Minutes – Executive Policy Committee – May 13, 2015

AUDIT COMMITTEE

Item No. 1 Waverley West Arterial Roads Project Audit – December 2014

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

The Executive Policy Committee, in its capacity as the Audit Committee, concurred in the recommendation of the Winnipeg Public Service and recommended to Council:

1. That the Waverley West Arterial Roads Project Audit dated December 2014 be received as information.

DECISION MAKING HISTORY:

Moved by Deputy Mayor Pagtakhan,

That the recommendation of the Winnipeg Public Service be concurred in and forwarded to Council.

Carried

David Sanders submitted a communication dated May 13, 2015, in opposition to the matter.

Audit Department Report
Waverley West Arterial Roads Project Audit – December 2014

Why audit the Waverley West Arterial Roads Project:
The Standing Policy Committee on Finance initiated a motion in its December 3, 2012 meeting that "the Waverley West Arterial Roads Project be referred to the City of Winnipeg Audit Department to be given priority for an Audit of the entire project thus far." Council passed the committee's motion in its December 12, 2012 meeting. The audit was added to the City Auditor's updated audit plan for 2013, which was endorsed by Audit Committee.

What did we audit:
The audit focused on the following objectives:

- To determine the reasons for the reported potential $20 million budget shortfall for the Project by evaluating the reasonability of the original Project capital budget submission and evaluating the project management to date.
- To evaluate the reasonability of budget increases to date.
- To evaluate the cost reporting as of December 31, 2012.
- To review the current status of the City's capital project management guidance.

What we found:

1. A significant portion, $15 million, of the reported potential shortfall of $20 million was due to the fact that the 2010 Capital Budget estimate for the Project was a "Class 5 estimate", which was too preliminary to accurately forecast the Project costs. The remaining $5 million was due to unanticipated scope changes requested by the Province of Manitoba, which were subsequently cancelled through negotiation.
2. The approved budget increase for the Project as of December 31, 2012 was $15 million (+27% of the 2010 Capital Budget). The increase is reasonable since it falls within the stated accuracy range of the original Class 5 estimate.
3. The actual Project costs incurred of $20,505,550 as of December 31, 2012 were fairly presented to the SPC on Finance on April 11, 2013 in the Public Works Department's "Waverley West Arterial Roads Project – Financial Status Report No. 2".
4. Project management met the City's project management standards except for the Risk Management processes. The Project met the PMBOK® Project Management Standard in six of fourteen project management knowledge areas. Further, the City's lack of formal written project management guidance was the only issue, in our opinion, that prevented the Project from meeting the standard in four other project management knowledge areas.

What are the key recommendations:

1. That the specific estimate class of each project be clearly disclosed in the Capital Budget.
2. That the Public Service reassess the threshold defining a "Major Capital Project" for capital projects processes under the CAO's delegated authority; and that it also submit the proposed threshold to Council for approval for processes under Council's authority.
3. That the draft *Project Management Manual* be updated in the areas of: Project Integration Management, Project Scope Management, Project Cost Management and Project Financial Management, Project Human Resource Management, Project Communications Management, Project Risk Management, Project Stakeholder Management, Project Environmental Management and Project Claims Management.
4. That the Public Service integrate the processes embedded in the City's forthcoming *Investment Planning Manual* and *Project Management Manual* into the capital project management processes once the manuals have been formally adopted.

Report Written By B. Mansky – December 29, 2014
Approved by B. Whiteside – January 6, 2015

Audit Department Report
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Policy

The report is being submitted in accordance with the City Organization By-law 7100/97 section 19(d)(iv) that the Audit Committee will "Receive and review audit reports, and table such reports with its recommendations at a regular meeting of Executive Policy Committee."

Recommendation:

That the Executive Policy Committee, in its capacity as the Audit Committee, receive as information the Waverley West Arterial Roads Project Audit dated December 2014.

Attachment – Waverley West Arterial Roads Project Audit December 2014



WWARP Audit Final Report.pdf

Report Written By B. Mansky – December 29, 2014
Approved by B. Whiteside – January 6, 2015