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INTOSAI Standing Committee on IT Audit

A strategy for auditing the cabinet's management of transition to e-Government – a risk assessment approach

Summary

In the spring of 2003, the former Swedish National Audit Office (SNAO) made a materiality and risk analysis of the Government's management and controls of the process of transition to e-Government/24-hour government agencies (24/7 agencies). We found eight main risk areas from a government administration point of view¹:

- Risks related to the overall management and controls of government agencies' work on e-Government
- Risks related to the agencies' implementation of e-Government
- Risks related to administration and operation of the infrastructure for different types of services
- Risks related to use of e-services
- Risks related to the effects of investments in e-Government
- Risks related to the support for the work on e-Government.
- Risks related to the current "fashion" of investing in e-Government. What are the forces behind the concept of e-Government and what is their purpose?

¹ We have not analysed risks from a Parliament point of view, eg. risks related to democracy etc.



- Risks related to the technical advances as a foundation for e-services (refers mainly to the development of components for Internet applications).

The risk is considerable, i.e. there is reason to regard the transition to e-Government as a high risk programme. All the risks that we normally find in connection with advanced Information and Communication Technology (ICT)-based business development are also to be found here. The public administration's need of new knowledge and competencies is a matter that makes things difficult.

The risk analysis presented in the report has been used prior to SNAO's decision to make a study of the process of transition to e-Government. SNAO has given priority to a study of the Government's (Cabinet's) management and control of the agencies' transition to e-Government. This corresponds to risk area 1: "Overall management and control of the government agencies' work on e-Government". We intend to publish an audit report during the autumn of 2004.

During the audit work – performed within the present organization of SNAO (now under Parliament), we have come across some e-Government questions that we would like to discuss at the Seminar:

- the reporting to Parliament and the e-strategies of government and how to audit them from the perspective of risk management
- the agencies' business cases and how to audit them from the perspective of risk management
- the agencies' indicators of success of the transition to e-Government.
- the quality of the now numerous international studies benchmarking the success of selected countries' transition to e-Government since such studies seem to have an impact on the behavior of governments and agencies.

1 Background and purpose

In the spring of 2003, the Swedish National Audit Office (SNAO) made a materiality and risk analysis of the Government's management and controls of the process of transition to e-Government/24-hour government agencies (24/7 agencies). This risk analysis is presented below. The SNAO intends to use it in various audit projects. An audit can either refer to all risk areas - at the overall level - or an in-depth audit of an individual risk area. The selection of the level and focus depends, among other things, on the prior information possessed by the SNAO about the problem.

Parts of the analysis were used in INTOSAI's project on e-Government, a report on which was made in Oslo in the autumn of 2003. Furthermore, the analysis was used prior to SNAO's decision to make a study of the process of transition to e-Government/24/7 agencies.

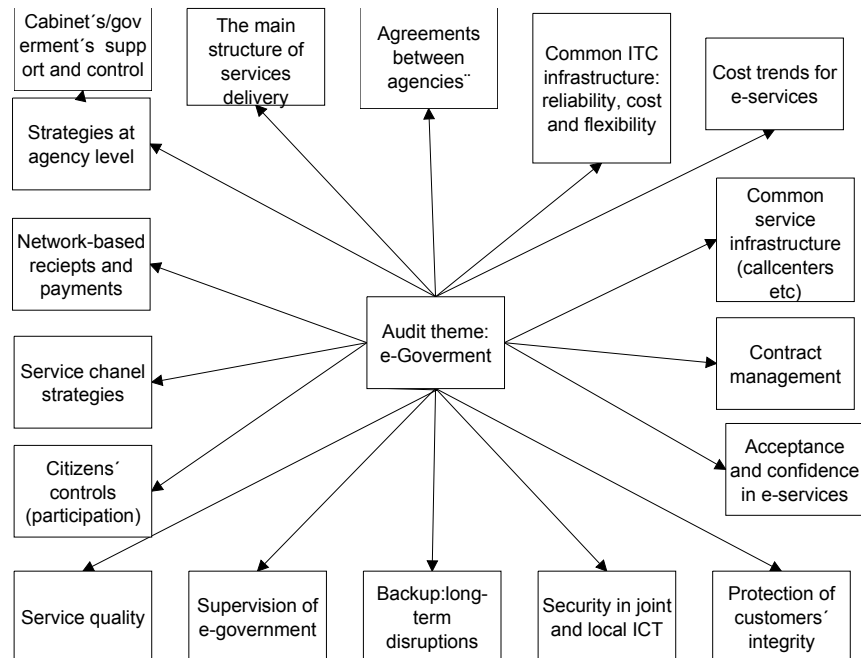
The purpose of this contribution is that other SAIs can make good use of the risk analysis in their selection of audit questions. We would also greatly



appreciate comments and points of view from other SAIs to enable us to develop further the risk analysis

2 Risk areas

The Government's management and controls of the process of transition to e-Government/24-hour government agencies (24/7 agencies) is a field that contains a number of important sub-areas. These are shown in the figure below.



The components included in the figure can be grouped into six sub-areas (risk/problem areas):

- Overall management and controls of government agencies' work on e-Government
- The agencies' implementation of e-Government
- Administration and operation of the infrastructure for different types of services
- Use of e-services
- Effects of investments in e-Government
- Support for the work on e-Government.



In the following, comments are made on the six sub-areas with a focus on materiality and risk.

Besides these six sub-areas, two other background areas can be added:

- Sources of the current “fashion” of investing in e-Government. What are the forces behind the concept of e-Government and what is their purpose?
- Technical advances as a foundation for e-services (refers mainly to the development of components for Internet applications).

These two sub-areas constitute part of the environment in which the transition to e-Government is taking place. These areas are not commented on here.

2.1 Overall management and controls of government agencies’ work on e-Government

In this area, the focus is on the actors and activities that have the aim of making it possible for society and the public administration to enter into a process of transition to e-Government. In particular it is a question of the controls exercised by Parliament and the Government over this process of transition. The controls can be in the form of e-policies, annual directives and letters of appropriations etc. The support provided by Parliament and the Government can include producing necessary legislation, placing orders for technical facilities for e-Government from staff agencies etc.

The following actors can be identified:

- EU’s support and controls
- The Swedish Parliament’s support and controls
- The Government’s support and controls
- The controls/influence of other actors

This sub-area is of great importance for a successful transition to e-Government. The greatest risks lie in the situation that the actors involved may not have an effective process for the management and controls of investments in e-Government. If the process is not effective, a situation will arise in which management and controls are weak or inconsistent, with an unclear knowledge of the status of the implementation of e-Government.

2.2 The agencies’ implementation of e-Government

In this sub-area the focus is on the capacity of individual government agencies, or groups of collaborating agencies, to effectively manage and control their investments in processes for e-services. This includes having good management and control processes for initiating, preparing, selecting/approving, implementing and learning from investments in e-services. One prerequisite is that the agencies have strategies for business development that the investments in e-Government can be linked to or be derived from. The goals and objectives of the process of transition to e-services must be clearly specified.



The following aspects can be distinguished:

- The agencies' monitoring of external conditions and demands on their e-services, as well as technical developments in respect of e-services.
- The agencies e-goals and e-strategies (which are parts of service channel strategies)
- Cooperation agreements between agencies for the development of e-services
- The agencies' management and controls of their investments in e-services
- The agencies' development of e-services (projects for the development of activities, investment programmes)
- The agencies' internal support and expertise for the implementation of e-services.

The sub-area is extremely important for the degree of success in the transition to e-Government. The risks are that agencies – individually or collectively – do not have the ability to steer the process of transition in a satisfactory manner. This has the effect that the programmes approved for implementation are not related to each other in a satisfactory way and that the programmes are not implemented as intended.

If there is a lack of clarity in the Government's management and controls, there is a considerable risk that there will be shortcomings in the focus of the agencies' investments in e-Government. For example, the balance between rationalisation goals and service quality goals² may not be clear.

The risks of delays and shortcomings in the quality of implementation are always present where extensive ICT investments are concerned, particularly since implementation and the realisation of effects require some new skills. This has been empirically well substantiated in our own audit activities.

2.3 Administration and operation of the infrastructure and different types of e-services as components in interrelated service channels

The focus in this area is on the infrastructure and the e-services that the public administration has succeeded in developing hitherto. Are the administration and operation of the e-services the agencies have developed efficient and secure? Administration and operation of this type should be done in a well-balanced mix of different service channels.

The following aspects can be distinguished:

- Coordination between different types of service channels
- Organisation of the administration and operation of e-services
- Security of the e-services (back-up, security in joint and local ICT)

² The National Board of Student Aid, for example, expressed doubts about making further investments after it found that the return on each invested SEK 1 in e-Government was SEK 0.76.



- Network-based receipts and disbursements
- Common service infrastructure (call centres etc)
- Use of contractors (for example contract management)

There is a risk that the public administration may underestimate the need of an organisation, skills and resources for e-services. There is also a risk of competition for the agencies' resources and the fragmentation of these resources, for example by the agencies also administering standard ICT systems or other service channels. This leads to separate cultures, sub-organisations, skills etc.

The development of a fully adequate service organisation, which also releases resources at the agencies, is a demanding task. One field of expertise that is relatively new to many agencies – service management – needs to be established. It is also necessary to learn how to develop, for example, service channel strategies³. Needs of new expertise create risks in all contexts whenever it is essential.

2.4 Use of e-services

In this sub-area the focus is on what happens when customers encounter the e-services offered by the public administration, chiefly via the Internet. It is thus a question of whether the agencies have correctly understood the needs of their different "customers" and have been able to develop services that meet the needs. Of particular importance in this context is the capacity of the agencies, in this process of transition, to create trust and confidence in their customers in respect of the e-services they provide.

The following aspects can be distinguished:

- the customers' trust and confidence in, and acceptance of, the e-services
- protection of customers' integrity
- the customers' perception of the quality of the services.

If the customers experience the e-services negatively, there is a risk that their acceptance of and confidence in e-Government will be seriously jeopardised. This risk is considerable, particularly in the initial stages.

Risks are created in the activities involved in the transition to e-Government, mainly on account of the virtual reality of e-Government and - during a long start-up phase - the difficulties of adapting the services and the infrastructure required to the needs, skills and requirements of the customers. The initial meeting between customers and the e-services offered by the public administration are accordingly extremely important for the further development of e-Government. Rumours of "negative meetings" can easily be spread amongst different groups of users and create a lack of confidence in the capacity of the public administration to produce good e-services.

³ Describes the purpose of and the use and development of individual service channels and how they should interact in services to customers.



2.5 Effects of investments in e-Government

In this area the focus is on the effects of the process of transition to e-Government related to the goals established by the Government and agency management.

The following aspects can be distinguished:

- the effects of e-services on society (citizens, enterprises, public administration, economic growth, democracy etc)
- restructuring the structure of government agencies
- cost efficiency of e-services (costs compared with public welfare, economic assessments)

There is a risk that the agencies have not described the initial costs for the production of services and have not developed instruments that can make a reasonable follow-up of the effects. If this is so, a situation will arise in which there is no well-founded knowledge of the benefits and costs etc of investments in e-Government.

The risks that arise refer partly to losses in public assets through, for example, improper disbursements and partly risks of deterioration in the services provided to citizens and enterprises. There are even certain legal risks.

Finally there is a considerable risk that the positive effects on the government budget that can potentially be achieved are not achieved at all, due to the shortcomings, well known from our audits, in the capacity of agencies to make good use of the potential of their investments.

2.6 Support for the work on e-Government

In this area the focus is on the actors that have important roles in the public administration's transition to e-services. This is a question of administrative agencies and supporting agencies that produce models, methods, infrastructure, tools etc that the agencies can then use in their own work on e-services. It also concerns the follow-up of investments in e-services and ways in which requirements in respect of these services are expressed, for example requirements in respect of annual reports. One type of support is the audit of different aspects of e-Government as a basis for the management, controls and support in the field on the part of the Government.

The following aspects can be distinguished:

- the work of supporting agencies in providing special support for the development of e-services
- supervision of e-management, e-government and e-effects
- follow up of and research into e-Government
- audit of e-Government.



There is a risk that the agencies' investments in e-services are made without essential coordination in respect of infrastructure etc, or that there are shortcomings in the gradual acquisition of knowledge of the subject.

2.7 Overall assessment of the risks in e-Government?

The risk is considerable, i.e. there is reason to regard the transition to e-Government as a high risk programme. All the risks that we normally find in connection with advanced ICT-based operational development are also to be found here. The public administration's need of new knowledge is a matter that makes things difficult. The consequences of certain problems can be serious, for example they can seriously affect confidence and trust in the government administration. We question whether the agencies have well-devised strategies to handle risks pro-actively, before they have had the time to develop into problems.

3. Selection of audit questions on the basis of the risks

It was mentioned initially that the risk analysis presented in the report has been used prior to SNAO's decision to make a study of the process of transition to e-Government. SNAO has given priority to a study of the Government's management and control of this transition to e-Government. This corresponds to risk area 1: "Overall management and control of the government agencies' work on e-Government". In the project plan it is stated:

"The government agencies' transition to e-Government is in an initial phase and any possible material shortcomings in the Government's management and controls of the immediate focus and implementation of the reform can be remedied, by an audit, before the practical consequences of the shortcomings have become considerable." The audit questions we are working with are:

- Is the Government exercising controls in accordance with Parliament's intentions and on the basis of the controls that the Government has undertaken to exercise in other respects in accordance with bills (see above) etc presented to parliament?
- Is the Government exercising controls of the government agencies' transition to e-Government in an effective manner?

The focus of the audit is on the Government's selection of instruments of management and control and on whether these instruments are appropriate for the management of the process of transition to e-Government or whether there is a risk that problems will arise in the Government's management of the process. One important question is also whether the Government has made a risk analysis of the process of transition and whether there is a strategy to deal with the risks.

It is intended that an audit report will be published in the autumn of 2004.



We are naturally extremely interested in points of view, documentation and other material that can assist us in this audit. We will also contact some SAIs in the matter.

4. Some questions to be discussed during the Seminar in Moscow

We would like the Seminar to discuss the following questions:

- the reporting to Parliament and the e-strategies of government and how to audit them from the perspective of risk management
- the agencies' business cases and how to audit them from the perspective of risk management
- the agencies' indicators of success of the transition to e-Government.
- the quality of the now numerous international studies benchmarking the success of selected countries' transition to e-Government since such studies seem to have an impact on the behavior of governments and agencies.