

BDO RISK ADVISORY

IT Solution Selection

SEAN PASCOE & JOTHI JEYARAM

20 July 2016



PRESENTERS

Sean Pascoe

Sean is the Partner in BDO responsible for Risk Advisory, including Internal Audit, Risk Management, Project Management, IT Strategic Planning, Business Process Improvement and Business Continuity Management.

He has 26 years' of experience in the conduct of risk assignments, including statutory audits in both the public and private sector. In the public sector, Sean held Commonwealth Government security clearance of 'Highly Protected' and has undertaken a number of projects throughout his career that were primarily designed to deliver solutions to complex issues.

Jothi Jeyaram

Jothi is an experienced Manager working in BDO in the Risk Advisory team. He has 13 years of experience in Internal Audit, Risk Management, IT Solution Selection and Business Process Improvement across Education, FMCG, Medical, Manufacturing, Clubs and Not for Profit sectors in both India and Australia.

Prior to joining BDO Jothi previously ran his own Engineering business and has worked with a Big 4 Consulting firm (KPMG) where he has led teams and successfully delivered results to clients.

ABOUT US / INTRODUCTION

1,254

STAFF 

10 OFFICES 

173 PARTNERS

AS AT FEBRUARY 2015 NATIONAL TOTAL, 1,427



US\$7.02bn
2014 revenue

152 Territories
1,328 Offices
59,428 PEOPLE



 BDO PRESENCE

ADVISORY

- Risk advisory
- Internal audit
- Enterprise wide risk management
- Business process improvement
- Fraud prevention & investigation

Corporate Finance:

- Mergers & acquisitions
- Financial modelling & analysis
- Valuation services
- Transaction advisory services

AUDIT

- External audit
- Financial reporting & accounting consulting
- Technical accounting

TAX

- Transfer pricing
- Indirect taxation
- Litigation support & dispute management
- Benefits structuring
- Payroll tax
- FBT optimisation
- Customs duty concessions
- Fuel tax credits

AGENDA

1. Examples	5
2. Key Project Risk Indicators	7
3. Costs	8
4. Approach	9
5. Audit vs Probity	15
6. Contacts	17

IT SOLUTION SELECTION

1. Examples

Client 1: (Bad example)

- \$3.5m project turned into \$20m open project.
- Why?
 - Requirements not clearly identified
 - Poor Governance
 - Heavy customisations
 - Vendor driven process
 - Lack of Strategy / limited accountabilities / trust, etc.
- Impact
 - Manual workarounds / Additional resources
 - Excessive cost overruns
 - Staff Morale affected
 - Solution unrecognisable and inflexible
 - The SUV has become a Tri-cycle-ute....?

IT SOLUTION SELECTION

1. Examples (Con't)

Client 2: Good example

- Selection of a IT Solution that meets all mandatory requirements
- How?
 - Executive / Senior Management support
 - Probity process established and followed
 - All key stakeholders involved - Requirements identified & validated with users
 - Steering committee established early, provided guidance & removed barriers
 - Existing processes re-engineered to better utilise the IT Solution
 - Minimal / no customisations
 - Planned use of a Data Warehouse to enhance 'enterprise' reporting
 - Training & Change Management seen as important risk areas upfront
- Impact
 - Selected Solution with reduced ongoing high support costs
 - Savings in excess of \$1m (p.a) as staff are able to focus on business not issues

IT SOLUTION SELECTION

2. Key Project Risk Indicators

- Insufficient quality control processes
- Strict time constraints
- Project slippages
- No defined project risk processes
- Changing project scope
- Unclear project objectives
- Ad hoc project methodologies
- High project staff turnover
- Complex project dependencies
- Customisations
- Lack of clear consensus on project status
- Inefficient planning processes
- No feasibility study performed
- Business critical projects
- Poor project progress reporting
- Misalignment of project & business objectives
- Lack of Senior Management buy-in
- Unrealistic management expectations
- Lack of User involvement
- Poor or lack of Probity

IT SOLUTION SELECTION

3. Costs

Cost of customisations include:

- Direct & Indirect staff costs (upstream & downstream impacts)
- Higher support costs (customisations)
- Inefficiencies for 'work arounds'
- Budgets inflated for the costs of getting it wrong
- Consulting costs to change & rectify (bugs, conflicts, etc.)

History has shown that many of the above costs are included into an organisations budget process - technically these become '**Budgeted Inefficiencies**'....

IT SOLUTION SELECTION

4(i). Planning & Setup

- **Project Governance**
 - The Planning phase will develop the necessary governance structure to allow for an independent, non biased selection process.
 - Key stakeholders identified and a Steering committee will be formed to monitor the project.
 - Steering committee members to meet regularly to provide feedback and oversight.
 - Risk assessment conducted (Phase by Phase)
 - Establish probity procedures / plan.

APPROACH (CON'T)

4(ii). Current State

- Undertake an assessment of the existing processes impacted by the IT Solution change. (Finance/Payroll/HR etc.).
- This will provide a clearer insight of the existing environment and identify:
 - Better practices
 - Deficiencies
 - Gaps
 - Inefficiencies
 - Opportunities for improvement

APPROACH (CON'T)

4(iii). Future State

- Alignment to ‘Strategic Objectives / Initiatives’ of the organisation.
- Identify ‘draft’ requirements based on gaps/inefficiencies and planned strategic outcomes.
- Develop Future State Model(s)
- Extensive consultation in order to validate and refine existing requirements.
- Finalise list of requirements / Future State Model.

APPROACH (CON'T)

4(iv). EOI - Expression of Interest

- Confirm probity procedures.
- Create Expression of Interest document - High level summary of requirements.
- Advertise EOI through relevant mediums.
- Evaluate responses to gain deeper understanding of options available.
- Shortlist & Invite vendors to participate in RFT.
- Update Future State Model to accommodate new improved understandings.

APPROACH (CON'T)

4(v). RFT - Request for Tender

- Prioritise requirements and determine weighting of requirements.
- Establish mandatory requirements.
- Finalise RFT document.
- Distribute RFT document to invited vendors.
- Probity process.
- Evaluate vendor responses.
- Shortlist vendors.
- System demonstration and referee site visit.
- Preferred vendor selected.

APPROACH (CON'T)

4(vi). Contractual & Support Arrangements

- **Review Vendor Contract.**
 - SSAE 16 (if applicable)
 - SLA's & KPI's
 - Indemnities / Penalties
 - BCP / DRP
- **Vendor to be made accountable to RFT responses, including all promises.**
- **Draft Implementation plan.**

AUDIT CONSIDERATIONS

5. Audit V's Probity

AUDIT

- Governance Structure
- Risk Management Plan
- Probity Plan
- Benefits Realisation Analysis
- Requirements Documentation
- Stakeholder Management Plan
- Change Management
- Policies & Procedures
- Support Function / Processes



Evidence : Sign-off
& Approvals

AUDIT CONSIDERATIONS

5. Audit V's Probity

PROBITY

- Establish the Probity Plan.
- Key Principles
 - Accountability
 - Fairness & Transparency
 - Confidentiality
 - Conflict of Interest
 - Value for Money
- Independence Declarations (Stakeholders involved in the RFT process).
- Vendor Identification (EOI / RFT).
- Requirements Identification / Validation.
- Manage Vendor EOI / RFT processes.
- Manage Best and Final Offers.
- Contractual Negotiations.



CONTACTS

SEAN PASCOE

Partner

Risk Advisory

Direct: +61 2 8221 2225

Mobile: +61 414 839 902

Sean.Pascoe@bdo.com.au

JOTHI JEYARAM

Manager

Risk Advisory

Direct: +61 2 9240 9730

Mobile: +61 452 125 611

Jothi.Jeyaram@bdo.com.au