

# IT due diligence

## IT Risk Advisory Services



Did you know that in the course of an acquisition, or organisational and management changes, the most difficult area to form a clear image of is the value of the IT department? Strengthen your negotiating position and the foundation for your decision makings by collecting information, not only on obvious costs, but also on the real value-creating ability of the IT department in question, as well as its weaknesses and the associated hidden and indirect costs, along with future challenges.

In the course of an acquisition, a merger or management changes brought about by reorganisation, it is especially important that your knowledge of the IT department does not solely rely on software and asset value in the general ledger; you should be aware of all factors that can influence its real value.

Such a factor, for example, may be a dependence on subcontractors or on the parent organisation – in the field of information technology, this dependence can be especially strong. A further important point to consider is that the lack of IT investments in previous

years significantly increases risks that might arise after an acquisition and related costs must be borne by the new owner.

With the help of our specialists in KPMG's IT Risk Advisory Services practice you can gather detailed information on such threats, which can make it easier for you to take a responsible decision.

### Do the following issues sound familiar to you?

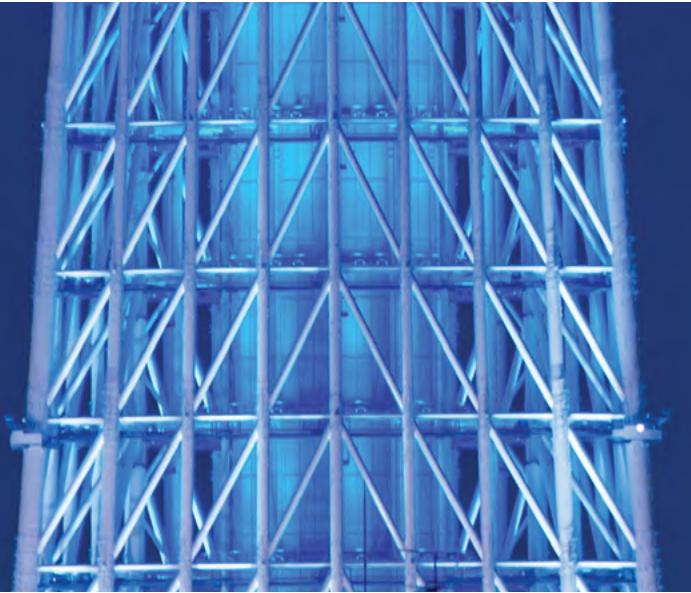
- The IT department's operations depend on various external contractors. However, it is impossible to judge whether their services meet the quality expected for the money paid.
- No one is aware of which of the numerous IT systems creates real value.
- It is not clear what competencies there are in the IT department, nor which ones could be better utilised.
- Due to continually postponed updates, IT assets are out-of-date and you are in the dark on the scale of the investment necessary for their modernisation and for ensuring their continuous operation.

### How can we help you?

The elements of KPMG's service offering as described below, whether combined or applied independently, help you gain a full overview of the IT department's operation, and uncover value-creating potential and hidden costs.

### Goals of IT due diligence





**Review of IT services:** We review IT services and service-level agreements (SLA) provided by and for the IT department; we examine, to which extent availability criteria for individual systems, set in the firm's regulations, are met. Furthermore, we uncover service contents when the provided service levels are unjustified.

**Evaluation of the IT department:** We assess the company's IT department regarding its size, the number of employees and its current competences. We compare the results with those of the IT departments of similar-sized firms of similar profile, in order to give you our opinion on whether your IT department's labour expenditures are reasonable and necessary for the sufficient operation.

**Dependence assessment:** When an IT department is too dependent on its subcontractors, those subcontractors may take advantage of this and offer their services at well above the real market price. With our help, you can learn in detail about the IT department's dependencies, for example services which are provided by the parent company and which could cease after an acquisition.

**Technology review:** Through an assessment of information technology tools and hardware, as well

as by reviews of information on past investments, we provide you with an assessment of how up-to-date the technology being applied is and regarding the grade of investments that might be necessary in the future.

**Setting course for developments:** During the engagement we not only focus on uncovering problems but also show you possibilities for improvement in the short and long term. As an independent party, we provide you with unbiased advice regarding which investments are in fact necessary and would create real value for your enterprise.

## What advantages do we bring?

- You get a true and detailed picture of the value creating potential of the IT department in question, as well as of its weaknesses and future challenges.
- Inadequate investments, hidden costs and threats will be revealed to you.
- You can strengthen your negotiating position and make the right decision for your enterprise.

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If our service offering has aroused your interest, please contact us for further details via the following contact information.

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