UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

AUDIT

OF

MANAGEMENT OF ICT SERVICES OUTSOURCED TO INTERNATIONAL COMPUTING

CENTRE

IN

UNDP

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Report on the Audit of Management of Information and Communication Technology Services Outsourced to International Computing Centre
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP's management of information and communication technology (ICT) services outsourced to the International Computing Centre (ICC) from 22 July to 2 August 2019. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the following areas and sub-areas:

    (a) Execution by UNDP of its responsibilities regarding:
- Master Service Delivery Agreement (Master SDA) between UNDP and ICC
- Monitoring of services provided by ICC

    (b) Execution by ICC of its responsibilities regarding:
- Provision of third party audits
- Business continuity management
- Security management (physical security and incident response)

The audit covered the activities regarding the management of ICT services outsourced to ICC from 1 January 2018 to 30 June 2019. This was the first audit of the management of ICT services outsourced to ICC.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing.*

Overall audit rating

OAI assessed the Office as **satisfactory**, which means "The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area."

Key recommendation: Total = **1**, high priority = **0**

The audit did not result in any high (critical) priority recommendations. There is one medium (important) priority recommendation, which means "Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP." This recommendation includes actions to address the issue that the required two-year review of the Master SDA had not been conducted since 2012.

The recommendation aims to ensure compliance with legislative mandates, regulations and rules, policies and procedures.

Management comments and action plan

The Officer-in-Charge of the Office of Information Management and Technology accepted the recommendation and is in the process of implementing it. Comments and/or additional information provided have been incorporated in the report, where appropriate.

Low risk issues (not included in this report) have been discussed directly with management and actions have been initiated to address them.

Helge S. Osttveiten
Director
Office of Audit and Investigations

I.   About management of ICT services outsourced to International Computing Centre

The International Computing Centre (ICC) was established by a Memorandum of Agreement concluded by the United Nations, UNDP and the World Health Organization (WHO) in 1971. In line with General Assembly resolution 2741 (XXV) of 17 December 1970, ICC was created as an inter-organizational body to provide a common electronic data processing facility.

As a United Nations entity, ICC operates under the same privileges and immunities as its clients and partner organizations. ICC's data centres and offices are extra-territorial, meaning that they are not under the jurisdiction of any national authority. The data and systems ICC hosts are protected from any national interest or intrusion, safeguarding United Nations jurisdiction. ICC is governed by the same rules as its partner organizations for procurement, financial audit and reporting. Furthermore, ICC is a full cost-recovery organization and charges actual cost only. ICC's data centres are geographically located in Geneva, Switzerland; Piscataway, New Jersey, USA; and Valencia, Spain.

In 2009, UNDP migrated Atlas (enterprise resource planning system of UNDP) hosting from IBM to ICC, with the various Atlas applications going live at ICC on 21 September 2009. Currently, the following UNDP services are hosted by ICC:

Service	Expenditure 2017 (USD)	Expenditure 2018 (USD)	Expenditure 2019 (until 30/06/2019) (USD)
Atlas	3,958,040	3,296,280	1,666,380
Enterprise Portal (SharePoint)	2,369,106	2,347,786	1,310,904
Data WareHouse	470,205	119,742	
Global Infrastructure (Intranet)	921,394	596,963	386,304
Hyperion	381,288	185,772	92,886
Various	1,041,033	305,853	196,735
Total	**9,141,067**	**6,852,396**	**3,653,209**

The relation between UNDP and ICC is governed by a Master Service Delivery Agreement (Master SDA) and is managed by the Office of Information Management and Technology.

II.   Audit results

Satisfactory performance was noted in the following areas:

(a) <u>Monitoring of services outsourced to ICC.</u> Controls were in place to ensure adequate monitoring of services outsourced to ICC.

(b) <u>Provision of third party audits.</u> ICC contracted the audit firm conducting the third party audits through a competitive process. Furthermore, ICC had a system in place to track implementation of audit recommendations and went from a qualified opinion in 2017 to an unqualified opinion in 2018.

(c) <u>Business continuity management.</u> ICC managed the applicable business continuity in line with the requirements of UNDP and adherence to these requirements was monitored by ICC's Service Management Unit.

(d) <u>Security management (physical and incident response).</u> ICC's Geneva data centre was well secured and access to the data centre was properly managed. Furthermore, ICC had procedures in place to effectively identify, report, and act upon security incidents.

OAI made one recommendation ranked medium (important) priority.

Low priority issues/recommendations were discussed directly and agreed with the Office and are not included in this report.

Medium priority recommendation:

(a) Adhere to the provisions of the Master SDA and perform the 2020 biennial review (Recommendation 1).

The detailed assessment is presented below, per audit area:

A. Master Service Delivery Agreement between UNDP and ICC

Issue 1   Required two-year review of Master SDA not conducted since 2012

According to UNDP's 'Programme and Operations Policies and Procedures', contract management is the process that ensures all parties to the legally binding agreement fully meet their respective obligations efficiently and effectively. The contract management process allows a business unit to track and manage the clauses, terms, conditions, commitments and milestones throughout the life of its contracts to maximize business benefits and minimize associated risks. Contract management includes monitoring performance (i.e., quality standards, delivery), effecting acceptance and payment, initiating amendments and resolving any disputes that may arise in the overall process.

The relation between UNDP and ICC was governed through the Master SDA, which came into force 1 January 2008 for an interim duration of two years and was set to be automatically renewed for additional periods of two years, unless UNDP notified ICC in writing of its intention not to renew. One of the provisions in the Master SDA stipulated that it was to be reviewed every two years, normally during the final quarter of each biennium. The review of the Master SDA showed that the last time it had been reviewed and updated was in 2012.

Failure to timely review and, if necessary, update the Master SDA increases the risk that UNDP and ICC may have different expectations regarding their responsibilities and accountabilities and might make it difficult for UNDP to enforce that all services are delivered as expected.

Priority	Medium (Important)
Recommendation 1: The Office of Information Management and Technology should adhere to the provisions of the Master SDA by: (a) performing the 2020 biennial review of the Master SDA and updating it as needed; and (b) putting a procedure in place ensuring that as long as the Master SDA is in force it will be reviewed every two years.	

Management action plan:

The Office of Information Management and Technology will perform a review of the Master SDA with ICC and update it, as needed. In addition, the office will update its ISO (International Organization for Standardization) procedures to ensure that a biennial review of the Master SDA will be performed for as long as the agreement is in force.

Estimated completion date: March 2020

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- **Satisfactory**

  The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.

- **Partially Satisfactory / Some Improvement Needed**

  The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.

- **Partially Satisfactory / Major Improvement Needed**

  The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.

- **Unsatisfactory**

  The assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area.

B. PRIORITIES OF AUDIT RECOMMENDATIONS

- **High (Critical)**

  Prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP.

- **Medium (Important)**

  Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP.

- **Low**

  Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are <u>not included in this report</u>.