

# Project Auditing

## Recommendation(s)

That the Board:

- i. Notes the proposed approach to be taken for auditing major projects at Auckland Transport (AT).

## Executive summary

Procurement projects for goods, works and services vary in size, cost, complexity and risk. There have been numerous examples of high profile public and private sector procurement projects that have failed to deliver on time or exceeded the budget. In many cases such failures can be attributed to poor project management.

Major projects tend to be extremely complex and are exposed to high levels of risk and uncertainty. A standard approach to auditing major projects at AT will ensure fundamental project management principles are applied in line with good business practices and are appropriate for the scale and risk of the project.

## Strategic context

Risk and Audit provides independent and objective assurance to the Chief Executive, the Finance and Risk Committee (FRC) and the Board that Auckland Transport's financial and operational controls are designed and implemented to manage risks and achieve Auckland Transport's objectives.

## Background

Regardless of whether a project audit is conducted mid-term on a project or at its conclusion, the process is similar. In simple terms, a project has a measured set of objectives or deliverables with a defined beginning and end.

Project Audits provide an opportunity to uncover the issues, concerns and challenges encountered in the execution of a project. Interim audits or project health checks provide a view of what has gone well and what needs to be improved with the project to successfully complete it. It should be noted however that many projects can be long term and often project benefits can only be assessed or noted against forecasts provided. Post project audits on the other hand help to ascertain the degree of success from the project, in particular, the extent to which it met its objectives, delivered planned levels of benefit, and addressed the specific requirements as originally defined.

At the close of a project, a project audit can be used to develop success criteria for future projects by providing an analytical review. Project audits provide an opportunity to learn what elements of the project were successfully managed and which ones presented some challenges. Reviewing projects during execution and post-delivery helps an organisation identify what it needs to do so that mistakes are not repeated on future projects.

## Issues and options

It is intended that both interim and post project audits be undertaken on all of AT's major projects.

Reviews will be undertaken in partnership with the project team and key stakeholders. They will be designed to highlight risks and issues, which if not addressed, could threaten the successful delivery of the programme or project.

The scope of these reviews will focus on specific project lifecycle deliverables including:

- Project governance
- Project activities
  - Project scope
  - Project cost estimations
  - Project timelines
  - Project documentation
  - Quality assurance and monitoring
  - Resourcing
  - Roles and responsibilities
  - Testing
  - Training
  - Business rules and requirements defined
  - Communications
  - Legal reviews
  - Implementation and go live activities
- Customer / stakeholder satisfaction
- Benefits realisation
- Future improvements

Whenever an organisation embarks on a project to improve its performance and results, the project is expected to bring benefits to that organisation. "Completing a project" is not the same thing as ending the project management process. Simply finishing doesn't ensure that the organisation optimises the benefits from the project's outcome.

It is essential to ensure that all desired benefits have been realised, and to understand what additional benefits can be achieved. It can however be difficult to identify the balance between tangible and intangible benefits, especially for long-term investments. Formal methods to calculate financial returns on investments are widely understood and have been used for a long time, but on occasions there is no easy and widely known way to provide a formal justification for decisions based on intangible values, which can include the reputation of the organisation, the wellbeing of staff, or the impact on society or the environment at large.

Interim and post project audits will identify project management weaknesses and recommend specific targeted areas for improvement. This typically improves the governance

framework within which projects operate and results in improved accountability and efficiencies. Conducting project audits reduces the risk of repeating mistakes that may have been made and will enable the organisation to make use of any lessons learned.


## Next steps

All major projects will be subject to project audits at both interim and post completion stages.

Projects identified for review include:

- Auckland Integrated Fares System (AIFS)
- City Rail Link (CRL)
- Wiri Depot
- Electric Multiple Units Delivery(EMU)
- Auckland Manukau Eastern Transport Initiative (AMETI)
- Dominion Road Improvements

## Document ownership

<b>Submitted by</b>	Eifion James <b>Manager Risk &amp; Audit</b>	
<b>Approved for submission</b>	David Warburton <b>Chief Executive</b>	