

SOP CC-002: Cost Control Procedures

CC-002 | v01

Version: v01 | **Date:** 2026-04-03 | **Domain:** Cost Controls | **Priority:** CRITICAL

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1. Purpose and Scope

Purpose: To define the procedures for monitoring, reporting, and controlling project costs from contract award through project closeout.

Scope: Applies to all capital projects executed under Faolan project controls oversight, including EPCM, PMC, and owner-representative roles. Covers direct costs, indirect costs, provisional sums, contingency, and scope change events.

Out of scope: Programme-level cost consolidation (refer to CC-008), procurement contracting strategy (refer to PM procedures).

2. Definitions and Abbreviations

Term	Definition
Approved Budget	The project cost baseline as authorised by the project sponsor, inclusive of contingency and escalation
AFC	Approved for Construction
BOQ	Bill of Quantities
CBS	Cost Breakdown Structure
CCO	Cost Control Officer
Cost Baseline	The time-phased budget used as the basis for measuring cost performance
CPI	Cost Performance Index (Earned Value / Actual Cost)
CV	Cost Variance (Earned Value minus Actual Cost)
EAC	Estimate at Completion
ETC	Estimate to Complete
EV	Earned Value
FAR	Final Account Report
PCO	Potential Change Order
SPI	Schedule Performance Index
WBS	Work Breakdown Structure

3. Roles and Responsibilities (RACI)

Activity	Project Manager	Cost Controls Officer	Site Engineer	Finance	Project Sponsor
Establish cost baseline	A	R	C	C	A
Maintain CBS/WBS alignment	C	R	I	I	I
Capture actual costs	I	R	C	R	I
Identify and log PCOs	C	R	R	I	I
Prepare monthly cost report	C	R	I	C	I
Review and approve cost report	A	R	I	C	I
Approve contingency draw-down	A	C	I	I	A
Prepare EAC	C	R	C	I	I
Issue FAR	A	R	I	C	I

R = Responsible, A = Accountable, C = Consulted, I = Informed

4. Procedure

4.1 Cost Baseline Establishment

1. Receive approved project budget from Project Sponsor (post-DGR or contract award).
2. Decompose budget into CBS aligned to the project WBS. Each CBS element must map to at least one WBS element.
3. Time-phase the budget using the project schedule baseline (export from scheduling tool).
4. Lock the cost baseline. All subsequent changes require a formal change order (refer to CC-005).
5. Load baseline into cost control system (CostIQ or project-specific tool).
6. Distribute CBS to project team. Confirm WBS code understanding with site engineers.

4.2 Actual Cost Capture

1. Receive contractor payment certificates, invoices, and timesheets on the agreed cut-off date (typically the 25th of each month).
2. Code each cost transaction to the appropriate CBS/WBS element.
3. Verify that cost codes on invoices match the approved CBS. Query and hold any uncoded or miscoded transactions.
4. Enter actual costs into the cost control system by the 3rd working day of the following month.
5. Reconcile with Finance-posted figures. Resolve discrepancies before report publication.

4.3 Earned Value Calculation

1. Obtain progress percentages from the current schedule update (refer to schedule baseline).
2. Apply the agreed earned value method per CBS element:
 - Lump sum milestones: 0/100 or weighted milestones
 - Measurable work (civil, structural): Percent complete based on quantities installed
 - Level of effort: Time-phased (SPI = 1.0 by definition, monitor separately)
3. Calculate: $EV = \text{Budgeted Cost of Work Performed (progress \% \times \text{budget})}$
4. Calculate: $CV = EV - AC$; $CPI = EV / AC$
5. Flag any CBS element with $CPI < 0.9$ or > 1.15 for investigation.

4.4 Estimate at Completion

1. For each CBS element, calculate ETC using the approved method:
 - Default: $ETC = (\text{Budget} - EV) / CPI$ (performance factor method)
 - Exception: If a known scope change or recovery plan exists, use independent re-estimate
2. $EAC = AC + ETC$
3. Reconcile EAC against approved budget. If EAC exceeds budget (including contingency), escalate immediately to Project Manager and Project Sponsor.
4. Document assumptions behind each ETC deviation greater than 5% of element budget.

4.5 Contingency Management

1. Contingency is held at project level (not distributed to CBS elements) unless directed otherwise.
2. Contingency draw-down requires a Change Order signed by Project Manager and Project Sponsor.
3. Track contingency balance: Opening balance minus all approved draw-downs.
4. Report remaining contingency as a percentage of remaining ETC (target: contingency $\geq 2\%$ of ETC at any point).
5. If contingency is projected to be exhausted before project completion, raise a budget overrun alert (Tier 1 exception).

4.6 Monthly Cost Report

1. Prepare monthly cost report by the 5th working day of each month.
2. Report structure (minimum):
 - Executive summary (traffic light status, key variances)
 - CBS cost performance table (Budget, AC, EV, CV, CPI, EAC, Variance to Budget)
 - Contingency status
 - PCO log summary (refer to CC-005)
 - Cash flow: Actual vs forecast
 - Risks with cost exposure
3. Submit to Project Manager for review by the 4th working day.
4. Issue approved report to distribution list by the 5th working day.

4.7 Decision Points

- **CPI < 0.85 on any CBS element:** Trigger formal corrective action review. Update ETC with recovery plan. Escalate to Project Sponsor if CBS element represents more than 10% of project budget.
- **EAC exceeds approved budget + contingency:** Immediately notify Project Sponsor. Freeze non-committed expenditure pending approval.
- **Contingency < 5% of remaining budget:** Issue contingency depletion warning. Increase PCO scrutiny.

5. Inputs and Outputs

Item	Type	Source / Destination	Frequency
Approved project budget	Input	Project Sponsor / DGR	Once (baseline)
Contractor certificates	Input	Contractor	Monthly
Invoices and timesheets	Input	Finance	Monthly
Schedule progress update	Input	Scheduling team	Monthly
PCO log	Input/Output	CC-005 process	Ongoing
Monthly cost report	Output	Distribution list	Monthly
EAC update	Output	Project cost system	Monthly
Budget overrun alert	Output	Project Sponsor	As required
Final Account Report	Output	Project Sponsor / Archive	At closeout

6. Tools and Templates

Tool / Template	Purpose	Location
CostIQ (Faolan platform)	CBS entry, EV calculation, reporting	Platform
Cost Control Workbook (Excel)	Monthly reporting template	`05_Templates\`
CBS Template	Standard CBS structure	`05_Templates\`
PCO Log Template	Change order tracking	CC-005
Barrick CPS4 PC PD 05001	Reference cost control framework	`04_ReferenceData\`

7. References

- AACE International Recommended Practice No. 10S-90: Cost Engineering Terminology
- AACE International Recommended Practice No. 18r-97: Cost Estimate Classification System (see also ES-001)
- AACE International Recommended Practice No. 58r-10: Escalation Estimating Principles and Methods
- Barrick CPS4 PC PD 05001: Project Controls Cost Control Procedure
- Sasol PEOI Cost Control Procedure
- Parsons Brinckerhoff (PB) Cost Control Standard Practice

8. Quality Criteria and Checklist

Monthly pre-report checklist:

- Actual costs reconciled with Finance by cut-off date
- All CBS elements have current-month actuals entered
- EV calculated using approved method (not estimated)
- EAC updated for all elements with CPI deviation > 5%
- Contingency balance verified against approved draw-downs
- PCO log reviewed; all approved changes reflected in budget
- Cash flow forecast updated
- Report reviewed by Project Manager before distribution
- Distribution list current (no departed personnel)

Quality gates:

Criterion	Target
Actual cost reconciliation variance	< 0.5% against Finance posting
CBS element coverage	100% (no unallocated costs)
Report issue timeliness	By 5th working day
EAC delta from prior month	Documented if > 2% of project budget

9. Revision History

Version	Date	Author	Changes
v01	2026-04-03	Anvil (#20)	Initial draft

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