

From: [Richard Noble](#)
To: [David Steele](#)
Subject: High level summary of result of limiting project review scope.docx
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Attachments: [High level summary of result of limiting project review scope.docx](#)

High level summary attached.

- Aside from the obvious limitations in review scope, the issues basically comes down to:
 1. Scenario 1. Inability to assess cost and schedule processes and information provided (period)
 2. Scenario 2. Potential errors in our assessment of cost and schedule information provided
- In neither case is the OC in a position where it can fully rely on the Nalcor reporting and associated processes going forward
- In both cases, we would also then expect significant additional iterations with Nalcor on the report as we try to substantiate the findings... with possible delay of OC report and/or failure of OC to report
- Furthermore, the following notes apply:
 1. Quantitative Risk Management Information should also be proved to complete the Cost & Schedule picture in any scenario.
 2. Previous limitations in the data request meant we were already at bare bones and had assumed invoking "and any additional material deemed necessary". If the OC now does not get even the minimum we have before stated as being required... then this will not be an appropriate level of assessment and the OC will be quite exposed.

Rather than limit scope, the better route is to allay Nalcor's concerns at the commercial sensitivity of the findings/report by our ensuring a robust verification and report finalization process has been established and any additional provisions for information security and commercial sensitivity are put in place.

The EY team sincerely wishes to serve the OC and appreciates their offer to ensure appropriate caveats are in place.

However, the challenge remains that if the Nalcor project in the future announces significant cost and schedule overruns which were not caught by OC due to limitations in the work performed, both OC and EY will likely suffer reputational damage irrespective of any caveats appearing in the report.

Apologies, but if we (OC and EY) cave now... the OC's money will be poorly spent we'll be wearing this together going forward... And no one wants that.

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High level summary of result of limiting project review scope

	Scenario	Implication/Risks
1	We conduct a review of the Cost and Schedule Reporting with <u>no</u> access to evaluate Scope/ Change Management processes and <u>without</u> any access to Change Management logs	<ul style="list-style-type: none"> • Full reliance is placed on Nalcor IA’s audit of scope and change management • OC has no ability to cross reference scope and other project changes to differences in cost and schedule and reporting • As a result there is no ability to confirm accuracy or completeness of cost and schedule reporting • High likelihood of unduly negative findings without information to contradict the items identified as being issues/risks • Significant iterations with Nalcor on the OC report which may or may not result in conclusion • Delay in next OC report or failure to issue OC report
2	We conduct a review the Cost and Schedule Reporting with no access to evaluate Scope/ Change Management processes and BUT WITH access to Change Management logs (i.e. we get their list of items (DANS), etc... but we do not evaluate the process used to generate this list)	<ul style="list-style-type: none"> • Substantial reliance is still placed on Nalcor IA’s audit of scope and change management • OC Reviewers have limits to their understanding and interpretation of the change management information that is presented by Nalcor • Errors in interpretation lead to potential for both positive and negative errors in findings (We have already seen that changes impact cost and schedule measurement baselines used for calculations and reporting of progress) • This leads to lack of assurance on the Nalcor Cost & Schedule report and processes • Significant iterations with Nalcor on the OC report which may or may not result in conclusion • Delay in OC report or failure to issue OC report.
3	We conduct a review of the Cost and Schedule Reporting with full access to evaluate Scope/ Change Management processes and gain access to Change Management logs, etc.	<ul style="list-style-type: none"> • The reviewers complete the work and are able to provide assurance with regard to: <ul style="list-style-type: none"> ○ Scope, Change, Cost & Schedule Management Processes ○ Cost & Schedule Reporting Processes ○ Specific issues and risks with respect to reported progress • The OC report is completed on time and any disagreement with Nalcor are resolved based on appropriate facts

Note: Any of the three scenarios need to have Quantitative Risk Information in order to be able to assess the full cost and schedule reports and forecasts.