

NEW CENTRAL LIBRARY AUDIT

EXECUTIVE SUMMARY

The City Auditor's Office issued the New Central Library (NCL) Audit Report to Administration on January 6, 2017. The report includes Administration's response to two recommendations raised by the City Auditor's Office to mitigate the risk to the project schedule. Administration accepted all recommendations and has committed to the implementation of action plans no later than April 19, 2017. The City Auditor's Office will track the implementation of these commitments as part of our on-going follow-up process.

RECOMMENDATIONS

1. That Audit Committee receive this report for information; and
2. That Audit Committee recommend that Council receive this report for information.

RECOMMENDATION OF THE AUDIT COMMITTEE, DATED 2017 JANUARY 19:

That the Administration Recommendations contained in Report AC2017-0054 be approved.

PREVIOUS COUNCIL DIRECTION / POLICY

Bylaw 30M2004 (as amended) established the position of City Auditor and the powers, duties and functions of the position. Under the City Auditor's Office Charter, the City Auditor presents an annual risk-based audit plan to Audit Committee for approval. The City Auditor's Office 2016 Annual Audit Plan was approved on December 10, 2015. The City Auditor is accountable to Council and subject to the oversight of Audit Committee under Bylaw 48M2012 (as amended).

BACKGROUND

This audit was undertaken as part of the approved City Auditor's Office 2016 Annual Audit Plan. The objective of this audit was to provide timely assurance that the NCL project is on track to meet business objectives of time, cost and quality. We assessed project management's use of tools and techniques to monitor the project's schedule, cost, and quality performance based on the approved project plan and defined milestones.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

The project management team have designed and implemented project controls to effectively support project objectives of completing the project within the approved budget, meeting approved quality requirements, and identifying and responding to risks. The project management team:

- Effectively monitor funds spent to date against budget and forecast at completion producing monthly information on actual progress billing versus planned cumulative amounts;
- Utilize a robust risk management process, identifying and re-assessing project risks monthly. High risks are discussed with the project's Steering Committee; and
- Follow a quality assurance process established in the project's quality management plan. Inspections are conducted, and quality issues are escalated with a resolution presented to the project's Steering Committee.

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Schedule management represents the current highest uncertainty to the achievement of the project's objectives. Quality inspections conducted on the project's truss steel in Q3 2016 identified material and fabrication defects. The subsequent impact and resolution assessment has delayed the project's estimated date for obtaining the occupancy permit by six weeks. Important project milestones that follow the occupancy permit are the project's substantial completion and total completion. The impact on the project's substantial and total completion dates has not yet been fully quantified. We recommended that the project management team assess the impact of the steel truss quality issue on substantial completion and total project completion dates, and present the impact to project schedule and possible risk-mitigation actions to Steering Committee.

The project management team deliver project status reports to the project's Steering Committee monthly. The information presented to Steering Committee contains project milestone statuses, but only for activities that were completed within the reported month or to be completed in less than two months. The information does not show a sequence of activities along the project's critical path, making it difficult to measure progress against the project master schedule. We recommended the inclusion of information in monthly status reports to show progress against the master schedule to track progress along the project's critical path and variations to the schedule baseline.

Stakeholder Engagement, Research and Communication

This audit was conducted with Community Services acting as the principal audit contact within Administration. Additional support and cooperation was provided by the Calgary Municipal Land Corporation (CMLC).

Strategic Alignment

Audit reports assist Council in its oversight of the City Manager's administration and accountability for stewardship over public funds and achievement on value for money in City operations.

Social, Environmental, Economic (External)

N/A

Financial Capacity

Current and Future Operating Budget:

N/A

Current and Future Capital Budget:

N/A

Risk Assessment

The activities of the City Auditor's Office serve to promote accountability, mitigate risk, and support an effective governance structure.

The NCL project is a significant build with a planned budget of \$245M and expected completion by Q4 2018. Preparatory site work has been undertaken in 2014 and building construction

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started in September 2015. CMLC is managing the project on behalf of the City of Calgary's Community Services and the Calgary Public Library.

REASONS FOR RECOMMENDATIONS:

Bylaw 48M2012 (as amended) states: "Audit Committee receives directly from the City Auditor any individual Audit Report and forwards these to Council for information."

ATTACHMENT

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