

14.3 Project Audits

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Explain the importance of a project audit.

Project audits are more than the status reports suggested in Chapter 13, which report on project performance. Project audits do use performance measures and forecast data. But project audits are more inclusive. Project audits not only examine project success but also review why the project was selected. Project audits include a reassessment of the project's role in the organization's priorities. Project audits include a check on the organizational culture to ensure it facilitates the type of project being implemented. They assess if the project team is functioning well and is appropriately staffed. Audits make recommendations and articulate lessons learned.

Project audits can be performed while a project is in process and after a project is completed. There are only two minor differences between these audits:

- **In-process project audits.** Project audits early in projects allow for corrective changes, if they are needed, on the audited project or others in progress. In-process project audits concentrate on project progress and performance and check if conditions have changed. For example, have priorities changed? Is the project mission still relevant? In some cases, the audit report may recommend shutting down the project or significantly changing the scope of the project.
- **Post-project audits.** These audits tend to include more detail and depth than in-process project audits. Project audits of completed projects emphasize improving the management of future projects. These audits are more long-term oriented than in-process audits. Post-project audits do check on project performance, but the audit represents a broader view of the project's role in the organization; for example, were the strategic benefits claimed actually delivered?

The depth and detail of the project audit depend on many factors. Some are listed in Table 14.1. Because audits cost time and money, they should include no more time or resources than are necessary and sufficient. Early in-process project audits tend to be perfunctory unless serious problems or concerns are identified. Then, of course, the audit would be carried out in more detail. Because in-process project audits can be worrisome and destructive to the project team, care must be taken to protect project team morale. The audit should be carried out quickly, and the report should be as

Hello CLASS :

PLEASE ANSWER THE QUESTIONS IN SECTIONS
2,3,4, + 5 TO COMPLETE THE PROJECT AUDIT.

THE AUDIT SHOULD BE SUBMITTED AS A
MS WORD DOCUMENT IN APA 7 FORMAT

DR. D. WALTERS, PMP

positive and constructive as possible. Post-project audits are more detailed and inclusive and contain more project team input.

In summary, plan the audit and limit the time for the audit. For example, in post-project audits, for all but very large projects, a one-week limit is a good benchmark. Beyond this time, the marginal return of additional information diminishes quickly. Small projects may require only one or two days and one or two people to conduct an audit.

The priority team functions well in selecting projects and monitoring performance—cost and time. However, reviewing and evaluating projects and the process of managing projects are usually delegated to independent audit groups. Each audit group is charged with evaluating and reviewing *all* factors relevant to the project and to managing future projects. The outcome of the project audit is a report.

The Project Audit Process

The following guidelines, which should be noted before conducting a project audit, will improve your chances for a successful audit.

1. First and foremost, the philosophy must be that the project audit is not a witch hunt.
2. Comments about individuals or groups participating in the project should be minimized. Keep to project issues, not what happened or who did what.
3. Audit activities should be intensely sensitive to human emotions and reactions. The inherent threat to those being evaluated should be reduced as much as possible.
4. The accuracy of data should be verifiable or noted as subjective, judgmental, or hearsay.
5. Senior management should announce support for the project audit and see that the audit group has access to all information, project participants, and (in most cases) project customers.
6. The attitude toward a project audit and its aftermath depends on the modus operandi of the audit leadership and group. The objective is not to prosecute. The objective is to learn and conserve valuable organizational resources where mistakes have been made. Friendliness, empathy, and objectivity encourage cooperation and reduce anxiety.
7. The audit should be completed as quickly as is reasonable.

With these guidelines in mind, the project audit process is conveniently divided into three steps: initiation and staffing, data collection and analysis, and reporting. Each step is briefly discussed next.

Step 1: Initiation and Staffing

Initiation of the audit process depends primarily on organization size and project size, along with other factors. In small organizations and projects where face-to-face contact at all levels is prevalent, an audit may be informal and represent only another staff meeting. But even in these environments the content of a formal project audit should be examined and covered, with notes made of the lessons learned. In medium-sized organizations with few projects the audit is likely to be conducted by someone from management with project management experience. In large companies or organizations with many projects the audit is under the purview of the project office.

A major tenet of the project audit is that the outcome must represent an independent, outside view of the project. Maintaining independence and an objective view is difficult, given that project stakeholders frequently view audits as negative. Careers and reputations can be tarnished, even in organizations that tolerate mistakes. In less

forgiving organizations, mistakes can lead to termination or exile to less significant regions of an organization. Of course, if the result of an audit is favorable, careers and reputations can be enhanced. Given that project audits are susceptible to internal politics, some organizations rely on outside consulting firms to conduct the audits.

Step 2: Data Collection and Analysis

Each organization and project is unique. Therefore, the specific kinds of information that will be collected depend upon the industry, project size, newness of technology, and project experience. These factors can influence the nature of the audit. However, information and data are gathered to answer questions similar to the following.

Organization View

1. Was the organizational culture supportive and correct for this type of project? Why? Why not?
2. Was senior management's support adequate?
3. Did the project accomplish its intended purpose?
4. Were the risks for the project appropriately identified and assessed? Were contingency plans used? Were they realistic? Have risk events occurred that have an impact greater than anticipated?
5. Were the right people and talents assigned to this project?
6. What does evaluation from outside contractors suggest?
7. Were the project start-up and hand-off successful? Why? Is the customer satisfied?

Project Team View

1. Were the project planning and control systems appropriate for this type of project? Should all projects of a similar size and type use these systems? Why or why not?
2. Did the project conform to plan? Is the project over or under budget and schedule? Why?
3. Were interfaces and communications with project stakeholders adequate and effective?
4. Did the team have adequate access to organizational resources—people, budget, support groups, equipment? Were there resource conflicts with other ongoing projects?
5. Was the team managed well? Were problems confronted, not avoided?

The audit group should not be limited to these questions but rather should include other questions related to their organization and project type—for example, research and development, marketing, information systems, construction, or facilities. The preceding generic questions, although overlapping, represent a good starting point and will go a long way toward identifying project problem and success patterns.

Step 3: Reporting

The major goal of the audit report is to improve the way future projects are managed. Succinctly, the report attempts to capture needed changes and lessons learned from a current or finished project. The report serves as a training instrument for project managers of future projects.

Audit reports need to be tailored to the specific project and organizational environment. Nevertheless, a generic format for all audits facilitates the development of

an audit database and a common outline for those who prepare audit reports and the managers who read and act on their content. A very general outline common to those found in practice is as follows:

1. *Classification.* The classification of projects by characteristics allows prospective readers and project managers to be selective in the use of the report content. Typical classification categories include the following:

- Project type—e.g., development, marketing, systems, construction.
- Size—monetary.
- Number of staff.
- Technology level—low, medium, high, new.
- Strategic or support.

Other classifications relevant to the organization should be included.

2. *Analysis.* The analysis section includes succinct, factual review statements of the project (PMBOK, 2017)—for example,

- Scope objectives, the criteria used to evaluate scope and evidence that the completion criteria were met.
- Quality objectives, the criteria used to assess the project and product/service quality, and reasons for variances.
- Cost objectives, including acceptable cost range, actual costs, and reasons for any variances.
- Schedule objectives, including verification of milestone completion dates, and reasons for variances.
- Summary of risks and issues encountered on the project and how they were addressed.
- Outcomes achieved, including an assessment of how the final product, service, or result addressed the business need identified in the selection process.

3. *Recommendations.* Usually audit recommendations represent major corrective actions that should take place. Audit recommendations are often technical and focus on solutions to problems that surfaced. For example, to avoid rework, the report of a construction project recommended shifting to a more resilient building material. In other cases, recommendations may include terminating or sustaining vendor or contractor relationships.

4. *Lessons learned.* These do not have to be in the form of recommendations. **Lessons learned** serve as reminders of mistakes easily avoided and actions easily taken to ensure success. In practice, new project teams reviewing audits of past projects similar to the one they are about to start have found audit reports very useful. Team members will frequently remark later, “The recommendations were good, but the ‘lessons learned’ section really helped us avoid many pitfalls and made our project implementation smoother.” It is precisely for this reason that lessons learned in the form of project retrospectives have taken on greater prominence and warrant further discussion. See Snapshot from Practice 14.3: Operation Eagle Claw.

5. *Appendix.* The appendix may include backup data or details of analysis that allow others to follow up if they wish. It should not be a dumping ground used for filler; only critical, pertinent information should be attached.