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OFFICE OF AUDIT AND INVESTIGATION SERVICES

ASSESSMENT OF THE UNFPA
ENTERPRISE RISK MANAGEMENT (ERM) PROCESS

FINAL REPORT

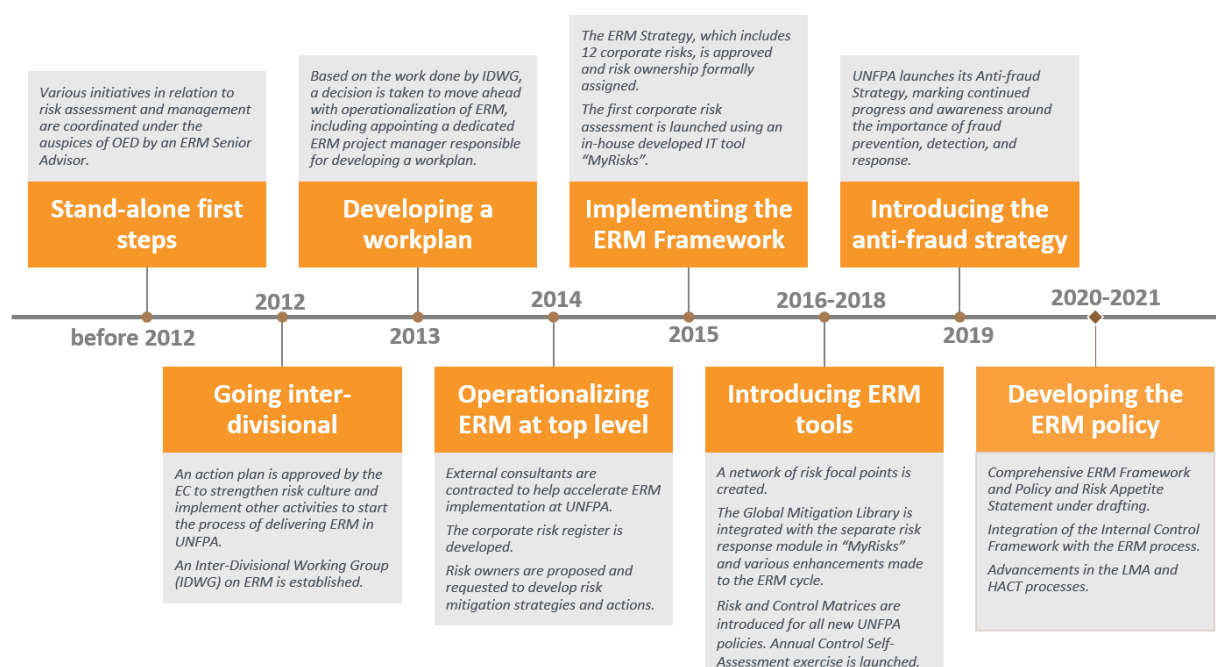Nº IA/2021-04

27 July 2021

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EXECUTIVE SUMMARY

1.   The Office of Audit and Investigation Services (OAIS) performed an assessment of the UNFPA Enterprise Risk Management (ERM) process.

Background

2.   The evolution of ERM at UNFPA is schematically summarized below.

Various initiatives in relation to risk assessment and management are coordinated under the auspices of OED by an ERM Senior Advisor.

Based on the work done by IDWG, a decision is taken to move ahead with operationalization of ERM, including appointing a dedicated ERM project manager responsible for developing a workplan.

The ERM Strategy, which includes 12 corporate risks, is approved and risk ownership formally assigned.

The first corporate risk assessment is launched using an in-house developed IT tool "MyRisks".

UNFPA launches its Anti-fraud Strategy, marking continued progress and awareness around the importance of fraud prevention, detection, and response.

| **Stand-alone first steps** | **Developing a workplan** | **Implementing the ERM Framework** | **Introducing the anti-fraud strategy** |

| before 2012 | 2012 | 2013 | 2014 | 2015 | 2016-2018 | 2019 | 2020-2021 |

| **Going inter-divisional** | **Operationalizing ERM at top level** | **Introducing ERM tools** | **Developing the ERM policy** |

An action plan is approved by the EC to strengthen risk culture and implement other activities to start the process of delivering ERM in UNFPA.

An Inter-Divisional Working Group (IDWG) on ERM is established.

External consultants are contracted to help accelerate ERM implementation at UNFPA.

The corporate risk register is developed.

Risk owners are proposed and requested to develop risk mitigation strategies and actions.

A network of risk focal points is created.

The Global Mitigation Library is integrated with the separate risk response module in "MyRisks" and various enhancements made to the ERM cycle.

Risk and Control Matrices are introduced for all new UNFPA policies. Annual Control Self-Assessment exercise is launched.

Comprehensive ERM Framework and Policy and Risk Appetite Statement under drafting.

Integration of the Internal Control Framework with the ERM process.

Advancements in the LMA and HACT processes.

3.   The overall objective of the assessment was to review the efficiency and effectiveness of the ERM process, with the aim of providing feedback to UNFPA Management on:

   a)   The current maturity stage of the UNFPA ERM process design and implementation with respect to the Reference Maturity Model for risk management (thereafter referred to as "(RMM)") developed by the High-level Committee on Management (HLCM);

   b)   UNFPA ERM practices measured against those included in the Joint Inspection Unit (JIU) report on "Enterprise Risk Management: approaches and uses in the United Nations system organizations";[1]

   c)   The effectiveness of the ERM process to manage risks, as well as opportunities for improvement on the various dimensions considered during the assessment.

Methodology and scope

4.   The assessment was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*, which require that internal auditors plan and perform the engagement to obtain reasonable assurance on the adequacy and effectiveness of governance, risk management and internal control processes in place over the in-scope areas and activities. The assessment included reviewing and analyzing, on a test basis, information that provided the basis for the assessment conclusions.

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[1] Using the draft report issued in May 2020 and verified with the final report following its issuance in October 2020.

5.   The methodology for the assessment included interviews and discussions with various UNFPA stakeholders of varying seniority and from different geographical locations – covering Headquarters and all six regions where UNFPA is present – and the review of documents, meeting minutes of various UNFPA governance organs, terms of reference for various business units, risk assessment and response activities undertaken by a select number of business units as part of the annual ERM cycles, ERM-related learning materials used to train UNFPA personnel, testimonials, the "*myRisks*" tool,[2] past audit findings on ERM of both OAIS and the Board of Auditors, and other relevant information. The assessment focused on the existing ERM framework and covered the 2018, 2019 and 2020 ERM cycles. Information, documents and records from previous cycles were examined, as deemed necessary. In addition, the assessment included attendance at several ERM training and facilitation sessions conducted as part of the 2020 ERM cycle, to understand the challenges and issues faced by field offices.

6.   It should be noted that both the RMM (presented in detail in Annex I) and the JIU ERM benchmarks (presented in Annex II) use the terms "policy" and "framework" interchangeably. UNFPA refers to "policy" as the overarching document describing the ERM process in all its aspects. UNFPA defines "framework" as a sub-element of the ERM policy, which describes the taxonomy and inter-relations between risk categories, risk components and risk factors. To avoid any potential confusion, the report will use the UNFPA definitions when referring to "policy" or "framework", considering that the RMM terminology ("ERM Framework and Policy") and the JIU benchmark terminology ("Policy and/or framework") to refer only to "policy" as defined by UNFPA.

7.   In addition, to provide more nuanced feedback on the implementation levels of JIU benchmarks, OAIS set up a five-level implementation measurement grading, from 'not started' to 'full implementation' (included in Annex II).

8.   For ease of reporting and to avoid duplication, the JIU benchmarks have been mapped to the RMM and detailed findings are presented in the report using the RMM dimensions: (a) ERM framework and policy; (b) governance; (c) process and integration; (d) systems and tools; (e) risk capabilities; and (f) risk culture.

Process maturity and risk appetite

9.   Maturing the ERM implementation should be considered together with the risk appetite of the organization. Considering the existing risk management capability and capacity constraints and the complexity of requirements and resource investment needed, reaching the highest RMM maturity level and implementing all JIU benchmarks should be considered an aspirational and long-term endeavour. Further, the body of experience in relation to the RMM and the JIU benchmarks, as reference points, is somewhat limited at this stage, given their relatively recent issuance.

Assessment results

10.   The results of the assessment highlight that UNFPA has progressed since the ERM process was operationalized in 2015 and the key areas for improvement noted in this report are not unique to the organization but are in line with current industry trends. The progress made thus far, as well as the planning and research conducted in earlier years prior to 2015, has created the groundwork to build a more integrated ERM process.

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[2] Functionality for managing the ERM process in UNFPA's Strategic Information System.

Reference Maturity Model for Risk Management dimensions

11.   The overall assessed maturity level of the ERM process in accordance with the RMM is Level 2 - **"Developing"** – which means that a structured implementation, a basic architecture, and some reporting and repeatable management processes are in place.

12.   The maturity levels assessed at UNFPA by RMM dimension are summarized in the table below.

RMM dimensions / Maturity levels	Level 1: Initial	Level 2: Developing	Level 3: Established	Level 4: Advanced	Level 5: Leading
ERM framework and policy	Limited framework components are in place				
Governance and organizational structure	The Organization has put in place some elements of a risk governance structure				
Process and integration	An isolated ERM process in place, lacking integration with business processes / controls				
Systems and tools	An IT tool in place, however lacking a reporting and monitoring functionality and links to other systems/tools				
Risk capabilities	Risk related competencies are recognized, however are based on individuals/units and vary with their innate skills and abilities				
Risk culture	The evaluation of risk and reward done in an ad hoc and intuitive manner				

Joint Inspection Unit ERM benchmarks

13.   The overall assessment of the implementation level exhibited by UNFPA ERM policies and practices compared to the JIU ERM benchmarks[3] is that the organization is primarily in the second stage – **"Some Progress"**– which means that the organization is making some progress in implementing ERM policies and practices fulfilling the JIU benchmarks.

14.   The level of progress by JIU benchmark is summarized in the table below.

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[3] See complete set of definitions in Annex II.

Implementation stage by JIU benchmark		
1	Adoption of a systematic and organization-wide risk management policy and/or framework linked to the organization's strategic plan	**Some progress**
2	Formally defined internal organizational structure for ERM with assigned roles and responsibilities	**Some progress**
3	Risk culture fostered by "tone at the top" with full commitment from all organizational levels	*Early stage*
4	Legislative/ governing body engaged with ERM at the appropriate levels	**Some progress**
5	Integration of risk management with key strategic and operational business processes	*Early stage*
6	Established systematic, coherent, and dynamic risk management processes	*Early stage*
7	Effective use of information technology systems and tools for enterprise risk management	**Some progress**
8	Communication and training plans to create risk awareness, promote risk policy, and establish risk capabilities for the implementation of enterprise risk management	**Some progress**
9	Periodic and structured review of effectiveness of ERM implementation for continuous improvement	*Early stage*

Key findings and recommended actions

15.   The assessment identified some good practices in the ERM process, as well as areas that require Management attention, some of a strategic nature, and others related to operational matters. Overall, the assessment report includes 11 high priority recommended actions designed to help the organization improve its ERM process. Of the 11 recommended actions, 7 are of strategic nature and 4 refer to operational matters.

16.   The recommended actions provided in this report are meant as direction pointers for UNFPA Management to progress in its ERM journey, including thinking through the optimal RMM maturity and JIU benchmark implementation stage for the organization. While some recommended actions could certainly be implemented within relatively short timeframes, others will require long-term capacity building, significant changes to the organizational risk culture, and tailored enhancements to business processes and internal controls – all of which may require longer timeframes for implementation. Therefore, the implementation of the recommended actions will be assessed at intervals considered appropriate for reporting in line with their nature and complexity, and be tracked separately from 'regular' audit recommendations, which ordinarily require a maximum implementation period of 18 months.

Good practices

17.   From an ERM policy perspective, UNFPA constituted a policy development working group to develop a comprehensive ERM framework and policy – demonstrating management's commitment to strengthen the ERM process.

18.   From an ERM governance perspective, risk ownership in the organization is assigned at the appropriate Management levels, with all risks in the corporate risk register assigned to individual Directors primarily in line with the management areas they are responsible for. The organization established a network of ERM focal points, spread across its geographical locations, responsible for assigned strategic risk areas and charged with responsibility to prepare action plans to reduce residual risk levels of their designated strategic risks.

19.   From a systems and tools perspective, UNFPA developed and continues to improve an in-house tool '*myRisks*', as part of its Strategic Information System, to facilitate the management and documentation of risk assessment and risk response activities in annual ERM cycles.

20.   Finally, in risk capabilities, several ERM training and facilitation sessions were arranged and conducted by the risk function in 2020, to strengthen the risk assessment process. The sessions were initiated following a decision by management, necessitated by the Covid-19 situation, to introduce a risk-based differentiated approach to risk assessments and concentrate the annual ERM cycle on 30 business units facing the highest risk levels in accordance with predetermined criteria. In addition, a 'Global Mitigation Library' was developed and integrated with the '*myResponse*' module of the Strategic Information System, to facilitate standardized risk response activities by UNFPA business units.

Strategic level

21.   Management should expedite the finalization and issuance of a comprehensive ERM policy, including the revised framework, that takes into consideration the linkage of risks to the UNFPA strategic plan, the integration of risk with programmatic and operational activities and processes, the need to share risk information, an effective risk communication and learning environment, and the review of emerging risks in pursuit for continuous improvement. Further, management should finalize the drafting of the risk appetite statement and the related risk metrics.

22.   Management should establish an appropriate governance structure or forum, at a high level of seniority within the organization, to consider and address risks facing the organization at the aggregate level and to set an appropriate 'tone at the top' for risk management across the organization. Leveraging on the impending finalization and issuance of the ERM policy, management needs to review the overall risk function structure, including roles and responsibilities, delegated authority and reporting lines; and align them, as appropriate, to the needs of ERM implementation in the organization.

23.   There is a need to align all process-related risk management frameworks and 'second line of defense' controls around the six risk categories in the proposed new ERM policy to simplify their integration into the overall ERM process.

24.   As part of developing and implementing the new ERM policy, management should integrate risk management in routine planning, programmatic and operational processes, and link the ERM and the internal control framework.

25.   Finally, leveraging on the impending issuance of a comprehensive ERM policy and the existing ERM tool, management should implement a change management process, backed by an effective communication strategy, to create a culture where risk management is proactively considered to be an important and integral part of day-to-day business activities and processes.

Operational level

26.   The timing for conducting annual risk assessments and risk response activities should be improved to align them to annual programme planning by business units so as to effectively incorporate the risks identified and the related mitigating measures in the planning.

27.   Management should assess the feasibility of incorporating risk management modules in the planned new Enterprise Resource Planning system, as part of the ongoing corporate ICT transformation project.

28.   The risk reporting system should be enhanced by including, in a systematic manner, all the necessary risk data against the identified risks, in a convenient format that allows easy establishment of risk capabilities across the organization. For instance, reporting dashboard in the Strategic Information System, which includes some key management indicators with useful risk metrics could be linked to the '*myRisks*' risk reporting system.

29.   Finally, management should raise the awareness of relevant personnel on the need to perform and document more rigorous risk assessment and risk responses exercises, including, inter alia, the consideration of past risk events, previous external and internal audit findings, earlier risk responses, known instances of wrongdoing, and lessons learnt from previous ERM cycles.

30.   The OAIS team would like to thank the Office of the Executive Director, the UNFPA Executive Committee (members and observers), the personnel of the Division for Management Services, as well as the Field Offices involved in this exercise for their active cooperation and assistance throughout the assessment.

Management response

31.   UNFPA Management would like to thank OAIS for providing the Assessment of the UNFPA ERM Process and in particular the assessment against the RMM developed by the High-level Committee on Management, as well as an initial early assessment of UNFPA current practices against those included in the JIU report on "Enterprise Risk Management: approaches and uses in the United Nations system organizations". As per the JIU report recommendation number 2, this assessment is due by the end of 2021.

32.   Management will take into consideration the recommended actions, as relevant, to the RMM "established" maturity level, for the purposes of the development and finalization of its ERM policy, and the underlying risk framework and risk appetite statement. Management takes note that the recommended actions provided in this report are intended as pointers for it to progress on its ERM journey.

33.   Furthermore, Management recognizes that successful and complete implementation will be dependent upon the availability of timely and sufficient resources. In the event that this does not materialize, Management will seek to address the key elements in a manner that takes into account actual resource levels and / or adjusts the timelines accordingly.

34.   The timing of the report is appreciated, coming at a time when – after learning from the implementation and operation of its first ERM framework over a number of annual cycles – Management had recognized the need for a thorough review of its ERM and the necessity of a policy to take it to the "next target maturity level". Management had already begun work on an ERM Policy ahead of the OAIS assessment; this policy development work remains ongoing and Management will incorporate therein, as appropriate and relevant, recommendations emanating from this assessment.

I. OBJECTIVES, SCOPE, AND METHODOLOGY

1.   The assessment focused on the ERM framework in place since 2015 and covered 2018, 2019, and 2020 ERM cycles. Information, documents, and records from previous cycles were examined, as deemed necessary.

2.   The objective of the assessment, conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*, was to review the efficiency and effectiveness of the ERM process and to assess UNFPA risk management practices with respect to:

  a) Maturity level dimensions and sub-dimensions, as set up in the Reference Maturity Model for Risk Management in the United Nations System of the High-level Committee for Management (thereafter referred to as "RMM"); and

  b) Benchmarks developed by the Joint Inspection Unit (JIU).

3.   The objective was also to inform the development of a comprehensive ERM policy, which was underway at the time of drafting this report.

4.   The methodology for the assessment included interviews and discussions with various UNFPA stakeholders of varying seniority and from different geographical locations covering Headquarters and all six regions where UNFPA is present, and the review of documents, meeting minutes of various UNFPA governance organs, terms of reference for various business units, risk assessment and response activities undertaken by a select number of business units as part of the annual ERM cycles, ERM-related learning materials used to train UNFPA personnel, testimonials, the "*myRisks*" tool,[4] past audit findings on ERM from the Board of Auditors and OAIS, and other relevant information. In addition, the assessment included attendance at several ERM training and facilitation sessions conducted as part of the 2020 ERM cycle, to understand the issues faced by field offices.

5.   The assessment relied on specific procedures and analyses designed to assess the efficiency and effectiveness of the ERM process from various angles described below:

  a) Governance & framework:
    i.   Whether UNFPA has adopted a systematic and organization-wide ERM framework linked to its strategic plan and results;
    ii.   Whether UNFPA has in place an appropriate ERM process governance;
    iii.   Whether the UNFPA governance organs engage with ERM at the appropriate levels;

  b) Risk culture:
    i.   Whether the tone at the top is supportive of the ERM process;
    ii.   Whether UNFPA has in place a process for continuous improvement, periodic and structured reviews of the effectiveness of ERM implementation;
    iii.   The extent to which UNFPA is involved in inter-agency cooperation and coordination for systematic knowledge sharing and management of common and/or United Nations system-wide risks;

  c) Process steps – efficiency and effectiveness from risk identification, risk response, and risk monitoring:
    i.   Whether UNFPA has designed a systematic, coherent, dynamic and cost-effective risk management process from risk identification, risk response and risk monitoring;

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[4] Functionality for managing the ERM process in UNFPA's Strategic Information System.

ii.   Whether and how UNFPA has integrated ERM with its key strategic, programmatic and operational business processes;

iii.   Whether and how UNFPA has integrated its ERM activities in the various levels of the Organizations;

iv.   Whether the process is supported by an effective and efficient organizational structure;

d)   Skill set – risk management "literacy":

i.   Whether UNFPA has identify the skills, ability, knowledge and capacity to effectively manage risks to deliver results;

ii.   How UNFPA develops the necessary risk 'literacy' throughout the organization for effective ERM implementation;

e)   Tools:

i.   How the design of information technology systems and tools for ERM support the ERM process;

ii.   Whether UNFPA effectively uses the ERM systems and tools for managing risk.

6.   As the RMM dimensions and the JIU benchmarks closely overlap, OAIS mapped the JIU benchmarks to the RMM dimensions covering similar topics and defined the six thematic areas, against which assessment procedures were performed and conclusions made.

7.   Accordingly, the detailed findings in the report are presented in the following six areas, mirroring the RMM: (a) ERM framework and policy; (b) governance; (c) process and integration; (d) systems and tools; (e) risk capabilities; and (f) risk culture. The mapping is illustrated in the table below.

Assessment areas	RMM dimension	JIU benchmarks
A. ERM Framework and policy	I. Enterprise Risk Management (ERM) Framework and Policy	1. Adoption of a systematic and organization-wide risk management policy and/or framework linked to the organization's strategic plan
B. Governance	II. Governance and Organizational Structure	2. Formally defined internal organizational structure for ERM with assigned roles and responsibilities, and 4. Legislative/governing body engaged with ERM at the appropriate levels
C. Process and integration	III. Process and Integration	5. Integration of risk management with key strategic and operational business processes, and 6. Established systematic, coherent, and dynamic risk management processes
D. Systems and tools	IV. Systems and Tools	7. Effective use of information technology systems and tools for enterprise risk management
E. Risk capabilities	V. Risk Capabilities	8. Communication and training plans to create risk awareness, promote risk policy, and establish risk capabilities for the implementation of ERM

Assessment areas	RMM dimension	JIU benchmarks
F. Risk culture	VI. Risk Culture	3. Risk culture fostered by "tone at the top" with full commitment from all organizational levels, 9. Periodic and structured review of effectiveness of ERM implementation for continuous improvement.

8. The engagement was conducted, in phases, by an OAIS audit specialist, supported by an individual consultant. Preliminary audit planning activities were undertaken at the end of 2019, as part of the 2019 audit plan and were interrupted because of the COVID-19 situation. OAIS awaited the issuance of the report (draft, then final) of the JIU review of "Enterprise Risk Management: approaches and uses in the United Nations system organizations" and of the HLCM RMM for risk management which, OAIS understands, was reviewed and adopted at the April 2020 HLCM session. Planning activities resumed in August 2020, with the audit fieldwork taking place between September and November 2020. Preliminary findings and recommended actions resulting from the assessment were discussed with UNFPA Management on an ongoing basis, in line with the overall audit approach that included interviews and discussions with various stakeholders. A first draft report was submitted to UNFPA Management on 08 April 2021; following discussions, an amended draft was provided on 24 May 2021. A final Management response received on 26 July 2021.

9. It should be noted that the recommended actions provided in this report are meant as direction pointers for UNFPA Management to progress on its ERM journey, including thinking through the RMM maturity and JIU benchmark implementation stage optimal for the organization. While some recommended actions could certainly be implemented within relatively short timeframes, others will require long-term capacity building, significant changes to the organizational risk culture, and tailored enhancements to business processes and internal controls – all of which may require longer timeframes for implementation. Therefore, the implementation of the recommended actions will be assessed at intervals considered appropriate for reporting in line with their nature and complexity, and be tracked separately from 'regular' audit recommendations, which ordinarily require a maximum implementation period of 18 months.

II.   BACKGROUND

10.   Maturing the ERM implementation should be considered together with the risk appetite of the organization. Considering the existing risk management capability and capacity constraints and the complexity of requirements and resource investment needed, reaching the highest RMM maturity level and implementing all JIU benchmarks should be considered an aspirational and long-term endeavour. Further, the body of experience in relation to the RMM and the JIU benchmarks, as reference points, is somewhat limited at this stage, given their relatively recent issuance.

11.   The ERM implementation at UNFPA focused on the development of an ERM cycle in two phases – the annual corporate risk assessment and the risk response. Key milestones in ERM implementation at UNFPA include the following: (a) drafting of an initial ERM framework document; (b) development of a corporate risk register, which included 11 strategic and fraud risks; (c) adoption of the risk ownership concept that assigned risks in the corporate risk register to individual managers for accountability; (d) development an in-house IT-based risk management tool "*myRisks*"; (e) launch of annual corporate risk assessment and risk response exercises; (f) training and facilitation sessions on the ERM process; (g) creation of a network of ERM focal points across the organization; (h) development of a Global Mitigation Library; and (i) the ongoing development of a comprehensive ERM framework and policy, as well as risk appetite statement.

12.   The evolution of ERM implementation at UNFPA is summarized diagrammatically below.
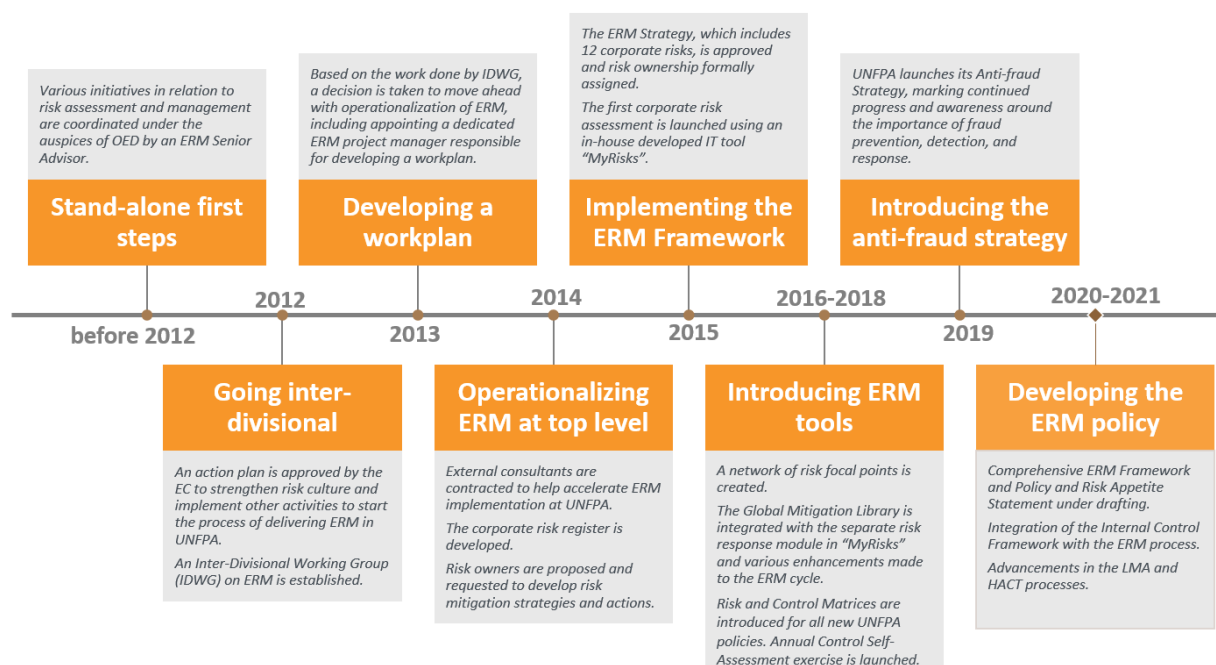
13.   As the ERM process has continued to evolve, UNFPA Management has sought to improve the organization's Internal Control Framework (ICF), which is inherently linked to the risk management process. For instance, as part of its internal control activities, UNFPA adopted the "three lines of defense" model and introduced risk and control matrices as mandatory elements in all policies and procedures starting in 2017. Management's intention to align the ICF with the ERM framework was an ongoing initiative at the time of drafting this report and is hereby acknowledged and encouraged.

14.   At the time of the assessment, the ERM process at UNFPA was overseen by the Director, Division for Management Services (DMS), who, in his capacity as Chief Risk Officer (CRO), led the coordination and implementation of ERM in the organization, including the development of a comprehensive ERM policy, and the development of a practical operationalized approach based on an agreed risk appetite statement. The

CRO provided leadership on the annual ERM cycles, which included risk assessment and risk response activities performed by UNFPA business units and led the internal control revision project, including ICF policy development and alignment with the ERM framework.

15.   The CRO was assisted by: (a) the Chief, Finance Branch, DMS, as head of the policy development working group responsible for drafting the ERM policy and integration of the ERM with the Internal Control Framework; (b) the Chief, Quality Management Unit, DMS, whose responsibilities included facilitating and developing ERM tools and techniques, from policy review to practical application, as appropriate; and (c) a part-time ERM Specialist,[5] based in the Office of the Executive Director, whose ERM remit included coordination of the annual ERM cycles, including risk assessment and risk response activities, as well as ensuring full participation of all UNFPA business units by providing training and facilitation and active follow-up and technical support. The ERM Specialist was also tasked with providing inputs for enhancements in the ERM methodology and the related IT tools, preparation of ERM-related materials for Executive Committee (EC) meetings and ensuring UNFPA involvement in inter-agency cooperation through participation in the HLCM task force on risk management.

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[5] Whose other responsibilities include the monitoring of audit recommendations.

III.   DETAILED FINDINGS

A. ERM' FRAMEWORK AND POLICY'	RMM DIMENSION I	LEVEL 2 DEVELOPING
	JIU BENCHMARK 1	SOME PROGRESS

16.   Work performed in this area covered:

  ✓ RMM Dimension I – *ERM Framework and Policy;* and

  ✓ JIU Benchmark 1 *– Adoption of a systematic and organization-wide risk management policy and/or framework linked to the organization's strategic plan*.

Good practice identified

17.   The following good practice in the area of 'ERM framework and policy' was identified:

  a)   UNFPA constituted a policy development working group in 2019, responsible for ensuring that a comprehensive UNFPA ERM policy is established, demonstrating management's commitment to strengthening the ERM process. The working group commenced the drafting of the framework and policy in the fourth quarter of 2020.

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

Finalize swiftly the comprehensive ERM policy development

19.   The first official document to launch the ERM process at UNFPA was an office memorandum issued by the then Executive Director in 2015. The memo outlined the organization's risk management process. In 2016, an 'ERM framework' document was approved and issued. The document elaborated, to some degree, on the contents of the 2015 memorandum and introduced key ERM terms and concepts, providing high-level guidance on the risk assessment and response activities to be undertaken in the organization. The 2016 document also described the risk management tools (IT-based) designed to manage the activities. The document was, however, not widely circulated within the organization as it was, for example, not included in the UNFPA Policy and Procedures Manual for easy access and reference. As a result, its existence was known to only one of the over 30 stakeholders interviewed during the assessment and, therefore, cannot be said to have served its intended purpose as an 'ERM framework' despite its name.

20.   As noted in paragraph 17 a) above, a policy development working group was in place at the time of the analysis, with the main objective of developing a new, comprehensive ERM policy to cover all elements of the UNFPA risk management process. At the time of the analysis, the ERM policy development was said to be in the very initial stages of drafting. A zero-draft version of the policy had just been issued at the time of drafting this report. Its completion is encouraged, to provide a holistic methodology for risk assessment, response, monitoring, escalation, and reporting; and establish links with strategy setting and performance, internal control, and risk appetite metrics.

ROOT CAUSE	*Resources: lack of or insufficient human resources (skills and numbers).*
IMPACT	*Risk may not be appropriately prioritized in the organization, resulting in an ineffective and inefficient fragmented or siloed approach in its management.*
CATEGORY	*Strategic.*

RECOMMENDED ACTION 1	PRIORITY: HIGH

Finalize expeditiously the development of the comprehensive ERM policy that takes into consideration: (a) linkage to the UNFPA strategic plan, goals and objectives; (b) integration with programmatic and operational processes, as well as the Internal Control Framework; (c) setting up a continuous process for obtaining and sharing risk information; (d) an effective risk communication and learning environment; and (d) continuous review and revisions to respond to emerging risks and to pursue constant improvement.

MANAGER RESPONSIBLE FOR IMPLEMENTATION:

Director, Division for Management Services, as Chief Risk Officer

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *December 2021*

Efforts will be accelerated towards a prompt finalization of an ERM policy, built around an integrated risk framework developed using a top-down approach, starting with the Strategic Plan goals and objectives, linked to programmes, processes and their implementation by business units, and reflects revised processes for reporting of risk information, enhanced communication and awareness, and a continuous review process.

Complete expeditiously the development of the risk appetite statement and the related risk metrics

21.   Management plans to introduce a risk appetite statement, alongside the ERM policy, which will provide the basis for operationalizing the statement.

22.   At the time of the analysis and of writing this report, management was in the process of drafting the risk appetite statement. The draft statement that OAIS reviewed reflects the proposed changes to the existing corporate risk register, reducing the current 12 risk areas to 6 risk categories, and introducing a three-point risk appetite scale of 'low', 'medium', and 'high', which previously did not exist.

23.   Considering the risk appetite statement's development, it is recommended that it includes both quantitative and qualitative metrics that can be used as criteria to measure risks, set up risk tolerance thresholds, guide escalation procedures, and provide a basis for risk reporting and monitoring, in accordance with established good practices.

ROOT CAUSE	*Resources: lack of or insufficient human resources (numbers).*
IMPACT	*Without a properly defined risk appetite statement, the organization's risk management processes may not be informed by a proper understanding of its risk exposure - hindering effective decision-making, programme management, and allocation of resources to manage risks.*
CATEGORY	*Strategic.*

RECOMMENDED ACTION 2	PRIORITY: HIGH

Complete expeditiously the development of the UNFPA risk appetite statement and related metrics, to accompany the ERM policy.

MANAGER RESPONSIBLE FOR IMPLEMENTATION:

Director, Division for Management Services, as Chief Risk Officer

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *December 2021*

The risk appetite statement and the revised integrated risk framework, which includes relevant metrics for all instances of key measurable risks, will be finalized concurrently with an ERM policy. The risk appetite statement will be approved by the Executive Committee.

B. GOVERNANCE	RMM DIMENSION II	LEVEL 2 DEVELOPING
	JIU BENCHMARK 2	SOME PROGRESS
	JIU BENCHMARK 4	SOME PROGRESS

24.   Work covered in this area covered:

- ✓ RMM Dimension II – *Governance and Organizational Structure*;

- ✓ JIU Benchmark 2 – *Formally defined internal organizational structure for ERM with assigned roles and responsibilities;* and

- ✓ JIU Benchmark 4 – *Legislative/governing body engaged with enterprise risk management at the appropriate levels*.

Good practices identified

25.   The following good practices in the area of ERM governance were identified:

a)   Risk ownership in the organization was properly documented in a corporate risk register and assigned at the appropriate levels of management seniority, with each identified risk allocated to individual Directors responsible for its management in their respective divisions or regions for accountability purposes; and

b)   The organization established a network of ERM focal points, spread across its geographical locations, responsible for specific assigned strategic risk areas and charged with responsibility to prepare action plans to reduce residual risk levels of their designated strategic risks.

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

Increase the scope of risk management matters reported to the Executive Board

27.   It was noted that the UNFPA Executive Board continued to express keen interest in risk management matters. Review of the Board's documentation highlighted the following key decisions:

a)   In 2016, the Executive Board noted the progress made on ERM and urged UNFPA to further strengthen the risk management process;

b)   In 2018, the Board urged UNFPA to expedite the progress made on ERM;

c)   In 2019, the Board requested UNFPA to report on the implementation, enforcement and resourcing of the updated ERM policy; and

d)   In 2020, the Board reiterated that it looked forward to the ERM policy being issued shortly.

28.   In addition to the above decisions, the Board received thematic reports related to specific risk management areas like fraud and Prevention of Sexual Exploitation and Abuse (PSEA), included in the Executive Director's reports to the Board.

29.   Whilst acknowledging that the Executive Board continues to provide important input in steering UNFPA Management towards a more comprehensive risk management process, reporting to the Board does not, however, contain holistic information on UNFPA risk exposures, risk appetite and mitigation measures.

30.   The JIU report (JIU/REP/2020/5) on "Enterprise Risk Management: approaches and uses in the United Nations system organizations" includes a recommendation to incorporate ERM into Executive Board meetings at least annually, with substantive coverage determined by the organization's mandate, field network and risk exposure. Therefore, no recommended action in this regard is provided in this report.

Elevate risk discussion and considerations to the appropriate organizational levels

31.   The UNFPA risk governance structure, as established in 2015, formally includes an ERM Committee (Risk Committee) and the related Risk Treatment Working Groups.

32.   The Risk Committee was set up to ensure that a comprehensive and effective ERM strategy is executed. According to the Committee's terms of reference, its functions are divided into four pillars: (a) internal environment and setting of objectives; (b) risk assessment and validation; (c) risk response; and (d) evaluation and ERM improvement.

33.   According to their terms of reference, the Risk Treatment Working Groups were intended to help risk owners with tasks in their respective areas; maintain standard risk mitigations per risk area and risk factor; respond to escalated risks in their respective areas; review response reports from across the organization and escalate critical risks to the Risk Committee through the risk owners.

34.   Since its inception and at the time of the analysis, the Risk Committee had met only once, in early 2016. Subsequent to the meeting, the EC determined that, since its membership (i.e., the EC) included all the proposed Risk Committee members, risk management issues could be covered in existing EC meetings. According to interviews conducted and EC meeting agendas and minutes reviewed, risk management scarcely featured in the meetings as an agenda item and, where included, discussion was too limited in terms of its depth and the time allocated to allow for effective oversight over the ERM process across UNFPA. Most EC members interviewed indicated a need for either increased engagement on the subject at EC meetings or for reinstating dedicated Risk Committee sessions for in-depth discussion of risk.

35.   It is hereby acknowledged that the EC members interviewed were individually well versed in the risks facing the organization, especially those assigned directly to them to manage. While commendable, the collective view was that the individualized approach encouraged a silo-ed management of risk, with no forum to adequately consider and address risks at the aggregate level.

36.   Similarly, it was unclear if the Risk Treatment Working Groups were constituted and, if so, operating, as their work was not documented. According to one stakeholder interviewed, one such working group was constituted to build the Global Mitigation Library and ceased to function shortly thereafter.

ROOT CAUSE	*Guidelines: inadequate management structure.*
IMPACT	*Senior management's oversight over risk management in the organization may be insufficient. Risk management activities may not be effectively and efficiently coordinated in the organization.*
CATEGORY	*Strategic.*

RECOMMENDED ACTION 3	**PRIORITY: HIGH**

Establish a more effective governance structure or forum to consider and address holistically the risks facing the organization at the aggregate level; and document it in the ERM policy.

MANAGER RESPONSIBLE FOR IMPLEMENTATION:	STATUS**:** *Agree*
Director, Division for Management Services as Chief Risk Officer	
MANAGEMENT ACTION PLAN:	DUE DATE: *December 2021*

A revised ERM governance process, with risk focal points at regional and corporate level, with clearly defined roles as regards validation of risk assessments and response plans and risk escalation decisions, as well as a more clearly defined risk management role for the Executive Committee, will be established in preparation for the 2022 ERM cycle, in line with the guidelines of an ERM policy.

Establish an appropriate risk management structure with clearly defined roles and responsibilities

37.   There was no formal risk function or dedicated risk management unit established at UNFPA. The _de facto_ risk function (also referred to as 'members of the ERM function' in this report) comprised, on one hand, the Director, DMS, in his capacity as the organization's CRO, supported by several staff members of DMS on part-time and ad-hoc basis and, on the other hand, an Audit Monitoring and (part-time) ERM Specialist based in the Office of the Executive Director, with no functional reporting line to the CRO.

38.   The above structure was an unintended result in an attempt to achieve two separate goals:

a) Effective implementation of ERM through DMS due to its expertise, relevance, and capacity as the key' second-line of defense' control function at UNFPA with responsibility for financial oversight, Implementing Partner (IP) management, and the ICF; and

b) The need to ensure independence of the organization's risk function which, historically, has led to ERM Advisors and Specialists to be based in the Office of the Executive Director.

39.   Although the risk function's structure had legitimate reasons for its existence, it lacked clarity on roles and responsibilities, delegated authority, and reporting lines – impeding an effective and efficient ERM implementation.

ROOT CAUSE	_Guidelines: inadequate management structure._
IMPACT	_The effectiveness and efficiency of ERM implementation may be diminished._
CATEGORY	_Strategic._

RECOMMENDED ACTION 4	PRIORITY: HIGH

Leveraging on the impending finalization and issuance of the ERM policy, review the overall risk function structure, including roles and responsibilities, delegated authority and reporting lines; and align them, as appropriate, to the needs of ERM implementation in the organization.

MANAGER RESPONSIBLE FOR IMPLEMENTATION:
Director, Division for Management Services as Chief Risk Officer

STATUS**:**   _Agree_

MANAGEMENT ACTION PLAN:

DUE DATE: _December 2021_

The Chief Risk Officer role will be formally established in the ERM policy and its placement – together with that of all key roles – will be clarified therein. The implementation of the ERM policy will be dependent upon the allocation of sufficient dedicated resources to support the Chief Risk Officer.

C. PROCESS AND INTEGRATION	**RMM DIMENSION III**	**LEVEL 1 - INITIAL**
	JIU BENCHMARK 5	**EARLY STAGE**
	JIU BENCHMARK 6	**EARLY STAGE**

40.   Work performed in this area covered:

✓ RMM Dimension III – _Process and Integration;_

✓ JIU Benchmark 5 _– Integration of risk management with key strategic and operational business processes_, and

✓ JIU Benchmark 6 _– Established systematic, coherent and dynamic risk management processes._

41.   Based on the work performed in this area, the following three areas require Management attention.

Improve the timing of annual risk assessments and risk responses

42. In 2020, risk assessments were significantly delayed due to Covid-19 restrictions, with Country Offices conducting the exercises late in September 2020, when some of the risks identified were already overtaken by events in the year. While the situation was the result of an unprecedented and unforeseen pandemic event, in previous ERM cycles, annual business unit risk assessments were conducted a few months following the beginning of each year, typically at the end of the first quarter or beyond – long after the annual programme planning activities were completed.

43. The results of interviews conducted, and previous audits undertaken by OAIS in the recent past, point to Country Offices performing annual risk assessments concurrently with annual planning activities, so as to effectively incorporate the risks identified and the related mitigating measures into programme planning.

44. The current late timing – in addition to creating practical difficulties in conducting the risk assessments, such as dedicating adequate attention and resources when already in full flight programme implementation – adds to the perception that the exercise is a mere formality with no direct link to programme delivery and operational activities. The situation is exacerbated by the fact that delays in the second phase of the annual ERM cycle, i.e., the risk response, are even more pronounced and, in many cases, the phase is not completed at all, putting into doubt the practical value of risk assessments and risk responses.

45. Further, there is no process to track whether the agreed risk responses are implemented, work effectively, or adequately mitigate the identified risk exposures. Overall, due to the delayed development of risk responses, their limited scope – i.e., only risks receiving a high residual risk level currently require action, whereas a 'portfolio' view of multiple lower risk level issues could aggregate to a significant problem, particularly if considered at the regional level – and the general lack of follow-up on the actual implementation of the related actions, risk exposures could remain unaddressed over extended periods of time – further eroding the value of the annual ERM process.

46. Conducting risk assessments early in the year would allow adequate time to effectively monitor and respond to identified risks in a timely manner, significantly improving the ERM process.

ROOT CAUSE	*Guidelines: inadequate planning.*
IMPACT	*Delayed risk assessments and risk responses diminish the effectiveness of the ERM process.*
CATEGORY	*Operational.*

RECOMMENDED ACTION 5	PRIORITY: HIGH

Improve the timing of the annual risk assessments and risk responses, aligning ERM cycles to annual programme planning cycles of UNFPA business units, and implement a process to track the timely development and implementation of risk responses, including their comprehensive validation.

MANAGER RESPONSIBLE FOR IMPLEMENTATION:	STATUS**:** *Agree*
Director, Division for Management Services, as Chief Risk Officer	
MANAGEMENT ACTION PLAN:	DUE DATE: *December 2022*

A formal annual timeline will be defined for the different ERM process activities, with clearly defined milestones for an earlier completion of risk assessments and identification of risk response actions, as well as regular follow-up and reporting on their implementation through the Audit Monitoring Committee process.

Align risk assessment processes and mechanisms to the new ERM policy that is under development

47.   The UNFPA risk universe is currently fragmented, with some separate risk management mechanisms existing independently and in parallel to the annual ERM cycle, guided by a separate set of tools and methodological approaches. These mechanisms typically assess and measure risk for individual business processes, as part of the 'second line of defense'. Many of the separate mechanisms are not aligned to the existing risk categorization or the one proposed in the revised framework which is under development.

48.   For instance, the mechanism in place as part of HACT[6] assessments is different from and not aligned with the existing risk areas or with the risk categorization around which the proposed revised ERM framework is currently set i.e., context, delivery, operational, fiduciary, reputational, and safeguarding (see paragraph 22). The HACT assessment process assigns risk to IPs based, primarily, on micro-assessments and does not take into consideration the context in which the IPs operate – i.e., all factors constant, IPs operating in fragile environments or where corruption levels are high, are much riskier to manage than those operating in relatively stable contexts – yet the former may be considered to be 'low' risk. Similarly, the current risk ratings do not consider the complexity of programmes that IPs implement – i.e., delivery risk; some programme interventions are inherently complex and hence riskier than others. Current risk ratings also exclude the amount of funds received – i.e., fiduciary risk; although the risk level is higher when an IP receives significant amounts of funding.

49.   The same applies to other business processes. For instance, while the Last Mile Assurance is structured around the six risk categories of the proposed revised ERM framework, with the related risk factors forming the basis for risk ratings, the same has not been achieved for inventory management where risk ratings assigned as part of the performance reporting process incorporate operational risk only and do not consider the context or complexity of the supply chain. This also applies to the procurement process where the Procurement Services Branch (PSB) informally risk-rates Country Offices in accordance with the perceived procurement capabilities, but without a formalized risk-category based framework. Further, the results of the PSB risk rating are neither formally nor widely disseminated within the organization.

ROOT CAUSE	*Guidelines: lack of or inadequate corporate policies or procedures.* *Guidelines: inadequate risk management processes.*
IMPACT	*Risk management may not be adequately integrated in the overall ERM process and the organization's routine business processes.*
CATEGORY	*Strategic.*

RECOMMENDED ACTION 6	PRIORITY: HIGH

Align all process-related risk management frameworks and 'second line of defense' controls around the risk categories in the proposed revised ERM framework when finalized, to simplify their integration into the overall ERM process.

MANAGER RESPONSIBLE FOR IMPLEMENTATION:
Director, Division for Management Services, as Chief Risk Officer

STATUS**:**   *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *December 2022*

Risks reflected in business processes risk frameworks will be clearly linked to the integrated risk management framework, and the related second line of defense controls incorporated under the "umbrella" of an ERM policy will be aligned to the risk categories around which the integrated risk framework and the risk appetite statement will be structured.

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6 Harmonized Approach to Cash Transfers.

Integrate ERM better in strategic planning, programmatic and operational processes, and the internal control framework

50.   One recurring view during the interviews conducted was a lack of connection between the annual ERM cycle and routine or day-to-day programmatic and operational activities, processes, and controls at the business unit level. While annual risk assessments were seen as providing some insights into the risks facing business units, the assessment completion was considered to be 'isolated' – i.e., performed as a one-off exercise in any given year – and, therefore, not integrated with the normal course of business to actively manage risk while enhancing performance and programme delivery.

51.   Further, it was noted that the ICF was not linked to the risk assessment and response exercises, as controls were not mapped in the corporate risk register to pinpoint the risks that they are designed to mitigate. Conversely, the risk assessment and response exercises, conducted as part of the annual ERM cycle, did not include reviews and analyses of existing controls to mitigate the identified risks.

52.   In addition, there was a disconnect between the decision-making information used by management and that in the ERM tool. For instance, although key management indicators such as vacancy and budget utilization rates could have effectively contributed to the quantification of certain risks (e.g., indicating their magnitude), the indicators were neither explicitly incorporated in the risk assessment process nor monitored against pre-defined risk metrics in the ERM tool. As a result, although management actively monitored and managed risks in the regular course of business, the process was essentially detached from the ERM process, with the formal ERM process being perceived as an add-on responsibility to be discharged once every year for compliance purposes.

ROOT CAUSE	*Guidelines: lack of or inadequate corporate policies or procedures.* *Guidelines: inadequate risk management processes.*
IMPACT	*Risk management may not be actively integrated in the organization's routine business processes, resulting in missed opportunities to effectively identify, collate, assess, monitor, respond to, and learn from risks as they arise.*
CATEGORY	*Strategic.*

RECOMMENDED ACTION 7	PRIORITY: HIGH

As part of developing and implementing the new ERM framework, integrate risk management in routine planning, programmatic and operational processes, and link the ERM and internal control frameworks.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Director, Division for Management Services, as Chief Risk Officer*	STATUS**:** *Agree*
MANAGEMENT ACTION PLAN:	DUE DATE: *December 2022*

Key risks included in the new integrated risk framework will be clearly linked to risks reflected in the risk-control matrices for key business processes. To ensure better programmatic linkage, the outcome of programme risk assessments will be reflected in the corresponding programme documents and budgets. Further, risk mitigation actions for areas assessed as outside established risk appetite levels will be tracked through the annual management plans of the concerned business units.

D. SYSTEMS AND TOOLS	RMM DIMENSION IV	LEVEL 2 – DEVELOPING
	JIU BENCHMARK 7	SOME PROGRESS

53.	Work performed in this area covered:

 ✓ RMM Dimension IV – *Systems and Tools*, and

 ✓ JIU Benchmark 7 – *Effective use of information technology systems and tools for enterprise risk management*.

Good practice identified

54.	The following good practice in the area of ERM systems and tools was identified:

 a) UNFPA has developed and continues to improve an in-house tool '*myRisks*', as part of the Strategic Information System (SIS), to facilitate the management and documentation of risk assessment and risk response activities in the ERM cycles.

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

Incorporate ERM tools in the ICT transformation project

56.	The use of '*myRisks*' was limited to the performance of the annual risk assessment and risk response exercises by the UNFPA business units. While its development, as noted in paragraph 54 a) above, is a good practice and an important milestone in the ERM process, serving as an example of innovation in this area within the United Nations System, the tool's functionality was limited in terms of linkage to the organization's other systems that capture or generate relevant data for the identification and assessment of risks, like the key management indicators mentioned in paragraph 52. The tool's reporting functionality was also limited in terms of facilitating effective risk analyses and monitoring – with several stakeholders interviewed indicating a lack of suitable reports that could, for example, enable risk trend analyses of risks or comparison of risks between business units (see further discussion of the tool's reporting limitations in paragraph 63 below). 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. Therefore, no specific recommended action is provided here to modify or improve 'myRisks' as is.

57.	The results of interviews undertaken indicated that, although the intention is to incorporate risk management modules or elements in the new ERP system, the matter had not been formally brought up to the ERP project management panel for prioritization at the time of drafting this report, unlike many other areas that were at an advanced stage of consideration in the new system design. This further exemplifies the existing organizational culture discussed in paragraphs 50 to 52, which considers risk management as "nice-to-have" rather than an integral part of the organization's day-to-day business.

58.	The concurrent development of a new ERM framework and a new ERP system presents a unique opportunity to design and implement risk management tools that are integrated with business processes and controls that could help bring about a positive transformational effect on the organization's risk culture.

ROOT CAUSE	*Guidance: Inadequate oversight at Headquarters level.*
IMPACT	*This may result in a missed opportunity to properly integrate risk management into the organization's business processes.*
CATEGORY	*Operational.*

RECOMMENDED ACTION 8	PRIORITY: HIGH

Assess the feasibility of incorporating, in the most effective way, risk management module(s) in the new Enterprise Resource Planning system, and if so, escalate to the ERP Project Board, for approval, to include risk management in the ongoing corporate ICT transformation project.

MANAGER RESPONSIBLE FOR IMPLEMENTATION:

Director, Division for Management Services, as Chief Risk Officer and STATUS**:** *Agree*
Director, Information Technology Solutions Office

MANAGEMENT ACTION PLAN: DUE DATE: *December 2022*

Management is currently assessing the risk management functionality provided by the platform adopted as a basis for the new ERP system, to provide a basis for the decision on the technology platform that will support the process going forward. The ERP Board has approved the acquisition of GRC software. Selection of the specific solution is expected to take place in the third quarter of 2021, and implementation closely linked to the ERP implementation timeline.

E. RISK CAPABILITIES	**RMM DIMENSION V**	**LEVEL 2 – DEVELOPING**
	JIU BENCHMARK 8	**SOME PROGRESS**

59.   Work performed in the area covered:

 ✓ RMM Dimension V **Risk Capabilities**, and

 ✓ JIU Benchmark 8 **Communication and training plans to create risk awareness, promote risk policy, and establish risk capabilities for the implementation of enterprise risk management**.

Good practices identified

60.   The following two good practices in the area of risk capabilities were identified:

a) The risk management function conducted several ERM training and facilitation sessions in 2020 to strengthen the risk assessment process. The sessions were initiated following Management decision, necessitated by the Covid-19 situation, to employ a risk-based differentiated approach to risk assessments and, therefore, to concentrate the annual ERM cycle on 30 business units facing the highest risk levels according to predetermined criteria set by management. Under the initiative, business units facing lower risks will, in the future, be assessed with reduced frequency (i.e., longer cycle than annually); and

b) A Global Mitigation Library was developed and integrated with the '*myResponse*' module of SIS, to facilitate the recording of standardized risk response activities by business units. Although not widely used within the organization to its full potential, it is theoretically a good learning or capacity-building tool that could form the basis for exploring how to address identified risks.

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

Enhance the risk reporting process

62.   The RMM includes '*Reporting*' as one of the sub-dimensions of '*Risk Capabilities*', emphasizing the importance of timely and accurate risk management information for developing risk management capacity in an organization. Therefore, insightful reports made available to all relevant staff and regularly presented

to senior management could help create risk awareness and establish risk capabilities through effective on-the-job learning.

63. SIS includes a reporting dashboard with different key management indicators, some of which reflect useful risk metrics. However, although '*myRisks*' is hosted on SIS, it is not directly linked to the SIS reporting dashboard, the key management indicators, and the related risk metrics or risk tolerance thresholds. Therefore, '*myRisks*' is used for risk management purposes only in an ad-hoc manner.

64. During the ERM training and facilitation sessions (paragraph 60 a)) with Country Offices, members of the ERM function leveraged different quantitative indicators available in the organization to illustrate the magnitude of certain risks. Although Country Office personnel were aware of the indicators' existence, they had previously not realized their usefulness in risk identification and assessment because the SIS and '*MyRisks*' systems are not linked. Many participants at the sessions expressed their appreciation for the potential usefulness of the reporting dashboard in risk management capacity building using the existing tools.

65. In the future, risk reporting should be incorporated in the requirements to be integrated in the ERP system (see section D above).

ROOT CAUSE	*Guidelines: lack of or inadequate corporate policies or procedures.* *Guidelines: inadequate risk management processes.*
IMPACT	*Lack of a comprehensive risk reporting system may diminish the effectiveness of oversight over and monitoring of risk.*
CATEGORY	*Operational.*

RECOMMENDED ACTION 9	PRIORITY: HIGH

Leveraging on the new ERP system, establish a risk reporting system that links the various sources of risk data across the organization to allow for effective and efficient sharing and use of risk information, and easy establishment of risk capabilities.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Director, Division for Management Services, as Chief Risk Officer*	STATUS**:** *Agree*
MANAGEMENT ACTION PLAN:	DUE DATE: *Dec. 2022*

A structured risk reporting process tuned to the needs of the different process stakeholders, will be implemented in line with the guidelines of the adopted ERM policy.

F. RISK CULTURE	RMM DIMENSION VI	LEVEL 1 – INITIAL
	JIU BENCHMARK 3	EARLY STAGE
	JIU BENCHMARK 9	EARLY STAGE

66. Work performed in this area covered:

- ✓ RMM Dimension VI *– Risk Culture* ;

- ✓ JIU Benchmark 3 *– Risk culture fostered by "tone at the top" with full commitment from all organizational levels*; and

- ✓ JIU Benchmark 9 *– Periodic and structured review of effectiveness of ERM implementation for continuous improvement*.

67. The following two matters require Management attention.

Strengthen the organization's risk culture

68.   The results of interviews undertaken with several stakeholders revealed that risk management was a standalone exercise with the primary goal of enforcing compliance with existing ERM process requirements. Attitudes towards the ERM process were largely dependent on individual viewpoints and the level of understanding or appreciation of the process. While a few business units and personnel considered the ERM process to be extremely important, many viewed it as a compliance checklist to be completed as a formality in addition to an already heavy workload. Many in the latter category perceived ERM to be a restraint that limits the organization's willingness and ability to take on bold and innovative actions.

69.   The situation described in the above paragraph may result from the aforementioned lack of integration of ERM activities with the organization's routine day-to-day business processes (paragraphs 50 to 52). Such integration could help build an appropriate risk culture by organically unveiling ERM as an important aspect in reaching the organization's goals. Concurrently with implementing a more integrated ERM approach, the organization could streamline its risk management culture by effectively and consistently communicating the importance of ERM in building a more resilient and assertive organization, capable of taking on more risks for programme delivery and operational activities when required and within the risk appetite set. The impending finalization and issuance of a comprehensive ERM policy should also be useful in fostering a more effective risk culture.

ROOT CAUSE	*Guidelines: lack of or inadequate corporate policies or procedures.* *Guidelines: inadequate risk management processes.* *Resources: lack of or insufficient human resources (numbers).* *Guidance: inadequate oversight at Headquarters level.*
IMPACT	*A poor or fragmented risk culture may result in failure to adequately evaluate, prevent and minimize damage from risks facing the organization.*
CATEGORY	*Strategic.*

RECOMMENDED ACTION 10	**PRIORITY: HIGH**

Leveraging on the impending issuance of a comprehensive ERM policy and the new ERP system, implement a change management process, backed by an effective communication strategy, to create a culture where risk management is proactively considered to be an important and integral part of day-to-day business activities and processes.

MANAGER RESPONSIBLE FOR IMPLEMENTATION:

Director, Division for Management Services as Risk Chief Officer, supported by the UNFPA Executive Committee members   STATUS**:**   *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *December 2023*

Training and communications as regards risk management, including fraud risk, and the UNFPA ERM process will be enhanced, as regards their frequency and relevance, under the responsibility of the Chief Risk Officer. The success of the strategy will be dependent upon a sufficient level of dedicated resources for implementation.

Establish a process to analyse lessons learnt from risk failures, near-misses, and successes

70.   Out of 24 Country Office audit reports issued by OAIS in 2018 and 2019, 15 (62 per cent) had a rating of 'Major Improvement Needed' in the area of risk management. A recurring issue in the reports was the need to strengthen the process for assessing and managing risks. In many instances where Country Offices experienced significant risk events, these were either omitted from or disregarded in the risk assessment process, resulting in the associated risks being assessed 'low'. Most of the audit reports

highlighted issues specifically related to the need to raise personnel and IP awareness on the prevention, detection, and reporting of fraud and other proscribed practices.

71.   Further, the review of annual risk assessment and risk response exercises conducted by Country Offices revealed a lack of consideration for risk ratings assigned to strategic and fraud risk factors in previous ERM cycles. For example, risk ratings were often downgraded to 'low' in comparison to previous years, with no documented rationale for the changes, indication of the mitigation measures taken, or the risk responses employed to reduce the risk level.

72.   It is hereby acknowledged that, during the ERM training and facilitation sessions, members of the ERM function emphasized to the participants the importance of past internal and external audit findings, as well as known instances of wrongdoing, as sources to inform the Country Offices' risk assessments. While these elements are certainly useful in conducting robust risk assessments, they are ad-hoc in nature and should not be viewed as effective substitutes for a systematic mechanism that analyzes successes, near-misses, and failures in the ERM process, as well as tracks the lessons learnt therefrom, for reporting to the relevant governance organs, communication across the organization for transparency, and informing the identification and assessment of new emerging risks.

ROOT CAUSE	*Guidelines: lack of or inadequate corporate policies or procedures.* *Guidelines: inadequate risk management processes.*
IMPACT	*The ability to understand the root causes of risk failures and to develop and implement informed risk mitigating measures is diminished.*
CATEGORY	*Operational.*

RECOMMENDED ACTION 11	PRIORITY: HIGH

Develop a systematic process for documenting and analyzing risk management successes, failures, and lessons learnt for: (a) reporting to the relevant governance organs charged with managing risk; (b) dissemination across the organization to demonstrate and communicate its attitude towards risk and transparency; and (c) informing the identification and assessment of new emerging risks.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *ERM Specialist, Office of the Executive Director*	STATUS**:**	*Agree*
MANAGEMENT ACTION PLAN:	DUE DATE:	*December 2022*

As part of the activities for continuous process improvement built into the ERM policy, lessons learnt communications will be periodically issued.

ANNEX I - DEFINITION OF ASSESSMENT CRITERIA – HLCM REFERENCE MATURITY MODEL FOR RISK MANAGEMENT

Maturity Level definitions by the Reference Maturity Model (RMM) for risk management used in the report are explained below. The full HLCM model is presented in the following pages.

▪ **Level 1: Initial**		Unstructured, managed informally / inconsistently, ad hoc, reactive.
▪ **Level 2: Developing**		Structured implementation, basic architecture, some reporting and repeatable management processes.
▪ **Level 3: Established**		Defined/documented and standardized processes, good organizational coverage, some evidence of use and embedding. Regular reporting and escalation, information used in operational decision making.
▪ **Level 4: Advanced**		Well structured, strong evidence of embedding. Standardized reporting and thresholds for escalation and management action. Information used in strategic decision making.
▪ **Level 5: Leading**		Fully embedded. Escalation mechanisms well understood and used at all levels of the organization. Innovative/creative approach delivers continuous improvement and is able to adapt as the organization changes.

HLCM – REFERENCE MATURITY MODEL FOR RISK MANAGEMENT IN THE UNITED NATIONS SYSTEM

Notes:		INITIAL	DEVELOPING	ESTABLISHED	ADVANCED	LEADING
- Each maturity level adds to the previous level - Glossary and checklists complete the model		Unstructured, managed informally/ inconsistently, ad hoc, reactive.	Structured implementation, basic architecture, some reporting and repeatable management processes.	Defined/documented and standardised processes, good organisational coverage, some evidence of use and embedding. Regular reporting and escalation, information used in operational	Well structured, strong evidence of embedding. Standardised reporting and thresholds for escalation and management action. Information used in strategic decision making.	Fully embedded. Escalation mechanisms well understood and used at all levels of the organisation. Innovative/creative approach delivers continuous improvement and is able to adapt as the organisation changes.
Dimension Definition	Sub-dimension	LEVEL 1	LEVEL 2	decision making. LEVEL 3	LEVEL 4	LEVEL 5
I. Enterprise Risk Management (ERM) Framework and Policy: are the collection of policies, procedures and other documents that together describe how the organisation undertakes its risk management.	Framework implementation and appetite Framework components and coverage	The organisation has in place a fragmented, limited risk management framework.	The organisation has developed an ERM framework, however it has not yet been approved by the appropriate delegated authority. Limited framework components are in place.	The organisation has established an ERM framework and defined risk appetite (or risk criteria) and related escalation procedures, which have been approved by the appropriate delegated authority. The organisation has issued risk guidelines, policies, procedures and has implemented key related processes. A risk scale (e.g. rating) is established for the organisation in the context of its programme/project management.	The organisation has implemented an ERM framework including risk appetite, tolerance (or criteria) together with a related repeatable escalation process, which have been approved by the appropriate delegated authority. The ERM framework is integrated in strategy setting, planning and decision making. Mechanisms are implemented to ensure that feedback from stakeholders is actively sought, and that the ERM framework is regularly updated. The ERM framework is tailored to appropriately reflect RBM and decentralised to address the needs of all operational entities (including HQ, field, program, project). Granular integrated related risk scales (e.g. rating) for different hierarchical levels (e.g. enterprise, program, project) or a single appropriate organisation scale is in place.	The organisation, recognised as a leader among peers and risk innovator, has embedded an ERM framework and risk appetite, tolerance and criteria and related escalation process, which have been approved by the appropriate delegated authority and may be seen by key stakeholders as a source of competitive advantage. The ERM Framework is integrated in strategy setting, planning, decision making and enterprise integrated performance management.
II. Governance and organisational Structure: sets out the internal risk governance structure, the appropriate delegated authority, roles and responsibilities, and	Governance structure Delegation of authority Function	The organisation has in place a fragmented, informal risk governance structure. Accountabilities for managing risk are informal.	The organisation has developed and put in place some elements of a risk governance structure, in accordance with a three lines of defence (TLOD) structure or similar, to oversee the ERM framework. Delegation of authority may exist as part of an initiative to implement risk management. Some staff	The organisation has established a risk governance structure (TLOD or similar) to oversee the ERM framework and to ensure that the risks the organisation faces are managed. Elements of an organisational risk-based delegation of authority empowers risk committee(s) (e.g.,	The organisation has fully integrated its risk governance structure (TLOD or similar) applying it across its operations (including HQ, field, program, project). An effective risk-based delegation of authority is fully operationalised. Risk committee(s), whose responsibilities include overseeing risk appetite, tolerance	The organisation has fully integrated its risk governance structure applying it across its operations (including HQ, field, program, project). Each level of hierarchy of the organisation has a well-defined and comprehensive delegation of authority providing the

Notes: - Each maturity level adds to the previous level - Glossary and checklists complete the model		INITIAL Unstructured, managed informally/ inconsistently, ad hoc, reactive. **LEVEL 1**	DEVELOPING Structured implementation, basic architecture, some reporting and repeatable management processes. **LEVEL 2**	ESTABLISHED Defined/documented and standardised processes, good organisational coverage, some evidence of use and embedding. Regular reporting and escalation, information used in operational decision making. **LEVEL 3**	ADVANCED Well structured, strong evidence of embedding. Standardised reporting and thresholds for escalation and management action. Information used in strategic decision making. **LEVEL 4**	LEADING Fully embedded. Escalation mechanisms well understood and used at all levels of the organisation. Innovative/creative approach delivers continuous improvement and is able to adapt as the organisation changes. **LEVEL 5**
Dimension Definition	Sub-dimension					
organisational entities to assure the effective management of risk.			accountabilities for managing risk are formally defined but limited to specific functions of the organisation. The risk management support role may exist as part of another function, such as program management, performance management or an initiative to implement risk management.	ERM Committee), management and/or other staff. Staff accountabilities for managing risk are generally defined across the organisation. An entity/unit is established within the organisation responsible to ensure that the ERM framework is implemented in the context of programme/project management. The organisation operationalises its risk function at all levels (including HQ, field, program, project).	or criteria, are implemented in the organisation with authority for sound and balanced decision making within their established TOR. A risk management function (e.g., Chief Risk Officer (CRO)) with stature/organisational position for impartiality/objectivity (from the first LOD), resources and access to the delegated authority, keeps pace with changes to the organisation's risk profile, to the external risk landscape and with industry best practice.	appropriate accountability for each respective level. CRO role and responsibility regarding ERM are integrated with strategy setting and clearly anchored with management across the organisation.
III. Process and Integration: Process ensures that risks and opportunities that may affect the delivery of organisational results are effectively identified, assessed, responded to, communicated and monitored as per the ERM framework. Integration ensures that the interaction / interlinkages with related risk sub-processes or	Process Integration with internal controls Integration with planning	The organisation undertakes certain elements of the risk management process on an ad hoc basis. There may be inconsistencies in the methodologies applied for risk assessment, monitoring and reporting. There is limited recognition of the need for integration between risk assessment and results-based planning.	A limited process with a methodology for risk assessment, monitoring and reporting is established but not reliably followed. Limited follow through of mitigation measures by primarily focusing on broad level mitigation plans for critical risks. There is a lack of integration between risk assessment and internal controls which are primarily managed separately to risks. The importance of integration of risk assessments with results-based planning process is recognised and communicated, although its application is limited.	The organisation has established a systematic process with a methodology for risk assessment, response, monitoring, escalation and reporting. Basic informal links between risks and internal controls are recognised. Controls for certain administrative processes are documented and assigned ownership. Link between results-based planning and risk management is established by undertaking the risk management process at the time of planning. A process to incorporate resources for mitigation planning is an integrated element of the resource planning for the relevant activity.	The organisation has implemented a systematic risk management process with clear methodology, which is further refined based on quality reviews, feedback and experience and is equally applicable across its operations (including HQ, field, program, project). The links are recognised between (i) internal controls and risks; and (ii) control effectiveness and related risk assessments. Controls for all key processes are comprehensively documented, assessed, assigned ownership and control criteria are established to measure the control effectiveness and subsequent residual risk assessments. Total alignment between results-based planning and risk management across the organisation (including HQ, field, program, project). Mitigation planning is reliably managed, and the degree of success or	The ERM process is continually optimised based on pre-defined indicators, making it tailored to organisational needs and a leader among its peers. Independent reviews/audit of the risk process are undertaken regularly. A comprehensive risk-based control framework is in place that recognises and reflects the links of all controls to the risks they mitigate which enables identification of control gaps as well as redundancies or inefficient controls. There is full integration of risk and opportunity analysis into strategy setting and results-based planning.

Notes:		INITIAL	DEVELOPING	ESTABLISHED	ADVANCED	LEADING
- Each maturity level adds to the previous level - Glossary and checklists complete the model		Unstructured, managed informally/ inconsistently, ad hoc, reactive.	Structured implementation, basic architecture, some reporting and repeatable management processes.	Defined/documented and standardised processes, good organisational coverage, some evidence of use and embedding. Regular reporting and escalation, information used in operational decision making.	Well structured, strong evidence of embedding. Standardised reporting and thresholds for escalation and management action. Information used in strategic decision making.	Fully embedded. Escalation mechanisms well understood and used at all levels of the organisation. Innovative/creative approach delivers continuous improvement and is able to adapt as the organisation changes.
Dimension Definition	Sub-dimension	LEVEL 1	LEVEL 2		LEVEL 3	LEVEL 4	LEVEL 5
other organisational processes are clearly established.					failure of mitigation planning are reported during and after the implementation cycle.	
IV. Systems and Tools: are the IT components used to record, analyse, integrate and communicate/report on risk information.	Platforms, systems and tools Links to other systems	Risks are recorded in various documents, typically at the start of work only.	Manual risk assessment/ response tools in place (e.g., spreadsheet). Weak or manual link to other information systems or tools.	Consolidable risk assessment tools (e.g., consolidated risk register), or a basic technology implementation of an ERM system with monitoring and reporting capabilities. Links between risk management systems established with other key systems (e.g. planning). Links typically not automated.	Technology is exploited to improve all aspects of risk management, for example, dynamic risk dashboards, financial risk modelling and forecasting tools. Advanced ERM technology platform available across operations (including HQ, field, program, project) along with capturing/integration of data from the other processes which is integrated / linked though semi-automated extract/load operations.	Advanced risk (and data) modelling and forecasting tools are used to support scenario analysis and strategy setting. The ERM technology platform is fully integrated with the planning and performance management system with dynamic dashboards for planning, monitoring and analysis.

Notes: - Each maturity level adds to the previous level - Glossary and checklists complete the model		INITIAL Unstructured, managed informally/ inconsistently, ad hoc, reactive. LEVEL 1	DEVELOPING Structured implementation, basic architecture, some reporting and repeatable management processes. LEVEL 2	ESTABLISHED Defined/documented and standardised processes, good organisational coverage, some evidence of use and embedding. Regular reporting and escalation, information used in operational decision making. LEVEL 3	ADVANCED Well structured, strong evidence of embedding. Standardised reporting and thresholds for escalation and management action. Information used in strategic decision making. LEVEL 4	LEADING Fully embedded. Escalation mechanisms well understood and used at all levels of the organisation. Innovative/creative approach delivers continuous improvement and is able to adapt as the organisation changes. LEVEL 5
Dimension Definition	Sub-dimension					
V. Risk Capabilities: are the skills, ability, knowledge and capacity that an organisation has to effectively manage risks to delivery of its results.	Competencies Capacity Reporting	Risk related competencies are perceived to have little value, are based on individuals and vary with their innate skills, knowledge and abilities. Information on specific/ significant risks may be presented to senior management on an ad hoc basis.	Certain managers value risk related competencies and encourage their teams to develop risk skills, knowledge and abilities through ad hoc or bespoke training programmes. The organisation re-prioritises its actions and takes on additional risk in pursuit of certain objectives, however, without full information or clear analysis. Risk management information and/or risk indicators are presented to senior management at least annually.	Risk management is recognised as a management competency and training/awareness courses concerning risk management are in place as part of a wider ERM staff development programme. The organisation is able to accept some additional risk in pursuit of its objectives in consideration of its overall risk appetite (or criteria). Timely, accurate risk management information reports are available to all relevant staff and regularly presented to senior management.	Senior management signals the importance of proactively developing risk management as a core competency for itself and all staff, and a comprehensive ERM staff development programme is in place. The organisation is able to identify and take some viable opportunities based on an assessment of whether it can manage residual risk levels within its risk appetite, tolerance (or criteria). Dynamic risk information reports are accessible to senior management and all staff (as appropriate) across the organisation's operations (including HQ, field, program, project), highlighting areas exceeding of risk appetite, tolerance (or criteria), and are refined based on management feedback.	Staff are motivated to actively continue to perfect their risk skills, knowledge and abilities. The organisation continually improves its comprehensive ERM staff development program and risk processes are cross referenced in other organisational competencies and staff development programmes. The organisation can identify and exploit viable opportunities in a timely manner and manage residual risk dynamically within its risk appetite, tolerance (or criteria). Dynamic risk information dashboards and risk appetite, tolerance (or criteria) are self improved and proactively used across the organisation's operations (including HQ, field, program, project).
VI. Risk Culture: is evidenced by the shared values, beliefs, and behaviours of the staff and senior management, together with the organisation's demonstrated attitude to risk.	Tone at the top Transparency Lessons learnt Risk informed decision making Application of accountabilities and ownership	Senior management demonstrates limited commitment to risk management. Limited risk information is collected, however, not systematically. Business decisions are typically taken in isolation of risk factors. The evaluation of risk and reward is undertaken	Senior management expectations with regards to risk management are expressed reactively in an ad hoc and/or informal manner. Certain risk information is collected but not communicated systematically. Information from risk events that materialised or were effectively managed is captured and analysed in isolated cases.	Senior management expectations are clear and they systematically demonstrate commitment to risk management - risk culture is aligned with the overall organisational culture. Risk information is systematically collected and formally communicated at an appropriate forum and also in a top-down manner. Information from risk management successes and failures is captured and analysed on a regular basis.	Senior management leads by example in integrating risk management into its strategic activities. Risk information is systematically collected and formally communicated up and down the hierarchy (including HQ, field, program, project) and in certain cases shared externally. Information on risk management successes and failures from the field and HQ is collected systematically and analysed with systematic learning of lessons. The boundaries of acceptable risk are set for all key areas and business decisions	Senior management leads by example in integrating risk management into its daily activities and creates an active, organisation wide awareness of, and dialogue on risks. Comprehensive risk information is systematically and transparently collected and shared across the organisation (and externally as appropriate). The organisation continuously learns from its risk management successes and failures, as well as from experiences outside of the organisation, and actively

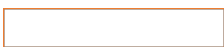| Notes: - Each maturity level adds to the previous level - Glossary and checklists complete the model			INITIAL Unstructured, managed informally/ inconsistently, ad hoc, reactive. LEVEL 1	DEVELOPING Structured implementation, basic architecture, some reporting and repeatable management processes. LEVEL 2	ESTABLISHED Defined/documented and standardised processes, good organisational coverage, some evidence of use and embedding. Regular reporting and escalation, information used in operational decision making. LEVEL 3	ADVANCED Well structured, strong evidence of embedding. Standardised reporting and thresholds for escalation and management action. Information used in strategic decision making. LEVEL 4	LEADING Fully embedded. Escalation mechanisms well understood and used at all levels of the organisation. Innovative/creative approach delivers continuous improvement and is able to adapt as the organisation changes. LEVEL 5
Dimension Definition	Sub-dimension						
			in an ad hoc and intuitive manner.	Business decisions may be taken following a consideration of some risk factors. Accountabilities assigned for risk management are reflected in a limited number of job descriptions.	The overall attitude to risk is understood and business decisions are made with reference to this based on reliable and timely risk information. Appropriate risk taking is assessed in staff performance management based on defined staff accountabilities.	are made with reference to these; managers in both the field and HQ proactively consider risk/reward in decision making. Staff accountabilities for managing risk are understood (and acted upon) across the organisation; these accountabilities are clearly mapped to performance targets of staff.	manages knowledge of these both in all areas of operations. Dynamic risk information is used across the organisation (including HQ, field, program, project) to make proactive effective risk decisions. Staff at all levels act proactively on their risk accountabilities, seeking out and challenging risk strategies associated with key business risks under their control. Risks across the organisation are overseen optimally and effectively by empowered senior management with strong awareness of inter-related risk areas.

ANNEX II – JIU BENCHMARKS FOR ENTERPRISE RISK MANAGEMENT

1	Adoption of a systematic and organization-wide risk management policy and/or framework linked to the organization's strategic plan.
2	Formally defined internal organizational structure for ERM with assigned roles and responsibilities.
3	Risk culture fostered by the "tone at the top" with full commitment from all organizational levels.
4	Legislative/governing body engaged with ERM at the appropriate levels.
5	Integration of risk management with key strategic and operational business processes.
6	Established systematic, coherent and dynamic risk management processes.
7	Effective use of information technology systems and tools for ERM.
8	Communication and training plans to create risk awareness, promote risk policy, and establish risk capabilities for the implementation of ERM.
9	Periodic and structured review of effectiveness of ERM implementation for continuous improvement.
10[*]	Inter-agency cooperation and coordination for systematic knowledge sharing and management of common and/or United Nations system-wide risks.

Source: Joint Inspection Unit report JIU/REP/2020/5

[*] In its report JIU/REP/2020/5, the JIU calls for a comprehensive review of the ERM implementation in an organization against JIU benchmarks 1 to 9 (recommendation 2) and that the outcome be reported to its governing bodies (recommendation 4). Benchmark 10, related to inter-agency activities, should be considered separately, by the High Level Committee on Management (recommendation 3); its review is therefore not included in the present report.

JIU ERM BENCHMARK IMPLEMENTATION STAGES ADOPTED FOR ASSESSMENT

Fully implemented		The organization's ERM policies and practices align fully with the JIU benchmark.
Significant progress		The organization's ERM policies and practices is fulfilling the JIU benchmark to a large extent, but not yet fully.
Some progress		The organization is making some progress in implementing ERM policies and practices fulfilling the JIU benchmark.
Early stage		The organization is at an early stage of implementing ERM policies and practices fulfilling the JIU benchmark.
Not started		The organization has not started implementing any ERM policy or practice regarding the JIU benchmark.

ANNEX III - ROOT CAUSE CATEGORIES

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

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.

ANNEX IV – PRIORITY AND ACHIEVEMENT OF OBJECTIVES CATEGORIES

PRIORITIES OF RECOMMENDED ACTIONS

Recommended 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 take action 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 take action 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.

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

ANNEX V – GLOSSARY

Acronym	Description
CRO	Chief Risk Officer
DMS	Division for Management Services
EC	Executive Committee
ERM	Enterprise Risk Management
ERP	Enterprise Resource Planning
GRC	Governance, Risk Management and Compliance
HLCM	High-level Committee on Management
ICF	Internal Control Framework
ICT	Information and Communications Technology
IP	Implementing Partner
JIU	Joint Inspection Unit
LMA	Last Mile Assurance
OAIS	Office of Audit and Investigation Services
OED	Office of the Executive Director
PSB	Procurement Services Branch
PSEA	Prevention of Sexual Exploitation and Abuse
RMM	Reference Maturity Model for Risk Management
SIS	Strategic Information System
UNFPA	United Nations Population Fund