

Statement of Work

Infrastructure Investment Evaluation Process
Internal Audit Project

Submitted on October 30, 2018 for SPC on
Finance Meeting on November 5, 2018



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City of Saskatoon SPC on Finance
222 Third Avenue North
Saskatoon, Saskatchewan S7K 0J5

Statement of Work - Infrastructure Investment Evaluation Process Internal Audit Project

Recommendation

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| <p>1) That the enclosed Statement of Work for the Infrastructure Investment Evaluation Process Internal Audit Project be approved and that SPC on Finance allocate \$71,550 and 450 hours for this project as outlined in the approved 2018 Internal Audit Plan.</p> |
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Please find enclosed the Statement of Work for the above referenced project. Note that the total proposed scope of the project is 450 hours and \$71,550. Detailed planning and preparation for the project have been ongoing since July 2018 and detailed fieldwork efforts on the project will continue upon approval of the Statement of Work by SPC on Finance.

Yours truly,



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Partner
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1. Background

On August 14, 2013, City Council adopted the Strategic Plan 2013-2023 and one of the seven strategic goals was “Sustainable Growth”. Strategies to achieve this goal over the long term (10 years) were also adopted, as were priorities for the current term (2013-2017).

In practice, municipal administrators create organizational plans to deliver on the strategic direction provided by Council. These organizational plans can include projects, policy, work plans and budgets. The City of Saskatoon has a number of current processes in place to support organizational planning and prioritization processes as they work towards achieving “Sustainable Growth”. These processes include activities such as:

- developing growth plans, long-term infrastructure plans, and regional, concept, and community plans
- aligning major infrastructure investments to growth plans and strategies
- securing funding commitments
- frequent and ongoing monitoring of market conditions, economic indicators and financial resources
- aligning the annual business plan & budget to City Council's Strategic Priorities as well as feedback received from residents in the Civic Services Survey

2. Scope of Work and Approach

The City’s Strategic Risk Register includes Risk SG-2 related to the City’s Strategic Goal of Sustainable Growth, which states “*The City’s infrastructure investments may not correspond to growth trends and forecasts for the local or regional economy*”. City Council has identified this risk as a “medium” priority.

The scope of this internal audit includes an assessment of the planning, evaluation and prioritization practices for investment in infrastructure. The internal audit objectives are:

- to assess whether current practices to prioritize projects for investment in infrastructure align with good government practice
- to assess whether current practices to prioritize projects for investment in infrastructure align with City Council’s Strategic Priorities and approved planning documents (i.e. Growth Plan to Half a Million and regional, concept, community plans)
- to assess whether current practices to evaluate projects for funding prioritization minimize the risk of under/over investment and align with leading practice methodologies

Our approach to assess the planning, evaluation and prioritization practices for investment in infrastructure, and to provide the City with a report recommending reasonable improvements, is outlined in detail below.

Phase 1: Gain an understanding of planning practices to determine infrastructure needs

Objectives - At a high-level, document current City of Saskatoon planning practices to determine infrastructure needs and compare to practices at other governments. Activities will include:

- a. Study key infrastructure planning documents to gain an understanding of planning priorities
- b. Identify teams responsible for developing key infrastructure planning documents and conduct 3-5 interviews to understand practices and desired outcomes
- c. Identify 2-3 comparable government planning functions to conduct a benchmarking exercise
- d. Assess whether the City’s current practices and desired outcomes are reasonable in comparison to other government practice

Deliverables - An assessment summarizing key findings from our analysis.

Phase 2: Assess whether prioritized infrastructure investments are aligned to approved plans

Objectives - Assess whether current practices to prioritize projects for investment in infrastructure align with City Council's Strategic Priorities and approved planning documents (i.e. Growth Plan to Half a Million and regional, concept, community plans). Activities will include:

- a. Select a sample of infrastructure projects approved in the 2018 annual business plan & budget and examine supporting evidence of approach used to prioritize these projects
- b. Assess whether the prioritization approach for the selected sample provides reasonable evidence that Strategic Priorities and approved planning documents were considered in the prioritization process
- c. Validate findings with those involved in the prioritization process

Deliverables - An assessment summarizing key findings from our examination.

Phase 3: Assess whether current practices to evaluate projects for funding prioritization are aligned to good practice

Objectives - Assess whether current practices to evaluate projects for funding prioritization are designed to minimize the risk of under/over investment and aligned to leading practice methodologies.

- a) Study existing evidence to gain an understanding of infrastructure project submission and evaluation practices
- b) Identify teams responsible for submitting potential infrastructure projects for evaluation and conduct 3-4 interviews to understand current approach
- c) Identify 1-2 stakeholders responsible for evaluating submitted projects and conduct interviews to understand current approach and decision criteria
- d) Assess whether the City's current divisional and corporate wide submission and evaluation practices, including decision criteria, are reasonable in comparison to leading practice methodologies and good practice

Deliverables - A report that includes an assessment summary and recommendations for harmonization of key practices with desired outcomes and good practice. In the development of recommendations we will consider reasonable activities designed to mitigate the risk that the City will not achieve the goal of "Sustainable Growth". Our report will include a prioritization framework to address any identified gaps, and will outline good practice success criteria and elements as part of a benefits realization approach to support continuous improvement.

3. Stakeholders

The key stakeholders of the project from the City are the City Manager, CFO/General Manager of Asset & Financial Management, Director of Planning & Development, Director of Finance, and Director of Corporate Risk. As this project affects the organization as a whole, the Administrative Leadership Team is also a key stakeholder.

4. Budget

Our fees are based on actual hours incurred at the agreed upon hourly billing rates in the "Internal Audit Services Agreement" dated January 1, 2015. Specifically, sections 6(4) and 6(6) of the "Internal Audit Services Agreement" specify hourly rates to be charged. We estimate our fees for the completion of our services under this Statement of Work will be \$71,550 plus out of pocket expenses and applicable taxes, which will be charged on an actual basis. We estimate out of pocket expenses to be \$2,100.