



EXPRO National Manual for Projects Management

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Project Cost Control Introduction Guideline



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1.0 PURPOSE

The purpose of the Cost Control chapter is to provide the Entity with the principles, methods, processes, procedures, templates and checklists to perform Cost Control activities on projects. This procedure applies to works performed under all Government construction projects executed throughout the Kingdom of Saudi Arabia.

2.0 SCOPE

This introduction and the procedures it references are intended to cover a project's life cycle. Cost control is required in order to meet the requirements needs of various stakeholders in identifying, capturing, controlling and forecasting project costs. It is part of the foundation for managing and controlling project delivery. The procedures will ensure a common framework and provide guidance to ensure a consistent approach.

3.0 INTRODUCTION

Cost control commences with the establishment of the control budgets, progressing to monitoring the status of the project or phase by measuring performance and comparing it against a plan. The tracking and monitoring of cost and commitment allows the project to understand its status. Combining this with forecasting all remaining costs and changes allows the Project Controls department to provide the project management team with the data that they need enabling them to take corrective and/or preventive actions to positively affect the desired project outcome. Cost control is one of the key elements of successful project management.

Key activities of cost control are:

- Development and implementation of the cost control plan
- Establish project budgets
- Progress measurement and earned value
- Cost forecasting
- Trend and Change Management
- Cost reporting (both current, future/forecast)
- Historical reporting
- Back charges
- Tracking Cost & Commitments
- Cash flow Management
- Staffing & labor control

3.1 Developing and implementing the cost control plan

Cost control needs to meet the requirements of various stakeholders in identifying and capturing project costs. It is essential to develop a cost control plan at the initial phase of the project to maintain consistency throughout the project phases. The cost control plan likely requires modifications as the project progresses.

3.2 Progress measurement

Progress measurement is a key activity in monitoring and controlling a project. It provides for a clear understanding of the status of the project in terms of cost and schedule, identifying any variance to the plan and determining if a mitigation plan is needed.

3.3 Cost reporting

Each project will have many reporting requirements. Reporting requirements and the content could depend on the contract type i.e. lump sum type contract versus a cost reimbursable type contract. Irrespective of the type of contract, there are some minimum reporting requirements that each project meets, such as:

- Cost reports are generated, at a minimum, on a monthly basis.



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- Cost reports have multiple reporting levels, depending on the needs of the user, starting from the summary level. Detailed reports include cost reports at the facility level and commodity level.
- Monthly cost reports include relevant and sufficient details that are focused towards meeting the requirements of various stakeholders and functional management team as the audience.

Cost reporting and financial reporting, typically carried out by the finance department, are two distinct reporting principles. Project cost reports indicate the budgets, commitments, expenditure and cost forecast for the entire project irrespective of the fiscal years the project spans. Financial reporting contains that part of the project cost that falls within the fiscal year that is of interest.

3.4 Project trending

The trend program is early identification of real and potential changes to the project scope, quality, cost, and schedule baseline in order to mitigate adverse trends and maximize favorable trends.

3.5 Cost forecasting

A project forecast is a periodic reassessment of a project's scope, cost, and schedule. Project forecasting is an integral part of project. The extent of the forecasting effort is dependent on project size, complexity, and scope.

3.6 Backcharges

A backcharge is an adjustment due to correct, repair, and/or modify deficient work performed by contractors via subcontracts for incomplete and/or defective materials supplied by vendors via purchase orders. The Entity may perform work in support of or instead of the supplier. Typically, backcharges are triggered when costs are incurred for incomplete or unsatisfactory work, when goods are damaged or lost in transit. When cost are incurred by a project for providing construction equipment or services to subcontractors in the performance of their scopes of work, this can trigger a back charge. Lastly, back charges can be generated for poor performance or defective material supplied by a vendor or subcontractor or any costs incurred for omitted actions of the subcontractor and/or vendor.

3.7 Historical reporting

Since historical reports become one of the inputs when initiating new projects/phases, it is critical that this is addressed early on during the project to ensure no important information or lessons learnt are lost. The data is used within the Project Controls Management department and specifically the Estimating department as they use the out-turn costs and associated information with which to benchmark and index new projects.

4.0 REFERENCES

1. EPM-KPC-GL-000001 - Project Cost Control Introduction Guideline
2. EPM-KPC-PR-000001 - Project Coding Structures Procedure
3. EPM-KPC-PR-000002 - Project Budget Control Procedure
4. EPM-KPC-PR-000003 - Project Cost & Commitment Procedure
5. EPM-KPC-PR-000004 - Project Forecasting Procedure
6. EPM-KPC-PR-000005 - Project Engineering Tracking Procedure
7. EPM-KPC-PR-000006 - Project Quantity Tracking Procedure
8. EPM-KPC-PR-000007 - Project Trend Program Procedure
9. EPM-KPC-PR-000008 - Project Management of Change Procedure
10. EPM-KPC-PR-000009 - Project Backcharges Procedure
11. EPM-KPC-PR-000010 - Project Earned Value Management System Procedure
12. EPM-KPC-PR-000011 - Project Weekly Quantities Report Procedure
13. EPM-KPC-PR-000012 - Project Historical Cost Reporting Procedure