



Executive Brief # 2

Corporate Governance of Information and Communication Technology

AS8015-2005: Australia's IT Governance Standard
What does it mean?

Background

AS8015 was published on 31 January 2005, after almost three years of gestation. It's a world-first, and continues a theme of Australia establishing world-leading standards that subsequently attain international accreditation¹.

Its brevity reflects the vital orientation of the document (and the maxim that it takes much more effort to write a short document than a long one!). AS8015 is intended for directors, who should be concerned with overall supervision, performance and risk. As such, it avoids detail about the processes that constitute the detailed mechanisms of governance. The design is the responsibility of managers, who should ensure that the mechanisms they put in place are effective, efficient and acceptable. In concert with the AS8000 Corporate Governance Standard, AS8015 applies to all organisations – public and private, regardless of scale and profit orientation.

What AS8015 is about

Three words – “effective, efficient and acceptable” set the theme of AS8015. The scope statement makes it clear that the purpose of the standard is to provide guidance on the effective, efficient and acceptable use of ICT. Underpinning the standard is a clear understanding that most contemporary organisations use ICT, and that their ability to perform effectively is probably dependent on ICT.

Many organisations carry excessive risk that problems with ICT may disrupt operations and diminish return on investment. AS8015 asserts bluntly that the main cause of such problems is inappropriate emphasis on technical, financial and scheduling aspects of ICT. These aspects relate to the supply of ICT and they are frequently not balanced by proper attention to demand. By positioning IT Governance as an element of Corporate Governance, AS8015 aims to establish proper balance between demand and supply controls.

Board Accountability

It can be said that *governance is the process of setting parameters for, and monitoring the performance of management*. If the parameters are incorrect, or if monitoring is not sufficiently diligent, management problems may not be detected until they have become damaging. AS8015 describes a governance model and principles of good governance. These provide a framework and foundation for directors to use in determining the parameters for, and monitoring the performance of management with regard to how the organisation uses ICT. This approach puts IT Governance on an equal footing with other aspects of corporate governance, where setting of parameters and monitoring of performance are established disciplines. The board may, and frequently should, delegate responsibility for ICT to management, but accountability for effective, efficient and acceptable use of ICT always rests with the board. Thus, directors should ensure that parameters for delegated decision making are appropriate.

Governance Framework

The standard articulates its guidance using a simple framework – three tasks (evaluate, direct and monitor) and six principles. The tasks are described in the context of how ICT is used in support of business processes, through projects to establish new capability and operations of existing capability. In carrying out the three tasks, directors should, directly or through appropriate delegation:

- **Evaluate the use of ICT** in the context of the environment in which the organisation operates and the aspirations the organisation has established for itself. The scope of evaluation should include existing assets – equipment, software, data and other resources, and proposed investments. Even in a highly delegated environment, directors should become directly involved in evaluating the major proposals for investment, and they should check that the organisation's forward-looking plans give due consideration to the requirements and opportunities for effective, efficient and acceptable use of ICT.
- **Direct the use of ICT** through setting of top-level policies, determining the role of ICT as a fundamental aspect of the organisation's overall business direction and strategy, assigning responsibility for detailed planning and control of how ICT is used by the organisation and controlling the allocation of resources. In effect, this is the pivotal task of setting the parameters for management.
- **Monitor performance and conformance of ICT** – not in terms of technical statistics, but in respect of business operations, goals and direction. Performance and conformance monitoring should provide ongoing assurance that the organisation can continue to conduct its business in the short to medium term, and can

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attain its objectives in the medium to longer term. It should confirm that the capabilities implemented in ICT meet all relevant legal obligations.

Principles for good governance of ICT

The six principles provide broad guidance on the parameters that should be set for effective IT Governance.

1. Establish clearly understood responsibilities for ICT

Using resources efficiently and effectively demands clarity regarding who is responsible for both demand and supply. ICT is a business resource and tool. Business managers control the demand for ICT and should be equally responsible as ICT specialists who deliver the resource. Key issues include who makes investment and expenditure decisions, and who is responsible for realisation of forecast results from approved investments.

2. Plan ICT to best support the organisation

Few businesses remain static. Changing conditions drive change in the way that they operate. This demands change in how ICT supports the business. For ICT plans to best fit the evolving needs of the organisation, they should be developed as an integral part of the business planning process. ICT plans should address short and long term scenarios for all aspects of ICT from functionality to capacity and performance. Detailed plans should cover business systems, infrastructure and resources (particularly people) required. Organisations should determine posture regarding adoption of new technology, and independence to deliver and operate its own ICT.

3. Acquire ICT validly

Making valid ICT investments means ensuring that each investment actually solves a problem that really needs solving. It requires certainty that realisable benefit can be gained, and that the initiative is feasible given the organisation's situation. Both purchases and internal development of ICT capability should be conducted for the right reasons, in the right way; based on appropriate and ongoing analysis, with balance between costs, risks, long term and short term benefits. There should be proper and appropriate practices in selection and engagement of suppliers, and for fundamental decisions such as outsourcing. Finally, all ICT expenditure, including recurrent costs, should be explicitly linked to measurable business objectives.

4. Ensure that ICT performs well, whenever required

This principle begs the question of what aspects of performance are important. Essentially, ICT should be fit for its purpose for ongoing operations and capable of adapting to changing business requirements. For both, it is important to have clear specification of the performance standards that are required. These are not classical operational measures such as capacity and response time. Specifications should cover matters such as conduct of normal business activity, responsiveness in support for new business requirements, whether small or large, resilience against adverse conditions and reliable access to current and historical business information.

5. Ensure ICT conforms with formal rules

ICT based business systems are fundamental to industry specific and general compliance (eg privacy, trade practices). All compliance rules should be known, and conformance managed over time. Policy statements and other internal rules should define the intended behaviour of the organisation and its people with regard to using the organisation's ICT resources. This principle also prompts attention to matters such as software licensing.

6. Ensure ICT use respects human factors

Respect for human factors requires attention to the current and evolving needs of all the "people in the process". This includes people who deliver and operate ICT as much as those who use it and depend on it, in the future as well as in the present. Customers and suppliers are as important as internal users and specialists.

Understanding IT Governance

The Infonomics AS8015 Alignment Diagnostic gives organisations a comprehensive understanding of their IT Governance and a basis for planning improvement wherever necessary. Infonomics helps directors, executives and organisations to achieve desired performance in evaluating, directing and monitoring use of ICT.

¹ Australia's global leadership in standards development is illustrated by the International Standard on Records Management, ISO 15489, released in October 2001 and based significantly on the groundbreaking Australian Standard AS 4390-1996.