

# 2010



Report of the  
**Auditor General  
of Canada**  
to the House of Commons

## SPRING

**Chapter 3**  
Rehabilitating the Parliament Buildings



Office of the Auditor General of Canada

*The Spring 2010 Report of the Auditor General of Canada comprises a Message from the Auditor General of Canada, Main Points—Chapters 1 to 5, and six chapters. The main table of contents for the Report is found at the end of this publication.*

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*Ce document est également publié en français.*

© Minister of Public Works and Government Services Canada 2010  
Cat. No. FA1-2010/1-3E-PDF  
ISBN 978-1-100-15342-1  
ISSN 0821-8110

Chapter

# 3

Rehabilitating  
the Parliament Buildings



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# Rehabilitating the Parliament Buildings

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## Main Points

### What we examined

For over two decades, it has been recognized that the main buildings on Parliament Hill—the Centre, West, and East blocks, the Library of Parliament, the Confederation Building, and the Justice Building—are in need of major repairs and upgrading. Their rehabilitation has been a long-standing objective of their custodian, Public Works and Government Services Canada (PWGSC), and of the Senate, the House of Commons, and the Library of Parliament, the parliamentary partners who occupy the buildings. In 2007 the government approved an updated Long-Term Vision and Plan, notably for carrying out the necessary work and providing additional facilities within a clearly defined secure area north of Wellington Street to meet Parliament's current and future requirements.

The Long-Term Vision and Plan is to be carried out through a series of five-year programs, each of which includes primary projects to restore the key heritage buildings, urgent building interventions to ensure the ongoing viability of buildings and to address health and safety issues, and the planning activities to develop the next five-year program.

While PWGSC is responsible for the day-to-day management of the buildings and for planning and carrying out projects for their rehabilitation and long-term care, and the parliamentary partners control their premises, other entities also have responsibilities for the Parliament buildings. These include Parks Canada Agency, the National Capital Commission, and the RCMP.

We examined how PWGSC is managing the rehabilitation of the Parliament buildings. We also looked at what arrangements are in place between PWGSC and the parties involved to govern the implementation of the Long-Term Vision and Plan.

Audit work for this chapter was substantially completed on 30 October 2009.

### Why it's important

The buildings on Parliament Hill are the focal point of Canadian political life. They were intended from the outset to convey the symbolic and ceremonial aspects of Parliament. Over time, the

buildings and the site have become a visual symbol of Canada's parliamentary democracy. The historical importance of some of the parliamentary buildings (and grounds) was formally recognized in 1976, when they were designated by the Minister of the Environment as a National Historic Site, and in 1987, when the Minister designated them as "classified heritage buildings," the highest-level designation.

PWGSC faces the critical challenge of modernizing the buildings to meet the needs of the occupants and providing new facilities that respect the heritage value of Parliament Hill while meeting the requirements of Parliament.

### What we found

- Through its assessment of building conditions, PWGSC has identified serious risks that could affect the continued operations of Parliament. Furthermore, the heritage character of some of the buildings is threatened and the health and safety of occupants could be at risk. The Senate and the House of Commons have indicated that their present and future needs cannot be met by the buildings in their present state.
- The governance framework in place is inadequate to guide the overall rehabilitation of the Parliament buildings. In particular, decision making and accountability are fragmented, and the framework does not allow for reaching consensus on priorities and committing resources to implement long-term plans. These weaknesses, which cannot be attributed to any organization alone, result in delays in making decisions and implementing projects, and contribute to increasing project costs and risks.
- The rehabilitation projects on Parliament Hill are unique and complex. Once rehabilitation projects are supported by all parties, PWGSC has in place generally sound project management practices. These practices take into account the heritage character of the buildings, their age and condition, the needs of their users, and the protection of the environment. The Department has also developed costing estimates methodology that takes into account the risks that rehabilitation projects are facing and it updates this information regularly. Despite the project management practices in place, setting priorities and satisfying client requirements will remain difficult until the governance framework is addressed.

**The Department has responded.** The Department agrees with the recommendation. Its detailed response follows the recommendation in the chapter.

## Introduction

**3.1** The Parliament buildings are the centrepiece of our national political life. The site, the architectural style, and the building layout were designed to convey an image of ceremony and order. With time, the buildings and the grounds have become a symbol of Canada's parliamentary democracy and the federal government.

**3.2** Centre Block, the main building, was built to provide a facility for Parliament's core functions. It is in this building that the bulk of the legislative work takes place and national issues are debated. On the grounds facing the building, people gather to voice their opinions and concerns and to celebrate Canada Day and other major events. These grounds serve as Canada's town square.

**3.3** The historical importance of some of the Parliament buildings was formally recognized in 1976, when they were designated by the Minister of the Environment as a National Historic Site, and in 1987, when the Minister designated some of them as "classified heritage buildings," the highest-level designation. Exhibit 3.1 provides a short description of the classified buildings.

**3.4** Canadians are attached to the Parliament buildings. Surveys found that they see them as symbols of Canada's history and tradition, and of democracy and freedom. Like official residences, the buildings are part of Canada's heritage and belong to all Canadians. Over 1 million people visit the buildings and site every year.

### Parliament Hill

**3.5** The *Parliament of Canada Act* defines the expression "Parliament Hill" as an area of ground in the City of Ottawa bounded by Wellington Street, the Rideau Canal, the Ottawa River, and Kent Street. For the purpose of project planning, a geographic definition is seen as important for facilitating the concentration of parliamentary activities, for preserving Parliament's clear and distinct identity, and for security reasons. Exhibit 3.2 shows the physical boundaries and the key buildings of Parliament Hill.

**Exhibit 3.1** The Parliament Buildings have been designated as heritage buildings, which means their heritage character needs to be protected



**Centre Block**

Built between 1916 and 1927, it replaced the original building destroyed by fire in 1916. It has been designated “Classified” because of its exceptional significance as a national landmark. Its heritage character is embodied in the whole of its exterior, including the Peace Tower, its many public interiors and ceremonial spaces, and its symbolic and practical functions as the seat of government.



**Library of Parliament**

Built between 1859 and 1876, the Library was designated “Classified” because it is a national symbol of outstanding architectural and artistic merit. It continues to serve its historical function in support of the operation of the Parliament of Canada.



**East Block**

Built between 1859 and 1865, East Block was designated “Classified” because of its exceptional importance in terms of historical associations, architectural quality, and environmental impact. The heritage character of the building lies in its picturesque setting, ornamentation, and use of texture and colour. A new wing was added in 1910.

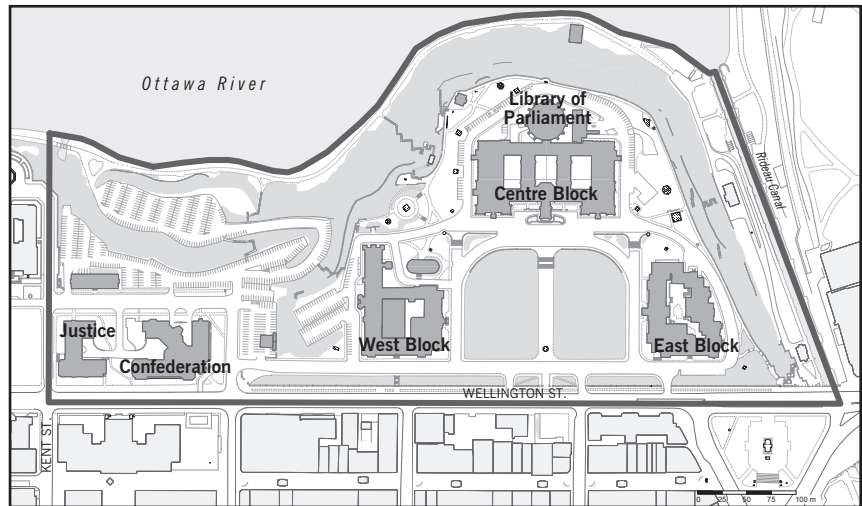


**West Block**

Built between 1859 and 1865, West Block was designated “Classified” because of its exceptional importance in terms of historical associations, architectural quality, and environmental impact. The heritage character of the building resides in its picturesque setting and ornamentation and in portions of the interior plans, features, and finishes. New wings were completed in 1878 and 1909.

Source: Public Works and Government Services Canada (pictures) and Parks Canada Agency (adapted text)

**Exhibit 3.2** Boundaries and buildings of Parliament Hill



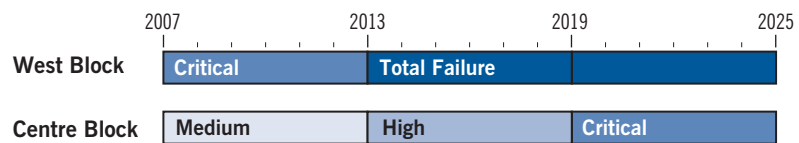
Source: Public Works and Government Services Canada



Centre Block—Water infiltration has caused rust from structural steel to permanently stain stone interior finishes in some areas, including chambers and ceremonial spaces.

**3.6 Building conditions.** Buildings critical to the operations of Parliament have been in need of major repair for some time. Public Works and Government Services Canada (PWGSC) documents indicate that many key building systems of the West Block are at critical risk of “total failure” while key systems in the Centre Block could reach that stage within the decade. Key systems include such operational systems as heating, cooling, and electrical. Exhibit 3.3 illustrates this growing risk. If a system in these buildings were to fail, this could force their closure for an extended period of time while urgent repairs are carried out. In the meantime, Parliament might not be able to operate or might have to limit its operations. Other buildings exhibit varying degrees of deterioration, but current problems are considered less pervasive and potential consequences less dramatic. Further, there are signs of erosion of the heritage character of many buildings.

**Exhibit 3.3** The risk of total failure of key building systems in West Block and Centre Block is growing



Source: Public Works and Government Services Canada

**3.7** Studies by the Senate and the House of Commons have concluded that the current buildings do not meet their present and future needs. For example, the Senate found that the space allocated to committee rooms and senators' offices was inadequate and did not meet its standards. The House of Commons indicated a need to build a new facility to house committee rooms that meet its standards. It also identified a need for additional space for members' offices. Both houses articulated the importance of locating all their core parliamentary functions within a clearly defined secure area north of Wellington Street.

**Rehabilitation**—The action or process of making possible a continuing or compatible contemporary use of a historic place or an individual component through repair, alterations, and/or additions while protecting its heritage value.

**Parliamentary partners**—The Senate, House of Commons, and the Library of Parliament.



Centre Block—Permanently damaged sandstone cornices and carved elements of the historic structure need to be rebuilt.

**3.8** The **rehabilitation** of the Parliament buildings has been a long-standing objective of PWGSC and the **parliamentary partners**. Efforts have been made over the last two decades to plan and execute the work required to rehabilitate the buildings and grounds. Recent plans also aim to meet some of the requirements communicated to PWGSC by the Senate and the House of Commons.

**3.9 Current implementation strategy.** In 2007, the government approved an updated Long-Term Vision and Plan to be carried out through a series of five-year programs. Each program includes primary projects to rehabilitate key heritage buildings, urgent building repairs to ensure the ongoing viability of buildings and to address health and safety issues, and planning activities to develop the next five-year program. PWGSC states publicly that the current strategic direction is to renovate the core historic Parliament buildings—the triad of the West Block, Centre Block, and East Block—as the first priority. Since Centre Block cannot be renovated while occupied, its occupants will use the East and West Blocks as interim space. However, these buildings also need rehabilitation work, which will have to be done first. Before this work can take place, however, the functions displaced from the East and West blocks need to be relocated in interim or new accommodation. This process triggers further projects to house those displaced functions.

### Roles and responsibilities

**3.10** No one organization has overall responsibility for the Parliament buildings. This situation was noted in 1985 in the Report of the Special Committee on Reform of the House of Commons (McGrath Report) and by the Nielsen Task Force (1986). In 1992, in the Report to the Senate and the House of Commons on Matters of Joint Interest, we pointed out the challenge of balancing a constitutional principle, that of Parliament's control over its own affairs, and the legal responsibilities of PWGSC as the custodian of the buildings. In our December 1998 report to the House of Commons, we observed that

roles, responsibility, and accountability for actual and planned expenditures totalling hundreds of millions of dollars continued to be complex and unclear. In 2005, PWGSC and the parliamentary partners established a task force to review governance. In its report, *A New Approach to Governance of the Parliamentary Precinct*, the task force concluded that there are “key flaws” in current governance and, after considering alternative models, made a recommendation for a new governance model.

**3.11** The governance has not changed. Responsibilities for the Parliament buildings remain spread among numerous entities, and each entity derives its roles from different sources.

**3.12 Parliament.** Each House of Parliament, being constitutionally independent, is responsible for ensuring that its needs and objectives are established and realized. Under the *Parliament of Canada Act*, members enjoy “parliamentary privileges, immunities and powers” defined in the Constitution and in the Act. The Act defines the power of both houses to control their premises and the right of Parliament to regulate its own affairs. It also defines the basic decision-making structure of the Senate and the House of Commons on administrative matters and provides for the Library of Parliament.

**3.13** In the Senate, the Standing Senate Committee on Internal Economy, Budgets and Administration (COIE) is responsible for the Senate internal administration, subject to the rules, direction, and control of the Senate. The Committee is assisted by the Senate Administration, headed by the Clerk of the Senate.

**3.14** The Board of Internal Economy (BOIE), over which the Speaker presides, is the governing body of the House of Commons. It acts on all financial and administrative matters respecting the House of Commons, its premises, its services and its staff, and the members of the House of Commons. The Board is assisted by the House of Commons Administration, headed by the Clerk of the House of Commons.

**3.15** The Library of Parliament provides information-related services to parliamentarians. The direction and control of the Library is vested jointly in the Speakers of the Senate and the House of Commons, assisted during each session by a joint committee to be appointed by the two houses. The Parliamentary Librarian is responsible for day-to-day management.

**3.16** The Senate, the House of Commons, and the Library of Parliament are essentially “occupants” in Crown-owned buildings. They define and communicate their respective accommodation needs



West Block—Permanently damaged carved elements of the historic structure need to be rebuilt.

to PWGSC, participate in strategic planning, and endorse rehabilitation projects that affect the Parliament buildings. For individual projects that affect its accommodation, each partner is responsible to actively support PWGSC project planning and implementation activities.

**3.17 Public Works and Government Services Canada.** The Department is the custodian of the Parliament buildings. In addition to day-to-day management of the buildings, it is charged with planning and executing projects related to their rehabilitation and long-term care, in consultation with the parliamentary partners.

**3.18** In carrying out building rehabilitation projects, the Minister of PWGSC receives advice from the Parliamentary Precinct Oversight Advisory Committee. This Committee is composed of four individuals and a chair, currently a former Speaker of the House of Commons. Its mandate is to provide independent oversight and advice on various matters related to the implementation of the Long-Term Vision and Plan.

**3.19** PWGSC needs to seek government approval for long-term direction, project scope, and funding. To that end, it presents long-term plans and produces costing estimates. For example, in defining projects for the 2007 long-term plan, which covered buildings, infrastructure, and grounds, PWGSC hired an independent cost consultant in 2006 to estimate the cost of implementing the projects. The firm estimated the total cost of these projects to be approximately \$5 billion over 25 years. However, many project costs were only preliminary estimates because of the lack of information and the high level of uncertainty associated with projects that were decades away.

**3.20** In 2002, the government approved \$628 million to be used between 2005 and 2009 for projects related to the Parliament buildings. In 2007, about \$520 million was still available. Therefore, when the government approved the long-term direction presented by PWGSC in 2007, it did not approve any additional funding. In 2009, the Department indicated that all funds have been allocated by the Treasury Board. PWGSC requires additional funding before it can undertake major work, notably on the West Block. At the time of the audit, the Department was preparing a funding request to the government.

**3.21 Other entities.** The Minister of the Environment is responsible for the designation of federal heritage buildings and national historic sites across the country. Parks Canada Agency, through the Federal Heritage Buildings Review Office (FHBRO), provides advice to federal

departments that are responsible for heritage buildings, and through the National Historic Sites Directorate, provides advice on National Historic Sites, including those sitting on the Hill. The National Capital Commission is responsible for reviewing and approving changes proposed by departments to buildings in the National Capital Region, including the Parliament buildings. Further, PWGSC delegated to the Commission its responsibility to manage the grounds of the Hill. Finally, the RCMP provides security on the grounds and advises PWGSC and the parliamentary partners on security matters.

### Other jurisdictions

**3.22** We noted that other countries have different administrative structures to manage their legislative buildings. Exhibit 3.4 shows some examples.

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#### Exhibit 3.4 Legislative buildings are controlled by the legislature in some countries

**Australia.** The Department of Parliamentary Services is a department of the Federal Parliament. Included in the Department's responsibilities is the management of Parliament House, the home of Australia's Federal Parliament, where more than 3,500 people work when Parliament is sitting.

The Department is jointly administered by the President of the Senate and the Speaker of the House of Representatives.

**United Kingdom.** In 1992, the UK Parliament passed legislation that transferred custodianship of the Palace of Westminster and other parliamentary buildings from a government department to the House of Lords and the House of Commons.

Organizations were created within the Lords' and the Commons' administrations to handle building maintenance and management as well as new construction. Oversight is exercised by committees or commissions of the House of Lords and the House of Commons.

**United States.** The Office of the Architect of the Capitol (AOC) was established by an act of Congress in 1876 for the maintenance, operation, development, and preservation of buildings and of land throughout the Capitol complex. Included in responsibilities are the House and Senate office buildings, the Capitol, and many other facilities. The AOC also provides professional expertise on the preservation of architectural and artistic elements in its care, and provides recommendations concerning design, construction, and maintenance of the facilities and grounds.

The AOC is part of the Legislative Branch of the government and is responsible to the United States Congress.

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### Focus of the audit

**3.23** Our audit focused on determining whether

- PWGSC, within its mandate, and in cooperation with the other involved entities, has put in place a sound governance framework for the overall rehabilitation project; and
- PWGSC has sound project management practices for the rehabilitation of the Parliament buildings.

**3.24** The audit covered the governance of the rehabilitation of the Parliament buildings; lessons learned from the conservation, rehabilitation, and upgrade of the Library of Parliament; and planning for the rehabilitation of the West Block.

**3.25** More details on the audit objectives, scope, approach, and criteria are in **About the Audit** at the end of this chapter.

## Observations and Recommendation

### Governance

**3.26** In its simplest form, governance refers to high level decision making for the purpose of setting a direction. Typically, governance issues arise when a group of people or organizations needs to make important decisions for a common purpose. Good governance provides an effective decision-making process to define desired results, obtain and manage resources, and establish accountability relationships to achieve the results.

**3.27** There is a range of approaches to good governance. A governance framework is usually defined in the context of a particular situation. Responsibility for the Parliament buildings is divided among a number of entities, and Public Works and Government Services Canada (PWGSC) has the particular role of custodian of the buildings. Given this situation, we expected that PWGSC, within its mandate, would have reached an agreement in cooperation with the other entities involved in the rehabilitation of the buildings that established a sound governance framework for the overall project. This framework would define desired results and establish accountability relationships to achieve them.

**3.28** We examined the roles and responsibilities of PWGSC, its relationships with other entities, and how decisions were made. We also examined the long-term plans and formal agreements between PWGSC and the parliamentary partners. Finally, we discussed

governance issues with officials. We found that the governance framework in place is inadequate to guide the rehabilitation of the Parliament buildings. In particular, we found that decision making and accountability are fragmented, and there is a lack of consensus on priorities. Further, there is no funding commitment to implement long-term plans. These gaps in governance contribute to the delays in addressing the continuing deterioration of the Parliament buildings.

### **Decision making is fragmented**

**3.29** Under the *Parliament of Canada Act*, the Senate and the House of Commons have jurisdiction over their accommodations and other requirements. They also have rights and powers that enable them to regulate their own affairs. The Treasury Board cannot override the powers of the Senate and the House of Commons in relation to administrative matters, including their premises. PWGSC on the other hand, as a department, is accountable to the Treasury Board.

**3.30** Under the current arrangements, the Senate and the House of Commons are the decision-making authority on certain aspects of the projects. For example, they define their needs and make decisions on accommodation standards and on security and communications requirements. However, many decisions on the Parliament buildings are made by the government and by PWGSC as custodian. In this context, making decisions takes time and ultimately results in project delays and inefficient use of resources.

**3.31** Further, the parliamentary partners are not directly involved in the government approval process. Although they are consulted in the development of project documents, they cannot fully participate in the final stages of the government approvals and decisions regarding the projects.

### **Accountability is fragmented**

**3.32** In an agreement between the parliamentary partners and PWGSC for the governance of the Long-Term Vision and Plan, the Senate and the House of Commons, each being independent under the Constitution, state that they are each accountable for ensuring that their vision, goals, and objectives are realized. They are not accountable to outside agencies.

**3.33** We found that the roles, responsibilities, and accountability of PWGSC laid out in the agreement could conflict with those of the parliamentary partners. The Department specifies that, as

custodian of the buildings, it is accountable to the Treasury Board for the effective and efficient delivery of the long-term plan. The plan is to be implemented under the Major Crown Project framework set out by the Treasury Board. At the same time, the Department states that it is also responsible for ensuring that implementation conforms to client requirements, performance objectives, and strategic goals.

**3.34** Although the parliamentary partners define key project parameters and standards, PWGSC has to present projects to the Treasury Board for approval. In our view, since PWGSC must comply with the Treasury Board decisions in delivering projects on the Parliament buildings, the requirements as expressed by the parliamentary partners indirectly become subject to those decisions.

**3.35** This situation puts PWGSC in a position where it has to deal with two potentially incompatible commitments. On the one hand, consistent with its accountability to the government, the Department has to deliver projects within specific parameters. On the other, the Department is also committed to meeting requirements from the parliamentary partners that are not subject to government control.

#### **There is a lack of consensus on priorities**

**3.36** The rehabilitation of the Parliament buildings is a long-term undertaking. To sustain and focus their efforts and resources over this time, PWGSC and the parliamentary partners need to decide on their priorities. We expected that PWGSC would have an adequate planning framework that includes criteria for determining these priorities. We found that PWGSC and the parliamentary partners approach project priorities from different perspectives and that the governance framework does not help them make decisions.

**3.37** The Senate and the House of Commons are preoccupied by the efficient and safe operations of Parliament. They emphasize the need to locate all their “core parliamentary functions” within a clearly defined, secure area north of Wellington Street. Further, they expect that the required rehabilitation work will be conducted with minimal impact on their operations.

**3.38** Although PWGSC acknowledges the importance of locating the core functions north of Wellington Street, under the current plan, that cannot be achieved before the rehabilitation of Centre Block. The Department also acknowledges the need to minimize the impact of rehabilitation projects on Parliament’s operations, but it believes that some negative effects are unavoidable.

**3.39** Consistent with its mandate and role as building custodian, the Department has made a priority of the pressing rehabilitation work on Centre Block, and associated projects, for the next 10 to 15 years. Locating core functions north of Wellington Street would require new construction on the Hill. Department officials told us that, given the current level of funding and available resources, the need to keep Parliament Hill accessible to the public, and the priority to rehabilitate the Parliament buildings as quickly as possible, adding new construction work at this point would likely result in delays to current projects. Because of project interdependencies, delays could mean that the Senate and the House of Commons would still be located in Centre Block when the risk of total failure of key building systems becomes critical.

**3.40** The parliamentary partners endorsed the PWGSC strategy on the condition that additional space would be available north of Wellington to minimize the impact rehabilitation work would have on Parliament's operations. They have expressed concern that if the current plan is followed, and no new space becomes available, several of Parliament's operations will remain outside the Hill for the next 15 to 20 years.

**3.41** At the time of the audit, the administration of the House of Commons insisted on receiving additional space on the Hill as soon as possible. In 2009, PWGSC and the administration of the House of Commons each produced an analysis of the risks, cost, and timing of constructing a new building. Their analyses came to significantly different conclusions. As there is no decision-making mechanism in place, PWGSC hired a consulting firm to provide an independent review of the analyses and their assumptions. At the end of our audit, this work was still being finalized.

#### **Long-term plans are not comprehensive**

**3.42** In the 1992 Report to the Senate and the House of Commons on Matters of Joint Interest, we pointed out the importance of a long-term plan. Such a plan is required for making decisions on what needs are to be met and when, delineating clearly the interdependencies between projects, estimating the cost, and establishing a course of action. Since 1992, three long-term plans have been developed by PWGSC, endorsed by the parliamentary partners, and approved by the government.

**3.43** We found that none of the long-term plans were comprehensive. For example, the first plan did not deal with the needs of the parliamentary partners. The second plan did not cover needs such as

security and visitor services. The current plan added a number of new projects, but their timing, sequence, and interdependencies will be determined in separate, five-year rolling plans.

**3.44** We note that although the parliamentary partners were consulted, and they endorsed all the long-term plans in principle, final decisions for carrying out the plans were made by the government.

#### **There is no funding commitment to implement the long-term plan**

**3.45** Making sound decisions on how to obtain and use resources is an important aspect of good governance. We noted two funding issues that affect the governance of the Parliament buildings. First, although the parliamentary partners are consulted, they are not directly involved in the process for making decisions about funding. Second, there is no long-term funding commitment to implement the long-term plan.

**3.46** Under the current framework, PWGSC, as building custodian, is responsible for seeking resources from the government to implement long-term plans and individual projects.

**3.47** Although the parliamentary partners are consulted when decisions are made regarding which projects should be funded and what level of resources to request, they do not have access to the government decision-making process. Therefore, they cannot review or endorse the final documents presented to the government in support of requests for funding.

**3.48** We also noted that the way funding decisions are made now, the government approves funding as an “envelope” that the Department is responsible for allocating among projects. The government does not always approve funding to cover a project’s estimated costs over its entire schedule. This means that when PWGSC undertakes a large project, such as the West Block, it cannot plan it through to completion because it does not know when funding will be made available. The Department also has to seek government approval of the way it plans to allocate funding among projects. PWGSC states that this way of making funding decisions creates uncertainty and inefficiency in implementing projects and results in delays and higher risks and costs. For example, PWGSC’s recent spending authority for interior demolition and asbestos abatement of the West Block will allow it to complete less than half of the required work because of the lack of full funding.

**3.49** In our view, once plans and projects have been approved, resources for carrying them out need to be predictable. Stable funding

would make it easier to put projects in place, deal with their interdependencies, and meet long-term objectives, all of which could reduce costs.

### **The current custodianship arrangement hinders proper governance**

**3.50** PWGSC is the provider of general purpose office space to the government. As such, it is responsible for providing and maintaining the buildings that house those offices. However, under government policy, custodianship of **special purpose space** is often assigned to the operating department or agency. In either case, the custodian is responsible for deciding on priorities and seeking funds to implement them. For the Parliament buildings, PWGSC controls the rehabilitation projects and is responsible for seeking funding, but the ultimate purpose of these buildings is to support Parliament's unique operations. In our view, the Parliament buildings are a special purpose space and the control and responsibility for these buildings need to rest with Parliament.

**Special purpose space**—Space required to accommodate specific activities that are essential to programs; this space is typically not suitable for conversion to general office space.

### **Unresolved governance issues have contributed to delays and building deterioration**

**3.51** Governance has been examined in many reports: the Report of the Special Committee on Reform of the House of Commons, or McGrath Report (1985); the Nielsen Task Force (1986); and by our Office in the Report to the Senate and the House of Commons on Matters of Joint Interest (1992) and in the report to the House of Commons (December 1998).

**3.52** In addition, in 2005 PWGSC and the parliamentary partners established a task force to review governance. In its report, *A New Approach to Governance of the Parliamentary Precinct*, the task force concluded that there are “key flaws” in the current governance, including a narrow mandate split across a number of organizations; fragmented and complex decision-making processes; and a lack of stable and committed funding devoted to development and upkeep of the buildings. The report recommended the implementation of a new governance model.

**3.53** The need to rehabilitate the Parliament buildings was identified many years ago. A first long-term plan was approved in 1992, and since then over \$1 billion has been spent or allocated to projects on or related to the Parliament buildings (Exhibit 3.5). This money made it possible to complete renovations such as the masonry of the Peace Tower in 1997, to create additional support space by completing the Centre Block Underground Services in 1998, and to rehabilitate the Library of Parliament in 2006. More recently, PWGSC advanced or



West Block—Water infiltration into main structures is eroding mortar.

completed interim accommodation projects that will allow the main heritage buildings to be vacated for their major rehabilitation. However, the bulk of the rehabilitation work identified for the heritage buildings on the Hill has yet to be done (Exhibit 3.6).

**3.54** Through its assessment of building conditions, PWGSC has identified serious risks that could affect the continued operations of Parliament in the years to come. These risks are already critical for West Block and are growing for Centre Block, the hub of Parliament's operations. Furthermore, the Senate and the House of Commons have indicated that their present and future needs cannot be met by the buildings in their present state.

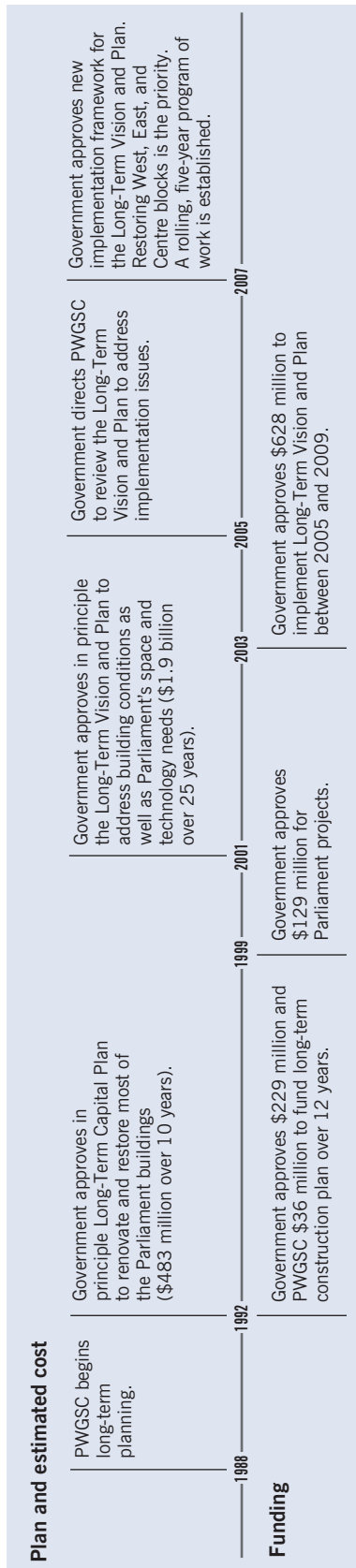
**3.55** We believe that only limited progress can be made on the rehabilitation of the Parliament buildings unless the governance framework is addressed. Three critical issues need to be dealt with: the accountability relationships; the long-term planning to rehabilitate buildings and meet the requirements of their main users; and the availability of resources to complete planned work.

**3.56 Recommendation.** The Minister of Public Works and Government Services Canada, in cooperation with and with the support of the speakers of the Senate and the House of Commons—and in concert with the Senate Standing Committee on Internal Economy, Budgets and Administration, and the Board of Internal Economy—should develop and propose mechanisms to ensure that responsibility and accountability for the Parliament buildings rest with the Senate and the House of Commons.

**Public Works and Government Services Canada's response.**

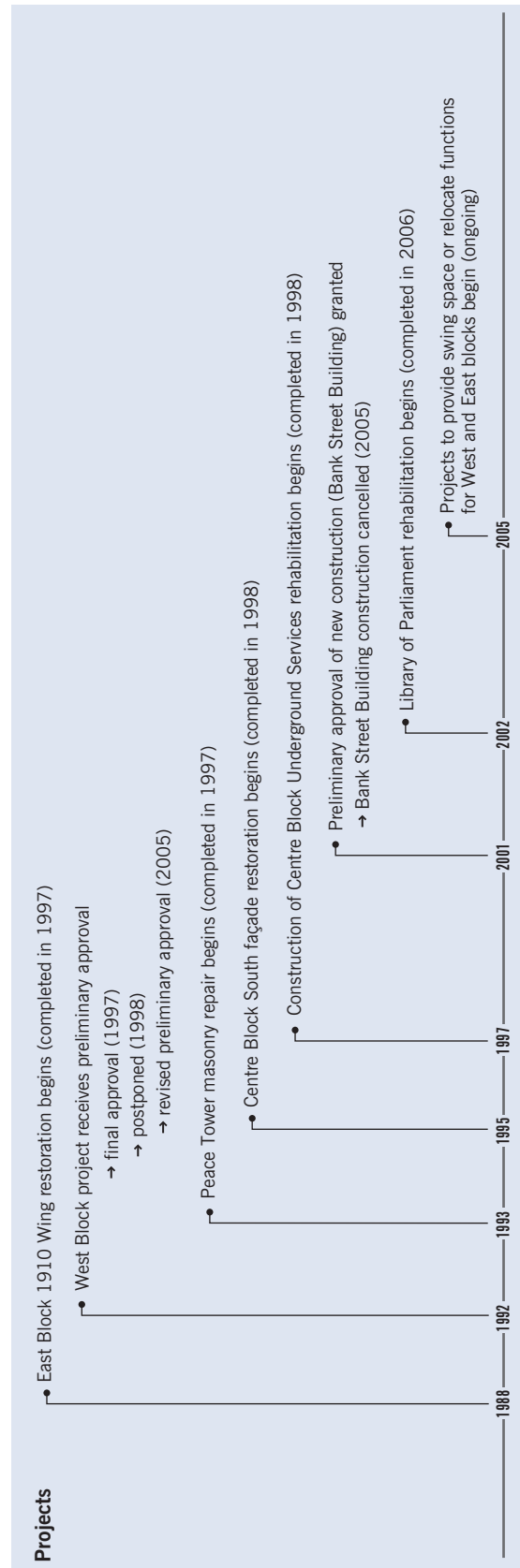
The governance challenges facing the Parliamentary Precinct are extremely complex and involve several organizations, including Public Works and Government Services Canada (PWGSC). The Department acknowledges the recommendation, which is broader than PWGSC and in fact the Government, and will, within its mandate and authorities, work with other stakeholders to strengthen governance.

**Exhibit 3.5 Plans have been made over the last two decades to rehabilitate the Parliament buildings**



Source: Various Public Works and Government Services Canada documents

**Exhibit 3.6 Some important projects have been completed, but the bulk of the work on the main heritage buildings has yet to be done**



Source: Various Public Works and Government Services Canada documents (unaudited)

**Project management**

**3.57** Parliament Hill is a unique place, which can create challenges seldom found in most construction projects:

- The buildings have acquired iconic status and are designated as a National Historic Site and classified as heritage buildings. This means that rehabilitation projects must protect heritage values.
- Custodianship and control of the buildings are split.
- These buildings are essential to the operations of Parliament. Due consideration must be given to minimizing any impact on Parliament's operations and operating budget, and to respecting the roles and privileges of Parliament.
- Renovating the Senate and the House of Commons chambers requires temporary accommodation where their activities can continue without disruption. As a result, many projects are interdependent. For example, the rehabilitation of the West Block is a project in itself, but it is also required in order to vacate the Centre Block.
- The security of the site and the occupants is a constant preoccupation that limits access and requires careful planning of the number of construction projects to occur at any given time.
- Project objectives include not only the rehabilitation of the structures but also upgrades to meet current and future needs of parliamentarians and citizens—a technical challenge in a heritage structure.
- The three principal buildings are in poor condition and in dire need of extensive work.

Each of the above elements represents a significant project management challenge. In most projects on the Hill, these challenges are combined, which compounds difficulties and raises project risks to very high levels.

**Project management practices are generally sound**

**3.58** Once rehabilitation projects are approved, Public Works and Government Services Canada (PWGSC) is responsible for managing all stages of their development and implementation. Because of the challenges these projects present, we expected that PWGSC would have allocated authorities and resources appropriate to their scope, complexity, and risks. Considerations would include protecting the heritage character, collecting information on building conditions and

client needs, taking the environment into account, producing costing estimates, and learning lessons from previous projects. We also expected that PWGSC would have a way of managing projects consistent with generally accepted practices.

**3.59** We looked at some PWGSC project management activities for the West Block and the Library of Parliament. We also discussed project management issues with officials. We noted that since 2006, PWGSC has been implementing the National Project Management System to manage its projects. The system, based on the Project Management Institute Body of Knowledge, divides projects into three stages (inception, identification, delivery). Overall, we found that the project management practices we examined were generally sound.

#### **The Department places due importance on protecting heritage character**

**3.60** The heritage character of the Parliament buildings has deteriorated over the years, and some heritage elements have even been lost. Given the symbolic importance of the buildings, we examined whether heritage protection was taken into account in rehabilitation projects. We expected that PWGSC would have reliable information on the heritage values of the Hill's main buildings. This information would help ensure that the planned rehabilitation protects the heritage character of the buildings. We examined PWGSC planning documents on the heritage aspect of the West Block and the Library of Parliament. We also met with officials at PWGSC, the Federal Heritage Buildings Review Office (FHBRO), the Senate, the House of Commons, and the Library of Parliament.

**3.61** We found that in planning its rehabilitation projects, PWGSC places importance on the protection of the heritage character of the buildings. The Department has produced reports on building history and has developed planning documents to establish a basis for the rehabilitation work. The Department has access to internal experts and hires external specialists when needed.

**3.62** We also found that PWGSC consults regularly with FHBRO and has sent it a number of documents for comment. PWGSC takes these comments into account when planning its projects. FHBRO has commended the current West Block project for showing great respect for the heritage character of the building.

**3.63** PWGSC followed a similar consultation process during the rehabilitation of the Library of Parliament, a project that was considered a success. The work was well received by the Library of

Parliament administration and won domestic and international recognition for excellence in restoration and conservation of heritage buildings.

**The Department has a reasonable approach to collecting information on building conditions**



West Block—Water infiltration into main structures is eroding mortar.

**3.64** We expected that PWGSC would have a process to collect reliable information on the conditions of the main buildings. This information is essential for the day-to-day management of the buildings and for planning rehabilitation work. We examined the methodology PWGSC used to collect information on building conditions, the condition reports, and PWGSC activities and plans to gather further information to plan the West Block rehabilitation project.

**3.65** We found that since the late 1980s, when the condition of the buildings became a concern, PWGSC produced many reports on the condition of the Parliament buildings.

**3.66** PWGSC has used these reports to maintain the buildings and increase its knowledge of their operations as well as to ensure the health and safety of occupants. However, these reports alone will not be sufficient to guide the development of rehabilitation projects. Therefore, in planning the West Block rehabilitation, PWGSC has developed specific projects and strategies to increase its knowledge of the building conditions and of the construction techniques used to build it.

**3.67** For example, PWGSC is partnering with three universities to conduct seismic studies of the masonry of the West Block to ensure that the building will meet the seismic requirements introduced in the 2005 National Building Code of Canada.

**3.68** PWGSC also took on pilot rehabilitation projects of two towers of the West Block, some of the most deteriorated areas of the building. It has also initiated a monitoring program to better understand the movement of the stones in the walls.

**3.69** At the time of the audit, the Department had established a schedule for implementing the West Block project that will allow for gathering further information on the condition of the building as the project progresses. For example, the construction phase will begin with asbestos abatement and interior demolition. Department officials told us that this schedule will provide opportunities to further explore the condition of the building before moving on to the next phases. With this additional information, PWGSC aims to refine rehabilitation projects and reduce construction risk.

**A process is in place to collect information on client needs**

**3.70** The primary purpose of the buildings is to serve the operations of Parliament. We expected that, to fulfill this function, PWGSC would establish a process to obtain reliable information on the requirements of the main buildings' occupants as well as the needs for visitor services and security. This information would ensure that rehabilitated buildings will continue to serve their main occupants. We found that for approved projects, PWGSC has established a process that helps define user requirements and integrate them into rehabilitation projects. However, because of project interdependencies and the time frame of the long-term plan, interim solutions to meet some user requirements are sometimes necessary. The administration of the House of Commons has expressed concern that such interim solutions could become permanent and not meet operational requirements.

**3.71** The process begins with the parliamentary partners providing PWGSC with their overall requirements. PWGSC then considers how to meet those needs by conducting feasibility studies, analyzing options, and further developing the project. For example, in planning the delivery of the first stage of the rehabilitation of the West Block, when the building will be used as swing, or interim, space for the House of Commons chamber, the demand on the building space was divided among different groups of users and functions. PWGSC established with the administration of the House of Commons a process to ensure that the needs were defined for each user group and function while taking into account the relationships among them. At the time of the audit, most user requirements were defined, and the Department and the administration of the House of Commons were finalizing the rest. PWGSC officials informed us that this process was moving well. We noted that the administration of the House of Commons expressed concern that PWGSC is advancing the overall design without its formal sign off on all requirements.

**3.72** PWGSC also defined related projects to ensure that security, visitor services, and material handling would be available when the West Block houses the temporary chamber. At the time of the audit, the construction of a permanent facility for security and visitor services was being discussed, while a temporary solution using an existing facility had been projected for material handling. However, these proposed projects were only at a preliminary stage and required further discussions with the government. The administration of the House of Commons expressed concern that related projects were not fully developed, which could result in changes in the West Block project.

**3.73** Given the long duration of rehabilitation projects, the Department also identified the risk that user needs, or other factors such as technology, could change during the course of the project. The Department has therefore integrated this risk into its cost estimates.

### Impact on the environment is taken into account

**3.74** Protecting the environment is an important objective for the Department as well as for the parliamentary partners. We expected that PWGSC would have a process to take into account the impact of the rehabilitation projects on the environment. We examined environmental assessments and reports on environmental risks, such as the presence of asbestos and other **designated substances**, and the objectives that the Department has set to reduce the building's impact on the environment.

**Designated substances**—Substances prohibited or strictly controlled under provincial health and safety legislation because they may endanger the health and safety of workers.

**3.75** We found that PWGSC has commissioned studies to identify the presence of designated substances. Many substances are present in the West Block, but the full extent of contamination cannot be confirmed until the building is vacated. Officials told us that the plans for removing and disposing of these substances safely will be finalized at that time.

**3.76** We also found that, in keeping with its own policy, the Department has set objectives to reduce the impact of the building operations on the environment. In developing this aspect of the project, PWGSC is using the **Green Globes** guide for heritage buildings. The Department set a target to achieve Green Globes certification (70 percent level). At the time of the audit, the Department had integrated some environmental improvements in the project plan—such as applying measures to reduce energy and water consumption and using material with recycled content—while other methods were still under consideration. PWGSC was confident that the target could be achieved.

**Green Globes**—An environmental assessment, education, and rating system used in Canada and the US, and adopted by PWGSC in 2005, to assess and benchmark building environmental management, including heritage aspects.

### The Department has a costing methodology in place

**3.77** The rehabilitation of heritage structures is costly and difficult to forecast. Costing information enables the Department and the government to make decisions and monitor performance. We expected that PWGSC would have a process to produce reliable and timely costing information. We examined the methodology used by PWGSC to estimate costs, including costing reports. We also looked at the costing information PWGSC provided to the government. We have not assessed the accuracy of the cost estimates.

**3.78** We found that PWGSC has a costing methodology in place. The Department uses consulting firms specialized in construction costing to generate and update this information. It also consults with its own internal specialists. For the projects currently approved, PWGSC is updating its cost estimates every month to ensure that it is working with the most up-to-date information.

**3.79** We noted that PWGSC has adapted its costing methodology to match the way these projects are being funded by the government. For example, only \$55 million of the estimated cost of \$800 million for the rehabilitation of the West Block has been approved. Because full funding is uncertain, the Department has broken the project down into phases and time sequences to help it decide on whether to accelerate, slow down, or stop its implementation, depending on the level and timing of funding. The Department has had to estimate each phase in a manner that allows for these decisions.

**3.80** We also found that PWGSC has improved its costing methodology and estimates based on lessons from other projects. For instance, the Department has learned from other heritage projects that it must make a higher provision for contingency and risk because of the limited information available on building conditions. The Department estimates contingency allowance for heritage buildings at approximately 20 to 25 percent of the estimated construction costs, compared to 10 percent for new construction. The Department also has developed more accurate information on various project costs, such as its own management fees.

### **Rehabilitation projects benefit from lessons learned**

**3.81** Between 2002 and 2006, the Library of Parliament was the first Parliament building in over 40 years to undergo a major rehabilitation. The result has been recognized with numerous awards for outstanding work. Officials from the Library also told us that it met their expectations. We expected that PWGSC would have a mechanism in place to capture, and transfer to future projects, lessons learned from this project.

**3.82** We found that, where possible, expertise gained in the renovation, rehabilitation, and upgrade of the Library of Parliament is being used in planning the West Block project. For example, PWGSC learned how critical it was to ensure that clients fully participate in the planning and implementation of their projects. PWGSC currently provides funding to the House of Commons administration to help it hire experts to support the project. The decision-making structure

used for the Library project is also being applied to the House of Commons projects. PWGSC has also transferred several employees from the Library of Parliament project to the West Block project to assure continuity in practices. In our view, however, given the long-term nature of the building rehabilitation, PWGSC would benefit from a more comprehensive approach to capture and transfer lessons learned from projects.

## Conclusion

**3.83** The current governance framework is inadequate for guiding the overall rehabilitation of the Parliament buildings. In particular, it fragments decision making and accountability and prevents those involved from reaching consensus on priorities and committing resources to carry out long-term plans. The weaknesses in the governance framework result in delayed decisions and projects and contribute to increasing project costs and risks. The gaps in the framework, although identified as early as 1985, cannot be attributed to just one organization. We believe that unless these gaps are addressed, only limited progress can be made on the rehabilitation of the buildings.

**3.84** The rehabilitation projects on Parliament Hill are unique and complex. Public Works and Government Services Canada (PWGSC) has put in place generally sound project management practices to develop projects and seek approval once rehabilitation projects are supported by all parties. These practices take into account the heritage character of the buildings, their age and conditions, the needs of their users, and the protection of the environment. The Department has also developed a cost-estimating methodology that takes into account the risks of rehabilitation projects, and it updates this information regularly. Where possible, PWGSC has integrated lessons learned from the Library of Parliament project. Despite the project management practices in place, setting priorities and satisfying client requirements will remain difficult until the governance framework is addressed.

## About the Audit

All of the audit work in this chapter was conducted in accordance with the standards for assurance engagements set by the Canadian Institute of Chartered Accountants. While the Office adopts these standards as the minimum requirement for our audits, we also draw upon the standards and practices of other disciplines.

### Objectives

The overall audit objective was to determine whether Public Works and Government Services Canada (PWGSC) manages the project for the rehabilitation of the Parliament buildings using sound management practices that respect the heritage character of the buildings while meeting the needs of Parliament.

The sub-objectives were to determine whether

- PWGSC, within its mandate and in cooperation with the other involved entities, has put in place a sound governance framework for the overall rehabilitation project; and
- PWGSC has sound project management practices for the rehabilitation of the Parliament buildings.

### Scope and approach

The audit examined the governance framework for the rehabilitation of the Parliament buildings and the project management systems put in place by PWGSC. The audit focused on PWGSC's role in governing the rehabilitation of the buildings and on the project management processes it has put in place to draw lessons from the conservation, rehabilitation, and upgrade of the Library of Parliament, and to collect and produce information for planning the rehabilitation of the West Block.

We reviewed relevant documents provided by PWGSC on the two projects examined (the Library and the West Block) and on the implementation of the overall long-term vision and plan. We interviewed PWGSC management and officials involved in projects, and we visited many buildings on the Hill and associated support projects. We also interviewed officials in the administration of the Senate, the House of Commons, and the Library of Parliament, and in the Federal Heritage Buildings Review Office (Parks Canada Agency).

We did not conclude on specific issues regarding implementation, costing, or scheduling of the Library of Parliament project. The audit did not examine contracting activities.

### Criteria

Listed below are the criteria that were used to conduct this audit and their sources.

Criteria	Sources
We expected Public Works and Government Services Canada (PWGSC), to have, in cooperation with the other entities involved in the rehabilitation of the Parliament buildings, reached an agreement that establishes a sound governance framework for the overall project.	Policy on Management of Real Property, Treasury Board, 2006

Criteria	Sources
We expected PWGSC to have reliable information on the heritage values of the main buildings.	Policy on Management of Real Property, Treasury Board, 2006
We expected PWGSC to have reliable information on the physical conditions of the main buildings.	Policy on Investment Planning—Assets and Acquired Services, Treasury Board, 2007
We expected PWGSC to have reliable information on the requirements of the main buildings' tenants for space and services; the needs for visitor services and security.	Policy on Investment Planning—Assets and Acquired Services, Treasury Board, 2007
We expected PWGSC to have taken into account the impact of the rehabilitation projects on the environment.	Policy on Management of Real Property, Treasury Board, 2006
We expected PWGSC to have an adequate planning framework that includes priority determination criteria.	Policy on Investment Planning—Assets and Acquired Services, Treasury Board, 2007
We expected PWGSC to have reliable and timely costing information to support decision making and performance monitoring.	<ul style="list-style-type: none"> <li>• Project Management Policy, Treasury Board, 1994</li> <li>• Policy on Investment Planning—Assets and Acquired Services, Treasury Board, 2007</li> </ul>
We expected PWGSC to have a mechanism to manage the initiation, planning, execution, control, and closing of projects within a framework consistent with generally accepted practices.	Policy on the Management of Projects, Treasury Board, 2007
We expected PWGSC to have, from project inception, allocated authorities and adequate resources appropriate to the scope, complexity, and risk of the project.	Policy on the Management of Major Crown Projects, Treasury Board, 1994
We expected PWGSC to have carried out project evaluations and identified lessons learned.	Project Management Policy, Treasury Board, 1994

Management reviewed and accepted the suitability of the criteria used in the audit.

### Period covered by the audit

The audit covered the period between January and October 2009. However, some documents reviewed go back to 1988. The audit work for this chapter was substantially completed on 30 October 2009.

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## Appendix List of recommendations

The following is the recommendation found in Chapter 3. The number in front of the recommendation indicates the paragraph where it appears in the chapter. The numbers in parentheses indicate the paragraphs where the topic is discussed.

Recommendation	Response
<p><b>Governance</b></p> <p><b>3.56</b> The Minister of Public Works and Government Services Canada, in cooperation with and with the support of the speakers of the Senate and the House of Commons—and in concert with the Senate Standing Committee on Internal Economy, Budgets and Administration, and the Board of Internal Economy—should develop and propose mechanisms to ensure that responsibility and accountability for the Parliament buildings rest with the Senate and the House of Commons. (3.26–3.55)</p>	<p><b>Public Works and Government Services Canada’s response.</b> The governance challenges facing the Parliamentary Precinct are extremely complex and involve several organizations, including Public Works and Government Services Canada (PWGSC). The Department acknowledges the recommendation, which is broader than PWGSC and in fact the Government, and will, within its mandate and authorities, work with other stakeholders to strengthen governance.</p>



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