



INTERNAL AUDIT DIVISION

REPORT 2019/114

**Audit of the enterprise risk
management process in the United
Nations Assistance Mission for Iraq**

**The Mission needed to enhance
implementation of the enterprise risk
management framework**

27 November 2019

Assignment No. AP2019/812/02

Audit of the enterprise risk management process in the United Nations Assistance Mission for Iraq

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of the enterprise risk management (ERM) process in the United Nations Assistance Mission for Iraq (UNAMI). The objective of the audit was to assess the adequacy and effectiveness of the process to determine whether key risks are identified and managed effectively to support programme delivery and achievement of the Mission's mandate and objectives. The audit covered the period from 1 October 2017 to 28 February 2019 and included ERM governance and organizational structure, implementation of the ERM process, monitoring and reporting of risks, and management of the risks and opportunities related to implementation of the increased delegation of authority in UNAMI.

UNAMI did not implement ERM in 2017 and 2018 but prioritized its implementation in the first quarter of 2019 through appointment of three local focal points, development of terms of reference for the Risk Management Committee (RMC) and drafting of risk registers for the substantive, security and mission support components to facilitate consolidation of a risk register for validation and approval. However, the Mission needed to enhance implementation of the ERM framework and assess the risks and opportunities related to the new delegation of authority.

OIOS made four recommendations. To address issues identified in the audit, UNAMI needed to:

- Develop formal terms of reference for the ERM focal points and an awareness-building programme for Mission staff;
- Ensure that the RMC reviews and validates the Mission-wide risk register once it is completed;
- Establish an appropriate risk reporting mechanism to the Head of Mission and comply with the quarterly reporting requirements; and
- Identify and assess risks and opportunities related to the new delegation of authority and implement monitoring mechanisms to ensure effective operations.

UNAMI accepted the recommendations and has initiated action to implement them.

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Audit of the enterprise risk management process in the United Nations Assistance Mission for Iraq

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the enterprise risk management (ERM) process in the United Nations Assistance Mission for Iraq (UNAMI).
2. ERM is a systematic approach to identify, analyze, address and monitor risks to the achievement of organizational goals by considering known and anticipated likelihood and impact of potential risks to develop practicable options to manage risks. The 2016 United Nations ERM guide for managers defines ERM as: “The process of coordinated activities designed to direct and control an organization with regard to risk, the effect of uncertainty on objectives. It is effected by governing bodies, management and other personnel, and applied in strategy-setting throughout the Organization”.
3. In September 2017, the erstwhile Department of Field Support (DFS) required the larger special political missions in Afghanistan and Iraq to establish risk management and audit response functions to implement a systematic approach to ERM and coordinate the provision of accurate and timely responses to observations of oversight bodies and monitor the implementation of their recommendations.
4. The Head of Mission (HoM) is responsible for the effective implementation of the United Nations risk management policy, methodology and guidelines in UNAMI. A proposed ERM Committee co-chaired by the Chief of Staff and the Chief of Mission Support will assist the HoM in the risk management process. In addition to the nomination of three local ERM focal points, one each for the substantive, mission support and security pillars, ERM focal points were nominated in each substantive and support sections in February 2019 to assess operational risks related to their respective sections, regularly review existing and emerging risks, prepare section-level risk registers and risk treatment plans for the management of identified risks, and provide input to the Mission-wide risk register.
5. Comments provided by UNAMI are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

6. The objective of the audit was to assess the adequacy and effectiveness of the ERM process in UNAMI to determine whether key risks are identified and managed effectively to support programme delivery and achievement of the Mission’s mandate and objectives.
7. This audit was included in the 2019 risk-based work plan of OIOS due to the importance of managing risks that threaten the achievement of the UNAMI mandate and strategic and operational objectives, as well as the Secretary-General’s management reforms, in a systematic and holistic manner.
8. OIOS conducted this audit from February to July 2019. The audit covered the period from 1 October 2017 to 28 February 2019. Based on an activity-level risk assessment, the audit covered higher and medium risk areas in the ERM process, which included: ERM governance and organizational structure; implementation of the ERM process; monitoring and reporting of risks; and management of the risks and opportunities related to implementation of the increased delegation of authority in UNAMI.
9. The audit methodology included: (a) interviews of key personnel, and (b) reviews of relevant documentation, such as guidance material on ERM, United Nations code cables and facsimiles,

administrative instructions, operational level draft risk registers and draft terms of reference of the Risk Management Committee.

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

III. AUDIT RESULTS

A. Governance and organizational structure

Need to enhance implementation of the ERM framework

11. Instructions issued by DFS in 2017 called for the establishment of a Risk Management Committee (RMC) with representation from across the Mission to oversee ERM activities and to validate and prioritize Mission-wide risks. These instructions required the establishment of an adequately staffed and independent Risk Management and Compliance Unit (RMCU), headed by a P-5 or P-4 level Risk Management and Compliance Officer (RMCO) and reporting directly to HoM or through a senior manager within the Office of the Chief of Staff, to ensure that risks identified are coordinated and managed in an effective manner.

12. Senior management did not implement the instructions in 2017 and 2018 mainly because their focus was directed towards other priorities such as safety and security issues. Therefore, the Mission missed an opportunity to budget for the staff needed to establish a risk management and compliance function in line with the DFS instructions. However, in early 2019, Mission leadership initiated measures to implement the ERM process. The actions taken included the appointment of three local ERM focal points who, in May 2019, drafted terms of reference for the RMC, which was being established at the time of audit. Additionally, in August 2019, the ERM focal points drafted risk registers for substantive, security and mission support components to facilitate consolidation of a Mission-wide risk register for validation by senior leadership team and approval of HoM. The relevant risk treatment and response plans would be prepared after their approval.

13. In light of budget constraints and the comparatively smaller size of the Mission relative to other peacekeeping missions, UNAMI decided to manage risk management and compliance functions through a modified system whereby the Senior Mission Planning Officer and Senior Administrative Officer in addition to their normal responsibilities would function as RMCO of the Mission by annual rotation. They would, however, not be supported by an RMCU. While this is not an optimal arrangement, OIOS appreciates the action taken to implement and manage ERM in the Mission and therefore did not raise a recommendation on implementing a dedicated RMCO and RMCU.

14. The audit noted that local ERM focal points provided advice to programme managers in identifying, assessing, monitoring and reporting risks related to their areas of responsibility and establishing risk response and treatment plans to manage the existing and emerging risks. They also conducted seminars and risk management awareness campaigns for programme managers and encouraged them to complete online training courses on risk management. However, due to competing priorities, no terms of reference (TORs) had been developed for the focal points, and there was no formal plan or programme for the provision of continuous risk management training and awareness-building in the Mission.

<p>(1) UNAMI should develop formal terms of reference for the enterprise risk management (ERM) focal points and a training and awareness-building programme on ERM for the Mission staff.</p>
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UNAMI accepted recommendation 1 and stated that the Mission would develop formal TORs for the ERM focal points and a training and awareness-building programme on ERM for Mission staff. Recommendation 1 remains open pending receipt of the approved TORs and training and awareness-building programme.

B. Implementation of the ERM process

The RMC needed to review and validate the risk register once it is completed.

15. In accordance with the United Nations ERM framework and DFS instructions on implementation of ERM, the Mission was required to develop a risk register in consultation with all key stakeholders. In the identification and prioritization of risks for inclusion in the risk register, all key risks to the achievement of mandated activities and strategic and operational objectives should be considered.

16. In May 2019, the Mission established an ERM implementation plan. The plan indicated timelines and responsibilities for the related actions. In line with the plan, the ERM focal points shared instructions and guidance material on the ERM process with substantive and support sections and advised programme managers on how to prepare for the working sessions and interviews for risk identification and assessment. This included advice on how to define key drivers of risks and risk responses to treat identified risks. As of October 2019, preparation of the draft Mission-wide risk register was in progress based on risks identified by the substantive, security and mission support components but the risk treatment procedures/plans were yet to be developed. However, OIOS noted that a risk monitoring mechanism was embedded in the proposed functions of the RMC and hence, this Committee was tasked with reviewing and validating the risk register once completed. OIOS acknowledges the steps taken by UNAMI to implement ERM and stresses the need for timely completion of the process to enhance the Mission's capacity to identify, evaluate and manage key risks to support programme delivery and achievement of the Mission mandate. As the ERM implementation plan is being implemented, the RMC needs to proactively review and validate the Mission-wide risk register and relevant risk treatment plans to ensure that key risks are identified and managed effectively.

(2) UNAMI should ensure that the Risk Management Committee reviews and validates the completed Mission-wide risk register; in particular to ensure that the risk register defines the key drivers of risk, identifies significant risks to the achievement of the UNAMI mandate, provides an assessment and prioritization of risks, and includes appropriate risk responses for treatment of risks.

UNAMI accepted recommendation 2 and stated that the RMC would review and validate the completed Mission-wide risk register to ensure that it includes the required elements. Recommendation 2 remains open pending receipt of a copy of the approved risk register including appropriate risk responses for treatment of identified risks.

C. Monitoring and reporting of risks

The Mission needed to establish a reporting mechanism on the ERM process

17. Regular risk reporting to senior management is essential to ensure that relevant information on risk management is considered in decision-making and strategic planning processes. The HoM is required to provide quarterly reports to the Department of Management Strategy, Policy and Compliance (DMSPC) on the status of the key risks and the implementation of ERM in the Mission.

18. As the ERM implementation, including preparation of the risk register, was in progress, an appropriate mechanism to regularly report on risks to the HoM and senior management was yet to be established. Furthermore, the Mission had not implemented a procedure to periodically brief the HoM on the status of risk management and compliance in the Mission and to provide an update on emerging risks. Also, no status reports on ERM had been submitted to DMSPC as required. Subsequent to the audit, the Mission nominated the Senior Administrative Officer and Senior Mission Planning Officer to alternatively act as RMCO to ensure compliance with briefing and reporting requirements.

(3) UNAMI should establish an appropriate risk reporting mechanism to: (a) brief the Head of Mission and senior management regularly on the status of risk management and compliance in the Mission; and (b) comply with the quarterly reporting requirements to DMSPC on the status of implementing enterprise risk management in the Mission.

UNAMI accepted recommendation 3 and stated that the Mission would establish an appropriate risk reporting mechanism to brief the HoM and senior management regularly. Recommendation 3 remains open pending receipt of evidence of implementation of a risk reporting mechanism.

D. Management of risks and opportunities related to the new delegation of authority

UNAMI needed to identify and assess risks and opportunities related to the new delegation of authority

19. Pursuant to the Secretary-General's bulletin (ST/SGB/2019/2), the Secretary-General delegated to the HoM authority to manage human, financial and physical resources under the Staff Regulations and Rules and Financial Regulations and Rules, to allow for effective mandate delivery by decentralizing decision-making and aligning authorities with responsibilities and strengthening accountability. The HoM assumed the delegated authority and further subdelegated to key mission staff in accordance with the provisions of the Secretary-General's bulletin. The subdelegations were recorded in the online portal managed by DMSPC. However, this was done without prior identification and assessment of risks related to the exercise of new authorities by staff and senior leadership team, some of whom had no relevant previous exposure to the tasks that they were assigned. This increased the risk of ineffective and inefficient exercise of new authorities, which could lead to inadequate management of scarce resources, reputational risk to the Organization, and defeating the purpose of decentralized decision-making for effective implementation of the Mission's mandate.

20. Also, Mission-specific key performance indicators related to the exercise of the new authorities and associated monitoring mechanisms were not developed as an internal control to ensure effectiveness, accountability and judicious use of the delegated authority. OIOS considers that it is too early to assess the efficiency and effectiveness of the delegation and subdelegations of authorities at UNAMI as the process was just completed on 30 June 2019. However, it is important for the Mission to conduct a risk mapping exercise, without further delay, to identify risks and opportunities related to exercise of new delegation of authority and develop risk treatment plans to adequately mitigate the identified risks.

(4) UNAMI should identify and assess risks and opportunities related to the exercise of increased authorities delegated to the Head of Mission and those subdelegated to other staff and implement appropriate mitigating measures, including monitoring mechanisms, to ensure efficient and effective operations.

UNAMI accepted recommendation 4 and stated that the Mission would identify and assess risks and opportunities related to the exercise of increased authorities delegated and sub-delegated to the HoM

and other staff and implement appropriate mitigating measures. Recommendation 4 remains open pending receipt of the approved risk register, which also identifies the risks and opportunities related to exercise of new delegation of authority and the risk treatment plans to adequately mitigate them.

IV. ACKNOWLEDGEMENT

21. OIOS wishes to express its appreciation to the management and staff of UNAMI for the assistance and cooperation extended to the auditors during this assignment.

(Signed) Eleanor T. Burns
Director, Internal Audit Division
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of the enterprise risk management process in the United Nations Assistance Mission for Iraq

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	UNAMI should develop formal terms of reference for the enterprise risk management (ERM) focal points and a training and awareness-building programme on ERM for the Mission staff.	Important	O	Submission of approved TORs for ERM focal points and training and awareness-building programme on ERM for the Mission staff.	30 June 2020
2	UNAMI should ensure that the Risk Management Committee reviews and validates the completed Mission-wide risk register; in particular to ensure that the risk register defines the key drivers of risk, identifies significant risks to the achievement of the UNAMI mandate, provides an assessment and prioritization of risks, and includes appropriate risk responses for treatment of risks.	Important	O	Submission of the approved risk register including appropriate risk responses for treatment of identified risks.	30 June 2020
3	UNAMI should establish an appropriate risk reporting mechanism to: (a) brief the Head of Mission and senior management regularly on the status of risk management and compliance in the Mission; and (b) comply with the quarterly reporting requirements to DMSPC on the status of implementing enterprise risk management in the Mission.	Important	O	Submission of evidence of implementation of a risk reporting mechanism.	30 June 2020
4	UNAMI should identify and assess risks and opportunities related to the exercise of increased authorities delegated to the Head of Mission and those subdelegated to other staff and implement appropriate mitigating measures, including monitoring mechanisms, to ensure efficient and effective operations.	Important	O	Submission of the approved risk register, which also identifies the risks and opportunities related to exercise of the new delegation of authority and the risk treatment plans to adequately mitigate them.	30 June 2020

¹ Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

² Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

³ C = closed, O = open

⁴ Date provided by UNAMI in response to recommendations.

APPENDIX I

Management Response



United Nations Assistance Mission for Iraq (UNAMI)

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Date: 20 Nov 2019
Ref: CMS-019/018

To: Ms. Muriette Lawrence-Hume
Chief New York Audit Service
International Audit Division, OIOS

From: Harish Joshi
Chief Mission Support
UNAMI HQ, Baghdad

Subject: UNAMI Management Response on Audit of the Enterprise Risk Management Process in UNAMI (AP2019/812/02)

1. I refer to your IOM dated 06 November 2019 on the above-mentioned draft report on an audit of the Enterprise Risk Management process in UNAMI.
2. Please find attached UNAMI's Management Response indicating our acceptance of all 4 recommendations.
3. UNAMI takes this opportunity to thank you for the positive collaboration and guidance.

cc: Mr. Mark Rutgers, Chief of Staff, UNAMI
Ms. Tina Pihl, Senior Mission Planning Officer, UNAMI
Mr. Saeed Ahmed, Senior Administrative Officer, UNAMI
Mr. Ferdinand Schafner, Audit Focal Point, UNAMI
Mr. Zulfiqar Gill, Chief Resident Audit Office Kuwait, Internal Audit Division, OIOS
Ms. Cynthia Avena-Castillo, Professional Practices Section, Internal Audit Division, OIOS

Management Response

Audit of the enterprise risk management process in the United Nations Assistance Mission for Iraq

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNAMI should develop formal terms of reference for the enterprise risk management (ERM) focal points and a training and awareness-building programme on ERM for the Mission staff.	Important	Yes	COS and CMS	30 June 2020	UNAMI will develop formal terms of reference for the enterprise risk management (ERM) focal points and a training and awareness-building programme on ERM for the Mission staff.
2	UNAMI should ensure that the Risk Management Committee reviews and validates the completed Mission-wide risk register; in particular to ensure that the risk register defines the key drivers of risk, identifies significant risks to the achievement of the UNAMI mandate, provides an assessment and prioritization of risks, and includes appropriate risk responses for treatment of risks.	Important	Yes	COS and CMS	30 June 2020	UNAMI will ensure that the Risk Management Committee will review and validate the completed Mission-wide risk register; in particular will ensure that the risk register defines the key drivers of risk, identifies significant risks to the achievement of the UNAMI mandate, provides an assessment and prioritization of risks, and includes appropriate risk responses for treatment of risks.
3	UNAMI should establish an appropriate risk reporting mechanism to: (a) brief the Head of Mission and senior management regularly on the status of risk management and compliance in the Mission; and (b) comply with the quarterly reporting requirements to the Department of Management Strategy, Policy and Compliance on the status of implementing enterprise risk management in the Mission.	Important	Yes	COS and CMS	30 June 2020	UNAMI will establish an appropriate risk reporting mechanism to: (a) brief the Head of Mission and senior management regularly on the status of risk management and compliance in the Mission; and (b) comply with the quarterly reporting requirements to the Department of Management Strategy, Policy and Compliance on the status of implementing enterprise risk management in the Mission.

¹ Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

² Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

Management Response

Audit of the enterprise risk management process in the United Nations Assistance Mission for Iraq

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
4	UNAMI should identify and assess risks and opportunities related to the exercise of increased authorities delegated to the Head of Mission and those subdelegated to other staff and implement appropriate mitigating measures, including monitoring mechanisms, to ensure efficient and effective operations.	Important	Yes	COS and CMS	30 June 2020	UNAMI will identify and will assess risks and opportunities related to the exercise of increased authorities delegated to the Head of Mission and those subdelegated to other staff and will implement appropriate mitigating measures, including monitoring mechanisms, to ensure efficient and effective operations.