Minute No. 30
Report – Executive Policy Committee – November 18, 2020

Item No. 14 **Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Capital Integration Project Audit – 2019 Quarter 1 to 2019 Quarter 3 (March 1, 2019 to November 30, 2019) – Final Report**

COUNCIL DECISION:

Council concurred in the recommendation of the Executive Policy Committee and adopted the following:

1. That the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Audit for the Period of March 1, 2019 to November 30, 2019 be received as information.

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DECISION MAKING HISTORY:

Moved by His Worship Mayor Bowman,

That the recommendation of the Executive Policy Committee be adopted by consent.

Carried

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On November 18, 2020, the Executive Policy Committee, in its capacity as the Audit Committee, concurred in the recommendation of the Winnipeg Public Service and submitted the matter to Council.

ADMINISTRATIVE REPORT

Title: **Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Capital Integration Project Audit – 2019 Quarter 1 to 2019 Quarter 3 (March 1, 2019 to November 30, 2019) – Final Report**

Critical Path: Audit Committee – Council

AUTHORIZATION

Author	Department Head	CFO	CAO
J. Villena	B. Mansky	N/A	N/A

EXECUTIVE SUMMARY

This is the final audit report related to the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Capital Integration Project. This final audit report covers the period March 1, 2019 to November 30, 2019. The capital project reached Substantial Completion on October 1, 2019.

The objectives of the audit are:

- To provide assurance that appropriate reporting is occurring for the Project based on regulatory requirements, City policies and procedures, and agreements with third parties.
- To provide assurance that appropriate risk management is occurring in the Project.
- To provide assurance that change orders are within project scope, budget and follow established review and approval processes.

The Public Service has produced all of the appropriate legislated and agreed upon reports for all reporting periods between March 1, 2019 and November 30, 2019. Appropriate financial status updates occurred for each reporting period between March 1, 2019 and November 30, 2019.

The Public Service has informed us about the Province's proposed amendments to the Contribution Agreement; the Public Service is currently in the process of finalizing the City's response. As this is the final audit report, we provided a recommendation on a proactive basis to the Public Service relating to analyzing and communicating to elected officials any subsequent amendments to the Contribution Agreement between the City and the Province.

Appropriate risk management for this project occurred during the period of March 1, 2019 to November 30, 2019. The City's project management team has used its risk management plan to identify, monitor, communicate and address project risks. We found that project risks were regularly discussed and updated at City project management team and Major Capital Projects Advisory Committee meetings.

The City's project management team has followed established process requirements for the approval and review of change orders, and changes are within project budget and scope for each reporting period between March 1, 2019 and November 30, 2019.

RECOMMENDATIONS

1. That the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Audit for the Period of March 1, 2019 to November 30, 2019 be received as information.

REASON FOR THE REPORT

The report is being submitted in accordance with the City Organization By-law 7100/97 section 19(d)(iv) which states 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

The most important component of an audit recommendation is its implementation. The Public Service is responsible for a response to our audit report that states whether the recommendations of the audit will be implemented or not. In the event that the Public Service does not agree to implement our recommendations, the City Auditor's responsibility is to report to Council on what the residual risk to the City is for not implementing the recommendations.

The Public Service has committed to report to elected officials any material impacts from the second or any subsequent, executed amendment to the Contribution Agreement.

HISTORY/DISCUSSION

An audit of the Southwest Transitway Capital Project was endorsed by the Audit Committee in the City Auditor's *Audit Plan 2015-2018* adopted by Council on July 15, 2015.

Beginning with the first quarter of 2016, the Audit Department has provided quarterly audit reports on the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Capital Integration Project.

In October 2018, the civic election affected the meeting schedules of the City's Standing Policy Committees, and therefore, the reporting schedules to these Committees. As a result, the 2018 third quarter reporting period was extended to November 30, 2018. We were informed by the City's project management team that for the remainder of this project, each quarter will be adjusted forward accordingly.

- 2018 Quarter three: September 1 – November 30
- 2018 Quarter four: December 1 – February 28
- 2019 Quarter one: March 1– May 31
- 2019 Quarter two: June– August 31
- 2019 Quarter three: September 1– November 30

We provide this final audit report related to the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Capital Integration Project. This final audit report covers the reporting periods between March 1, 2019 and November 30, 2019.

Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Capital Integration Project have reached Substantial Completion on October 1, 2019. We considered the prior audit reports and the achievement of the Substantial Completion on schedule; the project management demonstrated that the project is well managed. Our observations in the current period were consistent to previous periods. Therefore, we determined that a final audit report, which covers three reporting periods, is more appropriate.

We also determined that the cut-off the date for our procedures is October 1, 2019, the Substantial Completion Date. We were not aware of any significant events that require our attention, except for the First Amendment to the Contribution Agreement, dated October 3, 2019. Additionally, Transit identified that the Province proposed a second amendment to the Contribution Agreement on August 18, 2020; the Public Service has analyzed the proposed amendments and has responded to the Province on October 7, 2020 seeking clarification. Transit added that there are no other significant events after October 1, 2019 to bring to our attention.

FINANCIAL IMPACT

Financial Impact Statement **Date:** October 27, 2020

Project Name:
Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Capital Integration Project Audit – 2019 Quarter 1 to 2019 Quarter 3 (March 1, 2019 to November 30, 2019)

COMMENTS:

There are no financial implications associated with receiving this report as information.

original signed by
Tanis Yanchishyn, CPA, CA
Manager of Finance (Campus)
Corporate Finance Department

CONSULTATION

This Report has been prepared in consultation with:

- Winnipeg Transit

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.

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

The City of Winnipeg Audit Department provides assurance on the efficiency, effectiveness and economy of City programs and activities, thus enabling an organizational operating environment that promotes support of the vision and targets of the Winnipeg Climate Action Plan.

SUBMITTED BY

Department: Audit
Division: N/A
Prepared by: J. Villena, Auditor
Date: October 26, 2020
File No: N/A

Attachments: