

# **Unit-5**

## **Purpose of Evaluation**

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## **Project of Evaluation**

### **Introduction**

A project is an investment activity where we use capital resources to create a producing asset from which we can expect to realise benefits over an extended period of time. A project is an activity on which we will spend money in expectation of returns and which logically seems to lend itself to planning, financing and implementation as a unit

#### **A project should have the following characteristics**

1. It should have a specific starting point and specific ending point
2. Its major costs and returns should be measurable.
3. It should have a specific geographic location.
4. It should have a specific clientele group.
5. It should have a well-defined time sequence of investment and production activities.

## **Goals of the System Purpose of Project Evaluation**

Purpose of evaluation is to help the organisation to achieve project's goals corresponding to organisation goals. The evaluation is done to - understand outcomes from each process or the total process. This will improve the projects performance. Certainly the major element in the evaluation of a project is its success. They can be classified into four main points:

1. The project's efficiency is meeting both the budget and the schedule. This has been the primary focus for achieving time, cost and performance objectives.
2. An important dimension is the customer impact and satisfaction. This includes meeting the project's technical, qualitative and operational requirements, including factors relating to royalty and repurchase, fulfilling the customer's actual requirement solving major operational problems of the customer
3. Business or direct success is level of commercial success and market share, for internal projects, however, the factors might be those such as yield, cycle times, processing steps, quality etc.
4. Future potential, this includes a new market developing a new line of products or services, or in case of internal project developing a new technology, skills, or competencies.

### **Thus evaluation of the project helps:**

1. Improve understanding of the ways in which projects may be of value to the organisation
2. Improve the processes for organising and managing projects.
3. Provide an environment in which project team members can work creatively together.
4. Identify organisational strengths and weakness in project-related personnel & management and decision-making techniques and systems.
5. Identify and improve the response to risk factors in the firm's use of projects.
6. Allow access to project policy decision-making by external stakeholders,
7. Improve the way projects contribute to the professional growth of project team members.

- 8 Identify project personnel who have high potential for managerial leadership!
9. Identification of problems and risks involved and preparation of contingency plans.

## **The Project Audit**

### **Introduction**

A project audit basically offers an opportunity to uncover the issues, concerns and challenges encountered during the execution of a project. It affords the project manager, Project sponsor and project team a temporary view of what has gone well and what needs to be improved with the project to accomplish it productively. A project audit can also be used to develop success criteria for future projects. This review provides an opportunity to discover what elements of the project were successfully managed and which ones presented challenges. This will help the organisation make out what it needs to do so that blunders are not repeated on upcoming projects. A project audit is a systematic and detailed evaluation of the management of a project. Its methodology and procedures, its records, its properties, its budgets and expenditures, its degree of completion, its feasibility, and influence on the organisation. It can deal with the project as a whole or only partly. The audit directly looks at the systems and its use. The project audit also studies the financial, managerial, and technical aspects of the project as an incorporated set applied to a specific project in a specific organisational environment.

What is an audit? Audit is an evaluation of a person, organisation, system, process project or product. Audits are performed to ascertain the validity and reliability of information, and also provide an assessment of a system's internal control.- (ask define)

- ✓ Why Audits are done:
  - Verify Data of processes or operations.
  - Judge effectiveness of the current processes!
  - Judge effectiveness of meeting standard requirements
  - Provide information about problem areas
  
- ✓ **Financial:**
  - Examine the accuracy of financial statements
  - Ensure accounts/statements meet organisations standards and policy requirements of how there conducted.

- ✓ **Internal**
  - It done within an organisation to examine and evaluate their activities and records,
- ✓ **Project Management**
  - Health of the project to see if it's on track and meeting demand
  - To see if the project can be enhanced
- ✓ **Quality**
  - Ensure that procedural activities are met
  - Current (QMS) meets national or organisational standards
  - Regulatory requirement (ex: FDA or higher education)
  - The project audit should at least contain the following:
- ✓ **Status:**
  - Confirm status on the basis of completion of tasks as planned in the project
  - Present status of the project, It has to check the completed work and match it with the planned level of completion!

#### **Predictions:**

- Future status it needs to identify significant schedule changes and indicate the nature of the changes.
- Status of critical tasks. The actions performed on the critical task that determines the success or failure of the project

#### **Measurement**

- Financial terms plus schedule, progress% resource usage, status of milestones identified during project planning.
- Risk assessment Identification of the potential for the project failure or monetary loss.
- ✓ **Record keeping System:**
  - No standard system is available: it uses any desired formats by individual organisation or dictated by contract or sometimes governed by quality control processes such as ISO.
- ✓ **Project History:**
  - Creating the project assets for future that is, information that may be pertinent to other similar projects

- Sometimes formats for storing data are not available in such cases, data structure and database must be designed and used to start audit.
- **Recommendations:**
- Often required and may cover any aspect of the project or its management.

## **Construction and Use of Audit Report**

It is useful to establish a general format to which all audit reports must conform. This makes it possible for project managers, auditors, and organisational management to have the same understanding of, and expectations for the audit report as a communication device. Negative comments about individuals or groups associated with the project should be avoided. The following items cover the minimum information that should be contained in the audit report

**1. Introduction:** This section contains the description of the project that gives basic information of the project contents. Project objectives must be clearly defined. In case of complex projects explanatory points can be incorporated

**2. Current Status:** Present status of the project. It usually consists of

- **Cost:** Here the actual cost is compared with that of the projected or budgeted cost. The frequency for such audits clearly defined,
- **Schedule:** Performance in terms of planned events or milestones is reported. It should clearly indicate the completed portion of the project and percentage of completion of all unfinished tasks for which estimates are required.
- **Progress:** It compares work completed with resources used. Earn value charts or tables may be used for this purpose. The information is collected to identify problems with specific tasks or sets of tasks such as amount of time consumed with respect to projections regarding the remaining time and the amount of remaining planned expenditures
- **Quality:** Quality is a measure of the degree to which the output of a system conforms to pre-specified characteristics. If there is detailed quality specification associated with the project this section of the report may have to include full review of the quality control procedures, along with full disclosure of the results of the quality tests conducted to date.

- Resource Usage: It also gives a clear picture of the resources utilised and future resource requirements including the skill levels and associated costs for procuring the resources.
- Future Project Status. Conclusions regarding progress together with recommendations for any changes in technical approach, schedule or budget that should be made in the remaining task. No assumptions should be made about technical problems that are still under investigation at the time of the audit. Project audit/evaluation reports are not appropriate documents for rewriting project proposals.
- Critical Decision Issues: All issues that require close monitoring by senior management should be included along with brief explanation of the relationships between these issues and the objectives of the project. A brief discussion of time, cost, performance, trade-offs will give senior management useful input information for decisions about the future of the project.
- Risk Management: Verification of contingency plans and their deviation from the planned project estimates are prepared. They also may consider the reasons for some major deviations that affected the success or failure of the project.
- Limitations and Assumptions Auditor should specifically include the statement in the report covering any assumptions/limitations on the accuracy or validity of the report.

### **The Project Audit Life Cycle**

Like the project life cycle, the audit has a life cycle composed of systematic steps:

1. Project Audit Initiation: it indicates start of the audit process. It defines the purpose and scope of the audit. It includes steps involved in collecting sufficient information to determine the proper audit methodology.
2. Project Baseline: this phase normally consists of identifying the performance area to be evaluated and determining benchmark standards for each area or some other process. This helps in ascertaining management performance expectations for each area, and developing a program to measure and assemble the available information.
3. Establishing an Audit Database: Once the baseline standards are established execution of the audit begins. The next step is to create a database for use by the audit team. Depending on the purpose and scope of the audit the database might include information needed for assessment of project organisation management and control, past and current project status, scheduled performance, cost performance and output.

quality as well as plans for the future of the project. The information may vary from a highly technical description of performance to behavior based description of the interaction of the project team members.

4. Basic Analysis of the Project The purpose of the audit is to improve the project being audited as well as to improve the entire process of managing projects.

5. Audit Report includes the preparation of the audit reports. Arranged in specific formats a set of recommendations % together with a plan for implementing then is also a part of the audit report.

6. Audit Termination: After the audit is complete. The audit process needs to be terminated. On termination the final report and recommendations are released, a review of the audit process is conducted; it is done to improve the methods for conducting the audits in future. On completion of review process, the audit is truly complete and the audit team is formally disbanded

### **Some Essentials of the Audit /Evaluation Team**

The choice of the audit/evaluation team is critical to the success of the entire process. It may seem unnecessary to note that the team members should be selected because of their ability to contribute to audit/evaluation procedure the size of the team will generally be a function of the size and complexity of the project.

1. Access to Records: In order for the audit/evaluation team to be effective, it must have free access to all information relevant to the project.

2. Access to Project Human Resources: The auditor/evaluator must protect the sources of confidential information and must not become a means for leaking such information.

3. Project Termination: All projects have finite start and end date. There are several reasons for project termination however, project history forms the integral part of project termination.

4. Purpose: The auditor/evaluator is well aware of the tact why the team exists. They consciously invest in achieving its mission and goals.

5. Priorities: The auditor knows what needs to be prepared next, by whom and by when to attain team goals.

6. Roles: The auditor/evaluator knows their roles in getting tasks done and when to permit a more skillful member to do a specific task

7. Decisions: Authority and decision-making lines are clearly understood.
8. Conflict: Conflict is dealt openly and is considered important to decision-making and personal growth.
9. Personal Traits: The auditor/evaluator makes sure their unique personalities are appreciated and well utilised.
10. Norms: Group norms for working together are set by them fairly and seen as standards for everyone in the group.
11. Effectiveness: The auditor/evaluator fined team meetings efficient and productive.
12. Success: The auditor/evaluator knows clearly when the team has met with success and shares this equally and proudly.
13. Training: Opportunities for feedback and updating skills are provided by the auditor/evaluator and taken advantage of by team members.



## **Project Termination**

Termination of a project is inevitable; it may be due to completion or risks that were beyond mitigation levels or unmanageable issues that resulted in financial loss in the project. How and when it is terminated may have a long lasting impact on the organisation and its employees. The success of future projects may also depend on not only the success of past ones but also on how the learning's from the unsuccessful projects were handled by the organisation and its stakeholders.

### **When to Terminate a Project**

The factors considered for termination of a project depend on some of the following

- (a) When the project scope exceeds the budget. When the customer or a project owner's requirements exceeds that of the earlier estimated project budgets the project may be considered for termination
- (b) When the demand for the product or service is nullified.
- (c) When the risk is unavoidable and its impact cannot be mitigated.
- (d) When key resources or personnel or their replacement are not available
- (e) When desired quality standards are not achievable.

For project termination multiple factors need to be considered "A project that has very little salvage value and high dosing costs, which may induce payments to terminate employees penalties for breached contracts, and losses (rom the dosing of facilities, will be much more difficult to abandon than a project in which expenditures are recoverable and exit is easy (Staw & Ross. 1987). For example, construction project if terminated usually incurs high cost overruns. Such projects need additional funding or need to be permanently discarded. Standard practice of monitoring projects is by setting milestones. Keeping track of project's progress based on milestones gives a comprehensive control on the project. In addition, risks avoidance and mitigation strategies if implemented as per plan can prevent project termination. Many

mathematical models can be used to evaluate whether or not to continue a project. The common way is to rely on financial techniques such as payback or net present value. However, any final decision is to be taken in account of other important strategic factors such as organisation brand or at times organisations future survival needs to be considered.

**Other techniques used to monitor the projects throughout their lite cycle are:**

**(a) Cybernetic Control Processes:** In this process the outcomes from the project are constantly monitored and compared with the project plan especially the schedules. All the stakeholders are then aware of the changes in the schedule and the corrective action to be taken. This model is generally used for monitoring performance. Time, and cost of the project so that it is not terminated prematurely because of poor planning or control.

**(b) Go/No-Go Control Processes:** In this process the monitoring is done at specific intervals. For example, project manager set milestones and value how the progress happens against the completion of milestone. This process is also used for quantifying risks that might occur. Here the values are given specific weight and compared against the benchmark or project plans.

### **The Project Termination Process**

A plan must be developed to terminate, despite the fact that a successful project is completed by inclusion, integration or extinction. A project-oriented organisation may have a “termination manager” whose main task is to effectively and efficiently end projects. There is a systematic process followed by organisations for termination or untimely closure of the project. It essentially requires to

- Check that the project is complete and documented
- Determine what records (manuals, reports. and other paper work are to be kept and place them m storage
- Ensure delivery and client acceptance.
- insure that all bills have been paid and that the final invoice has been sent to the client

- Redistribute materials, team members, equipment and any other resources to the other projects.
- Manage responsibility for product support or after sales support, if necessary.

Senior management and the team leader must recognise and reward the accomplishments of the project team even if the project has been terminated.

This creates success and the motivation to do well for the next projects.

Acknowledging the dedication and achievements of the project team will enable team members to proceed to their next assignment with a more loyal and positive attitude

## **The Varieties of Project Termination**

A project can be said to be terminated when work on the matter of the project has ceased or slowed to the point that further progress on the project is no longer possible, when the project has been indefinitely delayed, when its resources have been deployed to other projects. There are four fundamentally different ways to close out a project.

- Extinction
- Addition
- Integration
- Starvation

### **1. Termination by Extinction**

The project is closed because it has been successful and achieved its objectives or goals. The final product developed is handed over to the client. The project may also be stopped in case it is unsuccessful or has been outdated. For example, if the new drug failed its efficacy tests; there are better, faster, cheaper alternatives available, or it may not be cost effective or take too long to produce desired results. When a decision is made to terminate the project by extinction most noticeable thing is that all activities of the project are ceased

### **2. Termination by Addition**

Most projects are in-house that is, carried out by project team for use in the parent organisation, if the project is a major success, it may be terminated by converting into a subsidiary unit if this subsidiary unit achieves economic stability it is then converted into a depended unit

### **3. Termination by Integration**

In Information technology projects, several parts of the project are independently developed and tested. To fulfill the customer requirement a single product needs to be delivered, hence the independent parts are then put together to form a single product.

This is called as project integration. On completion of integration process; the final product is then dispatched to the customer and project assets are generated and recorded. This forms the last stage of project life cycle of such projects. This is called as termination by integration.

### **4. Termination by Starvation**

Slow starvation by budget decrement almost anyone who is involved with projects over a sufficient period of time to have covered a business recession has had to cope with budget cuts, Budgets cuts, decrements, are not rare. Since they are common they are sometimes used to mask a project termination. In such a case, the project budget might receive a deep cut or series of small cuts; large enough to prevent further progress on the project and to force the reassignment of many project team members.