

Reference: RCS/C.5

TREASURY CIRCULAR MUN NO. 9/2017

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ISSUANCE OF A PROJECT AUDIT PROGRAMME

1. PURPOSE

The purpose of this circular is to issue a sample Project Audit Programme to all the municipal Heads of Internal Audit to assist in strengthening the auditing of municipal projects.

2. BACKGROUND

Requests were channelled via the Chief Audit Executive Forum for guidance on the audit tests to be performed when auditing a project.

The attached Audit Programme was therefore researched to provide an outline of work to be performed and facilitate an understanding of the area to be audited.

The draft Audit Programme was quality assured through review and all comments were duly incorporated in the final product.

3. REQUIRED ACTION

Kindly disseminate this circular to the Head of Internal Audit and the Chair of the Audit Committee to be used as basis for a project management audit.



ASHLEY THOMAS

ACTING DIRECTOR: FINANCIAL GOVERNANCE

DATE: 30 March 2017

Project Management Audit Work Programme

Project Team (list members):

Project Timing	Date	Comments
Planning		
Fieldwork		
Report Issuance		

Audit Objectives:

The purpose of this audit work programme is to provide assurance on the adequacy and effectiveness of the internal controls related to the project management process.

Control/ Test area	Control Points	Control designed adequately (Y/N)	Audit Tests	Link to supporting work papers
Project Governance: It consists of organisational structure, roles and responsibilities, policies and standards and plans and processes supporting the project execution.				
Project governance	Ensure: <ul style="list-style-type: none"> • Projects have an appropriate governance structure defined to facilitate decision-making and provide appropriate oversight. 		<ul style="list-style-type: none"> • Review governance documentation and determine that: <ul style="list-style-type: none"> ○ An appropriate and effective governance structure is implemented to provide appropriate oversight and decision-making authority at the appropriate levels in the project municipality. <p>Consider:</p> <ul style="list-style-type: none"> ➤ Governance body members represent business areas with a vested interest in the project's success. ➤ The governance body's role and responsibilities are clearly understood and documented. ➤ The governance body has decision-making authority and is actively involved in the decision making process through regularly scheduled governance body meetings. ➤ Appropriate segregation of responsibilities between oversight and execution. 	

Control/ Test area	Control Points	Control designed adequately (Y/N)	Audit Tests	Link to supporting work papers
	<ul style="list-style-type: none"> Project decisions are based on timely and accurate project metrics and business goals and strategies. 		<ul style="list-style-type: none"> Regular and timely reviews of project performance and organisational objectives occur. <p>Consider:</p> <ul style="list-style-type: none"> Decisions are brought to the governance body's attention at the appropriate level of detail and importance. Decisions of the governance body are documented appropriately. Decisions and actions are based on accurate and timely performance metrics with comparisons of actual vs planned values and trending details. <ul style="list-style-type: none"> Determine that the project has a sponsor that participates regularly in governance meetings and approves all significant changes to scope, schedule and cost. <p>Consider:</p> <ul style="list-style-type: none"> The project sponsor should have decision making authority appropriate to the size and scope of the programme. The project sponsor should represent the appropriate business areas. The project sponsor should ensure alignment of project outcomes to municipal goals. 	

Control/ Test area	Control Points	Control designed adequately (Y/N)	Audit Tests	Link to supporting work papers
Project organisation	<p>Ensure:</p> <ul style="list-style-type: none"> • Projects have an appropriately defined organisational structure defined to provide for timely communication and execution of decisions, escalation of issues and appropriate control of communications. • Ensure that all resources understand roles and responsibilities such that they can perform their assigned tasks and coordinate with others to complete their work. • Ensure that managers are empowered to make decisions and have an appropriate span of control and separation of duties where conflict may impair job performance. 		<ul style="list-style-type: none"> • Determine that a table of organisation or equivalent exists for the project, detailing reporting and escalation relationships at a detailed (individual) level. • Review the project organisation structure and related documentation to determine that roles and responsibilities have been developed and clearly defined. • Determine through sample enquiry that project personnel are aware of their role, accountabilities and reporting relationships. • Evaluate the effectiveness of the project organisation in controlling and managing risks. Note issues relating to segregation of duties, inadequate authority, inadequate qualification and experience for the position. 	

Control/ Test area	Control Points	Control designed adequately (Y/N)	Audit Tests	Link to supporting work papers
<p>Project Scope Management: the activities and processes required to ensure that the project includes only the work required to complete the project successfully. It is mainly focused on defining and controlling what is or is not included in the project and is the foundation for building project plans.</p>				
Project scope	<p>Ensure:</p> <ul style="list-style-type: none"> • Scope of the program/project has been documented, reviewed, approved and placed under integrated change management. • Project risk is mitigated by subdividing the major project deliverables as identified in the scope statement into smaller, more manageable components. 		<ul style="list-style-type: none"> • Determine that the project has clear definition of expected outcomes (products, services, business capabilities, applications, etc.) that enable effective management of the project. Potential business, regulatory or legal issues that impact the project or its outcome should be clearly detailed as well as assumptions and constraints. • Determine that the project scope aligns with business goals and has been approved by the project sponsor and customer with the agreement of stakeholders. • Determine that scope is decomposed into manageable elements and allocated to resources with clear ownership. 	

Control/ Test area	Control Points	Control designed adequately (Y/N)	Audit Tests	Link to supporting work papers
	<ul style="list-style-type: none"> • Deliverables and other work products are reviewed and approved. • Work products and results are reviewed by the appropriate stakeholders. 		<ul style="list-style-type: none"> • Determine that delivery of scope is verified through clear traceability and testing. <p>Consider:</p> <ul style="list-style-type: none"> ➤ Description of the product/service to be delivered by the project is clearly documented. ➤ Objectives are clearly stated and quantifiable for measuring the success of the project. At a minimum this includes cost, timeline and quality measures. This means attributes, measures value. Does not include un-quantifiable objectives such as "customer satisfaction". ➤ Impacted business and IT areas are identified. ➤ Major work products that are produced by the project are identified. ➤ Out of scope items are identified. ➤ Assumptions and constraints are detailed. ➤ Approval is performed with clear separation of duties. ➤ Scope should be consistent with business case requirements and project schedules. 	
Scope change control	<p>Ensure:</p> <ul style="list-style-type: none"> • Scope of the project has been documented, reviewed approved and placed under integrated change management. 		<ul style="list-style-type: none"> • Determine that significant changes to scope are approved, based on both impact to the project and organisation, by the project sponsor in consultation with stakeholders. 	

Control/ Test area	Control Points	Control designed adequately (Y/N)	Audit Tests	Link to supporting work papers
Project Integration Management: Those processes and activities required to identify, define, combine, unify and coordinate the various processes and project management activities within the project management groups that are required to accomplish project objectives within defined procedures.				
Integrated change control	Ensure: <ul style="list-style-type: none"> • Changes are identified, assessed for impact, defined in detail, communicated, approved or rejected with rational, implemented and managed to successful completion. 		<ul style="list-style-type: none"> • Evaluate a sample of changes and determine that: <ul style="list-style-type: none"> ○ Changes are clearly defined in detail with rational for requesting the change. ○ An impact analysis is performed prior to approval of a change request. ○ An impact analysis results in detailed estimates to the impact to municipal value, project scope, cost, risk and schedule and clearly defines artifacts and deliverables that require revision. ○ Change requests have sufficient visibility to ensure that affected stakeholders can identify risks prior to approval. ○ Change orders (approved changes requests) are managed to ensure and verify proper implementation. ○ Changes are bidirectionally traced to impacted artifacts. • Determine that a sample of changes was approved by the appropriate approval authority and is consistent with management, governance and oversight activities. • Determine that a sample of changes resulted in appropriate updates to the project schedule. 	

Control/ Test area	Control Points	Control designed adequately (Y/N)	Audit Tests	Link to supporting work papers
Project methodology	Ensure: <ul style="list-style-type: none"> Projects follow approved process guidance to ensure risks are managed within expected tolerances. 		<ul style="list-style-type: none"> Review current process guidance applicable to the project. Based on where the project is in its lifecycle take a sample of artifacts required by the process guidance to ensure that project methodology guidance is being followed. 	
Project Time Management: Those processes and activities that are required to ensure timely completion of the project.				
Schedule planning	Ensure: <ul style="list-style-type: none"> The project schedule supports the delivery of the project scope within the agreed upon time. 		<ul style="list-style-type: none"> Determine that a defined and approved schedule exists and is used to manage project activities. Determine that the schedule is consistent with the scope document and that delivery commitments are consistent with municipal expectations. Determine that deliverables are clearly identified on the schedule. Determine that all tasks to produce deliverables are defined and have named resources allocated: <ul style="list-style-type: none"> (a) Ensure that tasks are defined to support effective management and tracking (> 90% of tasks < 40 hours). (b) Ensure that QA activities (reviews and approvals) are defined on the schedule. Determine that task dependencies are defined and are reasonable. Integration points to separate schedule should be defined on the schedule. Determine that resources are not significantly over allocated. Determine that the schedule has been approved by the appropriate level of management. 	

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Schedule tracking			<ul style="list-style-type: none"> • Determine that progress is measured and reported against the approved schedule. • Determine that progress metrics are regularly reported to governance and key stakeholders. • Determine that progress metrics are quantitative and are reasonably accurate. • Determine that the schedule is being used to proactively manage project risks. Note if the project is significantly ahead or behind schedule and determine that risks are being addressed. • Ensure that the schedule is effective to identify the impact of delays and changes. • If a programme schedule exists, ensure that it is consistent and accurate at a milestone and deliverable level with project schedules. 	
Schedule change control			<ul style="list-style-type: none"> • Determine that changes to schedule are reviewed and approved by the project sponsor. Note is changes are masking reporting of progress. 	

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Project Cost Management: Those processes and activities that are required to ensure that the project is completed within the approved budget.				
Business case	<p>Ensure:</p> <ul style="list-style-type: none"> • A business case is developed that supports the benefits of the project and it is reviewed by the appropriate stakeholders and approved by the sponsor and governance group. • Significant changes to the project or business model results in updates to the business case. 		<ul style="list-style-type: none"> • Review the business case and determine that it includes: <ul style="list-style-type: none"> ◦ Clear cost/benefit justification for the project supported by detailed analysis that includes: <ul style="list-style-type: none"> ▪ Evaluation of alternative solutions (buy vs build or outsource). ▪ Identifies recurring or operational costs and non-recurring project costs. ▪ Identifies tangible and intangible costs. ▪ Potential municipal changes such as staffing levels, facilities, infrastructure, etc. • Determine that data is traceable to supporting detail, assumptions, etc. • Ascertain that the business case has been reviewed by subject matter experts and approved by the key stakeholders and approved by the sponsor, governance group and executive committee is appropriate. • Determine that the business case is appropriately updated to reflect changes to the project and to reflect more current data. <p>Consider:</p> <ul style="list-style-type: none"> ➤ Changes to the business case should be consistent with change management actions. 	

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Cost estimation and budgeting	Ensure: <ul style="list-style-type: none"> • That estimates have been developed using a methodology that produces reasonable results • An initial cost baseline (project budget) established to measure project performance. 		<ul style="list-style-type: none"> • Evaluate the methodology and assumptions used to produce the cost estimates and ascertain its level of reliability. • Determine that the appropriate resource rates have been used to calculate the rand cost. • Determine that cost estimates have resulted in a cost baseline (budget by period). • Determine that the cost baseline is updated as the project moves through its lifecycle and approved scope and resource changes are reflected in the updates. • Determine that the baseline budget agrees to the cost basis in the business case. • Determine that the project complies with municipal policies (i.e. delegations). 	
Cost control	Ensure: <ul style="list-style-type: none"> • Costs are monitored, controlled and integrated with other control processes (scope, schedule, quality etc.) and all appropriate changes are recorded accurately and appropriate stakeholders informed of the status. 		<ul style="list-style-type: none"> • Determine that the cost information reported is consistent and reasonably accurate with project schedule and cost information reported by the project. • Determine that actual costs are reported against budgeted costs on a regular basis, that variances are identified and action taken to address significant variances. Costs should be reported to the project sponsor and governance group. 	

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	<ul style="list-style-type: none"> Increases in project budgets are appropriately approved. 		<ul style="list-style-type: none"> Determine that changes to the budget are reviewed and approved by the project sponsor and governance group. Determine that costs are approved and reconciled across various tracking systems including HR time tracking, portfolio management, cash management and project management systems. Determine that costs are reported consistently and accurately. Determine that cost management complies with municipal policies: <ul style="list-style-type: none"> Authorisations to increase project budgets comply with management authority. 	
Project Human Resource Management: Those processes and activities that organise and manage the project team.				
Human resource management	<p>Ensure:</p> <ul style="list-style-type: none"> The municipal structure is staffed to plan with resources capable to meet project commitments. 		<ul style="list-style-type: none"> Determine that tasks are staffed with appropriate resources. Review key roles in the project to determine that resources have been evaluated and possess the appropriate knowledge and skill to perform in the assigned roles. Determine that all resources have been allocated to project tasks or management of resources. Note any risks associated with unfilled key or subject matter expert positions. Also note under or over allocation of resources and how this is managed. Determine that risk management addresses key personnel changes. 	

Control/ Test area	Control Points	Control designed adequately (Y/N)	Audit Tests	Link to supporting work papers
			<ul style="list-style-type: none"> • Determine if use of contracting and consulting personnel is effective and appropriate. If used, determine appropriate management and oversight of activities, including restricted access to information. <p>Consider:</p> <ul style="list-style-type: none"> ➤ Project use of contractor or consulting resources may not be billed directly to project. ➤ Morale impacts productivity and can be an indicator of more serious managed or unmanaged risks. 	
Project Quality Management: Those processes and activities that determine policies, objectives and responsibilities required to ensure that the project will satisfy the needs for which it was undertaken.				
Quality management	Ensure: <ul style="list-style-type: none"> • A quality management plan has been developed to address how quality will be managed, assessed and reported. 		<ul style="list-style-type: none"> • Review the quality assurance plan for the following: <ul style="list-style-type: none"> ○ The QA plan should identify quality objectives and how the objectives will be met. ○ The QA scope has been clearly defined. ○ The QA plan should identify standards, reviews, inspections, processes and guidance to ensure quality. ○ QA roles and responsibilities have appropriately been assigned to a knowledgeable person. ○ Quality reports and metrics have been established and provides measures of quality to the sponsor, customer and governance group. • Review the project plan and determine that planned activities include QA tasks. 	

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	<ul style="list-style-type: none"> Quality activities are planned and scheduled. Work products are complete and are of appropriate quality and substance for the delivery of the projects requirements. 		<ul style="list-style-type: none"> Review a sample of QA activities to determine that tasks are occurring as planned and are effective. Review a sample of QA reports and any recommended corrective actions to determine that QA is effective in identifying and resolving quality issues. 	
Project Risk Management				
Risk Management	<p>Ensure:</p> <ul style="list-style-type: none"> Risk management activities are occurring and are effective with addressing risk and issues in a timely fashion mitigating their impact to the project 		<ul style="list-style-type: none"> Review the risk management plan. Determine that guidance exists, including ownership and accountability, to support the following activities: <ul style="list-style-type: none"> Risk identification – risks are appropriately being identified that are likely to affect the project and documenting the characteristics of each. Risk analysis – Risk has been appropriately assessed for the range of possible project outcomes (probability and impact). Risk response planning – ascertain each risk has an appropriate action plan defined. Risk and issues log – risk and issues are appropriately maintained (i.e. documented with action plans, owners and target dates for action to be completed) and current. Risk monitoring and control – risk and issues are appropriately being monitored for impact, actions and completion. Risk reporting – significant risks are regularly reported to management and governance group. 	

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			<ul style="list-style-type: none"> • Determine that risks are appropriately being identified that are likely to affect the project and documenting the characteristics of each. • Determine that risks are assessed for the range of possible project outcomes (probability and impact) to schedule and budget. • Determine that each risk has an appropriate action plan defined, including risk triggers, risk mitigation and risk response. • Determine that risks are regularly reviewed and the status is updated. • Determine that significant risks are reported to governance and oversight on a regular basis. 	
Project Communication Management: Those process and activities required to ensure timely and appropriate generation, collection, dissemination, storage and ultimate disposition of project information.				
Communications Plan	Ensure: <ul style="list-style-type: none"> • Appropriate project information is communicated to stakeholders, executive sponsor and executive committee. This information should include status against baseline measures, quality metrics, risk and issues. 		<ul style="list-style-type: none"> • Determine that the project has identified key stakeholders and that stakeholders are appropriately informed of actions, decisions and project status. • Determine through inquiry with a sample of stakeholders if communications are effective. <p style="color: #0056b3;">Consider:</p> <ul style="list-style-type: none"> ➤ The communications plan addresses the varying needs of unique audiences. ➤ The plan is effective from a content and delivery perspective and addresses communications at key milestones. ➤ The communication plan is being fully executed. ➤ The plan identifies all applicable audiences and the list of audiences is updated as changes occur. 	

Reference List

2013 Project Management Institute. *A Guide to the Project Management Body of Knowledge (PMBOK® Guide) – Fifth Edition*

http://www.dallasia.org/PDF/010710_pre.pdf

<http://www.sans.edu/cyber-research/leadership-laboratory/article/351>

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