

**From:** [Richard Noble](#)  
**To:** [David Steele](#)  
**Cc:** [Paul Hickey](#)  
**Subject:** EY Recommendations to the Muskrat Falls OC.docx  
**Date:** Thursday, January 22, 2015 3:07:22 PM  
**Attachments:** [EY Recommendations to the Muskrat Falls OC.docx](#)

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Dear David,

Appreciate this is difficult to navigate. I have added in some clarifications and changes.

I would **not** give a straight “recommend to proceed” with option 2 and have made it clearly conditional that OC accepts the risk and that we would have to clearly state the limitations of the work and risk to the OC in the report.

We have never... repeat never... been refused access to change logs and risk registers and related process information in any major project review I have conducted over the last 16 years. And this includes reports on projects whose sensitivity and results materially impacted their Market Capitalization in the many \$billions.

Per Ed Bush, their project controls manager... we’re only asking for the information that he himself would request. It is really standard information.

We would not need to report on the risk or scope processes... as such, we do not need to duplicate IA’s work... but we need the change and risk information to validly assess cost and schedule reporting.

Apologies for sounding like a rusty record...

Richard

**Muskrat Falls Oversight Committee****Scope of work discussion and EY recommendation****January 2015****Review Objective:**

- Assess the completeness and accuracy of the Cost and Schedule information being reported to the OC
- Assess the Methodology for calculating and reporting costs and schedule

**Rationale for recommending this as an initial scope of work:**

- A. Level of information provided to the OC on a monthly/ quarterly basis does not provide the ability to independently assess cost and schedule performance.
- B. A scope of work that focuses the interrelated processes of Cost, Schedule, Scope and Risk management would provide an underlying foundation for relying on the summary information reported to the OC (i.e. that the processes used to generate that information are designed effectively and are operating effectively to report complete and accurate information to the OC).

Without either the an increased level of periodic information supplied to the OC (A) or the performance of the proposed Scope of work (B), the OC has limited ability to rely on the information reported and independently report on cost and schedule performance.

**Scope details:**

- Assess the processes and methodology for calculating and reporting costs and schedule
- Confirm the completeness and accuracy of the cost and schedule information reported to the OC (current and forecast)

**General Limitation on scope:**

The estimating and cost baseline process will not be assessed, as this would have been satisfied as the result of the DG3 approval process and approval of the June 30, 2014 update.

## Possible Scope Variations and recommendations:

Scope Variations	1	2	3
Summary Scope Statement	Review of the Cost and Schedule Processes and Reporting with Scope/ Change Management processes as a scope exclusion (and without any access to relevant change management logs)  <u>RISK Process/DATA???</u>	Review the Cost and Schedule Processes and Reporting with Scope/ Change Management processes as a scope exclusion (however, provided access to relevant change management logs - i.e. we get their list of items (DANS), etc... but we do not evaluate the Scope/Change management processes used to generate the lists); <u>RISK Process/ DATA???</u>	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, <u>as well as risk management processes, registers and reporting.</u>
Limitations/ risks	<ul style="list-style-type: none"> <li>OC has no ability to cross reference scope and other project changes to cost and schedule and reporting</li> <li>Full reliance is placed on Nalcor IA's audit of scope and change management <ul style="list-style-type: none"> <li>IA scope provided focuses on methodology/ processes maturity, and does not appear to link to cost and schedule <u>management processes and reporting accuracy or completeness</u></li> </ul> </li> <li>As a result there is no ability to confirm accuracy or completeness of cost and schedule reporting</li> <li>Higher likelihood of reviewers not obtaining a sufficient understanding to adequately assess cost and schedule processes</li> <li>Risk of report dispute and/or iterations with Nalcor which may result report issuance delays or limitations</li> </ul>	<ul style="list-style-type: none"> <li>OC has ability to cross reference scope and other project changes to cost and schedule and reporting <ul style="list-style-type: none"> <li>However, there will be limited ability to understand and interpret the change management information</li> </ul> </li> <li>Substantial reliance is still placed on Nalcor IA's audit of scope and change management</li> <li>Limitations on ability to confirm accuracy or completeness of cost and schedule reporting (inability to assess the processes that produce the logs <u>and define the content and status of the data included in the logs (e.g. approved or pending changes)</u>)</li> <li>Likelihood of reviewers not obtaining a sufficient understanding to adequately assess cost and schedule processes <u>or reported status and forecasts.</u></li> <li>Risk of report dispute and/or iterations with Nalcor which may result report issuance delays or <u>further</u> limitations</li> </ul>	<ul style="list-style-type: none"> <li>No <u>significant</u> scope limitations or risks noted</li> <li>Reporting risk still present: Risk of report dispute and/or iterations with Nalcor which may result report issuance delays or limitations.</li> <li>However, this should be mitigated by transparent fact based resolution</li> </ul>
Recommendation	Delay - wait to finalize scope of work once IA reporting is performed and reviewed and considered by the OC	<u>Only proceed to perform this scope of work, if the work and reporting limitations noted are acceptable and sufficient time/budget is available for iterations with Nalcor.</u> Conduct a Phase II scope of work (upon review of the IA report) to bridge noted scope limitations)	<u>Proceed to perform this scope to achieve review objectives.</u>

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