



Risks of e-Governance Strategy Dominated by Outsourcing

Case: Audit in the Ministry of Public Assets

SAI of Poland

XX Meeting of WGITA

Sun City, South Africa, 16 April 2011



Audit

- Audit conducted: May – August 2010
- Years analysed: 2004 – 2010
- Auditee: Ministry of Public Assets
 - headquarters
 - three regional offices of the Ministry



Ministry and its IT

- Ministry of Public Assets
- Small IT team (11 out of the total of 700 employees)
- Main IT systems:
 - Modular ERP customised to the Ministry's specific needs (e.g. the State property register)
 - Compensations Register
 - Document Management System based on Lotus Notes
- Outsourcing as the general philosophy of e-Governance



Outsourcing vis-à-vis Risk

- Risk sharing:
 - Finance
 - Operations
 - Organisation
 - Legal consequences
- Indivisible risks:
 - Coordination
 - Reputation
 - Political responsibility



Outsourcing Risks (1)

Eight Biggest Areas of Risk for Buyers of Outsourcing Services *by Kathleen Goolsby* (www.outsourcing-center.com January 2011)

1. Service provider lock-in
2. Multisourcing
3. Building the business case
4. Underestimating the complexity of managing a “hybrid” environment
5. Disruptive technologies
6. Governance mistakes (Change management)
7. Service provider selection
8. Future orientation



Outsourcing Risks (2)

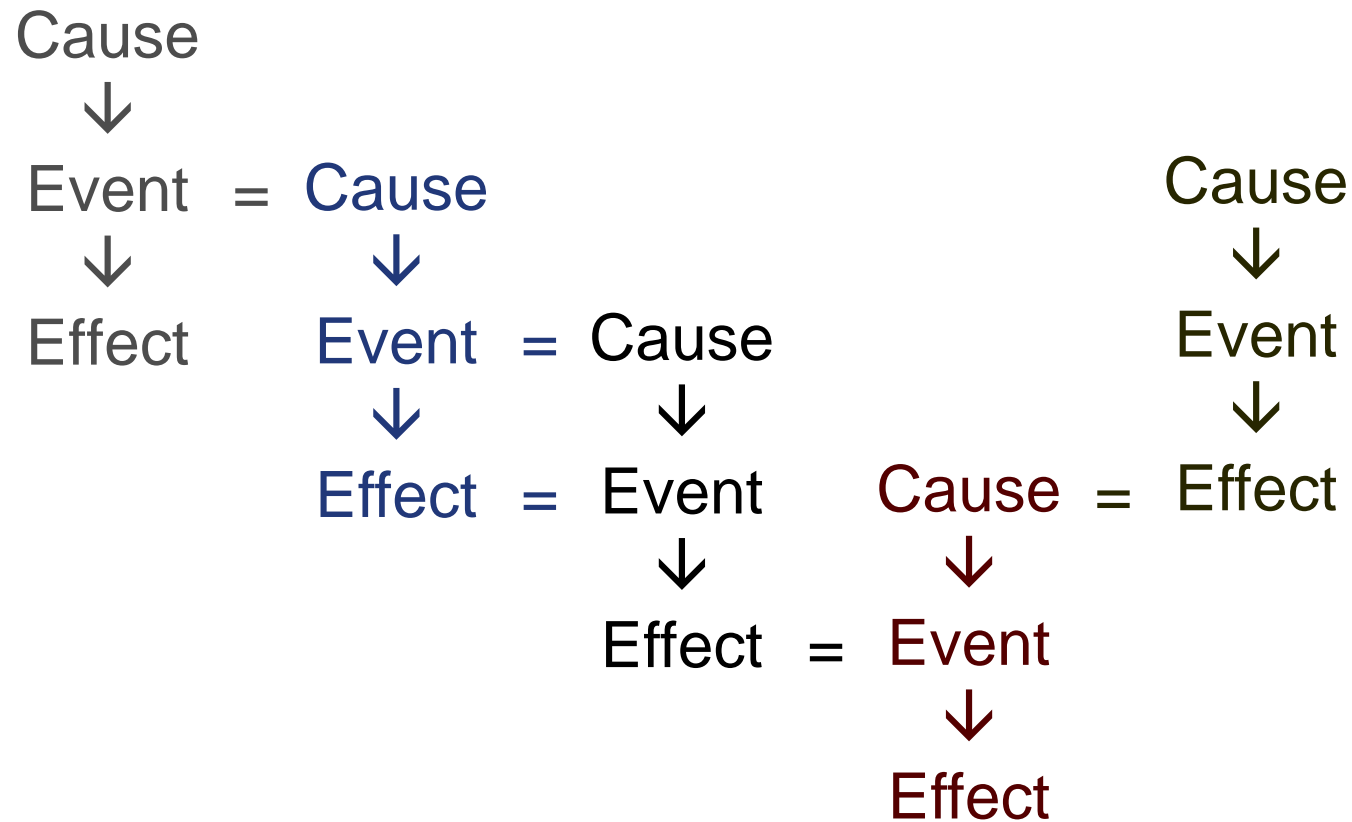
- **Top Three Potential Risks with Outsourcing Information Systems**

by Catherine Wright (Information Systems Control Journal, vol. 5, ISACA, 2004)

- Total dependence
 - Security
 - Physical
 - Logical
 - Legal consequences
 - HR issues
- **Government perspective: 3E**



Risk Trail





Risk order

- **Cause** - risk (1)
- **Event** – audit finding
- **Effect** – risk (2)



Preparation

1. Management inexactly informed about the market situation
Lock-in - - Total dependence
2. Compensation software built without a cost-benefit analysis
BC - - 3E
3. Lack of software creating XML summaries
Future - - Legal
4. No contingency communication plan
Governance - - Security



Testing delivered products

1. Software bugs

Lock-in - - Security

a) Hidden deleting

b) Lost content – delayed warning message

2. Neglected ergonomics

HR - - 3E

1. Data entering more difficult

2. Errors easier to commit

3. '*Help*' button does not work...

3. Inbox does not accept certain kinds of documents

Future orientation - - Legal



Business Case

1. Out-of-date Strategy (2001) BC - - All
2. Lack of interest in a common reporting e-format Future orientation - - 3E
3. Internal procedures do not observe electronic documents environment Disruptive tech - - Legal
4. Some minimal requirements for IT systems have not been met, which leaves the Office outside the eGovernment development stream
'Hybrid' + Future orientation - - Legal + 3E



Conclusions

- You need a **strong team** if you want to base on outsourcing
- Be well-prepared for **all stages** of outsourcing process and especially:
 - Business Case based on an up-to-date Strategy
 - Feasibility Study
 - Procurement benefiting from market competition
 - Production monitoring and meeting unexpected issues
 - Quality testing
 - Follow-up assessment
- **Grim reality: Outsourcing as an act of despair...**