Winnipeg | Audit

City Council
The City of Winnipeg
Council Building
510 Main Street
Winnipeg, Manitoba R3B 1B9

August 22, 2019

**To:** The members of City Council
**Re:** **Independent Audit of the Estimate Classification of the "NEWPCC Upgrade: Biosolids Facilities" Project**

Pursuant to Council's direction in its February 23, 2019 meeting, we are reporting on the estimate classifications of the projects that comprise the NEWPCC Upgrade project. The NEWPCC Upgrade consists of three capital projects: (1) to construct the power supply and headworks facilities, (2) to upgrade the biosolids facilities, and (3) to upgrade the nutrient removal facilities. Each of the projects have been estimated separately and classified separately. This audit report is specific to the second of the three NEWPCC upgrade projects, to upgrade the biosolids facilities.

We have audited the classification of the "NEWPCC Upgrade: Biosolids Facilities" project cost estimate presented in the report entitled "Infrastructure Projects for Federal and Provincial Funding under the Investing in Canada Infrastructure Program". 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 as a Class 3 estimate the forecasted total project costs of $552,712,000.

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.

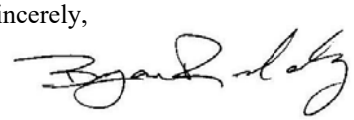
Our responsibility is to express an opinion on the disclosed estimate class based on our audit. We conducted our audit in accordance with generally accepted government auditing standards, including all quality control, independence and ethical requirements embodied in therein. Those standards require 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 engaged an industry specialist to test the reasonability of the disclosed estimate class through observation and analysis of the design work supporting the estimate, and by testing on a sample basis the costing methodology for the estimate. Engaging an industry specialist does not reduce our responsibility for the opinion provided. We note that we are providing an opinion on the level of design work we and our specialist have observed to be completed and the quality of the costing methodology supporting the estimate; however, we are not providing an opinion on the quality of the design engineering completed, which is outside the scope of our and our specialist's professional expertise. 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 City's 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.

3rd Floor, 185 King St., Winnipeg, MB R3B 1J1
3e étage, 185, rue King, Winnipeg (Manitoba) R3B 1J1
T. | Tél. : 204-986-2416
F. | Fax : 204-986-4134
winnipeg.ca

In our opinion, the information for the "NEWPCC Upgrade: Biosolids Facilities" in the report entitled "Infrastructure Projects for Federal and Provincial Funding under the Investing in Canada Infrastructure Program" fairly classifies, in all material respects, as a Class 3 estimate the forecasted total project costs of $552,712,000 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
City Auditor

3rd Floor, 185 King St., Winnipeg, MB R3B 1J1

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