Cost Management Controls in IT operations using COBIT Framework

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TECHNOLOGICS & CONTROLS

Protecting the ABCs of your business.

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Agenda

- About Technologics and Controls
- IT Governance
- COBIT framework
- Cost Management Controls in IT Operations using COBIT

Introduction : Technologics & Controls

- Founded in 2001
- Based in New Delhi, India
- Represented in USA and Australia
- Represented in Jaipur and Pune in India
- Services: IT Audits, Risk Management consulting, Information security assessment and management, IT Governance services, compliance and related services.
- Products: Sole reseller in India of DataSec S.R.L providing software solutions based on COBIT / ISO27001 / COSO and other standards

Datasec
IT Security & Control

Meycor COBIT Suite

ISO 27001

Meycor COSO

IT Governance – Need?

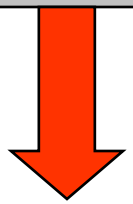
In all large corporations, there is a pervasive fear that someone, somewhere is having fun with a computer on company time. Networks help alleviate that fear.

- John C Dvorak

IT Governance – Need?

What is driving today's businesses?

Assertive Stakeholders
Aggressive Competition
Emerging Regulations
Recessionary trends direct / indirect
Extremely high IT Dependence



Impacts

Enterprise Governance

IT Governance - Alignment

Value Delivery → **Business Benefits**

- Secure
- On Time
- Within Budgets
- Good Quality
- Reduce Expense
- Proven best practices

- Customer satisfaction
- Brand Loyalty
- Competitive advantage
- Profitability

Crux - Fill what's empty. Empty what's full. And scratch where it itches. – Murphy's law

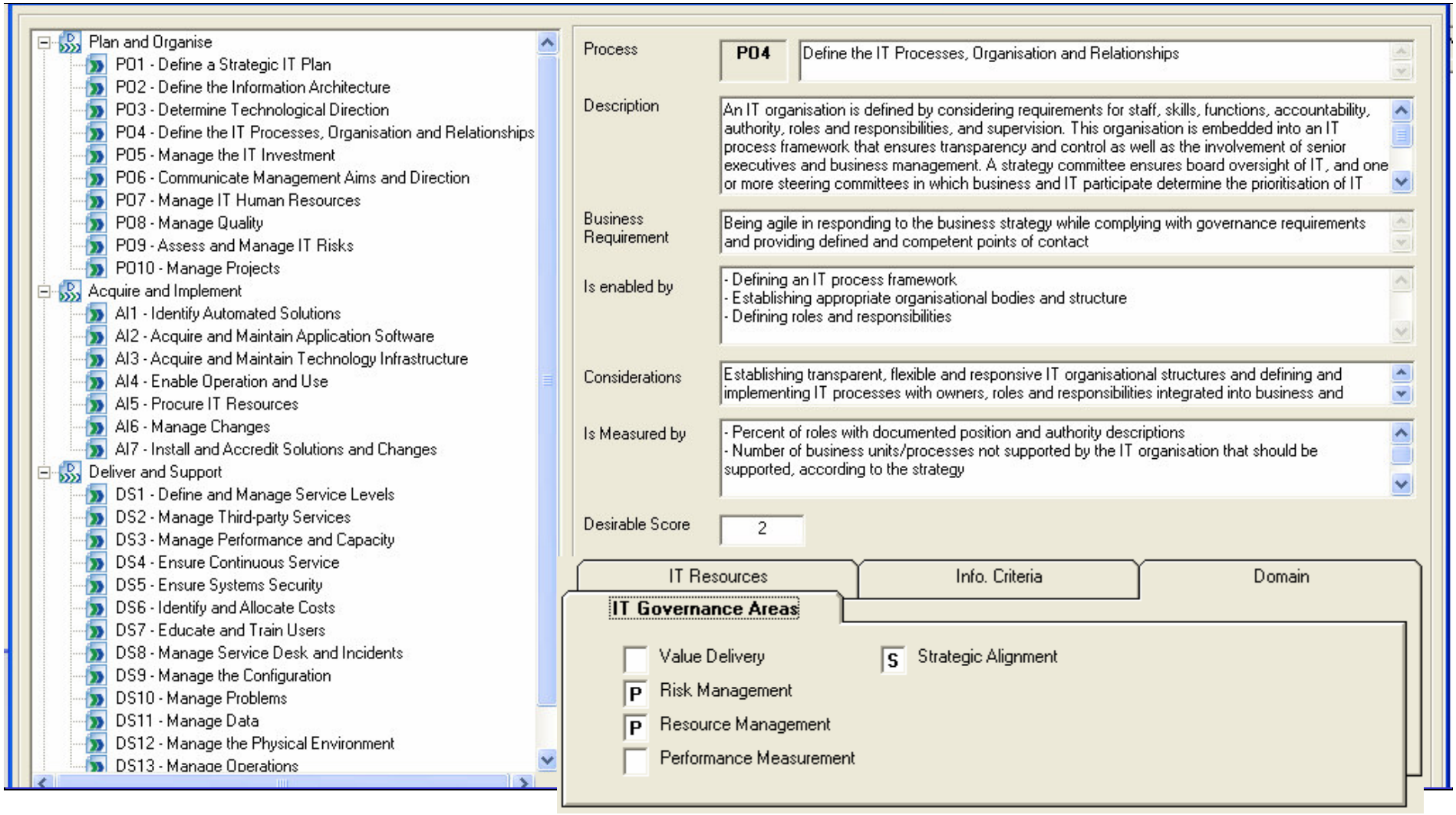
Why COBIT?

- Better alignment based on business focus
- Demonstrates management viewpoint and expectations
- Clear ownerships and responsibilities based on processes
- Increasing acceptability with third parties and regulators
- Eases IT Governance communication between stakeholders and other parties
- Fulfillment of the COSO requirements for IT control environment

Absence of IT Governance framework: Impact

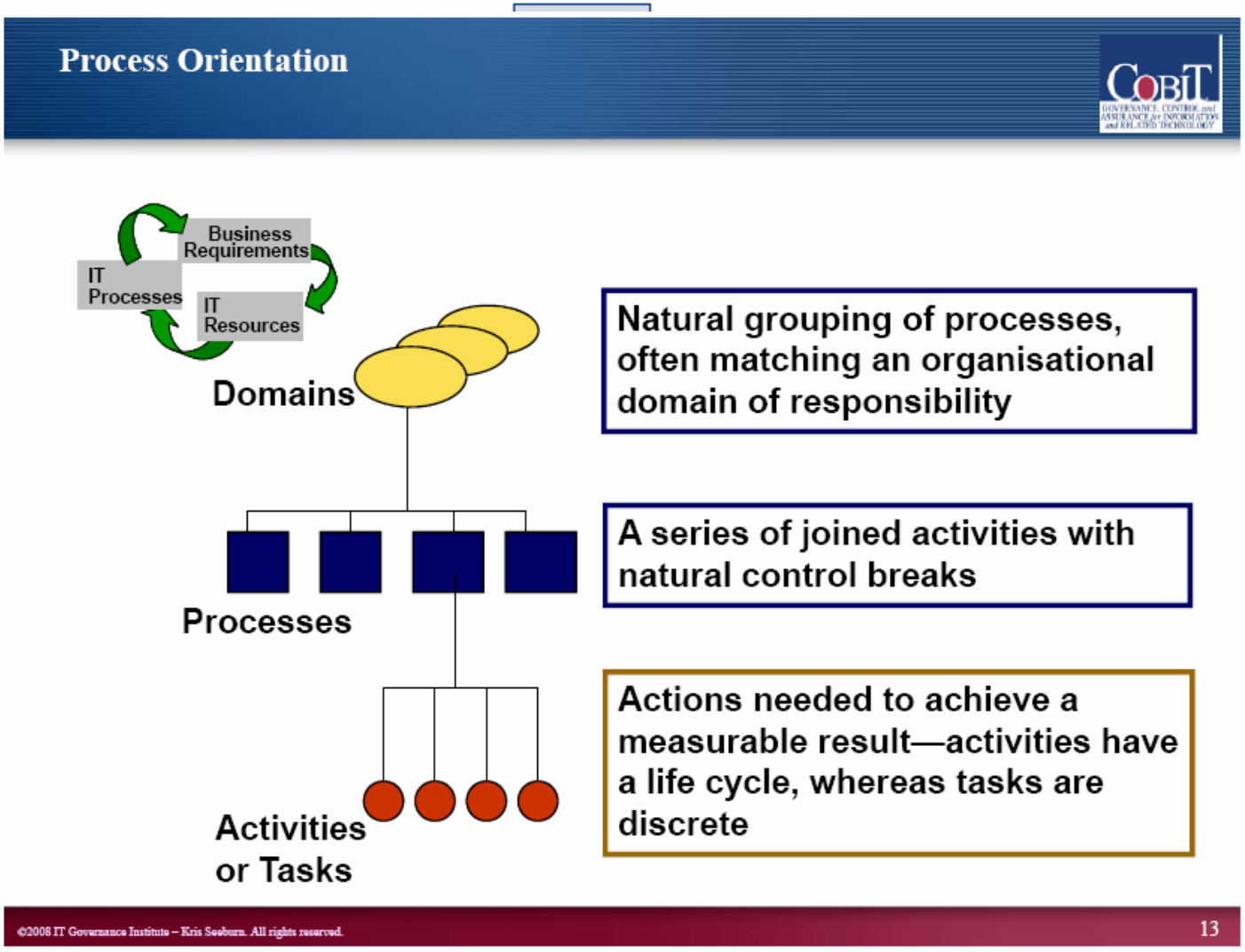
- Business and governance requirements are not delivered effectively without adopting a framework for IT to
  - Make a link to the business requirements
  - Measure performance against the requirements transparent
  - Organize its activities into a generally accepted process model
  - Identify the resources to be leveraged
  - Define management control objectives to be considered

COBIT Framework



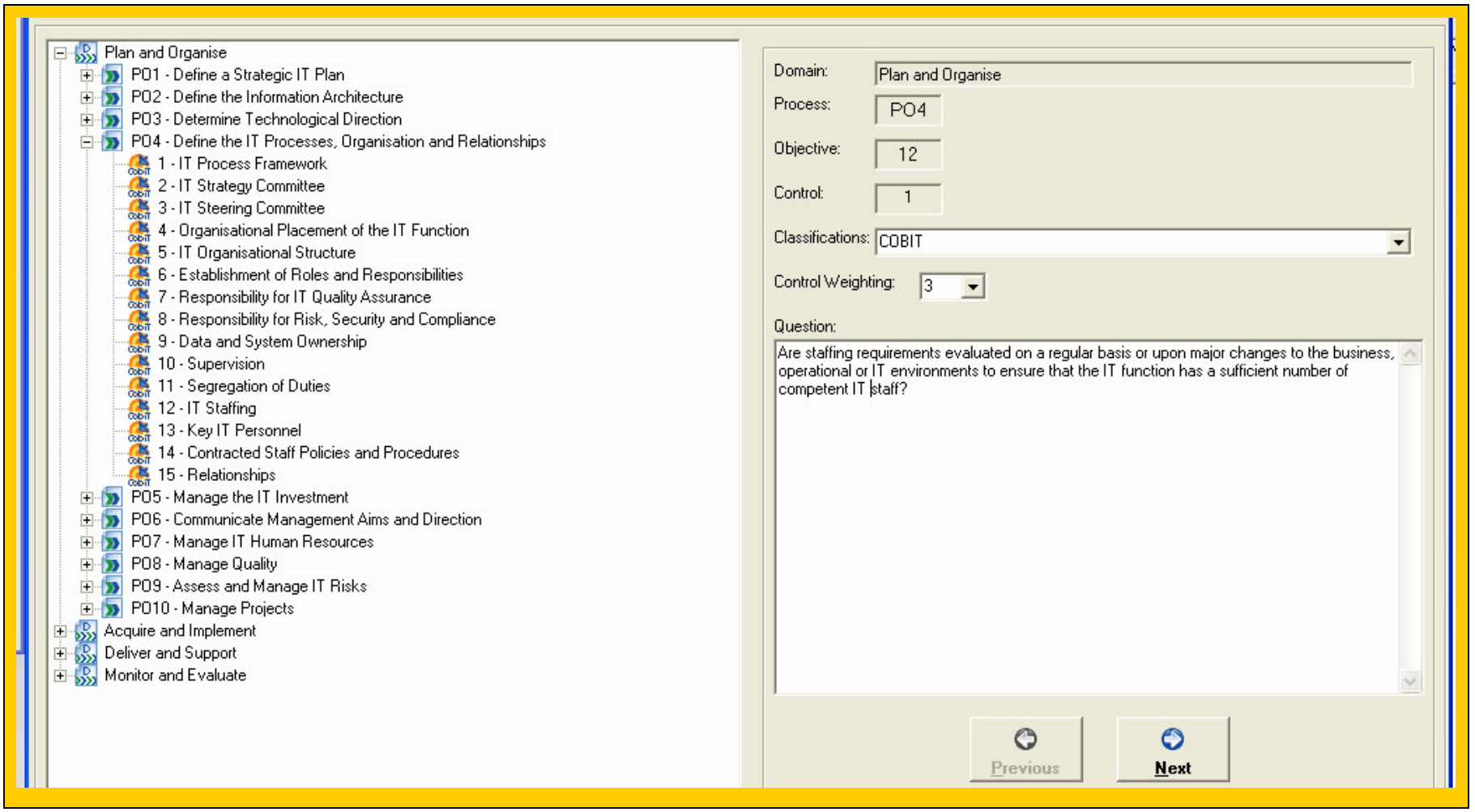
COBIT Framework

Figure 4—Interrelationships of COBIT Components

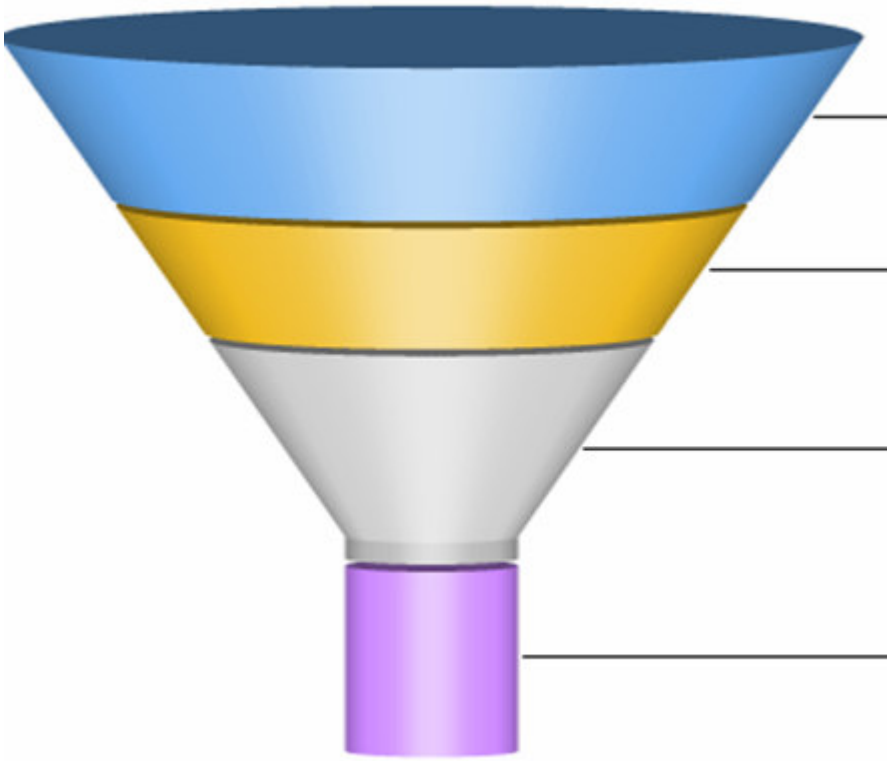


Source – ITGI presentation materials

COBIT – Key Objectives and Controls



COBIT – Map Business objectives using Funnel Approach



4 Domains

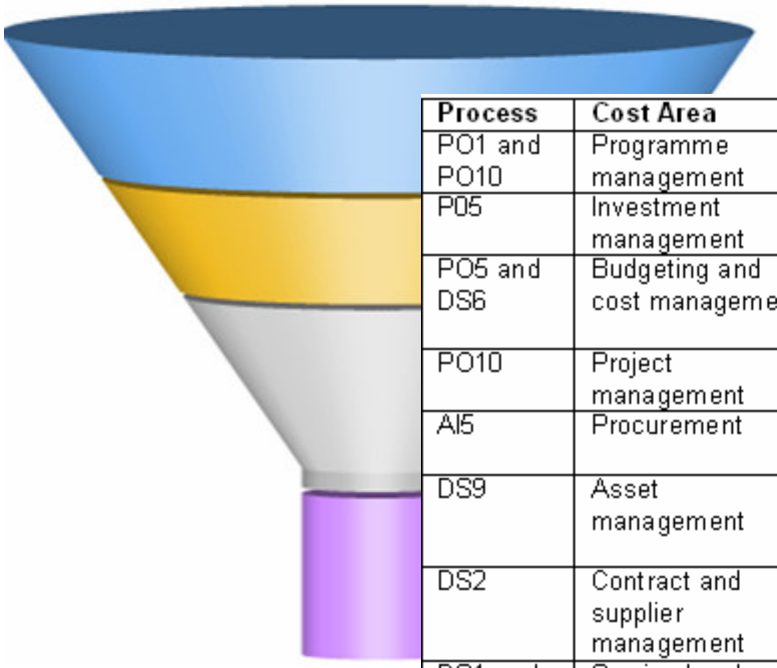
34 Processes
(select applicable processes)

210 Control Objectives
(select from applicable objectives)

Controls
(Select / add / modify controls to
Suit your IT Governance needs)

* Equals =
4 Domains
22 processes
145 controls objectives
N Controls
* An example

COBIT – Processes and Controls – Tangible Cost Management

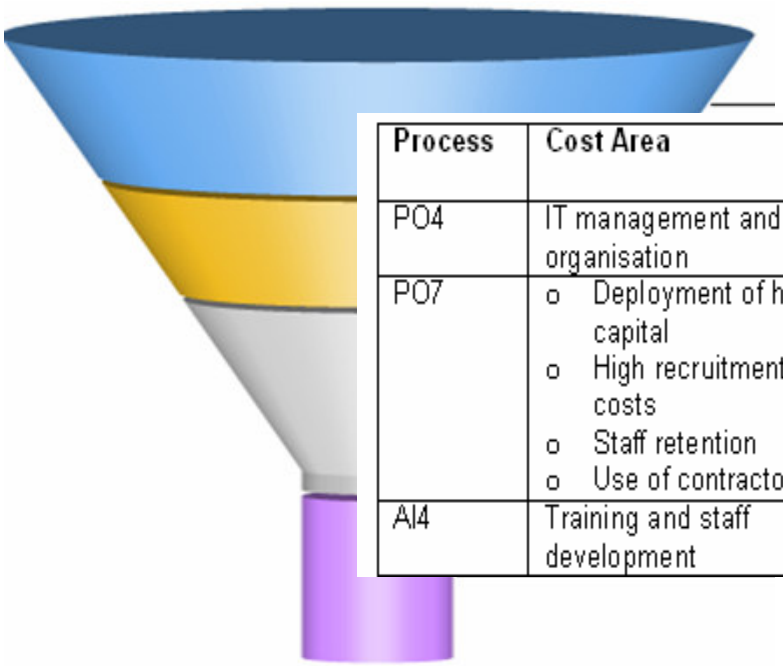


Process	Cost Area	Immature Processes and tangible cost savings
PO1 and PO10	Programme management	Inability to prioritise and cancel IT initiatives
PO5	Investment management	Poor business cases and returns on IT-related Investments
PO5 and DS6	Budgeting and cost management	Poor understanding of current costs; inability to optimise the budget and identify how to spend less but obtain more value
PO10	Project management	Projects running late and over budget
AI5	Procurement	Inability to negotiate good deals and obtain value for Money
DS9	Asset management	Cost of assets not understood; bad asset replacement strategy; software licenses not being used, hardware maintenance too high
DS2	Contract and supplier management	Bad supplier relationships and poor service/product delivery
DS1 and DS8	Service levels and service desk	Poor service delivery; service calls and incidents too High
DS13	Operations and systems management	Too many tools and not enough efficiency; no standardization procedures

Cost Management Controls = Selected 10 processes

Source - http://www.isaca.org/AMTemplate.cfm?Section=COBIT_Focus&Template=/ContentManagement/ContentDisplay.cfm&ContentID=47399

COBIT – Processes and Controls – Excess Labour Management

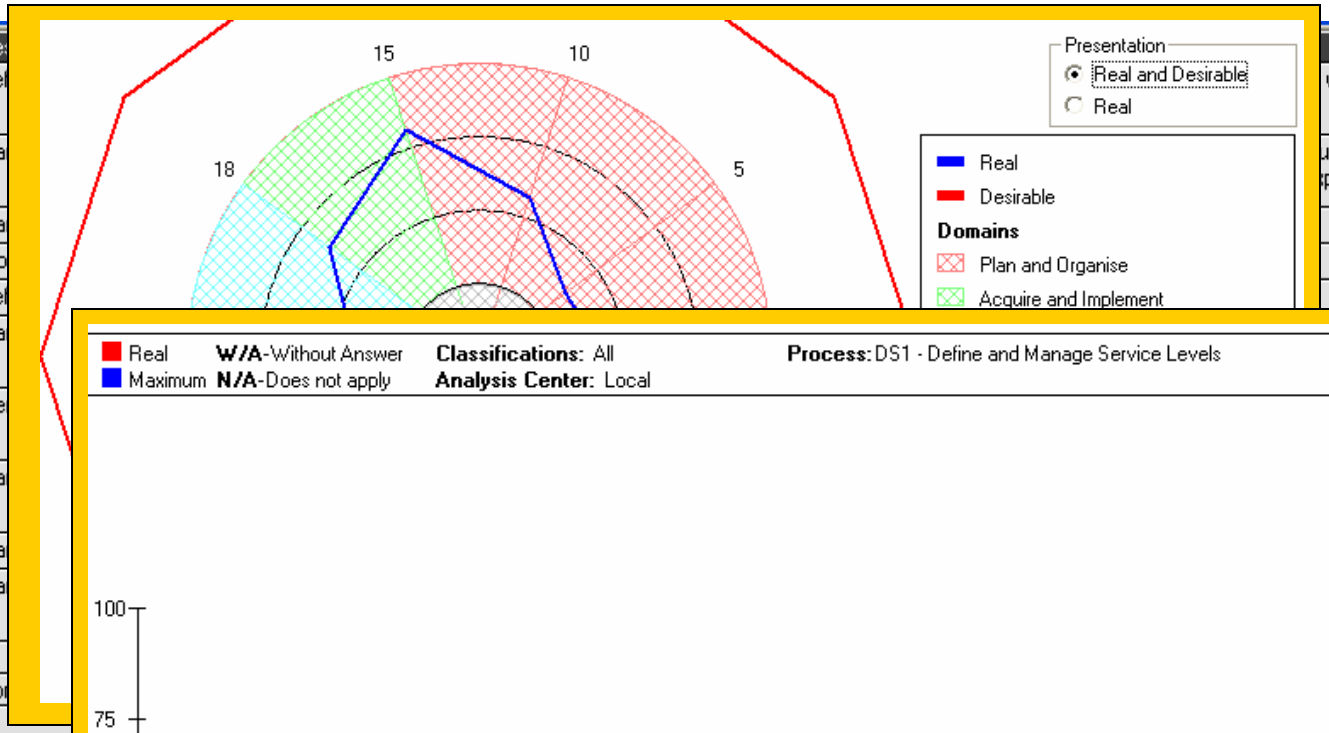


Process	Cost Area	Immature people related process and excessive labour cost
PO4	IT management and organisation	Ineffective outsourcing arrangements; IT organisation not optimal for business needs
PO7	o Deployment of human capital o High recruitment costs o Staff retention o Use of contractors	o Skills not aligned to competencies; highly qualified handling staff firefighting issues o Inability to hire staff required o High staff turnover; low staff morale o High contractor costs as percentage of overall staff costs
AI4	Training and staff development	High degree of errors and rework; poor feedback regarding staff learning and development

Too many cooks….!

COBIT – Assessment and gaps – Tangible Cost Management

Processes	De		Score	
PO1 (1)	Del	while being	1.72	
PO5 (5)	Ma	ution to business xpectations	1.48	
PO10 (10)	Ma		2.27	
AI5 (15)	Pro		3.25	
DS1 (18)	Del		2.53	
DS2 (19)	Ma		1.67	
DS6 (23)	Ide		1.19	
DS8 (25)	Ma		2.85	
DS9 (26)	Ma		2.21	
DS13 (30)	Ma		2.31	
	Do			
	Domain 1		1.82	
	Domain 2		3.25	
	Domain 3		2.13	
	Domain 4		0.00	



COBIT – Tangible Cost Management – Concerns / Saving

Process	Cost Area	Immature Processes	Possible un-attended concerns in IT Operations	Tangible Saving options
PO1 and PO10	Programme management	Inability to prioritise and cancel IT initiatives	o Projects are never ending – Custom software o Underutilization of tools, SW	o Stop recurring expense o Do not renew AMC, licenses
P05	Investment management	Poor business cases and returns on IT-related Investments	o HW Investments based on current poor performance of Servers – lack of CBA o Applications developed or modified regularly	o Avoid / defer purchase o Workaround / deploy alternate cheaper solution
PO5 and DS6	Budgeting and cost management	Poor understanding of current costs; inability to optimise the budget and identify how to spend less but obtain more value	o Expense and costs booked under one common accounting – IT Expenditure o Consumable consumption, ISD/STD expenses, o AC and lighting expense o Manual Server management	o Measure and control exp under Servers, VPN, Internet, AMC SW, Licenses o Reduce number of printers o Use Skype, gotomeeting, mikogo, yuuguu o Automate operations, warnings
PO10	Project management	Projects running late and over budget	o Project scoping, resource management o Vendor re-selection / re-negotiation o Unclear quality objective	o Use timebox / fixed cost delivery o Replace vendor / reduce scope and cost o Link final payments to delivery of objectives

Cont'd

COBIT – Tangible Cost Management – Concerns / Saving

Process	Cost Area	Immature Processes	Possible un-attended concerns in IT Operations	Tangible Saving options
AI5	Procurement	Inability to negotiate good deals and obtain value for Money	o IT market and changing vendor service portfolios not understood o Deals are not negotiated on renewal o SLA concept followed	o Identify innovative solutions- reduce vendor dependency o Negotiate each renewal after fresh research o SLA – measurement on reducing exceptions instead of on-time
DS9	Asset management	Cost of assets not understood; bad asset replacement strategy; software licenses not being used, hardware maintenance too high	o Successful application replaced due to obsolete technology o TCO is not measured for implemented infrastructure, service and solutions	o Replace / amend only where business objectives are failing o Install SOA, Dashboards on legacy systems o Install thin client with minimal TCO
DS2	Contract and supplier management	Bad supplier relationships and poor service/product delivery	o Accepting low value delivery by known vendors / branded products o Non existence or lack of implementation of penalty clauses o 'Chalta hai attitude'	o Ensure vendor is pushed, pulled and active at all times o Measure service failures / setup high penalty rates o Only few % of customer make noise – Change to Most % customers
DS1 and DS8	Service levels and service desk	Poor service delivery; service calls and incidents too High	o Repeat calls are not analyzed o Root cause not established	o Reduce disruption of user services – 'Because of Computer...' o Implementation of RCA and solutions so that only unique / non-time consuming problems remain
DS13	Operations and systems management	Too many tools and not enough efficiency; no standardization procedures	o Unused automated tools o Lack of time / initiative with IT to improve controls o Procedures,	o Deploy tools, if monitoring resources feasible o Ensure regular compliance after implementation o Manage documentation within practical limits

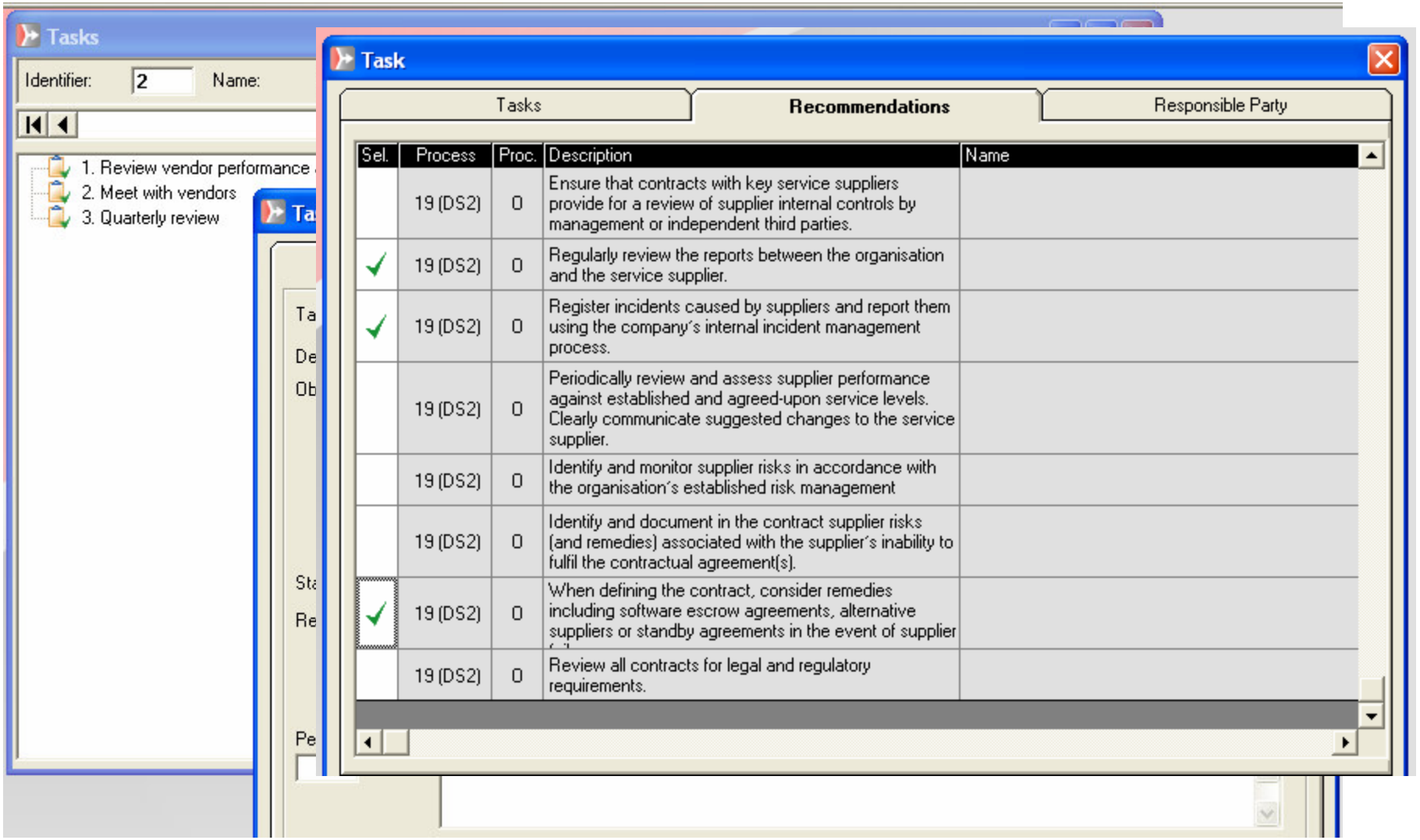
COBIT – Tangible Cost Management – Recommendation – DS2

Recommendations

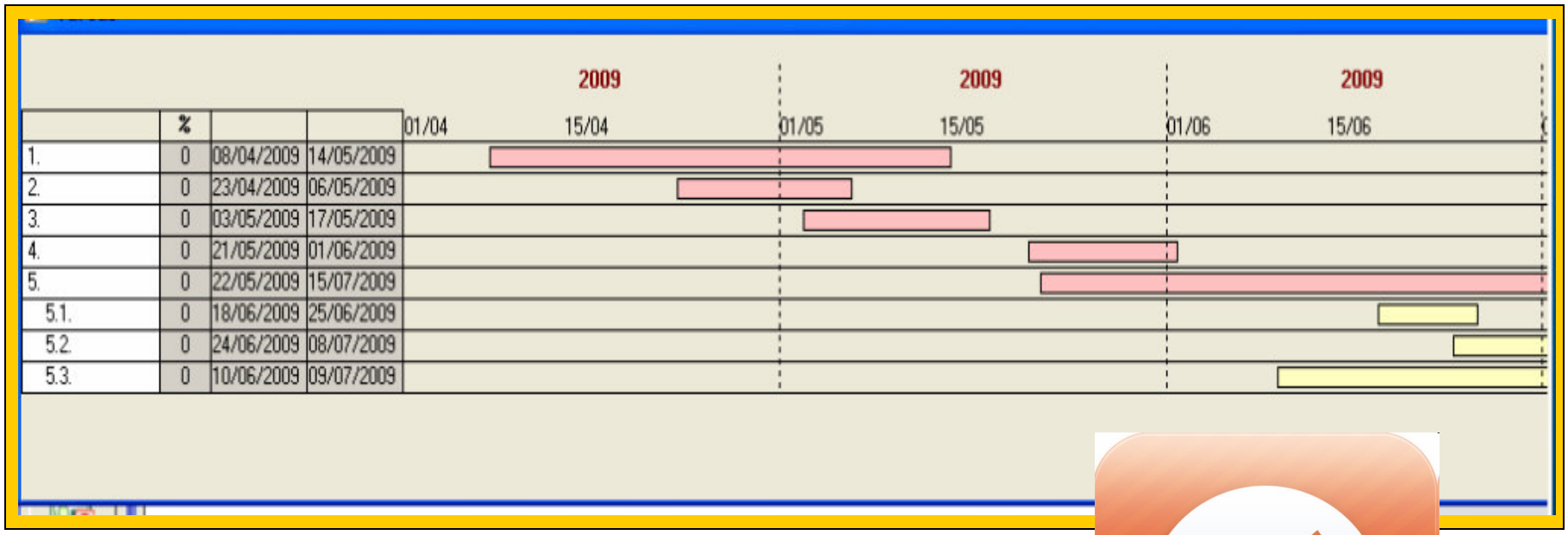
Sel.	Process	Proc.	Assigned tasks	Progress	Description
	19 (DS2)	0			Define and regularly review criteria to identify and categorise all supplier relationships according to the supplier type, significance and criticality of service. The list should include a category describing vendors as preferred, non-preferred or not re
	19 (DS2)	0			Establish and maintain a detailed register of suppliers, including name, scope, purpose of the service, expected deliverables, service objectives and key contact details.
	19 (DS2)	0			Define and formalise roles and responsibilities for each service supplier.
	19 (DS2)	0			Assign relationship owners for all suppliers and make them accountable for the quality of service(s) provided.
	19 (DS2)	0			Document the supplier relationship managers and communicate the information within the organisation.
	19 (DS2)	0			Establish and document a formal communication process between the organisation and the service provider.
	19 (DS2)	0			Ensure that contracts with key service suppliers provide for a review of supplier internal controls by management or independent third parties.
	19 (DS2)	0			Regularly review the reports between the organisation and the service supplie
	19 (DS2)	0			Register incidents caused by suppliers and report them using the company's i incident management process.

Customize recommendations according to business objectives.

COBIT – Tangible Cost Management–Tasks/linked Recommendatic



COBIT – Tangible Cost Management–Tasks Manage / Comply



	%		
1.	0	08/04/2009	14/05/2009
2.	0	23/04/2009	06/05/2009
3.	0	03/05/2009	17/05/2009
4.	0	21/05/2009	01/06/2009
5.	0	22/05/2009	15/07/2009
5.1.	0	18/06/2009	25/06/2009
5.2.	0	24/06/2009	08/07/2009
5.3.	0	10/06/2009	09/07/2009

Verify and validate to ensure compliance and success.

COBIT – Tangible Cost Management– Communicate Results

- Proactive IT initiatives and operational improvements
- Enhance credibility of the IT organization
- Benefits
  - Tangibles
    - Current period vs previous period
    - % saving from alternate options
    - Forecast reduction in expense / ROI
  - Intangibles
    - Efficiency of operations
    - Reduced incidents
    - High uptime
    - Link to business objectives
      - Faster product launch
      - Timely service delivery
      - Increase in customers / revenue

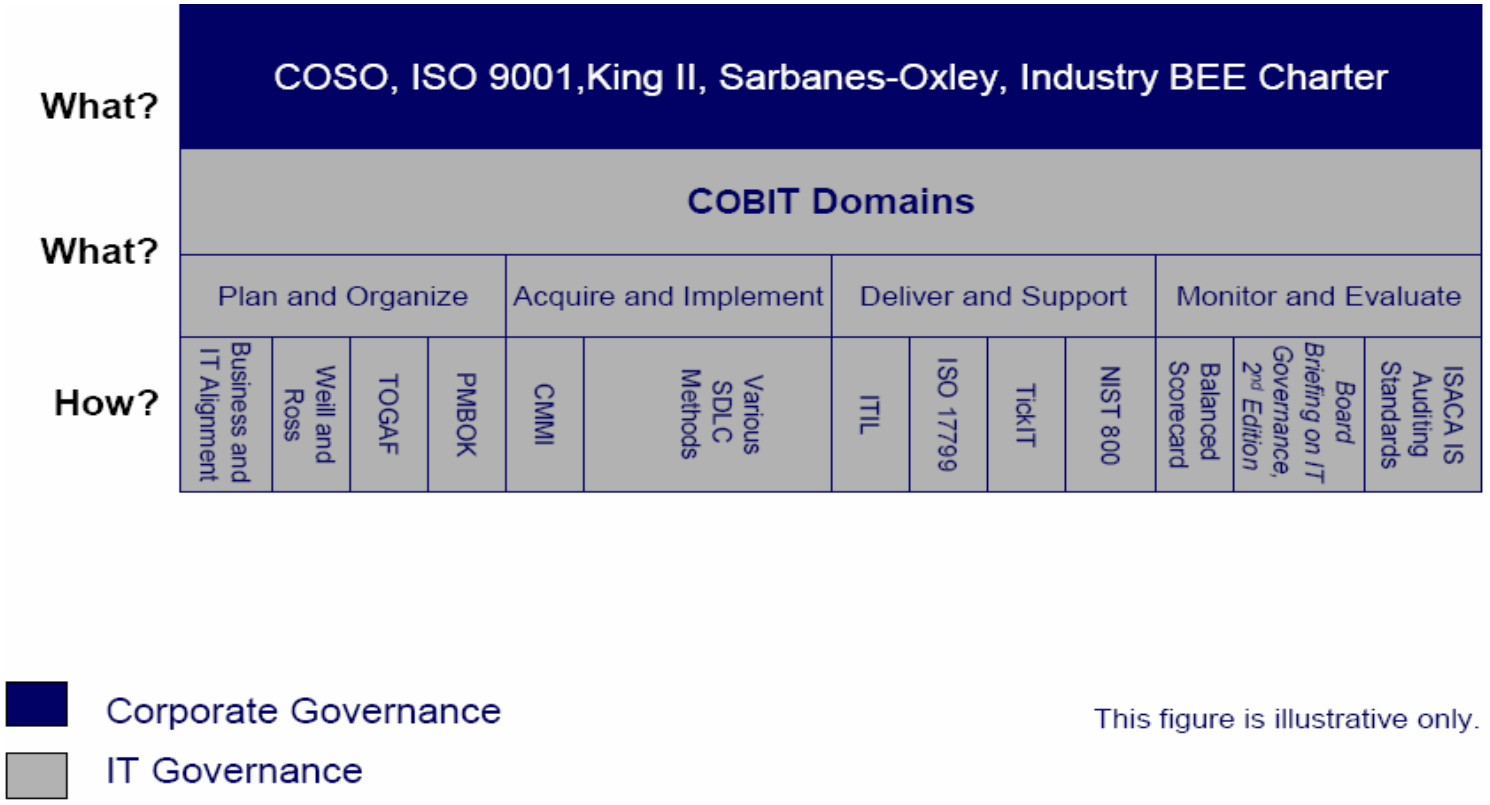
COBIT – Comprehensiveness and other standards

- Comprehensiveness
  - Business operations completely dependent on IT
  - Business applications (ERP), workflows, resource sharing, communication (chat, email,video conferencing) controls are all logical controls
  - Approval and authorization – financial or non-financial is mostly handled by logical controls
  - Confidentiality is primarily managed within technology
  - COBIT encompasses all aspects of IT Governance

- Other standards where COBIT is useful
  - ITIL
  - SOX compliance
  - PCI-DSS
  - NIST
  - HIPAA
  - ISO27001
  - Others

COBIT – Other Standards

Common misunderstanding: We already have xyz standard, so we do not need COBIT.



Always draw your curves, then plot your reading. – Murphy's law

http://www.isaca.org/AMTemplate.cfm?Section=COBIT_Focus&Template=/ContentManagement/ContentDisplay.cfm&ContentID=31702

COBIT – Cost Management Controls in the IT operations

We thank you and appreciate your valuable time
for today's session.

Good Night.
Have a great weekend.

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