

NEW CALGARY CENTRAL LIBRARY AUDIT

EXECUTIVE SUMMARY

The City Auditor's Office issued the New Central Library (NCL) Audit Report to Administration on October 5, 2015. The report includes Administration's response to five recommendation(s) raised by the City Auditor's Office to further strengthen current processes by enhancing and formalizing the monitoring of project performance, project benefits, stakeholder communications and project risk. Administration accepted all recommendations and will implement action plans by February 17, 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 2015 OCTOBER 15:

That Council receive Report AC2015-0761 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 evaluate the design of the project management framework and the governance structure supporting the capital construction for the New Central Library. We examined the governance structure and the project management framework as established by March 2015.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

The NCL project has a budget of \$245 million, and is expected to be completed by Q4 2018. Preparatory site work has been undertaken in 2014 and building construction is expected to start in Q3 2015. The project is being managed by Calgary Municipal Land Corporation (CMLC) on behalf of Community Services & Protective Services (CS&PS) at The City and Calgary Public Library (CPL). A Project Agreement (effective February, 2013) sets out the funding, duties and obligations of CMLC and The City.

The audit focused on the design of the project management framework and the governance structure, established as at March 2015, supporting capital construction of the library. We measured project management practices against best practices outlined by the Project Management Institute in the Project Management Body of Knowledge (PMBOK).

A robust project governance framework has been established. As mandated in the Project Agreement, the NCL Steering Committee was established to oversee and direct the NCL

NEW CALGARY CENTRAL LIBRARY AUDIT

project, approve key milestones, provide strategic guidance, quality assurance and support to the Project. Members of the NCL Steering Committee include The City, CMLC and CPL.

We assessed all of the project management key areas and observed the foundations of an effective project management framework have been established. Key project processes such as time and cost management, quality, procurement, safety, environmental and risk management have been established. A change order process has been defined, and project reporting processes are in place.

We identified five areas where project controls are missing or required enhancement, however, since the NCL project is still in the early days of construction they do not represent a significant risk as this point in time. Nonetheless, we believe it is important that these controls are implemented on a timely basis as once construction commences on the building, project expenditure accelerates and timelines become more constrained. The two areas of greater importance are project performance monitoring, and benefits realization.

Monitoring of project budget and schedule has been put in place, however, given the size and complexity of the NCL, project performance measures should also be defined and monitored. Project performance measures assess the magnitude of variation from the project baseline and provide early indication of variances from cost, quality and schedule to allow immediate action to be taken.

The project business case includes success criteria but not quantifiable benefits. Other project documentation includes some project benefits, but they have not been collated and summarized. A plan to monitor benefits realized is not in place. Quantification of benefits and monitoring would allow value of the project to be clearly demonstrated on completion.

Administration agreed to the recommendations and provided action plans with commitment dates no later than February 2016. 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 Civic Partnership Consultant acting as the principal audit contact within Administration. Additional support and cooperation was provided by Calgary Municipal Land Corporation and the project manager.

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

NEW CALGARY CENTRAL LIBRARY AUDIT

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 New Central Library project is a \$245 million complex construction project involving multiple stakeholders including The City. The site is bisected by two traffic corridors: a Light Rail Transit line which moves in a north/south arc across the site, and the east/west 8th Ave pedestrian corridor which add to the technical complexities of the project. Establishing strong project management practices prior to project construction assists in managing project risk, particularly reputational risk, and managing cost, quality and time of the construction.

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

AC2015-0761 New Calgary Central Library Audit