



# The UK Ministry of Defence's Cost Assurance and Analysis Service

**Re-engineering processes and enhancing capabilities to deliver value**

## The challenge

Facing increasing financial pressures and unprecedented levels of scrutiny of procurement decision making processes, the UK's Ministry of Defence (MoD) was keen to ensure that they were not only maximizing value from its expenditure, but also delivering on time and within budgetary limits.

MoD has long grappled with similar challenges: in its early years, the MoD established a team of in-house cost specialists who were given a mandate to support the department's procurement efficiency by providing an independent and objective view of costs, contracts and value for money, particularly related to single-source deals made with monopoly defense suppliers.

By the turn of the century, investment in the team (known as the Cost Assurance and Analysis Service or CAAS) had failed to keep pace with the scrutiny and support needs of the defense procurement and support programs. Scarce specialist CAAS resources were spread thinly across the portfolio, and the team was falling below critical mass in a number of professional specializations. There were clear opportunities to modernize and invest to improve effectiveness and coverage; provide challenge and insight to customers across the MoD; re-establish CAAS at the center of demonstrating value for money, including major single-source contracts; and ensure that the MoD's program budgets were realistic and balanced. With the introduction of government austerity measures in 2010, the need to reinvigorate CAAS became acute and the MoD launched a major initiative to transform the service.

## The approach

In early 2010, the MoD engaged KPMG in the UK to develop and deploy a structured program aimed at up-skilling CAAS, re-engineering its processes and enhancing its internal capabilities to drive a higher focus on delivering value.

At the outset, the KPMG-led team worked closely with CAAS leadership to identify existing challenges and create

a blueprint of the ideal 'future state' for the function. This included a detailed transformation map and process, as well as a robust list of the specific performance standards that the team should regularly achieve to establish themselves as an upper-quartile professional services organization.

Having created a roadmap to success, the KPMG team set about working with CAAS to enhance the function's capabilities and processes through a program of technical support management. For example, the team identified industry-leading best practices and procedures and has developed new ways of working and new methodologies to help deliver all essential capabilities for the function.

The project has since focused on helping CAAS conduct its business more effectively by expanding their services to not only deliver views on cost efficiency, but also explore the various risk scenarios that could impact the cost, schedule and outputs from each procurement of through-life capability.

## The results

While the program is still in progress, the team has already achieved a significant and noteworthy transformation. Hundreds of employees have already been trained in the new ways of working and, as a result, the CAAS is now employing new processes designed to proactively work with key stakeholders to anticipate the needs of the organization through newly embedded skills such as demand and operations planning.

The program has also delivered a new matrix-oriented organizational design that has assisted the organization to achieve a higher degree of disciplined task planning and resource management. A new Chief Operating Officer oversees a board focused on strategy, service offerings, quality and performance improvements, and new client-facing relationship managers have brought renewed focus on customers' needs and priorities.

The CAAS team has begun to actively prioritize projects in discussion with their customers to: ensure the efficient use



of resources; drive enhanced productivity; and more effectively deploy its people.

The function has also gained clarity as to the most appropriate analytical tools for each program and is allocating resources more flexibly to respond to changes in demand.

Recent work and advice, provided by CAAS, has enabled MoD to achieve better value from its contracts, secure more realistic expenditure plans, and allowed them to start managing its equipment and support procurement program in a way that ensures the department stays within budget. MoD's leadership is increasingly well informed and more capable of identifying and mitigating risks through better forecasting and analytical insight.

### Lessons learned

Working with the MoD's CAAS team, KPMG identified five key priorities that are essential in helping ensure cost assurance functions are operating to a high level of efficiency and effectiveness. And while each is important in its own right, only coordinated focus on each priority can enable organizations to achieve sustainable success. The five priorities are:

- **Developing a baseline:** Goals, priorities and achievements can only be properly measured and assessed if baselines are established early in the project lifecycle. And while there are many types of baselines that can add value, cost assurance teams would be wise to ensure the priority is placed on developing those related to project requirements.

- **Standardizing tools:** Particularly in large and complex defense organizations, creating and formalizing a standard set of tools is a critical requirement for ensuring that results are reported as consistently and with as little variation as possible.
- **Focusing on employee capability:** Matching employee skills against the requirements of individual roles is essential to ensuring that the cost assurance team is used most effectively. In many cases, this may require 'up-skilling' and competency building to establish and develop the most appropriate skills for the job.
- **Ensuring independence:** Ideally, cost assurance functions should be provided with sufficient independence from the broader organization in order to eliminate the potential for pressure to be placed on the cost assurance professionals. This is especially true in the defense industry where there is a tendency to defer to the demands of those of superior rank.
- **Securing investment:** Re-engineering business processes can often be time consuming and costly. But given the long-term benefits that can be gained from effective and efficient cost assurance, organizations must ensure that appropriate budget and resources are secured to see the project through to completion.

### Contact us

**Bernard Brown**  
Partner  
KPMG in the UK  
T: +020 7311 6605  
E: [bernard.brown@kpmg.co.uk](mailto:bernard.brown@kpmg.co.uk)

**Jonathon Gill**  
Director  
KPMG in the UK  
T: +020 7311 1369  
E: [jonathon.gill@kpmg.co.uk](mailto:jonathon.gill@kpmg.co.uk)

**Ken Drover**  
Global Defense Lead Partner  
Global Defense Network  
T: +61 3 9288 6623  
E: [kdrover@kpmg.com.au](mailto:kdrover@kpmg.com.au)

**Chaturika Bandara**  
Associate Director  
Global Defense Network  
T: +61 3 9838 4431  
E: [cbandara@kpmg.com.au](mailto:cbandara@kpmg.com.au)

[kpmg.com](http://kpmg.com)

[kpmg.com/socialmedia](http://kpmg.com/socialmedia)



[kpmg.com/app](http://kpmg.com/app)



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