



Calgary

City Auditor's Office

Event Centre Governance Audit

October 28, 2024



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Audit Objective

The objective of this audit was to perform an operational audit of The City of Calgary (“The City’s”) governance of the Event Centre project. The objective was achieved by assessing the governance structures established for the Event Centre project to determine their alignment with the City of Calgary’s Corporate Project Management Framework (CPMF).

Why it Matters

The Event Centre is a key project that supports the City of Calgary’s Greater Downtown Plan to encourage more people to visit and enjoy Calgary’s downtown and its businesses. The project is being executed to enhance the emerging Culture + Entertainment District and continue to place Calgary as a tourist and entertainment hub.

Effective governance supports the delivery of the project within planned timeframes and budgets and to the specifications and quality expected.

What We Concluded

The City has established key governance structures and processes to support the execution and delivery of the Event Centre project. However, further enhancements to risk management and quality management processes are required to best support City oversight of this critical project.

Key structures and processes established align to best practice in project management as set out in The City’s CPMF. Team roles and responsibilities have been defined to establish the structure required to deliver the project. Minimum expectations of a Project Charter including the identification of the project manager and establishment of the project manager’s responsibilities and authorities, have been documented. There is a documented plan to manage key areas of the project execution including project scope, schedule, cost management, communication/reporting as well as project close-out activities. A formal plan has been established to manage and monitor project-related risks and a formal change order control process has been established to guide the identification, evaluation, and approval of changes to the scope, quality, schedule, and budget of the project. Monthly project reporting to the Project Committee and Steering Committee has been established.

However, enhancements to risk management and quality management processes are required to better support effective governance of the project. Key enhancements required include improving the assessment, monitoring and reporting of project risks, enhancing the quality management plan to demonstrate how expected project quality will be achieved, and enhancing the project closure plan to include key activities that will support the completion of all the work associated with the project will be completed as planned.

We raised three recommendations to support effective governance of the Event Centre project. The Event Centre Project Delivery team has agreed with our recommendations with plans to implement by January 31, 2025.

Background

The Event Centre is a new LEED certified, multipurpose, multi-level, state-of-the-art entertainment and sports gathering place for all Calgarians which uses include, but are not limited to, concerts, assemblies, festivals, professional and amateur sports that will serve as the home practice and competition venue of the NHL’s Calgary Flames, the American Hockey League’s Calgary Wranglers, the Western Hockey League’s Calgary Hitmen and the National Lacrosse League’s Calgary Roughnecks. In addition, the Event Centre will host multiple annual concerts of varying seat capacities, Calgary Stampede events during the annual Stampede Festival, family shows, eSports, Televised Award Shows, Community events, conference and other events consistent with this type of facility¹.

Agreements for the Event Centre project were signed on October 5, 2023, between The City of Calgary (The City), Calgary Sports & Entertainment Corporation (CSEC), the Province of Alberta (Province), and Calgary Stampede (CS). As part of the agreement, The City will own the Event Centre Block and its facilities. CSEC will operate and maintain the Event Centre over a 35-year term, which includes an annual lease payment made to The City to use the facilities. In addition, the Province is providing funding for infrastructure improvements in the Culture + Entertainment District, as well as half the cost of the community rink, and Calgary Stampede enabled land transactions that increased the size of the Event Centre Block by almost 40%.¹

As part of the agreements, a Development Manager was contracted to manage the project delivery. The Event Centre is expected to be completed by summer 2027 (ahead of the 2027/2028 NHL hockey season), and the specification of the project are outlined in Predesign Report.

The City requires that all large complex City projects with a budget of greater than \$5M must follow The City’s Corporate Project Management Framework (CPMF). The CPMF incorporates Standards which align with industry leading practices and build on the Project Management Institute’s (PMI®) Project Management Body of Knowledge Guide (PMBOK® Guide).

Scope & Approach

The audit approach was based on reviewing project documentation to assess the alignment of The City’s governance of the Event Centre project with the following CPMF Standards:

Scope Area	Applicable CPMF Standards
Definition of Team Roles and Responsibilities	Project Governance and Team Roles and Responsibilities Standard
	Project Charter Plan Standard
Risk Management	Project Management Plan Standard
	Project Risk Management Standard
	Project Change Control Standard
Progress Reporting	Progress Reporting Standard

¹The Event Centre agreement (calgary.ca)

The audit focused activities performed since the agreements were signed on October 5, 2023. Activities and work performed by contractors/consultants (including the Development Manager) were out of the scope of this audit, i.e., the audit did not include an assessment of the activities performed by external parties. The audit did not include activities related to previous Event Centre agreements and did not assess Council's decision making regarding the project. The audit scope focused on The City's governance of the Event Centre project: comprising the event centre itself, community rink and associated amenities. Governance of the activities related to the associated Culture + Entertainment District improvements were not included in the scope of this audit.

Results

We evaluated The City's governance of the Event Centre project by assessing the alignment of structures established with The City's CPMF. The results of our evaluation are set out below under the three scope headings: definition of team roles and responsibilities, risk management and progress reporting.

Definition of Team Roles and Responsibilities

The CPMF Team Roles and Responsibilities Standard requires establishment of a governance structure that will deliver a project and support:

- Directing and monitoring project performance,
- Managing interest parties and/or Indigenous peoples,
- Decision-making on escalated issues

Roles and responsibilities have been established to deliver the Event Centre project, including definition of accountabilities and limitations of authority of the various team members.

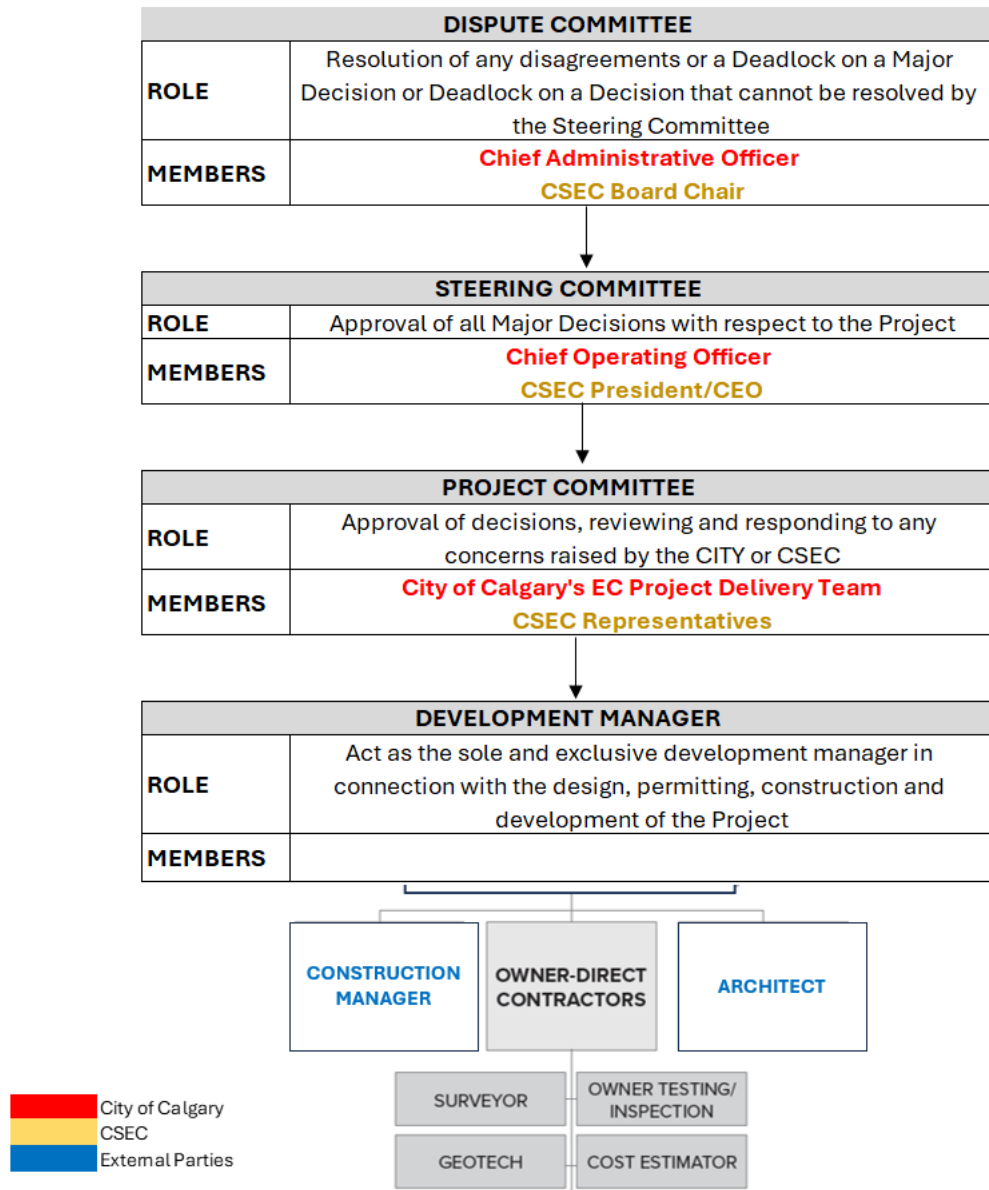


Figure 2. Source: The Event Centre Project Team Structure

- We concluded that this process was generally effective due to the following:
- An established project team directs, monitors, and executes the project. Each role has been identified with the relevant levels of authority and organized into a working/reporting structure.
 - The roles involved in decision-making and managing escalated issues have been defined and documented. This includes the Project Committee responsible for ensuring project performance and the Steering Committee responsible for making major decisions.
 - Interested parties and/or Indigenous peoples have been identified, and engagement plans have been developed as part of the project.

- A project charter has been documented to identify the project manager and establish the project manager's responsibilities and authorities, supporting accountability and openness.

Risk Management

To assess the effectiveness of the City's project risk management, we reviewed the alignment of processes and activities to the CPMF Project Risk Management Standard, Project Management Plan Standard, and Project Change Control Standard. In order for project management activities to be fully effective we determined that enhancements are required to the process of identifying, assessing, and managing risk; quality management; and project closure activities.

The City has established a formal risk mitigation plan to manage and monitor project-related risks and a process to provide the Project Committee and Steering Committee monthly updates on project risk via the risk register. The risk mitigation plan and the risk register include key components required by CPMF:

- Definition of roles and responsibility for managing project risks
- Risk Management method.
- Issues identification and escalation process; and
- Communication of risk update via the risk register including information on risk category, review date and risk mitigation status.

However, we identified gaps in risk management activities: a lack of a documentation on the approach to prioritize/rank risks and risk responses. (Recommendation 1).

The CPMF Project Management Plan Standard requires a documentation of the actions necessary to define, prepare, integrate and coordinate the various project activities. Additionally, the Standard requires a definition of how the project will be executed, monitored and controlled, and closed. Formal plans have been established to manage key aspects of project execution including project scope, schedule, cost management, communication/reporting as well as project close-out activities. However, there is a need to create a quality management plan to document and record how project quality management will be achieved (Recommendation 2) and to enhance the project closure plan to include key activities to ensure that all work associated with the Event Centre project will be completed as planned (Recommendation 3).

The CPMF Project Change Control Standard requires the development of a standard and consistent methodology for project change control that enables project change identification, evaluation, approval, and tracking and ensures only appropriately reviewed and approved project changes are implemented.

We noted that a change order control process has been established for the Event Centre project. The process requires a written change order to be submitted and follow this approval matrix:

1. Project Committee Approval must be obtained for "Required Changes" such as
 - a. Changes due to coordination issues, programming / scope changes or other arising adjustments to the design or development of the project
 - b. Changes required to comply with Applicable Laws or Permits, the requirements of any Governmental Authority or that are required for

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- public safety or health reasons (as recommended by the Project Architect)
- c. Changes required or recommended by the Project Architect for the structural integrity or durability of the Event Centre, for the integrity or durability of the base building equipment, services or systems or which will materially improve the sustainability of the Event Centre
2. Steering Committee Approval must be obtained for
 - a. Changes initiated by the Project Committee
 - b. Changes initiated by the Development Manager that provides some other benefit to the project beyond the “Required Changes.”

We sampled 2 of the 5 changes completed as of May 2024, and reviewed the steps in executing the changes and we noted compliance with established process for communication and approval of the changes.

Progress Reporting

The CPMF Progress Reporting Standard requires all in-scope capital projects/programs to provide a progress report no less than once per month. The reporting is expected to include an overview of the project, current status, project schedule, project financials, risk and issues, and information on environmental health and safety (EHS) at the minimum.

Our review of documentation noted that progress on project execution is communicated via a monthly project report. This project report is provided to the Project Committee at its weekly meetings and monthly for the Steering Committee. The updates cover material developments pertaining to the design, permitting, construction and development of the project, as well as other information required by the Project Committee and the Steering Committee to make informed decisions concerning the Project.

We reviewed the monthly report for May 2024 and noted that it communicated updates on key project areas required by CPMF including:

- Project overview and status
- Project schedule
- Project financials
- Project risks and issues
- Environmental, Health and Safety
- Stage gate

While progress reporting is aligned to CPMF Standards, we identified an opportunity to further expand project reporting to communicate project performance over time in the executive summary of the monthly report, and shared this verbally with The City’s Manager, Event Centre Project Delivery.

Observations & Recommendations

#1: Project Risk Management	
OBSERVATION	RECOMMENDATION
<p>The Event Centre Project Committee and Steering Committee approved the Risk Mitigation Plan for the project and receive periodic risk reporting via the risk register. However, there are gaps in the risk management assessment, monitoring and reporting processes. These gaps limit the ability of The City to effectively identify and respond to emerging financial, schedule, quality, reputational and other project delivery risks in a timely manner.</p> <p>Risk Assessment The Risk Mitigation Plan describes an ongoing process to identify and assess risks related to the project. However, the plan does not include the criteria to assess each risk based on likelihood and impact. Consequently, there is no documented approach to prioritize or rank each risk.</p> <p>Risk Reporting</p> <ul style="list-style-type: none"> • There is no documented risk response (either positive or negative) for each risk reported in the risk register. • While the risk mitigation/status includes name/title of individuals who are currently acting on each risk, there is no detail on the specific individual responsible for monitoring and providing update on each risk. 	<p>1. The Manager, Event Centre Project Delivery to action</p> <ul style="list-style-type: none"> • Documenting the approach of assessing risk and rank/prioritize each risk accordingly. • Revisiting the risk identified in the business case presentation to Council and document how these risks will be assessed, monitored, and reported. • Development of a response for each risk being monitored and reported in the risk register and include the name of the individual responsible for monitoring and updating each risk. <p>MANAGEMENT RESPONSE Agreed.</p> <p>ACTION PLAN The Project Committee working with the Development Manager will develop and document criteria to assess and prioritize risks and document the risk management response. Individual(s) responsible for monitoring and updating each risk have been identified in the risk register shared with the Project Committee.</p> <p>LEAD The Manager, Event Centre Project Delivery</p> <p>SUPPORTED BY</p> <p>COMMITMENT DATE January 30, 2025</p>
#2: Quality Management Plan	
OBSERVATION	RECOMMENDATION
<p>There is no documented plan to monitor project quality and measure the successful completion of the project from a quality perspective. A lack of a documented project quality management plan can lead to inconsistent product delivery, defects requiring rework, reputational damage, and delays to the project.</p> <p>Per CPMF, all “level 3” funded Capital Projects at the City of Calgary must develop a plan for project quality</p>	<p>2. The Manager, Event Centre Project Delivery to action:</p> <ul style="list-style-type: none"> • Development of a Quality Management Plan • Oversee the process to ensure that the project Quality Management Plan is being followed.

<p>management to establish how successful project completion will be measured, how quality will be monitored and controlled, and how adjustments to project deliverables will be made to achieve success.</p> <p>The project team has established formal plans to manage project execution in key areas like project scope, schedule, cost management, communication/reporting as well as project close-out activities. However, there is no documented plan for Project Quality Management in the following areas:</p> <ul style="list-style-type: none"> • Project Success Criteria and Metrics - There is no documented description of how and when project objectives will be assessed. This process would typically involve the definition of the measurable success criteria which will be used to determine the success of the project, identification of the frequency of measurement, assessment as to whether the measurement is significant to the continuation of the project, and identification of the resources that are required to carry out the measurements. • Project Management Quality Assurance (PMQA) Review(s) - There is no documented planned assessment or checkpoint to provide assurance that adequate project management processes have been appropriately established. 	<p>MANAGEMENT RESPONSE Agreed.</p> <p>ACTION PLAN</p> <p>The Project Committee working with the Development Manager will confirm how metrics for the successful project completion will be measured and included in a quality management plan. Metrics from the owner’s project requirements and pre-design reports created in 2023 will be identified with evaluation criteria and a schedule of evaluation will be documented.</p> <p>LEAD The Manager, Event Centre Project Delivery</p> <p>COMMITMENT DATE January 30, 2025,</p>
<p>#3: Project Closure Plan</p>	
<p>OBSERVATION</p> <p>The project Closure Plan does not include key activities to ensure that all the work associated with the Event Centre project will be completed as planned. This may limit the effectiveness of the handover of the completed project to the project owner.</p> <p>The CPMF requires all capital projects to establish a plan for project closure which will set-out the minimum requirements for Project Closure including:</p> <ul style="list-style-type: none"> • Verification that deliverables of the project were completed and accepted. • A Lessons Learned session has been completed to influence future projects. • Formal closure and recognition to the project team so they can be released; and • Transition of the deliverables to operations. <p>The City, through the Development Management Agreement, has established a plan for close-out period services including supporting the opening events, training</p>	<p>RECOMMENDATION</p> <p>3. The Manager, Event Centre Project Delivery to action the development of a detailed plan for closing key activities beyond the close-out period services noted in the Development Management Agreement.</p> <p>MANAGEMENT RESPONSE Agreed.</p> <p>ACTION PLAN</p> <p>The Project Committee will work with the Development Manager to expedite and develop a plan specific to the Calgary Event Centre project for the Project Committee to review and approve by end of January 2025.</p> <p>LEAD The Manager, Event Centre Project Delivery</p>

<p>of the contributing parties, record management and close-out of the final project punch list.</p> <p>However, there is no documented plan for close-out activities to be performed in the following key areas:</p> <ol style="list-style-type: none">a. Reconciliation of the deliverables described in the plan and the final deliverables.b. Project schedule performance review and explanation for any differences between the approved and actual schedule dates.c. Financial performance review and explanation for any differences between the total approved budget and the actual budget expenditure.d. Risk Register review to close off identified risks that are resolved, release any contingency funds associated with closed risks, identify any risks or issues that remain unresolved, identify the individual responsible for the continued management of the risk or issue; and recommend a review date for the unresolved risk or issue.e. Project procurement review and reconciliation of contracts, invoices, work orders and purchase orders.	<p>COMMITMENT DATE January 30, 2025</p>
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Acknowledgements

The City Auditor’s Office conducts projects, including this audit, in conformance with the International Standards for the Professional Practice of Internal Auditing.

The City Auditor’s Office would like to thank staff from the Event Centre Project Delivery team for their cooperation and support during this audit.