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**Information Technology Procurement
A synopsis of issues that SAls may wish to address in their country papers**

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Background

In preparation for the Third Symposium of IT Performance Auditing to be held in May 2001 in Slovenia, the Editorial Board solicited subjects for presentation and discussion. Procurement for information technology goods and services (IT procurement) was proposed and accepted as one such subject.

This synopsis has been prepared to provoke thoughts and facilitate interested SAs in preparing countries papers on this subject. The lead paper, to be prepared by the Office of the Auditor General of Canada for release in February 2001, will address the issues in a Canadian context.

Introduction

Organizations around the world, including governments, invest significantly in information technology (IT) goods and services. In general, procurement regimes in government are already complex. In addition to supporting government objectives that go beyond seeking best value and striving for efficiency and effectiveness, technology evolves at a rapid pace. That makes procuring for IT goods and services even more challenging.

At the same time, following a moratorium on information system changes as a precautionary step in preparing for the Year 2000 computer problem, governments and most other large organizations have built up a pent-up demand for IT acquisitions and system development projects. Furthermore, the development of E-Commerce and E-Government initiatives makes IT procurement an important activity and one that governments need to manage well to succeed in implementing the initiatives.

Accordingly, the subject merits examination by legislative auditors. The Office of the Auditor General of Canada conducted a value-for-money audit on IT procurement in 2000. The lead paper from Canada will discuss strengths and weaknesses in the Canadian system as assessed by the audit office. Some of

the practices may serve as potential benchmarks for other SAIs to consider while others may highlight some issues that SAIs could choose to pursue in their respective audit mandate.

Scope of Audit Examination

In order to facilitate a meaningful discussion and exchange of audit experience, it is essential that we have a common view of the subject that has been identified.

The IT goods and services to be acquired could include:

- hardware (such as microcomputers or telecommunications equipment);
- software (such as software licences for commercial off-the-shelf products);
- services (such as professional services contracts for building an interface or providing user training); and
- development of IT systems/projects (such as development of an end-to-end system with hardware/software and system integration services included).

For the purpose of the audit, we focussed on the acquisition phase leading to the signing of a contract. For example, the scope did not include the development and project implementation phases of large IT projects. Those phases form parts of a wider subject – managing large IT projects.

The Canadian audit included aspects of procuring for large IT projects, certain types of hardware and commercial off-the-shelf software products. Procuring IT professional services contracts was not addressed in this audit. We have also excluded construction projects where information systems become an integral part of the newly constructed assets. Examples include weaponry systems and satellites.

Proposed Areas of Discussion in SAI Country Papers

We have identified the following areas of discussion for consideration by SAIs that are interested in preparing country papers on IT procurement:

- analyzing and reporting information on IT procurement;
- acquiring goods and services for large IT projects;
- supplying hardware;
- purchasing software products and related services; and
- contracting for IT professional services.

The areas of discussion and the related questions provide potential scope for SAIs in preparing their country papers. It is not intended that the country papers will address all areas or all questions posed. Drawing from our recent audit, the Canadian paper will include information on the first four areas for discussion at the Slovenia seminar. Although we have not audited the procurement of IT professional services, it would be worthwhile if other SAIs would like to share their experience with the group. Discussion of best practices in the country papers will also be most welcomed.

Analyzing and reporting IT procurement information

We started with an assumption that IT investments are significant for governments. However, do the governments have empirical data for the investments they make? This question could provide more information on this government activity. In addressing this question, SAIs could also ask:

- How much does the government invest year-over-year on IT goods and services?
- Who in government is investing and is the trend consistent?

- What are government departments and agencies buying?
- Is there central reporting on a government-wide basis?
- How reliable are such data sources?

Acquiring goods and services for large IT projects

This area is closely tied to another lead paper – why large IT projects fail. The North American experience has been that the contracting phase is a major factor among many that contributed to failure of large projects.

There are a number of issues that SAIs can consider for this area:

- How important is the contracting phase to the overall rate of success for developing large IT projects?
- What are some of the known weaknesses from past experience?
- Are there approaches and methodologies in dealing with those weaknesses?
- Have they been tried and do they work?
- What are some of the best practices that can be shared with other SAIs?

Method of supply for hardware

In analyzing data for IT procurement, one may come across goods that are frequently bought or that are bought in large quantities in government. One such commodity could be personal computers. Laptops and desktops have sprung up in all government departments and agencies in North America. With IT strategies that include “evergreening policies”, the trend is likely going to continue. It may be useful to discuss this area among SAIs.

- Are there specific methods of supply for routine purchases of hardware?
- How do we satisfy ourselves that the hardware purchases are made with due regard to economy and efficiency?
- Is there assurance that such purchases provide value and are they tested in some fashion?
- Are there government-wide standards for such purchases?

Purchasing software products and related services

The area of software acquisitions is big business. With high maintenance costs and upgrade requirements, this has quickly become an area requiring significant management attention. The Canadian experience has shown that this is an area needing improvement and better solutions. A few thoughts on questions to address include the following:

- Are all software products treated alike?
- Does your government buy software products on a piecemeal or enterprise-wide basis?
- Do government departments and agencies regard software products and related services as a commodity or a longer-term relationship and what are the respective implications?
- To what extent do trade laws affect the dynamics in procuring for software?

Conclusion

Procurement for IT goods and services is an important activity in supporting governments around the world to transform their service delivery via the Internet. The Canadian government has identified it as a key impediment in moving forward to meet our E-Government agenda by 2004 as announced. In

formulating a country paper, SAIs may wish to consider what makes IT procurement different from general government procurement and what are the pressure points. The Slovenia discussion should prove to be interesting and fruitful for all the participants.