Project Governance

ANTICIPATING AN AUDIT
Public sector Project Management characteristics

- Multi-million rand projects
- Often National interest projects
- Subject to intense scrutiny
- Uncertainty (outcomes; roles; responsibilities of role players)
- Use established methodologies (Prince2, PMBOK)
Project challenges in Public sector

- Delivery
- Commitment & accountability
- Authority
- Transparency
- Need to prove independence/fairness
- Lack of discipline
- Skills
- Risk management
Characteristics of good governance

- **Initial**
  - Discipline
  - Transparency
  - Independence
  - Accountability
  - Responsibility
  - Fairness
  - Social Responsibility

- **Recent additions**
  - Skills
  - Participation
  - Documentation/evidence
  - Mandate
  - Access to information
  - Risk management
  - Legal compliance
Effective Governance

- In practical terms effective governance means:
  - Effective legal and regulatory environment
  - Clear organisational mandate
  - Defined levels of authority and decision making
  - Transparent and accountable leaders
  - Sound Financial Management practices
  - Management of risk
  - Responsible corporate behaviour

- Doing the right things right
Project Governance - Intent

- Creation of a framework for the oversight of the project
- Ensure that project goals are well defined
- Clarify roles and responsibilities
- Improve risk management
- Create clear Accountabilities
- Ensure effective delivery
- Tools for change management
- Provide measurement criteria
- Ensure that evidentiary requirements for an audit are met
Benefits

- Method to review planned against actual
- Alignment to Strategic objectives
- Decision making mechanism
- Competing project dependencies are apparent
- Accountability
- Transparency
- Measureable outcomes
- Defined deliverables
- Auditable
Governance Framework

Four Main categories which need to be dealt with:
- Roles and Responsibilities
- Tools and methodologies
- Control mechanisms
- Risk management

In no way replaces existing project methodologies
Step 1: Governance activity: Roles and Responsibilities

- **Steering Committee**
  - Chair – neutral, decisive, authoritative

- **Select Members:**
  - Appropriate level of authority and accountability
  - Area of interest/specialisation
  - Interest in project
  - Their ability to ensure decisions are made and action taken

- **Project Team:**
  - Appropriate skills
  - Appropriate levels of authority
  - Area of specialisation
  - Business relevance

- **Written commitment** to Project from all team members
  - Consider reward and recognition for participation

- **Stakeholders**
  - Articulate their expectations (document for reference)
Steercom

- Steercom must be empowered to take action to rectify problems
- Make decisions on behalf of non-participating team members
- Appoint alternative team members if necessary
- Escalate matters when necessary

ERP Upgrade
Step 2 – Identify/Agree Tools and methodologies

• Which
  • Standards, best practice
  • Financials
  • Quality
  • Change management
  • Project specific

• Why
  ○ Clarity
  ○ Ensure Standardisation
  ○ Simplifies the outcome planning
Step 3 – Define Control Mechanisms

- **Financial**
  - Budget vs actual monitoring
  - Spending approval (who, on what basis, how)

- **Deliverables**
  - Detailed description
  - Acceptance Criteria
  - Quality definition

- **Human Resources**
  - Policies and procedures which apply
  - Reporting lines and methods of reporting
  - Commitment from line to project

- **Communication**
  - Tools, frequency, channels

- **Confidentiality**
  - Agreements and other security controls
Step 4 – Identify risks

- **Categorise**
  - Financial
  - Change Management
  - Delivery
  - Other (political, legislative, etc)
  - Non-participation/commitment of team members

- **Plan ahead**
  - Mitigate
  - Accept
  - Transfer
Make it real – provide clear guidance for the Steering Committee

- Provide a single document which defines
  - Detailed description of the anticipated outcome/s of the project
  - What the Steercom must review at each step of the project – to know that it is on track/ according to budget and delivering what is required
  - How tools and methodologies will be applied in the project
    - How their application should be measured
  - What reports will be provided to the Steercom, when by whom
  - What the approval criteria are for each deliverable
  - What are acceptable tolerances for each
  - How exceptions should be managed
  - What should be escalated, when and how
Examples and suggestions

- **Business Case/initiation document**
  - Should clearly define the project

- **Outsourcing considerations**
  - Clearly motivate why, and demonstrate that internal policies and procedures have been followed

- **Deliverables /product**
  - Clearly articulate what is acceptable in measurable terms
Acceptance Criteria:
- Aligned to the organisational strategy
- Explains the need for the project
- Anticipated benefits from the project (cost vs benefit)
- Identify the solution/s
- Realistic budget and time frames
- Define measurement criteria for selection of the solution
- Provide an analysis of various options
- Value that the project will deliver (to the organisation or country)

Steercom to raise any concerns before project commences
Outsourcing consideration

- The Steering Committee should ratify any decision to outsource, separately from the approval of the business case.
- The decision to go to tender (if required) should be ratified as part of this process and documented in minutes.
- Tender documents should be drawn up with the necessary level of detail to maximise the chances of success.
- The tender documentation should serve as evidence for any potential auditor to measure outcomes against. A clear link should be found between the tender documents and the business case.
- Steercom needs to ratify tender decisions.
Steercom must be confident that comprehensive planning has been done, and this serves as clear guidance for the project.

Steercom should ensure that there is a means or method of tracking versions of documents to avoid confusion.

A means of tracking budget vs actual must be developed before starting the project.

All test and quality plans must be documented.

A comprehensive resource register with sign off from senior management (if applicable).

Other documents as required by the project methodology.
Project Planning – additional issues

- Regulatory issues register (if applicable)

- The steering committee should check:
  - That all documents required are in existence for compliance to legislation or standards
  - That the necessary levels of detail are contained within the documents
  - That the time frames are realistic and achievable and if the steering committee does not believe that they are, they should take action to amend
  - All documents need to be populated and used in a manner which allows for the steering committee to track the activities and deliverables of the project
  - If satisfied, Steercom should ratify (sign off)
Project progress monitoring

- As the project progresses, there should be constant monitoring, of all areas and interventions by the appropriate representative if required.
- Minutes should be kept of all meetings and decisions.
- All changes to the scope of the project must be recorded, whether approved or not. Progress against approved changes must be tracked as part of the project progress reporting.
- Constant compliance checking if relevant
- Deliverables or milestones achieved must be measured, and quality checked
- There should be evidence of review and approval by Steer Com
Steercom must ensure that the project delivered as intended. Must check project outcome report against:
- Original Scope
- Change Logs
- Quality plan
- Final Budget vs actual
- Risk log
- Regulatory issues register
- All other documentation

Complete Project close out report
Role of audit in a public sector perspective

- Efficiency
  - Was the project managed in an efficient way, with reasonable time frames
  - Was there control over the funding
    - Were the funds spent in the way in which they were intended to be spent?
  - Is there a chain of evidence which provides
    - Reasonable proof of:
      - Management: the process, of risk of implementation of controls;
      - Adherence to tools/methodologies/standards etc decided upon.
      - Clarity of deliverables
      - Delivery against objectives
      - Interventions where necessary
      - Sufficient communication
Role of audit continued

• Effectiveness
  - Was there business rationale for the project?
  - Did the project achieve its goals?
  - Was there proper management including financial, and oversight?
  - Were funds allocated beforehand?
  - Was the project closed out properly?
  - Was quality achieved?
  - Was the project completed within reasonable time frames?

• Economy
  - Were cost savings applied where possible
    - Were public funds spent appropriately?
    - Were proper financial management principles applied.
Role of audit continued

- Confidentiality
  - Has this been maintained, and can it be controlled going forward if required?
- Integrity
  - Of processes, systems, tools etc created by the project – will these stand up to the use intended?
- Availability
  - Will the services or processes be available as required or promised?
- Compliance
  - Was there appropriate compliance to standards, financial management regulations, etc?
- Reliability
  - Servicing intervals – are these as intended?
Audit evidence

Auditors will consider the Project evidence which is:
- Built up during the lifecycle of the project
- Usually written or documentation.
- Proper Sign off's will be checked
- Compliance to project objectives and goals
- Evidence of financial control
- Evidence of management and oversight
- Evidence of interventions
- Evidence of change management
- Evidence of communication and interactions

Why?
Why do auditors check for these things?

- Auditors review the past.
- Auditors only work with that which is tangible or for which evidence can be provided.
- Auditors are standards driven – if a set of standards has been used in a project, they will audit against the standards.
- Risk management – auditors are tasked with review of planning for and consideration of risk.
- Planned vs actual, and documentary evidence of deviations.
- Apply Critical thinking and professional scepticism.
Project Governance Summary

- Framework for the oversight of the project
- Project goals are well defined
- Clarification of roles and responsibilities
- Improved risk management
- Clear Accountabilities
- Assures effective delivery
- Effective change management
- Measureable outcomes
- Ensure that evidentiary requirements for an audit are met