

UNITED NATIONS



NATIONS UNIES

**Office of Internal Oversight Services
Internal Audit Division II**

AUD: (031/2004)

DATE 01 November 2004

TO: Mr. K. Y Amoako, Executive Secretary
Economic Commission for Africa

FROM: Egbert C. Kaltenbach, Director,
Internal Audit Division II, Office of Internal Oversight Services (OIOS)

SUBJECT: **OIOS Audit of ECA Information Technology (IT) Management
(AA 2004/710/01)**

1. I am pleased to submit the final report on the audit of ECA Information Technology (IT) Management, which was conducted in Addis Ababa, Ethiopia between March and June 2004 by Byung-Kun Min. A draft of the report was shared with the Director of Conference and General Services Division on 15 July 2004 whose comments, which were received on 20 October 2004, have been reflected in the final report.

2. I am pleased to note that most of the audit recommendations contained in this final report have been accepted and that ECA has initiated their implementation. The table in paragraph 59 of the report identifies those recommendations, which require further action to be closed. I wish to draw your attention to recommendations 01, 04, 05, 06, 13, 14, and 16, which OIOS considers to be of critical importance.

3. I would appreciate it if you could provide the resident auditor with an update on the status of implementation of the audit recommendations not later than 31 May 2005. This will facilitate the preparation of the twice yearly report to the Secretary-General on the implementation of recommendations, required by General Assembly resolution 48/218B.

4. Please note that OIOS is assessing the overall quality of its audit process. I therefore kindly request that you consult with your managers who dealt directly with the auditors, complete the attached client satisfaction survey form and return it to me under confidential cover.

5. I would like to take this opportunity to thank you and your staff for the assistance and cooperation extended to the audit team.

Attachment: Client Satisfaction Survey Form

cc: Mr. Yousif Suliman, Director, HRFD, ECA (by e-mail)
Mr. Patrick Chiumya, Director, CGSD, ECA (by e-mail)
Ms. Hazelien Featherstone, Executive Secretary, UN Board of Auditors
Mr. Mika Tapio, Programme Officer, OUSG, OIOS (by e-mail)
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Mr. Byung-Kun Min, Resident Auditor (by e-mail)

**United Nations
Office of Internal Oversight Services
Internal Audit Division II**

Audit Report

**Audit of ECA IT Management
(AA 2004/710/01)**

Report date: 01 November 2004

Auditor: Byung-Kun Min



**Office of Internal Oversight Services
Internal Audit Division II**

OIOS Audit of ECA Information Technology (IT) Management (AA 2004/710/01)

EXECUTIVE SUMMARY

Between March and June 2004, OIOS conducted an audit of Information Technology (IT) management in ECA. OIOS concluded that ECA needed to strengthen its arrangements to get maximum leverage out of its investment in IT as described in more detail below.

OIOS appreciated the thoughtful and constructive comments made by ECA on the draft report and is pleased to note that most of the recommendations have been accepted and implementation has begun.

Governance

Whilst the ECA Information and Communications Technology Committee (ICTC) was established in accordance with ST/SGB/2003/17 it was not providing effective oversight of ECA IT. To remedy this situation, OIOS recommended that the Executive Secretary (ES) should develop operational guidelines for the ICTC, covering frequency of meeting, composition, relationship with other management bodies, decision making authority, and required outputs together with a mechanism for following up of implementation of IT decisions made within ECA

Planning and Organization

The ES had requested in May 2003 that the ICTC provide him with a vision and an overall strategy paper on IT, but this was not yet in existence at the time of the audit. The strategy is important to demonstrate the linkage with the overall UN IT strategy and to demonstrate those features unique to the ECA environment. OIOS recommended that an IT strategy be produced which should be supported by IT short and long range plans. Those plans provide a basis for: allocating and monitoring use of resources; communicating to interested parties how the IT strategy will be delivered; and demonstrating how IT activities have been prioritised to meet UN and ECA needs.

The Information Systems Service (ISS) was, in the opinion of OIOS, not being fully utilised to assist in ensuring effective use of IT, as its role was limited to that of service delivery and support. OIOS is of the opinion that the Head of ISS should have a similar status as the Heads of Finance or Human Resources and should be the Chief Information Officer of ECA. OIOS recommended strengthening the roles and responsibilities of ISS so that it could support the planning and governance roles mentioned above.

Operations

OIOS also made the following recommendations to strengthen IT operations:

- (a) ISS needed to establish service level agreements with its clients
- (b) ECA needed to review the cost effectiveness of the contract with the UN International Computing Centre costing approximately US\$1 million per annum at the time of the audit.
- (c) ISS should formulate a system development policy and procedure to ensure that system development is carried out in a systematic and consistent manner
- (d) IT asset management could be improved by clarifying roles, formalizing the asset

replacement policy, developing disposal strategy for obsolete equipment and developing a new property control system.

- October 2004-

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I. INTRODUCTION

1. This report discusses the results of an OIOS audit of ECA Information Technology (IT) Management. The audit was carried out between March and June 2004 in accordance with the Standards for the Professional Practice of Internal Auditing, promulgated by the Institute of Internal Auditors and adopted by the Internal Audit Services of the United Nations Organizations.

2. The ECA Information Systems Service (ISS) was responsible for providing IT services to ECA Headquarters and its Sub Regional Offices (SRO). ISS was organized into five units (Office of the Chief, network service, customer support and training, business solutions and IMIS). ISS had 7 P and 7 G posts funded from the Regular Budget. 1 P and 2 G posts were vacant. The Chief of ISS, at the P-5 level, reported to the Director of Conference and General Services Division (CGSD). In addition, ECA has had an MoU since March 2003 with the United Nations International Computing Centre (UNICC), under which UNICC provides approximately 30 staff to deliver a wide range of operational and application development services, at an annual cost of approximately US\$1 million.

3. According to ECA's budget performance report, ECA spent approximately US\$2.5 million in the 2002-2003 biennium for the IT non-staff items summarized in table 1 below.

Table 1: Expenditure on IT non-staff items 2002-2003 (US\$)

Description	Allotment	Obligation	Disbursement	Net
IT Contractual services ¹	899,200	20,450	1,075,352	-196,602
Acquisition of office automation equipment	795,500	179,091	521,856	94,553
Replacement of office automation equipment	653,500	419,475	157,697	76,328
Acquisition of SW package	167,900	34,585	110,327	22,988
Total	2,516,100	653,601	1,865,232	2,733

4. A draft of the report was shared with the Director of Conference and General Services Division on 15 July 2004 whose comments, which were received on 20 October 2004, have been reflected in the final report in Italics.

II. AUDIT OBJECTIVES

5. The overall objective of the audit was to provide the Executive Secretary of ECA with an assessment of the adequacy of ECA's arrangements for management of its Information Technology. This included assessing:

¹ Includes expenditure for the MoU with UNICC. Please refer to "Management of outsourced activities" part of Section IV regarding the cost implications for this MoU.

- (a) The IT governance and planning framework;
- (b) IT activities undertaken by ECA and the adequacy of the arrangements for identification and oversight of these activities. This included ensuring that ECA was only executing IT activities in support of its mandate;
- (c) Whether ECA IT activities were being carried out in compliance with UN regulations and rules;

III. AUDIT SCOPE AND METHODOLOGY

6. The audit focused on the adequacy of arrangements for managing IT. Communications and the work of DISD (Development Information Services Division) or other Divisions where IT is a programmatic activity in its own right and is an output of ECA, were not within the scope of the audit. The audit focused on activities from January 2002 to February 2004.

7. The audit activities included a review and assessment of risks and internal control systems, interviews with staff and management including those from SROs, analysis of applicable data and a review of the available documents and other relevant records.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Governance

(a) ECA Local ICT Committee

8. ST/SGB/2003/17 dealing with the Information and Communications Technology Board (ICTB) directed that all departments and Offices Away from Headquarters (OAH) create internal or local information and technology groups or committees following the pattern of the ICTB whose responsibilities would be to ensure;

- a) Departmental strategies are aligned with the overall objectives of the Secretariat;
- b) Information on departmental systems, resources and assets is maintained and updated on a regular basis;
- c) Existing systems are reviewed to confirm their cost effectiveness, and
- d) Standard methodologies are developed and consistently used for ICT projects.

9. Based on above, ECA formed its own Information and Communications Technology Committee (ICTC) on 18 January 2002. The presence of the Executive Secretary (ES) and other Senior Members of ECA gave the right signal that IT was regarded as an important issue within ECA. However, the following weaknesses in its operation undermined this perspective and suggested that ECA ICTC was not providing effective oversight of IT:

- a) Irregular schedule of meetings. The ICTC has not convened since May 2003.
- b) Incomplete membership as no representation from SROs.
- c) Unclear guidance on operation of ICTC. No documentation explaining the

relationship between ICTC and other management structures within ECA such as the Senior Management Group.

d) No details of what was expected of the ICTC in terms of output, and how any decisions made by ICTC would be implemented.

Recommendation:

To ensure that ECA has effective oversight over its IT and to ensure that its IT contributes to the improvement of the effectiveness and efficiency of programme delivery and management, the Executive Secretary, ECA should develop operational guidelines for the ICTC, covering frequency of meeting, composition, relationship with other management bodies, decision making authority, and required outputs together with a mechanism for following up of implementation of IT decisions made within ECA (Rec. 01).

10. *ECA accepted the recommendation and commented that the Secretariat of ICTC has re-drafted a TOR and rules of procedures for the ICTC. These are being currently discussed and commented by ICT members, awaiting approval. The ICTC meets regularly and frequently in a bid to expedite these documents. A planned deadline for completion of the documents is before the end of the year. OIOS appreciates the initiatives for implementing the recommendation. The recommendation will be closed upon receipt of approved TOR and rules of procedures.*

(b) IT User Interest Group (IT UIG)

11. ICTC requested the Chief of ISS at its May 2003 meeting to form the IT UIG, which in the opinion of OIOS should enhance coordination and identification of user needs. However, at the time of the audit, the formation of the IT UIG was still underway and OIOS had similar concerns to those raised in the previous section, that the IT UIG did not have a clear set of operating guidelines, which would impair the efficiency and effectiveness of its operation. The first meeting of UIG was organized on 18 June 2004. However, the meeting was largely unattended by the IT focal points in substantive divisions due to inadequate arrangements. Further, the Chief of ISS was not present for the most of session due to other urgent matters. As a result, OIOS did not consider that UIG has been formally established yet.

Recommendation:

To ensure that the IT User Interest Group can operate as an effective IT user group, the Chief of ISS, ECA should formulate a set of operating guidelines covering frequency of meeting, composition, roles and responsibilities and relationship with ICTC, which should be discussed and approved by ICTC (Rec. 02).

12. *ECA commented that the Head of CSU of ISS was requested to follow-up with the UIG on the formulation of Rules of Procedures. In order to discuss the need for operating guidelines, members of the UIG were convened, including SRO representatives, in July 2004 by ECA UIG coordinator. The guidelines will be developed and put in effect before the end of the year. OIOS thanks ECA for the prompt action taken. OIOS will close the recommendation upon receipt of approved*

rules of procedures.

(c) Ad hoc task forces under ICTC

13. At its meeting in May 2003 ICTC established two task forces for e-mail and Internet usage. In the absence of an effectively operating ICTC, OIOS noted that neither of these task forces had approved terms of reference and operating guidelines. This hampered the efficiency and effectiveness of the task forces. For example, there was no evidence that the e-mail task force had undertaken adequate consultation or discussions among the task force members and with other parts of ECA. Furthermore, the draft policy from e-mail task force did not consider the proposed ST/SGB on ICT resources that ICTB had recently submitted to OHRM for action.

Recommendation:

The Executive Secretary, ECA should ensure that all ICTC task forces have terms of reference and operating guidelines, and ICTC is clear on its responsibilities to monitor the work of task forces (Rec. 03)

14. *ECA commented that the terms of reference were developed and posted on the ICTC QP for the email and internet policy taskforces. The email policy task force drafted an email policy document and posted it on ICTC QP for comments. This document was recently reviewed and is ready for submission to the ICTC for its review and approval. The ICTC will also develop appropriate TORs/guidelines for other task forces that will be established in the future.* OIOS appreciates further clarification on the activities on previous task forces. OIOS will close the recommendation upon receipt of approved TOR and rules of procedures for ECA ICTC, which would include its role over the ad hoc task forces.

B. Planning

(a) IT strategy

15. General Assembly (GA) resolution 57/304 of 16 May 2003 welcomed the significant step the UN ICT strategy (A/57/620 dated 20 November 2002) represented in developing a strategic framework to further guide the development of ICT within the UN and requested that the IT requirements for the various duty stations be fully integrated into the strategy.

16. In the opinion of OIOS, the above meant that ECA needed to create an ECA IT strategy document, which included those elements of the UN ICT strategy applicable to ECA, and included any ECA specific ICT issues not covered by the UN ICT Strategy. At the time of the audit, ECA did not have a corporate IT strategy document although the Executive Secretary of ECA had requested the ICTC in May 2003 to provide him with a vision and an overall strategy paper on IT at ECA.

17. ECA has a substantive programme under the Development Information Services Division that helps member states to develop National Information and Communication Infrastructure plans and strategies. OIOS was of the opinion that the process and the principles of this initiative were of great relevance to ECA in its own effort to develop IT strategy and plan.

Recommendation:

To ensure compliance with A/57/620 and to assist ECA in optimising its IT resources, the Executive Secretary, ECA should establish and oversee a task force to develop an ECA IT strategy which should draw upon the experience of the work done by ECA to develop National Information and Communication Infrastructure plans and strategies (Rec.04).

18. *ECA stated that based on the UN ICT Strategy Document, draft outline of the IT strategy document has been prepared and the TOR of the ICT strategy task force would be developed in November and the task force would be established and commence its work in December 2004.* OIOS appreciates the ECA initiatives and will close the recommendation upon receipt of the approved ECA IT strategy paper.

(b) Long and Short-term IT plans

19. At the time of audit, ISS had a list of initiatives, which it planned to carry out in a specific year. There were however, no long and short term IT plans detailing all the IT tasks, which were required to meet the UN ICT strategy and satisfy ECA needs. OIOS considers such plans as important because they provide a basis for: allocating and monitoring use of resources; communicating to interested parties, how the IT strategy will be delivered; and demonstrating how IT activities have been prioritised to meet UN and ECA needs.

Recommendation:

To demonstrate how IT resources are being utilised, the Chief of ISS, ECA should put in place a mechanism for the creation and approval of IT short and long term planning based on the IT strategy (Rec. 05).

20. *ECA stated that based on the draft IT strategy and with the view to develop a mechanism to create and implement IT short and long term plans, ISS has started soliciting input from administrative, management and substantive divisions of ECA including SROs. The CSU Head was requested to include these tasks in the 2004-2005 e-PAS work plan.* OIOS appreciates ECA initiatives. OIOS will close the recommendation upon receipt of the approved short and long term IT planning document.

C. Organization and Function of ISS

(a) Roles and responsibilities of ISS

21. In accordance with industry standards such as the Control Objectives for Information Technology (COBIT) used by the Board of Auditors in their recent review of IT, an IT function within an organization would normally have a range of IT management responsibilities including policy, standards, strategy, planning, analysis of organisational requirements and monitoring as well as maintenance and support. In this respect, it would be reporting to a Chief Information Officer, who would have a similar role for IT to the one the Heads of Finance or Human Resources have for their

respective functions.

22. For these reasons, OIOS expected that the Chief of ISS would be the Chief Information Officer and that the roles and responsibilities of ISS would be along the lines of those described above. However, OIOS noted that the current roles and responsibilities of ISS were limited to those of service delivery and support. As a result, it appeared that no one in ECA had responsibility for coordinating, documenting and reporting on all IT matters taking place within ECA. Further, the ICTC and the ES had no one whom they could hold accountable for ensuring that ECA IT decisions were implemented and ECA had an effective IT infrastructure to support delivery of its mandate.

Recommendation:

To improve accountability for ensuring that ECA has an effective IT infrastructure to support delivery of its mandate, the Executive Secretary, ECA should consider strengthening and expanding the roles and responsibilities of ISS in line with industry standards such as COBIT. This should include making the Chief of ISS the Chief Information Officer for ECA (Rec. 06).

23. *ECA commented that for the sake of harmonization and coordination, this recommendation needs to be viewed as part of the framework of ISP's implementation strategy of the project "Strengthening information and technology governance in ECA".* OIOS appreciates ECA's comment, and will close the recommendation upon receipt and review of the results of project dealing with 'Strengthening information and technology governance in ECA'.

(b) Telecommunication Unit

24. A memo from the Chief of Facilities Management Section dated 21 May 2003 addressed to the Director of Conference and General Services Division indicated that the transfer of the Telecommunication Unit into ISS effective from 1 January 2004 had been agreed. However, a specific plan was yet to be prepared as of March 2004. OIOS supports this integration as being in line the UN ICT strategy and the organizational arrangements at UN Headquarters (UNHQ), United Nations Office at Geneva and United Nations Office at Nairobi.

Recommendation:

The Director of CGSD, ECA should transfer the Telecommunication Unit to ISS with immediate effect (Rec. 07).

25. *ECA stated that pending availability of human resources, the Telecommunications Unit can be moved to ISS. A plan of the transfer including profile of manpower requirement will be prepared and submitted to the ES for approval by January 2005.* OIOS thanks ECA for the implementation plan and will close the recommendation upon notification of the transfer of the telecommunication unit.

(c) IMIS Competence Centre

26. The IMIS Coordinator established an IMIS Competency Centre to enable knowledge sharing and enhancing the IMIS operation. OIOS support this initiative, which, at the time of the audit, did not yet have formal terms of reference and operating guidelines clarifying its role and linkages with ISS and ICTC.

Recommendation:

To enhance the effectiveness of the IMIS Competence Centre, the Chief of ISS, in consultation with the ECA IMIS Coordinator, should develop terms of reference and operating guidelines for the IMIS Competency Centre, which should be approved by the ICTC (Rec. 08).

27. *ECA stated that Chief of ISS will discuss the TOR of the IMIS Competence Center with the IMIS Coordinator during the discussion on e-PAS work plan for 2004-2005. OIOS will close the recommendation upon receipt of the approved TOR and operating guidelines for the IMIS competency centre.*

D. Provision of Services and Monitoring Delivery

(a) Need for Service Standard/Service Level Agreement

28. Whilst recognising the client oriented approach of ISS, Directors and Chiefs interviewed by OIOS expressed concern that ISS lacked an effective mechanism to translate the results of this approach into effective action plans and feedback that would have demonstrated that ISS was truly responsive to their needs. To remedy this situation, those interviewed wished to see current arrangements strengthened through the introduction of service level agreements between ISS and Divisions²; an initiative, which OIOS supports, once the roles and responsibilities of ISS have been clarified as described in previous sections.

Recommendation:

To ensure that the IT services which ISS delivers are based on divisional needs and the adequacy of the service delivered can be measured, the Chief of ISS, ECA should supplement his existing client approach by service level agreements with user divisions (Rec. 09).

29. *ECA commented that given the small size of the user community in ECA, it does not look feasible to involve in Service Level Agreement with divisions. Instead, ISS believes that the User Interest Group (UIG) functioning under the framework of ICTC coupled with Customer Support Unit (CSU) of ISS could be used as mechanisms to verify whether the needs of divisions/SROs are met including the quality of service rendered. With the view to seek feedback of the user community, ISS will regularly conduct surveys in order to monitor the degree of satisfaction and collecting information on new and emerging ICT requirements. While appreciating the information on the proposed service delivery model for client divisions, OIOS is of the opinion that this model will not achieve its desired objectives without some form of agreement on what services will be delivered. This is considered critical for ensuring*

² The interviewees used different terms, such as service standard or service contract.

that Divisions and ISS are clear on what is to be delivered and how success will be judged. OIOS will therefore keep this recommendation open pending further clarification why a service level agreement is not feasible.

(b) Memorandum of Understanding (MoU) on IT services to third parties

30. ECA has been providing Internet connection services to other UN agencies in Addis Ababa. In 2004, ECA expanded the range of services to include such services as training and Local Area Network administration. It was indicated at the “Compound Advisory Committee” on 3 December 2003 that an MoU would be drafted to cover the arrangements for delivery of such services. At the time of the audit no MoU had been finalised and there was no obvious time frame for its resolution due to technical problems identified with UNDP access to its global Enterprise Resources Planning system.

Recommendation:

To ensure that the service standard and cost recovery arrangement are clarified with other UN agencies, the Chief of ISS, ECA should establish a concrete time frame for finalising the MoU on IT service delivery with other UN agencies (Rec. 10).

31. *ECA explained that it understood the importance of signing an MOU on IT services with third parties, and a process is underway to sign one with the UNDP. This practice will be replicated as appropriate with other agencies before the end of 2004.* OIOS appreciates the information on the progress in implementing the recommendation. OIOS will close the recommendation upon receipt of a document detailing the timeframe for signing MoUs with other UN agencies.

(c) IT security and continuity

32. ISS prepared a comprehensive risk assessment of ECA IT infrastructure and services in co-operation with Information Technology Services Division (ITSD), Department of Management. The results, which were issued in April 2004, made recommendations in six categories: Policy; Risk management; Configuration management; Architecture; Cross-training; and Memorandums of Understanding. At the time of audit ECA had not yet determined an implementation mechanism, which in the opinion of OIOS is very important given the nature of the weaknesses identified.

Recommendation:

To ensure effective implementation of IT security measures as identified in the joint risk assessment with ITSD, Department of Management, the Chief of ISS, ECA should prepare a costed implementation plan for approval by ICTC (Rec. 11).

33. *ECA explained that a memo outlining the implementation requirements has been submitted to the Director of CGSD. In light of implementing this recommendation, the Chief of ISS has prepared a global strategy on strengthening security of ECA’s IT services including the creation of a New Data Centre within the ECA premise. A financial plan associated with this will be submitted to ICTC for its review and approval as appropriate.* OIOS thanks ECA for the information and will close the

recommendation upon receipt of the approved implementation plan.

(d) Management information and performance indicators

34. Although a survey on training and a spot survey on Helpdesk activities were recently introduced ISS did not have any formal mechanisms for assessing the quality of its services, such as customer surveys and statistical data on help desk calls, which Divisional managers whom OIOS interviewed felt would be helpful. Further, no regular information was provided to the management of user departments.

Recommendation:

To enhance the performance of ISS operations through strengthened monitoring, the Chief of ISS, ECA should establish, through discussion with Divisions and ICTC, performance indicators and reporting mechanisms (Rec. 12).

35. *ECA commented that ISS Customer Support Unit will, by the end of 2004, submit a plan of action for approval. Performance indicators will be developed, in collaboration with UIG, and used to measure the level of satisfaction of ECA divisions on the quality of service being delivered by ISS, including the effectiveness of the information given to management to facilitate its decisions.* OIOS thanks ECA for the explanation. The recommendation will be closed upon receipt of the approved plan of action from ISS Customer Support Unit, and details of the performance indicators and monitoring mechanism.

E. Management of outsourced activities

(a) Overview

36. ECA signed an MoU and a Service Delivery Agreement (SDA) with UNICC in March 2003 for technical services. An additional SDA was signed in September 2003 for training and Network support services. Under the contracts, UNICC would provide 36 staff for a total cost of approximately US\$1 million per annum. At the time of the audit, 6 professional staff and 21 General Service staff were on board and 9 General service were yet to be recruited by UNICC. The UNICC outsourcing was an effort to resolve the non-compliance with the rules on the use of Special Service Agreement (SSA) for IT staff as observed in a previous OIOS audit (AA2002/04/03). However, several weaknesses were noted in the arrangements as discussed further below.

(b) Non-compliance with the UN outsourcing policy and guidelines and inappropriate approval

37. GA document A/53/818 (Outsourcing practices, as submitted to the General Assembly pursuant to its resolution 52/226 B of 27 April 1998) dated 4 February 1999 sets forth the basic policy and guidelines to be followed in considering the use of outsourcing. Paragraph 5 of the above document states that the United Nations outsourcing policy is designed to ensure that outsourcing decisions are based on transparent procedures, proper analysis, appropriate consultation between the department or office responsible for the delivery of the activities or services and with due regard for the needs and interests of United Nations staff members. The policy emphasizes the need for a clear criteria and rigorous analysis of the costs, benefits, risks

and rewards to be obtained from outsourcing. However, OIOS noted:

- a) No evidence that ECA had considered and documented adequately the four basic reasons for outsourcing outlined in A/53/818;
- b) No evidence to support that ECA had carried out sufficient examination of other possible sourcing options.
- c) No documentary evidence of adequate and timely consultation with ECA Budget and Finance Section and Procurement Unit. Further, ICTC was not consulted due to its non-functioning. This has created budgeting problems.
- d) Inappropriate contract approval. The approval from the Controller of UN was sought after the contracts had already been signed. Further, while Deputy Executive Secretary (DES) /ECA signed the MoU and first SDA, the second SDA was signed and later revised by Director of CGSD. The second SDA was not cleared either by the DES or the Controller.

38. ECA have expressed the opinion, which OIOS does not accept, that this was not outsourcing but insourcing³.

(c) Doubtful value for money

39. The estimated annual cost for the UNICC contract is approximately US\$1 million per annum, which is approximately US\$800,000 more per annum than the previous funding arrangement for SSA. The difference arises mainly from staffing and overhead charges. In the absence of a concrete cost benefit analysis, ECA could not demonstrate that the UNICC contract provided sufficient added value for the additional cost. In addition, although ECA explained that it was a result of an effort to maintain the continuity and quality of services, the staff employed under UNICC contract were for the most part the same staff employed under the old SSA arrangement,

(d) Lack of analysis of the financial implications of the contract

40. The annual contract costs have risen from initial estimation of US\$465,000 to approximately US\$1 million. There was no evidence that this rise was either anticipated or adequately analysed for funding options. Consequently, ECA did not have available funds after the Regular Budget allotment for 2004 contractual service was exhausted paying the first quarter invoice for 2004.

(e) Unclear work arrangement between ECA and ICC staff

41. Each of the five ISS units comprised both ECA and UNICC Staff and was headed by an ECA staff member and a UNICC team leader. The UNICC team leader reported to and was supervised by the UNICC project manager and was not accountable to the ECA Unit head. Roles and responsibilities of ECA staff had never been reviewed in light of the introduction of the UNICC staff to determine whether there were opportunities for staff savings to help absorb the cost of the contract.

³Paragraph 9 of A/53/818 provides that “ it deserves emphasis that, as defined in this report, the establishment and provision of common services among the various United Nations funds, programmes and agencies would constitute a form of outsourcing”.

(f) Inadequate monitoring arrangement

42. The MoU or SDA did not provide ECA with effective monitoring and evaluation arrangement for the UNICC services. There was no agreement on how work plans would be formulated, approved and monitored. In addition, no evaluation had been carried out as of the date of the audit, including ensuring that costs paid were legitimate and in accordance with MoU terms and conditions.

Recommendations:

The Executive Secretary, ECA should commission a review into the cost effectiveness of the arrangements with UNICC including the assessment of funding options, which fulfils all the conditions of A/53/818 (Outsourcing practices). This should also include analysis of the impact on job descriptions of existing ECA staff (Rec. 13).

The Executive Secretary, ECA should ensure that any contract with UNICC or other service providers contains clauses relating to performance indicators and reporting mechanisms to determine satisfactory performance, and penalties for non-performance (Rec. 14).

When renewing or re-negotiation the UNICC contract, the Director of CGSD, ECA should consult with BFS, GSS and HRSS to ensure the procedures for outsourcing are followed as stated in A/53/818 including the exploration of other alternate service providers (Rec. 15)

43. *ECA explained that a senior management group has been established under the office of the Executive Secretary to determine the funding options of subsequent UNICC's contracts. The other issues raised in this recommendation could also be addressed by this same group (Rec. 13); CGSD will review the existing UNICC contract and incorporate the required performance indicators during the re-negotiation of the contract. Further effort will also be made to ensure that a mechanism is put in place to effectively use indicators to determine the satisfactory performance of the contractor (Rec. 14); and The Director of CGSD will coordinate and solicit the input of the GSS, BFS and HRSS as appropriate (Rec.15).* OIOS appreciates ECA's comments and will close recommendation 13 upon receipt of the result of work of the senior management group. Recommendation 14 and 15 will be closed upon receipt of the revised contract with UNICC incorporating the performance indicators and documentary evidence on consultation with GSS, BFS and HRSS during the re-negotiation of the contract.

F. System Development

44. The ISS's Business Solutions Unit (BSU), which has responsibility for development of user applications such as automated web computing frameworks, workflow applications, and enterprise data management systems, did not have formally approved systems system development standards and policies to guide its work:

- a) There was no comprehensive list of existing application systems and it was not clear whether BSU had all the documentation on each of the application required for

adequate maintenance and further upgrading.

b) The respective roles and responsibilities between BSU as custodian and system owner were not clarified for key applications systems, such as Geo information system in DISD and the Library automation system.

c) There was no separate document for each of the on-going project justifying the need for modification/development based on UN High Level Business Case model (HLBC, as adopted by ICTB) or cost-benefit analysis and did not have clear timeframe for completion.

d) There was no adequate feedback to the users on the development status.

e) The IT needs or on-going activities from other divisions and sections have not been systematically identified by ISS. For example, OIOS learnt that all SROs are in the process of developing a database on socio-economic indicators. However, those initiatives are not coordinated through ISS. Therefore, there was a risk that the databases have different structure and platform and become non-compatible with each other.

Recommendation:

To ensure that system development is carried out in a systematic and consistent manner and roles and responsibilities of all parties involved are clear and understood, the Chief of ISS, ECA should formulate a system development policy and procedure consistent with UN High Level Business Case model, which should be discussed by ICTC and approved by ES. These policies should include the need to maintain a comprehensive and appropriate list of existing applications (Rec. 16).

45. *ECA commented that coincidentally, one of the activities in the draft work program of ICTC deals with the design and implementation of a project justification format for the consumption of ICT business owners during the preparation and submission of ICT initiatives/projects. Preparation is also underway in ISS to put a mechanism for using the e-Asset database of UNITS to check for existence of similar ICT initiatives/projects elsewhere in the UN system so as to avoid duplication of efforts and wastage of resources. These activities shall be completed before the end of the year. OIOS thanks ECA for the information and will close the recommendation upon the receipt of the project justification format.*

G. Financial management

46. ISS has engaged in several income generating activities during 2002-2003, such as rental of IT equipment, which ISS considered as cost recovery. ISS claimed that some of the amounts received were recorded in miscellaneous income and could not be utilised by ISS, but at the time of the audit, neither ISS nor the Finance Section could provide any accurate or complete figures. The audit team looked into this and established that the reason for this was that ISS did not keep any financial accounts in support of the activities carried out.

Recommendation:

To improve the accounting for the revenue generating (or cost recovery) activities, the Chief of ISS, ECA should seek assistance from BFS in maintaining the details of such activities and reconciling

with the BFS for actual credit (Rec. 17).

47. *ECA commented that necessary consultation will be carried out with BFS towards the implementation of this recommendation before the end of 2004. OIOS will close the recommendation upon receipt of the result of the consultation with BFS.*

H. Asset management

(a) Overview

48. ECA's major IT equipments are summarized in table 2 below as of 30 April 2004:

Table 2: IT assets owned by ECA

Category	Procured on 2000 and onward		Procured 1999 and backward	
	Amount (US\$)	Unit (EA)	Amount (US\$)	Unit (EA)
Desktop PCs	1,207,111	982	1,335,921	843
Laptops	203,043	78	282,611	102
Printers	333,567	207	897,088	946
Monitors	443,738	916	989,701	1,195
Total	2,187,459	2,183	3,505,324	3,086

(b) Limited role of ISS for IT asset management

49. The respective roles of ISS and of the Inventory Store and Service Management Unit/GSS with respect to control and management of IT equipment are unclear and in need of review. ISS has not been involved in setting policy and procedure for classification of IT equipment to be recorded and maintained in the asset database and the strategy development for timely and appropriate disposal of obsolete and excessive equipment. Important expertise in this area is therefore not being utilised with consequences such as untimely disposal of IT equipment and inadequate inventory control application

Recommendation:

To ensure that ISS expertise is properly utilised in ECA's asset management, the Chief of ISS, ECA in consultation with the Chief of GSS, should discuss and agree respective roles and responsibilities for control and management of IT equipment through out its lifecycle (Rec. 18).

50. *ECA commented that consultation meeting will be arranged and conducted between the Director of CGSD and the Chiefs of GSS and ISS towards the implementation of this recommendation during the first quarter of 2005. OIOS will close the recommendation upon receipt of documentation explaining the respective roles and responsibilities of ISS and GSS for control and management of IT equipment through out its lifecycle.*

(c) Weak process for formulation of IT procurement plan

51. Whilst Divisions were requested for details of their IT requirements, and these were included in the initial draft of the procurement plan, there was no mechanism

requiring any consultation with Divisions on finalisation of the plan in light of changes required because of budgetary constraints. Therefore, the Divisions did not have a clear understanding on what they could expect.

52. OIOS is of the opinion that the process could also be further strengthened by giving consideration at the planning stage to arrangements for disposal

Recommendation:

To strengthen the planning process for IT procurement, the Chief of ISS, ECA should request Divisions to prioritise items in their initial request and confirm with Divisions the proposed final equipment list. Consideration should also be given to at the planning stage to disposal action for equipment, which will be replaced (Rec. 19).

53. *ECA commented that during the preparation of the budget submission for the next budget cycle, ISS will liaise with all the divisions and work together with them in terms of prioritization of their procurement needs for IT products and services.* OIOS will close the recommendation upon receipt of the request letter sent to Divisions, a copy of the replies, and a copy of final list of IT products and services.

(d) Need for written policy on IT asset replacement and disposal

54. ECA currently operates an informal replacement policy of three years for desktop computers and there is no policy for other types of computer equipment. OIOS is of the opinion that that such policies should be formally documented and approved to assist with changes in staff, and to assist in ensuring common treatment throughout ECA.

55. As shown in table 2 above, ECA has a large number of IT items dating back to 1999 and before which should have been disposed of but have not because of a lack of policy guidance on disposal of IT equipment. ECA has therefore incurred unnecessary costs for storage and lost potential income.

Recommendation:

To ensure consistent treatment and timely disposal of IT equipment, the Chief of ISS, ECA should formalize an IT asset replacement and disposal policy for endorsement by the ICTC (Rec. 20).

56. *ECA stated that ISS will be formulating and put in place the IT asset replacement policy towards the first quarter of 2005.* OIOS will close the recommendation upon receipt of approved IT asset replacement and disposal policy.

(e) Need for new inventory control system

57. In the previous OIOS audit report dated 4 March 2004, OIOS recommended a post implementation review on the current inventory control system. The conclusion of this review was that a new system was required. Whilst OIOS agrees with the conclusion, it is concerned with the absence of a concrete timeframe for the

development and implementation of the new system. Consequently, the original recommendation is closed and is replaced by the following.

Recommendation:

To enhance asset management, the Chief of ISS, ECA should establish a concrete time frame for the development of a new inventory control system (Rec. 21).

58. *ECA stated that the new Inventory Control System is under development and will be completed by the end of 2004.* OIOS will close the recommendation upon the notification of completion of the new inventory system together with copies of system documentation.

V. FURTHER ACTIONS REQUIRED ON RECOMMENDATIONS

59. OIOS monitors the implementation of its audit recommendations for reporting to the Secretary-General and to the General Assembly. The responses received on the audit recommendations contained in the draft report have been recorded in our recommendations database. In order to record full implementation, the actions described in the following table are required:

Recommendation No.	Action Required
Rec. 01	Receipt of approved TOR and rules of procedures for ECA ICTC.
Rec. 02	Receipt of approved Rules of Procedures for User Interest Group.
Rec. 03	Receipt of approved TOR and rules of procedures for ECA ICTC.
Rec. 04	Receipt of approved ECA IT strategy paper.
Rec. 05	Receipt of the approved short and long term IT planning document.
Rec. 06	Receipt and review of the results of project dealing with 'Strengthening information and technology governance in ECA'.
Rec. 07	Notification of the transfer of the telecommunication unit.
Rec. 08	Receipt of the approved TOR and operating guidelines for the IMIS competency centre.
Rec. 09	Clarification why a service level agreement is not feasible
Rec. 10	Receipt of a document detailing the timeframe for signing MoUs with other UN agencies.
Rec. 11	Receipt of the approved implementation plan for the risk assessment on ECA IT infrastructure and services.
Rec. 12	Receipt of the approved plan of action from ISS Customer Support Unit, and details of the performance indicators and monitoring mechanism.
Rec. 13	Receipt of the result of work of the senior management group on UNICC contract.
Rec. 14	Receipt of the revised contract with UNICC incorporating the performance indicators.

Rec. 15	Receipt of the documentary evidence on consultation with GSS, BFS and HRSS during the re-negotiation of the UNICC contract.
Rec. 16	Receipt of the project justification format.
Rec. 17	Receipt of the result of the consultation with BFS on revenue generating (or cost recovery) activities.
Rec. 18	Receipt of documentation explaining the respective roles and responsibilities of ISS and GSS for control and management of IT equipment through out its lifecycle.
Rec. 19	Receipt of the request letter sent to Divisions, a copy of the replies, and a copy of final list of IT products and services. .
Rec. 20	Receipt of approved IT asset replacement and disposal policy.
Rec. 21	Notification of completion of the new inventory system together with copies of system documentation.

V. ACKNOWLEDGEMENT

60. I wish to express my appreciation for the assistance and cooperation extended to the auditor by the management and staff of ECA.

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