



**PERFORMANCE AUDIT**

**OF**

**UNDP ENTERPRISE RISK MANAGEMENT**

**Report No. 2319**  
**Issue Date: 2 July 2021**



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## Table of Contents

<b>Executive Summary</b>	<b>i</b>
I. About Enterprise Risk Management	1
II. Audit methodology	2
III. Audit results	2
1. Is the UNDP ERM Framework effectively established and functioning?	4
2. Are UNDP's ERM practices, tools and systems effective in capturing, assessing and managing risks across the organization in line with the ERM policy objectives?	7
Definitions of audit terms - ratings and priorities	13
Appendix – Survey results from the Country Offices	14

## Report on the Performance Audit of UNDP Enterprise Risk Management Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted a performance audit of UNDP Enterprise Risk Management (ERM) from 8 to 31 March 2021. Performance auditing is an independent examination of an entity to assess whether the entity is achieving economy, efficiency, and effectiveness in the employment of available resources.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. Due to the COVID-19 pandemic, the audit was conducted remotely.

The audit aimed to assess the design and performance of UNDP's ERM Framework, and the extent to which the ERM objectives were likely to be achieved.

This included, but was not limited to the governance, roles and responsibilities, policies and procedures of ERM (including risk identification, assessment, escalation, mitigation and review), as well as the role, composition and functioning of the Risk Committee. The audit also formulated observations on the use of ERM as a management tool for high-risk decisions.

The audit addressed the following performance audit questions:

### 1. Is the UNDP ERM Framework effectively established and functioning?

- 1.1 To what extent does the UNDP ERM Framework including policies and procedures align with international risk management standards and frameworks?
- 1.2 To what extent is UNDP's governance (roles & responsibilities, organizational structure, committees, etc.) established to enable effective ERM in the organization?

### 2. Are UNDP's ERM practices, tools and systems effective in capturing, assessing and managing risks across the organization (at HQ, Regional and Country Office levels, as well as at the project level) in line with the ERM policy objectives?

- 2.1 Are UNDP's ERM practices effective in capturing, assessing and managing risks across the organization?
- 2.2 Are UNDP's tools and systems effective in capturing, assessing and managing risks across the organization?
- 2.3 Is ERM training and guidance effective in enabling personnel to capture, assess and manage risks across the organization?

### Overall audit rating

OAI assessed Enterprise Risk Management within UNDP as **satisfactory/some improvement needed**, which means, "The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area." This rating was mainly due to weaknesses in risk identification practices and updating of risk logs.

**Key recommendations:** Total = **6**, high priority = **1**

The six recommendations aim to ensure the following: (a) achievement of the organization's strategic objectives (Recommendations 1, 2, 3, 4, and 5); and (b) the effectiveness and efficiency of operations (Recommendation 6).

For the high (critical) priority recommendation, prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP. The high (critical) recommendation is presented below:

Weaknesses in risk identification practices and updating of risk logs (issue 4)

The audit reviewed the Corporate Planning System (CPS) risk registers for HQ and Regional bureaus, including the country offices, from 2019 to 2021 and observed that the majority of risks remained unchanged over this period. In particular, the audit noted: (i) risks rolled over to subsequent years; with no change in the validity dates; (ii) there was limited information on steps taken to mitigate or close risks; and (iii) risks with a potential impact in 2016 were appearing in the 2019-2021 risk registers.

The audit team reviewed the Project Risk Dashboard and the CPS risk registers of 23 Country Offices that were audited by OAI from January 2020 to March 2021 and noted that only 2 out of the 20 high risks identified by the auditors were reflected in the offices' risk registers. The majority (73 percent) of the risks identified by the Country Offices in the risk registers were related to external events, such as political instability, security, etc., whereas the risks identified within audit reports were related to internal issues, such as project management, procurement and financial sustainability. The audit noted that of the 4,036 projects listed<sup>1</sup>, 596 were without risk entries while another 585 other projects had incomplete risk entries.

**Recommendation:**

OAI recommends all Regional Bureaux ensure risks are comprehensively identified, recorded and followed up, at the project, country and bureau level.

The issue of incomplete risk registers was also noted in the 2020 audit completed by the UNBOA.

UNBOA's recommendations were as follows:

- (a) country offices should record project related risks for all projects and ensure that risk entries are complete; and
- (b) directors of bureaux should fulfil their responsibilities with regard to enterprise risk management ensuring that offices under their supervision include risks relating to internal issues.

OAI subscribes to the audit recommendations raised by UNBOA. In coordination with the UNBOA, and to avoid duplication, OAI agreed with the UNBOA that the implementation of their recommendation by UNDP will address OAI's issue and recommendation.



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### Management comments and action plan

The Assistant Administrator and Director of BMS and the Assistant Administrators and Directors of the relevant Bureaux accepted the six<sup>2</sup> recommendations and are in the process of implementing them. Comments and/or additional information provided have been incorporated in the report, where appropriate.

Low risk issues (not included in this report) have been discussed directly with management and actions have been initiated to address them.

Helge S. Ostveiten  
Director  
Office of Audit and Investigations

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<sup>2</sup> Recommendation 4, 'weaknesses in risk identification practices and updating of risk logs' was included within UNBoA 2020 long form report issued 22 June 2020 and was accepted by UNDP.

## I. **About Enterprise Risk Management**

Enterprise Risk Management (ERM) is a structured, consistent and continuous process across an organization through which opportunities and threats that affect achievement of the organization's objectives are identified, assessed and managed, resulting in an appropriate and beneficial response.

ERM requires a comprehensive framework which includes: governance, policies, procedures, communication and a process of continuous improvement enabling an organization to effectively manage its risks.

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) ERM Integrated Framework defines ERM as “a process, effected by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.”

The International Organization for Standardization (ISO) 31000:2018 standard sets out that the purpose of a risk management framework is to “assist the organization in integrating risk management into significant activities and functions. The effectiveness of risk management will depend on its integration into the governance of the organization, including decision-making. This requires support from stakeholders, particularly top management”.

UNDP defines the ERM system as the framework through which staff and partners identify, analyse, monitor and report on existing and emerging risks. It is designed to allow the organization to be forward looking and manage the effect of uncertainties on objectives.

UNDP's ERM policy is based on the ISO 31000:2018 standard, with the following objectives:

- Increase programme effectiveness and relevance through adaptive and informed decision-making.
- Provide greater assurance regarding the management of significant risks.
- Enable the exploration of innovative solutions to organizational and development challenges.
- Inform effective and targeted allocation of resources to where they are most needed.
- Enhance the reputation of UNDP as a value-driven and risk-informed organization.
- Increase efficiency by safeguarding the accountable use of resources.
- Safeguard people and the environment.
- Manage and reduce to an acceptable level the safety and security risks to UNDP personnel, premises and assets.

The Bureau for Management Services and the Bureau for Policy and Programme Support are responsible for the ERM system's implementation and policy. UNDP's ERM policy covers both internal and external risks throughout the organization, including the impact of UNDP activities on the external environment.

The UNDP ERM policy outlines the terms and definitions used within ERM, including risk categories and the criteria model for determining the likelihood and impact of a risk. The policy is supported by the ERM Guidance Note (September 2019), which clarifies UNDP's approach to ERM. The guidance supports programming and operational staff by ensuring a common understanding of UNDP's risk management methodology.

UNDP's ERM methodology consists of six key elements in line with the ISO 31000:2018, which are implemented at the following levels:

- Project level (i.e. Development Projects, Engagement Facilities, Development Services, Institutional and Development Effectiveness Projects, Multi-Country and South-South Projects).

- Programme/unit level (i.e. Country Office/Programme, Regional Bureaux/Programme, Central Bureaux/Programme).
- At the corporate level.

The six elements of the ERM methodology are:

1. Establishing the scope, context and criteria.
2. Conducting risk assessments: to provide information at appropriate intervals for risk-informed decisions. Completion of risk assessments enable greater acceptance of risk-taking opportunities (e.g. innovation) while ensuring rigorous due diligence, treatment, monitoring, and control.
3. Risk Treatment: identifies measures to address each risk identified.
4. Communication and consultation: with stakeholders, including staff, partners at the national level and within the UN system, as well as donors and beneficiaries).
5. Monitoring and review: to inform management decisions and course corrections.
6. Recording and reporting: to provide timely/relevant risk information across the organization for decision-making. Risk reporting must be carried out at least on a semi-annual basis.

## II. **Audit methodology**

The audit was based on documentation review, interviews and written inquiries/surveys.

Performance audit question 1 and 2 were addressed through a combination of documentation reviews, systems walkthroughs, and interviews with key staff in the Bureau for Management Services and the five Regional Bureaux.

The results from the survey of the Country Offices are summarized in the appendix.

## III. **Audit results**

Conclusions on the performance audit areas:

### **Question 1**

#### **Is the UNDP ERM Framework effectively established and functioning?**

UNDP has established an effective and functioning ERM Framework, although areas for improvement were noted by the audit (refer to issues 1, 2, 3).

As part of the audit, OAI conducted a survey of Country Offices, with 49 responses received. Overall satisfaction with UNDP's ERM Framework was high across all aspects of ERM. Specific findings were as follows (refer to the appendix).

- Managers in Country Offices overwhelmingly indicated that ERM at UNDP assisted them by providing assurance over management of significant risks (94 percent of respondents). Among Regional and Central bureaux, five out of seven respondents confirmed that the ERM policy was assisting them by providing assurance over significant risks.
- Six out of seven Regional and Central bureaux indicated that UNDP ERM policy and practices enhanced the reputation of UNDP as a value-driven and risk-informed organization
- Roles and responsibilities in relation to ERM were clearly understood at the Country Office level (94 percent of respondents)
- The ERM policy increased efficiency by safeguarding accountable use of resources (69 percent – either 'fully' or 'to a large extent'.

## Question 2

**Are UNDP's ERM practices tools and systems effective in capturing, assessing and managing risks across the organization (at HQ, Regional and Country Office levels, as well as at the project level) in line with the ERM policy objectives?**

UNDP had made progress in capturing, assessing and managing risks across the organization and strengthened the usage of both new (Project Risk Dashboard) and existing tools (Atlas risk log, corporate planning system risk register). However, UNDP's ERM practices, tools and systems should be further strengthened in capturing, assessing, and managing risks across the organization. The areas identified for improvement were as follows:

Weaknesses were identified in risk identification: including incomplete project risk registers and Country Office risk registers which mostly included external risks. For example, critical priority risks identified in internal audit reports were often not included within the Country Office risk registers (issue 4).

The organization was using two systems to capture risks (one at the project level and one at the Country Office level) however these were not integrated, and there was no method for aggregating similar risks across projects (issue 5).

Furthermore, there was a lack of an integrated approach to provided ERM training to all staff (issue 5).

### Audit criteria

To form an opinion and conclude on the performance elements of this audit, the audit team used the following audit criteria:

- UNDP's ERM Policy and the ISO 31000:2018 ERM standard.
- COSO framework.
- UNDP's strategic plan – which included the objective for the organization to become “more nimble, innovative and enterprising – a thought leader that succeeds in taking and managing risks.”
- UN Joint Inspection Unit 2020 report on ‘Enterprise Risk Management: approaches and uses in United Nations system organizations’. This included benchmarks and recommendations for UN organizations.

OAI raised six recommendations one ranked High (critical) and five recommendations ranked medium (important) priority.

Low priority issues/recommendations were discussed directly and agreed with the relevant Bureaux and are not included in this report.

### High priority recommendation:

- (a) All Bureaux are responsible for ensuring risks are comprehensively identified, recorded and followed up, at the project, Country Office and bureau levels (recommendation 4)

### Medium priority recommendations:

- (a) Review and update the existing ERM policy (Recommendation 1).
- (b) Finalize the risk appetite statement, key risk indicators and related guidance (Recommendation 2).
- (c) Define role of Chief Risk Officer and update Country Office senior management job descriptions (Recommendation 3).



- (d) Ensure that project/unit/corporate-level risks logs are integrated within the new enterprise resource planning system (Recommendation 5).
- (e) Enhance staff members' skills and knowledge in ERM (Recommendation 6).

The detailed assessment is presented below:

### 1. Is the UNDP ERM Framework effectively established and functioning?

UNDP has established an effective and functioning ERM Framework, although several areas for improvement were noted by the audit.

#### 1.1. To what extent does the UNDP ERM Framework including policies and procedures align with international risk management standards and frameworks?

UNDP's ERM framework follows the standards outlined in ISO 31000:2018. The ISO 31000:2018 standard sets out that the purpose of a risk management framework is to "assist the organization in integrating risk management into significant activities and functions." The audit team noted that UNDP's ERM Framework (including the policy) was generally in line with the methodology outlined in ISO 31000:2018.

UNDP ERM policies and procedures also broadly align with the risk management standards. However, areas for further improvements were identified; to strengthen UNDP's ERM policies and procedures (issue 1) and to finalize the organizational risk appetite (issue 2).

#### 1.2 To what extent is UNDP's governance (roles & responsibilities, organizational structure, committees, etc.) established to enable effective ERM in the organization?

UNDP has established a procedure to capture and report on corporate risks to the Executive Group and Risk Committee through the corporate planning system risk register. The Risk Committee has a clearly defined Terms of Reference that set out two main roles for the Committee:

- Reviewing and analyzing corporate risks; and
- Maintaining the overall risk and resilience framework.

Membership of the Committee was made up of the Associate Administrator (Chair), the Executive Office, the Directors of all Regional Bureaus as well as the Directors of the BMS, BERA, BPPS, CB, the Chief Finance Officer and the Director of the Security Office. During the audit period, the Committee met regularly (there were seven meetings held from January 2020 to January 2021) and review of the meeting minutes showed clear decisions and actions for each item discussed by the Committee.

Key ERM roles and responsibilities and organizational structures had been defined; however further improvement was required in defining certain roles, such as that of the Chief Risk Officer (refer to issue 3).

### Issue 1 Weaknesses within UNDP's Enterprise Risk Management policy and procedures

The ISO 31000:2018 includes the following elements within the risk management framework:

- (i) Understanding the organization and its external and internal context.

- (ii) Assignment of organizational roles, authorities, responsibilities and accountabilities. These should (a) emphasize that risk management is a core responsibility and (b) identify risk owners, i.e., those individuals with the accountability and authority to manage risk.
- (iii) The organization should ensure allocation of appropriate resources for risk management, including the people, skills, experience, the organization's processes, methods and tools to be used for managing risk. The organization should consider the capabilities of, and constraints on existing resources.

In addition, the organizational ERM policy includes the requirement to develop a plan for its review and evaluation.

The audit team observed the following:

- The UNDP ERM policy and procedures outlined: i) the functions that own and manage risk, ii) the functions that specialize in risk management compliance, and iii) functions that provide independent assurance. However, specific roles related to ERM were not detailed. For example, there was no mention of the Chief Risk Officer or their role in risk management, or other staff in the Headquarters or Regional Bureaux whose responsibilities include ERM.
- The ERM policy did not specify the resources UNDP should allocate for risk management. Additional resources have been made available through creation of new posts (Risk Specialist), incorporating risk responsibilities within management roles, creation and updating of existing to manage risks. However there has not been an analysis of the resources required to implement ERM in line with the ISO standard.
- The task of developing a plan for policy review and evaluation had not started yet.

Failure to implement the ISO standards within the organization's ERM policy may result in weaknesses in identifying and addressing internal and external risks.

Priority	Medium (important)
<b>Recommendation 1:</b>  The Bureau for Management Services in coordination with the Bureau for Policy and Programme Support should review and update the existing ERM policy, procedures and guidance to include: <ul style="list-style-type: none"> <li>(a) the specific roles in the organisation with ERM responsibilities;</li> <li>(b) an analysis of the resources to implement the ERM; and</li> <li>(c) a documented plan for ongoing policy review.</li> </ul>	
<b>Management action plan:</b>  A review will be undertaken to evaluate the existing ERM policy.  The policy, procedures and guidance will be updated to include: <ul style="list-style-type: none"> <li>• Definition of all roles related to ERM and the resource allocation process.</li> <li>• The establishment of a plan for the ongoing review and revision of the ERM policy.</li> </ul>	
<b>Estimated completion date:</b> 30 June 2022	

## Issue 2 Risk appetite statement and guidance not finalized

According to ISO 31000:2018, risk appetite is “the amount and type of risk that an organization is prepared to pursue, retain or take.” UNDP’s ERM policy requires the Risk Committee to propose the risk appetite statement and key risk Indicators for UNDP.

At the time of the audit, the risk appetite statement was under development. The draft statement defined UNDP’s risk appetite at a high level, across key risk categories (strategic, reputation, operational, organizational, social and environmental, financial resources management, regulatory, safety and security).

One Central bureau indicated that once the policy on risk appetite has been elaborated, this will substantially assist in risk-informed decision-making.

The Bureau for Management Services explained that a guidance document was being prepared to accompany the risk appetite statement, offering advice on how to utilise and apply the overall risk appetite for each category of risk. The draft document was under review by the Bureaux at the time of the audit and was not made available to the team.

Without a defined risk appetite and relevant guidance, UNDP may undertake activities that are too risky or pass on activities that are within its risk appetite.

Priority	Medium (important)
<b>Recommendation 2:</b>	
The Bureau for Management Services should finalize the risk appetite statement, key risk indicators and related guidance for dissemination across the organization.	
<b>Management action plan:</b>	
The risk appetite statement has been drafted with inputs from Bureaux and will be shared with the Risk Committee prior to approval by the Administrator.	
<b>Estimated completion date:</b> 31 December 2021	

## Issue 3 Improvements needed in defining and communicating key risk management roles

The ISO 31000:2018 standard sets out requirements for senior management and oversight bodies, as follows: “authorities, responsibilities and accountabilities for relevant roles with respect to risk management are assigned and communicated at all levels within the organization.”

The audit noted the following weaknesses in the defined roles:

### Chief Risk Officer

- UNDP’s Associate Administrator holds the role of the organization’s Chief Risk Officer. The duties and responsibilities of the Chief Risk Officer were not included in the job description of the Associate Administrator.

#### Senior Country Office staff

- The audit team reviewed the job descriptions of key managerial positions in UNDP Country Offices including the Resident Representative, Deputy Resident Representative, Deputy Resident Representative – Operations, Operations Manager, and Programme Analyst. The Resident Representative and the Operations Manager job descriptions referred to risk management as either an accountability or key function. However, the remaining job descriptions reviewed did not include risk management as a responsibility.

Without communication of risk management roles, key ERM functions may not be performed effectively at a senior level.

<b>Priority</b>	Medium (important)
<b>Recommendation 3:</b>	
The Bureau for Management Services, in coordination with the Executive Office should:	
<ul style="list-style-type: none"> <li>(a) define the role of the Chief Risk Officer and include the duties and responsibilities in the job description of the Associate Administrator; and</li> <li>(b) update the generic job descriptions of all senior management positions to include appropriate risk management duties and responsibilities.</li> </ul>	
<b>Management action plan:</b>	
The Bureau for Management Services and Executive Office will formalize the Associate Administrator's role as Chief Risk Officer and Bureau for Management Services /Office of Human Resources will work to include risk management responsibilities in the generic job description of all senior management positions, including those within Headquarters.	
<b>Estimated completion date:</b> 31 March 2022	

## 2. Are UNDP's ERM practices, tools and systems effective in capturing, assessing and managing risks across the organization in line with the ERM policy objectives?

UNDP's ERM practices, tools and systems should be strengthened in capturing, assessing, and managing risks across the organization. The areas identified for improvement were as follows:

- Risk identification – project risk registers were incomplete and Country Office risk registers mostly focused on external risks (issue 4)
- System weaknesses in risk recording – the two systems (Enterprise resource planning system / Corporate planning system) used to capture risks were not integrated, with no method for aggregating similar risks across projects (issue 5)
- Lack of systematic approach to provide ERM training to all staff (issue 6)

Weaknesses in risk identification and risk recording, may prevent critical risks from being captured and escalated to the risk committee for review and further action.

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**Issue 4**      Weaknesses in the risk identification practices and updating of risk logs

Risk identification is the process of finding, recognizing, and describing risks. This is required to ensure the completeness of the risks identified.

**(a) Corporate Risk Logs**

UNDP uses the Corporate Planning System (CPS) risk register to record Integrated Work Plans at programme/unit level with the associated risks. The system is the basis for reporting of corporate risks to the Executive Group and Risk Committee. All risks, risk owners, mitigating actions, treatment owners as well as validity dates are noted therein, and are expected to be updated as changes occur.

The audit reviewed the CPS risk register as well as the risk registers for HQ and Regional bureaux uploaded to the CPS for 2019 to 2021 and observed that the risks remained largely unchanged over the period. In particular, the audit noted: (i) risks rolled over to subsequent years with no change in the risk validity dates; (ii) limited information was available on steps taken to mitigate/'close' risks; and (iii) risks with a potential impact in 2016 appearing in the 2019-2021 CPS risk registers.

Further consultation with HQ and Regional bureaux indicated that the CPS risk registers were updated in some cases, however the updates were done outside the Corporate Planning System due to limitations within the user interface. For example, one Regional Bureau stated that the CPS platform had limited options for adding new risks. The details of the unchanged risks were shared with the relevant bureaux.

BMS noted that CPS automatically carries over risks to the next year, closed recommendations cannot be removed and therefore are also carried over to the next year. It further indicated that risks identified in 2020 were not included in the CPS risk register due to the fast-changing context requiring frequent changes. BMS shared that the risks for 2021 were under review and after endorsement by the risk committee the CPS risk register would be updated.

Failure to maintain a current CPS risk register may result in an ineffective risk management process. Rolling forward risks from the previous year without evidence of review, will undermine the effective adoption of ERM within the organisation.

**(b) Project Risk Logs:**

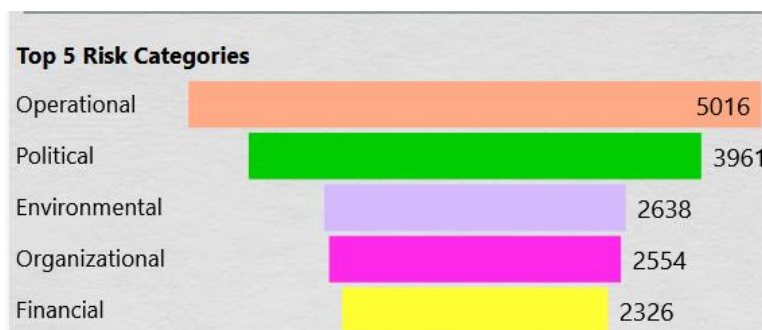
The audit team reviewed the Project Risk Dashboard and the CPS risk registers, of 23 Country Offices that were audited by OAI from January 2020 to March 2021. It noted that 2 out of the 20 high risks identified by the auditors were reflected in the Offices' Project Risk Dashboard risk registers.

The majority (73 percent) of the risks identified by the Country Offices in the Project Risk Dashboard risk registers were related to external events, such as political instability, security, etc., whereas the risks identified within audit reports were related to internal issues, such as sustainable financial management, project management and procurement.

As per the audit survey, only 8 out of the 44 Country Offices (or 18 percent) that answered the question related to the risk identification process stated that sources such as HACT assessments/audits, OAI audits, and project evaluations, were used to identify the risks in the Country Office Project Risk Dashboard. The

audit also noted that the Project Risk Dashboard disclosed that of the 4,036 projects listed<sup>3</sup>, 596 projects did not have risk entries and 585 other projects had incomplete risk entries.

In addition, it was not clear how the Projects Risk Dashboard was used to inform UNDP on critical risks or issues. For example, the top five risk categories within the dashboard were as follow:



Source: Projects Risk Dashboard, 15 June 2021

The review of the operational risk category disclosed the capacity of national partners as a major risk in 1,767 projects. Under the political risk category, the political instability and high turnover in government represented a key risk in all 3,961 projects.

The dashboard was launched in November 2020 and provides insightful data. However, the audit could not ascertain that this information was used by the Risk Committee.

In response to this observation, BMS indicated that the Risk committee is mandated to oversee corporate risks which are identified in a consultative process including reviewing aggregated risks from the Corporate Planning System CPS (Risk Register) In addition, the risk committee reviews high risks that are escalated from the Bureaus. Furthermore, ERM has a well-defined escalation process and criteria for escalation, therefore not all risks identified at the project or programme level are reviewed or discussed by the risk committee.

OAI's review of the minutes of the Risk Committee noted that it included presentations by the Regional Bureaus on the top five 'high-risk' Country Offices in order to look at potential risks and emerging issues. However, from these discussions OAI could not identify whether any cross-cutting risks were examined and assessed.

Without a structured risk identification process, key risks might not be identified and not be available for senior management to address in a timely manner.

<b>Priority</b>	High (critical)
<b>Recommendation 4:</b>	
OAI recommends all Regional Bureaux ensure risks are comprehensively identified, recorded and followed up, at the project, country and bureau level.	
<b>OAI Comment:</b>	
The issue of incomplete risk registers was also noted in the 2020 audit completed by the UNBOA.	

<sup>3</sup> Project Risk Dashboard, 15 June 2021



Their recommendations were as follows:

- (c) country offices should record project related risks for all projects and ensure that risk entries are complete; and
- (d) directors of bureaux should fulfil their responsibilities with regard to enterprise risk management ensuring that offices under their supervision include risks relating to internal issues.

OAI subscribes to the audit recommendations raised by UNBOA. In coordination with the UNBOA, and to avoid duplication, OAI agreed with UNBOA that the implementation of their recommendation by UNDP will address OAI's issue and recommendation.

#### **Issue 5**      System weaknesses in risk recording and management process

According to the ISO 31000:2018 “The recording and reporting of risks provides information for decision-making.” Systems to record risks should be integrated and significant risks should be escalated to determine the required action.

Within UNDP there are two systems to records risks:

- Enterprise Resource Planning system project module (Atlas) – to record project risks.
- Corporate planning system risk register – to record programme/unit risks.

Two dashboards have been created to capture these risks:

- (i) The Project Risk Dashboard allows risks generated at the project level to be reviewed
- (ii) The Programme / Integrated Workplan allows risks generated at the Country Office and business unit level to be reviewed.

The two systems outlined above were not linked, Atlas project risks were not escalated automatically to the corporate planning system and similar Atlas project risks were not aggregated to assess their impact at the programme / unit level.

One Central bureau indicated that the dashboards such as the Project Risk Dashboard launched in December 2020 have been useful in providing real time information to inform decision-making. The Bureau added the vertical integration of the dashboards within the corporate planning platforms would offers a full breadth of available information across project, unit and corporate risk registers (vertical) as well across institutional, programmatic and contextual risks (horizontal) to consider in the assurance and analysis.

The UNDP ERM policy does not provide guidance on how risks across the project – programme levels are to be integrated.

This conclusion was supported through the audit survey:

- In relation to the survey question “How does your Office ensure that project risks are included and managed at the Office level?”. An office meeting was the only mechanism identified by the offices (in 15 instances) to ensure that projects risks are included and managed at the office level.
- Further, two out the four Regional Bureaux that participated in the survey and answered the question “Do UNDP’s ERM tools (corporate planning system/risk register, ERM dashboard) allow you

to effectively manage your risks?” suggested that strengthening the linkage and the integration between the project risks and the corporate planning system risk register programme/unit risks would improve the risk management process.

Significant project risks, if not escalated, may negatively impact the organization (e.g., the risks related to Global Environment Facility projects).

<b>Priority</b>	Medium (important)
<b>Recommendation 5:</b>	
Within the development of the new enterprise resource planning system and relevant corporate management systems, the Bureau for Management Services should ensure that the project/unit/corporate-level risk logs are integrated, to facilitate the escalation of significant risks.	
<b>Management action plan:</b>	
The corporate planning system including the risk register, are being redesigned. ‘ThroughLine’ will connect the risk registers for projects up to the programme risk register and the corporate risk register.	
<b>Estimated completion date:</b> 31 December 2022	

#### **Issue 6**      Need to enhance staff skills through training

UNDP staff are required to possess or obtain sufficient knowledge and skills to be able to implement Enterprise Risk Management.

- i) In 2019, a budget was allocated for ERM trainings. The training was incorporated into the Deputy Resident Representative, Programme and Project Management and Operations Manager workshops as well as in Junior Professional Officer workshops in different regions as follows:
  - Regional Bureau for Europe and the CIS programme and project management Training of Trainers and Operations Manager workshops in June 2019.
  - Regional Bureau for Africa Programme and Project Management in October 2018.
  - The Regional Bureau for Latin America and the Caribbean’s Deputy Resident Representative bootcamp and Operations Manager workshop in October 2019 and one webinar in May 2019.
  - Resident Representative induction in April 2019.
  - Junior Professional Officer induction workshops in February and June 2019.
- ii) The Bureau for Management Services was completing refresher sessions with a focus on the recently launched Project Risk Dashboard. The Regional Bureau for Europe and the CIS, and the Regional Bureau for Latin America and the Caribbean sessions were completed, and the Regional Bureau for Africa, the Regional Bureau for Asia and the Pacific, and the Regional Bureau for Arab States were planned in April and May 2021, however these were postponed until Q2/Q3 2021 because of the pandemic.



- iii) In December 2019, UNDP developed an online ERM course and Training of Trainers programme that was finalized in September 2020. However, the Training of Trainers was postponed due to COVID-19 pandemic. Eventually, the decision was made to deliver the training virtually.
- iv) Discussions between the Bureau for Management Services and Office of Human Resources were ongoing to incorporate risk management within the mandatory UNDP courses.

In addition, five Country Offices included ERM training in their learning plans, two of which made the training mandatory for all staff.

However, there was no systematic approach to providing training on ERM for all staff. While certain elements of the training were postponed due to Covid-19 the training effort was not integrated to ensure that all staff would receive ERM training.

Despite continuous efforts by the Bureau for Management Services to provide appropriate and wide-ranging training, and senior management's messaging about the relevance of the ERM, there is a need to further integrate and apply the ERM approach.

There are reputational, financial, and programmatic risks associated with insufficient application of the ERM policy.

<b>Priority</b>	Medium (important)
<b>Recommendation 6:</b>	
The Bureau for Management Services with the cooperation of the Regional Bureaux should enhance staff ERM skills and knowledge by further expanding training efforts through a coordinated approach across all Bureaux and Country Offices.	
<b>Management action plan:</b>	
<ul style="list-style-type: none"> <li>• The training of trainers programme will be delivered.</li> <li>• The ERM course will become a mandatory course for all personnel.</li> <li>• Risk management training is included within the Managing Successful Programmes training certification and work is underway to make a self-paced version of the course available.</li> <li>• Additional capacity for programmatic risk management has been added to the Bureau for Policy and Programme Support Effectiveness Group to better integrate and apply the ERM approach into UNDP programming.</li> </ul>	
<b>Estimated completion date:</b> 31 March 2022	

## Definitions of audit terms - ratings and priorities

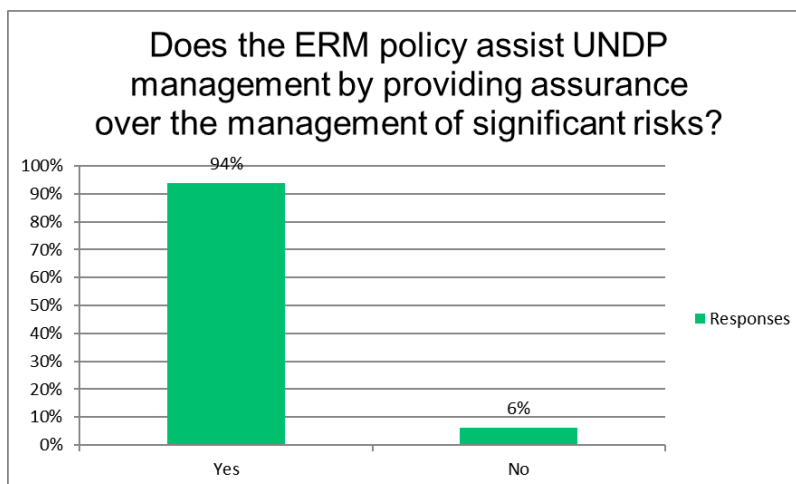
### A. AUDIT RATINGS

- **Fully Satisfactory** The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.
- **Satisfactory / Some Improvement Needed** The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.
- **Partially Satisfactory / Major Improvement Needed** The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.
- **Unsatisfactory** The assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area.

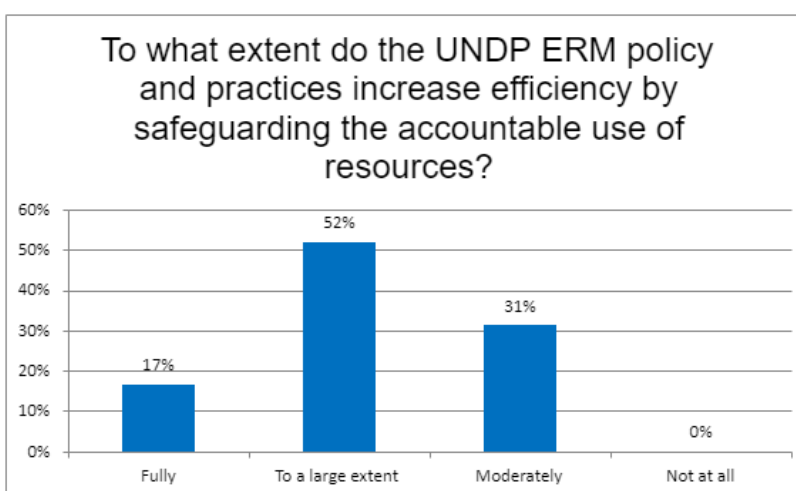
### B. PRIORITIES OF AUDIT RECOMMENDATIONS

- **High (Critical)** Prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP.
- **Medium (Important)** Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP.
- **Low** Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.

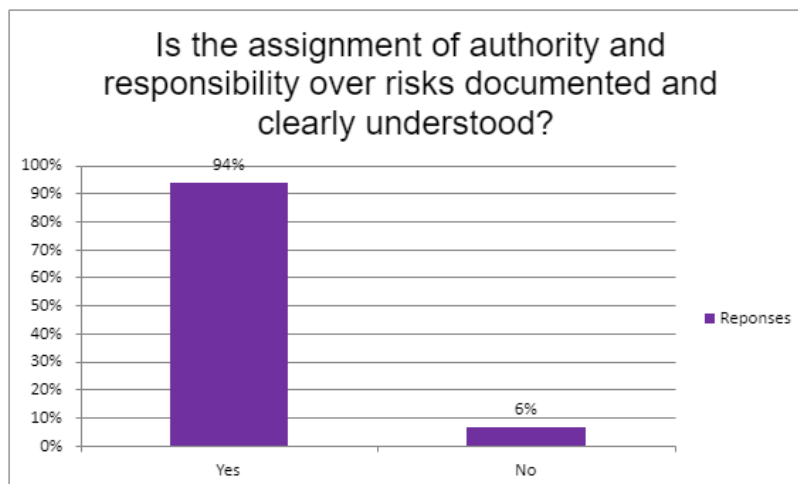
## Appendix - Survey results from the Country Offices:



CO audit survey responses on assurance over management of risks



CO audit survey responses on safeguarding resources



Graph 3: CO audit survey responses on ERM roles