audits (largest spend, most complex, highest risk).
- Quantifying control failures (i.e., overbilled costs, unapplied penalties, unauthorized scope).
- Reporting findings to the Audit Committee with clear financial and control implications.
- *Advisory Role*: Helping management build a risk-based contract compliance program and improve contract templates.

Where the Lines Break Down — Real Failure Modes

First Line

Own & Manage

Contract Owners · Procurement
AP · Project Managers

- Invoice review is perfunctory.
  - **Risk/Impact**: Rates not verified against contract schedules, allowing overbilling to pass through undetected.
- Change orders approved retroactively or verbally.
  - **Risk/Impact**: Vendor begins work before written authorization exists.
- SLA penalties never invoked.
  - **Risk/Impact**: Vendor misses targets, but project managers do not enforce the contract remedy clause.

Second Line

Oversee & Challenge

Risk Management · Legal
Compliance · Vendor Management Office

- Contracts executed without audit rights clauses.
  - **Risk/Impact**: Internal Audit cannot access vendor records when issues arise.
- No centralized contract register.
  - **Risk/Impact**: Poor visibility into which contracts are active, who owns them, or when they expire.
- Risk monitoring limited to onboarding.
  - **Risk/Impact**: Ongoing compliance never revisited after initial vendor setup.

Third Line

Independent Assurance

Internal Audit

- IA becomes the backstop.
  - **Risk/Impact**: Discovering control failures retrospectively, often 1–3 years after spend occurred.
- IA is auditing the symptom (overbilling, non-performance), not the cause.
  - **Risk/Impact**: Findings are remediated case by case while the underlying control gap persists.

Hands Up and Table Discussion

Question

- How many of you were familiar with Contract Compliance before I walked through it?

  Yes (Hands up) / No (Hands down)

- How many of you have either (1) participated in this type of engagement, or (2) know that their organization conducts this type of review.

  Yes (Hands up) / No (Hands down)

Question – Discussion (10 Mins)

- How many are confident explaining your contract compliance coverage to your Audit Committee?
- Does your organizations approach cover the full contract lifecycle, not just post-spend reviews?

Understanding the Risks

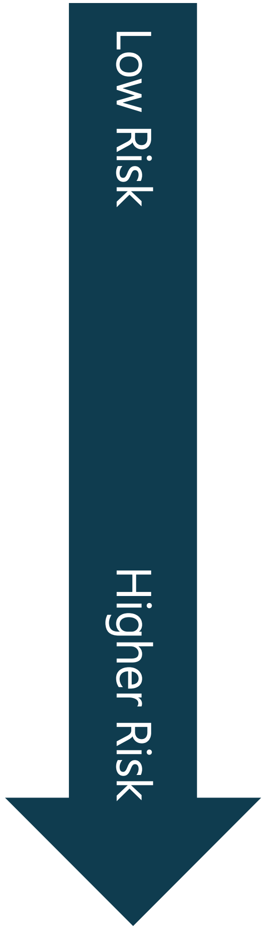
Knowing the types of contracts your organization utilizes helps understand risk..

Fixed Fee
- Scope creep necessitating Change Orders (CO's) which may be time & material (T&M), cost reimbursable, etc...
- High volume of CO's, poorly tracked or misunderstood
- Failure to apply negotiated credits or adhere to SLA's

Unit Price
- Quality swap
- Mismatch of quantity delivered vs claimed
- Improper pricing

T&M
- Unauthorized roles, materials, equipment
- Unsupported quantities (time – timesheet, quantity – BOL)
- Improper rates applies and/or missed discounts

Cost Reimbursable
- Excess collection of labour burdens - unaudited
- Unsupported quantities (time – timesheet, quantity – BOL) and misapplied rates
- Overheads improperly charged



Understanding Cost Leakage

The hidden 'drain' in contracted spend

What is Cost Leakage?

- Hidden financial losses from contracts due to overpayments, missed discounts, billing errors, or unfulfilled obligations.

Why It Happens:

- Vague or weak contract terms
- Manual processes & poor visibility
- Missed SLAs, scope creep, outdated pricing
- Lack of ownership or oversight

High-Risk Areas:

- Capital projects, MRO spend, long-term service contracts.
- Complex pricing, fragmented procurement, reactive controls.

Cost leakage is often the visible symptom of deeper control and monitoring gaps.

Contract Compliance

Quick Wins & Analytics

Quick Wins

- Discounts/Rebates
- Payroll Burden
- Statement of Account
- SLA Review
- Rate Validation
- Contract clause review

Analytics

- Rate Validation
- OT Analysis
- Duplicates
- Hours Analysis
- Most Favourable Pricing
- Early Payment/Payment

Identifying, and securing, a '*quick win' can be a great way to generate momentum* for a contract compliance program.

We aren't in Kansas anymore..

From retrospective audits to continuous insight

Old School

- "Hope" for data to perform analytics
- Sample based testing and extrapolation
- Time consuming manual tasks
  - Data extraction
  - Risk review and planning
- Risk of errors due to boredom
- Enduring the "vendor game"
- Poor quality OCR – wasted effort!
- Historic audits – recapturing $0.50 on the dollar

New School

- Accurate data extraction
- Analytic based testing
- Efficiencies drives time for insights
- Contract reviews across large populations
- Desktop reviews that provide value
- Avoiding the "vendor game"
- Real-time monitoring – capturing errors as/when they occur

Hands Up

Questions

- **Has anyone used AI for contract compliance engagement?**

  Yes (Hands up) / No (Hands down)

- **How many have visibility into contract-related issues before the audit phase?**

  Yes (Hands up) / No (Hands down)

Internal Audit

What's your role and how can it drive value for the organization?

Co-source or build internal capability to deliver structured contract compliance programs

Expand scope beyond vendor audits to contracts across capital projects and operations

Use risk-based targeting across spend, contract types, and business units

Organizations utilizing Internal Audit in this domain realize measurable financial returns, enhanced risk mitigation, and accelerated operational maturity.

- **1–5% recovery across audited contract values.**
- Independent validation of contract controls for Board and regulatory confidence
- Improved visibility of third-party risk at the contract level
- Accelerate organizational maturity from ad hoc practices to risk-based, technology-enabled compliance programs.

Bringing it all back together

Summarizing our discussion today..

Where most organizations are today

- Focused on post-spend vendor audits.
- Inconsistent scope, procedures, and documentation.
- Limited alignment to new IIA Topical Requirements.

What the Topical Requirements demand

- Lifecycle coverage (not just monitoring).
- Defined minimum procedures and documentation.
- Clear alignment to risk, controls, and QAIP expectations.

Where leading organizations are going

- Expanding beyond audits to continuous, risk-based oversight.
- Leveraging analytics and AI for scalable coverage.
- Embedding contract compliance across capital projects and operations.

Thank You!

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