

Project Governance







A common theme in delivering infrastructure, from the largest cross border transport schemes to local municipal facilities, is that they are all projects.

Before ground is broken, considerable effort will have been expended in planning and procuring the delivery phase- and securing insurance cover is a critical component of this.

We strive to offer our clients the very best rates and terms for their Contractor's All Risks (CAR) and other project insurance.

We have specialist skills in securing (CAR) and other project insurances for our global portfolio of clients. Underwriters quote based on evidence – and before anything 'concrete' has happened on site, it can be a challenge to present the risk to the insurance market. Project governance activities undertaken in the pre-construction and construction phases provides a tangible and risk based insight in to the project delivery team. We use this information to present the project to underwriters to secure best rates and coverage.

This article explains what information underwriters are looking for – and how we can work with insureds to present it.



Good governance is good risk management.

Governance in the running of businesses is now commonplace and is an established aspect of good corporate stewardship. However, governance around projects and the operation and management of the created assets is less mature. Given that delivering projects, managing assets and managing associated risks is a significant exposure for an organisation this is a concern.

Project governance protocols established during the construction phase should continue seamlessly into commissioning, operations and maintenance. Getting this right can unlock real value, save money and reduce risk exposure during both construction and operational phases.

A common misconception is that governance only applies to major projects and significant assets – but the reality is that the governance approach should be tailored to suit each unique situation and context.

These activities also provide tangible evidence to engage with underwriters at the earliest possible opportunity. A variety of tools exist to achieve this, some of which are discussed below.

Requirements Management

Establishing clear project requirements is arguably the single most important activity in ensuring that a project sets off in the right direction - and continues through to successful commissioning and operation.

Often, projects don't go wrong- they start wrong- with the result that project goals and associated business objectives are not achieved and inherent hazards are introduced into an operational asset.

A common theme in losses is lack of clarity in defining, documenting and delivering clear project requirements.

Additionally, losses are often associated with poor understanding of system parameters. Requirements management addresses both of these issues.

A well-structured requirements document allows business case objectives, industry good practice, organisational, national and international standards and site specific (i.e. climatic) information to be collated and managed in a coherent way.

Various commercial tools are available to identify, store, manage and monitor project requirements and, as a minimum, the following aspects should be included:

- Relationships between the business case and project requirements,
- Contractual responsibility,
- Compliance status,
- Dependencies,
- Lifecycle of requirements through project inception, initial design, detailed design construction, commissioning, handover, operations, maintenance and decommissioning.

Embedding requirements management in a project early allows 'real time' compliance monitoring and supports collaborative, cross organisational working.

We've seen real benefits in integrating Building Information Modelling (BIM) techniques with requirements management to support project assurance and governance. Similarly, embedding requirements in the project programme allows dependencies to be identified and the impact of delays on the risk profile to be determined. This is particularly useful for managing and assessing DSU (Delay in Start Up) and ACOW (Additional Cost of Work) incidents.

Strong requirements management allows the impact of change to be understood and assessed. In particular, consequential impacts which may be missed through more traditional approaches are easily identified and managed.



Standards Management

Adherence to national and international standards is accepted as being a minimum requirement to mitigate risk and demonstrate compliance. Standards management provides a framework to provide clarity on:

- what standards apply to the project,
- what versions of standards apply,
- how new/ revised standards are introduced and,
- how non-compliance with standards is managed and communicated.

Whilst this may appear excessive, implementation is straightforward and benefits are realised over the full life of an asset- which is often many years or decades. Megaprojects, such as high speed rail, can spend years in development; consequently standards evolve and change- reinforcing the need for appropriate management. Increasingly robust environmental legislation and improved provision for those of restricted mobility are examples of changing legislation which can have significant impacts on project delivery.

In addition to managing insured losses, we've seen benefits from standards management, including:

- early identification of conflict and inconsistencies between standards,
- improved management of change during project delivery and in operations,
- improved consistency between contractual boundaries,
- avoidance of ambiguity and confusion around applicable standards,
- improved technological interoperability,
- supporting Design for Manufacture and Assembly (DFMA) and 'off site' construction through promoting a consistent 'project approach',
- efficiencies through a 'common approach' – with benefits in construction and maintenance.

Standards management supports safe, timely and efficient project delivery, maintenance and operations.

As an example, the Railways (Interoperability) Regulations 2011 (RIR) document common standards to facilitate integration of systems across geographic, contractual and discipline boundaries.

Underwriters like to insure successful projects and competent standards management is a key component of demonstrating and achieving this.

Competency Management

Any system, procedure or process will fail if the people implementing them are not appropriately trained, supported and supervised. The root cause of many losses is human error. We think that these errors can be split in to two categories- genuine human error, and failure of systems and processes surrounding competency and checking.

Competency management provides a framework for assessing, monitoring and improving the competence of staff designing, delivering, operating, maintaining and disassembling assets.

Competency management can be linked to wider Human Resources initiatives such as recruitment, development, training and succession planning. This should ensure that appropriate staff are available now and in the future – thereby supporting a sustainable business.

A well-structured competency management framework will consider qualifications, practical experience, site familiarity, checking requirements and authority levels. We've also seen these processes identify the need for additional support such as mentoring or coaching.



Importantly, this process allows an audit trail to be maintained to demonstrate that the right people are doing the right work and are supervised in the right way- which all supports making the best use of human capital.

A key determinant of the risk profile for a project – and therefore the terms, premium and coverage available – are driven by the people. Competency management provides a quantitative documented method to communicate this to the insurance market.

Document Management

In the digital age, we are bombarded with information from a huge variety of sources. Cloud computing can make information easily available– but these technologies can create ambiguity and confusion over the provenance of information.

A robust document management system provides clarity as to the current version of procedures, drawings, specifications and other documentation in use on the project. Cross references between documents is facilitated and an audit trail exists as to the history of each document.

The critical aspects of document management include;

- definition of who is authorised to update documents; ideally this is linked to the competency management framework,
- definition of information suitability – so appropriate information is used in design, procurement, construction and operation. This prevents ‘draft’ or ‘unchecked’ information being used,
- a protocol for communicating updated documents to those who need to know,
- a simple numbering system to uniquely identify documents and revision numbers,
- a change control process to ensure that document changes are clearly shown and communicated,
- interface with Management of Change; to ensure that dependencies and consequential impacts are identified and managed,
- all related documents are updated when change occurs,
- a process for removing outdated versions and ensuring they cannot be used in future.

As well as reducing errors through reliance on incorrect or outdated information, document control supports other governance activities and provides evidence of good practice.

Conclusion

As shown here, various tools are available to support project delivery and asset governance. Rather than being an additional cost on delivery and operations, we've seen these processes, when appropriately implemented, deliver tangible value and reduce risk exposure across a wide range of industries. Ultimately this contributes to reducing the total cost of risk of an organisation.

We have supported clients in presenting systems discussed here to underwriters – this improves the perception of risk even before construction commences.

There is a real appetite for this type of information from underwriters and we believe this trend will continue.



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