



Project Controls v Project Accounting

By :- M.Morrice As At :- 21st-November-2016



Project Controls vs Project Accounting - What's the difference?

In my career, I've worked across multiple industries and companies and one thing that stands out is the confusion surrounding the function of Project Controls and what it is meant to achieve. There are Project Accountants, administrators or finance personnel who “do a bit of Project Controls” however, they are actually just producing monthly project financial reports, invoices and cash flows which are only some of the functions that Project Controls is meant to accomplish. In my opinion, the more important function of providing timely analytical information to manage and control the outcome of the project is lacking.

Project Controls is not just a job title but a multi discipline project function encompassing project strategy, estimating, schedule, risk, contracts analysis, budget analysis and performance measurement. Effective Project Controls provides an early warning system on the project based on known and unknown parameters and allows for proactive and relevant decision making by management to affect the project outcome. In contrast, Project Accounting is a financial function to report project profitability and projected forecasts based on known information.

A person fulfilling all of the functions of Project Controls will use financial data as a metric (including cost and time) in conjunction with physical progress measurement to determine the real cost position on a project in relation to the original plan. This, along with identified trends, will help determine the estimate at completion project cost.



Project Controls v Project Accounting

By :- M.Morrice As At :- 21st-November-2016

In Contrast, a Project Accountant will use financial data purely as an amount spent or incurred to date with the forecast completion cost generally being the budget (including variations) – or determined by predicted spend. A Project Controls person will, more importantly, use this data to highlight to management potential overruns before they occur and risks and potential mitigation in order to control the outcome. A Project Accountant would typically only report over runs as they occur.

Project Controls professionals are multi faceted and multi disciplined, delving into all aspects of the project, asking questions, seeking answers and analysing information. An effective Senior Project Controls professional is able to understand the potential impacts and risks on a project – from Commercial Terms, delivery delays, procurement lead times, schedule delays, design over runs, wet weather, scope creep and more. They should also be able to provide mitigation strategies to Project Management based on the identified risks. A Project Accountant however does not have or want this visibility as this is seen as Project Management's responsibility.

We are all working in tough economic times. As project margins narrow, a trend is to remove dedicated Senior Project Controls professionals from projects or replace them with junior cost or finance personnel in order to reduce project overheads. With Project Managers forced to rely on gathering information and controlling the projects themselves along with all other aspects of Project Management, potential risks and over runs on projects are being identified later which makes it more difficult to mitigate the consequences. The potential outcome is greater damage to profitability and company reputation.

If your company is just interested in cutting costs then Project Accountants can provide the administration necessary for your project, but if you want administration as well as analysis of how your project is performing, an experienced Project Controls person will provide the necessary information and analysis that will pay their wages many times over in cost savings and assist in protecting your company from reputational loss and schedule slippage.