INTERNAL AUDIT DIVISION

REPORT 2019/082

Audit of the enterprise risk management process in the United Nations Support Office in Somalia

There was need to prioritize implementation of the enterprise risk management process, ensure effective functioning of the Risk Management Committee, and manage the risks and opportunities related to the new delegation of authority

29 August 2019
Assignment No. AP2019/638/07

Audit of the enterprise risk management process in the United Nations Support Office in Somalia

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of the enterprise risk management (ERM) process in the United Nations Support Office in Somalia (UNSOS). The objective of the audit was to assess the adequacy and effectiveness of the ERM process in UNSOS, specifically to assess whether key risks are identified and managed effectively to support programme delivery and achievement of the Office's objectives. The audit covered the period from 1 July 2016 to 30 April 2019 and included a review of: the ERM governance and organizational structure; implementation, monitoring and reporting; and management of risks related to the implementation of the new delegation of authority in UNSOS.

UNSOS had prepared a draft Office-wide risk register and taken action and implemented measures to facilitate implementation, monitoring and reporting on the new delegated authority given to the Head of UNSOS. However, it needed to prioritize the implementation of the ERM process, ensure effective functioning of the Risk Management Committee and manage risks and opportunities related to the exercise of the new delegation of authority.

OIOS made eight recommendations. To address issues identified in the audit, UNSOS needed to:

- Give adequate management attention to the implementation of the ERM process, develop and implement an Office-wide ERM plan and programme to guide the process and ensure effective functioning of the Risk Management Committee in discharging its risk oversight responsibilities;
- Strengthen the Risk Management and Compliance Unit to ensure it has the capacity to effectively coordinate and facilitate the implementation of ERM in accordance with the United Nations ERM framework and the three lines of defence model;
- Expedite the appointment of risk focal points to support operational managers in implementing their risk management requirements as the first line of defence;
- Conduct a training needs assessment for risk management and encourage staff to complete the online course on risk management to foster a risk aware culture and develop, in collaboration with the Department of Management Strategy, Policy and Compliance, appropriate risk awareness and training programmes for its management and staff;
- Establish and implement an integrated and comprehensive process for identifying, assessing and measuring risks that threaten the achievement of mandated objectives;
- Finalize the risk register and prepare and implement a comprehensive risk treatment and response plan that addresses key risk drivers, and establish a process for periodic monitoring and update of the risk register and the risk treatment and response plan;
- Implement an appropriate reporting mechanism to ensure that the Head of UNSOS and the senior management team are kept informed about key risk management and compliance issues and that relevant reporting on key risks is aligned with the risk register; and
- Identify and assess risks and opportunities related to the exercise of increased authorities delegated to the Head of UNSOS and those sub-delegated to other staff and implement appropriate mitigating measures including monitoring mechanisms.

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

CONTENTS

Audit of the enterprise risk management process in the United Nations Support Office in Somalia

I. BACKGROUND

1.   The Office of Internal Oversight Services (OIOS) conducted an audit of the enterprise risk management (ERM) process in the United Nations Support Office in Somalia (UNSOS).

2.   ERM is a systematic and holistic approach to risk management that supports an organization's achievement of strategic and operational objectives by proactively identifying, assessing, evaluating, prioritizing and controlling risks across the organization. Risk management is a core responsibility of management.

3.   General Assembly resolution 64/259 of 5 May 2010 requested the Secretary-General to enhance the Organization's capabilities for risk assessment and mitigation and associated internal controls. In May 2011, the Management Committee approved the Organization's ERM and Internal Control Policy and Framework Methodology (the ERM framework) which provides a systematic and common approach for assessing, treating, monitoring and communicating strategic and operational risks. Security Council resolution 71/283 of 20 April 2017 required the Secretary-General to ensure comprehensive implementation of ERM in all peacekeeping operations. Also, to support the new management paradigm and enhanced accountability system, the Secretary-General in his report A/72/773 dated 1 March 2018 called for enhanced risk management systems, including implementation of ERM by all departments, offices and missions.

4.   The Secretariat's ERM Section within the Business Transformation and Accountability Division in the Department of Management Strategy, Policy and Compliance (DMSPC) is responsible for the dissemination of guidance and best practices on risk management and internal control and for the development of appropriate communication and training programmes to enhance the United Nations Secretariat's risk management culture.

5.   The Head of UNSOS is responsible for identifying and managing risks and for implementing corrective actions to address deficiencies in internal controls. The Risk Management and Compliance Officer (Risk Officer) at the P-4 level heads the Risk Management and Compliance Unit (RMCU) and is the principal advisor to the Head of UNSOS on risk management and compliance matters. The Risk Officer is responsible for facilitating the integration of risk management into all aspects of strategic and operational planning and day-to-day operations and for facilitating Office-wide coordination of risk management and compliance activities.

6.   RMCU reports to the Director of UNSOS through the Senior Administrative Officer and is comprised of three international and one national staff. UNSOS has a Risk Management Committee (RMC), which is responsible for overall governance and monitoring of the effectiveness of the ERM process in the Office.

7.   Comments provided by UNSOS are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

8.   The objective of the audit was to assess the adequacy and effectiveness of the ERM process in UNSOS, specifically to assess whether key risks are identified and managed effectively to support programme delivery and achievement of the Office's objectives.

9.   This audit was included in the 2019 risk-based work plan of OIOS due to the importance of managing risks to the achievement of UNSOS mandated objectives and the Secretary-General's management reforms in a systematic and holistic manner.

10.   OIOS conducted this audit from March to June 2019. The audit covered the period from 1 July 2016 to 30 April 2019. Based on an activity-level risk assessment, the audit covered higher and medium risks areas in the ERM process, which included: governance and organizational structure; implementation, monitoring and reporting; and implementation of the new delegation of authority in UNSOS.

11.   The audit methodology included interviews of key personnel and reviews of relevant documents.

12.   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

<u>Need to strengthen the ERM governance and oversight structure</u>

13.   Clearly defined and appropriate ERM governance and oversight mechanism, including commitment and involvement of senior leadership, is essential in ensuring that Office-wide risks are effectively managed to achieve strategic and operational objectives, and that the ERM process is adequately embedded into the entity's strategic planning and decision-making processes. Instructions issued by the erstwhile Department of Field Support (DFS)[1], require the establishment of an RMC to oversee and monitor the overall effectiveness of the ERM process.

14.   UNSOS leadership was not proactively involved in the ERM process and had not ensured the development of an Office-wide ERM implementation plan and programme with clearly defined timelines, deliverables, and roles and responsibilities to guide the process. There was also no regular reporting or briefing by the Risk Officer to the Head of UNSOS and other members of the senior management team to keep them abreast on the status of risk management in UNSOS.

15.   In addition, UNSOS leadership had yet to ensure that the RMC, established in December 2017, was effectively carrying out its risk oversight role and responsibilities. Although the RMC was adequately constituted with representation from all key UNSOS components, the African Union Mission in Somalia (AMISOM) and the United Nations Assistance Mission in Somalia, with the Risk Officer serving as the Secretary of the Committee, it had only met once since its establishment as opposed to quarterly as required by the terms of reference. A review of minutes of the meeting held in December 2018 showed that RMC had reviewed the UNSOS draft risk register and requested pillar heads to nominate risk focal points and for the Risk Officer to conduct briefing sessions on ERM. However, there had been no follow-up on these action points. As of 15 May 2019, the pillar heads had not yet appointed focal points, and the Risk Officer had not updated the risk register with the RMC comments or conducted any briefing sessions on ERM.

16.   Other required tasks that were not carried out by the RMC, as prescribed in guidance issued by DFS, included: prioritization of risks identified across the Office; and submission of a consolidated plan of risk treatment measures to the Head of UNSOS for review and approval.

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[1] Effective 1 January 2019 the Department of Management Strategy, Policy and Compliance assumed all risk management functions previously carried out by the Department of Field Support and is responsible for the dissemination of ERM guidance and best practices to enhance the United Nations Secretariat's risk management culture.

17.   The above occurred because of insufficient leadership attention and support to the ERM process, amid competing priorities, resulting in ineffective implementation of ERM in UNSOS.

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(1)   UNSOS should: (a) give adequate attention and support to the implementation of the enterprise risk management (ERM) process; (b) develop and implement an Office-wide ERM plan and programme to guide the process; and (c) ensure effective functioning of the Risk Management Committee in the discharge of its risk management oversight role and responsibilities.

UNSOS accepted recommendation 1 and stated that: (a) UNSOS held a management retreat in July 2019 at which a session was dedicated to the need for full compliance with the ERM methodology, and for risk management to be reflected in pillar work plans; (b) an UNSOS-wide ERM programme is being developed by the Risk Officer which will be presented for concurrence at the next RMC meeting; and (c) a meeting of RMC was convened on 30 July 2019 and the committee would meet quarterly as required by policy. Recommendation 1 remains open pending receipt of evidence that UNSOS has developed an Office-wide ERM plan and programme, and that RMC is functioning effectively in accordance with its terms of reference.

Need to strengthen the capacity of RMCU

18.   The Organization's ERM framework and best practices highlight the importance of a central risk management capacity to coordinate ERM activities and ensure effective implementation of the ERM process. Instructions issued by the erstwhile DFS require the establishment of an adequately staffed and independent risk management function distinct from operational management to facilitate and coordinate the integration of risk management into all aspects of strategic and operational planning and day-to-day operations. Such a function should be headed by a staff at the P-5 or P-4 level staff reporting directly to the Head of UNSOS through a senior manager within the Office of the Chief of Staff or equivalent.

19.   RMCU was established in April 2016 and was headed by a P-4 Risk Officer. Although the Unit was adequately placed in the organization hierarchy with a direct reporting line to senior management, it was not adequately involved in UNSOS' risk management activities and planning process. For example, the Unit did not carry out several required tasks including: raising staff awareness of the ERM process; leading UNSOS self-assessment reviews; monitoring implementation of actions to strengthen internal controls; and coordinating the appointment of risk focal points.

20.   In addition, whilst RMCU had four staff, only the Risk Officer was directly involved in ERM activities, including developing and updating the UNSOS risk register. The other RMCU staff were tasked with compliance activities such as the review of outstanding recommendations from oversight bodies and management reviews and recommending measures to improve implementation rates. They were also involved in performing other functions, unrelated to ERM activities, such as: providing administrative support to senior management; acting as members and/or secretariat to various committees; and assisting in coordinating responses to budget queries. Hence, the Unit was not sufficiently utilizing its available staffing strength for the facilitation and coordination of the Office-wide implementation of the ERM process. This deficiency was further exacerbated by the fact that, as discussed above, risk focal points had not yet been appointed to support operational managers in their risk management responsibilities.

21.   Further, in line with increased delegations (discussed later in the report) and the Organization's three lines of defence model[2], there was a need for UNSOS to clearly define and strengthen the role of the RMCU as a second line of defence to ensure that increased delegations are adequately managed using an ERM approach and that risk management is effectively integrated into all processes including strategy-setting and decision-making.

22.   The above occurred due to lack of clarity on the role and function of RMCU for the implementation of ERM in UNSOS. This impacted the Office's ability to effectively implement and manage a coordinated and comprehensive ERM process that is integrated into key organizational processes.

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(2)   UNSOS should strengthen the Risk Management and Compliance Unit to ensure it has the capacity to effectively coordinate and facilitate the implementation of enterprise risk management (ERM) in accordance with the United Nations ERM and the three lines of defence model.

UNSOS accepted recommendation 2 and stated that the Mission Occupational Health and Safety Officer has been recruited, and the Umoja Site Coordinator role has been removed from the Risk Officer. Pillar and section focal points have also been appointed to support the risk management function. This will strengthen the functions of coordinating and facilitating the implementation of ERM across all the pillars. Recommendation 2 remains open pending receipt of evidence that RMCU strengthened its coordination and facilitation of the implementation of ERM in UNSOS as a key second line of defence function.

(3)   UNSOS should expedite the appointment of risk focal points to support operational managers in implementing their risk management requirements as the first line of defence.

UNSOS accepted recommendation 3 and stated that the focal points have been nominated, and briefing and one-on-one sessions with the Risk Officer and risk focal points were ongoing. Based on the management response, Recommendation 3 has been closed.

Need to increase staff awareness and training on ERM

23.   An effective ERM process requires commitment and awareness of all staff to foster a risk aware culture where staff can manage risks in their day-to-day operations. Management should nurture and encourage the establishment of a risk aware culture throughout the entity. RMCU was tasked with facilitating training on ERM for staff and managers.

24.   UNSOS had not undertaken a risk awareness campaign or implemented measures to develop a risk aware culture in the Office. It had also not determined the level of training or actions needed to provide staff with the knowledge and skills needed to effectively carry out their risk management responsibilities.

25.   In December 2018, the Risk Officer briefed RMC members on the ERM process and highlighted the importance of establishing a risk register and obtaining senior management buy-in to the process. RMCU staff had attended three annual workshops, in 2016, 2017 and 2018 respectively, on risk management organized by the erstwhile DFS. However, no risk management training was provided to other UNSOS

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[2] According to the three lines of defence model, the first line of defence includes the functions that own and manage risks and are responsible for implementing corrective actions to address process and control deficiencies (i.e., operational managers). The second line of defence comprises central management functions that oversee risk and internal controls and provide support and guidance in those areas. The third line of defence includes the functions that provide independent assurances, such as those conducted by OIOS.

staff. OIOS discussions with management showed that they lacked common understanding of the ERM process, with some managers incorrectly having the view that the stand-alone operational risk assessments carried out at the section/unit level in executing their operations or programmatic activities adequately met the requirements of the ERM process. Such an approach is contrary to ERM best practices which call for a holistic and systematic approach to identifying and managing risks to the achievement of mandated objectives. As noted above, RMC in December 2018, recognizing the need for increased staff awareness, requested the RMCU to conduct briefing sessions for staff and management on the ERM process but this had not yet been done.

26. The Office of Human Resources has a voluntary online course on risk management, which is available to all staff in Inspira. However, only two of the four RMCU staff had taken the training. Other staff, including risk focal points and those with risk management roles and responsibilities, should also be encouraged to take this course as it covers important aspects such as the identification, assessment, treatment and monitoring of risks.

27. The above was due to inadequate prioritization of the need to develop risk awareness sessions and training programme for UNSOS staff. Going forward, UNSOS could seek assistance in identifying training requirements for its staff from the Business Transformation and Accountability Division in DMSPC, which is tasked with developing appropriate communication and training programmes to enhance the Secretariat's risk management culture. Inadequate knowledge and awareness of the ERM principles increase the risk of staff and managers not being able to adequately, and in a timely manner, identify, assess and monitor risks to the achievement of their objectives, and to take appropriate mitigation measures.

> **(4) UNSOS should: (a) conduct a training needs assessment for risk management and encourage staff to complete the online course on risk management in Inspira to foster a risk aware culture; and (b) reach out to the Department of Management Strategy, Policy and Compliance to obtain assistance in appropriate risk awareness sessions and training programmes for UNSOS staff and management.**
>
> *UNSOS accepted recommendation 4 and stated that the training needs assessment was ongoing. In the meantime, risk owners and focal points have been progressively taking the on-line ERM course, as well as the additional requirement on fraud and corruption prevention training indicated by DMSPC. DMSPC has advised UNSOS that training sessions for missions can only be conducted after the completion of the Secretariat-wide risk assessment and approval by the Management Committee.* Recommendation 4 remains open pending receipt of evidence that risk management training assessment has been conducted, all personnel have completed the online ERM course, and responsible personnel have been appropriately trained.

B.   Implementation, monitoring and reporting

Need for a systematic approach to implementing and monitoring the ERM process

28. In accordance with the ERM framework, the Office-wide risk register should focus on key risks that threaten the achievement of its mandated objectives and be developed using a systematic and formal approach, for an efficient and effective ERM process. Consistent and comprehensive identification and assessment of risks are required to ensure that effective risk mitigation measures are implemented. Also, risks should be regularly reviewed to identify emerging risks and internal control deficiencies and to develop/update appropriate mitigating measures.

29.   In 2017, the Risk Officer prepared a draft Office-wide risk register based on discussions with pillar heads and results of operational level risk assessments conducted by: 7 of 14 sections under the three pillars, namely service delivery, operations and resources management, and supply chain management; and 6 of 11 units under the Head of Mission and the Director. These sections and units had conducted and documented their operational risk assessments as part of their annual work plan preparation. The Risk Officer indicated that meetings were held with the pillar heads to discuss the consolidated risk register however, minutes of these meetings were not maintained. The draft risk register contained 16 risks, of which 8 were classified as very high risk and 8 as high risk, categorized in line with the United Nations Secretariat's risk universe.

30.   OIOS review of the draft risk register showed that the identified risks were not adequately aligned with the UNSOS' mandated objectives. For example, one of UNSOS' objectives in support of the United Nations Assistance Mission in Somalia was the provision of rapid, efficient and effective logistical support to the National Independent Electoral Commission in preparation for the 2020 universal election in Somalia. However, there was no evidence that UNSOS had identified and assessed risks related to the achievement of this objective. Also, key risks related to the impact of the drawdown of AMISOM were not captured although AMISOM personnel, assisting UNSOS support functions such as aviation safety and management of fuel and rations, would be affected. Also, high safety and security risks were not captured. UNSOS, therefore, missed the opportunity to systematically identify and prioritize key risks that could have a significant impact on the achievement of the mandated objectives.

31.   In addition, risk responses in the draft risk register did not fully address key drivers of each identified risk. For example, UNSOS identified three key drivers relating to the risk of delays and/or deterioration in the quality of food/rations, which included inability to replenish damaged food rations and non-availability of contracted air assets. However, UNSOS only had one risk response for the treatment of this risk, which was to ensure that contract terms include safeguards for last mile delivery responsibility[3]. However, in UNSOS case, last mile delivery may not be possible due to prohibitive costs and logistical challenges such as storage and maintenance of cold chain in the case of rations. This did not adequately address all three risk drivers. The risk register had also not been updated to reflect emerging risks related to the elevated security risk level from medium to high due to the 1 January 2019 mortar attack on the UNSOS camp in Mogadishu, Somalia.

32.   Also, OIOS review of the operational level risk assessments showed that, while they were adequate for identifying operational level risks, they did not include an assessment of the impact of the identified risks on the entity's strategic objectives. Moreover, there was a need for the Risk Officer to ensure that risk responses identified at section/unit level are valid and pertinent at the Office level and do not lead to gaps or duplications in risk responses.

33.   UNSOS had not developed a comprehensive risk treatment and response plan to facilitate effective monitoring and review of identified risks and mitigating measures and there was no formal process to review, re-evaluate and update risks. This was because UNSOS had not prioritized the need for the RMC to hold regular meetings to monitor the ERM process and the completeness and logical soundness of the risk register, as discussed earlier in this report. These deficiencies impeded the timely and effective management of existing and emerging risks at UNSOS.

> **(5) UNSOS should establish and implement an integrated and comprehensive process for identifying, assessing and measuring risks that threaten the achievement of its mandated objectives.**

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[3] Last mile delivery is the movement of fuel, rations and supplies from a transportation hub to the end user as fast as possible.

> *UNSOS accepted recommendation 5 and stated that it will map out the process for identifying, assessing and measuring risks, as well as the risk treatment methodology, which will inform the elaboration of pillar and section risk registers and treatment plans together with monitoring and reporting mechanisms. These will ultimately feed into the overall risk register, reflecting the very high and high risks relating to the implementation of the mandate.* Recommendation 5 remains open pending receipt of evidence of a process implemented for identifying, assessing and measuring risks.
>
> **(6) UNSOS should finalize the risk register and prepare and implement a comprehensive risk treatment and response plan that addresses key risk drivers, and establish a process for periodic monitoring and update of the risk register and the risk treatment and response plan.**
>
> *UNSOS accepted recommendation 6 and stated that implementation of the measures indicated in its response to recommendation 5 above will also serve to address this recommendation.* Recommendation 6 remains open pending receipt of the finalized risk register and comprehensive risk treatment and response plan, and evidence of the process established for their periodic monitoring.

Need for periodic reporting on the status of risk management and compliance issues

34.   Regular risk reporting to senior management is needed to ensure that pertinent information on risk management is considered in decision-making and strategic planning processes. In accordance with the ERM framework, the Head of UNSOS is required to provide quarterly attestations to DOS on the status of risk management and compliance in the Office.

35.   UNSOS did not have a process in place for regular risk management and compliance briefings by the Risk Officer to the Head of UNSOS and management. Nonetheless, while this audit was ongoing, the Risk Officer in April 2019 provided an initial briefing to the Head of UNSOS and its first report was subsequently submitted to DOS. Going forward; however, as a result of the revised structures in New York, DMSPC informed UNSOS that the quarterly reports should be sent to both DMSPC and DOS, pending formal communication from DMSPC.

36.   OIOS review of the first risk and compliance report showed inconsistencies with the risk register as relevant risk-related matters reported to DOS such as information technology security access risks were not reflected in the risk register. This occurred because of ineffective monitoring of compliance with periodic reporting requirements. As a result, UNSOS did not escalate some critical risks to the decision-makers both at the Office level and Headquarters.

> **(7) UNSOS should implement an appropriate reporting mechanism to ensure that the Head of UNSOS and the senior management team are kept informed about key risk management and compliance issues and that relevant reporting on key risks is aligned with the risk register.**
>
> *UNSOS accepted recommendation 7 and stated that the RMC meeting on 30 July 2019 discussed key risk management and compliance issues. In addition to the quarterly RMC meetings, monthly reporting on risk management to the Head of UNSOS by the Risk Officer was in place. ERM quarterly reports were also being submitted to DOS and DMSPC.* Recommendation 7 remains open pending receipt of evidence that reporting on key risks is aligned with the risk register.

C.   Management of risks related to new delegation of authority

<u>Need to identify and manage risks related to the exercise of new delegation</u>

37.   In accordance with the new delegation of authority issued by the Secretary-General to heads of entities to decentralize decision-making, align authorities with responsibilities, and strengthen accountability, the Head of UNSOS was delegated various authorities in the areas of human resources, budget and finance, procurement and property management, and also granted authority to further sub-delegate to other staff. The Head of UNSOS was required to put measures in place by 1 July 2019, using a risk-based approach, to ensure that the delegation is appropriately exercised in accordance with relevant policies, regulations and rules.

38.   To facilitate implementation, monitoring and reporting on the new delegated authorities, UNSOS took various actions and established measures such as: identifying all activities requiring delegated authorities and assigning various responsibilities to specific individuals; developing process matrices for finance, procurement, and human resources, as well as exceptions to administrative instructions; and ensuring that individuals to whom authorities have been sub-delegated complete relevant training before being granted specific access in Umoja. Also, all staff proposed for sub-delegation of authority were approved by senior management.

39.   In January 2019, DMSPC developed an accountability framework with 16 initial key performance indicators for monitoring the exercise of authorities delegated to heads of entities. At the time of the audit, UNSOS had started reporting against one of the 16 key performance indicators relating to the delegation on exceptions to administrative instructions, while the other 15 were still being assessed. However, the 16 key performance indicators identified for monitoring by DMSPC did not include entity-level performance indicators that would assist the Head of UNSOS in affirming that the delegation was being appropriately exercised. For example, although the Head of UNSOS had delegation of authority to exceptionally approve progress/advance payments to vendors, there were no indicators to monitor and report on the volume and value of advance payments made. Similarly, as a transitional measure, the head of UNSOS was delegated the authority for classification of posts up to and including the P-5 level. However, UNSOS had not established indicators to monitor and report on the volume and level of classified posts.

40.   To strengthen the accountability framework for monitoring the exercise of delegation of authority, there was need for UNSOS to proactively manage risks related to the exercise of increased delegation, particularly those that have been sub-delegated to other staff. In the absence of appropriate mitigating measures, UNSOS may not be well prepared to effectively and efficiently exercise decision-making authorities that have been delegated by the Secretary-General.

> **(8)   UNSOS should identify and assess risks and opportunities related to the exercise of increased authorities delegated to the Head of UNSOS and those sub-delegated to other staff and implement appropriate mitigating measures including monitoring mechanisms to ensure efficient and effective operations.**
>
> *UNSOS accepted recommendation 8 and stated that it was actively monitoring the implementation of the delegation of authority. Management ensures that staff who are delegated have the required capacity and have undertaken the necessary training before they are assigned the roles to execute any associated actions. DMSPC is also scheduled to deliver capacity-building for UNSOS on exercising the delegation of authority framework in October 2019.* Recommendation 8 remains open pending receipt of evidence of the risks and opportunities identified and assessed relating to the

> exercise of the increased authorities delegated to the Head of UNSOS and those sub-delegated to other staff, and the mitigating measures and monitoring mechanisms implemented.

IV.   ACKNOWLEDGEMENT

41.   OIOS wishes to express its appreciation to the management and staff of UNSOS 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

ANNEX I

STATUS OF AUDIT RECOMMENDATIONS

Audit of the enterprise risk management process in the United Nations Support Office in Somalia

Rec. no.	Recommendation	Critical[4]/ Important[5]	C/O[6]	Actions needed to close recommendation	Implementation date[7]
1	UNSOS should: (a) give adequate attention and support to the implementation of the enterprise risk management (ERM) process; (b) develop and implement an Office-wide ERM plan and programme to guide the process; and (c) ensure effective functioning of the Risk Management Committee in the discharge of its risk management oversight role and responsibilities.	Important	O	Receipt of evidence that UNSOS has developed an Office-wide ERM plan and programme to guide the ERM implementation process and that the Risk Management Committee is functioning effectively in accordance with its terms of reference.	31 October 2019
2	UNSOS should strengthen the Risk Management and Compliance Unit to ensure it has the capacity to effectively coordinate and facilitate the implementation of enterprise risk management (ERM) in accordance with the United Nations ERM and the three lines of defence model.	Important	O	Receipt of evidence that the Risk Management and Compliance Unit strengthened its coordination and facilitation of the implementation of ERM in UNSOS as a key second line of defence function.	31 October 2019
3	UNSOS should expedite the appointment of risk focal points to support operational managers in implementing their risk management requirements as the first line of defence.	Important	C	Action taken.	Implemented
4	UNSOS should: (a) conduct a training needs assessment for risk management and encourage staff to complete the online course on risk management in Inspira to foster a risk aware culture; and (b) reach out to the Department of Management Strategy, Policy and Compliance to obtain assistance in appropriate risk awareness sessions and training programmes for UNSOS staff and management.	Important	O	Receipt of evidence that risk management training assessment has been conducted, all personnel have completed the online ERM course, and responsible personnel have been appropriately trained.	31 October 2019

[4] 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.
[5] 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.
[6] C = closed, O = open
[7] Date provided by UNSOS in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

Audit of the enterprise risk management process in the United Nations Support Office in Somalia

Rec. no.	Recommendation	Critical[4]/ Important[5]	C/ O[6]	Actions needed to close recommendation	Implementation date[7]
5	UNSOS should establish and implement an integrated and comprehensive process for identifying, assessing and measuring risks that threaten the achievement of its mandated objectives.	Important	O	Receipt of evidence a process implemented for identifying, assessing and measuring risks.	30 November 2019
6	UNSOS should finalize the risk register and prepare and implement a comprehensive risk treatment and response plan that addresses key risk drivers, and establish a process for periodic monitoring and update of the risk register and the risk treatment and response plan.	Important	O	Receipt of the finalized risk register and comprehensive risk treatment and response plan, and evidence of the process established for their periodic monitoring.	31 October 2019
7	UNSOS should implement an appropriate reporting mechanism to ensure that the Head of UNSOS and the senior management team are kept informed about key risk management and compliance issues and that relevant reporting on key risks is aligned with the risk register.	Important	O	Receipt of the risk register and the comprehensive risk treatment and response plan, evidence that the treatment is being implemented, and a process has been established for periodic monitoring, re-evaluation and update of risks.	31 October 2019
8	UNSOS should identify and assess risks and opportunities related to the exercise of increased authorities delegated to the Head of UNSOS and those sub-delegated to other staff and implement appropriate mitigating measures including monitoring mechanisms to ensure efficient and effective operations.	Important	O	Receipt of evidence of the risks and opportunities identified and assessed relating to the exercise of the increased authorities delegated to the Head of UNSOS and those sub-delegated to other staff, and the mitigating measures and monitoring mechanisms implemented.	31 October 2019

APPENDIX I

Management Response

Interoffice Memorandum

To: Mr. Daeyoung Park, Chief   **Ref:** UNSOS/0819/M.036
Peacekeeping Audit Service
Internal Audit Division, OIOS

From: Amadu Kamara, Director   **Date:** 21 August 2019
UNSOS

Subject: **UNSOS Response – Draft report on an audit of the enterprise risk management process in the United Nations Support Office in Somalia. (Assignment No. AP2019/638/07)**

1.   Further to your memorandum of 6 August 2019, reference OIOS-2019-638-09, please find attached UNSOS response to the above-mentioned audit exercise.

2.   We thank you for your continued support to the work of UNSOM and UNSOS.

Best regards,

cc: Ms. Cynthia Avena-Castillo, Professional Practices Section, Internal Audit Division, OIOS
Mr. Abdinasir Issa, Acting Chief Resident Auditor, UNSOS, Internal Audit Division, OIOS
Ms. Lisa Filippeto, Head of Mission, UNSOS
Mr. Herbert Pechek, Chief Supply Chain Management, UNSOS
Mr. Harjit Dhindsa, Chief Operations and Resource Management, UNSOS
Mr. Clark Toes, Chief Service Delivery, UNSOS
Mr. Dolapo Kuteyi, Senior Administrative Officer, UNSOS
Ms. Rosalie Piezas, Risk Management and Compliance Officer, UNSOS

Management Response
Audit of the enterprise risk management process in the United Nations Support Office in Somalia

Rec. no.	Recommendation	Critical[1]/ Important[1]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNSOS should: (a) give adequate attention and support to the implementation of the enterprise risk management (ERM) process; (b) develop and implement an Office-wide ERM plan and programme to guide the process; and (c) ensure effective functioning of the Risk Management Committee in the discharge of its risk management oversight role and responsibilities.	Important	Yes	Risk Officer	(a) Implemented (b) 31 October 2019 (c) Implemented	a) Management seeks to advise the Auditors that UNSOS held a management retreat from 16 to 17 July 2019, attended by UNSOS Pillar heads, Section Chiefs, as well as the Chief of Staff of UNSOM and the Head of Mission Support of AMISOM. A session of the retreat was dedicated to the need for full compliance with the United Nations ERM methodology, and for risk management to be reflected in Pillar workplans. The assignment of the Risk Officer to the Office of the Head of UNSOS has also elevated the profile of risk management in the mission. Management therefore requests the auditors to record this part of the recommendation as implemented. b) The UNSOS-wide ERM programme is being developed by the Risk Management Officer in consultation with the pillars of UNSOS, based on the mission strategic objectives and the workplans of each pillar. This will be presented for concurrence by Management and endorsement at the next Risk Management Committee meeting. c) A meeting of the UNSOS Risk Management Committee was

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						convened on 30 July 2019, and the committee will subsequently meet quarterly as required by policy. The minutes of the last two meetings are attached. Management therefore requests the Auditors to record this part of the recommendation as implemented.
2	UNSOS should strengthen the Risk Management and Compliance Unit to ensure it has the capacity to effectively coordinate and facilitate the implementation of enterprise risk management (ERM) in accordance with the United Nations ERM and the three lines of defence model.	Important	Yes	Director, UNSOS	Implemented	The Mission Occupational Health and Safety Officer has now been recruited, and the Umoja Site Coordinator role has been removed from the Risk Officer. Pillar and section focal points have also been appointed to support the risk management function. As mentioned in recommendation 1, the Risk Officer function has been assigned to the Office of the Head of Mission. This will strengthen the functions of coordinating and facilitating the implementation of ERM across all the Pillars. Management therefore requests the Auditors to record this recommendation as implemented.

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Rec. no.	Recommendation	Critical[1]/ Important[1]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
3	UNSOS should expedite the appointment of risk focal points to support operational managers in implementing their risk management requirements as the first line of defence.	Important	Yes	Risk Officer	Implemented	Management seeks to advise the auditors that the focal points have been nominated. Moreover, briefing and one-on-one sessions with the Risk Management Officer and risk focal points are ongoing. The risk focal points are effectively discharging their assigned tasks in their respective sections and pillars. Samples of records of engagement between Risk Officer and focal points can be provided upon request. Management therefore requests the Auditors to record this recommendation as implemented.

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Rec. no.	Recommendation	Critical[1]/ Important[1]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
4	UNSOS should: (a) conduct a training needs assessment for risk management and encourage staff to complete the online course on risk management in Inspira to foster a risk aware culture; and (b) reach out to the Department of Management Strategy, Policy and Compliance to obtain assistance in appropriate risk awareness sessions and training programmes for UNSOS staff and management.	Important	Yes	Risk Officer	31 October 2019	(a) The training needs assessments is ongoing. In the meantime, Risk Owners and focal points have been progressively taking the on-line ERM course, and as well as the additional requirement on fraud and corruption prevention training indicated by DMSPC. (b) DMSPC has advised UNSOS that training sessions for Missions can only be conducted after the completion of the Secretariat-wide Risk Assessment and approval by the Management Committee. Management requests, based on the response provided by DMSPC, that this recommendation be recorded as implemented on the part of the mission, as further action on this is not within the purview of UNSOS.

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Rec. no.	Recommendation	Critical[1]/ Important[1]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
5	UNSOS should establish and implement an integrated and comprehensive process for identifying, assessing and measuring risks that threaten the achievement of its mandated objectives.	Important	Yes	Risk Officer	30 November 2019	Management will map out the process for identifying, assessing and measuring risks in UNSOS, as well as the risk treatment methodology, which will inform the elaboration of pillar and section risk registers and treatment plans together with monitoring and reporting mechanisms. These will ultimately feed into the overall mission risk register, which will reflect the very high and high risks relating to the implementation of the mandate.
6	UNSOS should finalize the risk register and prepare and implement a comprehensive risk treatment and response plan that addresses key risk drivers, and establish a process for periodic monitoring and update of the risk register and the risk treatment and response plan.	Important	Yes	Risk Officer	Not applicable - see recommendation 5	The implementation of the measures indicated in the response to recommendation 5 above will also serve effectively to address this recommendation. Management therefore requests that this recommendation be combined with recommendation 5.

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Rec. no.	Recommendation	Critical[1]/ Important[1]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
7	UNSOS should implement an appropriate reporting mechanism to ensure that the Head of UNSOS and the senior management team are kept informed about key risk management and compliance issues and that relevant reporting on key risks is aligned with the risk register.	Important	Yes	Risk Officer	Implemented	The Risk Management Committee meeting of 30 July discussed key risk management and compliance issues, including the status of BOA and OIOS audit recommendations. In addition the quarterly RMC meetings, monthly reports on risk management to the Head of UNSOS by the risk management officer is in place. ERM quarterly reports are also being submitted via code cable to DOS and DMSPC. Management therefore requests the Auditors to record this recommendation as implemented.
8	UNSOS should identify and assess risks and opportunities related to the exercise of increased authorities delegated to the Head of UNSOS and those sub-delegated to other staff and implement appropriate mitigating measures including monitoring mechanisms to ensure efficient and effective operations.	Important	Yes	Senior Administrative Officer and Risk Officer	31 October 2019	Management is actively monitoring the implementation of the delegation of authority in the mission. Management ensures that staff who are delegated have the required capacity and have undertaken the necessary training before they are assigned the roles in the corporate systems to execute any associated actions. DMSPC is also scheduled to deliver capacity-building for the mission on exercising the delegation of authority framework in October 2019.