

From: [Martin, Craig](#)
To: [Richard Noble](#)
Cc: [David Steele](#)
Subject: Internal Audit and EY Proposed Scopes
Date: Friday, February 13, 2015 9:13:48 AM
Attachments: [PROJECT CONTROLS AUDIT OBJECTIVES SCOPE \(3\).pdf](#)
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Richard,

Think you already have these, but here is the info for this morning's meeting.

Craig

Craig Martin, CPA, CMA

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Muskrat Falls Oversight Committee

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**Internal Audit – LCP Project Controls
Audit Objectives & Scope
Project # 14-16**

Line of Business	Lower Churchill Project
Department	Project Controls
Audit	Project Controls Process Audit
Audit Risk Level	Medium
Person Responsible	Anthony Embury – LCP Project Controls Manager
Supervisor	Ron Power
Auditors	Doug Woodford/Alison Ball

AUDIT OBJECTIVES

The objectives of this audit are as follows:

1. To ensure that the Project Controls Function has an adequate control environment that includes a charter, written policies and procedures, personnel have appropriate skills and training, and the function has proper performance measures in place to demonstrate their effectiveness.

2. To examine the LCP Project Controls Policies and Procedures to determine if appropriate controls exist surrounding the various functions and to ensure they comply with best practices.

AUDIT SCOPE

The scope will involve reviewing the following areas within the Project Controls Function:

- a) Work Breakdown Structure
- b) Cost Control
- c) Planning and Scheduling
- d) Progress and Performance Measurement

e) Communications Plan and Reporting

The estimating and cost baseline process will not be examined as this would have been satisfied as a result of the DG3 approval process. The project closeout will also be deferred until the pertinent management plans are available for review.

The management plans to be examined are as follows:

- a) Project Controls Management Plan (LCP-PT-MD-0000-PC-PL-0001-01)
- b) Project Work Breakdown Structure and Code of Accounts (LCP-PT-MD-0000-PC-LS-0001-01)
- c) Other documents as deemed necessary

The following sources will be reviewed when considering compliance with best practices:

- a) Project Management Body of Knowledge (PMBOK) - Third Edition, Project Management Institute
- b) The Practitioner's Blueprint to Construction Auditing, Ron Risner, The IIA Research Foundation
- c) Internal Control - Integrated Framework, COSO, May 2013
- d) Other sources that are deemed appropriate."

The scope of this audit will not include testing of compliance of the Project Controls team with the various related management plans. This will form part of the scope of a subsequent audit.

Muskrat Falls Oversight Committee
Review of Project Controls for Cost and Schedule
Proposed Scope of work
January 2015

This Scope of Work, dated _____ (this “SOW”), is made by the Government of Newfoundland and Labrador and the firm of Ernst & Young LLP (“EY” or the “Consultant”) pursuant to the Agreement, dated October 31, 2014 between HER MAJESTY IN RIGHT OF NEWFOUNDLAND AND LABRADOR as represented by the Executive Council and EY.”

Scope of Work:

Conduct a review of project management processes and reporting mechanisms for Cost and Schedule.

Background/ objective

The Muskrat Falls Oversight Committee is accountable to Cabinet for providing reliable and transparent oversight on the cost and schedule performance of the Muskrat Falls Project. The Oversight Committee is relying on the summary Cost and Schedule information produced by Nalcor in performing this function.

The objective of this review is to assess the Cost and Schedule management processes and controls at the Muskrat Falls Project against leading practices and standards in project management and control and will be tailored to the Muskrat Falls project and the requirements of the Oversight Committee. This will provide the Oversight Committee with an assessment of the Cost and Schedule management processes and controls, and the completeness and quality of Cost and Schedule information being provided to the Oversight Committee by Nalcor.

Scope details:

- Perform an assessment of Cost and Schedule management processes and controls, and related reporting
- Assess methodology for calculating and reporting Cost and Schedule

Scope exclusions:

- The estimating and cost baseline process will not be assessed. This would have been satisfied as the result of the DG approval processes (DG2 having been reviewed by MHI Consulting and DG3 having been reviewed by the Independent Engineer) and the approval of the narrow scope cost adjustments in the June 30, 2014 update.
- This scope will not include a review of the Scope (Change Management) and Risk Management processes or the completeness and accuracy of the logs/registers generated. Nalcor’s Internal Audit Department is currently completing reviews of these processes. The Internal audit reports will be made available to Committee representatives when completed for review for reliance purposes.
 - The scope of the consultant’s work will require access to logs/ registers relating to Scope (Change Management) and Risk Management for the purposes of evaluating management processes and controls with respect to Cost and Schedule forecasting and reporting.

- The services described in this scope of work are advisory in nature and will report on the Cost and Schedule management processes and controls, and related reporting. The Consultant will not render an assurance report or opinion under the scope of work, nor will the Services constitute an audit, review, examination, or other form of attestation as those terms are defined by the American Institute of Certified Public Accountants or the Canadian Institute of Chartered Accountants. The scope of work will not constitute any legal opinion or legal advice. The Consultant will not conduct a review to detect fraud or illegal acts.

Signed:

Name: _____

Ernst & Young

Name: _____

Government of Newfoundland and Labrador