

# Overview of information technology expenditure and investments in Ministries and their authorities

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## Summary

In this overview, the National Audit Office is describing the organisation of work and expenditures associated with the management of information technology (IT) in Ministries and their divisions.

## What was the motivation to draw up the overview?

Since this year's [overview of the use and preservation of state assets \(UPSA\)](#) of the National Audit Office addresses the governance of Estonian e-state, the National Audit Office wanted to clarify the planning of financing and the needs of the state's IT sector. This overview provides more detailed information in addition to the observation already presented in the UPSA.

In Estonia, information technology at state authorities is managed mostly on the basis of the area of government. Different IT management models are used in the areas of government of the Ministries; for example, IT centres have been established for some of the Ministries (at the Centre of Registers and Information Systems of the Ministry of Justice, Information Technology and Development Centre of the Ministry of the Interior, etc.), while not for others. The operation of different IT centres is also organised in fairly different ways. The Ministry of Economic Affairs and Communications works on coordinating and mentoring the IT sector throughout the state. In the first parts of this overview, the National Audit Office focuses on IT investments and IT administrative expenditure in 2016–2018 and on the IT labour costs during the period from 2016 to the first half of 2019. The last part of the overview addresses the planning of IT investments.

**While planning the overview, the National Audit Office saw that there is no one in the state that centrally prepares regular overviews of the IT operating expenditure and investments of Ministries.** At the same time, obtaining this overview with regard to the Ministries and their authorities is possible based on the state's accounting data. From the point of view of IT governance, the financial perspective is very important, as information technology has become an important part of the organisation of the main activities of state authorities and in the provision of public services.

## Why is this important to taxpayers?

Based on the accounting data, the state authorities observed in the overview of 2018, for example, spent 40 million euros on IT investments, 45 million euros on IT administrative expenditure and 38 million euros on IT labour costs. It is important to ensure that IT spending is reasonable and expedient. Most activities organised and public services provided by the state are dependent on IT solutions and systems. But it is even more important to pay attention to the dynamics of expenditure than to overall costs.

## What did we find in the course of the overview?

**In two years, the administrative and labour costs of the state's IT sector have increased by nearly one-third and significantly faster than investments.** In 2018, IT investments increased by 6 million euros (i.e. 17.1%) in the authorities observed in comparison with the previous year. IT administrative expenditure increased by 5 million euros (i.e. on average 13.4%) in both 2017 and 2018. The National Audit Office points out that this result has been achieved through the analysis of the

expenditure of authorities observed and does not represent the increase of the expenditure of the entire sector.

**Between 2016 and the first half of 2019, the number of IT staff has increased in the authorities observed. IT labour costs have increased the most in IT centres and foremost due to the increase in the number of employees. Although the average gross wages of the IT staff of the authorities observed have increased, this has not reduced the turnover of staff or vacancies.** According to the Government of the Republic decision of 2018, additional funds were allocated to increase the wages at IT centres in 2019. This was the main reason for the 6.7% increase in the average gross wages at IT centres during the respective period. At the same time, the average gross wages at IT companies in the private sector increased by 7.4% per year during the same period according to Statistics Estonia.