Winnipeg

Audit Department • Service de vérification

His Worship Mayor Brian Bowman
The City of Winnipeg
Council Building, 510 Main Street
Winnipeg, Manitoba R3B 1B9

October 16, 2015

Dear Mayor Bowman:

Re: Audit of the Estimate Classification for the "Waverley Street Underpass at CN Mainline Project" presented in the 2016 Preliminary Budget

We have audited the classification for the "Waverley Street Underpass at CN Mainline Project" presented in the 2016 Preliminary Capital Budget. The estimate has been classified in accordance with the provisions of the Asset Management Initiative framework of the City of Winnipeg. The Public Service has presented the forecasted project costs of $155,080,000 as a Class 3 estimate.

Preparation of the estimate and disclosure of the estimate class in accordance with City of Winnipeg guidelines is the responsibility of the Public Service, as are such internal controls that are determined to be necessary to enable an estimate classification that is free from material misstatement, whether due to fraud or error. The Public Service's classification system is based on the recommended practices of the Association for the Advancement of Cost Engineering ("AACE"). Those recommended practices prescribe a classification system for cost estimates that is primarily determined by the level of design work completed to support the estimate, and secondarily by the costing methodology used to develop the estimate.

Our responsibility is to express an opinion on the disclosed estimate class based on our audit. We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform an audit to obtain sufficient appropriate evidence to provide a reasonable basis for our opinion based on the recommended practices of the AACE, which are the criteria for our audit. More specifically, we tested the reasonability of the disclosed estimate class through observation and analysis of the design work that supported the estimate, and by testing on a sample basis the costing methodology for the estimate. We believe the evidence we have obtained provides a reasonable basis for our opinion.

Since the estimated project costs are based on assumptions about future events, actual results will vary from the estimate, and the variations may be material. According to Appendix 2 of the Preliminary Capital Budget, Class 3 estimates are supported by about 30% completion of the final design work (a preliminary engineering study), and are expected to result in a final cost within -20% to +30% of the current estimate.

In our opinion, the project detail sheet for the "Waverley Street Underpass at CN Mainline Project" in the 2016 Preliminary Capital Budget fairly presents, in all material respects, the forecasted project cost of $155,080,000 as a Class 3 estimate based on the recommended practices of the AACE, and the Public Service's Asset Management Initiative framework.

Sincerely,

Bryan R. Mansky, MBA, CPA, CMA, CIA
Acting City Auditor

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