

From: [David Steele](#)
To: [Martin, Craig](#)
Subject: OC Objectives and Role_v1.docx
Date: Tuesday, May 27, 2014 8:34:27 PM
Attachments: [OC Objectives and Role v1.docx](#)

Hello Craig,

Attached is a document that was built around the points you supplied in our last meeting. It is truly a draft on top of a draft, but I am sure it will help provoke additional thought and serve a good basis for our conversation tomorrow. We will see you at our office. Thanks Craig.

Regards,
Dave

A. Key Risks or Public Concerns:

There are essentially three main concerns expressed by the Public at this time:

1. Is the project on schedule?
2. Is the project going to be delivered within budget?

The Oversight Committee (the “Committee”) of the Government of Newfoundland and Labrador has been structured to address the above noted key risks/ concerns associated with the Lower Churchill Project (“LCP”).

Out of Scope Risk/ Concern for the Committee (at this time):

3. Will the project deliver on intended benefits?

B. Committee’s objectives: The objectives of the Oversight Committee are to (a) provide reliable and transparent oversight on the cost and schedule performance of the LCP and to; (b) establish an effective communication channel to Cabinet and to the general public for the purpose of assuring the general public, Opposition parties and other groups that the Government of Newfoundland and Labrador is providing appropriate Oversight to the LCP.

C. Committee’s Accountability/ Responsibility (Craig, two very different things... lets discuss further tomorrow)

Accountable – accountable to Cabinet and Public, to report independently on its Oversight of the LCP cost and schedule performance, including the adequacy and effectiveness of related management assurance mechanisms/ functions

Responsibilities include:

- Review and analysis of LCP and other party supplied information
- Formulate assessment of cost and schedule performance and related management controls

- Liaise with and obtain input from LCP and Nalcor Senior management through reporting process
- Produce periodic reports to Cabinet and the general public

Responsibilities do not include:

- Verification of data provided by the project (not an intended role from the outset)
- Participation in management of the LCP

D. **Assurance and reliance principles:** There are a number of assurance functions (Program Controls, Internal Audit, and External Audit) and other parties (IE) in place (lines of defence) that will assess the design and operation of processes and internal controls for the LCP. Those processes and controls will influence the accuracy and reliability of information being produced by the project.

- **The Committee does not intend to perform a role in project assurance.** The intention is for the Committee to rely on the information produced by the project and consider the assessment reports produced by the assurance functions and other parties.
- **The Committee will review the appropriateness and effectiveness (strategy, expertise, program plan) of those assurance functions** to assess the Committee's ability to rely on the detailed information provided and reported by LCP.
- **Other parties (IE) reports will be collected and relied on where possible.** Given that some reports may not be intended for the use of the Government of Newfoundland's purposes, a risk assessment/ determination will be made and documented to justify Government's planned reliance on such reports.

Appendix A - Relation between oversight committee’s objectives and the information requested from Nalcor

OC Objective	Key Criteria	Information Required
To oversee project schedule performance	<ul style="list-style-type: none"> • Are the management processes and controls effective in managing the schedule? • What measures are being taken to address existing variances in schedule performance? • Are schedule risks being sufficiently identified and addressed? • Is there adequate contingency in place to address the outstanding schedule risks? • Are the schedule forecasts accurately projected? • How does schedule performance and forecast compare with the baseline? • Does the project assurance mechanism adequately address schedule risks? 	<ul style="list-style-type: none"> a. Project Monthly Report b. Construction Report (if different from above) c. Baseline schedule with assumptions and any updates d. Updated Gantt Charts (at level 1 to 4) including with critical path, baseline, float, % complete, actual/forecast start, actual/forecast end date, SPI e. Schedule milestone report showing Baseline Finish, Actual/Forecast Finish, Schedule Performance Index, Variance f. Performance graph showing schedule performance, trend and forecast end date g. Top 10 Critical Path Items and +Float h. Predecessor/Successor report (if used) i. Resource profiles and graphs/histograms (planned versus actual/forecast) j. Variance analysis and management corrective action (at individual line item level) k. Risk Management Plan and Schedule Risk Analysis l. Project Risk Register m. Project Assurance Plan and Reports
To oversee project cost performance	<ul style="list-style-type: none"> • Are the management processes and controls effective in managing the cost? • What measures are being taken to address existing variances in cost performance? • Are the financial draws aligned with the funds expended on the project? • Are cost risks being sufficiently identified and addressed? 	<ul style="list-style-type: none"> a. Project Monthly Report b. Construction Report (if different from above) c. Baseline Budget with Basis of Estimate d. Cost reporting showing: Cost Performance Index (CPI), Budget (Baseline, Change Approved, Change Pending, In Period), Actuals (Incurred -In Period, Cumulative), Estimate To Complete (ETC), Estimate at Complete (EAC), Variance –

	<ul style="list-style-type: none"> • Is there adequate contingency in place to address the outstanding project risks? • Are the cost forecasts accurately projected? • How does cost performance and forecast compare with the baseline? • Are the cashflow forecasts adequately reflecting the project's funding requirements? • Does the project assurance mechanism adequately address cost risks? 	<p>Period and Cumulative</p> <ul style="list-style-type: none"> e. Contingency draw log, report of planned vs. consumed contingency f. Performance Graphs showing performance, trend and forecast g. If available, To Complete CPI (TCPI) and Independent Estimate At Complete (IEAC) h. Project/Contract level cost reporting as above but including: original commitments, approved changes, pending changes, revised commitments, invoiced to date, paid to date, percentage complete i. Rolling cash flow (TBD Period) – planned versus actual j. Log for tracking funding draws <ul style="list-style-type: none"> a. Analysis and management corrective actions for variance at the individual line item level b. Change order log c. Risk Management Plan d. Project Risk Register e. Project Assurance Plan and Reports
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Appendix B – Additional project background information required from Nalcor

1. Project WBC structure and dictionary
2. Project policies and procedures including the Project Management Plan
3. Project execution plan
4. Project Contracting Strategy

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Appendix C – Information Description (Illustrative for discussion purposes)

OC Mandate	Information Required	Description & Use
Is the Project on schedule?	a. Project Monthly Report	Typically includes summaries of key metrics for Health & Safety, Environment, Community/Stakeholder, Scope & Changes, Cost, Schedule, Resource Profiles, Quality, Risk and Contract reports Provides baseline of management’s own assessment of metrics, progress and performance for OC to test
	b. Construction Report (if different from above)	Can be similar material targeted at specifics of construction phase where the largest rate of spend occurs. Tends to add in construction specifics including field changes, quantities, contract performance, claims all contributing to cost and schedule risks
	c. Basis of Schedule, assumptions and any updates	Provides details of the key drivers and metrics underpinning the planning and forecasted schedules Provides early indication of poor planning, likely Schedule Challenges and allows us to understand / prioritize findings and recommendations
	d. Updated Gantt Charts (at level 1 to 4) including with critical path, baseline, float, % complete, actual/forecast start, actual/forecast end date (a full spec of configuration of the report type will be forwarded)	Gantt charts are the key schedule tool on any project. The information requested is conventional data contained within the scheduling tools (we believe Nalcor is using Primavera) They show not only the original plans, duration and critical path ... but should contain the updates and revised forecasts. The lower the level of detail we see, the better our ability to analyze and intercept not only delays... but also issues in the quality of the planning performed Each item of data requested provides added visibility into performance and issues.
	e. Schedule milestone report showing Baseline Finish, Actual/Forecast Finish, Variance	This is a summary of the critical activities/completions on which management focuses.

OC Mandate	Information Required	Description & Use
		<p>These should be set in stone and a culture of hitting them.</p> <p>The specific data we have requested will indicate not only what the</p>
	<p>f. Schedule Performance Index, graph showing schedule performance, trend and forecast</p>	<p>Schedule performance index illustrates “What percentage of the value of work we had planned to do, have we actually finished”. It is a key indicator of the performance of the project and a decent predictor of future required performance.</p> <p>Showing a graph of how this varies over time also indicates whether management is addressing its schedule performance issues.</p>
	<p>g. Top 10 Critical Path Items and +Float</p>	<p>Strictly speaking, there should be just one formal critical path... this is the longest chain of activities through to completion NOT the necessarily “the most important/biggest activities”</p> <p>While the critical path is important... knowing the overall schedule performance (see above) and what are the other next 10 or so critical chains, allows management to focus</p>
	<p>h. Schedule specification used to guide teams in the creation of schedule</p>	<p>A schedule specification provides standards and guidance to all those involved in creating schedules on the project.</p> <p>This is essential when you have multiple entities under multiple contracts producing schedules that have to be integrated.</p> <p>Without the schedule specification, schedules can become an uncontrollable mess.</p> <p>For our review, this would provide a basis for our assessing the overall quality of the schedules in use</p>
	<p>i. Predecessor/Successor report (if used)</p>	<p>Some project capture the key predecessors and successor relationships between contracts, tasks and activities in a separate report, for management. This becomes a key to integrating and coordinating the various packages of work.</p>

OC Mandate	Information Required	Description & Use
		<p>We would use it to identify/verify schedule risks and variance from plan</p>
	<p>j. Resource profiles and graphs/histograms (planned versus actual/forecast)</p>	<p>Resource histograms show the planned and actual and forecast resources for the program</p> <p>Human Resources generally determine the pace of a program... they also start to impact indirect costs (camp, equipment etc) when profile changes from plan.</p> <p>They should also reconcile to the forecast costs.</p> <p>As such they are a secondary observer on the accuracy of plans and estimates as well on hidden delays and cost overruns</p>
	<p>k. Variance analysis and management corrective action (at individual line item level)</p>	<p>Variances are departure from the original plan</p> <p>Variance analysis and management are techniques employed by the team to pull the project variance back on track and/or justify changes in the program including consumption of contingency.</p>
	<p>l. Risk Management Plan and Schedule Risk Analysis</p>	<p>Risk Management Process include Identification, Analysis (including quantification), Management Response Planning (including mitigation costs and contingency allocations), deployment of above (including respective plans.</p> <p>Quantitative Schedule Risk Analysis is typically also performed on projects of this scale.</p> <p>We would review both content, the adequacy of analysis and would also use this as a basis of directing areas of details study.</p> <p>Content from this would also assist in schedule analysis including the adequacy of float in the schedule.</p>