

United Nations  Nations Unies

INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

OFFICE OF INTERNAL OVERSIGHT SERVICES · BUREAU DES SERVICES DE CONTRÔLE INTERNE

INTERNAL AUDIT DIVISION · DIVISION DE L'AUDIT INTERNE

TO: Mr. Bernard Cochemé, Chief Executive Officer, UNJSPF

DATE: 9 February 2012

A:

REFERENCE: IAD: 12- 00153

FROM: Fatoumata Ndiaye, Director
DE: Internal Audit Division, OIOS

Fatoumata

SUBJECT: **Assignment no. AS2011/800/02 – Audit of the UNJSPF Member Organization Data Collection project**
OBJET: **Collection project**

Overall results relating to the implementation of the Data Collection project were partially satisfactory

1. Attached please find the final report on the above-mentioned audit.
2. Annex I shows the status of recommendations. Please note that OIOS will report on the progress made to implement its recommendations in its annual report to the General Assembly. OIOS will also report to the Secretary-General quarterly for critical recommendations and annually for important recommendations.

Cc: Mr. Paul Dooley, Chief, Information Management Systems Service, UNJSPF
Ms. Katrin Toomel, Policy and Analysis Officer, UNJSPF
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
Mr. Rohan Wijeratne, UN Board of Auditors
Ms. Susanne Frueh, Executive Secretary, Joint Inspection Unit
Mr. Moses Bamuwanye, Executive Secretary, IAAC
Mr. Zachary Ikiara, Chief, Oversight Support Unit, DM
Mr. Byung-Kun Min, Special Assistant to the USG-OIOS
Ms. Amy Wong, Programme Officer, Internal Audit Division, OIOS



INTERNAL AUDIT DIVISION

AUDIT REPORT

UNJSPF Member Organization Data
Collection project

Overall results relating to the
implementation of the Data Collection
project were partially satisfactory

9 February 2012
Assignment No. AS2011/800/02

CONTENTS

	<i>Page</i>
I. BACKGROUND	1
II. OBJECTIVE AND SCOPE	2
III. AUDIT RESULTS	3
IV. ACKNOWLEDGMENT	7
ANNEX I Audit recommendations	
APPENDIX Management response	

AUDIT REPORT
Audit of the UNJSPF member organization Data Collection project

BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the United Nations Joint Staff Pension Fund (UNJSPF or the Fund) Member Organization Data Collection project.

2. UNJSPF was established in 1949 by the General Assembly to provide retirement, death, disability and related benefits for the staff of the United Nations and such other organizations as might be admitted to membership. There are currently 23 member organizations. In accordance with the Regulations adopted by the General Assembly, the Fund is administered by the UNJSPF Board, a staff pension committee for each member organization and a secretariat to the Board and to each pension committee. The Pension Board reports to the General Assembly on the operations of the Fund and on the investment of its assets.

3. As of 31 December 2010, the Fund had 121,138 active participants and paid 63,830 periodic benefits. In 2010, the annual monthly benefit payments by the Fund amounted to \$1.9 billion, representing a 3.9 per cent increase over the prior year, with payments having been made in 15 currencies in some 190 countries.

4. Based on a series of consultants' studies, UNJSPF submitted in 2001 a report to the Pension Board entitled "Longer-term Process Re-engineering and Computer Needs" (JSPB/SC/184/R.15, 25 June 2001) to initiate eight "re-engineering projects", including the Data Collection Project (the Project unless otherwise specified), aiming to enhance the information technology (IT) infrastructure, service quality and operational efficiency of the Fund. In 2001, the Board approved those projects with a total budget of \$8,265,158, exclusive of internal staff costs and ongoing maintenance costs, and eight additional posts to implement those projects in their entirety over three years (2002-2004). Based on the recommendation of the Advisory Committee on Administrative and Budgetary Questions, the General Assembly approved the budget and the establishment of the eight posts on a temporary basis.

5. According to the report, a total budget of \$1,308,226 was established for the Project, as a part of the budget for the eight re-engineering projects, with a timeline from January 2003 to March 2004. The report also gave an estimate of 11 person years to be saved upon implementation of three "future direction" projects (Data Collection, Data Warehouse and Web-Enablement), without specifying the savings expected from each, and the Fund committed to monitor progress against productivity improvement estimates and to report the results to the Board in the 2004-2005 biennium.

6. More detailed information on the scope, requirements and assumptions of the Project was provided in the document "Data Collection Application", dated 31 May 2001. According to the document, the Fund expected to develop electronic interfaces to collect pension-related human resources and year-end reconciliation data from the various systems of the member organizations of the Fund. More specifically, the Fund expected that upon implementation of the interfaces:

- (a) Personnel action forms would be automatically collected, sorted and processed, resulting in status change of participants' data or new entries into the Fund (enrollment of new participants);
- (b) After Service Health Insurance (ASHI) data would be automatically exchanged; and

(c) Year-end contribution schedules from member organizations would be checked, providing feedback to member organizations on the schedules, and validated files would be transferred to the mainframe system of the Fund for processing.

7. During the lifecycle of the Project, the first function was in general referred to as the HR Interface, while the second and third functions were referred to as the Financial Interface. Two later reports on the progress of the “re-engineering projects” submitted to the Pension Board in 2002 and 2003 further indicated that the original scope of the project was to interface all member organizations’ systems, including both integrated and non-integrated management information systems, implying implementation of interfaces that would cover all participants of the Fund.

8. The Information Management Systems Service (IMSS) of UNJSPF Secretariat has been in charge of the project implementation. Additional resources for the Project were requested beyond the initial budget, as summarized in Table 1:

Table 1: Biennial budget for the Data Collection Project (in United States dollars)

Biennium	Hardware/ software	Development (Contractual services)	Total*
2002-2003	426,226	882,000	1,308,226
2004-2005		264,072	264,072
2006-2007		1,066,200	1,066,200
2008-2009	100,000	1,934,901	2,034,901
2010-2011	50,000	1,699,780	1,749,780
		Subtotal	6,159,107
2012-2013		2,185,534	2,185,534
Grand total	576,226		8,344,640

Source: UNJSPF budgets.

*The \$264,072 requested for 2004-2005 was the unused balance of the original budget, i.e., the difference between the original project budget (\$1,308,226) and the forecast expenditure by end of 2003 (\$1,044,154). Budget figures do not include maintenance costs which totaled \$234,596 in 2002-2003 and \$469,192 in 2004-2005.

9. Although the above table shows a significant growth in the budget of the Data Collection Project since it was initiated in the 2002-2003 biennium, the Fund indicated that it has been facing a moving target due to the fact that some member organizations switched to Enterprise Resource Planning (ERP) systems during the course of the Project which necessitated the design of new interfaces for the ERP systems.

10. Comments provided by the UNJSPF are incorporated in *italics*.

OBJECTIVE AND SCOPE

11. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations, and rules.

12. The audit of the UNJSPF Member Organization Data Collection Project was conducted to assess the adequacy and effectiveness of the Fund’s governance, risk management and control processes in providing reasonable assurance regarding implementation of the Project.

13. This audit was included in the OIOS 2011 risk-based audit plan because a previous audit of UNJSPF Performance Management (AS2010/800/02) had identified project management risks related to the Data Collection Project.

14. The key controls tested for the audit included: (a) performance monitoring and reporting; (b) project management; and (c) risk management and strategic planning. For the purpose of this audit, OIOS defined these key controls as follows:

(a) Performance monitoring and reporting – those controls that are designed to provide reasonable assurance that sound criteria exist for measuring and monitoring the progress of the project against the established timeline, budget, quality standards and estimated benefits, and that project performance is reported timely, accurately and consistently.

(b) Project management – those controls that are designed to provide reasonable assurance that the project is initiated and implemented in a systematic way using appropriate project management tools so that it can be completed within allocated timeframe and budget, with expected quality and benefits achieved.

(c) Risk management and strategic planning – those controls that are designed to provide reasonable assurance that risks relating to viability and implementation of a major project are identified, assessed and mitigated.

15. The key controls were assessed for the control objectives shown in Table 2. Certain control objectives (shown in Table 2 as “Not applicable”) were not relevant to the scope defined for this audit.

16. OIOS conducted the audit from 26 May to 31 October 2011. The audit covered UNJSPF reports submitted to the Pension Board to initiate the Project, and project implementation activities and documentation from 1 January 2002 to 30 September 2011.

17. OIOS conducted an activity-level risk assessment to identify and evaluate specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to assess their effectiveness.

AUDIT RESULTS

18. In OIOS opinion, the Fund’s risk management, control and governance processes examined were **partially satisfactory** in providing reasonable assurance regarding the implementation of the Data Collection project.

19. The overall rating is based on the assessment of key controls presented in Table 2 below.

Table 2: Assessment of key controls

Business objective	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Implementation of the Data Collection project	(a) Performance monitoring and reporting	Not applicable	Partially satisfactory	Not applicable	Not applicable
	(b) Project management	Partially satisfactory	Partially satisfactory	Partially satisfactory	Not applicable
	(c) Risk management and strategic planning	Partially satisfactory	Partially satisfactory	Not applicable	Not applicable

Performance monitoring and reporting

20. Throughout the lifecycle of the Project, IMSS provided description of the project status but did not report the progress/performance of the Project against the original scope, budget, timeframe and projected cost savings, except in two progress reports submitted to the Pension Board in 2002 and 2003. Since 2004 no specific progress reports had been prepared and submitted to the Pension Board on the status of the Project. Information on the scope, timeline and status of the Project was provided in the biennial budgets and corresponding performance reports, but such information was insufficient to track progress and assess the results of the Project.

21. Furthermore, actual savings in operational resources attributable to automation of data collection were not specifically measured until OIOS started the audit. During the audit, the Fund performed a study through observation of manual processing of the tasks and estimated that the interfaces carried out a workload equivalent of 6.13 staff-years in 2010 when the interfaces reached the capacity to capture HR data for 75 per cent of the participants. As the number of staff years expected to be saved was unknown when the Project was initiated, it was impossible to conclude that the Project had achieved the expected benefits.

(1) The UNJSPF Secretariat should measure and report accurately and consistently the progress/performance of the Data Collection Project against approved scope, timeframe, budget, expected quality and benefits, with overruns and deviations fully explained.

UNJSPF accepted recommendation 1 and stated that the Fund Secretariat is currently providing reports on project timeframes and monitoring expenditures when implementing systems. With regard to the allocation of human resources, the Fund Secretariat will include a more detailed breakdown in future reports, through enhanced information from the United Nations International Computing Centre (ICC). Recommendation 1 remains open pending receipt of documentation showing that the recommendation has been implemented.

Project management

22. In 2001, IMSS adopted System Development Methodology (SDM) to govern the initiation and implementation of system development projects. The project documentation uploaded to the Quickplace database shows that IMSS generally followed the SDM structure in developing interfaces for the individual organizations' systems. However, exceptions existed and indicated that the system development process needs to be more formalized and quality-controlled.

23. More importantly, SDM, as a methodology mainly governing the development process, has its limitations in controlling a complex project. Simply following SDM may lead to an IMSS-centric approach towards the project. An examination of the history of the project in the last decade highlights a need for management of non-technical but critical aspects of the project in a more systematic way such as establishment of a viable and clear business case, involvement and commitment from all stakeholders, and formalized risk and change management. In OIOS opinion, going forward, the Fund should fully adopt PRjects IN Controlled Environments 2 (PRINCE2), a standard that has been recognized by the Fund management and for which IMSS staff members have received training, to direct and manage the Data Collection Project.

(2) The UNJSPF Secretariat should adopt PRINCE2 to direct and manage the Data Collection Project.

UNJSPF accepted recommendation 2 and stated that the Fund has introduced the PRINCE2 project management methodology on a limited basis, but intends to roll out fully in 2012. Recommendation 2 remains open pending receipt of documentation showing that the PRINCE2 project management standard has been implemented.

24. After the original budget for the Project was fully expended by the end of 2004, additional budget requests for the Project were prepared and submitted on biennial basis, as part of the programme budget of the Fund. The budget requests always assumed that the Project would last through the next biennium and that a similar number of ICC employees would be needed as in the past, rather than being based on a clear definition of what tasks would be carried out and the corresponding resources needed. Also, the budgets did not account for internal costs and resources related to the Project.

25. Furthermore, the budgets did not reconcile with the Service Delivery Agreements (SDA) in terms of the number of ICC employees to be contracted and corresponding costs for implementing the Project during a specific biennium. Nevertheless, the expenditures reported were close to the budgets, thus implying that the same number of ICC employees had actually worked on the project on a full-time basis as budgeted throughout the biennium and ICC was paid accordingly. However, total time spent by the ICC employees on the Data Collection project from 2002 to September 2011, based on their own estimates (as requested by OIOS during the audit), only amounted to 177 months, significantly lower than the 339 months that were budgeted for the same period (prorated for 2010-2011). Prorating the actual months worked on the Project by ICC employees versus budgeted months would lead to an estimated overpayment to ICC in the amount of \$2,566,387 for this Project.

26. Without monitoring the actual project costs and comparing them to the budget, the true cost of the Project cannot be known, invalidating a critical indicator of project performance (for assigning accountability) and obscuring the business case for the project. Opportunities to learn lessons from past experiences and improve the accuracy of future budget requests would also be lost.

(3) The UNJSPF Secretariat should determine and recover the amount overpaid to the United Nations International Computing Centre for its contractual services for the Data Collection Project.

UNJSPF did not accept recommendation 3 stating that the resources were fully employed as required. Going forward, however, the Fund agreed to monitor the monthly allocation of ICC resources by project. OIOS is unable to accept this response because the audit showed that ICC reported that an estimated 177 employee months were spent on the Data Collection project from 2002 to September 2011, which was significantly lower than the 339 months budgeted for by UNJSPF for the same period. UNJSPF has not provided OIOS with documentation supporting its assertion that the resources were fully employed as required, and therefore, recommendation 3 remains open pending receipt of documentation showing that it has been implemented.

(4) The UNJSPF Secretariat should adopt a costing methodology/system to fully capture and monitor actual expenditures on the Data Collection Project against budget.

UNJSPF accepted recommendation 4 and stated that an optional approach for the data collection project is being reviewed as part of the Integrated Pension Administration System (IPAS) project. The selected vendor for IPAS may provide an alternative solution that would allow for the stabilization of the Fund's interfaces with member organizations. The data collection project has been ongoing due to the changing technical environment in the Fund's member organizations. Recommendation 4 remains open pending receipt of documentation showing that the recommendation has been implemented.

Risk management and strategic planning

27. Considering that member organizations that have implemented or are in the process of implementing an enterprise resource planning (ERP) system account for 96 per cent of the Fund's current participants, since early 2010 the project team/IMSS has started exploring the possibility of developing a "common HR interface" for ERP systems.

28. Funds for the Data Collection Project have been requested in the budget for 2012-2013. However, for both SAP and Oracle ERP systems, the IMSS project team has yet to prove the technical feasibility of the potential solutions. The corresponding timelines and financial implications of alternative solutions also need to be studied and assessed. Given that the technology environment may stabilize and many known and unknown factors will impact on the technical feasibility and financial viability of the Project, OIOS is of the opinion that the Fund needs to perform a risk management and strategic planning exercise to identify an optimal approach to complete the Data Collection Project based on:

- Technical advantages and disadvantages
- Potential risks of each solution
- Time needed to complete implementation
- Scalability to incorporate features to collect financial data
- Future maintenance needs and costs
- Inter-dependencies with the IPAS project
- Cost implication for both UNJSPF and member organizations, including upfront cost of hardware/software and development cost
- Tolerance level for each solution
- Any other important aspects

(5) The UNJSPF Secretariat should conduct a risk management and strategic planning exercise to explore the technical feasibility and financial implications (on a total cost basis) of alternative solutions and select an optimal approach for the Data Collection Project.

UNJSPF accepted recommendation 5 and stated that a strategic planning exercise is to be completed in 2012, complemented with agreements with cooperative member organizations and ERP vendors. Recommendation 5 remains open pending receipt of documentation showing that the strategic planning exercise has been conducted and an optimal approach for the data collection project has been selected.

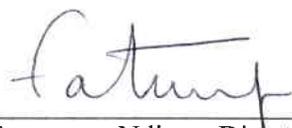
29. While a valid business case is required justify the initiation (and continuation) of a project and to obtain stakeholders' support, documentation for the Data Collection Project indicates that only an incomplete business case was established and communicated when the Project was initiated in 2001 and the business case was never reviewed thereafter. There were differing estimates of expected and actual savings in resources, and the total amount of investments needed to achieve such savings and benefits was unknown and there was no evidence to indicate that UNJSPF monitored and analyzed the total investments to determine the Project's investment return (cost versus benefit).

(6) The UNJSPF Secretariat should communicate to stakeholders a complete business case, with an investment appraisal, for the Data Collection Project and for its sub-projects aimed at individual clients.

UNJSPF accepted recommendation 6 and stated that business case development will be included in strategic direction exercise in 2012. Recommendation 5 remains open pending receipt of documentation showing that the recommendation has been implemented.

ACKNOWLEDGEMENT

30. OIOS wishes to express its appreciation to the Management and staff of UNJSPF for the assistance and cooperation extended to the auditors during this assignment.



Fatoumata Ndiaye, Director
Internal Audit Division, OIOS

STATUS OF AUDIT RECOMMENDATIONS

Audit of the UNJSPF member organization Data Collection project (AS2011/800/02)

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
1.	The UNJSPF Secretariat should measure and report accurately and consistently the progress/performance of the Data Collection Project against approved scope, timeframe, budget, expected quality and benefits, with overruns and deviations fully explained.	Information resources	Important	O	UNJSPF to provide documentation showing that the recommendation has been implemented.	June 2012
2.	The UNJSPF Secretariat should adopt PRINCE2 to direct and manage the Data Collection Project.	Information resources	Important	O	UNJSPF to provide documentation showing that the Prince 2 project management standard has been implemented.	June 2012 ³
3.	The UNJSPF Secretariat should determine and recover the amount overpaid to the United Nations International Computing Centre for its contractual services for the Data Collection Project.	Financial	Important	O	UNJSPF to provide documentation showing that the recommendation has been implemented.	Not agreed
4.	The UNJSPF Secretariat should adopt a costing methodology/system to fully capture and monitor actual expenditures on the Data Collection Project against budget.	Financial	Important	O	UNJSPF to provide documentation showing that the recommendation has been implemented	June 2012
5.	The UNJSPF Secretariat should conduct a risk management and strategic planning exercise to explore the technical feasibility and financial implications (on a total cost basis) of alternative solutions and select an optimal approach for the Data Collection Project.	Strategy	Important	O	UNJSPF to provide documentation showing that the strategic planning exercise has been conducted and an optimal approach for the data collection project has been selected.	June 2012 ³

Recom. no.	Recommendation	Risk category	Risk rating	C/O¹	Actions needed to close recommendation	Implementation date²
6.	The UNJSPF Secretariat should communicate to stakeholders a complete business case, with an investment appraisal, for the Data Collection Project and for its sub-projects aimed at individual clients.	Governance	Important	O	UNJSPF to provide documentation showing that the recommendation has been implemented.	June 2012 ³

1. C = closed, O = open

2. Date provided by UNJSPF in response to recommendations.

3. Date indicated by OIOS, since no date was provided by UNJSPF.