

Capital projects

Providing assurance over effective delivery of projects





Major projects are exposed to significant risk throughout their life cycle from initiation through contractor selection and construction, to completion and integration.

There are three main interdependent constraints for all projects. These are time, cost and scope. If a project gets off track early in its life cycle, it may overrun its budgets, miss its planned completion date and possibly end up in expensive and time consuming arbitration or litigation.

Although such risks exist, they should not become barriers to successful delivery.

Our capital projects service provides the experience and expertise needed to address these control issues and significantly improve the prospects of a successful outcome.

Projects which tick all the boxes in terms of paperwork can still fail to deliver.

Surveys of major projects demonstrate that over 30% of projects are unlikely to achieve their objectives on time and within budget.

Our approach

We provide a range of capital projects services including:

Governance and risk management	Performance
<ul style="list-style-type: none">• Governance arrangements• Project risk management• On-going assurance over management and reporting of the project	<ul style="list-style-type: none">• Project accounting and reporting• Construction cost monitoring• Project supply chain and management of contractors• Verification of milestone achievement and payment certificates

Our approach is scalable and is designed to provide independent assurance around project control systems. It reflects our experience of capital projects for leading organisations across a range of sectors.

The key stages of our approach are:



- Initial assessment of control systems in place for managing the project, including the overall project management approach, people and contractors involved
- Assess and prioritise major risks and mitigating controls based on project risk and success factors
- Discuss and agree detailed approach with client and project team



- Advice on establishing effective governance, risk and control arrangements
- Continuous assurance throughout the project life, by adopting a 'critical friend' role
- Compliance audits around project management and reporting
- Review control effectiveness of key processes such as cost accounting, forecasting, supply chain and payroll
- Identify and address major risks to the integrity and accuracy of costs such as:
 - pay application processing and approval
 - change order management
 - work oversight controls including quality inspection
 - interface of cost ledgers with planning and control systems
 - materials/equipment usage and cost
 - labour usage and pricing
- Monitor and test payment applications for compliance with the contract
- Project close out audits, including establishment of final payment amounts



- Independent assurance around project control systems, with recommendations and suggestions for improvement
- Improved clarity around payments to and relationships with key contractors
- Highlight potential risks as they emerge, assisting the project manager and project board in avoiding mistakes

Project risk and success factors

In our experience successful projects have to consider a variety of different aspects. Our approach enables you to provide positive responses to the following key questions.

Project management

Is the project management team strong and empowered to deliver?

Has sufficient resource been committed to the project throughout its life?

Have project risks and uncertainty been accounted for in plans and budgets?

Governance and oversight

Have clear lines of accountability and ownership been established?

Do the right people hold the authority to initiate the project, change the scope and resolve issues?

Is the project fully and actively supported by the senior management team, and championed by the head of business unit affected?

Are significant risks reported to the project board?

Project control

Do you have sufficient clarity around all aspects of anticipated project cost?

Are budgetary controls sufficiently robust to identify and address cost issues as they arise?

Are appropriate accounting records being maintained?

Are there strong preventative and detective controls around costs incurred?

Contractor management

Is there robust oversight and transparency around delivery and performance?

Do you have assurance that contractor cost forecasts and payment applications are accurate?

Do you have clarity around the role of key contractors and their impact on the project?

Are project dependencies actively discussed with third parties?

Scope and change

Is the business case clear, compelling and easily articulated?

Does the scope support the business case and has it been clearly communicated and understood at all levels?

Are there suitable mechanisms for managing change, including recognising and controlling the impact on time and cost?

Delivery

Are work plans in sufficient detail to satisfy stakeholders, delivery teams and dependants?

Do delivery plans have contingency built in?

Is there sufficient detail to show project progress against a baseline?

Are assumptions and dependencies being actively managed?

Reporting and communication

Do project dashboards provide sufficient information on progress milestones, spend, risks and issues?

Are gate/stage reviews sufficiently robust to provide assurance that the project is on track to deliver to the business case?

Are all available channels of communication used to maximise the probability of success?



Selected case studies



Case study

Global energy infrastructure group

Over the last two years we have introduced our capital projects specialists to support in a variety of reviews. These included:

- the establishment of an asset life extension project with a projected £1-2 billion spend over the next 25 years
- a review of the project management process to control the annual £40 million maintenance spend
- a gap analysis of change management processes to assess whether they are in line with good practice
- supporting the implementation of SAP including its impact on maintenance strategy, delivery and inventory processes.

What we did

We have supported our client in a variety of ways across most elements of project assurance. This has included detailed reviews of project documentation such as resource plans, business cases, cost analysis, modelling, reporting, risk logs and interdependencies. We also held discussions with, and provided support to project sponsors, project managers, business owners, project team members and suppliers.

The value we added

We provided assurance to the business that their projects have been properly established and are being effectively managed, providing timely advice on issues which could impact successful delivery in terms of cost, scope and timing.

For example, on one major project we identified at an early stage that there was a lack of clarity around the scope with no common understanding of the project's boundaries, timescale or objectives. Our early intervention enabled this to be addressed and the project to be established on a sound basis. We were also instrumental in establishing an appropriate governance structure around this project, separating it from the direct control of the executive management team.



Global metals and mining group

Our client had established a major construction project to build a series of mining assets and related infrastructure, with an overall project cost of \$1.5 billion. We have supported them since 2010 with the ongoing monitoring and testing of construction project controls.

What we did

We performed a detailed project control assessment covering control environment, project management approach, key staff involved and contracts used. This facilitated a full construction project risk assessment and enabled the development of regular project control monitoring plans.

We placed and supervised a full time controls monitoring specialist at the construction site to perform the procedures defined in the plan. This included a detailed contract compliance review of major contracts, mapping of information flow between multiple systems to confirm data was properly reconciled, and interrogation and analysis of construction data.

The value we added

We provided ongoing assurance around the effectiveness and accuracy of project budgets, forecasts and reported costs. Specifically, we:

- confirmed the Engineering, Procurement, and Construction Management (EPCM) contractor was following the Execution Plan
- provided recommendations for improvement to address weaknesses in construction accounting and project controls, including development of a system to track and report remediation
- introduced an ‘audit once, satisfy many’ approach to support other compliance and assurance efforts, leading to cost efficiencies and reduced burden on project management
- performed fraud risk assessment and payroll IT controls reviews to address specific issues identified.

Global engineering and construction group

Our client had contracted with a third party to provide M&E services on a £50 million construction project on a cost plus basis. While the work was progressing positively, a lack of clarity around contract pricing had led to disputes around costs incurred. We were asked to provide independent assurance around the accuracy of these costs.

What we did

We interrogated the full cost ledger and billing schedules to identify and focus our effort on those areas where contract pricing was unclear, such as overtime and allowances paid to labourers and indirect overhead costs. We confirmed the accuracy of these costs by reconciling them to the contractor’s accounts and cash book, as well as reviewing labour sheets and contract terms to confirm entitlement to overtime and allowances. We also reviewed the approach to calculating overheads and validated costs incurred based on applying their methodology to the underlying raw data.

The value we added

We identified a number of costs which could not be supported, achieving cost recoveries for our client at a multiple of our fees. Our work enabled the project cost certificate to be agreed on a timely basis and was instrumental in continuing good relations between both parties.

Why Grant Thornton?

Commercially minded and risk focused, our team offers a leading combination of quality, expertise and value. We work in partnership with you to deliver incisive, value-adding results. Our team features experienced audit and risk experts, who have held senior positions in leading organisations.

We have extensive resources in the UK with a dedicated team of over 350 risk and assurance specialists. We have global reach across over 130 countries, with 50,000 professionals around the world, 2,500 of which are dedicated to our Business Risk Services. Our services include:

- A dedicated team of capital project and controls specialists providing a high quality and cost effective solution
- Project professionals who have extensive experience of successful delivery
- An approach supported by data interrogation and analysis
- A global presence and ability to draw on resources in all key territories

Who should I contact for assistance?

To understand more about our capital project assurance services or a wider range of our consulting services, please contact:



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