

Project Assurance

June 2023

Introduction

Most organisations run projects – large and small – to accomplish specific objectives. Many projects are critical to the organisation, so the governing body should ask themselves:

Does the organisation clearly know how its project governance and assurance activities fit together, how much they cost, how effective they are, and whether there is meaningful objective examination of evidence to provide independent assessment of programs / projects / business initiatives?

(The Institute of Internal Auditors - Australia, 2022)

For the purpose of this discussion we have defined:

Project – A unique set of processes consisting of co-ordinated and controlled activities with start and finish dates, undertaken to achieve an objective.

Project Governance – The management framework within which project decisions are made.

Project Assurance – A positive declaration intended to give confidence designed to improve the quality of information to aid informed project decision-making.

The Survey

The Institute of Internal Auditors – Australia surveyed Chief Audit Executives (CAEs) to explore the way in which projects are assured in Australian organisations. 39 responses were received across a wide section of the economy (Exhibit 1).

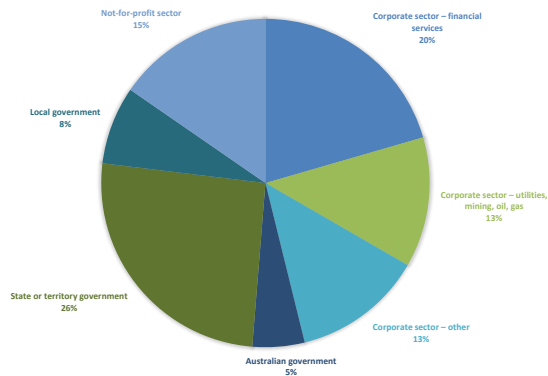


Exhibit 1 – Economic sector of respondents

Project Governance Arrangements

One respondent was not aware of project activities within their organisation. This response was excluded from the analysis. Project-based management is commonly used in construction, ICT and operational technology (see Exhibit 2). A significant number of respondents indicated much wider use of project structure to achieve organisational objectives.

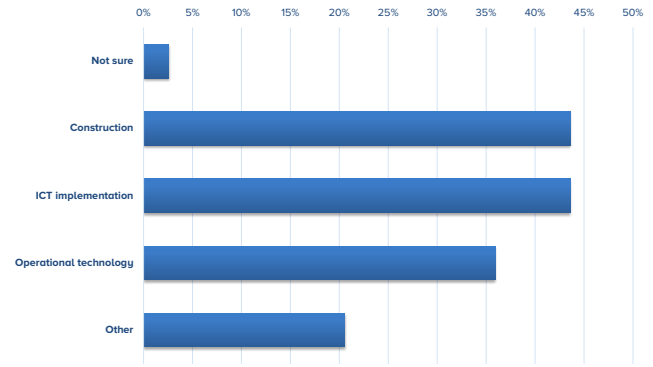


Exhibit 2 - Use of project-like activities

Organisations do not necessarily apply formal project management techniques to all project-like activities. Most organisations have threshold definitions that consider the financial value and/or the nature or risk profile of the activity. One respondent noted that the number of stakeholder groups affected was a relevant factor. (See Exhibit 3).

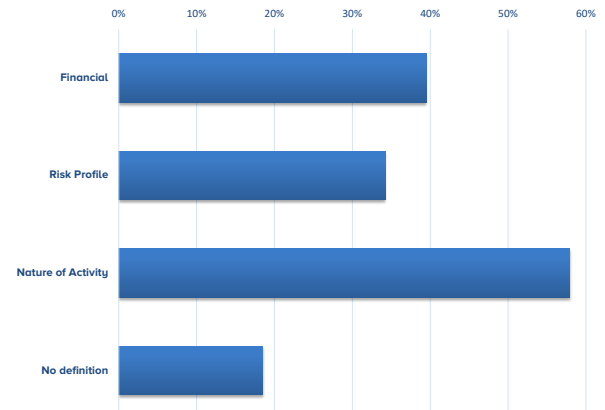


Exhibit 3 - Factors included in the definition of a project

The majority of respondents (68%) have a project management office (PMO). A PMO is usually a Line 2 activity that defines and maintains the standards of project management for an organisation. It commonly retains key documentation and metrics for projects and is involved in project reporting. (See Exhibit 4 for activities undertaken by the PMO). Ideally, it also provides a level of assurance over the accuracy of reporting, but many do not provide this service. Our respondents indicated that not all PMOs undertake reviews of project reports – some pass on the reports unvalidated but some reports are also independently validated.

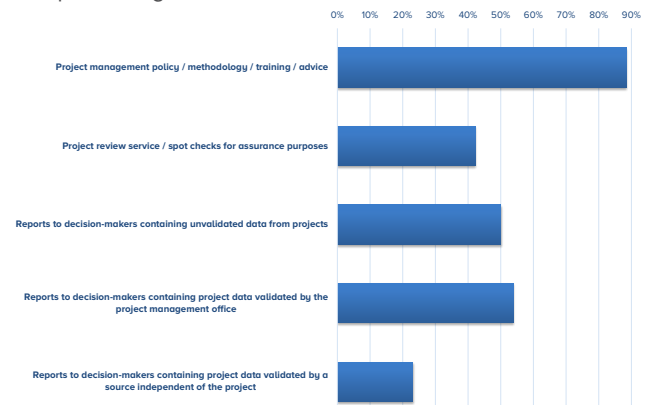


Exhibit 4 - Project Management Office activities

The more general question about project reporting included organisations that did not have a Project Management Office. The results shown in Exhibit 5 suggest that many organisations still rely on unvalidated reports directly from the project. Indeed, the respondents who reported the absence of a PMO also indicated that project reporting was exclusively "Unvalidated project reports".

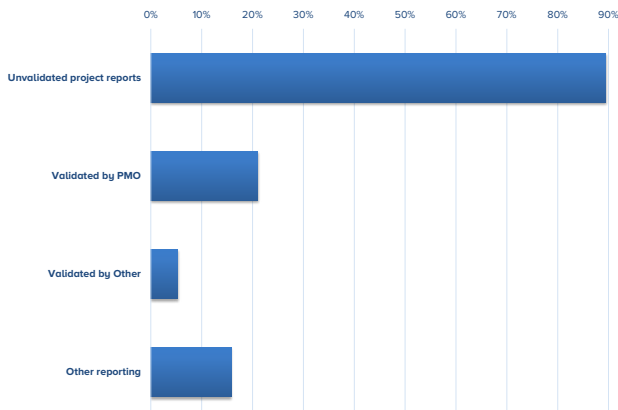


Exhibit 5 - Project reporting in organisations

Only 82% of respondents are aware of an up-to-date project inventory within their organisation. The data cannot tell us whether the negative or uncertain responses relate to the existence of an inventory or whether they relate to a lack of confidence in it being current.

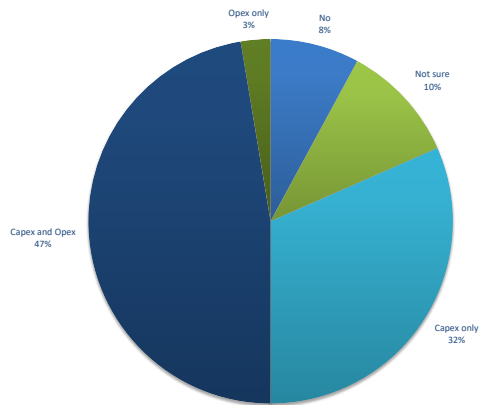


Exhibit 6 - Current inventory of projects

Project Assurance

Assurance is expensive. For this reason, it is important for organisations to get it right when determining the make-up of their assurance environment. Typically, a wide range of specialist risk and control areas undertake assurance activities. It is easy to expend more effort and money than necessary when there is no coordinated approach to assurance. The 3 Lines Model (The Institute of Internal Auditors, Inc, 2020) is a concept used by organisations to define their assurance environment. It can be readily adapted to assurance over projects (Cox & Steenekamp, 2022).

All respondents indicated that they were aware of project assurance and 75% had provided project assurance services in the past two years. A further 13% indicated that project assurance services were currently on their internal audit plan. Amongst those that had provided assurance services in the last two years, about 35% had used less than 10% of their resources in this activity; a similar proportion had expended between 20% and 30% of resources on project assurance. (See Exhibit 7).

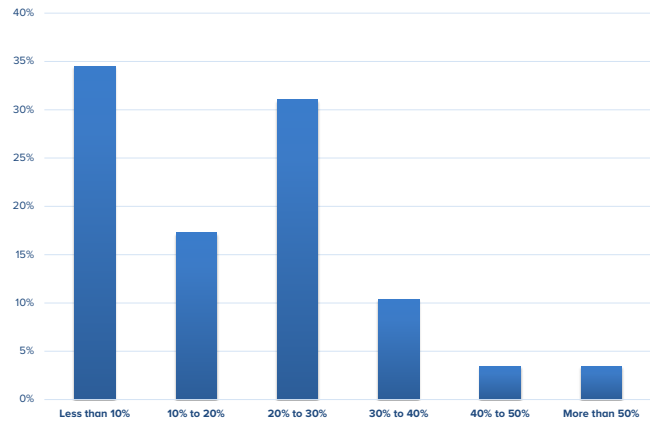


Exhibit 7 - Proportion of internal audit resources used on project assurance

Internal audit can be involved in many ways during the project life-cycle. A number of activities are common. These are illustrated in Exhibit 8. Other activities reported include membership of the program steering group. (In this context, a program is a group of related projects).

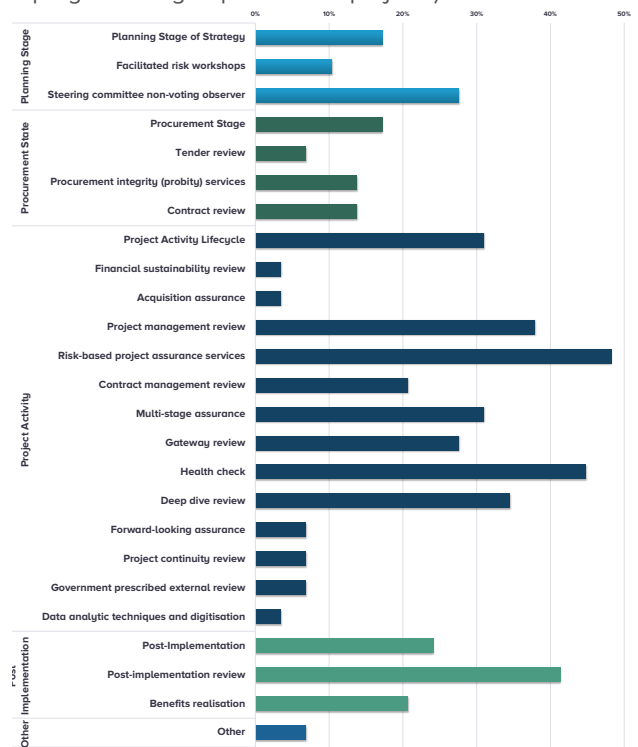


Exhibit 8 - Project assurance activities by internal audit

We can identify four lines of information (three internal and one external) from which organisations can get assurance over projects (Exhibit 9). External lines are characterised by such activities as gateway reviews (Department of Finance (Australia), 2017).

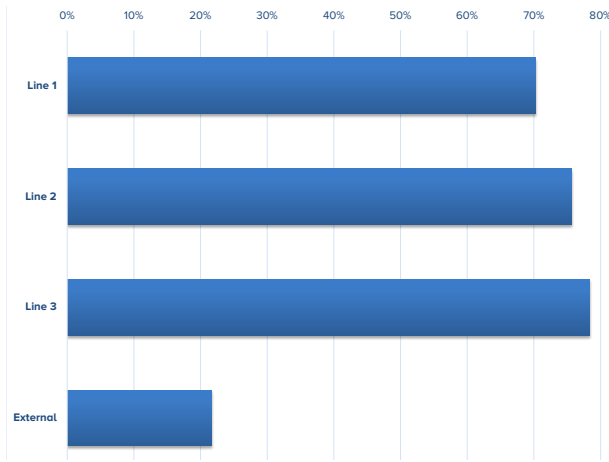


Exhibit 9 - Sources of project assurance

While some organisations (22%) continue to rely on a single source of information for project assurance, it is pleasing to see that most organisations make use of two or more Lines (Exhibit 10).

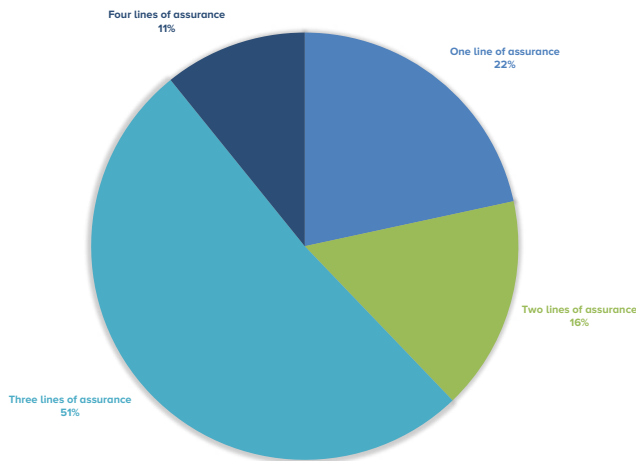


Exhibit 10 - Use of multiple sources of information

Summary

It has long been established that the correction of errors in ICT systems grows exponentially as the development advances. An error detected after deployment may cost as much as 80 times the cost to correct an error found at requirements stage (Marasco, 2007). It is largely accepted that getting things right at the outset is important. Project assurance includes this process but also goes beyond it to help manage scope, budget and quality and to give the governing body confidence in the outcome.

Internal audit can play an important role in project assurance. Most internal audit activities are providing assurance over organisational projects. It is important to note that internal audit is not the only source of assurance information and governing bodies tend not to rely solely on a single source.

It is common for organisations to use a project management office to help governance and reporting of projects. The presence of a PMO is correlated with more robust project reporting.

Useful References

Cox, A. & Steenkamp, R., 2022. Project Assurance. [Online].

Davidow, B. & Moda, N., 2020. White paper: Auditing Projects. [Online].

Department of Finance (Australia), 2017. Resource Management Guide 106: Guidance on the Assurance Reviews Process. [Online]
Available at: <https://www.finance.gov.au/publications/resource-management-guides/guidance-assurance-reviews-process-rmq-106>

Infrastructure New South Wales, 2021. Infrastructure Investor Assurance Framework. [Online]
Available at: https://www.infrastructure.nsw.gov.au/media/3011/infrastructure-investor-assurance-framework-iaf_march-2021.pdf

International Internal Auditing Standards Board, 2016. International Standards for the Professional Practice of Internal Auditing. [Online]
Available at: <https://www.theiia.org/en/standards/what-are-the-standards/mandatory-guidance/standards/>

Marasco, J., 2007. What Is the Cost of a Requirement Error?. [Online]
Available at: <https://www.stickyminds.com/article/what-cost-requirement-error>

The Institute of Internal Auditors, Inc, 2020. The IIA's Three Lines Model: an update of the three lines of defense. [Online]
Available at: <https://www.theiia.org/en/content/position-papers/2020/the-ias-three-lines-model-an-update-of-the-three-lines-of-defense/>

The Institute of Internal Auditors - Australia, 2022. The 20 Critical Questions Series: What Directors should ask about Project Governance and Assurance. [Online].