Minutes – Executive Policy Committee – September 17, 2019

AUDIT COMMITTEE

Item No. 1 Capital Project Estimates – "NEWPCC Upgrade: Power Supply and Headworks Facilities" and "NEWPCC Upgrade: Biosolids Facilities"

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 attached reports titled "Independent Audit of the Estimate Classification of the 'NEWPCC Upgrade: Power Supply and Headworks Facilities' Project" and "Independent Audit of the Estimate Classification of the 'NEWPCC Upgrade: Biosolids Facilities' Project" be received as information.

DECISION MAKING HISTORY:

Moved by Councillor Gilroy,

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

Carried

ADMINISTRATIVE REPORT

Title: Capital Project Estimates – "NEWPCC Upgrade: Power Supply and Headworks Facilities" and "NEWPCC Upgrade: Biosolids Facilities"

Critical Path: Audit Committee - Council

AUTHORIZATION

Author	Department Head	CFO	CAO
M. Giles Deputy City Auditor	B. Mansky City Auditor	N/A	N/A

EXECUTIVE SUMMARY

The purpose of our estimate classification audits is to provide Council with assurance that the estimate classes have been appropriately determined and disclosed for capital projects requiring Council budget approval. The audit reports attached to this administrative report comprise two of three capital projects of the overall "NEWPCC Upgrade Project". We have audited the classifications of the estimates for the "NEWPCC Upgrade: Power Supply and Headworks Facilities" and the "NEWPCC Upgrade: Biosolids Facilities" projects. The third project, "NEWPCC Upgrade: Nutrient Removal Facilities", has not been submitted to Council for budget approval yet.

Preparation of the estimates and disclosure of the estimate classes for the capital projects is the responsibility of the Public Service. The classification system used by the Public Service is based on the recommended practices of the Association for the Advancement of Cost Engineering (AACE). Those recommended practices provide a system for classifying cost estimates that is primarily determined by the level of design work that supports the estimates, and secondarily by the costing methodology used to develop the estimates. We note that we are providing an opinion on the level of design work we and our consultants have observed to be completed and the quality of the costing methodology supporting the estimates; however, we are not providing an opinion on the quality of the design work itself, which is outside the scope of our and our consultant's professional expertise.

In our opinion, the reports submitted to Council for the "NEWPCC Upgrade: Power Supply and Headworks Facilities" and the "NEWPCC Upgrade: Biosolids Facilities" fairly classify, in all material respects, as Class 3 estimates the forecasted project costs based on the recommended practices of the AACE, and the Public Service's Asset Management Initiative framework.

RECOMMENDATIONS

1. That the attached reports titled “Independent Audit of the Estimate Classification of the ‘NEWPCC Upgrade: Power Supply and Headworks Facilities’ Project” and “Independent Audit of the Estimate Classification of the ‘NEWPCC Upgrade: Biosolids Facilities’ Project” be received as information.

REASON FOR THE REPORT

In its February 28, 2019 meeting, Council adopted a motion that the City Auditor proceed with an audit of the Class 3 estimate for the North End Sewage Treatment Plant Biological Nutrient Removal Upgrade project. The project was later renamed “NEWPCC Upgrade”.

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.”

IMPLICATIONS OF THE RECOMMENDATIONS

Our recommendation provides assurance on estimate classifications for the “NEWPCC Upgrade: Power Supply and Headworks Facilities” and “NEWPCC Upgrade: Biosolids Facilities” projects submitted for budget approval.

HISTORY/DISCUSSION

An audit of Capital Project Estimates was included in the City Auditor’s *Audit Plan 2015–2018*.

In its February 28, 2019 meeting, Council adopted a motion that the City Auditor proceed with an audit of the Class 3 estimate for the North End Sewage Treatment Plant Biological Nutrient Removal Upgrade project (later renamed “NEWPCC Upgrade”). The NEWPCC Upgrade project has been separated into three smaller projects: (1) to construct the power supply and headworks facilities, (2) to upgrade the biosolids facilities, and (3) to upgrade the nutrient removal facilities. The audits of the classifications for the power supply and headworks facilities and biosolids facilities estimates are attached to this report.

An audit of the classification of the nutrient removal facilities estimate will be submitted when the project budget is submitted for Council approval.

FINANCIAL IMPACT

Project Name:

Capital Project Estimates – "NEWPCC Upgrade: Power Supply and Headworks Facilities" and "NEWPCC Upgrade: Biosolids Facilities"

COMMENTS:

There is no financial impact associated with receiving this report as information.

Original Signed by T. Yanchishyn

Tanis Yanchishyn
Manager of Finance (Campus)
Corporate Finance

CONSULTATION

This Report has been prepared in consultation with:

Water & Waste Department
Infrastructure Planning Office

OURWINNIPEG POLICY ALIGNMENT

01-3 Prosperity - Direction 1 - Provide Efficient and Focused Civic Administration and Governance

This report supports the demonstration of accountability through reporting and to continuously pursue innovative, streamlined service delivery and decision-making processes.

SUBMITTED BY

Department: Audit Department
Prepared by: M. Giles, Deputy City Auditor
Date: August 22, 2019

Attachments:

Independent Audit of the Estimate Classification of the “NEWPCC Upgrade: Power Supply and Headworks Facilities” Project

Independent Audit of the Estimate Classification of the “NEWPCC Upgrade: Biosolids Facilities” Project