

Audit Committee Report

DATE: Monday, September 19, 2022

WARD(S): ALL

TITLE: CONSTRUCTION AUDIT OF CARRVILLE COMMUNITY
CENTRE, LIBRARY AND DISTRICT PARK: PHASE 1

FROM:

Kevin Shapiro, Director of Internal Audit

ACTION: FOR INFORMATION

Purpose

To communicate the findings from the Internal Audit Report on the Construction Audit of Carrville Community Centre, Library and District Park: Phase 1.

Report Highlights

- There are four objectives common to every construction project: scope, cost, schedule and quality. The primary focus of project management is to plan and execute a project in such a manner as to maximize the ability to meet these four objectives.
- The main objective of this audit was to assess whether management has applied action plans efficiently and effectively based on the 2018 Phase 1 Construction Audit of Fire Station 7-4.
- Management has made operational improvements in this phase of the construction. However, some of the same common themes and concerns were identified.
- Management has developed action plans which will mitigate the identified risks and address the recommendations outlined in the report.
- This audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.
- Internal Audit will follow up with management and report on the status of management action plans at a future committee meeting.

Recommendations

1. That the Internal Audit Report on the Carrville Community Centre, Library and District Park: Phase 1 be received.

Background

On June 6, 2018, Internal Audit presented Phase 1 of the Construction Audit of Fire Station 7-4 to the Finance, Administration and Audit Committee. The audit reviewed the planning and design, and bid and procurement phases of the construction. It identified numerous issues which caused a delayed opening of the Fire Station 7-4 and increased costs to the City. Based on the results of that audit, it was decided that another construction audit would be undertaken. The primary objective would be to determine whether management has been able to apply the action plans efficiently and effectively in subsequent construction projects.

The objective of this audit was to evaluate the adequacy and effectiveness of the internal controls, processes and procedures in place to mitigate the business risks associated with construction projects. This included policies and procedures related to the fiscal, operational, and administrative controls over construction activities, including project scope, cost, schedule, and quality.

Auditing a construction project from beginning to end can provide added assurance, identify problems as they arise, and help improve outcomes. Since the scope of the audit will encompass the complete lifecycle of the project, audit reports will be issued after the completion of the following project phases:

- Planning and Design, Bid and Procurement Phase (Phase 1).
- Construction Phase (Phase 2).
- Close Out Phase (Phase 3).

Phase 1 included a review of:

- Governance and project management framework.
- Qualifying vendors process and awarding of contracts.
- Project management risk identification and mitigation methodology.
- Performance and monitoring.

This audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Previous Reports/Authority

[Internal Audit Report - Construction Audit of Fire Station 7-4: Phase 1](#)

Analysis and Options

Capital projects are generally funded, planned and executed as individual, discrete projects. Four objectives which are common to every construction project are: scope, cost, schedule and quality. The primary focus of project management is to plan and execute a project in such a manner as to maximize the ability to meet these four objectives.

Individual capital projects can represent a significant investment for the City. Large projects are managed from a variety of aspects including financial, timeliness and meeting deliverables. Audits of individual projects can provide assurance that risks are properly managed. If projects are not properly managed, the greatest risk is they do not meet their deliverables either by not being on time or on budget. Projects that are late or over budget can lead to financial loss, quality reduction and erosion of public trust.

The Carrville Community Centre will include an aquatic centre, fitness studio, gymnasium with upper level running track, teaching kitchen, multi-purpose rooms, childcare area, rental offices, a branch neighbourhood library and district park.

The building will total approximately 92,000 square feet and 4.2 hectares of park space. Construction of the complex commenced in the summer of 2022, with an expected occupancy of autumn 2024.

Financial Impact

There are no direct economic impacts associated with this report.

Broader Regional Impacts/Considerations

Not applicable.

Conclusion

Although management has made operational improvements in this phase of the construction, some of the same common themes and concerns were identified again during this audit.

The following organization wide improvements are required to improve capital project delivery:

- Formally re-evaluate Business Cases and/or Project Charters in advance of making project budget increase requests to Council.
- Ensure that liquidated damages provisions are included in all construction contracts, and only excluded on an exception basis when assessed against qualitative and quantitative factors.
- Ensure Fairness Monitors are engaged for all appropriate procurements.

- Ensure the formation and composition of proposal evaluation committees is appropriate
- Document vendor pre-qualification criteria assessed.
- Enhance the Design and Construction Standards Document.
- Continue to enhance Project Management Methodologies, Policies and Procedures.

For more information, please contact: Kevin Shapiro, Director of Internal Audit, ext. 8293

Attachment

1. Internal Audit Report – Carrville Community Centre, Library and District Park: Phase 1
2. Presentation Materials

Prepared by

Kevin Shapiro, Director of Internal Audit, ext. 8293

Approved by

A handwritten signature in black ink, appearing to be 'K. Shapiro', with a long horizontal flourish extending to the right.

Kevin Shapiro, Director of Internal Audit