

SOP CC-005: Change Management (Cost)

CC-005 | 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 identifying, evaluating, approving, and incorporating scope and cost changes on capital projects.

Scope: Applies to all changes that affect the project cost baseline, including scope additions, scope reductions, design variations, owner-directed changes, contractor claims, and force majeure events. Covers both client-side change management (owner to EPCM/PMC) and contractor-level change management (EPCM/PMC to contractors).

Out of scope: Schedule change management (refer to schedule management procedure), commercial claims resolution beyond the project controls function.

2. Definitions and Abbreviations

Term	Definition
Approved Change Order (ACO)	A formally authorised change to the project budget and/or scope baseline
CCB	Change Control Board
CO	Change Order
DCO	Directed Change Order (owner-directed, cost to be agreed)
PCO	Potential Change Order (identified but not yet approved)
RFI	Request for Information
TIC	Total Installed Cost
VOC	Variation Order to Contractor

3. Roles and Responsibilities (RACI)

Activity	Project Manager	Cost Controls Officer	Engineering Lead	Contractor	Project Sponsor	Legal/Commercial
Identify potential change	R	C	R	R	I	I
Log PCO	C	R	C	C	I	I

Activity	Project Manager	Cost Controls Officer	Engineering Lead	Contractor	Project Sponsor	Legal/Commercial
Assess cost impact	C	R	R	C	I	I
Assess schedule impact	R	C	R	C	I	I
Prepare CO documentation	C	R	C	I	I	C
Review CO	A	C	C	I	C	C
Approve CO (within authority)	A	I	I	I	I	I
Approve CO (above authority)	C	I	I	I	A	I
Update cost baseline	I	R	I	I	I	I
Issue VOC to contractor	R	C	I	A	I	I
Close out CO	C	R	I	C	I	I

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

4. Procedure

4.1 Change Identification

- Any project team member may identify a potential change. Sources include:
 - Design evolution or document revisions
 - RFIs and clarifications
 - Site conditions differing from design assumptions
 - Contractor-initiated variations
 - Owner-directed scope additions or reductions
 - Regulatory or statutory requirements
 - Force majeure events
- The identifying party notifies the Cost Controls Officer and Project Manager within 2 working days of identifying the potential change.
- A preliminary verbal or written notification is sufficient at this stage. Formal logging follows in step 4.2.

4.2 PCO Logging

- Cost Controls Officer logs the potential change in the PCO Log (see template in `05_Templates`).
- Each PCO receives a unique sequential number: `PCO-[ProjectCode]-[NNN]`.

3. Record at minimum: PCO number, date identified, identified by, description, change type (scope, design, owner-directed, contractor claim, other), estimated cost impact (order-of-magnitude if formal assessment not yet done), estimated schedule impact, status.
4. Assign an owner (typically the Engineering Lead or Project Manager) responsible for progressing the PCO.
5. Distribute PCO Log update to project leadership team weekly.

4.3 Change Assessment

1. Engineering Lead prepares a technical scope description of the change.
2. Cost Controls Officer prepares a cost impact assessment:
 - Direct cost: Labour, material, plant, and subcontractor impacts based on current unit rates or re-estimate
 - Indirect cost: Extended preliminaries if duration is affected
 - Contingency impact: Assess whether the change consumes contingency or requires budget uplift
3. Project Manager (or Scheduling Lead) assesses schedule impact (float consumption, critical path effect).
4. Complete assessment within 5 working days for changes with estimated value below R 500,000, and within 10 working days for changes above R 500,000.
5. If cost impact cannot be determined within the above timeframe, issue a DCO to the contractor to proceed while cost is agreed.

4.4 Change Approval

Approval authority matrix:

Change Value	Approval Required
Up to R 100,000	Project Manager
R 100,001 to R 500,000	Project Manager + CCB (project-level)
R 500,001 to R 2,000,000	Project Manager + Project Sponsor
Above R 2,000,000	Project Sponsor + Board (per governance framework)

1. Prepare CO documentation: scope description, cost breakdown, schedule impact, justification, and references.
2. Route to appropriate approval authority per the matrix above.
3. Approval is documented via a signed Change Order form. Electronic approval is acceptable with audit trail.
4. Rejected COs are returned with reasons. The PCO remains open pending resolution or formal rejection.

4.5 Cost Baseline Update

1. Upon Change Order approval, Cost Controls Officer updates the cost baseline within 2 working days.
2. Apply the approved budget change to the appropriate CBS element(s).
3. Update the EAC if the change affects future cost projections beyond the budget addition.
4. Record the CO reference number against the CBS budget line for audit traceability.
5. Update the project cost report to reflect the revised baseline.

4.6 Variation Order to Contractor

1. For changes that affect contractor scope, issue a Variation Order to Contractor (VOC) upon Change Order approval.
2. VOC must reference: CO number, scope description, agreed value, time allowance (if any), and any hold points or milestones.
3. Contractor countersigns the VOC to confirm acceptance. Unsigned VOCs are not valid for payment.
4. File signed VOC in the project document register.

4.7 PCO Closeout

1. A PCO is closed when:
 - A CO is approved and the baseline updated (status: APPROVED)
 - The potential change is determined not to be a valid change (status: REJECTED/WITHDRAWN)
 - The change is absorbed within existing contingency per Project Manager authorisation (status: ABSORBED)
2. All PCOs must be closed before final account.
3. At project closeout, prepare a Change Order Register summary for inclusion in the Final Account Report.

4.8 Decision Points

- **PCO unresolved for more than 30 days:** Escalate to Project Manager for active resolution or formal rejection.
- **Cumulative approved COs exceed 15% of original budget:** Trigger budget adequacy review with Project Sponsor.
- **DCO issued (cost not yet agreed):** Flag in monthly report. Maximum DCO exposure must be tracked and reported.
- **Contractor claim without supporting VOC:** Hold payment pending CO approval. Escalate to Legal/Commercial if contested.

5. Inputs and Outputs

Item	Type	Source / Destination	Frequency
Change identification notification	Input	Any project team member	As identified
Engineering scope description	Input	Engineering Lead	Per PCO
Contractor variation claim	Input	Contractor	As submitted
PCO Log	Input/Output	CCO maintains	Ongoing
Cost impact assessment	Output	CCO	Per PCO
Change Order document	Output	Project records / Sponsor	Per CO
Variation Order to Contractor	Output	Contractor	Per approved CO
Updated cost baseline	Output	Cost control system	Per approved CO
Change Order Register	Output	Final Account Report	At closeout

6. Tools and Templates

Tool / Template	Purpose	Location
PCO Log (Excel)	Track all potential changes	`05_Templates`
Change Order Form	Formal CO documentation and approval	`05_Templates`
VOC Template	Issue variation to contractor	`05_Templates`
CostIQ	CBS baseline update	Platform
Barrick CPS4 PC PD 06001	Reference change management framework	`04_ReferenceData`

7. References

- AACE International Recommended Practice No. 10S-90: Cost Engineering Terminology
- AACE International Recommended Practice No. 60r-10: Developing the Project Controls Plan
- Barrick CPS4 PC PD 06001: Project Controls Change Management Procedure
- Glencore Change Management Procedure 028
- Parsons Brinckerhoff (PB) Change Management Standard Practice

8. Quality Criteria and Checklist

Change Order pre-approval checklist:

- PCO logged with unique number and all mandatory fields complete
- Technical scope description prepared and reviewed by Engineering Lead
- Cost impact assessed with supporting unit rates or re-estimate
- Schedule impact assessed
- Approval authority confirmed per matrix
- CO document complete (scope, cost, schedule, justification, references)
- Signed approval obtained before baseline update
- VOC issued to contractor (if applicable) and countersigned

Quality gates:

Criterion	Target
PCO logging time from identification	Within 2 working days
Change assessment completion	Within 5 or 10 working days (value-dependent)
Unsigned VOC rate	0% (no unsigned VOCs in payment pipeline)
PCO open beyond 30 days without escalation	0
CO audit trail completeness	100% (signed form for every approved CO)

9. Revision History

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

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