

# **AUDIT REPORT**

Riga

3 December 2010

No. 5.1-2-23/2009

## **Evaluation of the effectiveness of implementation and compliance with regulatory enactments and the legal framework of the project “E-government Portfolio”**

### **Legal Justification of the Audit**

1. According to the Section 2 of the State Audit Office Law and Audit Assignment No. 5.1-2-23/2009 of the Audit, Methodology, Analysis and Development Department of the State Audit Office of 19 May 2009, a legality audit “Evaluation of the effectiveness of implementation and compliance with regulatory enactments and the legal framework of the project ‘E-government Portfolio’”.
2. The audit was conducted by Information Systems Auditor Jānis Druva, Information Systems Auditor Valdis Kaļupnieks, Information Systems Auditor Oļegs Gaidučenko and State Auditor Jolanta Adata.

### **Objective of the Audit**

3. The objective of the audit is to evaluate the effectiveness of implementation and compliance with regulatory enactments and the legal framework of the project “E-government Portfolio” of the national programme of the European Regional Development Fund (hereinafter: ERDF) of the European Union (hereinafter: EU), “Development and improvement of the infrastructural foundation for electronic governance”.

### **Accountability of the State Audit Office Auditors**

4. The auditors of the State Audit Office are responsible for providing the audit report, which is based on evidence obtained during the audit.

### **Accountability of the Audited Entity**

5. The Ministry of Regional Development and Local Government (hereinafter: MRDLG) and the State Regional Development Agency (hereinafter: SRDA) are responsible for complying with regulatory enactments and the accuracy of the information provided to the auditors.

### **Scope of the Audit**

6. The audit has been conducted in accordance with international auditing standards recognised in the Republic of Latvia. The audit was planned and conducted so as to gain sufficient assurance regarding the effectiveness of the implementation and compliance with regulatory enactments and the legal framework of the project “E-government Portfolio” of the EU ERDF national programme “Development and improvement of the infrastructural foundation for electronic governance”.
7. The audit was conducted for the time period between 1 January 2005 and 1 May 2009, except the electronic service (hereinafter: e-service) “Registration of tourism service providers in a tourism service provider database”, for the evaluation of which data up to 1 July 2009 were used.

8. During the audit, the creation and compliance with regulatory enactments and the legal framework of the following information systems, implemented as part of the project “E-government Portfolio” of the ERDF national programme “Development and improvement of the infrastructural foundation for electronic governance”, were inspected:
  - 8.1. Development and implementation of a project management system.
  - 8.2. Development, implementation and improvement of the system of electronic circulation of documents and task control, DAUKS.
  - 8.3. Creation of compatible, intranet-based State and local government record management systems.
  - 8.4. Creation of the first stage of an integrated State information system (hereinafter: IVIS) and system improvements.
  - 8.5. Pilot project of the digitisation of the services of State and local government institutions.
  - 8.6. Improvement and enhancement of the Latvian State portal.
9. The audit was conducted at the MRDLG, which according to the act of legislation<sup>1</sup> is the successor of the functions, rights, liabilities, assets, funds, records and archives of the reorganised Secretariat of Special Assignments Minister for Electronic Government Affairs (hereinafter: SSAMEGA) as of 1 June 2009, and at the SRDA.
10. In order to evaluate the effectiveness of implementation and compliance with regulatory enactments and the legal framework of the activity “Development, implementation and improvement of the system of electronic circulation of documents and task control, DAUKS”, the State Chancellery was visited during the audit.
11. In order to evaluate the effectiveness of the implementation and compliance with regulatory enactments and the legal framework of the activity “Creation of compatible, intranet-based State and local government record management systems”, the Ministry of Culture, the State Probation Service, the Daugavpils City Council, the Jūrmala City Council, the Sigulda Municipal Council were visited during the audit, and information was requested from the National Library of Latvia, the Bauska Municipal Council, the Brocēni Municipal Council, the Rēzekne City Council, the Salacgrīva Municipal Council and the Saldus Municipal Council.
12. In order to evaluate the effectiveness of the implementation and compliance with regulatory enactments and the legal framework of the activity “Pilot project of the digitisation of the services of State and local government institutions” information was requested during the audit from the Office of Citizenship and Migration Affairs and the Riga City Council.
13. During the audit, the compliance of the hosting of the information systems was developed as part of the project “E-government Portfolio” with the terms of the contracts concluded<sup>2</sup> was evaluated.

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<sup>1</sup> Paragraph 2 of Cabinet Order No. 220 of 01 April 2009 “On the Reorganisation of the Secretariat of Special Assignment Minister for Electronic Government Affairs

<sup>2</sup> Paragraph 1.1 of Contract No. 48/2005-3 of 05 April 2006 between SSAMEGA and LLC “MicroLink Latvia” “On hosting and support of a compatible, intranet-based State and local government record management system”; Paragraph 1.1 of Contract No. 31/2005-2 of 06 June 2006 between SSAMEGA and

14. During the audit, no detailed inspections were carried out to verify the correct reflection of funds used for the implementation of the activities of the project “E-government Portfolio” in accounting records, except the creation of fixed asset cards of e-services.
15. During the audit, the approval process of the EU ERDF national programme “Development and improvement of the infrastructural foundation for electronic governance”, and therefore of the project “E-government Portfolio”, was not evaluated.
16. During the audit, no quantitative and qualitative indicators were established for the project objectives to evaluate the achievement of the targets, or documentation on the evaluation of the economic justification of the activities included in the project were available.
17. In order to ensure an evaluation of the technical solutions of the systems developed, an adviser was included in the audit.

### **Summary**

18. The implemented project, “E-government Portfolio”, has not completely improved the availability of information regarding information technology projects introduced in State administration or the optimisation and effective use of information in the activities of State and local government institutions, thus failing to achieve the objective set for the project, based on the following:
  - 18.1. The information systems developed as part of the project “E-government portfolio” do not ensure the full implementation of the objective<sup>3</sup> of the EU ERDF national programme “Development and improvement of the infrastructural foundation for electronic governance” – to integrate information systems in a single State information system – as two separate and mutually unconnected record management systems have been developed, as well as a project management system that only ensures partial record-keeping of the progress of the e-government and information technology projects of the SSAMEGA.
  - 18.2. The availability of information regarding information technology projects implemented in State administration has not improved: the project management system developed as part of the activity “Development and implementation of a project management system” is not being used, and no information is being maintained in it regarding the progress of the e-government and information technology projects to be implemented in Latvia, except for one project, the SSAMEGA-implemented project “E-government Portfolio”.
  - 18.3. No comprehensive use of data regarding residents, addresses and enterprises has been commenced, which would ensure data exchange among various State and local government information systems.
  - 18.4. The electronic services developed do not ensure effective use of the information: the majority of e-services developed as part of the activity “Pilot project of the implementation of electronic services of State and local

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LLC “Olimps” “On hosting and support of an Integrated State Information System”; Paragraph 1.1 of Contract No. 26/2005-3 of 03 October 2005 between SSAMEGA and LLC “Microlink Latvia” “On hosting and support of a project management system”.

<sup>3</sup> Paragraph 4 of the project “E-government Portfolio” of the ERDF national programme.

government institutions” in the period until 1 May 2009 (18 services) are used at a rate of less than 50 times a month, and eight e-services were not available at the time of the audit inspection.

- 18.5. Optimisation of State administration activities in connection with document exchange with DAUKS: as part of the activity “System of electronic circulation of documents and task control, DAUKS”, the integration of DAUKS with the record management systems of ministries and other State institutions has not been implemented, and the exchange of electronic documents has not been automated.
- 18.6. During the implementation of the project “E-government portfolio”, optimisation of the activities of State and local government institutions has not been ensured: the number of user licences for record management systems, acquired as part of the activity “Creation of compatible, intranet-based State and local government record management systems”, is insufficient to utilise fully and effectively the document management capacities of the record management system and the data accumulated within it, as a result of which five of 17 institutions have acquired additional licences worth LVL 45,294, and one institution has commenced the introduction of a new record management system due to the insufficient number of licences.
19. Overall, the project “E-government portfolio” has not been managed in a way that would ensure focused and effective use of funds, thus creating a risk that the management of the project “E-government Portfolio” was oriented towards the absorption of financial funds rather than the attainment of the objectives:
  - 19.1. of the total funding of the project “E-government Portfolio”, LVL 1,940,524 (58%) has been used on activities such as the implementation of a project management system, creation of infrastructure for e-services and development of e-services, for which there exists no framework of regulatory enactments at the national level. Furthermore, the implementation of these activities was commenced in an environment in which no corresponding process or activity existed prior to the commencement of the project. From the very beginning, before the development of the information systems and technological tools of the project “E-government portfolio” was commenced, there was no sufficient understanding of the area to be improved or optimised using the information technology tools that were to be implemented, and no appropriate preliminary activities were carried out to achieve focused project management and effective controls. Thus, for instance,
    - 19.1.1. before the creation of the project management system, no provisions were stipulated by regulatory enactments for the submission of information to SSAMEGA regarding information technology projects to be implemented in State administration, except State information systems development projects, which form a part of projects of this kind. Neither were regulatory enactment requirements providing for the use of the project management system in recording and accounting for information technology projects stipulated after the project management system had been developed;
    - 19.1.2. there are no regulatory enactments specifying a single set of requirements for the development, provision and receipt of e-services in digital environments. The rights and obligations of the service providers

in the process of provision and receipt of the services have not been defined at the national level, which is an important pre-condition for the development and provision of sound and secure e-services; there are no regulatory enactments that lay down the conditions for data exchange among authorities, thus State registers have agreed upon information exchange and technological solutions without promoting the use of the technological capacities of IVIS;

- 19.2. upon commencement of the implementation of the activities of the project “E-government Portfolio”, except for the activity “Development, implementation and improvement of the system of electronic circulation of documents and task control, DAUKS”, there was no plan of action according to which the activity was to be implemented. The development of an action plan as part of each separate activity has been outsourced in order to perform a detailed situation analysis and to determine the scope in which the activity will be implemented with the resources available;
  - 19.3. during the audit, no justification was obtained for the selection of the activities included in the project, or their significance in implementing e-government and optimising the activities of State and local government institutions, and no assessment of economic justification was received. For example, when introducing e-services, no analysis was performed to assess the economic justification and benefits from the digitised services. As a consequence, only eight of the 18 e-services in the period until 1 May 2009 were used more than 50 times monthly on average;
  - 19.4. in planning the objectives and results of the activities, these were not linked to specific functions or processes that would have been provided or improved using the information system developed; thus, when commencing the project, no performance targets were set, according to which an evaluation of the improvement of the execution of the function could be provided after the implementation of the project and an assessment made of the extent to which the activities implemented as part of the project ensure the attainment of the established objective, and whether the funds invested in the project in the amount of LVL 3,315,150 have proven to be an economical solution for the implementation of the project;
  - 19.5. at the time of the audit, there was no regulatory enactment of the SSAMEGA that would prescribe the management of information technology projects, including the set and sequence of measures for performing situation analysis, establishing targets and objectives, indicators for measuring the attainment thereof, raising funding, developing a plan of action and a time schedule and ensuring the implementation into service.
20. In implementing the project “E-government Portfolio”, SSAMEGA failed to administer funds in the total amount of LVL 315,044 rationally,<sup>4</sup> based on the following:
- 20.1. when implementing the activity “Development and implementation of a project management system”, LVL 121,835 was used on an information system that is not being used for the intended purpose. In addition, payment has been made

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<sup>4</sup> Section 3, Clauses 1 and 3 of the Law On Prevention of Squandering of the Financial Resources and Property of the State and Local Governments.

for consulting services, the recommendations of which were not taken into account; the functionality of the information system developed is incomplete, as six of the 16 reports developed did not function at the time of the audit; and SSAMEGA continued to make payments for the support and hosting of the system even though the system was not being used;

- 20.2. as part of the activity “Creation of compatible, intranet-based State and local government record management systems”, LVL 42,228 was invested in the acquisition of licences for the record management system, without evaluating the possibility of transferring the functionality of the record management module of the system DAUKS, developed as part of another activity of the project “E-government Portfolio”, for use by other institutions, other than just the State Chancellery. This also prevented an increase of gain from DAUKS and efficient use of the funds invested in the DAUKS functionality;
- 20.3. as part of the contract<sup>5</sup> concluded for the development of IVIS add-ons in the activity “Creation of the first stage of IVIS and system improvements”, LVL 13,169 was used on works that essentially arose from contractual obligations previously agreed upon in the contract<sup>6</sup> regarding the development of IVIS;
- 20.4. within the activity “Pilot project of the digitisation of the services of State and local government institutions”, LVL 137,812 was used to develop regulatory enactments and by-laws of structural units, which is one of the functions of the institution, by outsourcing such tasks to an external service providers, as well as developing the following documents: By-Laws of the Service Provision Coordination Unit, Description of the Initial Situation of the Services of Public Administration Institutions and documents for the creation of a client service centre – which were not used in the period evaluated in the audit.

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<sup>5</sup> Paragraphs 12, 16 and 17 of the delivery and acceptance certificate of 14 November 2006 of Contract No. 6/2006 of 24 May 2006 between SSAMEGA and LLC “Olimps” (Reg. No. 50003034941) “On the improvement of an integrated State information system”.

<sup>6</sup> Paragraph 1 of the delivery and acceptance certificate of 24 October 2006 and Paragraph 3 of the delivery and acceptance certificate of 21 December 2006 of Contract 31/2005 of 21 December 2005 between SSAMEGA and LLC “Olimps” “On the development and implementation of the first stage of an integrated State information system”.