

## *Let's talk about public projects*<sup>1</sup>

# Supreme Audit Institutions and Projects<sup>2</sup>

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## Introduction

An audit is an independent examination by an external entity of a specific area of operation to determine compliance with applicable guidelines, standards, laws, or other documents shaping this operation. The audited area could be continuous processes or projects and programs in any sector of activity (private, public, NGO). At every level of public administration, organizations (audit chambers) can be established to oversee the activities of specific entities. Audit chambers operating at the state level are generally referred to as Supreme Audit Institutions (SAI) and encompass the entirety of the public sector in a given country. This article deals with SAI activities related to project management.

Government Project Management Offices, as discussed in my previous article (Gasik, 2023a), work for the executive branch of the government. Their main task is to ensure the effective and efficient implementation of public projects within the public administration, by shaping methods, providing support, monitoring, and controlling project execution. Supreme Audit Offices work for the legislative branch. In countries where the separation of powers is in place, the legislative branch holds a higher position in the hierarchy compared to the executive branch. SAIs serve as a parliament institution overseeing the activities of the executive branch. Hence, SAIs' may also audit GPMOs (e.g., GAO, 2018).

If a given country has regulations concerning project management, SAIs verify the alignment of project and program implementation with those regulations. However, in many countries, there are no specific regulations regarding project management. In the majority of states, regulations concerning public procurement, which involve external vendors, have been established. Adhering to the provisions outlined in these

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<sup>1</sup> Editor's note: This article is the seventh in a series related to the management of public programs and projects, those organized, financed and managed by governments and public officials. The author, Dr. Stanisław Gasik, is the author of the book "[\*Projects, Government, and Public Policy\*](#)", recently published by CRC Press / Taylor and Francis Group. That book and these articles are based on Dr. Gasik's research into governmental project management around the world over the last decade. Stanisław is well-known and respected by PMWJ editors; we welcome and support his efforts to share knowledge that can help governments worldwide achieve their most important initiatives.

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regulations regarding projects becomes a point of interest for SAIs. This does not preclude SAIs' interest in projects undertaken by public institutions on their own.

Audit chambers have the authority to oversee public sector projects in two areas: financial and operational performance. In the latter area, processes and other factors that may impact management (such as organizational structures) are usually examined. Audits may employ maturity models, for example, the Australian ANAO utilizes the British P3M3 model (OGC, 2010) as a reference document. Specialized teams are formed to conduct project audits.

Conducting audits for public projects and programs is carried out by audit chambers in numerous countries. Their results are presented to project owners, the parliament, and the general public. They can serve as a basis for suggesting budget reductions and, in extreme cases, for recommending the suspension of project implementation. Publishing audit reports is a tool to ensure transparency and government accountability.

In the following section, brief descriptions of three SAIs are provided. The next section describes some single project and program audits. Then examples of project management process audits follow. The final section of this article demonstrates how the knowledge gained from audits is employed to enhance public project management procedures.

## **Selected Supreme Audit Institutions**

### US Federal Governmental Accountability Office

In the United States, the Supreme Audit Institution at the federal level is the Government Accountability Office (GAO, [www.nao.gov](http://www.nao.gov)). It was established in 1921 as General Accounting Office (US Congress, 1921). GAO's mission is to investigate how the United States Government spends taxpayers' money. In this way, GAO assists Congress in fulfilling its constitutional responsibilities to ensure the functioning of the Government to benefit the society of the United States. One of GAO's key tasks is the independent assessment of public programs and projects. An important task of the GAO is to publish guidelines regarding the best practices for project management.

### UK National Audit Office (NAO)

In the United Kingdom, the SAI has the name of the National Audit Office ([www.nao.org.uk](http://www.nao.org.uk)). The history of auditing government expenses in England started in the XVI century with the establishing of the Auditors of the Imprests Office (<https://discovery.nationalarchives.gov.uk/details/r/C13>) but NAO was established on the basis of National Audit Act 1983 (<https://www.legislation.gov.uk/ukpga/1983/44/contents>). The NAO is an independent institution accountable to the parliament. It directs its reports to the parliament's Committee of Public Accounts. The NAO audits public projects, programs, and institutions. It oversees public finances and the effectiveness of government expenditures. It checks whether public funds are spent lawfully and economically. The NAO identifies and promotes best practices in the area of public spending.

### Australian National Audit Office (ANAO)

The Australian National Audit Office (ANAO) (<https://www.anao.gov.au/>) is an independent institution supporting the operation of the Auditor-General of Australia. ANAO operates under the Auditor-General Act 1997 (Australia Parliament, 1997). ANAO conducts performance audits and assurance reviews of federal Australian institutions and entities dependent on them. ANAO presents its reports to the Joint Committee of Public Accounts and Audit, which oversees public performance and financial operations. ANAO can also perform audits of Commonwealth partners, such as Australian component state government entities in areas related to the utilization of the federal budget.

## **Project and program audits**

The primary activity of audit chambers, including SAIs, in the field of project management is, of course, auditing them.

In the general perception, the outputs of audits describe discrepancies between the audited work and the applicable regulations. But the audit can also result in confirming the accuracy of the ongoing work, without making recommendations. This was the case with the audit of the Australian Snowy 2.0 project's governance, which aims to construct an underground hydroelectric power station (ANAO, 2022b). It showcased the validity of the governance approach, and no recommendations were suggested.

But in most cases, discrepancies are detected, and recommendations aimed at their correction are formulated. Not meeting planned milestones is likely the most frequently identified issue. For instance, the ANAO audit of the Hunter Class Frigates procurement project (ANAO, 2023) revealed an 18-month delay in milestone achievements and establishing the contract management plan 3.6 years after the contract was executed. Delays in implementing projects aimed at improving the counterterrorism and drug trafficking capabilities of partner countries were identified by GAO (2023b). In the United Kingdom ANAO disclosed, for instance, a one-year delay of the Ajax armored fighting vehicle construction program (NAO, 2022) or 31 months delay BBC E20 project, which involved replacing the external filming set for EastEnders programme and the core infrastructure at the BBC Elstree Centre (NAO, 2018). In the audit of the largest in US Department of Defense history F-35 Lightning II Joint Strike Fighter weapons program (GAO, 2023c), it is noted that the delay exceeded ten years.

Budget problems are also commonly identified. The above-mentioned F-35 program's actual budget has surpassed the initial budget by \$183 billion (GAO, 2023c). The E20 project (NAO, 2018) exceeded its initial budget by £27 million (45% over). On the other hand, the British NAO, through an audit of the Euston station construction project (a part of the High Speed Two railway line program), concluded that the project budget was established prematurely and was inadequate for achieving the intended objectives (NAO, 2023).

However, audit results can pertain to any aspect or element of a project or program. For instance, the Hunter Class Frigates project's tender process was ineffective

(ANAO, 2023) and the project as a whole was only partially effective due to a lack of focus on value for money. In the audit of the Integrated Investment Program (ANAO, 2022a), deficiencies in public progress reporting for the program were identified. Project impact was assessed improperly in the partner program (GAO, 2023b). Lack of effective governance was an issue of the Euston project (NAO, 2023). BBC's lack of experience in construction projects and the lack of integration between the project team and program producers were issues of the E20 project (NAO, 2018).

Usually, audit chambers formulate recommendations aiming at recovering from these problems. For instance, for the F-35 program, GAO suggested engine modernization be managed as a separate program (GAO, 2023c). For the E20 project, a reset is necessary to gain a better understanding of costs and risks, as well as to define effective governance (NAO, 2018). In the report regarding projects of the US Postal Service, the GAO (2023a) recommends, among other things, specifying when projects require an integrated schedule, incorporating root cause analysis into project plans, and documenting the results of reviews. For the Euston project, its reset is necessary to gain a better understanding of costs and risks, as well as to define effective governance.

They are only examples of issues raised and recommendations created as a result of single project or program audits. On the web pages of all SAIs, you may find many audit reports describing a plethora of project and program issues.

## **Project management processes audits**

Management processes or their components (sub-processes) can also be subject to audits.

In 2016, the British National Audit Office (NAO) assessed the implementation of major projects for the Committee of Public Accounts (PAC, NAO, 2016). The key areas identified for improvement included accountability of project owners, the personnel's capability to carry out major projects, ensuring project delivery, and premature problem-solution determination.

The Australian ANAO conducted an audit of the gate review process implementation by the Department of Finance (ANAO, 2012b). The audit revealed, among other findings, that the intervals between gate reviews are too long, that the implementation of review recommendations is not consistently checked, and that it would be beneficial to sporadically include projects excluded from this process in the reviews. As a result of this audit, it was recommended that all projects, including those unable to provide risk assessments in time, undergo evaluation in the gate review process.

In another report from the British National Audit Office regarding the assurance of high-risk projects (NAO, 2010), the main principles of assurance and shortcomings in implementing these principles within the state institutions of the United Kingdom were identified. The lack of a coordinated central assurance system design, varying levels of commitment to assurance implementation, and the absence of knowledge retention resulting from assurance processes were highlighted. In 2012, the implementation of these recommendations was reviewed (NAO, 2012), and it was found that most

recommendations were implemented. However, deficiencies persist, including the lack of engagement from certain departments in the project assurance process, limited involvement of the HM Treasury in this process, the absence of a process for capturing gained knowledge, the absence of a defined approach for publishing certain outcome-related information, and the shortage of resources for carrying out the process within some institutions.

## **SAI project management general recommendations**

The knowledge obtained during audits, as mentioned earlier, shouldn't go to waste. Audit chambers participate in managing knowledge about public project management. For instance, an expert panel, assisting in defining methods of managing public projects and programs, was established by GAO<sup>3</sup>.

The knowledge gained or developed by audit chambers is utilized to modify public project implementation processes. If a Supreme Audit Institution observes the application of effective practices in audited projects, it may advocate for their incorporation into the set of recommended or required practices in other public institutions. SAIs can also identify ineffective or risk-prone practices and recommend against their use. Directions for the development of public project management can be determined based on project management audits.

In its report, the Australian ANAO (2011) advocated for the general development of a public sector project management strategy. The GAO published guidelines for cost management (GAO, 2020<sup>4</sup>), schedule management (GAO, 2012), and technology management in projects (GAO, 2016). The Australian ANAO, together with the Department of the Prime Minister and Cabinet, published guidelines for program delivery and policy implementation (DPMC and ANAO, 2006), and also together with the Cabinet Implementation Unit, provided guidelines for sponsors on project initiation methods (ANAO, 2010). ANAO (2012a) also developed recommendations for developing and managing procurement methods. The British NAO produced guidelines for the two-phase qualification and initiation process of projects (NAO 2011). Determining the purpose, funding possibilities, initial stakeholder engagement, detailed project specification, and managing delivery and deviations from the plan were deemed key elements of initiation.

Such guidelines serve as reference material for audits and in this way, they also become mandatory for public project management teams if they do not want to expose themselves to comments from auditing bodies.

## **Summary**

The officials governing the state spend public, not their personal, funds. This applies also to public project implementation. Therefore, public project management must be given special attention. To address this, audit chambers are established, in particular

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<sup>3</sup> The author of this article was a member of the GAO expert panel.

<sup>4</sup> The author was a significant contributor to this document.

the Supreme Audit Institutions. Their primary responsibility is conducting audits. The knowledge gained during these audits is used to improve public project management methods.

Supreme Audit Institutions, alongside Governmental Project Management Offices, constitute the second type of central institution playing a fundamental role in Public Project Governance (Gasik, 2023b).

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**Dr. Stanisław Gasik**, PMP is a project management expert. He graduated from the University of Warsaw, Poland, with M. Sc. in mathematics and Ph. D. in organization sciences (with a specialty in project management). Stanisław has over 30 years of experience in project management, consulting, teaching, and implementing PM organizational solutions. His professional and research interests include project knowledge management, portfolio management, and project management maturity. He is the author of the only holistic model of project knowledge management spanning from the individual to the global level.

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