

From: [David Steele](#)
To: [Paul Hickey](#)
Subject: Muskrat Falls Oversight_Memo to File_16Dec2014.docx
Date: Friday, December 19, 2014 3:53:00 PM
Attachments: [Muskrat Falls Oversight Memo to File 16Dec2014.docx](#)

Paul,

Please see the attached memo to file regarding our assistance to the Government of NL's Muskrat Falls Oversight Committee. Please review for any errors or omissions. Thank you.

Dave

Memo to file
Muskrat Falls Oversight
December 16, 2014

Situation Overview

The Government of NL, Muskrat Falls Oversight Committee (SOW) has engaged EY as the Advisor. We entered into a Master Agreement with them as of October 31, 2014, whereby individual Statements of Work (SOW) detailing our services would be written into the Master Agreement.

As of the date of this memo, we have not formulated an SOW with the Committee, however one is in development and is planned to conduct a review of the Muskrat Falls Project's processes and controls related to cost, schedule, scope and risk management. This is expected to be executed in January/February of 2015.

The Government has committed to report on their oversight activities to cabinet and the public on a quarterly basis. In the interim period between our Master Agreement and the developing and eventual execution of the planned SOW, Government is in a reporting period, whereby it is planning to issue a report to the public on Dec 18.

In this report, EY is mentioned in its previous role (under a previous contract), as an advisor to the Committee when it developed the oversight protocol. This precedes a set of Terms of Reference that details the Committee's mandate.

EY obtained a copy of the draft report on Dec 17, 2014. EY reviewed the report, not in the capacity as the Advisor to the Committee, as an SOW has not been signed yet, but as to view how EY's name is used and at the request of the Committee's director," to identify if there are any major gaps".

EY reviewed a copy of the draft report on Dec 17, 2014. As we are not engaged under an SOW, we did not provide detailed feedback, but did notice the use of EY's name as noted above, and we did identify a significant issue with the report.

The Draft report contained a detailed terms of reference of the committee. EY knows that the committee has not developed processes, nor conducted the effort, to effectively meet the stated terms of reference. However, it is presented in the report, preceding the detailed report results, thereby posing a risk that a reader could falsely interpret that the terms of reference have been fully addressed and form the basis for the information in the report. We also note that the use of EY's name as the advisor who worked with the Committee to develop the terms of reference could be falsely interpreted as EY has continued to work with the Committee.

David Steele, EY Partner, proceeded to consult with the following Partners on this issue:

- Charles-Antoine St-Jean, Canadian GPS Public Sector Leader
- Paul Hickey, TAS Partner (St. John's market)

- Jim Lutes, Atlantic OMP

The consultations resulted in a consensus course of action

Call a meeting with the Clerk of the Executive Council for the Government of NL (also the Chair of the Committee) to discuss the issue noted and recommend a course of action to insert language to clarify the current status of engagement with EY and remove reference to EY in relation to its involvement in the terms of reference.

We met with and Julia Mullaley, Clerk of the Executive Council, and Craig Martin, Executive Director - Oversight Committee on Tuesday December 16, 2014.

The Clerk agreed to consider our recommendations:

- Government will remove reference to Ernst & Young on Page 3
- Government will add a section to the report (around page 23) that points to “Other Assurance Reviews” where they are going to detail the planned engagement with EY. As of now, it will state: “The Committee has engaged EY to undertake a review of the project controls for cost and schedule. This will include assessing the methods for calculating and reporting costs and schedule progress and assessing the completeness and accuracy of the information reported on cost and schedule.”

Current status

We are awaiting the release of the Report to identify whether the proposed edits have been made.