Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

REPORT 2019/127

Audit of enterprise risk management in the United Nations Interim Force in Lebanon

The Mission needed to strengthen oversight, implementation and monitoring of the enterprise risk management process

17 December 2019
Assignment No. AP2019/672/03

Audit of enterprise risk management in the United Nations Interim Force in Lebanon

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of enterprise risk management (ERM) in the United Nations Interim Force in Lebanon (UNIFIL). The main objective of the audit was to assess the adequacy and effectiveness of the ERM process in UNIFIL to identify and manage key risks effectively to support programme delivery and achievement of the Mission's mandates and objectives. The audit covered the period from 1 January 2017 to 31 August 2019 and included a review of the: (a) governance and organizational structure; (b) implementation, monitoring and reporting of ERM; and (c) implementation of the new delegation of authority.

UNIFIL prepared a Mission-wide risk register, which was aligned with the Mission's mandated objectives. However, improvements were needed to other aspects of the enterprise risk management process.

OIOS made five recommendations. To address issues identified in the audit, UNIFIL needed to:

- Enhance the involvement of its Senior Management Team in the ERM process;
- Conduct a training needs assessment for staff with key ERM responsibilities and ensure they complete the online ERM course;
- Improve its risk assessment process by obtaining inputs from relevant Mission components and ensuring that the Mission-wide register is updated accordingly and shared with them;
- Ensure that quarterly status reports on ERM are prepared and submitted to the Department of Management Strategy, Policy and Compliance in a timely manner; and
- Identify and assess risks and opportunities related to the exercise of increased authorities newly delegated to the Head of Mission and Force Commander and subdelegated to other staff and implement appropriate mitigating measures to ensure efficient and effective operations.

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

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Audit of enterprise risk management in the United Nations Interim Force in Lebanon

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of enterprise risk management (ERM) in the United Nations Interim Force in Lebanon (UNIFIL).

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, mitigation and internal controls. In May 2011, the Management Committee approved the ERM and Internal Control Policy, which outlines the purpose, governance, mechanism and principles of ERM. Subsequently in November 2016, the Management Committee approved the Organization's internal control framework and methodology aimed at developing a systematic and common approach to the high-level risks faced by the Organization. General Assembly resolution 71/283 of 20 April 2017 requires the Secretary-General to ensure comprehensive implementation of ERM in all peacekeeping operations.

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 concerning risk and internal control management principles and for developing appropriate communication and training programmes to enhance the Secretariat's risk management culture.

5. The UNIFIL Head of Mission and Force Commander (HoM/FC) is responsible for proactively identifying and managing risks and for implementing corrective actions to address control deficiencies. UNIFIL does not have a separate risk management function and the Compliance and Monitoring Unit (CMU) in the Office of the Director of Mission Support (DMS) is responsible for implementation of systematic approach to ERM and internal control. The Head of the CMU, at the P-4 level, is supported by one international staff at the FS-6 level and three national staff at the GS level. The Head of CMU is the principal advisor to the HoM/FC on risk management and compliance matters and is also responsible for facilitating the integration of risk management into all aspects of strategic and operational activities. The CMU is involved in performing other compliance activities such as coordination of internal and external audit activities, review and follow up on outstanding recommendations from oversight bodies including the Board of Inquiry, and completion of financial disclosures and leadership dialogue.

6. Comments provided by UNIFIL are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

7. The main objective of the audit was to assess the adequacy and effectiveness of the ERM process in UNIFIL to identify and manage key risks effectively in support of programme delivery and achievement of the Mission's mandate and objectives.

8.   This audit was included in the 2019 risk-based audit plan of OIOS due to the importance of an effective ERM process in managing risks that threaten the achievement of UNIFIL mandate and operational and strategic objectives.

9.   OIOS conducted this audit from August to October 2019. The audit covered the period from 1 January 2017 to 31 August 2019. Based on an activity-level risk assessment, the audit covered higher and medium risks in the ERM process, which included: (a) governance and organizational structure; (b) implementation, monitoring and reporting of ERM; and (c) implementation of the new delegation of authority.

10.   The audit methodology included review of relevant documents and interviews of key personnel.

11.   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 strengthen ERM governance and oversight arrangements

12.   Instructions issued by the Department of Field Support (DFS)[1] 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 reporting directly to the HoM/FC or through a senior manager identified to oversee risk management and compliance functions at the Mission to ensure that risks are coordinated and managed in an effective manner.

13.   UNIFIL established an RMC in March 2017 to oversee the overall effectiveness of the ERM process. Although the RMC was duly constituted as per the terms of reference, there was no representation from all key Mission components. For example, key functions such as Finance and Human Resources were not represented at the RMC, yet they were impacted by some of the proposed risk mitigation measures. The RMC met five times as opposed to eight as required by the terms of reference. Moreover, 9 out of 36 staff with key ERM responsibilities including the alternate chairperson of the RMC, had not completed the online course on ERM.

14.   A review of minutes of meetings showed that RMC had discussed the Mission-wide risk register; however, its ongoing reviews of the risk register and its assessment of evolving risks were not adequately documented. Moreover, the RMC did not provide updates to senior management on key strategic risks and compliance matters and their impact on achievement of the Mission's mandate. RMC members were not aware of the requirement to review outstanding recommendations of oversight bodies, and therefore missed opportunities for further enriching the ERM process.

15.   In August 2015, the Mission developed an ERM implementation plan to articulate and define the processes and the related timelines by which UNIFIL would implement the ERM process. The CMU also prepared its annual workplans which integrated goals, key related actions and success criteria for implementation of the ERM activities as per the implementation plan.

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[1] Effective 1 January 2019, DMSPC assumed all risk management functions previously carried out by DFS.

16.   However, the implementation plan was only promulgated in the first quarter of 2017. By 30 September 2019, the implementation plan had not been reviewed to align it with the Mission's changing environment necessitated by additional mandates introduced by Security Council resolution 2373 (2017) such as the authorization for UNIFIL to take all necessary actions to ensure that its area of operations was not utilized for hostile activities of any kind; protection of civilians; and engagement in the strategic dialogue with the Lebanese Armed Forces. Further, the ERM component of the CMU workplans for the periods 2017/18 and 2018/19 were replicas of each other and were not updated to reflect the actual implementation of ERM activities in the Mission. The workplan for the year 2018/19 included planned activities that had already been concluded in the previous year such as the appointment of pillar focal points, the establishment of the RMC and the promulgation of the ERM implementation plan. Additionally, the Mission did not include risk treatment considerations in its Mission Support Plans for 2017/18 and 2018/19 while the UNIFIL Concept of Operations was yet to be updated since 2010 to include such considerations.

17.   The above occurred because UNIFIL leadership was not proactively involved in the ERM process. Although UNIFIL had various mechanisms in place to manage operational-level risks faced by the Mission including: (a) regular meetings of the Senior Management Team (SMT); (b) operational-level committees; and (c) other individual risk management systems, there were no specific meetings by SMT to discuss implementation of ERM. The Head of the CMU reported directly to the DMS on ERM matters. For example, after the deliberations of the RMC, the Head of the CMU discusses the outcome including the risk register with the DMS. There was no regular reporting or briefing by the Head of CMU to the HoM/FC and other members of the SMT to keep them abreast on the status of risk management in the Mission. Although 559 out of 889 UNIFIL civilian staff had completed the online ERM course, UNIFIL management had not conducted a training needs assessment for the provision of training to staff with key ERM responsibilities and had not ensured the staff with key risk management responsibilities complete the online ERM course.

18.   As a result, UNIFIL missed the opportunity to develop a comprehensive risk management strategy that entrenches a risk-aware culture in all operations. Additionally, the ERM implementation plan, CMU workplans and other mission strategic documents did not assist in promoting the application of sound risk management and internal control policies, nor provide adequate oversight for the implementation of related activities within the Mission.

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(1)   UNIFIL should enhance the involvement of its Senior Management Team in the enterprise risk management (ERM) process by: (a) ensuring proper functioning of the established Risk Management Committee; and (b) being actively involved in the ERM process to ensure that key risks are effectively managed and that ERM is embedded into strategic planning and decision-making.

UNIFIL accepted recommendation 1 and stated that it would enhance the involvement of its SMT in the ERM process by ensuring the RMC fully meets its requirements as per the terms of reference and that senior management is more actively involved in the ERM process. Recommendation 1 remains open pending receipt of evidence of enhanced involvement of the Mission's SMT in the ERM process that the RMC fully meets its requirements as per the terms of reference.

(2)   UNIFIL should conduct a training needs assessment for staff with key responsibilities in the enterprise risk management process (ERM) and ensure they complete the online ERM course.

UNIFIL accepted recommendation 2 and stated that it would ensure that staff with key ERM responsibilities complete the online ERM course. Recommendation 2 remains open pending receipt of evidence of completion of the online ERM course by staff with key ERM responsibilities.

B.   Implementation, monitoring and reporting of ERM

Need to improve development of Mission-wide risk register

19.   UNIFIL developed a risk register which was approved by the HoM/FC. The risk register included 17 key entity-wide risks under five risk categories: strategic, governance, operations, financial and compliance, of which six risks were related to the Mission's programmatic (substantive) activities and 11 risks were related to support activities. The 17 risks were also classified into three tiers: three rated as "very high" (the top risks), six rated as "high" and the remaining eight as "medium". OIOS review of the risk register showed that the identified risks were aligned with the UNIFIL mandated objectives; however, the following shortcomings were noted:

- The risk register did not adequately address risks related to fraud and corruption as required by the United Nations Secretariat's risk universe. The risk of fraud and illegal acts rated as "high" in the risk register only covers operations related to fuel, rations and other criminal activities. Moreover, risk of fraud and illegal acts was allocated to the Chief of Life Support, yet it was a Mission-wide risk; and

- UNIFIL did not have pillar-based risk registers. Although UNIFIL had other risk management systems in sections/units such as environment, aviation, security, and conduct and discipline, the remaining substantive and support offices did not have a structured way of identifying their risks.

20.   The above resulted because the Mission did not establish a coordinated mechanism to ensure full participation of relevant section chiefs and staff in the risk assessment process and timely sharing of the risk register with all Mission sections/units. Moreover, the absence of pillar-based risk registers and other risk management systems in all areas prevented the identification of risks which consider major strategic and operational processes that are linked to the achievement of mandates and strategic and operational objectives. In addition, opportunities that need to be pursued may not be correctly identified and evaluated.

> **(3)   UNIFIL should improve its risk assessment process by obtaining inputs from all relevant Mission components and ensuring that the Mission-wide register is updated accordingly and shared with them.**
>
> *UNIFIL accepted recommendation 3 and stated that while the standard risk assessment process applicable to all missions was already in place, UNIFIL would ensure that it includes inputs from all Mission components and that the register is shared with them.* Recommendation 3 remains open pending receipt of an up-to-date Mission-wide risk register including inputs from all Mission components.

The Mission needed to improve on its ERM monitoring and reporting

21.   The Mission did not prepare or submit quarterly status reports for two of the eight quarters under review to keep senior management, both in the field and at Headquarters, informed of risk management developments in the Mission. The reports were due within 30 days following the end of each quarter, but one report was submitted 52 days following the end of the respective quarter. Additionally, the Mission did not receive any substantive feedback from DFS or guidance from DMSPC on its quarterly submissions despite follow-ups. Reports were late or missing because the Mission did not implement appropriate reporting and monitoring mechanisms to ensure the timely review and approval of the quarterly status reports. As a result, senior management were not kept regularly informed on the status of Mission-wide exposures for effective decision-making and strategic planning and monitoring.

> **(4)** **UNIFIL should implement an appropriate reporting mechanism to ensure that quarterly status reports on enterprise risk management are prepared and submitted to DMSPC in a timely manner.**
>
> *UNIFIL accepted recommendation 4 and stated that it would ensure that quarterly status reports on ERM are submitted to DMSPC in a timely manner.* Recommendation 4 remains open pending receipt of evidence of timely submission of quarterly status reports.

C. Implementation of new delegation of authority

<u>UNIFIL needed to identify and assess risks and opportunities related to the new delegation of authority</u>

22. In accordance with the new delegation of authority (DoA) issued by the Secretary-General, Heads of Missions were delegated various authorities in human resources, budget and finance, procurement and property management. They were also granted authority to subdelegate authority. In January 2019, DMSPC developed an accountability framework with 16 key performance indicators for monitoring the exercise of authorities delegated to heads of entities.

23. As of September 2019, the HoM/FC had subdelegated decision-making authorities in the four DoA areas noted above. The Mission had also taken the following actions:

- The HoM/FC had granted authority to the Chief, Service Delivery Management to act as the administrator and coordinator of the online DoA portal.

- The DoA administrator was also required to report with justifications to the HoM/FC, any proposed exceptions.

- A Field Technology Services staff member had been tasked with reconciling existing Umoja roles with the approved DoA authorities.

24. However, the Mission was yet to conduct targeted risk assessment related to the exercise of the new DoA in the four areas because it did not think one was necessary. 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 defeat the purpose of decentralized decision-making for more effective implementation of the Mission's mandate.

> **(5)** **UNIFIL should identify and assess risks and opportunities related to the exercise of increased authorities newly delegated to the Head of Mission and Force Commander and those subdelegated to other staff and implement appropriate mitigating measures, including monitoring mechanisms, to ensure efficient and effective operations.**
>
> *UNIFIL accepted recommendation 5 and stated that it would carry out a risk assessment related to the exercise of increased authorities newly delegated to the HoM/FC and those subdelegated to other staff and implement appropriate mitigating measures as required.* Recommendation 5 remains open pending receipt of the results of the risk assessment.

IV. ACKNOWLEDGEMENT

25. OIOS wishes to express its appreciation to the management and staff of UNIFIL 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 enterprise risk management in the United Nations Interim Force in Lebanon

Rec. no.	Recommendation	Critical[2]/ Important[3]	C/ O[4]	Actions needed to close recommendation	Implementation date[5]
1	UNIFIL should enhance the involvement of its Senior Management Team in the enterprise risk management (ERM) process by: (a) ensuring proper functioning of the established Risk Management Committee; and (b) being actively involved in the ERM process to ensure that key risks are effectively managed and that ERM is embedded into strategic planning and decision-making.	Important	O	Receipt of evidence of enhanced involvement of the Mission's SMT in the ERM process and that the RMC fully meets its requirements as per the terms of reference.	30 June 2020
2	UNIFIL should conduct a training needs assessment for staff with key responsibilities in the enterprise risk management process (ERM) and ensure they complete the online ERM course.	Important	O	Receipt of evidence of completion of the online ERM course by staff with key ERM responsibilities.	31 March 2020
3	UNIFIL should improve its risk assessment process by obtaining inputs from all relevant Mission components and ensuring that the Mission-wide register is updated accordingly and shared with them.	Important	O	Receipt of an up-to-date Mission-wide risk register including inputs from all Mission components.	30 June 2020
4	UNIFIL should implement an appropriate reporting mechanism to ensure that quarterly status reports on enterprise risk management are prepared and submitted to DMSPC in a timely manner.	Important	O	Receipt of evidence of timely submission of quarterly status reports on enterprise risk management.	30 June 2020
5	UNIFIL should identify and assess risks and opportunities related to the exercise of increased authorities newly delegated to the Head of Mission and Force Commander and those subdelegated to other staff and implement appropriate mitigating measures, including monitoring mechanisms, to ensure efficient and effective operations.	Important	O	Receipt of the results of the risk assessment related to the exercise of increased authorities newly delegated to the Head of Mission and Force Commander and those subdelegated to other staff.	30 September 2020

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[2] 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.

[3] 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.

[4] C = closed, O = open

[5] Date provided by UNIFIL in response to recommendations.

APPENDIX I

Management Response

13 December 2019

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

From: Melva Crouch
        Acting Head of Mission and Director of Mission Support, UNIFIL

Subject: **Draft report on an audit of enterprise risk management process in UNIFIL (Assignment No. AP2019/672/03)**

1.   We refer to your memorandum on the above subject, reference No. OIOS-2019-MO1203 dated 12 December 2019. Please find attached UNIFIL's response to the recommendations contained in the subject Draft Report.

2.   In following the usual procedure, copies of any supporting documents will only be provided to MERAO based at UNIFIL HQ and will not be transmitted to you with this Mission's response.

Best regards.

Cc: Mr. Effendi Syukur, Audit Focal Point, UNIFIL
        Mr. John Banda, OiC Resident Auditor, MERAO, Internal Audit Division, OIOS
        Ms. Cynthia Avena-Castillo, Professional Practices Section, Internal Audit Division, OIOS

Management Response

Audit of enterprise risk management in the United Nations Interim Force in Lebanon

Rec. no.	Recommendation	Critical[6]/ Important[7]	Accepted ? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNIFIL should enhance the involvement of its Senior Management Team in the enterprise risk management (ERM) process by: (a) ensuring proper functioning of the established Risk Management Committee; and (b) being actively involved in the ERM process to ensure that key risks are effectively managed and that ERM is embedded into strategic planning and decision-making.	Important	Yes	UNIFIL ERM Focal point with DMS and SMT	30 June 2020	UNIFIL will enhance the involvement of its Senior Management Team in the enterprise risk management (ERM) process by ensuring the RMC fully meets its requirements as per the terms of reference and by ensuring that senior management is more actively involved in the ERM process.
2	UNIFIL should conduct a training needs assessment for staff with key responsibilities in the enterprise risk management process (ERM) and ensure they complete the online ERM course.	Important	Yes	UNIFIL ERM Focal point with Chief, IMTC	31 March 2020	UNIFIL will ensure that staff with key responsibilities in the enterprise risk management process complete the online ERM course.
3	UNIFIL should improve its risk assessment process by obtaining inputs from all relevant Mission components and ensuring that the Mission-wide register is updated accordingly and shared with them.	Important	Yes	UNIFIL ERM Focal point	30 June 2020	UNIFIL will ensure that that the risk assessment process includes inputs from all Mission components and that the register is shared with all mission components noting however that the standard risk assessment process applicable to all missions that is already fully in place in UNIFIL.
4	UNIFIL should implement an appropriate reporting mechanism to ensure that quarterly status reports on	Important	Yes	UNIFIL ERM Focal point	30 June 2020	UNIFIL will ensure that quarterly status reports on

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[6] 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.

[7] 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 enterprise risk management in the United Nations Interim Force in Lebanon

	enterprise risk management are prepared and submitted to DMSPC in a timely manner.					enterprise risk management are submitted to DMSPC in a timely manner.
5	UNIFIL should identify and assess risks and opportunities related to the exercise of increased authorities newly delegated to the Head of Mission and Force Commander and those subdelegated to other staff and implement appropriate mitigating measures, including monitoring mechanisms, to ensure efficient and effective operations.	Important	Yes	Chief, Compliance Unit	30 September 2020	UNFIL will carry out a risk assessment related to the exercise of increased authorities newly delegated to the Force Commander/Head of Mission and those subdelegated to other staff and implement appropriate mitigating measures as required.