Management of government's IT sector and effectiveness of development plans

Audit Report No OSIV-2-6/05/20 of March 18, 2005

Executive Summary

In May, 2004, the Government of the Republic approved the general principles of information policy for the years 2004 to 2006, where it is stated that in the conditions of limited resources, it is especially important to use the funds allocated for the development of state information systems effectively and based on that, organise the operations even more purposefully and with more coordination.

In every audit related to development and functioning of information systems conducted over the past years, the SAO has brought attention to the inconsistencies between the development of information systems and organisation of existing systems. This audit report is SAO's overview of whether and to what extent the problems raised in previous audits have been tried and managed solved.

Relevant observations

No overview exists of actual IT-related expenses. Coordination of the development of state information systems is the task of the Ministry of the Economic Affairs and Communications. Every year the Ministry presents its opinion to the Ministry of Finance on which developments of information systems pointed out by the ministries in the drafting of state budget would be expedient to finance. The Ministry of Finance takes it into consideration but can not require the other ministries to accurately follow the recommendations of the Ministry of the Economic Affairs and Communications. Every minister is competent in their area of government to decide how they use the money allocated to the respective area of government. The expenses planned for the operation and development of the information systems are not separately listed in state budget, they are regarded as part of management and investment costs of the authorities.

It is not certain whether the money allocated to IT-section is used in the best way intended. The SAO states that the major problem in the development of information technology in the public sector is currently not the lack of money but the expediency of the use of money. The SAO is not convinced that the money allocated for information systems from the state budget is used for intended purpose, economically and the best way intended.

Development of the information systems is not regarded to be a cross-ministry area of activity. The ministries, except for the Ministry of the Economic Affairs and Communications do not regard the development of the information systems as a cross-ministry area of activity, i.e. as an area of activity concerning which the ministry interests should be subjected to the interests of the state as a whole. The most important for the ministries is to achieve the planned results in the areas of activity for which they are responsible for; actions relating to information technology are relevant only in a way that it helps to achieve the main objectives of the specific ministry. Government of the Republic Act does not provide any of the ministries, including the Ministry of the Economic Affairs and Communications, to be responsible for the whole development of this area of activity.

Poor coordination of the IT-sector impedes the development of information society. Drafting the state budget lacks a mechanism, which would ensure the balanced and sustainable financing of the public sector's information technology infrastructure and integrated discussion of the development of information society. The differences between the Ministry of Finance and the Ministry of the Economic Affairs and Communications on the organisation of financing and the methods of the coordination of the development of the state's IT-sector impede the planning and financing of the specific research programmes of the development of information society, and the evaluation of the expenses to this area of activity and their performance. Currently, there does not exist a common coordinated management of the public sector's IT-sector even on state authority level, not to mention the wider integrated development of the information society in the state. Such situation needs quickly appropriate decisions, otherwise the development level of Estonia may fall behind irreversibly when compared to the developed states.

Proposals of the SAO

To the Minister of Finance

- Regard the development of information society in the state budget strategy as a cross-ministry area of activity until at least 2010.
- In the state budget strategy financing plan, provide for at least 1% of the state budget a year to the financing of IT-sector. To ensure the stable functioning and development of state information systems, half of it should be directed into IT infrastructure and the other half into the development of information society.
- In the state budget strategy, on the basis of standard expenses developed in the Ministry of the Economic Affairs and Communications for every financial year, provide financed based on computerised workplaces through the budget of state authorities to ensure the sustainable functioning of information society.
- Establish a common accounting of the actual expenditure of IT-infrastructure maintenance and its components in public administration.
- In the state budget strategy, provide that innovative activity related to the development of the information society is carried out through the specific research programme on information society development that is financed through the budget of the Ministry of the Economic Affairs and Communications and which also covers the projects carried out for the funds of the EU structural funds.

To the Minister of Economic Affairs and Communications

- Present the Ministry of Finance, for the budgeting of the IT infrastructure expenses in state budget, with standard expenses for one workplace computer with respective reasons, based on the data of the potential of the IT infrastructure and its estimated growth in public administration for the coming financial year and taking into account the price forecasts.
- Based on the "General Principles of Estonian Information Policy" and the experience of the implementation of its plan of action and EU structural funds, develop and present to the Ministry of Finance for taking into consideration in the new state budget strategy, a common specific research programme for developing the information society with the proposal for the respective financing necessary for its execution. In the case of accepting this programme

    - in concordance with the Ministry of Finance, organise the financing of the projects of the specific research programme for developing the information society irrespective of which ministry is in charge for the execution of the project;
    - organise the coordinated administration financing of the projects of the specific research programme, the calculation and evaluation of their expenses and results;
    - every year submit a report to Government of the Republic on the execution of the specific research programme for the information society.

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The **Minister of the Economic Affairs and Communications** concurred with every observation and proposal given in the audit report. [1]

The **Minister of Finance** is of the opinion that the rights of the Ministry of the Economic Affairs and Communications to coordinate the development of state information systems is sufficiently provided in its Statutes.

The Minister of Finance finds that it is not reasoned to regard the development of information society already as a cross-ministry area of activity, but he is of the opinion that in the course of examining the areas of activity and measures of state budget strategy, it is possible to initiate a discussion in this question in 2005.

The Minister does not object to the proposal to finance innovative activity in the development of the information society through the specific research programme that is financed through the budget of the Ministry of the Economic Affairs and Communications; the Minister stated that the establishment of such a procedure needs an inter-ministerial agreement and the approval of the cabinet of ministers.

The Minister of Finance does not support the proposal to plan at least 1% of the state budget a year to the financing of IT-sector, as it is not good practice to fix in the structure of state budget expenses the proportion of expenses related to the development of support services.

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The **SAO** is of the opinion that the Government of the Republic should decide whether, in the current stage of development of the state and its information systems, the development of the state information systems should be regarded as a cross-ministry area of activity, and provide both the responsibility of the Ministry of the Economic Affairs and Communications for this area of activity and the respective means given to it (management of the compilation and execution of the respective specific research programme and the financing of this programme from ministry budget). The SAO also finds that a certain part the state budget (at least 1%) should be fixed by the respective legislation for the development of this area of activity.

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Auditor General