



## **United Nations Population Fund**

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every childbirth is safe and  
every young person's potential is fulfilled.*

### **OFFICE OF AUDIT AND INVESTIGATION SERVICES**

### **AUDIT OF THE UNFPA REGIONAL OPERATIONS SHARED SERVICE CENTRE (ROSSC)**

### **FINAL REPORT**

N° IA/2021-05

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## EXECUTIVE SUMMARY

1. The Office of Audit and Investigation Services (OAI) performed an audit of the Regional Operations Shared Service Centre ('ROSSC' or 'the Centre'). The audit covered the period 01 January 2018 through 30 June 2020. Information, documents, and records pertaining to other periods were examined, as deemed necessary.

### Background

2. Within the context of shifting financial resources, increasingly complex political and economic challenges, and the need to deliver high quality rights-based results within the 2030 Agenda for Sustainable Development environment, the East and Southern Africa Regional Office (ESARO) developed a framework that is part of a regional strategy paper,<sup>1</sup> in consultation with relevant stakeholders and the steering committee in the region. It sets out a new structure for effective support, increased operational efficiency, strengthened coordination and support for preparedness and resilience-building in humanitarian contexts, and enhanced resource mobilization capacities in the region. The framework proposed the establishment of a hub to provide unique policy advice and specialist technical assistance, support resource mobilization efforts, and fulfil operational shared services to Country Offices. This led to the creation of the Regional Operations Shared Service Centre (ROSSC) that was set up in Johannesburg, South Africa to provide shared services to the five middle-income countries in the region, namely Botswana, Eswatini, Lesotho, Namibia, and South Africa.

3. More specifically, ROSSC was to provide services to these Country Offices in three key phases: (a) provision of financial and procurement transaction processing services; (b) expansion of the service range to other areas in addition to financial and transaction processing services; and (c) scaling of services to other countries in the East and Southern Africa region. ROSSC is envisaged to improve efficiency by consolidating core operations functions and improve risk management procedures in accordance with the organization's Internal Control Framework.

4. The establishment of ROSSC is anchored in the United Nations Secretary General's strategic direction outlined in a December 2017 report<sup>2</sup> that presented his vision and proposal to reposition the United Nations Development System to better deliver on the 2030 Agenda for Sustainable Development. While the report's focus was on improving the overall effectiveness, accountability, and cohesion of the system's collective results on the ground, the Secretary General anticipated that the proposed change measures would also have the potential to achieve operational cost savings for redeployment to development activities.

5. ROSSC was officially set up in January 2018, with service offerings commencing in May 2018. At the time of this audit, ROSSC was in its first phase of implementation (see paragraph 3). During the period covered by the audit, the Centre processed 2,078 and 10,864 procurement and financial transactions, respectively.

### Methodology and scope

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

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<sup>1</sup> UNFPA East and Southern Africa Futures Paper, December 2016.

<sup>2</sup> Secretary General's report, *Repositioning the United Nations development system to deliver on the 2030 Agenda: our promise for dignity, prosperity, and peace on a healthy planet*, A/72/684-e/2017/7, December 2017.

7. The audit included a review of documents and records as well as interviews and discussions with various UNFPA stakeholders from different geographical locations such as: relevant offices at the headquarters, the East and Southern Africa Regional Office, and the Country Offices of Botswana, Eswatini, Lesotho, Namibia, and South Africa. In addition, the audit covered the design and governance of ROSSC, the operations support provided to Country Offices, and all the in-scope support functions.

8. Owing to the Covid-19 global pandemic, the original plan of a field mission in April 2020 was cancelled and the audit re-scoped, pivoting to remote testing of transactions and desk reviews of documents conducted from UNFPA Headquarters.

Audit rating

9. The overall audit rating<sup>3</sup> is **“Some Improvement Needed”** – which means that the assessed governance arrangements, risk management practices and controls were adequately designed and operating effectively but needed some improvement to provide reasonable assurance that the objectives of the audited entity/area are achieved. Issues and improvement opportunities identified did not significantly affect the achievement of the audited entity/area objectives, but some areas need to be improved. Management action is recommended to ensure that identified risks are adequately managed and mitigated.

10. Ratings by key audit area are summarized in the following table.

<b>Audit ratings by key audit area</b>	
<b>ROSSC Design</b>	<b>Some improvement needed</b>
<i>Governance</i>	<i>Some improvement needed</i>
<i>Organizational structure and staffing</i>	<i>Major improvement needed</i>
<b>ROSSC operationalization</b>	<b>Some improvement needed</b>
<i>Management (ESARO) oversight over ROSSC operations</i>	<i>Some improvement needed</i>
<i>Risk management</i>	<i>Major improvement needed</i>
<i>Client handling</i>	<i>Some improvement needed</i>
<i>IT tools &amp; ICT transformation</i>	<i>Major improvement needed</i>
<b>Support functions to Country Offices</b>	<b>Some improvement needed</b>
<i>Procurement</i>	<i>Some improvement needed</i>
<i>Finance</i>	<i>Some improvement needed</i>
<b>Next Steps</b>	<b>Some improvement needed</b>
<i>Lessons learned</i>	<i>Effective</i>
<i>Sustainability and scalability</i>	<i>Some improvement needed</i>
<i>Relation with UN Reform “BOS”</i>	<i>Some improvement needed</i>

<sup>3</sup> See complete set of definitions in Annex 1.

Key observations, audit findings and recommendations

11. The audit identified good practices adopted by the Centre, and provided 15 recommendations that require Management attention, nine and six high and medium priorities, respectively. The 15 recommendations were designed to help ROSSC improve its service delivery and operations, five of which are of a strategic nature, eight on operational matters, and two on reporting processes.

Good practices in the establishment and organization of the ROSSC

12. OAS noted the following good practices adopted by ROSSC resulting in an efficient way of organizing the work of the Centre:

- The ROSSC business case was developed in a consultative manner, backed by analyses to identify efficiency opportunities and areas for improvement.
- Documentation of lessons learned commenced right at the onset of ROSSC and continued throughout its roll-out phase to develop better tools and improve the efficiency of services.
- A mid-term review of ROSSC was undertaken to highlight recommendations and lessons learned to improve the Centre's efficiency in operations and service delivery. Most of the review's recommendations were fully implemented at the time of the audit fieldwork.
- ROSSC staff registered high completion rates for the performance appraisal and development process, within established deadlines.
- Standard operating procedures were developed for procurement and finance that included agreed turnaround timeframes for processing service requests from the supported Country Offices. The standard operating procedures can easily be adapted to create performance indicators.
- A workflow management system Jira® was introduced in January 2020 – leading to significant improvement in service delivery to the supported Country Offices ensuring business continuity during the Covid-19 pandemic.
- A focal point for value added taxes was designated to handle all returns, reconciliations, and refund claims, providing an avenue for the supported Country Offices to recover the tax for all goods and services procured from South Africa, where applicable.
- Standard operating procedures, checklists, workflow procedures and transaction feedback mechanisms were developed as part of efforts to innovate and enhance or standardize existing tools.
- In addition, the experience gained during the Covid-19 pandemic is of direct relevance: several Country Offices besides the original five, successfully sought and received procurement and financial management services from ROSSC. This demonstrated that the adoption and establishment of a shared service centre is an organizational arrangement for a more efficient and timely conduct of UNFPA's business and delivery of services and an important mechanism for business continuity. It also indicates the potential for its sustainability and scalability in the medium and long-term should the lessons learned be adopted accordingly.

Audit Recommendations

*Strategic level*

13. There is a need to develop comprehensive terms of reference for ROSSC to include its governance framework and arrangements and management structures. Clarify the roles and responsibilities within ROSSC, including the scope of services offered and communication protocols with other UNFPA business units and communicate to all concerned stakeholders.
14. ROSSC conduct and document periodic specific strategic and fraud risk assessments and develop appropriate action plans to manage the identified risks and assign responsibilities and accountabilities.
15. As next steps, articulate and advocate the role and position of ROSSC as a potential pillar for the regional inter-agency support centre in the United Nations Reform initiatives and monitor its progress towards improving efficiency and effectiveness in administrative support services.
16. Assess and align, as appropriate, the ROSSC funding requirements and staffing arrangements to the sustainability and needs of scaling up or down its services and geographical coverage based on changing of future needs.

*Operational level*

17. Align the delegation of authority arrangements at supported Country Offices to the roles and responsibilities foreseen in the Centre. ROSSC to develop and implement a capacity-building plan to address the training gaps identified by its personnel and those at the supported Country Offices. Complete the review of staff contractual modalities that was underway during the audit fieldwork, taking into consideration the Centre's planned expansion of service delivery and geographical coverage.
18. Establish and implement a service delivery improvement plan and transparent tracking and communication mechanisms to monitor and report on progress made in the delivery of services requested by the supported Country Offices in line with the Service Level Agreements.
19. ROSSC has to leverage existing arrangements to improve the handling of services and communication with its clients, particularly regarding having an effective mechanism for discussion, prioritization, and follow-up of emerging ideas, views, and issues.
20. Assess the feasibility of incorporating, in the most effective way, ROSSC processes in the new Enterprise Resource Planning system and escalate these aspects to the Enterprise Resource Planning Board, for approval and integration in the ongoing corporate Information and Communications Technology (ICT) transformation project.
21. In the area of support functions to Country Offices, ROSSC to enhance the effectiveness and efficiency of its procurement activities by consolidating their supported procurement plans and raising the awareness of relevant staff on the need to share data and information on suppliers and cross-reliance on Long-Term Agreements.

*Reporting level*

22. ROSSC to strengthen controls to ensure systematic results planning, and the monitoring and reporting of progress against planned results.
23. ROSSC provides training and raise the awareness of relevant staff on the need to correctly record financial transactions and implement review and supervisory procedures to prevent the charging of expenses to erroneous fund codes.

Response from Management

24. The East and Southern Africa Regional Director and the ROSSC team are grateful to OAIS for this important work amidst the COVID crisis. We also appreciate the OAIS consideration of the management feedback on issue sheets, which helped in having the final report out quicker.

25. In general, the Management team agrees with the various recommendations of the audit, and some of the actions have already been put in place and implemented.

26. As mentioned during the audit, it is important to highlight that the ROSSC was at its pilot phase, and this audit came up replacing the second evaluation that was expected after the first ROSSC midterm review done in August 2018. On the other hand, some of the managers in the ROSSC countries are new and were not fully informed or did not have a clear briefing on the ROSSC role, hence the misunderstanding noted during the audit, and which clearly justifies the recommendation on improving the ROSSC governance, improvement on ROSSC terms of reference, reinforcement of communication and development of necessary standard operating procedures that will be made available to all new managers, as well as new staff joining the team.

27. The Management and team will work on implementing the various recommendations, on which the upcoming scale up to phase II of the ROSSC should build. The East and Southern Africa Regional Office management will also need the full support of the Division for Management Services, the Procurement Services Branch, the Information Technology Solutions Office, and the Enterprise Resource Planning Team to materialize this scale up, after a full review of the current situation and revisions of Country Offices expectations, as well as ROSSC work processes, and ensure that the ROSSC scale up be fully considered in the new East and Southern Africa Regional Office Regional Planning and the Organization's Strategic Plan.

Acknowledgement

28. The OAIS team would like to thank the Management and personnel of the East and Southern Africa Regional Office, the Division for Management Services, the UNFPA Procurement Services Branch, as well as the Country Offices covered by the audit for their cooperation and assistance.

  
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Office of Audit and Investigation Services  
*BS CW*

## I. OBJECTIVES, SCOPE AND METHODOLOGY

1. The audit covered ROSSC activities in the period from 01 January 2018 to 30 June 2020. Relevant activities pertaining to other periods were covered by the audit, as appropriate.
2. The objectives of the audit, conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*, were to:
  - a) Assess the design and operating effectiveness of the governance, risk management, internal controls, and oversight over ROSSC;
  - b) Assess the effectiveness and efficiency of ROSSC service delivery and operations;
  - c) Assist ROSSC Management and staff to understand its risk profile and potential impact on operational and service delivery performance; and
  - d) Provide concrete and practical recommendations to improve the design, governance, risk management and control processes, and operational and service delivery performance.
3. The audit relied on specific procedures and analyses designed to assess the efficiency and effectiveness of ROSSC activities from various perspectives described below:
  - a) Design:
    - i. Governance;
    - ii. Organizational structure and staffing;
  - b) Operationalization:
    - iii. Management oversight over ROSSC service delivery and operations;
    - iv. Risk management;
    - v. Client handling;
    - vi. IT tools and ICT transformation;
  - c) Support functions to Country Offices (limited to design and governance arrangements):
    - vii. Procurement support functions;
    - viii. Finance support functions;
    - ix. Any other support functions discharged by ROSSC during the period under review.
  - d) Next Steps
    - x. Documentation of good practices and lessons learnt;
    - xi. Sustainability and scalability; and
    - xii. ROSSC's relation to the UN Reform, especially, the Business Operations Strategy ("BOS").
4. The scope of the audit included interviews and discussions with numerous UNFPA stakeholders of varying seniority and drawn from different geographical locations – covering Headquarters, the East and Southern Africa Regional Office (ESARO), and the Country Offices of Botswana, Eswatini, Lesotho, Namibia, and South Africa – and the review of documents and records.
5. The engagement was led by an OAI audit specialist, supported by two audit consultants. The audit was initially announced on 30 December 2019 and scheduled to start in March 2020 with a field mission in April 2020. In view of the Covid-19 pandemic and the restrictions placed on international travel, the engagement was rescheduled and re-scoped as a remote audit, including remote testing of transactions which were initiated in December 2020 and concluded in February 2021. Preliminary findings and recommendations resulting from the audit were discussed with ROSSC Management at an exit meeting held on 04 May 2021. Comments and clarifications provided by Management thereafter were reflected in a draft report submitted to Management on 30 July 2021, and a final Management response received on 09 September 2021.

## II. BACKGROUND

6. The UNFPA Executive Director approved the establishment of ROSSC in October 2017 in the context of a corporate-wide Comprehensive Resources Review and change management process. ROSSC was officially set up in January 2018, with service offerings limited to procurement and financial transaction processing commencing in May 2018. During the period covered by the audit, the Centre processed 2,078 and 10,864 procurement and financial transactions, respectively.

7. Within the context of declining financial resources, increasingly complex political and economic challenges, and the need to deliver high quality rights-based results within the 2030 Agenda for Sustainable Development environment, ESARO developed a framework for strengthening UNFPA's presence, efficiency, and effectiveness in the region. The framework, part of a regional strategy paper,<sup>4</sup> was developed in consultation with several East and Southern Africa Country Offices and a regional Steering Committee and sets out a new structure for effective support to Country Offices in the region, increased operational efficiency throughout the region, strengthened coordination and support for preparedness and resilience-building in humanitarian contexts, and enhanced resource mobilization capacities. The framework proposed the establishment of a multi-country middle-income countries hub located in Johannesburg, South Africa. The hub is intended to provide unique policy advice and specialist technical assistance, support resource mobilization efforts, and fulfil operational shared service needs for Country Offices in five middle-income countries, namely Botswana, Eswatini, Lesotho, Namibia, and South Africa.

8. Following the framework proposal to establish the hub, ROSSC was established in 2018 to provide services to Country Offices in the region in three key phases: (a) provision of financial and procurement transaction processing services to the five Country Offices; (b) expansion of the service range to human resources, general administration, and Information and Communications Technology (ICT) support, and (c) increasing the number of countries supported by the Centre in the East and Southern Africa region. At the time of the audit, ROSSC was in its first phase of implementation. ROSSC is envisaged to improve efficiency by consolidating core operations functions and improve risk management procedures in accordance with the organization's Internal Control Framework (ICF).

9. The establishment of ROSSC is anchored in the United Nations Secretary General's strategic direction outlined in a December 2017 report that presented his vision and proposal to reposition the United Nations Development System (UNDS) to better respond to the 2030 Agenda for Sustainable Development. While the report's focus was firmly on improving the overall effectiveness, accountability, and cohesion of the system's collective results on the ground, the Secretary-General anticipated that the proposed change measures would also have the potential to achieve operational cost savings for redeployment to development activities.

10. ROSSC is embedded in ESARO, located in Johannesburg, South Africa. During the period under review, the Centre's operations and management were overseen by the Regional Director, ESARO, supported by the Regional International Operations Manager, with a staff complement of six.

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<sup>4</sup> UNFPA East and Southern Africa Futures Paper, December 2016.

### III. DETAILED FINDINGS

#### A. ROSSC DESIGN

#### SOME IMPROVEMENT NEEDED

##### Good practices identified

11. The following good practices in the ROSSC arrangement design were identified, in line with established policies and procedures:

- a) The establishment and design of ROSSC was in line with the United Nations Sustainable Development Group (UNSDG) "BOS" that aims to reposition UNDS to better deliver the 2030 Agenda for Sustainable Development;
- b) The development of the ROSSC business case was conducted in a consultative manner with ESARO liaising with the Division for Management Services (DMS) to carry out process reviews of the supported Country Offices using RACI<sup>5</sup> analyses to identify efficiency opportunities and areas for improvement to be incorporated in the design of ROSSC; and
- c) Right from the onset of ROSSC, the documentation of lessons learned commenced and continued through its roll-out phase with the aim of developing better tools over time and improving the efficiency of the services provided to the Country Offices.

#### A.1 – GOVERNANCE

#### SOME IMPROVEMENT NEEDED

12. Based on the work performed in this area, two matters require Management attention.

##### Establish comprehensive terms of reference for ROSSC

13. The need and purpose for the establishment of ROSSC are articulated in various documents, including the business case,<sup>6</sup> the interoffice memorandum that approved its establishment, and the relevant regional strategy paper.<sup>1</sup> However, none of the documents reviewed comprehensively outlined the Centre's terms of reference, including its governance structure or framework. For instance, although the reporting lines for the six ROSSC personnel (see paragraph 10) are defined in the business case, other governance arrangements and management structure are not defined in the document. It is also difficult to establish the Centre's status as an entity within UNFPA, i.e., whether it is a separate business unit or a function within ESARO, and its reporting relationships with other business units in the Organization. Project management best practice requires well-defined terms of reference encompassing, at a minimum: (a) a project overview and purpose; (b) the main functions; (c) roles, responsibilities and reporting lines; (d) structure for delegation of authority; and (e) oversight responsibilities. Well-defined terms of reference, including a governance framework, would provide clarity of roles and responsibilities, appropriate guidance that enables efficient delivery of results, and could be a good basis for performance evaluation.

14. In the absence of a well-defined management structure and clear governance arrangements of its own, ROSSC assumed ESARO's reporting lines and delegated authority – helping to partially cover the gap.

<sup>5</sup> RACI model is a tool used for identifying roles and responsibilities – Responsible; Accountable; Contribution; Inform

<sup>6</sup> Business Case – Regional Operations Shared Service Centre, 4 Nov 2017 Version

ROOT CAUSE	Guidelines: inadequate Regional Office procedures. ( <i>Unclear Terms of Reference for ROSSC</i> )
IMPACT	Negatively affects project performance and the Centre's operational and management issues may not be timely identified, communicated, and remediated.
CATEGORY	Strategic.

**RECOMMENDATION 1**

**PRIORITY: HIGH**

*Develop comprehensive terms of reference for the Regional Operations Shared Service Centre to specify, amongst other aspects, a governance framework and arrangements, and a project management structure and reporting lines.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Director, ESARO*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *June 2022*

*ESARO Management will revise the current ROSSC terms of reference and share with various units that were involved in setting up the ROSSC, as well as getting inputs from other units.*

*The final document will be shared with all current ROSSC countries, as well as new countries signing the Service Level Agreement (SLA) with the ROSSC.*

*Review the delegation of authority arrangements between ROSSC and the Country Offices it supports in the context of the Internal Control Framework and the results accountability framework*

15. The effective application of internal control within UNFPA rests on the three cascading levels of controls, in line with the three lines of defense model, supplemented by an external line of defense.<sup>7</sup> The model addresses how specific duties related to risk and control are assigned and coordinated within the organization.

16. The existing Representatives' delegation of authority arrangements for financial oversight of their Country Offices, as outlined in the ICF and the accountability framework, require review and alignment in the context of the ROSSC arrangement.

17. The transaction processing arrangements at ROSSC require the delegation to the Centre of substantive management oversight responsibilities by UNFPA Representatives of the supported Country Offices, especially in relation to financial management, procurement review, and approval of transactions. The current arrangements are at odds with Country Offices' terms of reference, which state that Representatives are responsible and accountable to the Executive Director for all phases and aspects of financial activities delegated to the Country Offices. The arrangements are also at variance with the Representatives' employment contracts, which articulate financial management as one of their key duties and responsibilities.

18. Most of the Representatives interviewed expressed a need for amendments to their contractual terms of service to accommodate the current ROSSC arrangements, taking into consideration their existing delegated oversight responsibilities, especially because they have no direct control over the activities of ROSSC personnel. Most interviewees also indicated increased workloads on their part, perceived weakened financial management due to reduced human resource capacity (skills and numbers) at the supported

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<sup>7</sup> UNFPA Internal Control Framework (ICF)

Country Offices, and limited opportunities to develop local staff capacity because of a lack of clarity on how to execute their delegated authority.

ROOT CAUSE	Guidelines: inadequate Regional Office procedures. ( <i>Clarity and alignment of roles and responsibilities of staff in the RO and ROSSC</i> )
IMPACT	Accountability for delegated oversight responsibilities may be impaired.
CATEGORY	Operational.

<b>RECOMMENDATION 2</b>	<b>PRIORITY: HIGH</b>
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*Align the current delegation of authority at the supported Country Offices to the new roles and responsibilities foreseen under the Regional Operations Shared Service Centre.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Director, ESARO, with support from Director, Division for Human Resources (DHR)*      STATUS:      *Agree*

MANAGEMENT ACTION PLAN:      DUE DATE:      *September 2022*

*This will be linked to actions to be taken in Recommendation 1 above.*

*Further discussions will be undertaken with various Heads of Offices to clarify roles and agree on re-wordings, if necessary, to avoid misunderstanding.*

**A.2 – ROSSC ORGANIZATIONAL STRUCTURE AND STAFFING**

**MAJOR IMPROVEMENT NEEDED**

19. At the time of the audit, ROSSC had six approved staff posts comprising two national posts and four general service posts. In addition, ESARO staff supported ROSSC activities, with the Regional International Operations Manager overseeing the Centre’s day-to-day activities and reporting to the Regional Director. The approved posts were covered under the temporary appointment (TA) contractual modality and all staff were locally recruited.

20. The following three matters require Management’s attention.

*Clarify ROSSC roles, responsibilities, and communication protocols*

21. A review of communications between various ROSSC stakeholders including its personnel, ESARO, the UNFPA Procurement Services Branch (PSB), and the supported Country Offices revealed a lack of clarity in roles and responsibilities with respect to the Centre’s set-up and operations. As a result, there were several documented cases of duplication of effort and other inefficiencies such as additional layers of communication, especially in the execution of the Centre’s procurement processes. For example, instances were noted where the same procurement need would be separately communicated to PSB by ROSSC and the concerned Country Office with varying specifications – leading to considerable delays in the procurement process, as PSB sought to understand properly fulfil the exact procurement needs.

22. Further, two cases were noted when either ROSSC or ESARO personnel provided incorrect advice on third-party procurement (TPP) to the supported Country Offices, contradicting the advice provided by PSB. This led, in both cases, to significant confusion and delays in the concerned procurements and revealed a lack of clarity with regard to roles and responsibilities in the execution of transactions and provision of policy guidance on the part of ROSSC and ESARO personnel. As per applicable policy, TPP activities fall within PSB’s purview. In addition to highlighting the communication challenges within ROSSC, these two cases further exemplified the effects of not having in place a comprehensive terms of reference, as discussed in paragraph 13 above.

23. Interviews conducted with relevant Country Office personnel revealed that many were not aware of ROSSC's existence, its purpose, or their relationship with the Centre. Most of those interviewed stated that, despite being assigned key roles and responsibilities in the Centre, they were not informed of these during their hiring or induction into the Organization – adding to the lack of clarity on Centre's management structure and personnel roles and responsibilities.

ROOT CAUSE            Guidelines: inadequate management structure. (*Unclear roles and responsibilities of relevant business units at the RO and HQ*)

IMPACT                 There is reduced efficiency in ROSSC service delivery and missed opportunities for effective collaboration with other UNFPA business units.

CATEGORY             Strategic.

**RECOMMENDATION 3**

**PRIORITY: HIGH**

*Clarify and communicate to all concerned stakeholders the Regional Operations Shared Service Centre's management structure, personnel roles and responsibilities, the scope of services offered, and communication protocols with other UNFPA business units.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: Director, ESARO

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: October 2022

*This will be linked to actions to be taken in Recommendation 1 and will inform the scale up process.*

*A new ROSSC organogram will be developed, with indication of staff expected to be involved in processes at country level and a full communication plan with various clients will be put in place and a monitoring plan developed.*

Develop ROSSC personnel capacity

24. ROSSC is based on a remote working modality, which aims to move and consolidate tasks that are location-independent in one office. To achieve the aim, ROSSC designed a process that required the support of workflow tools. At the onset of the project, the workflow tool that was in place allowed Country Offices to designate users and approvers for service requests (for both procurement and finance). Standard Operating Procedures (SOPs) were also developed based on the Service Level Agreements (SLAs). Over time, both the SOPs and SLAs were reviewed and adjusted severally based on feedback obtained from various stakeholders. In addition, a new system, Jira, was introduced (see paragraph 49 below).

25. The above changes required frequent training and retooling of relevant personnel both at ROSSC and the supported Country Offices. Country Office staff members interviewed indicated a crucial need for training in this regard, pointing out inadequate knowledge of the overall organizational arrangements of ROSSC and the service transfer points from Country Offices to ROSSC for all covered processes. According to ROSSC Management, ROSSC did not have ample financial resources to effectively carry out field missions aimed at capacity building and to offer periodic refresher training in various areas.

ROOT CAUSE            Resources: insufficient financial resources. (*Lack of training on the new modalities of working with a shared service centre*)

IMPACT                 The efficiency of ROSSC service delivery may be adversely impacted by inadequate knowledge and skills of staff.

CATEGORY             Operational.

**RECOMMENDATION 4**

**PRIORITY: HIGH**

*Develop and implement a capacity-building plan that leverages on technology to address the knowledge and skills gaps identified by personnel of the Regional Operations Shared Service Centre and the supported Country Offices.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION:

Director, ESARO

STATUS:

Agree

MANAGEMENT ACTION PLAN:

*The communication plan will include regular meetings with Country Office teams, during which some training sessions will be organized.*

DUE DATE:

January 2023

*With close monitoring of the COVID crisis trend, as much as possible, Management will plan and allocate a budget for field visits to the Country Offices, as well as possible missions from Country Offices to the ROSSC for capacity building.*

Review ROSSC staff contractual modalities

26. ROSSC had an organigram approved by Division of Human Resources and each post in the organigram had a clearly documented job description with the requisite skillset, in line with the demands of the posts as envisaged in the business case document. Further, the organizational structure and its alignment to the role of ROSSC in the region was prepared following detailed workload analyses supported by the Division for Management Services.

27. However, ROSSC service delivery was initially impacted by prolonged vacancies in key positions during the first half of 2018. Most of the staff were recruited in the second half of 2018. The prolonged vacancies were attributed to, among other factors, a delay in obtaining Headquarters' approval of the ROSSC proposal; a delay in the creation of posts in the Atlas Human Capital Management (HCM)<sup>8</sup> system and use of the TA contractual modality, which was less attractive to qualified candidates thereby reducing the interest of a number of applicants.

28. Use of the TA contractual modality was necessitated by the nature of the ROSSC arrangement (not a business unit) and inadequate financial resources. While the contractual modality served its purpose, it may not be sustainable in the long term in attracting and retaining the best qualified personnel, especially given the intended expansion in the Centre's services and geographical coverage. For instance, some of the positions were re-advertised many times after the selected candidates declined the job offers on grounds of the contractual modality. At the time of the audit, a review of staff contractual modalities was underway.

29. With the intended scale up of services and geographical coverage, as discussed in paragraphs 68-71 below, additional analyses on human resource requirements to deliver expected results would be necessary to ensure that service delivery is not negatively impacted (See Recommendation 14 of this report).

ROOT CAUSE	Resources: insufficient human and financial resources. ( <i>Unsuitable use of TA contractual modalities to deliver ROSSC services</i> )
IMPACT	The ability to attract, hire and retain the best qualified candidates for the posts may be hindered.
CATEGORY	Operational.

<sup>8</sup> Atlas HCM is the UNFPA's human resources management system.

**RECOMMENDATION 5**

**PRIORITY: MEDIUM**

*Complete the review of contractual modalities, as appropriate, considering the Centre's planned expansion of service delivery and geographical coverage and the availability of the necessary resources and other relevant factors.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION:

Director, ESARO, with support from Director, DHR

STATUS: Agree

MANAGEMENT ACTION PLAN:

*Almost all ROSSC staff contracts have been converted from TA to Fixed Term Appointment, and the analysis will continue in the scale up process, taking into account the new services added and new Country Offices registered for ROSSC support.*

DUE DATE: August 2022

**B. ROSSC OPERATIONALIZATION**

**SOME IMPROVEMENT NEEDED**

Good practices identified

30. The following good practices in ROSSC governance were in line with established policies and procedures:

- a) A mid-term review of ROSSC was carried out by a team drawn from PSB and the UNFPA Finance Branch in August 2018. The team provided a detailed report highlighting recommendations to improve the Centre's efficiency in operations and service delivery. At the time of drafting this report, most of the recommendations were already implemented; and
- b) ROSSC staff registered high completion rates for all three phases of the staff performance appraisal and development process in 2018, 2019 and 2020, within established deadlines.

**B.1 – MANAGEMENT OVERSIGHT OVER ROSSC**

**SOME IMPROVEMENT NEEDED**

31. Based on the work performed in this area, one matter requires Management attention.

Strengthen management (ESARO) oversight over ROSSC planning and reporting of results

32. During the period under review, ROSSC did not prepare any annual management plans to set out the results to be achieved and the risks to be managed in achieving the results, as required by applicable policy. Consequently, ROSSC did not measure or monitor any results and report on them during the period – mainly attributable to the fact that the Centre's status as an entity within UNFPA remained unclear (see paragraph 13). The ROSSC tried to develop results and reporting framework templates for its procurement and finance services and submitted these for review and approval to PSB and DMS, respectively. However, at the time of the audit, the templates remained in draft with the comments provided by DMS yet to be addressed.

33. In the absence of reported results, it was difficult to review the progress made and ascertain what to change towards the implementation of its remaining two phases. According to the ROSSC business case document, the roll-out of Phase II was expected to take place in 2019, yet it had not commenced at the time of the audit.

ROOT CAUSE	Guidance: inadequate guidance by the concerned Regional and Headquarters offices. <i>(Unclear status of the Centre as an entity with target results to be achieved)</i>
IMPACT	Management's ability to make informed decisions may be hindered by the lack of tracking and reporting of results.
CATEGORY	Reporting.

<b>RECOMMENDATION 6</b>	<b>PRIORITY: HIGH</b>
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*Strengthen a more systematic results planning and the monitoring and reporting of progress against the planned results.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION:

Director, ESARO, with support from Director, DMS

STATUS:        *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE:     *January 2023*

*As indicated in Recommendation 4 above, regular meetings will be planned to improve communication between ROSSC and the Country Offices. Meeting recommendations will be monitored, and implementation regularly updated. There will be ROSSC technical team meetings (at least monthly) and ROSSC Management team meetings (every two months) for service feedback review. In the meantime, ad hoc meetings may be called as needed. All ROSSC staff will have client service satisfaction in their PADs.*

**B.2 – ROSSC RISK MANAGEMENT**

**MAJOR IMPROVEMENT NEEDED**

34.        Based on the work performed in this area, the following matter requires Management attention.

*Conduct periodic ROSSC strategic and fraud risk assessments*

35.        ESARO completed fraud risk assessments, as well as strategic risk assessments, for 2018, 2019 and 2020, as part of the corporate Enterprise Risk Management (ERM), using the 'myRisks' functionality in the Strategic Information System.

36.        ROSSC was neither incorporated in the specified ESARO risk assessments, nor required to conduct its risk assessments (the latter mainly being the result of it not being a separate business unit). Consequently, the Centre did not have any documented risks identification, assessments nor risk mitigation plans. Further, it was unclear how the supported Country Offices assessed and articulated risks in relation to the services rendered by the Centre.

37.        Although not documenting risks and mitigation controls in 'myRisks', ROSSC personnel were aware of the risks facing the Centre and proactively worked with Headquarters units to manage these, as demonstrated through the well-informed risk responses provided in the mid-term review conducted by PSB and the Finance Branch.

38.        While noting the recent corporate decision, necessitated by the Covid-19 pandemic, to introduce a risk-based differentiated approach to risk management that concentrates on 30 business units facing the highest risk levels, ROSSC is encouraged, in line with best practice project management, to prepare and implement periodic project-specific risk assessments and risk mitigation plans, especially in view of its planned expansion in service offerings and geographical coverage.

ROOT CAUSE            Guidelines: inadequate risk management processes. (*Undefined ERM processes to be applied for the ROSSC as a service entity in UNFPA*)

IMPACT                 The ability to develop and implement appropriate mitigating measures to address risks is limited.

CATEGORY             Strategic.

**RECOMMENDATION 7**

**PRIORITY: HIGH**

*Conduct and document periodic project-specific strategic and fraud risk assessments and develop appropriate action plans; and assign responsibilities and accountabilities for the management of the identified risk areas.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION:

Director, ESARO

STATUS:

*Agree*

MANAGEMENT ACTION PLAN:

DUE DATE:

*July 2022*

*Since ROSSC is not a business unit, ESARO Management will work with the ERM team to have the ROSSC risk management clearly included in the ESARO ERM. On the other hand, ESARO Management will keep communication with the ERP team for ROSSC consideration in the finalization of the ERP Process.*

**B.3 – ROSSC CLIENT HANDLING**

**SOME IMPROVEMENT NEEDED**

39.            Audit work performed in this area included a review of: (a) the ROSSC business case document; (b) the Service Level Agreement between ROSSC and the Country Offices it supports; (c) the finance and procurement Standard Operating Procedures; (d) the finance and procurement results and reporting framework; and (e) interviews with Management on ROSSC activities.

40.            Based on the work performed in this area, the following matter requires Management attention.

*Improve communication between ROSSC and the Country Offices it supports*

*Strategic level communication*

41.            Two of the supported Country Offices indicated that no mechanisms were in place for providing their suggestions or prioritizing their contribution of ideas nor for escalating issues they raise related to the implementation of ROSSC. The main issues cited were (i) the loss of Country Office management control over and knowledge of operational activities; (ii) the effect of the transfer of certain roles and responsibilities from the Country Offices to ROSSC on staff morale, including the loss of opportunity and ability to learn on the job (especially for locally recruited staff); and (iii) the perception that existing ROSSC arrangements are unfriendly to the supported Country Offices, i.e. the ROSSC clients; and are not inclusive, and (iv) they had no means of holding ROSSC accountable for its responsibilities under the SLAs.

42.            ROSSC held quarterly meetings with each supported Country Office, in which country-specific issues were discussed with a view to finding workable solutions that could then be shared with all the Country Offices where relevant or applicable. However, the meetings mainly discussed routine operational and transactional matters.

*Operations level communication*

43.            Further, the supported Country Offices reported significant delays in service delivery during the period under review (see details in section D). ROSSC, with support from the Information Technology Solutions Office (ITSO), introduced a new system (see more details in section B.4) to enhance visibility and

improve communication on the status of services requested through dashboards. However, at the time of the audit, the dashboards were not fully configured to provide all the status updates required by the supported Country Offices, especially at the individual staff level (see additional details in paragraphs 26 and 27 above).

44. It is noted that ROSSC instituted a customer feedback mechanism, which involved customer satisfaction surveys for individual transactions processed. The mechanism presented an opportunity to carry out frequent additional analyses to highlight any emerging trends or themes on service related issues. However, the high frequency of the surveys necessitated their reduction to a quarterly basis through meetings between ROSSC and relevant Country Office staff to address specific issues arising.

ROOT CAUSE	Guidelines: inadequate project management structure. <i>(Lack of effective feedback mechanism amongst key stakeholders)</i>
IMPACT	Ineffective dialog between ROSSC and its clients may adversely impact the achievement of expected results and the effectiveness and efficiency of programme delivery and operations at the supported Country Offices may be diminished.
CATEGORY	Operational.

<b>RECOMMENDATION 8</b>	<b>PRIORITY: MEDIUM</b>
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*Leveraging on existing arrangements, establish a more effective coordination and exchange mechanism for discussion, prioritization and follow-up on ideas, views, and issues in relation to the ROSSC implementation and operations.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION:  
Director, ESARO

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: January 2023

*This recommendation will be partially covered under the implementation of Recommendation 6 above. In addition, standard operating procedures will be developed to support various actions and a regular (quarterly) satisfaction survey report will be requested from Country Offices.*

**B.4 – ROSSC IT TOOLS & ICT TRANSFORMATION**

**MAJOR IMPROVEMENT NEEDED**

45. Based on the work performed in this area, the following two matters require Management attention.

*Incorporate the ROSSC IT needs in the new ERP system and the ICT transformation project*

46. As noted in paragraph 13, it was difficult to establish the status of ROSSC as an entity within UNFPA since it is not set up as a separate business unit. Under the ROSSC arrangements, Atlas<sup>9</sup> access and transaction processing rights previously assigned to Country Office staff were re-assigned to ROSSC personnel, with the Country Offices retaining transaction approval rights for business continuity purposes with the approval by ROSSC.

47. At the time of the audit, transactions were created by ROSSC under the respective Country Office business units in Atlas. Given the existing number of ROSSC personnel (six) and the relatively few supported Country Offices (five), the Atlas access rights arrangement adequately served its purpose. However, as the range of services and number of Country Offices are set to increase in the second and third phases of ROSSC, the existing approach to transaction processing, which requires the granting of special Atlas rights

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<sup>9</sup> Atlas – UNFPA’s Enterprise Resource Planning System.

for each supported business unit to ROSSC personnel, may cease to be practical, especially taking into consideration the segregation of duties requirements best suited for ROSSC process flows. In addition, the current Atlas arrangements make it impossible to directly identify or quantify ROSSC transactions for analyses, as there is no unique transaction identifier assigned to the Centre.

48. At the time of drafting this report, UNFPA was in the process of implementing a new Enterprise Resource Planning (ERP) system as part of its ICT transformation project. It was unclear during the audit, if the need for integration of ROSSC processes in the new ERP had been formally brought to the ERP project management panel for consideration or prioritization. The recommendation provided herein takes this development into consideration.

ROOT CAUSE	Guidance: inadequate guidance at the Regional Office level. <i>(Unclear status of the Centre as a business unit within UNFPA)</i>
IMPACT	This may result in a missed opportunity to integrate the Centre's current processes and future developments into the new ERP.
CATEGORY	Operational.

**RECOMMENDATION 9**

**PRIORITY: HIGH**

*Assess the feasibility of incorporating, the Regional Operations Shared Service Centre processes in the new Enterprise Resource Planning system, and escalate this to the ERP Project Board, for approval and integration in the ongoing corporate ICT transformation project.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION:

Director, ESARO with support from Directors, Division for Management Services (DMS), and Information Technology Solutions Office (ITSO)

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: September 2022

*ESARO Management will assess, together with the ERP Board, the inclusion of ROSSC in the new ERP. The team will work with DMS and ITSO, and if feasible, will support the process.*

Fully implement the new ROSSC delivery follow-up system

49. ROSSC, with support from the Information Technology Solutions Office (ITSO), introduced a new system (Jira®) to replace the workflow tool previously in use in the first quarter of 2020. The new system significantly improved service delivery and increased the number of transactions processed. Jira also provided enhanced visibility on the status of procurement and finance services requests through dashboards.

50. However, at the time of the audit, the system had not been fully configured to give more informative dashboards to provide updates to the COs, especially at the individual staff level (see additional details in paragraphs 24 and 25 above).

ROOT CAUSE	Resources: insufficient human (skills) and technical resources. <i>(Limited resources to provide personnel with the needed training on the use of the new system)</i> Guidance: inadequate supervision at the Regional Office level. <i>(Lack of follow up to oversee the full implementation of the new system)</i>
IMPACT	Achievement of expected results and the efficiency of programme delivery and operations at the supported Country Offices may be diminished.

CATEGORY Operational.

**RECOMMENDATION 10**

**PRIORITY: MEDIUM**

*Fully implement a transparent tracking and communication mechanisms to monitor and report on progress made in the delivery of services requested by the supported Country Offices, in line with the Service Level Agreements; and monitor compliance thereof.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: Director, ESARO

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: January 2023

*The ROSSC team will work with ITSO to improve Jira reports and improve Country Office managers' review and monitoring of services received from ROSSC.*

**C. SUPPORT FUNCTIONS TO COUNTRY OFFICES**

**SOME IMPROVEMENT NEEDED**

Good practices identified

51. The following good practices in the Centre's support functions were identified, in line with established policies and procedures:

- a) ROSSC developed SOPs for procurement and finance processes that included agreed turnaround timeframes for processing service requests from the supported Country Offices. The timeframe in the SOPs can be easily adapted as performance indicators;
- b) ROSSC introduced JIRA as a workflow management system in January 2020. This led to significant improvement in service delivery to the supported Country Offices. At the onset of the Covid-19 pandemic, Jira enabled business continuity in light of the remote working arrangements that came into effect;
- c) ROSSC had a value-added tax (VAT) focal point person that handled all VAT returns, reconciliations and claims for all the supported Country Offices. The arrangement provided an avenue for all the Country Offices to claim VAT for goods and services procured from South Africa, which was previously not possible due to their geographical locations;
- d) In addition to the good practice of well-documented lessons learned and the development of better tools noted in paragraph 11c), ROSSC and the supported Country Offices developed SOPs, checklists, workflow procedures and instituted a feedback mechanism at the transaction processing level; and
- e) ROSSC created an internal knowledge base as the main reference source for information on the Centre, common tools procedures, and transaction feedback mechanisms. Management's intention to innovate, enhance and standardize ROSSC tools was an ongoing initiative at the time of drafting this report and is acknowledged and encouraged.

**C.1 – PROCUREMENT**

**SOME IMPROVEMENT NEEDED**

52. During the period under review, ROSSC provided procurement services covering the following areas: (a) planning; (b) the bidding process; (c) Contracts Review Committee process; (d) requisitioning; (e) purchase order issuance; (f) delivery; (g) invoicing; and (h) payment. ROSSC processed 2,078 procurement transactions for goods and services during the period.

53. Audit work performed in this area included the review of 40 selected procurement transactions to verify that the supported Country Offices received quality and efficient services from ROSSC and that the

procurement services were executed in compliance with the timeframes specified in the corresponding SOPs.

54. Based on the work performed in this area, the two matters require Management attention.

*Consolidate Country Offices' procurement plans and utilize Long-Term Agreements where appropriate to benefit from economies of scale*

55. The capacity of the supported Country Offices to prepare and use proper procurement plans varied with each Office. Similarly, procurement staff capacity (both skills and numbers) to conduct strategic and operational procurement activities at the Country Office level also varied. The use of Country Office procurement plans was, therefore, ad-hoc and, without a consolidated procurement plan, ROSSC did not have an overview of the supported Country Offices' procurement needs – potentially missing out on opportunities to conduct market research and avail of economy of scale opportunities through bulk regional procurement. Requests for procurement services were often unpredictable, leading to process delays and work overload peaks in some periods and significant slack in others.

56. Further, no mapping exercise of the Long-Term Agreement (LTA) held by other UN system organizations in the region was conducted to identify opportunities for cross-reliance on these LTAs, which typically ensure a reliable supply for goods and services that are requested on a regular basis at the lowest possible prices. Similarly, there was no evidence of data and information sharing on suppliers with other UN system organizations.

ROOT CAUSE	Guidance: inadequate supervision at the Regional Office level. <i>(Lack of follow up mechanism to manage COs procurement planning activities)</i>
IMPACT	The effectiveness and efficiency of the procurement process, as well as the ability to obtain value-for-money, may be impaired.
CATEGORY	Operational.

<b>RECOMMENDATION 11</b>	<b>PRIORITY: MEDIUM</b>
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*Enhance the efficiency of the Regional Operations Shared Service Centre's procurement activities by consolidating the supported Country Offices' procurement plans and raising the awareness of relevant staff on the need to share data and information on suppliers and explore opportunities for using Long-Term Agreements used by other UN organizations in the Region.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION:

Director, ESARO

STATUS:

Agree

MANAGEMENT ACTION PLAN:

DUE DATE:

February 2023

*In coordination with PSB, the ROSSC procurement team will ensure that Country Office procurement plans are shared with ROSSC for input. ROSSC will support the Country Offices in procurement plan implementation and monitoring.*

*The review and validation of procurement plans will be undertaken with the main objective of identifying long term local and regional procurement opportunities to piggyback on UN LTAs or establish new LTAs (mainly as joint UN processes).*

*ROSSC will ensure the validity of LTA coverage for frequently procured goods and services, paying special attention to critical services. Further, ROSSC will map the current UN LTA coverage of the region to identify new LTA requirements and the opportunities available for piggybacking and promoting harmonized procurement initiatives.*

Finally, ROSSC will clearly designate a staff member who will attend the South Africa Operations Management Team (OMT) as well as the Regional OMT, to ensure that various LTA or procurement processes consider cross boarding locations in case the South Africa-based companies with UN LTAs are represented in neighbouring countries or can deliver services in those countries.

Improve the timeliness of the procurement process at ROSSC

57. Of the procurement transactions reviewed, 45 per cent (18 out of 40) were processed after the timelines specified in the SLA for transaction types.<sup>10</sup> The delays in the procurement process ranged from 3 to 50 days. All the supported Country Offices indicated significant delays in the procurement process in 2018 and 2019, with a marked improvement in service delivery from 2020 onwards.

58. ROSSC Management attributed the delays to several factors: (a) prolonged vacancies in staff positions in the first half of 2018 (see paragraph 27); (b) a steep learning curve for the newly recruited ROSSC staff in the second half of 2018 and first half of 2019; (c) the protracted development of SOPs which required some learning; and (d) workflow tool enhancements that were not accompanied by training (see paragraph 27).

ROOT CAUSE	Resources: insufficient human resources (capacity and skills). ( <i>Prolonged vacancies and steep learning curve for newly recruited personnel</i> )
	Guidance: inadequate supervision at the Regional Office level. ( <i>Inadequate learning and training</i> )
IMPACT	Non-compliance with SOPs may impede the quality and timely delivery of services and the non-availability of commodities when needed.
CATEGORY	Operational.

**RECOMMENDATION 12**

**PRIORITY: HIGH**

*Establish and implement a service delivery improvement plan and transparent tracking and communication mechanisms to monitor and report on progress made in the delivery of services requested by the supported Country Offices in line with the Service Level Agreements and monitor compliance thereof.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: Director, ESARO

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: January 2023

*Jointly with various Country Offices, the ROSSC team will develop a monitoring tool to be shared with each office. The tool will include the service request and closing dates, to help in respecting deadlines in the Service Level Agreements.*

**C.2 – FINANCE**

**SOME IMPROVEMENT NEEDED**

59. Based on the work performed in this area, besides the issues already covered in paragraph 58, which touch on compliance with the financial SOPs, the following matter needs Management attention.

Delayed processing of payments to vendors

60. Country Offices experienced some delays in processing payments that took longer than the SLA timeline of three days. Out of the transactions reviewed, 53 per cent (21 out of 40) were processed after the

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<sup>10</sup> Transaction types refer to procurement sub-processes agreed upon in the SLA and included in the procurement SOP.

SLA-specified timelines, with delays ranging from 5 to 38 days. In some cases, the delays affected programme activities in the supported Country Offices.

61. The delays were attributed to several factors, mentioned earlier, including: (a) the newly recruited ROSSC staff members (see paragraph 27) requiring some time to acquire and internalize the necessary knowledge and understanding of UNFPA processes and procedures; (b) the existing ROSSC workflow tools required enhancements to streamline transaction processing and to reduce the number of requests for the same service (see paragraphs 49-50); (c) the realignment and approval of Atlas access rights for relevant Country Office and ROSSC personnel (see paragraphs 46-48); and (d) communication challenges between ROSSC and Country Office personnel (see paragraphs 41-44).

62. No recommendation is provided here as Recommendation 12 above addresses the issue of delivery of services under the SLAs.

*Enhance controls over review and approval of financial transactions*

63. The in-depth review of one of the supported Country Offices revealed few instances where incorrect fund codes were used to process payment vouchers. In another case, a voucher was processed, and payment was made to an incorrect supplier. The errors were attributed to limited visibility, by ROSSC personnel, on the Country Office's programmatic activities.

64. Although accounting entries were made to correct the fund codes and a full recovery made from the concerned supplier, these instances exemplify a need to enhance control over the processing and recording of financial transactions and to develop ROSSC personnel capacity, as discussed in paragraphs 24-25.

ROOT CAUSE	Guidance: inadequate supervision at the Regional Office level. ( <i>Lack of adequate reviews of payment vouchers</i> ) Resources: inadequate training.
IMPACT	There is increased risk of inaccurate financial reporting and financial loss.
CATEGORY	Reporting.

**RECOMMENDATION 13**

**PRIORITY: MEDIUM**

*Provide training and raise the awareness of relevant staff on the need to correctly record financial transactions and implement review and supervisory procedures to prevent the charging of expenses to erroneous fund codes and payments to incorrect vendors.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION:

Director, ESARO

STATUS:

Agree

MANAGEMENT ACTION PLAN:

DUE DATE:

October 2022

*Regular meetings and document review sessions will be held with Country Offices. ESARO Management will include part of the costs related to training ROSSC staff in the regional training budget. Support may be requested from DMS too, after analysing Country Office needs.*

**D. NEXT STEPS**

**SOME IMPROVEMENT NEEDED**

**D.1 – LESSONS LEARNED**

**EFFECTIVE**

65. Audit work performed in this area consisted of the review of the documentation of good practices and lessons learned in Phase I of the ROSSC roll-out and interviews with Management on ROSSC activities.

66. The documentation of lessons learned commenced right at the onset of ROSSC and continued throughout its roll-out phase, with the aim of developing better tools and improving the efficiency of services. A mid-term review of ROSSC was undertaken to highlight recommendations and lessons learned aimed at improving the Centre’s efficiency in operations and service delivery. Most of the review’s recommendations were fully implemented at the time of the audit fieldwork

**D.2 – SUSTAINABILITY AND SCALABILITY**

**SOME IMPROVEMENT NEEDED**

67. Based on the work performed in this area, one matter requires Management attention.

Assess the resource requirements for the intended scale-up of ROSSC services and geographical coverage

68. The stated long-term vision for ROSSC is to provide services to all Country Offices in the East and Southern Africa region, in varying degrees, based on the (residual) operational capacities that will be maintained in each Country Office.<sup>11</sup> The scaling is planned to take place in a phased manner, as discussed in paragraph 8. At the time of the audit fieldwork, the ROSSC funding mechanism mainly relied on the realignment of posts from ESARO and the supported Country Offices to provide human resources.

69. Effectively scaling up services and geographical coverage requires having in place robust systems and procedures and a strong knowledge base that simplifies and accelerates the prioritization and execution of tasks. The ROSSC business case document highlights a roll-out plan for scaling up and indicates the conditions – such as optimal staffing – that would need to be in place before embarking on the next phases of the project.

70. An assessment of the ROSSC current processes, tools, and staff ability, as well as the required human and financial resource investments to handle increased demands, is needed to determine the potential for scalability. The well-documented lessons learned from Phase I of ROSSC implementation would be a useful starting point for making the assessment and minimizing disruptions and delays in implementing the upcoming phases. Further, additional sources of investment in the Centre are yet to be identified.

<sup>11</sup> ROSSC Business Case.

71. In addition, the experience gained during the Covid-19 pandemic is of direct relevance: several Country Offices besides the original five, successfully sought and received procurement and financial management services from ROSSC. This demonstrated that the adoption and establishment of a shared service centre, is an organizational arrangement for a more efficient and timely conduct of UNFPA’s business and delivery of services as well as an important mechanism for business continuity. It also indicates the potential for its sustainability and scalability in the medium and long-term should the lessons learned be adopted accordingly.

ROOT CAUSE	Resources: insufficient financial and human resources. <i>(Limited investment to fund the Centre’s human and financial resource requirement)</i>
IMPACT	The planned expansion of ROSSC services and geographical coverage may be disrupted or delayed.
CATEGORY	Strategic.

**RECOMMENDATION 14**

**PRIORITY: HIGH**

*Assess the Regional Operations Shared Service Centre funding requirements and staffing arrangements and align them, as appropriate, to the needs of scaling up the project’s services and geographical coverage in the next phases of its implementation.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION:

Director, ESARO with support from Directors, DHR and DMS

STATUS:

Agree

MANAGEMENT ACTION PLAN:

*With support from DHR and DMS, ESARO Management will ensure that the funding requirements and staffing arrangements are considered in the new Regional Programme and Strategic plan.*

DUE DATE:

January 2023

**D.3 – ROSSC RELATION TO UN REFORM “BOS”**

**SOME IMPROVEMENT NEEDED**

72. Based on the work performed in this area, one area requires Management attention.

Define the ROSSC role and position in regional UN Reform initiatives

73. It is apparent that the establishment of ROSSC is anchored in the United Nations Secretary General’s strategic direction outlined in a December 2017 report<sup>2</sup> to reposition the UNDS to better respond to the 2030 Agenda for Sustainable Development (see paragraph 9). Discussions with Management revealed an aspiration for the ROSSC to be a pillar of the regional inter-agency support centre as part of the UN Reform initiatives.

74. However, there was no evidence that concrete steps were taken to position the ROSSC as such, to implement the recommendations included in the Joint Inspection Unit (JIU) report<sup>12</sup> on opportunities to improve efficiency and effectiveness in administrative support services, or to make advancements in the relevant initial six potential areas for consolidation of business operations cited in the Secretary-General’s report, i.e., (a) to establish common back-offices (CBO) for all United Nations Country Teams (UNCT) by 2022; (b) ensure compliance with an improved “BOS” by 2021; (c) increase the proportion of UN common premises to 50 per cent by 2021; (d) explore various options, including the possible consolidation of location-independent business operations into six or seven networks of shared services centres; (e) a new

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<sup>12</sup> Joint Inspection Unit 2018 report: Opportunities to improve efficiency and effectiveness in administrative support services by enhancing inter-agency cooperation, JIU/REP/2018/5.

generation of UNCTs; and (f) integrating United Nations Information Centres into Resident Coordinator’s Offices.

75. According to Management, ROSSC intends to actively participate in collaborative structures, such as the Business Operations Strategy (“BOS”), Operations Management Teams, the UN Secretary-General’s reform agenda outcomes, and other joint initiatives at the country level. The establishment of comprehensive terms of reference for ROSSC, as discussed in paragraph 13, could be a good starting point for clarifying the Centre’s involvement in UN Reform initiatives.

ROOT CAUSE	Guidelines: inadequate Regional Office procedures. ( <i>Unclear roles and position in the regional UN Reform initiative</i> )
IMPACT	This may result in a missed opportunity to integrate ROSSC operations in UN Reform initiatives.
CATEGORY	Strategic.

<b>RECOMMENDATION 15<sup>13</sup></b>	<b>PRIORITY: MEDIUM</b>
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*As part of establishing the Regional Operations Shared Service Centre’s terms of reference (Recommendation 1 of this report), articulate and advocate its role and position in the regional UN Reform initiatives as a potential pillar for the regional inter-agency support centre, and monitor its progress towards improving efficiency and effectiveness in the provision of administrative support services.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION:

Director, ESARO, with support from the Director, DMS

STATUS: Agree

MANAGEMENT ACTION PLAN:

*As indicated under Recommendation 11, ROSSC will be fully represented in the Regional OMT to ensure that UNFPA interests are considered in various decisions.*

DUE DATE: November 2022

*ROSSC is already putting UNFPA ahead of other agencies in the region, giving it a step ahead of the upcoming CBO process involving East and Southern Africa Country Offices (CBO pilot phase 1 - Tanzania, Kenya, and Ethiopia; CBO pilot phase 2 - Zimbabwe and Eritrea).*

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<sup>13</sup> Recommendations #1 and #7 will be followed up jointly.

## ANNEX 1 - DEFINITION OF AUDIT TERMS

### A. AUDIT RATINGS

Audit rating definitions, adopted for use in reports for audit engagements initiated as from 1 January 2016,<sup>14</sup> are explained below:

<ul style="list-style-type: none"> <li>▪ <b>Effective</b></li> </ul>		<p>The assessed governance arrangements, risk management practices and controls were adequately designed and operating effectively to provide reasonable assurance that the objectives of the audited entity/area should be achieved.</p> <p>The issue(s) and improvement opportunities identified, if any, did not affect the achievement of the audited entity or area's objectives.</p>
<ul style="list-style-type: none"> <li>▪ <b>Some improvement needed</b></li> </ul>		<p>The assessed governance arrangements, risk management practices and controls were adequately designed and operating effectively but needed some improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved.</p> <p>The issue(s) and improvement opportunities identified did not significantly affect the achievement of the audited entity/area objectives. Management action is recommended to ensure that identified risks are adequately mitigated.</p>
<ul style="list-style-type: none"> <li>▪ <b>Major improvement needed</b></li> </ul>		<p>The assessed governance arrangements, risk management practices and controls were generally established and functioning but need major improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved.</p> <p>The issues identified could significantly affect the achievement of the objectives of the audited entity/area. Prompt management action is required to ensure that identified risks are adequately mitigated.</p>
<ul style="list-style-type: none"> <li>▪ <b>Not effective</b></li> </ul>		<p>The assessed governance arrangements, risk management practices and controls were not adequately established or functioning to provide reasonable assurance that the objectives of the audited entity/area should be achieved.</p> <p>The issues identified could seriously compromise the achievement of the audited entity or area's objectives. Urgent management action is required to ensure that the identified risks are adequately mitigated.</p>

### B. CATEGORIES OF ROOT CAUSES AND AUDIT ISSUES

**Guidelines:** absence of written procedures to guide staff in performing their functions

- Lack of or inadequate corporate policies or procedures
- Lack of or inadequate Regional and/or Country Office policies or procedures
- Inadequate planning
- Inadequate risk management processes
- Inadequate management structure

**Guidance:** inadequate or lack of supervision by supervisors

- Lack of or inadequate guidance or supervision at the Headquarters and/or Regional and Country Office level
- Inadequate oversight by Headquarters

**Resources:** insufficient resources (funds, skills, staff) to carry out an activity or function:

- Lack of or insufficient resources: financial, human, or technical resources
- Inadequate training

<sup>14</sup> Based on the proposal of the Working Group on harmonization of engagement-level audit ratings approved by the United Nations Representatives of Internal Audit Services (UN-RIAS) in September 2016

**Human error:** un-intentional mistakes committed by staff entrusted to perform assigned functions

**Intentional:** intentional overriding of internal controls.

**Other:** factors beyond the control of UNFPA.

### C. PRIORITIES OF AGREED MANAGEMENT ACTIONS

Agreed management actions are categorized according to their priority, as a further guide to Management in addressing the related issues in a timely manner. The following priority categories are used:

- **High** Prompt action is considered imperative to ensure that UNFPA is not exposed to high risks (that is, where failure to act could result in critical or major consequences for the organization).
- **Medium** Action is considered necessary to avoid exposure to significant risks (that is, where failure to act could result in significant consequences).
- **Low** Action is desirable and should result in enhanced control or better value for money. Low priority management actions, if any, are discussed by the audit team directly with the Management of the audited entity during the course of the audit or through a separate memorandum upon issued upon completion of fieldwork, and not included in the audit report.

### D. CATEGORIES OF ACHIEVEMENT OF OBJECTIVES

These categories are based on the COSO framework and derived from the INTOSAI GOV-9100 Guide for Internal Control Framework in the Public Sector and INTOSAI GOV-9130 ERM in the Public Sector.

- **Strategic** High level goals, aligned with and supporting the entity's mission
- **Operational** Executing orderly, ethical, economical, efficient, and effective operations and safeguarding resources against loss, misuse, and damage
- **Reporting** Reliability of reporting, including fulfilling accountability obligations
- **Compliance** Compliance with prescribed UNFPA regulations, rules, and procedures, including acting in accordance with Government Body decisions, as well as agreement specific provisions

## GLOSSARY

Acronym	Description
<b>Atlas</b>	UNFPA's Enterprise Resource Planning System
<b>BOS</b>	Business Operations Strategy
<b>CBO</b>	Common Back Office
<b>CO</b>	Country Office
<b>DHR</b>	Division for Human Resources
<b>DMS</b>	Division for Management Services
<b>ERM</b>	Enterprise Risk Management
<b>ERP</b>	Enterprise Resource Planning
<b>ESARO</b>	East and Southern Africa Regional Office
<b>HCM</b>	Atlas Human Capital Management system
<b>ICF</b>	Internal Control Framework
<b>ICT</b>	Information and Communications Technology
<b>ITSO</b>	Information Technology Solutions Office
<b>LTA</b>	Long Term Agreement
<b>OAIS</b>	Office of Audit and Investigation Services
<b>OMT</b>	Operations Management Team
<b>PSB</b>	Procurement Services Branch
<b>RACI</b>	Responsible; Accountable; Contribution; Inform
<b>ROSSC</b>	Regional Operations Shared Service Centre
<b>SOP</b>	Standard Operating Procedures
<b>SLA</b>	Service Level Agreement
<b>TA</b>	Temporary Appointment
<b>TPP</b>	Third-Party Procurement
<b>UN</b>	United Nations
<b>UNCT</b>	United Nations Country Team
<b>UNDS</b>	United Nations Development System
<b>UNFPA</b>	United Nations Population Fund
<b>UNSDG</b>	United Nations Sustainable Development Group
<b>USD</b>	United States Dollars
<b>VAT</b>	Valued-Added Tax