

March 17, 2014

Capital Project Management Audit

Background

City Council on December 11, 2012 approved the 2013 capital budget of \$262 million. The approved 2012-2014 Capital Plan of \$702 million including capital funding for:

- Community facilities: \$79 million
- Parks and open spaces: \$39 million
- Housing: \$60 million
- Public Safety: \$13 million
- Transportation: \$154 million
- Utilities and public works: \$228 million
- Civic infrastructure: \$95 million
- Contingency and overhead: \$34 million

The current capital budgeting process was revised and implemented in 2009. This process included development of a 10-year capital strategic outlook, a three-year capital plan, and an improved capital budget as the City has begun reporting annually on departmental services plans to increase transparency and accountability of spending. The 2013 capital budget is the second annual budget prepared by the City since the capital program was revised. In the 2014 Corporate Business Plan, the City has established goals to enhance management of capital projects.

The primary focus of project management is to plan and execute a project in an effective manner to meet the following four project objectives:

Scope: Completing the full scope of work necessary to meet the intended outcome.

Cost: Completing the project within the established budget.

Schedule: Completing the project within the time set for the execution of the project.

Quality: Completing a project that meets the established standards.

A strong capital project management process ensures:

- Capital projects are managed effectively, efficiently, and safely;
- Resources are employed economically; and
- Stated objectives are achieved in accordance to plans.

An integrated project control framework that applies across departments and accounts for the level of project risk and complexity enhances the likelihood of realizing project outcomes. It ensures that accountability for outcomes is established, appropriate controls are in place to minimize risk, key project stakeholders are consulted, outputs and outcomes are

monitored and reported and project deliverables achieved in an effective, efficient and economical manner.

Scope

The review's objective was to provide reasonable independent assurance that the existing internal controls and business processes related to capital projects are adequate, effective and efficient.

The review was initiated to ensure:

- Practical, effective and efficient controls are in place;
- Capital projects are planned, budgeted for and managed successfully to achieve project deliverables as stated in the approved business cases; and
- That capital projects follow project management best practices.

Conclusion

The review found that capital management at the City requires improvements. The City uses project management processes in VSR and the Finance/IT Project Management Office. Project charters, business case, project plan and reporting logs have been developed and are used consistently in those areas. However, capital projects outside of these have inconsistent use of standard tools and the review team recommended that a more standardized process (including consistent use of tools) would enable consistency of project management and reporting.

Under the 2014 Corporate Business Plan - Short-term priorities 10B, management has committed to establish a City Wide Capital Project Management Framework to strengthen project management controls.