A Guide to Project Auditing

Association for Project Management

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Introduction

1.1 Introduction

Project assurance is a fundamental part of effective project governance. The project audit is the means to provide that assurance and enables the sponsor to have confidence that the governance is working and that the project is being managed as intended. There is currently a considerable amount of information relating to the assurance of projects and programmes, and why it is important. This guide seeks to demonstrate how to plan and undertake a comprehensive audit of a project, thereby providing that assurance.

The guide seeks to explain the role of an audit, how it could be planned and undertaken, the degrees of assurance that can be given, and how project audits can be aligned to organisational governance. Although the guide acknowledges the need for project audits to be integrated with the works of other assurance providers (particularly technical and quality audits) a project audit is a stand-alone process aimed at the three main roles involved in a project.

The three main roles involved in project audits are:

Role	Description
Organisation board/audit committee/ sponsor/other stakeholders	Those who schedule the project audit and receive the audit findings
Project team	Those whose project is being audited, with whom the auditors interact
Project auditor(s)	Those who undertake the audit, and report its findings and make recommendations

For any audit to be successful and provide value to all parties, these three main roles must work together and understand each other's function in the process.

As is common in all projects it is vital that there is a recognition that people undertaking different project roles may have differing interests and perceptions about project outputs, progress and the various stakeholders. This guide therefore refers to how audits relate to the various responsibilities within a project and how to apply the processes associated with auditing in a project context taking project responsibilities into consideration. These processes include: the development of an annual audit plan; choosing the auditor/audit team to undertake the work; developing an audit programme; performing, closing, and reporting the audit; and undertaking follow-ups.

1.2 Purpose of the guide

This guide is principally intended for use by project auditors in developing an audit approach to the review and assurance of projects. However, it is also intended to be of value to anyone involved in the management and administration of projects, as it records areas of project risk, and identifies audit evidence and practices. The guide will also indicate those aspects of a project which the auditors may choose to review, and how the audit will be performed.

This guide is not intended to provide step-by-step instructions on how to carry out audits on any particular type of project; rather, it will provide guidance which can be adapted by the user to the circumstances of their own projects. The audit can then be planned, performed and reported on, and based on the auditor's preferred approach, adapted to suit the particular project discipline.

In section 2.2.1, and expanded in Appendix 1, the guide proposes some elements and areas of interest for review by project auditors, together with the risks and expected controls to manage those risks. These elements do not form an exhaustive list so it is recommended that further assessment by the project auditor is always necessary to decide upon areas of focus before a project audit is undertaken.

1.3 Structure of the guide

The guide focuses on the various aspects of project audits, to answer the following three questions:

- **What is an audit?** (And how an audit differs from other assurance methods.)
- **Why do we undertake project audits?**
- **How should a project audit be planned, performed, evaluated, reported, and followed up?**

This guide covers the planning of project audits (Section 2.1); suggested elements of a project which are to be reviewed (Section 2.2.1 and Appendix 1); evaluation and reporting (Section 2.3); and follow-up processes (Section 2.4).

1.4 What is project auditing?

Auditing is defined by the Chartered Institute of Internal Auditors as 'an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes'.

In any audit, the auditor(s) perceives and recognises the propositions before them for examination, collects evidence, evaluates the same, and on this basis formulates an opinion on the adequacy of controls within the activity being audited.

Throughout this guide we use the term 'project' to mean 'a unique, transient endeavour undertaken to achieve planned objectives' (see APM *Body of Knowledge*, 6th edition); the audit of programmes and portfolios will require different techniques. Auditing of a project should be seen in the context of the definition of project, programme and portfolio (P3) assurance set out in the APM *Body of Knowledge*: P3 Assurance is 'the process of providing confidence to stakeholders that projects, programmes and portfolios will achieve their scope, time, cost and quality objectives, and realise their benefits'.

1.5 Principles of project audit

The APM publication *A Guide to Integrated Assurance* identifies the principles governing project audit, which are those established for the provision of assurance generally. Project audit should be:

- independent, and supported in this by the organisation board;
- accountable within a governance and reporting system;
- planned and coordinated as part of the organisation's management system;
- proportionate to risk potential and the assurance needs of stakeholders;
- risk-based, against an independent risk evaluation;
- able to allow the impact of identified weaknesses to be reported and addressed, by follow-up and escalation.

Element 1. Project definition and requirements management: clear and controlled baseline requirements, objectives, success criteria, business case, terms of reference, contracts and benefits realisation

Area of review	Risk	Control	Audit methods include
Business plan alignment	The programme/project is not aligned with organisation or business strategy	Formal approval of project start-up recorded and confirmation that it aligns with strategic objectives	Review of appropriate board minutes and documentation Review of stage gate (gateway) approvals Schedule of delegated authority
Business case	The business case is not robust, or does not exist or outputs and outcomes are not measurable	Senior responsible owner/sponsor identified with appropriate authority to deliver project outcomes	Review of approved business case to identify responsibilities and ensure that business case template and guidance is available
	Business case does not fit with organisation's model e.g. five case model: strategic, economic, commercial, financial and management cases	Requirement that business cases take account of approved model	Review of approved business case to assess extent of compliance
	Project cost as stated is not defined effectively or is insufficient to allow delivery If already funded: Level of agreed funding is insufficient to deliver objectives	Costs (including life cycle costs) have been reliably estimated and a mechanism exists for these to be refined Due account is taken of optimism bias in respect of cost	Review of cost methodology and processes based on approved business case Review of approved business case. Ensure that cost of risk has been accounted for Review whether additional funding should be sought to enable successful delivery

Area of review	Risk	Control	Audit methods include
	Target dates are unrealistic or overly ambitious	Target dates have been subject to a reality check and a mechanism exists for these dates to be refined Due account is taken of optimism bias in respect of target dates and schedules	Review of schedule and programme methodology and processes Review of approved business case
	Business cases are not used as a control against achievement of the project deliverables	Approved business case is used as a change control baseline document, and is subject to periodic review	Assessment of change control mechanisms applicable to project and that business case is routinely updated
Scope defined including change control processes	The project scope/requirements is not clearly defined or understood	Project scope defined Change control processes implemented Project manager's responsibilities and limits of authority defined	Review of approved business case – scope must be clear and unambiguous Assessment of change control processes Schedule of delegation in PID or approved business case
Requirements definition – clear/ complete/ understood? Required outcomes clear/agreed	The project's scope/plan is not baselined at time of project start	Project plan developed to appropriate level	Review of PID and approved business case to ensure clarity of scope and planning
Authorisation including definition of baseline	The project has commenced prior to formal authorisation	Project governance arrangements reflect organisation requirements	Review of project governance arrangements including authorisation to start projects