

ROCKY RIDGE RECREATION FACILITY AUDIT

EXECUTIVE SUMMARY

The City Auditor's Office issued the Rocky Ridge Recreation Facility Audit Report to Administration on February 8, 2016. The report includes Administration's response to four recommendations raised by the City Auditor's Office to further strengthen current processes by enhancing and formalizing the monitoring of project performance, project risk management, project change control, and project quality issues management. Administration accepted all recommendations and has provided commitment to implement action plans by March 31, 2016.

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 2016 FEBRUARY 18:

That Council receives this report for information.

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 2015 Annual Audit Plan was approved on November 6, 2014. 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 2015 Annual Audit Plan. The objective of this audit was to provide assurance on the effectiveness of project management processes to support the capital construction of the Rocky Ridge Recreation Facility. We assessed the effectiveness of the design and operation of controls to manage risks to project cost, schedule, and construction quality.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

The City of Calgary is building four new recreation facilities, one in northwest and three in southeast Calgary. In 2012, City Council approved \$480 million funding for these new recreation facilities. Rocky Ridge is one of the more complex new facilities. Construction began on the Rocky Ridge site in February 2015 with an expected finish by the end of September 2017. The City's Recreation division managed the design phase of the Rocky Ridge project in consultation with a primary consultant. The Program Manager in Recreation is accountable for executing, controlling, and closing the program (all four recreation facilities). Recreation assigned Corporate Properties and Building (CPB) as the Project Manager for the construction phase under a service level agreement. Recreation also procured the services of a construction company as a Construction Manager (CM). The CM works with the design team and with trade contractors and suppliers to complete the construction.

The audit focused on project controls to effectively manage cost, schedule and construction quality. We used The City's Corporate Project Management Framework (CPMF) and the Project

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Management Institute's Project Management Body of Knowledge (PMBOK) as standards of good practice in project management.

Overall we determined that basic project management processes and tools such as cost and schedule baselines, a risk register, and quality inspections had been established, however, these processes/tools have not been fully developed and utilized to appropriately manage significant risks. As a result the audit could not determine with certainty whether or not this project was operating within cost and schedule budget, nor could we validate that high risks had been identified and appropriately mitigated. We identified four areas requiring prompt action.

The information that is currently tracked and reported is insufficient to assess the status of the project in terms of cost and schedule versus forecast final cost and schedule completion estimates. Implementing project performance measures for cost and schedule efficiencies will improve effectiveness in monitoring and provide early mitigation of risks to cost and schedule.

Project quality assurance has been assigned to the CM and a quality plan has been designed and implemented. However, the project quality issue management process does not define how to assess the severity of issues, the assignment of ownership for issues resolution, and the validation of issues responses.

Administration established a risk register to identify project risks but it is not effectively used to manage the highest risks to the project.

Administration established a process to manage changes that are within the scope of the project plan (i.e. no need for additional funds or time, or changes to project quality). However, a process to manage change outside of the scope of the project plan has not been clearly defined. A change control process ensures accountability and transparency regarding the management of funding and schedule for capital project management.

Administration agreed to the recommendations and provided action plans with commitment dates no later than March 2016. As the project is at a relatively early stage in construction, we believe that the immediate implementation of these controls will enhance the likelihood of successful project delivery. The City Auditor's Office will track the implementation of these commitments as part of our on-going follow-up process.

Stakeholder Engagement, Research and Communication

This audit was conducted with Community Services & Protective Services' Recreation division acting as the principal audit contact within Administration. Additional support and cooperation was provided by Corporate Properties & Buildings.

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.

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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 Rocky Ridge Recreation Facility will be approximately 284,000 sq. ft., including a 25m 8-lane pool and leisure pool, triple gymnasium, fitness centre and fitness studios, leisure and recreation ice rinks, flexible performance theatre, art space, art gallery, and library kiosk. It is one of the more complex facilities of the four new recreation facilities approved by Council. Establishing strong project management practices assists in managing project cost, quality and schedule risk.

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

AC2016-0108 Rocky Ridge Recreation Facility Audit