Addendum – Council – July 16, 2014

Report – Executive Policy Committee – July 15, 2014

Item No. 4 External Audit of the Winnipeg Police Headquarters Construction Project

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On July 15, 2014, the Executive Policy Committee, in its capacity as the Audit Committee, concurred in the recommendations outlined in the Winnipeg Police Service Headquarters Construction Project Audit dated July 14, 2014, conducted by KPMG, and recommended to Council that the following be implemented in accordance with the roadmap for implementation outlined on page 30 of the report:

1. Project Oversight & Governance

    1.1 Major Capital Project Steering Committee Terms of Reference (Priority: Moderate)

    Administrative Directive FM-004 ("FM-004") sets out the requirement for a Major Capital Project Steering Committee, however, the terms of reference of this committee should be revisited. In particular, it is important that the role, responsibilities and accountabilities of the committee, its members and other participants are clear and documented in writing; that the membership of the committee is appropriate; and that there is a requirement for detailed meeting minutes to be prepared, circulated and retained which clearly identify what issues or information have been presented, which project team members participated in the meeting, and what decisions were made by the committee and communicated to and/or requested from the project team.

    1.2 Clarity of Reporting Requirements for Projects to Committees of Council (Priority: Lower)

    We recommend that further clarity is provided regarding the required format, content and frequency of capital project reporting to the Committees of Council. If major capital projects for buildings (as opposed to infrastructure) are to report to the Standing Policy Committee on Downtown Development, Heritage and Riverbank Management, then an amendment is required to FM-004 which currently requires reporting to the Standing Policy Committee on Infrastructure Renewal and Public Works.

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1.3 Clarity of Department Deemed "Responsible for the Project" (Priority: Moderate)

We recommend that clarification be provided regarding which City department is deemed as being "responsible for the Project" under the terms of FM-004 – the department delivering the Project is not necessarily the budget holder or the end-user department and there may be conflicting expectations of "control over the project" if clear guidance is not provided.

1.4 Committees of Council Terms of Reference (Priority: Lower)

To help promote improved governance and accountability, consideration should be given to adding to the terms of reference for the relevant Committee(s) of Council the responsibility for monitoring the frequency of reporting by departments delivering major capital projects and report to Council when there is a failure to report on the status of a major capital project on the agreed upon reporting frequency.

1.5 Ability of Committees of Council to Provide Effective Oversight (Priority: Moderate)

In order to help ensure that oversight by Committees of Council is effective, consider whether Committees or Council should have access to independent specialist subject matter expertise in the future to provide advice related to major capital projects and assist with the interpretation of complex reporting to help mitigate the risk of potentially misleading, incomplete or inaccurate information being submitted.

1.6 Delegation of Authority for Contract Over-Expenditure (Priority: High)

Consideration should be given to revising the process to approve over-expenditures, and the related delegated authorities, such that contracts may only be able to be extended within the limits of the budget for that particular scope or service line item; an acceptable tolerance should be provided prior to requiring Council approval, and the request should include a cash-flow forecast that shows that there are funds available within the scope or service line item's project budget.

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1.7 Capital Project Reporting (Priority: High)

To help promote improved governance and transparency, consideration should be given to the development of a standard major capital project report format for presentation to the Director of the "responsible department" and the relevant Oversight Committee for each major capital project. FM-004 outlines a reporting format that can serve as the basis upon which to build. The revised standard report format (in conjunction with recommendation 3.3 below) should cover the basic information typically required for an oversight body and/or key stakeholder to understand the status of a project, including: a baseline schedule with progress to date; progress against key milestones; detailed budget breakdown with cost incurred and committed cost to date and forecast total estimated cost taking into account approved/pending scope changes and trends; cash flow over time compared to the original business case cash flow; key environmental, health and safety data (as applicable), and the status of key risks and issues identified and being monitored.

2. Project Roles & Responsibilities

2.1 Segregate & Define End-User and Project Manager Roles and Responsibilities (Priority: High)

Where a major capital project involves both PPD as well as other City department(s) as end-user and/or budget holder, the City should clarify their respective project-related roles and responsibilities to ensure appropriate segregation of the project manager and end-user representative roles.

2.2 Competencies of Project Managers and Project Director (Priority: High)

The City should document the required competencies and capabilities of a "Project Manager" and "Project Director" to ensure that individuals fulfilling these key roles are suitably qualified and experienced in the successful delivery of projects of similar scope and complexity.

2.3 Role and Responsibilities of the Manager of Capital Projects (Priority: Moderate)

Consideration should be given to whether the currently defined required roles and responsibilities for the position of Manager of Capital Projects require more than one individual given the workload and the required competencies, qualifications and experience necessary for this role to be effective (should consider in conjunction with recommendations 3.1 and 3.3 below).

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3. Project Management Maturity

3.1 Resources to deliver the Project Management Manual (Priority: Lower)

Resources should be committed to allow the City to complete the implementation of the 2008 Capital Project Management Audit – specifically the update of the Project Management Manual (should consider in conjunction with recommendation 3.3 below).

3.2 Project Management Training & Development (Priority: Moderate)

Address the formal training and development needs of the City's internal project managers. Given that in our experience, a capable Engineer may not necessarily be a capable project manager, consider requiring the Project Management Professional ("PMP") designation for major capital project managers.

3.3 Project Management Framework (Priority: High)

To align with other municipal governments, the City should evaluate options for ensuring that its internal project managers have access to a documented project management governance and control framework and/or a project management centre support function. The leading practice in this area is for a project management centre to provide training, support and infrastructure (policy, process, procedure, templates, etc.) that internal project managers require to successfully deliver major capital projects.

As part of a documented project management governance and control framework, the City should develop and implement guidance for:

3.3.1 Schedule management, including addressing contractor baseline schedule development and reporting obligations and the project management team's schedule monitoring and analysis requirements.

3.3.2 Risk management, including the requirement: to maintain a live project risk register and risk mitigation plans; for regular, periodic reporting of the status of key risks and issues; to link the project contingency allowance to identified and quantified risks; and to develop rules that govern the draw-down/use of the project contingency allowance.

3.3.3 Change management, including reporting on the status and value of pending and/or approved project change notice requests; and standard change management procedures with which consultants and contractors will have to comply.

3.3.4 Budget and contingency management, including: clear definition and communication of the various "class estimates" for projects and guidance on appropriate contingency allowances for each; and explicit definition of required categories of cost such as FFE, IT infrastructure, design fees, other fees, internal charges, escalation, etc. to reduce the risk of misinterpretation of what is included in budget line items/areas, and what is not included.

3.3.5 Contract management, including: addressing the need for a contract strategy stage gate to determine the most appropriate contracting strategy for a given project in a transparent manner on the basis of evaluation of project specific risks and objectives; and the need to develop the City's capacity to successfully manage and deliver non-traditional contract strategies.

3.3.6 Design management, including: the requirement for project managers to proactively monitor the progress and quality of design against a contractual design schedule; and to help ensure all internal project managers understand the important difference between design development and design change.

4. Procurement & Construction Contracting

4.1 Procurement Compliance (Priority: Lower)

Clarify accountability for who is required to ensure compliance with both the City's Materials Management Policy and the Agreement on Internal Trade. Consider revising the guidelines and the process to document delegated authorities to execute contracts on behalf of the City to better mitigate the risk of non-compliance.

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4.2 Procurement & Contract Management Roles & Responsibilities (Priority: Moderate)

Consider developing and implementing a procurement and contract management RACI Chart (responsible, accountable, consulted and informed) to provide guidance to the various process participants and to help improve the quality and consistency of the required documentation for procurement and contract management (including contract variations) and to ensure that consultants and contractors are not engaged outside of contract or outside of the City's procurement rules and obligations.

4.3 Restrict Ability to Single Source Contracts (Priority: High)

Consider implementing either additional oversight over the use or the formal approval of single source contracts in order to reduce the likelihood of any potential abuse of the single sourcing provisions. As well, consider the need for additional training or more explicit guidance on the application of the provisions of both the City's Materials Management Policy and Administrative Standard FM-002 (notably Appendix 1).

4.4 Assignment of Contracts (Priority: Lower)

Revisit the City's Materials Management Policy to ensure that solicitations awarded to a joint venture cannot subsequently simply be assigned to a constituent entity within that joint venture without a rescoring or new public solicitation being performed.

4.5 Standardized Construction Contracts (Priority: High)

Develop and implement a suite of standard construction contracts for the City's preferred contract strategies to ensure that more robust terms and conditions are developed and implemented, and appropriate training is developed and provided to internal project managers and team members to protect the City's interests and manage its retained risks.

4.6 Procurement Guidance (Priority: Lower)

Develop improved procurement guidance to mitigate the risk of unfair practices (whether intentional or otherwise) being performed by the evaluation team – such as one person being responsible for performing and documenting any bidder contact to ensure that clarification requests are either provided to all or only short-listed proponents following bid opening.

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DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On July 15, 2014, the Executive Policy Committee concurred in the recommendations outlined in the Winnipeg Police Service Headquarters Construction Project Audit dated July 14, 2014, conducted by KPMG, for implementation in accordance with the roadmap for implementation outlined on page 30 of the report, and submitted the matter to Council.

Further on July 15, 2014, the Executive Policy Committee received from David Sanders a communication dated July 15, 2014, in opposition to the External Audit of the Winnipeg Police Headquarters Construction Project.

COUNCIL DECISION:

On January 29, 2014, Council concurred in the recommendation of the Executive Policy Committee, as amended, and adopted the following:

1. That the City Auditor be instructed to engage an external auditor and such other professionals (collectively, the "External Auditors") as may be required to conduct an independent audit and a quantity survey review of the Winnipeg Police Headquarters construction project (the "External Audit").

2. That the City Auditor be granted the authority to expend one-time funding of up to $500,000 to engage the External Auditors and carry out the External Audit, as well as fund other existing audits as requested by Council beyond the existing scope of the audit, and that an additional appropriation for this amount be approved.

3. That the City Auditor provide a full cost breakdown of each existing audit requested by Council including the original contract values and any additional appropriations.

4. That there be monthly updates provided to Council on the status of the Audit.

5. That the City Auditor report back to Council with the results of the External Audit within 150 days.

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DECISION MAKING HISTORY (Continued):

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On January 22, 2014, the Executive Policy Committee passed the following resolution:

THEREFORE BE IT RESOLVED that the City Auditor be instructed to engage an external auditor and such other professionals (collectively, the "External Auditors") as may be required to conduct an independent audit and a quantity survey review of the Winnipeg Police Headquarters construction project (the "External Audit");

BE IT FURTHER RESOLVED that the City Auditor be granted the authority to expend onetime funding of up to $500,000 to engage the External Auditors and carry out the External Audit, as well as fund other existing audits as requested by Council beyond the existing scope of the audit, and that the Chief Financial Officer identify a funding source for such monies;

BE IT FURTHER RESOLVED that the City Auditor report back to Council with the results of the External Audit within 150 days;

and submitted the matter to Council.