Project Audit

- A formal review of any aspect of a project
- Audits focus on whatever matters senior management desires
  - Another type of audit is an *ethics audit*
- Evaluate means to set the value of or appraise
- Project evaluation appraises progress and performance against standard
Purpose of Evaluation—Goals of the System

- Efficiency in meeting both the budget and the schedule
- Customer impact/satisfaction
- Business/direct success
- Future potential

The Project Audit

- The main purpose of an audit is to help achieve the goals of the project
- All facets of the project are studied
- A project audit is equivalent to the application of TQM to project management
Approach to Project Audit

• All facets of the project are studied
• The strengths and weaknesses are identified
• Recommendations are prepared to help current and future projects

Project Audit Recommendations

• Identify problems earlier
• Clarify scope, cost, and time relationships
• Improve performance
• Locate technological advances
• Evaluate quality
• Reduce costs
• Improve risk identification
• Many more...
Direct and Ancillary Project Objectives

• Direct goals are stated project objectives
  – Including customer satisfaction
• Direct goals ignore many costs and benefits to:
  – The project
  – Its team members
  – The parent organization
• Unstated objectives are called ancillary goals

Examples of Recommendations Concerning Ancillary Goals

• Improve understanding the value of the project
• Improve process for organizing and managing projects
• Provide information for entering new markets
• Provide a congenial environment
• Identify organizational strengths and weaknesses
Examples of Recommendations Concerning Ancillary Goals

- Improve response to risk factors
- Allow access to policy decisions by external stakeholders
- Improve the way projects contribute to the professional growth
- Identify high potential personnel

Ancillary Goals

- Identification of ancillary goals is difficult
- Finding them requires deductive reasoning
- Ancillary goals affect decisions made on projects
- Ancillary goals add several additional dimensions to project evaluation
Problems With Indirect Goals

- Difficult to hold people accountable for unstated goals
- Difficult to separate indirect goals from personal goals
- Lack of trust
- Different ideas about the indirect goals

The Project Audit

- Current status of the project
- Expected status of the project
- Status of critical tasks
- An assessment of potential risks
- What lessons can be applied to other projects?
- What are the limitations of the audit?
Depth of the Audit

- Time and money limit the depth of an audit
- Audits are distracting to those working on the project
- A poor audit result will lower morale on the project

Types of Audits

- General Audit
- Detailed Audit
- Technical Audit
Timing of the Audit

• All significant projects should be audited
• Larger projects may be audited several times
• An audit may also be conducted after the project is over (post-project audits)

Format and Use of the Audit Report

1. It should facilitate the comparison of actual versus predicted results
2. Significant deviations should be highlighted
3. Reasons for significant deviations should be given
4. Plans for resolving negative deviations should be discussed
Audit Information

1. Introduction
2. Current status
3. Future project status
4. Critical management issues
5. Risk management
6. Caveats, limitations, and assumptions

Responsibilities of the Project Auditor

• Be honest and ethical
• Be independent
• Tell the whole truth
• Seek help for technical issues
The Project Audit Life Cycle

- Project audit initiation
- Project baseline definition
- Establishing an audit database
- Preliminary analysis of the project
- Audit report preparation
- Project audit termination

Some Essentials of an Audit/Evaluation

- Need to select an audit team with experience and expertise
- Auditors need access to top management
- Auditors need access to project personnel and others
- Auditors need access to all records
Measurement

• Many aspects are easy to measure
• Performance against budget and schedule are usually straightforward
• Measurement on projects that include a profit component is more difficult
Introduction

• All projects end
  – The objectives have been completed
  – It no longer makes sense to finish
• Some teams move on to other projects
• Other times, members go their own way
• The client may be happy, mad, or anywhere in between

The Varieties of Project Termination

• Termination by extinction
• Termination by addition
• Termination by integration
• Termination by starvation
Termination by Extinction

- Extinction occurs in any scenario where the project goes away
  - Successful
  - Unsuccessful
  - Changes in environment
  - Take too long
  - Murder

- When work on a project stops, some organizational work continues

Termination by Addition

- Applies to an in-house project
- When the project is successful, it is institutionalized
- While the project goes away, project personnel and assets are transferred to the new business
Termination by Integration

• The most common way to terminate a project
• The project comes into the business
  – It is absorbed into the existing structure
• That structure absorbs the assets of the project

Aspects of the Transition from Project to Integrated Operation

• Personnel
• Manufacturing
• Accounting/finance
• Engineering
• Information systems
• Marketing
• Purchasing
• Risk management
Termination by Starvation

• Termination by starvation involves greatly reducing the budget of a project
• Used when it is politically dangerous to cancel a project
• Bad manners to enquire the status of the project

When to Terminate a Project

• Projects take on a life of their own
• It may be easy to terminate a project that is finished
• But it can be very difficult to terminate a project prior to its completion
Critical Success Factors

- Project mission
- Top-management support
- Project schedule/plan
- Client consolation
- Personnel
- Technical tasks
- Client acceptance
- Monitoring and feedback
- Communication
- Trouble-shooting

Fundamental Reasons Why Some Projects Fail

- A project organization is not required
- Insufficient support from senior management
- Naming the wrong person as project manager
- Poor planning
Non-Technical Reasons for Termination

- Political
- Cross-cultural
- Senescence

The Termination Process

1. Must first decide to terminate
2. If the decision is to terminate the project, the decision must be carried out
The Decision Process

• Sunk costs are not relevant to the decision about terminating a project
• Primary concern for project continuance or termination is whether or not the organization is willing to invest the estimated time and cost required to complete the project

The Implementation Process

• Termination can be orderly or a “hatchet job”
• Planning for implementing an orderly shut down yields better results
• Who leads the shut down project?
• A special termination manager may be used
Things to Do

• Ensure tasks are completed
• Notify the client
• Finish the paperwork
• Send out final invoices to the client
• Redistribute resources
• Clear with legal counsel
• Determine what records to keep
• Assign support
• Close the project books

The Final Report—A Project History

• Project performance
• Administrative performance
• Organizational structure
• Project and administrative teams
• Techniques of project management