

Deloitte.



City of Calgary
Report on specified audit procedures
June 24, 2021

Private and confidential

June 16, 2021

The Audit Committee of The City of Calgary
The City Council of The City of Calgary

Report on specified audit procedures

Dear Audit Committee Members:

We are pleased to submit this report on the specified audit procedures completed on the Project Management Quality Assessment process ("PMQA") of The City of Calgary Corporate Project Management Framework ("CPMF") as agreed to in our engagement letter dated March 29, 2021.

This report is intended solely for the information and use of the Audit Committee, City Council and Administration and is not intended to be, and should not be, used by anyone other than these specified parties.

We look forward to discussing this report and answering any questions you may have at the June 24, 2021 audit committee meeting.

Yours truly,



Chartered Professional Accountants

Corporate Project Management Framework - Background

The City of Calgary ("The City") has established an internal Corporate Project Management Framework ("CPMF" or "framework") which is a set of standards and guidelines used by The City in managing capital projects through their lifecycle.

Among many other areas covered by the framework, the Project Management Quality Assessment ("PMQA") process is utilized by The City to identify potential project management risks, and provide a consistent approach to all business units to assess and report the degree to which capital projects conform to established CPMF standards. Additionally, the objective of the PMQA process is to provide project managers the ability to identify continuous improvements opportunities through the review and analysis of the PMQA assessments completed by the business units.

The PMQA process is an internal quality control process established by The City and not required by either the Municipal Government Act or any other legislation that may apply to The City.

The City applies the PMQA process to select capital projects which meet established criteria within the CPMF, regardless of funding source. Projects are determined to be in-scope by the Project Management Policy and more specifically, the 'Application of Standard' section included for each individual CPMF standard. Typically, the standards apply to level 3 capital projects. The level (level 1, 2 or 3) of a project is determined by using the Project Classification Tool. This tool measures the complexity of the project based on a number of qualitative factors, and not limited to the dollar value of the project.

The PMQA process covers 12 standards, each standard includes a set of questions which together are considered the "PMQA assessment tool", which is then completed for each in-scope project.

PMQA standards and number of questions in each standard are as followings:

PMQA Standard	Number of questions
Business Case	11
Project Charter	16
Project Plan	23
Estimation, contingency and scheduling	4
Risk Management	14
Governance, roles and responsibilities	5
Progress reporting	9
Change Control	10
Value Management	11
Stage Gate	4
Project Closure	10
Records & Information Management	3

Projects subject to PMQA assessment are selected based on the following criteria per the CPMF PMQA Guidance Document V3.0:

- The complexity of the project, organizational risk, and/or the project manager's experience should be considered.
- The Project Classification Tool may be used to assist in determining the complexity.
- Project managers, project sponsors/project managers' supervisors may recommend which projects should perform a detailed assessment.
- Either new or multi-year projects (post planning stage) may be selected.
- Projects may be reassessed in future years.

Two types of PMQA assessments may be completed:

Project assessment: this assessment is a "self" assessment which is completed by the appropriate project manager and reviewed by the project sponsor. The project assessment evaluates a project's alignment with the 12 PMQA standards (i.e. is performed at the standard level) but does not include an assessment of the detailed questions within each standard. The project assessment will confirm that the project documentation has been created. For example, for standard number 2 Project Charter, the business unit needs to satisfactorily demonstrate whether a project charter exists, but this assessment level does not require addressing the 12 questions within this standard.

The results of the project assessment are reviewed by the business unit, including by the project managers and project sponsors.

Detailed assessment: this assessment is subject to peer review and performed by a qualified assessor independent of the project team and business unit, and performed on a select number of projects. The detailed assessment covers the specific questions within each standard, addressed as Yes/No/Not Required. The detailed assessment includes reviewing supporting documentation and other information related to the project (PMQA assessments, Business Case, Project Plans, Project Charters, Status Reports, Risk Registers, Contingency Documents, Estimation Checklists, Project Change Control Documents and Logs, Risk and Issue Logs, File management structure, etc.).

The results of the detailed assessments are compiled and reported in the annual corporate PMQA report which consolidates the results of all business units. The Corporate Project and Asset Management ("CPAM") division is responsible for reporting the consolidated results for the organization and providing to the City Manager for review.

Deloitte Specified Audit Procedures:

We have been engaged by the Audit Committee to perform specified audit procedures on the PMQA process of The City's CPMF relating to capital projects for the period January 1, 2018 to December 31, 2020 in accordance with Section 9100, *Reports of Results of Applying Specified Procedures to Financial Information Other than Financial Statements* ("Section 9100"). A Section 9100 report includes the application of a list of specified procedures with a report that factually reports on the results of applying the procedures. A Section 9100 report does not result in the issuance of an audit opinion.

As described above, the PMQA process includes both project and detailed assessments. The distinction being that project assessments occur within the business unit, are completed at the standard level and results are reviewed with the business unit while the detailed level assessments are completed independent of the business unit and results are compiled in a corporate wide report. Our specified procedures included re-performing each step of the PMQA process for both the detailed and self-assessments.

Deloitte's specified procedures were divided into two parts:

Projects reported in the annual corporate PMQA report:

Specified procedures completed on in-scope, offsite-levy funded capital projects) subject to PMQA detailed assessment (note in 2018 both detailed and project level assessments were completed) and reported in the annual corporate PMQA report for the period January 1, 2018 to December 31, 2020.

Our sample included 75 in-scope projects (25 per year) out of a total of 115 in-scope projects for the period January 1, 2018 to December 31, 2020, with a total budgeted cost of \$2.0B for all 75 projects.

Departments	2018	2019	2020
Community Services	6	6	5
Deputy City Manager's Office	1	9	9
Transportation	10	5	5
Utilities and Environment	8	5	5
Chief Financial Office	-	-	1
Total No. of Projects	25	25	25

The draft specified procedures report is included in Appendix A. We note that the exceptions identified through the completion of the specified procedures are minor.

Projects not reported in the annual corporate PMQA report:

Specified procedures completed on in-scope capital projects subject to PMQA project assessment for the period January 1, 2018 to December 31, 2020.

Our sample included 53 projects in total, of which 35 were net new projects (remaining 18 projects were also part of the 75 samples above) with total budgeted cost of \$690M.

Department	2018	2019	2020
Community Services	6	-	-
Deputy City Manager's Office		1	2
Transportation	5	9	7
Utilities and Environment	1	11	9
Water	-	-	1
Chief Financial Office	1	-	-
Total No. of Projects	13	21	19

The draft specified procedures report is included in Appendix B.

Appendix A

Draft Specified Procedures Report

Accountant's Report

To the Audit Committee of The City of Calgary

As requested by the Audit Committee of The City of Calgary, we have performed the following procedures on the Project Management Quality Assurance Process ("PMQA") of the City of Calgary Corporate Project Management Framework ("CPMF") relating to capital projects for the period from January 1, 2018 to December 31, 2020:

For a selection of 75 projects (25 per year) subject to PMQA assessment and reported in the annual corporate PMQA report, which included both Detailed (assessment is completed by a qualified assessor independent of project team) and Project (assessment is completed by project manager) level assessments for fiscal 2018 and only Detailed level assessments for fiscals 2019 and 2020, we completed the following procedures:

- 1. Obtained the completed detailed and/or project level PMQA assessment for each project and all supporting documentation and information required to complete the assessment for each project selected. Reviewed the completed PMQA assessment for each PMQA standard and related questions within the standard to confirm the assessment was completed for all established standards as per the CPMF requirements (yes/no/not required). We reviewed supporting documentation for "yes" assertions noted in the PMQA assessments to confirm the "yes" assertion.*
- 2. Where variances ("no" assertion) were identified in the PMQA assessment (through either both the City's assessment and/or Deloitte's specified procedures), we followed up with appropriate individuals within the department and/or business unit and reviewed any additional supporting documentation to understand the reason for the variance.*
- 3. Compared PMQA assessment results identified through Deloitte's procedures for each department to the annual corporate PMQA report to determine if assessment results are reported correctly in the annual corporate PMQA report.*
- 4. Reviewed the PMQA action plans identified to determine if action plans as identified in a year were addressed in a subsequent year's assessment as part of project closure activities.*
- 5. Reviewed projects that were subject to PMQA assessment and reported on over multiple years to verify if Project Change Control was continually followed on projects.*

As a result of applying the above procedures, we note the following results:

Procedure	Results
Procedures 1, 2 and 4	We found no exceptions.
Procedure 3	We found one project in the 2018 sample, where the assertions of "No" for 5 questions (from a total of 120 questions) were reported as Yes in the annual corporate PMQA Report. This project was subsequently reviewed in the 2020 sample, we found no exceptions in the 2020 sample.
Procedure 5	We found two projects in the 2019 sample, which were subsequently reviewed in the 2020 sample, for which alignment for 4 questions (total of 10 questions) for each project for Project Change Control changed from "Yes" in 2019 to "No" in 2020.

However, these procedures do not constitute an audit with the objective of expressing a separate opinion regarding the capital projects PMQA process and accordingly, we do not express an opinion on such information. Our procedures further may not necessarily reveal all material facts with respect to the capital projects PMQA process.

This report is intended solely for your use and is not to be referred to or distributed to parties other than the Audit Committee of The City of Calgary or The City of Calgary Administration.

Chartered Professional Accountants
July 5, 2021

Appendix B

Draft Specified Procedures Report

Accountant's Report

To the Audit Committee of The City of Calgary

As requested by the Audit Committee of The City of Calgary, we have performed the following procedures on the Project Management Quality Assurance Process ("PMQA") of the City of Calgary Corporate Project Management Framework ("CPMF") relating to capital projects for the period from January 1, 2018 to December 31, 2020:

For a selection of 53 projects subject to PMQA project level assessments, we completed the following procedure:

1. *Obtained the PMQA project level assessment for each project selected, reviewed the PMQA assessment to ensure the assessment was completed at the standard level as established by the PMQA process.*

As a result of applying the above procedures, we found no exceptions.

However, these procedures do not constitute an audit with the objective of expressing a separate opinion regarding the capital projects PMQA process and accordingly, we do not express an opinion on such information. Our procedures further may not necessarily reveal all material facts with respect to the capital projects PMQA process.

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July 5, 2021