

SCAF Feb 2009

“Estimating Assurance”

Terry Johns SET Assurance TL

Objective of presentation

- To give you an awareness of the Assurance process with a focus on Estimating Assurance

Key Points

- Overview of Assurance
- What areas are covered
- Focus on Financial Element
- Estimating requirements

What the “Papers” Say

THE INDEPENDENT

- **MoD still £2.6bn over budget, warn MPs**
Tuesday, 11 September 2007

THE TIMES

The 20 projects are now forecast to cost £27bn - some £2.6bn more than the original budget - while the overall delay has increased by 33 months.

THE TIMES Jan 2008

Taxpayers face £500m bill for BAE projects

DAILY EXPRESS THE WORLD'S GREATEST NEWSPAPER

Key Ministry of Defence procurement projects have seen costs rise by £1.7 billion over the last year, says NAO

We are not getting it right!

- We need to gain confidence in the IPTs submission; in a word REALISM

DE&S ASSURANCE

- Provided to IPTs
- Provides SME check against policy/standards & best practice to give Project and, ultimately Approving Authority, confidence in a recommended course of action
- Helps to de-risk a project

Dir Scrutiny

- Scrutinise business cases & provide recommendations to Approving Authorities
 - CDM, COS, IPTLs – also DE&S IB
- Approving Authorities make approvals decision

The Assurance Areas for DE&S

- HUMAN RESOURCES
- COMMERCIAL
- Information Systems and Services (ISS)
- SAFETY & ENGINEERING
- JOINT SUPPLY CHAIN ASSURANCE
- FINANCE

When is it Done

- Before the DE&S IB sits to consider submission for any:
 - Initial Gate
 - Main Gate
 - Review Notes

DG Finance Perspective - What is Assured

Anything affecting the costs/finances:

Accounting Treatment

Investment Appraisal/Evaluation

Affordability

Governance

Financial Risk

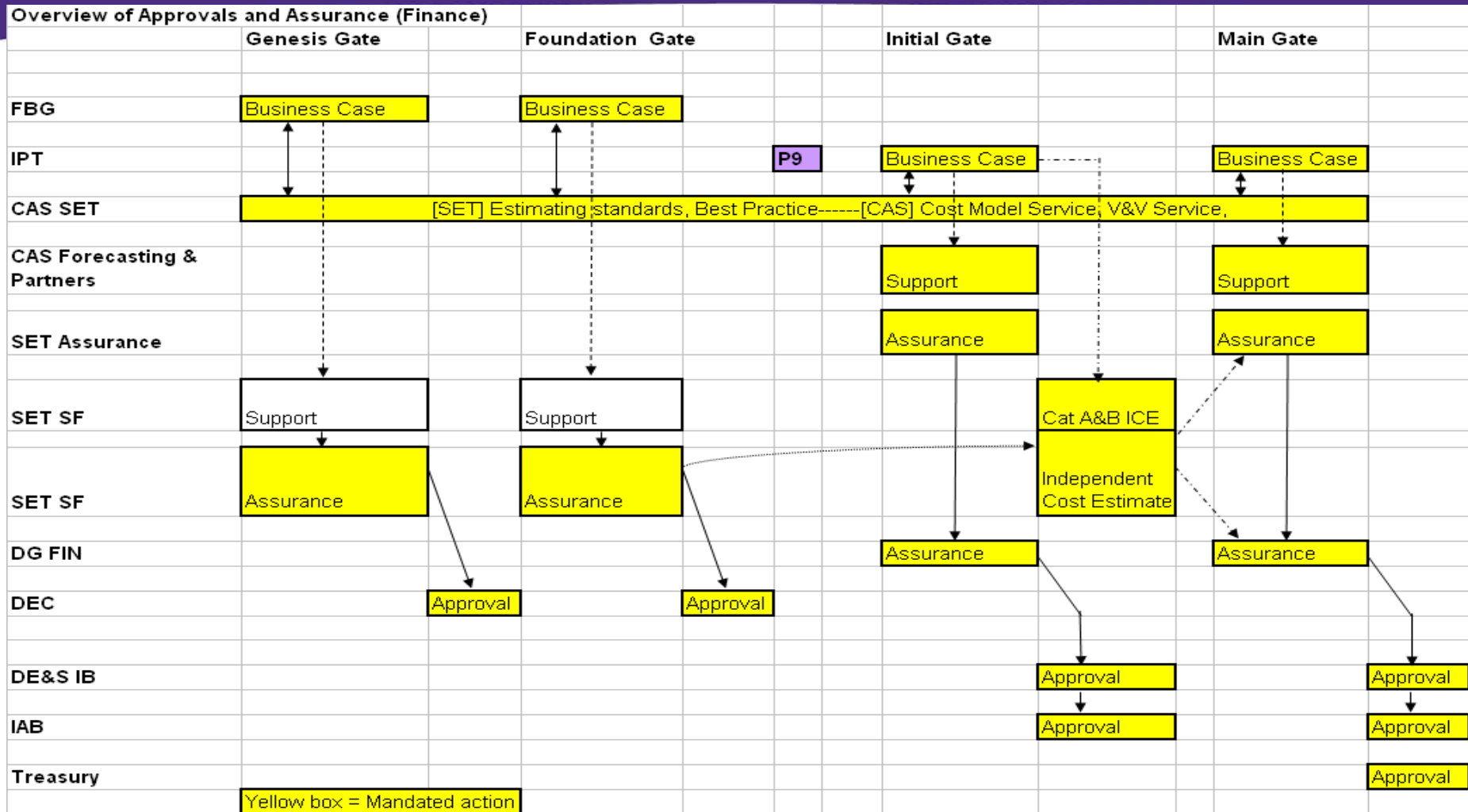
Requirement

Cost Estimates

Financial Processes

- IPT/BLB Fin Controller is first line of Financial assurance
- DG Fin Financial Assurance Team is the second line, with other independent experts (MOD PFU, DASA-DESA, SET/CAS, MOD VATman)

APPROVALS- CAS & SET roles



Cost Estimate detail –What are we looking for

- Is the Cost Model inclusive and Through Life Costing addressed
- MDAL can we track assumptions to model (are assumptions realistic)
- Risk & Uncertainty incorporated (Cost & Schedule)

Cost Estimate detail – cont.

- How has 10% 50% & 90% been calculated
- Correlation applied
- Spread of funds
- Are all options treated the same
- How has VAT been applied
- Have the DLOD's been consulted

Cost Estimate detail – cont.

- What is strategy for achieving the 10%
- Historic Trends analysis (HTA) / ICE
- What did the Optimum bias report find
- Who has prepared the 3PE
- Is there a formal Pricing report

Estimating Assurance – typical findings

- Estimating assumptions not recorded in MDAL
- V&V not done
- Risk not profiled
- Secondary risk not considered
- Low probability High impact modelled
- No ICE or HTA
- IPT not clear on guidance

Estimating Assurance – typical findings cont.

- Risks not modelled
- Options not treated the same
- DLOD's not recorded
- Cost drivers not shown

Summary



- Assurance is there to ensure that due process is followed and budgets are realistic.

Summary



- Assurance is there to ensure that due process is followed and budgets are realistic.
- Assurance is evidence base



Questions

