

From: jamesmeaney@lowerchurchillproject.ca
To: [Martin, Craig](#)
Cc: shewalsh@deloitte.ca; [Steve Pellerin](#)
Subject: Deloitte's Additional Procedures Draft Report
Date: Saturday, March 28, 2015 2:45:13 PM
Attachments: [.png](#)
[LCP Special Report - Oversight Committee DRAFT.pdf](#)

Hi Craig

Please find attached a draft of Deloitte's report on the additional procedures requested by the OC as part of the 2014 YE audit. It has been reviewed internally by Nalcor and we are satisfied it appropriately addresses the requirements of the July 31 2014 letter. It is also in the process of going through some final QA within Deloitte, but in the interest of time wanted to get you this draft for review. Our objective would be to have it, along with the LCP Combined YE 2014 financial statements, issued this coming week in order to meet the timeline indicated in the recently issued OC report. If you have any questions or comments by all means let us know.

Regards

Jim

James Meaney

General Manager Finance

PROJECT DELIVERY TEAM

Lower Churchill Project

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March XX, 2015

Mr. Derrick Sturge, FCA, CMA
Chief Financial Officer
Nalcor Energy
P.O. Box 12400
St. John's, NL A1B 4K7

Dear Mr. Sturge:

Deloitte LLP ("Deloitte" or "we" or "us") has been engaged to provide assistance to the Lower Churchill Project (the "Project"), which includes Muskrat Falls Corporation, Labrador Transmission Corporation, Labrador-Island Link Limited Partnership and Lower Churchill Management Corporation (hereinafter referred to as the "Companies"), for completion of specified procedures on the capital expenditures of the Companies for the year ended December 31, 2014, as per the letter from the Government of Newfoundland and Labrador Muskrat Falls Oversight Committee dated July 31, 2014 and our engagement letter dated March 26, 2015.

During the course of our audit for the year ended December 31, 2014, we selected a sample of 225 capital expenditures recorded in the Companies' accounts. For each sample selected, we tested the validity of the capital expenditure by verifying that the amount recorded agrees to supporting documentation in the form of supplier invoice.

We have performed the following additional audit procedures specified by you:

- Compared all samples selected as part of the year end audit to the approved capital budget for the Companies to ensure each expenditure is an approved budget item by performing the following procedures:
 - For each selection, obtained the total expenditures incurred for the respective contract to the date of the invoice selection and compared the balance to the commitment amount for the respective contract and ensured the amount billed to date did not exceed the commitment amount; and
 - For each selection, compared the commitment amount to the budget amount for the respective contract included in the Authorization for Expenditure approved by the Boards of Directors of the Companies in June 2014 and ensured the commitment amount did not exceed the budget amount.
- We obtained an understanding of the methodology used by the Companies to record internal shared costs and allocations to the Project.
- For each sample selected, we verified that the expenditure was allocated to the Projects in accordance with the Companies' methodology and is consistent with the appropriate standards under International Financial Reporting Standards.

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As a result of applying the above procedures, we found no exceptions. However, these procedures do not constitute an audit with the objective of expressing a separate opinion regarding the subject financial information and accordingly, we do not express an opinion on such information.

We appreciate the opportunity to be of service to you and would be more than happy to discuss our findings with you at your convenience.

Yours very truly,

Chartered Professional Accountants

DRAFT