

From: [David Steele](#)
To: [Martin, Craig](#)
Bcc: [Richard Noble](#); [Paul Hickey](#)
Subject: Update before I head off on vacation
Date: Friday, March 6, 2015 3:03:00 PM

Hi Craig,

Thanks for working with us through scoping discussions for the contemplated SOW to conduct a review of the Cost and Schedule Management and Reporting for the Muskrat Falls Project. We are set up and Emiliano will be onsite with Nalcor IA next week. As mentioned, please contact Richard as the prime executive contact in my absence until the March 19th. Also consider Paul Hickey as a secondary executive level contact.

Also, I've consulted with our team on the matters regarding scope and coverage.... The same matters you and I have been discussing. Our understanding and recommendation are as follows.

We believe there is an inherent limitation to the scope of the review as currently contemplated. In order for the Oversight Committee to meet its objectives of assessing the completeness and accuracy of cost and schedule information being reported to them, a review connecting the key elements of the Project's Risk and Scope Management processes to the Cost and Schedule reporting/ processes needs to be completed. Nalcor IA have conducted audits of Risk and Scope Management and issued Draft reports which have not yet been supplied to the Committee. There are inherent limitations of reviewing separate components of Project Management and Controls by separate groups, as such processes are inextricably linked. In addition, from a preliminary review by EY of Nalcor's IA planning documentation for their Risk Management audit, we believe there are gaps in coverage between what they are doing vs what the current scope contemplated or EY's review. This will limit the value provided to the Committee and the ability to meet its objectives at this time.

I understand that the Committee has accepted this limitation at this point in time, as there is current momentum and acceptance by Nalcor for EY to begin work, and that there will soon be an opportunity to assess gaps in coverage between the work EY will conduct for the Committee and the work Nalcor IA has completed.

Given this, our recommendation is for the Committee to identify and assess the gaps in coverage in the near term (1-2 months). IA reports are currently completed in draft and there should be a reasonable expectation to move them to a final state in a timely manner to get them into the Committee's hands. Once the identified gaps in coverage identified, a review/audit should be conducted to close the gaps, and the Committee will then be in a better position to assess the completeness and accuracy of cost and schedule information reported. Timeliness will be key, as the process components (IA conducted, EY to be conducted in March/April, GAPS to be assessed in the future) will all done at separate points in time, and it will not take much time before the results become stale and out of sync, preventing the Committee from getting the full picture required to meet its objectives. Given this, some procedures to bridge the time lapse should also be considered as part of the gap assessment. Extent will be determined by how much time elapses.

I will be glad to discuss further with you when I get back. If you want to discuss before then, please reach out to Richard.

Thanks Craig,
Dave

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