



United Nations

**Enterprise risk management:
approaches and uses
in United Nations system organizations**

Report of the Joint Inspection Unit

Prepared by Keiko Kamioka and Eileen A. Cronin

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Executive summary

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JIU/REP/2020/5**

I. Introduction and review objectives

Enterprise risk management (ERM) has its roots in the private sector and has value in all sectors, including United Nations system entities. In its resolution 61/245, adopted in 2006, the General Assembly endorsed the adoption of ERM in the United Nations system to enhance governance and oversight, acknowledging that United Nations system organizations are exposed to a myriad of risks — from fraud and corruption, reputational risks and cybercrime to risks of a political nature, mismanagement, natural and human-made disasters — while delivering on their mandates.

ERM is an organization-wide process of structured, integrated and systematic identification, analysis, evaluation, treatment and monitoring of risks towards the achievement of organizational objectives. It is fundamentally about managing uncertainty, which includes both threats and opportunities. Unlike fragmented risk management practices, the concept of ERM embodies the notion that risk management cuts across an entire organization to help ensure its sustainability.

This topic was last covered by the Joint Inspection Unit (JIU) in a 2010 review of enterprise risk management in the United Nations system (JIU/REP/2010/4), which introduced a benchmarking framework for successful implementation of ERM in United Nations system organizations.

The main objective of the present review is to inform legislative/governing bodies and the executive heads of United Nations system organizations about the progress made since the last review, the status of implementation, utilization and integration of ERM practices across all 28 JIU participating organizations, as well as to identify good practices and lessons learned to guide ongoing and future initiatives.

The intent behind ERM is to provide a single point of reference in respect of key risks, based on which a legislative/governing body and senior management can discuss and agree on how to manage them. Therefore, it must be tailored to fit an organization with due consideration given to criteria such as mandate, financial and budget considerations, personnel, business model and organizational particularities.

The review proposes 10 updated benchmarks, assesses the progress of ERM implementation against them and includes four formal recommendations tied to the benchmarks: two addressed to the legislative/governing bodies and two to the executive heads of the 28 participating organizations. The review also includes informal recommendations throughout as guidance for the assessment and implementation of the benchmarks.

II. Main findings

Adoption of enterprise risk management framework and policy (benchmark 1)

Having an organization-wide risk management policy and/or framework is foundational for ERM. The policy and/or framework needs to be linked to the organization's strategic plan to ensure that it is aligned with management's strategic vision and the organization's goals and objectives.

Of the 28 organizations covered in the present review, 25 have adopted an ERM policy and/or framework. This represents substantial progress since the previous JIU review. Those entities that have not yet adopted an ERM policy and/or framework are strongly encouraged to do so. Those organizations that have done so are encouraged to review their policies, make necessary revisions and updates to ensure a clear linkage to the organization's strategic plan and to take into account emerging issues and changes in the operating environment.

Internal organizational structure for enterprise risk management (benchmark 2)

For successful implementation of ERM, it is essential that each organization establishes its internal organizational structure with clear roles and responsibilities in accordance with the ERM policy. The “three lines of defence” model of the Institute of Internal Auditors that was subsequently adopted by the High-level Committee on Management of the Chief Executives Board for Coordination (CEB) is useful for understanding various roles and responsibilities in relation to ERM.

The first line of defence is the line managers, who own various risks and execute corresponding measures to manage them. Eighteen out of 28 organizations have a network of risk focal points who can be front-line interlocutors for implementing and supporting ERM processes across an organization, including by collecting and reporting on risks as well as providing training to staff on risk management policies and processes.

The second line of defence is management controls, whereby the staff concerned oversee risks and assist the first line in ensuring that risks and controls are properly managed. This includes setting clear policies and guidance, providing advice and overseeing the actions of the first line. Most organizations have an ERM unit and/or an institutional risk focal point (often called the chief risk officer) with specific responsibility for ERM. While the individual or entity tasked with that function plays a key role in coordinating and facilitating risk management processes across the organization, the primary responsibility for identifying and managing risks lies with line managers and risk owners, not with the individual or entity tasked with the ERM function.

The third line of defence provides independent assurance and/or assessment of the effectiveness of risk management to senior management and legislative/governing bodies. In some organizations, the internal auditors provide advisory and consulting services to strengthen the first and second lines of defence in promoting and enhancing the implementation of ERM.

Senior management, legislative/governing bodies and audit and oversight committees are served by the three lines outlined above. As such, the legislative/governing bodies are positioned at the top of the ERM structure. Senior management has the ultimate responsibility for managing risks and achieving strategic goals while legislative/governing bodies provide oversight to ensure that senior management is managing risks properly. In this regard, it is crucial to ensure that corporate risks are discussed and addressed regularly at the senior management level. It is critical that risks are viewed from an integrated and holistic perspective and not managed in silos; to that end, many organizations have a senior management-level risk committee, which can be vital for integrating ERM.

Risk owners can exist at various lines of defence in an organization, depending on the type of risk. The assigned risk owner should be the person in an organization who is best placed to manage a particular risk and has relevant knowledge, resources and authority.

As the business model, availability of resources, the particular mandate and the maturity stage of ERM vary across organizations, each organization needs to define its own internal organizational structure for ERM. At a minimum, relevant staff at all levels need to be aware of which line of defence they belong to and to understand their roles and responsibilities in terms of ERM in order to ensure that risks are identified and managed appropriately in a systematic and coordinated manner.

Organizational culture embracing enterprise risk management (benchmark 3)

The “tone at the top” is viewed across the participating organizations as the most important driver in setting a risk culture and supporting and empowering staff to advance and integrate ERM within an organization. While the “tone at the top” regarding ERM has improved over the last decade, more needs to be done to further its use and integration.

Executive heads must set a tone that supports ERM implementation across the organization, empower staff to sustain it and substantively engage in ERM processes and practices that demonstrate its utility and importance. The second line management is also crucial in integrating, embedding and sustaining ERM in an organization. Each participating organization needs to have a way to ensure that key risks are escalated to the appropriate levels on a timely basis and that decision makers have the appropriate risk information to make informed decisions.

Role of legislative/governing bodies in enterprise risk management (benchmark 4)

To fulfil their oversight and accountability roles and responsibilities and to prepare for uncertainties, legislative/governing bodies must be engaged with ERM to ensure that executive heads are setting the appropriate “tone at the top”. They should be aware of, at a minimum, the key strategic risks an organization is facing and the strategies for each, as well as the policies and frameworks related to ERM.

Audit and oversight committees can play a key role in advising on ways of implementing and sustaining ERM by conveying technical information between staff and their respective legislative/governing body and sharing good practices from other sectors.

Eighteen of 28 participating organizations report that ERM is a regular agenda item in their legislative/governing body meetings, but the depth and level of coverage varies across the system. Legislative/governing bodies should incorporate ERM into their meetings, at least annually, with substantive coverage determined by the organization’s mandate, field network and risk exposure.

Integration of enterprise risk management (benchmark 5)

Integrated and well-managed ERM practices can produce crucial information, such as on the threats and opportunities that an organization is, or may be, facing, and offer a useful forum to discuss and take decisions on how best each risk should be addressed. In order to support such high-level identification and decision-making related to risks, risk management should be an integral part of an organization’s strategic, operational and programmatic planning and monitoring processes.

While most organizations have linked ERM with results-based management and/or their regular strategic planning process, many of them report that gaps exist between ERM and day-to-day operations and that integrating ERM into daily operations is a key challenge. Integration of ERM into strategic, business and operational planning processes requires a strong “tone at the top” with effective communication and active support from senior leaders, as well as targeted investments in key processes and platforms. When ERM is integrated at all levels, there needs to be a process for aggregating the risks and reporting them to senior management and, if appropriate, to legislative/governing bodies.

Systematic and dynamic processes (benchmark 6)

Not only do ERM processes need to be fit for purpose, based on what is appropriate for each organization, but they also need to be adequately dynamic and agile in order to demonstrate the fundamental objectives and utility of ERM. Many organizations are still in the initial stage of ERM maturity, that is, its implementation, and are striving to integrate it with more simplified and accessible processes. Agile ERM practices that incorporate relevant external or contextual data can encourage maturity and integration of ERM within an organization, as well as enable it to better respond to threats and crises.

Organizations that adopt an agile mindset have an advantage in managing risks, especially those with high velocity and high volatility. The coronavirus disease (COVID-19) pandemic, a salient example of a high-velocity and highly volatile risk, should be a strong reminder that identifying external risks and trying to minimize unknown risks is an important part of ERM. The pandemic, and the manner in which United Nations organizations have responded to it both operationally and programmatically, may give further weight to the argument that ERM practices must be coherent, practical and dynamic.

Information technology systems and tools for enterprise risk management (benchmark 7)

Well-designed information technology systems and tools can facilitate better integration of ERM into key operations, as well as capture, record, consolidate and monitor key risks throughout the organization.

A comprehensive system, with the relevant tools, should be implemented to track and monitor risks across the organization, ideally as part of an integrated platform linked to other systems, in order to streamline processes. A dialogue among organizations with similar business models is encouraged to exchange experiences and practices regarding ERM platforms and their linkages with other information systems.

Communication and training for enterprise risk management (benchmark 8)

Communication and training can be crucial elements for integrating ERM across an organization and providing a common language for staff to relate to their respective contexts. Risk focal points, especially in organizations with large field networks, can serve to amplify ERM communication and training at multiple levels.

Training approaches range across the participating organizations from stand-alone ERM training to a more integrated approach. With a variety of approaches to training and communication, inter-agency cooperation and exchanges are encouraged in order to share good practices and lessons learned. Additionally, a comprehensive training and communication plan for ERM is essential for its effective implementation and integration and should be tailored to the size and scope of an organization, as well as its approach to ERM.

Periodic review for continuous improvement (benchmark 9)

The effectiveness of ERM processes, practices and policies needs to be reviewed on a periodic basis to allow for adaptation and continuous improvement as external and internal contexts change. Eleven organizations have conducted or are in the process of completing a self-assessment of their current ERM maturity stage. Most internal and external auditors have assessed the ERM of their target organizations as “still developing, siloed or not fully integrated”.

A periodic self-assessment is recommended to review progress over time towards reaching an identified target ERM maturity stage. It is also recommended that periodic and independent assessments be made by auditors, individuals tasked with the evaluation function or other independent advisers on the effectiveness of the ERM policy and its associated processes. Legislative/governing bodies should review and consider the results of such assessments.

Inter-agency cooperation and coordination on enterprise risk management (benchmark 10)

Since 2010, ERM has grown in importance and prominence in most participating organizations and the Cross-Functional Task Force on Risk Management of the CEB High-level Committee on Management has made a valuable contribution to recent progress in this area. There is broad support and appreciation for its work. The Task Force should evolve into a viable mechanism to continue its work in supporting ERM at the level of individual organizations as well as system-wide in the development of ERM policies and practices.

Some risks are very big, impact many organizations and could only be managed with a system-wide and integrated approach. The Task Force’s work stream focused on ERM in the field and within decentralized organizations should provide information and foundational guidance for implementing United Nations reform at the country level, including shared risks and system-wide risks.

III. Conclusions and recommendations

Substantial progress has been made in terms of policy adoption and the establishment of internal organizational structures in support of ERM since the previous JIU review. However, many organizations are still developing and/or refining their policies and establishing suitable practices to support their approach to ERM.

The present review contains four recommendations, of which two are addressed to the legislative/governing bodies of the United Nations system organizations for action and two to the executive heads of the organizations; and 21 informal recommendations (see annex IV) aimed at enhancing effective and integrated ERM for more proactive and better-informed decision-making and good governance, which contributes to the successful achievement of organizational goals and objectives.

Recommendation 1

In order to fulfil their oversight roles and responsibilities, legislative/governing bodies should incorporate ERM into their meetings at least annually, with substantive coverage determined by the organization's mandate, field network and risk exposure.

Recommendation 2

By the end of 2021, executive heads should undertake a comprehensive review of their ERM implementation against JIU benchmarks 1 to 9, as outlined in the present report.

Recommendation 3

By the end of 2021, members of the High-level Committee on Management of the Chief Executives Board for Coordination should ensure that its Cross-Functional Task Force on Risk Management is continued as a viable mechanism to further promote and facilitate inter-agency cooperation, coordination and knowledge-sharing and to explore shared risks associated with United Nations reform efforts.

Recommendation 4

By the end of 2022, legislative/governing bodies of participating organizations should request executive heads to report on the outcomes of a comprehensive review of the organization's implementation of ERM against JIU benchmarks 1 to 9, as outlined in the present report.

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Abbreviations

CEB	United Nations System Chief Executives Board for Coordination
ERM	enterprise risk management
FAO	Food and Agriculture Organization of the United Nations
IAEA	International Atomic Energy Agency
ICAO	International Civil Aviation Organization
IIA	Institute of Internal Auditors
ILO	International Labour Organization
IMO	International Maritime Organization
ISO	International Organization for Standardization
ITC	International Trade Centre
ITU	International Telecommunication Union
JIU	Joint Inspection Unit
MOPAN	Multilateral Organisation Performance Assessment Network
OIOS	Office of Internal Oversight Services
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UN-Habitat	United Nations Human Settlements Programme
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNODC	United Nations Office on Drugs and Crime
UNOPS	United Nations Office for Project Services
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
UN-Women	United Nations Entity for Gender Equality and the Empowerment of Women
UNOV	United Nations Office at Vienna
UNWTO	World Tourism Organization
UPU	Universal Postal Union
WFP	World Food Programme
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WMO	World Meteorological Organization

I. Introduction

1. The present review was included in the programme of work of the Joint Inspection Unit (JIU) for 2019. It is also in line with the thematic focus areas of the work of the Unit outlined in the JIU Strategic Framework 2020–2029.¹ The topic was last covered in a 2010 JIU review of enterprise risk management (ERM) in the United Nations system, which introduced a benchmarking framework for successful implementation of ERM in United Nations system organizations.²

A. Objective, scope and limitations of the review

2. The main objective of the present review is to inform the legislative/governing bodies and executive heads of United Nations system organizations of the status of implementation, utilization and integration of ERM practices across all 28 JIU participating organizations³ and identify good practices and lessons learned to guide ongoing and future initiatives. The review has four focus areas: (a) status of current risk management practices, including compared to the last review; (b) integration of risk management into management practices and decision-making; (c) potential and actual uses and benefits of risk management practices within the organization; and (d) status of risk management usage by legislative/governing bodies in fulfilling their oversight and accountability roles.

3. The review does not include an assessment of the level of integration or maturity of ERM within participating organizations, although comments on ERM maturity were shared by some stakeholders.

4. The review also excludes an assessment of the risk registers of individual organizations (when and where available), as their contents were deemed, in some cases, to be sensitive and their comparability limited (see box 8 for general information on risk registers). Relatedly, particular risk categories (e.g. fraud or reputational) are covered in general terms, but in-depth coverage of categories was not within the scope of this review.

B. Background

5. ERM has its roots in the private sector and has value in all sectors, including the United Nations system entities. In 2006, the General Assembly endorsed the adoption of ERM in the United Nations system to enhance governance and oversight.⁴ United Nations system organizations are exposed to a myriad of risks – from fraud and corruption, reputational risks and cybercrime to risks of a political nature, mismanagement and natural and human-made disasters – while delivering on their mandates.

6. Risk management is fundamentally about managing uncertainty, which includes both threats and opportunities. The “enterprise” in the term “enterprise risk management” is about establishing and implementing an integrated, structured and continuous process for: identifying, assessing, communicating and responding appropriately to opportunities and threats that affect the achievement of an organization’s goals and objectives. Hence, ERM is widely recognized to be an essential element of good organizational governance and accountability.⁵

7. The notion of ERM and the demand for it is not new to the United Nations system, and its awareness and importance in the system have grown over the past decade. It has been associated with the drive to shift the culture of the United Nations system to focus more on results rather than on processes, valuing innovation, providing greater transparency and

¹ A/74/34, annex I.

² JIU/REP/2010/4.

³ For JIU participating organizations, see annex V.

⁴ General Assembly resolution 61/245.

⁵ JIU/REP/2010/4, para.4.

enhancing accountability.⁶ Reflecting the wide range of mandates, operating models, structures and processes, ERM takes on different forms across the United Nations system.

8. The 2010 JIU review found that only a few organizations had developed a “significant level of ERM experience” and, even there, implementation was still immature and ERM was not yet embedded into business processes and organizational culture. Most organizations covered in the 2010 review were found to be in the early stages of ERM adoption and/or implementation, “either developing policy and processes, or performing training and introductory ERM practices”.⁷ The review concluded that the adoption and progress of ERM in the United Nations system was slow, due in part to: the lack of collective understanding and commitment by senior management; the absence of formal implementation plans; the inability to implement ERM and integrate it into organizational processes; and the absence of a governance structure to support implementation.

C. Methodology

9. In accordance with the internal standards and guidelines of JIU and its internal working procedures, the methodology followed in preparing the present review included:

- (a) Conducting a desk review of relevant documents and literature, as well as an analysis of the data in the JIU web-based tracking system;
- (b) Issuing questionnaires: a total of five questionnaires requesting qualitative and quantitative information and supporting documentation were sent out. One corporate questionnaire was issued to all 28 JIU participating organizations, with responses received from all of them. Three supplementary questionnaires were sent to: internal auditors, external auditors and chairs of audit and oversight committees of the participating organizations. A questionnaire was also issued to the secretariat of the Chief Executives Board for Coordination (CEB);
- (c) Conducting 65 online or face-to-face interviews with 102 stakeholders in Geneva, New York, Rome and Vienna between September 2019 and February 2020. Interviews with resident coordinators in two countries were conducted in conjunction with another JIU review;
- (d) Holding a workshop in February 2020 with 16 entities and an internationally recognized ERM expert⁸ to provide an update on the status of the review, brainstorm on challenges in implementing ERM and discuss the role of legislative/governing bodies in ERM;
- (e) Assessing and updating the 2010 JIU benchmarks for ERM using a variety of sources and with the assistance of the international ERM expert. For details of the methodology for revising the 2010 JIU benchmarks, see paragraphs 24 and 25.

10. Information and views received by means of questionnaire responses and interviews have been dealt with the usual respect for confidentiality shown by JIU. The report primarily reflects aggregated responses and, where quotations are given for illustrative purposes, the source is not cited.

11. Comments from the participating organizations on the draft report have been sought and considered in finalizing the report. In accordance with article 11.2 of the JIU statute, the present report has been finalized after consultation among the Inspectors to test its conclusions and recommendations against the collective wisdom of the Unit.

12. The report contains four recommendations, of which two are addressed to the legislative/governing bodies of the United Nations system organizations and two to the executive heads of the organizations. These formal recommendations are complemented by 21 informal recommendations, which appear in bold throughout the text (see annex IV). To facilitate the handling of the report and the recommendations, annex V contains a table indicating whether the recommendations are submitted to the organizations concerned for

⁶ See A/72/492.

⁷ JIU/REP/2010/4, para. 34.

⁸ Paul L. Walker, Center for Excellence in Enterprise Risk Management, St. John's University.

action or for information, specifying whether they require action by the organization's legislative/governing body or by the executive head.

13. The Inspectors express their appreciation to everyone who assisted them in the preparation of this report, particularly those who provided valuable responses to the questionnaires and those who participated in the interviews and so willingly shared their knowledge and expertise.

II. Basics of enterprise risk management for the United Nations system organizations

A. Definition and benefits of enterprise risk management

14. Risk is the effect of uncertainty on organizational objectives, which can be positive, negative or both. It can address, create or result in opportunities and threats.⁹ For example, the Committee of Sponsoring Organizations of the Treadway Commission defines ERM as “The culture, capabilities, and practices, integrated with strategy-setting and performance, that organizations rely on to manage risk in creating, preserving, and realizing value”.¹⁰

15. While there are several definitions of ERM, the one given in the 2010 JIU report and carried forward in the present review describes ERM as “an organization-wide process of structured, integrated and systematic identification, analysis, evaluation, treatment and monitoring of risks towards the achievement of organizational objectives”.¹¹

16. The primary objective of ERM is to help ensure the sustainability of an organization and enable it to meet organizational objectives. The “enterprise” part of ERM requires organization-wide risk management policies and processes and provides a coherent methodology for their implementation across all parts of the organization. Unlike fragmented risk management practices, the concept of ERM embodies the notion that risk management cuts across the entire organization.

17. The 2010 JIU report summarizes some key benefits of ERM, many of which are still valid. The present review provides an update to that list and some of the benefits are highlighted throughout the report.

Box 1

Key benefits of enterprise risk management

The key benefits of enterprise risk management include the following:

- (a) Improves strategic planning and decision-making and their implementation by ensuring a comprehensive and structured understanding of organizational objectives and related risks;
- (b) Helps management identify challenges and uncertainties, adapt to meet challenges, prepare for crises and become more resilient and agile;
- (c) Highlights common and cross-cutting risks (including opportunities and threats) and improves organization-wide communication and cooperation;
- (d) Optimizes resource allocation and protects assets and organizational reputation;
- (e) Reinforces accountability and internal control frameworks;
- (f) Assists legislative/governing bodies in fulfilling their oversight and accountability roles and responsibilities by anticipating uncertainties and supporting management in risk-informed decision-making.

18. There is no risk-free pathway to achieving organizational objectives. In other words, ERM can act to facilitate an organization’s achieving its objectives. According to the questionnaire responses from the JIU participating organizations, the most common benefit

⁹ International Organization for Standardization (ISO, ISO 31000:2018 – Risk management – Guidelines.

¹⁰ Committee of Sponsoring Organizations of the Treadway Commission, *Enterprise Risk Management – Integrating with Strategy and Performance* (2017).

¹¹ JIU/REP/2010/4.

of ERM is risk awareness. ERM enhances accountability and internal controls by raising risk awareness and assigning clear ownership of risks.

19. ERM typically includes processes for identifying, assessing, communicating and managing risks impacting on an organization's ability to meet its objectives. Identified and assessed risks are normally recorded in a risk register, with each significant risk assigned to a risk owner. Risk owners' responsibilities include assessing, reviewing and managing the assigned risk(s) on an ongoing basis. These processes will be referenced throughout the present report.

B. Fit for purpose

20. Guidance on implementing ERM from several sources and confirmed in the interviews conducted highlights the need for it to be tailored to the specific context of an organization. In practical terms, this means that the organization's management, in consultation with its legislative/governing body, needs to determine the complexity and components of its approach to ERM to make it "fit for purpose". This was noted by several of the stakeholders interviewed, some of whom explained the evolution of ERM in their respective organizations as "a journey" in trying to balance the right amount of process to support ERM with the strategic risks, including opportunities, that they faced.

21. This was especially obvious in smaller, normative organizations where risks are mainly tied to high-level strategic areas. Compared with humanitarian organizations with larger budgets and staffing, operating in several field locations with more precarious funding and many risks, the smaller organizations would certainly need a very different approach to ERM, as well as appropriately scaled processes, procedures and staffing.

22. This point cannot be over-emphasized in a United Nations system context, where organizations have diverse mandates, structures and business models; there simply is not a "one size fits all" approach for ERM implementation. As the idea behind ERM is to provide a single point of reference regarding key risks, based on which an organization's legislative/governing body and senior management can discuss and agree on how to manage those risks, it must be tailored to fit the organization, with due consideration being given to criteria which include, but are not limited to, its:

- (a) **Mandate:** Is it an operational or normative/standard-setting organization, or both? What would prevent the organization from fulfilling its mission or mandate and/or remaining relevant?
- (b) **Financial and budget considerations:** How is the organization funded and through what mechanisms? How much of its funding is reliant on a few donors and/or entities?
- (c) **Personnel:** How many staff does the organization have and what types of staffing mechanisms does it use? What are the demographic staffing patterns?
- (d) **Business model:** How does the organization deliver on its mandate, where and with/to whom? How does it manage its administrative and business operations?
- (e) **Organizational particularities:** What issues does the organization face that others in the United Nations system may not, and what are their implications? How is the organization similar to and different from others, and what makes it distinct or provides it with a competitive advantage?

23. An organization's tailoring of ERM should be reflected in its framework and policies and, as benchmark 1 indicates, should be tied to its strategy to ensure that it is fit for its particular purpose. The updated JIU benchmarks provide a high-level view of the factors that all participating organizations should be considering as they evolve towards a tailored ERM. Depending on the evolution of ERM in an organization, its approach and fit should be reviewed with its legislative/governing body on a periodic basis, as indicated in benchmark 9.

C. Updates to the benchmarks from the previous Joint Inspection Unit report on enterprise risk management

24. The original 10 benchmarks from the 2010 JIU report (see annex I) were examined and revised with the assistance of an internationally recognized expert on ERM. They were further compared with a reference maturity model for risk management developed by the CEB High-level Committee for Management Cross-Functional Task Force on Risk Management,¹² as well as academic and business studies and recently updated international standards and frameworks.¹³ Further refinements were made based on questionnaire responses from and interviews with participating organizations. Below is a list of the updated JIU benchmarks that the Inspectors propose.

Box 2

Updated benchmarks for enterprise risk management

The Inspectors propose the following benchmarks, updated from the previous Joint Inspection Unit report on enterprise risk management.

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

25. These benchmarks propose system-wide guidance for comparability, coherence and the sharing of good practices. The benchmarks are interrelated, and, throughout the review, one benchmark may refer to one or more others that reinforce and build on its key indicators. Therefore, organizations should consider each benchmark, within their own organizational contexts as well as holistically, as part of a continuous improvement process. Ideally, the benchmarks will serve to point to good practices for consideration and identify gaps in practices that need to be addressed for effective and integrated ERM.

¹² CEB High-level Committee on Management, Reference Maturity Model for Risk Management.

¹³ Such as Committee of Sponsoring Organizations of the Treadway Commission, *Enterprise Risk Management – Integrating with Strategy and Performance* (2017); and ISO, ISO 31000:2018 – Risk management – Guidelines.

D. Adoption of enterprise risk management framework and policy

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

Having an organization-wide risk management policy and/or framework is foundational for a successful ERM and such a policy and/or framework needs to be linked to the organization's strategic plan to ensure that it is aligned with management's strategic vision and the organization's goals and objectives.

The review found that:

- (a) Most participating organizations have adopted an ERM policy and/or framework;
- (b) Ten organizations have revised or are currently revising their ERM policy and/or framework.

26. As stressed in the 2010 review, having an organization-wide risk management policy is foundational for a successful ERM. An ERM policy helps an organization to reach a common understanding of the critical risks that it is facing and reflects the vision and commitment of its leadership. Therefore, the policy needs to be linked to the organization's strategic plan to ensure that it is aligned with management's strategic vision and the organization's goals and objectives. More details on the policy's linkage with the strategic plan is covered under benchmark 5.

27. The ERM policy is laid out in a key document which describes the scope of and governance structure for risk management, setting out clearly defined roles and responsibilities; it establishes a systematic methodology and risk terminology for use throughout the organization; and harmonizes individual risk management practices by integrating them into an organization-wide risk management process. Some participating organizations use a framework model to link or integrate policies and processes. A framework is an overarching document that may include several related frameworks, policies and processes. For example, the accountability framework of the World Intellectual Property Organization (WIPO) has seven components, which include its ERM policy.¹⁴ The accountability framework of the World Health Organization (WHO) contains its risk management framework and its internal control framework.¹⁵

28. Out of 28 organizations covered by the present review, 25 have adopted an ERM policy and/or framework. This represents substantial progress since the previous review, which found that fewer than 10 organizations had introduced an ERM policy and/or framework. The remaining three organizations are: the International Civil Aviation Organization (ICAO), the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) and the World Tourism Organization (UNWTO).

29. ERM is not a one-time or discreet task; it is an ongoing process requiring continuous improvement from a wide range of stakeholders so that risks are aligned with an ever-changing environment, including emerging issues. To be effective, the policy needs to be communicated to the entire organization and requires an established periodicity for its review, and subsequent revisions and updates as appropriate.

30. The ERM policies/frameworks of 10 organizations have been revised at least once. The United Nations Development Programme (UNDP) has revised its ERM policy twice and the World Food Programme (WFP) is on its third revision since the policy's inception. Through the revisions, efforts have been made to operationalize ERM, for example, by outlining staff responsibilities and emphasizing the integration of ERM within the organization. Annex II provides further details of the status of each participating organization's ERM policy and framework.

31. **The Inspectors strongly encourage those United Nations entities that have not yet adopted an ERM policy and/or framework to do so. Those organizations that have**

¹⁴ WIPO, document WO/PBC/29/4.

¹⁵ WHO, WHO accountability framework.

adopted ERM policies and/or frameworks are encouraged to review them and make the necessary revisions and updates to ensure that ERM is linked to and reflective of the organization's strategic plan, as well as to take into account emerging issues and changes in the operating environment.

III. Enterprise risk management as an accountability tool

A. Internal organizational structure for enterprise risk management

Benchmark 2. Formally defined internal organizational structure for enterprise risk management with assigned roles and responsibilities

Each organization should define its internal structure for supporting and sustaining ERM, taking into consideration its mandate, business model and available resources, so that risks are identified and managed appropriately in a systematic and coordinated manner. The primary responsibility for identifying and managing risks lies with line managers and risk owners, not with the individual or entity tasked with the ERM function.

In this regard, the review found that:

- (a) Most organizations have an ERM unit and/or specific position dedicated to ERM. Its essential role is the coordination and facilitation of risk management processes across the organization, ensuring a harmonized approach to risk management;
- (b) Most organizations also have a network of risk focal points;
- (c) The structure, size and location of the ERM unit and of the network of risk focal points varies across the United Nations system;
- (d) Risk owners can exist at various levels and in various roles (or lines of defence as explained below) in an organization, depending on the type of risk.

“Three lines of defence” model

32. For successful implementation of ERM, it is essential that organizations establish internal structures with clearly identified roles and responsibilities in accordance with their ERM policy.

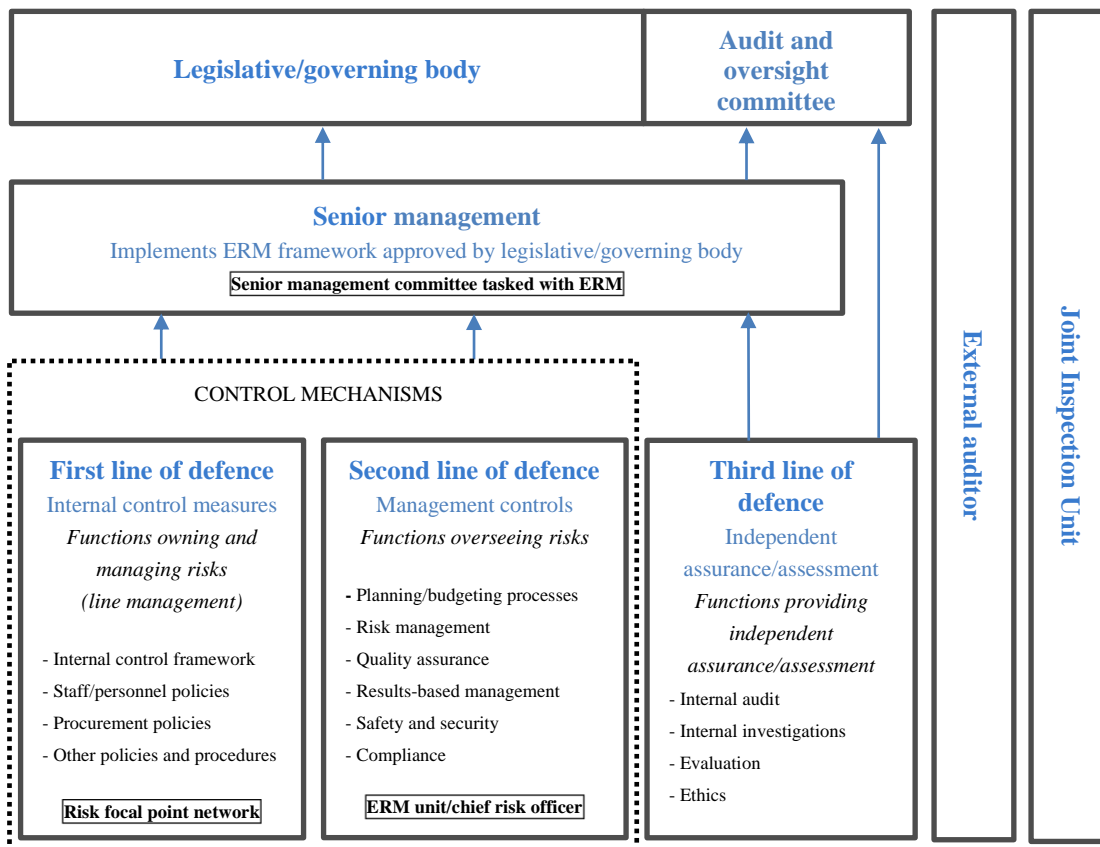
33. Figure I shows the “three lines of defence” model of the Institute of Internal Auditors,¹⁶ which was subsequently adopted by the High-level Committee on Management of CEB,¹⁷ and further adapted by JIU for the present review. The model identifies three separate lines of defence within an organization for the effective management of risks and controls.

34. The model outlines the various levels and their respective risk management and control functions and is useful for understanding the various roles and responsibilities in relation to ERM.

¹⁶ Institute of Internal Auditors (IIA), IIA position paper: the three lines of defense in effective risk management and control.

¹⁷ “Conclusions from the working group on the proposal of a reference risk management, oversight and accountability model for common positioning by the United Nations system with governing bodies”, twenty-third meeting of the CEB Finance and Budget Network, Vienna, June 2014.

Figure I
Three lines of defence for enterprise risk management



Source: See paragraph 33.

First line of defence

35. The first line of defence represents operational management and internal controls. All managers and staff on the first or front line see risks and deal with them in their daily operations. They own many risks and execute corresponding controls to manage them.

Network of risk focal points

36. Risk focal points can be front-line interlocutors for implementing and supporting ERM processes across an organization, including collecting and reporting on risks as well as providing training to staff on risk management policies and processes. Risk focal points are especially valuable for organizations with extensive field networks, as one field-based organization pointed out: “They are our key network. They go to all field locations and train people; otherwise the operations would not have that capacity and knowledge.”

37. Eighteen out of the 28 organizations covered in this review have a network of risk focal points across their organizations. Of those 18, 9 organizations have terms of reference covering the risk focal point role. The structure, size and location of the network as well as its roles and responsibilities need to be tailored to an organization’s business model.

38. Organizations with an extensive field presence often have a network in the countries in which they are operational and where risks are higher than in headquarters-based operations. Headquarters-based normative organizations may have a different approach, with a smaller network focused on key organizational units or divisions, compared to field-based organizations.

39. **Organizations with extensive field operations that have not established a network of risk focal points should consider setting up such a network from headquarters to field levels to ensure risks in the field are properly identified and addressed.**

40. Two different approaches to a network of risk focal points are illustrated in boxes 3 and 4: the first gives an example from an organization with extensive field operations (Office

of the United Nations High Commissioner for Refugees (UNHCR)) and the second shows a headquarters-based organization (International Atomic Energy Agency (IAEA)).

Box 3

Risk management focal points of the Office of the United Nations High Commission for Refugees

The Office of the United Nations High Commission for Refugees (UNHCR) outlines the roles and responsibilities of its risk management focal points in its policy for enterprise risk management^a as noted below:

- (a) The focal points are the contact for risk management issues, they facilitate risk assessments, maintain risk registers and handle risk reporting. They are designated by the risk owners. In the field, these focal points would typically be the deputy representatives, assistant representatives responsible for programmes or operations, senior programme officers or other senior staff with direct planning and programme execution responsibilities;
- (b) In particularly large country operations, it may be warranted to also have risk management focal points at the sub-office level, supporting the risk management focal point at the country level. For small country operations covered by a regional office, one risk management focal point at the regional office could be sufficient. These choices are left to the representatives.

The risk management focal point function at headquarters will vary in location between entities, depending on their size and structure.

^a UNHCR, Policy for Enterprise Risk Management in UNHCR, UNHCR/HCP/2014/7.

Box 4

Cross-departmental Risk Management Group of the International Atomic Energy Agency

The International Atomic Energy Agency has established a cross-departmental Risk Management Group which supports its institutional focal point for risk management, who chairs regular meetings of the group.

This cross-departmental group consists of senior programme coordinators and other relevant representatives delegated by the senior management from all six departments. The primary roles of this group are illustrated in the Agency's risk management policy^a and include:

- (a) Coordinating the risk and risk-related input from the departments and ensuring it is kept up to date;
- (b) Identifying the need for further guidance, training or other measures to ensure consistency in risk management practices;
- (c) Advising the institutional focal point for risk management on policy and procedural amendments as necessary; and
- (d) Discussing cross-departmental risks and advising the institutional focal point for risk management on their mitigation.

The Risk Management Group breaks down silos and enables cross-departmental discussion to jointly identify risks and assigns cross-departmental risk owners and control owners, including in cases where the risk owner and the control owner belong to different departments.

^a IAEA, The Agency's Risk Management Policy, AM. I/18.

41. **To provide clarity and consistency, risk focal points should be supported by terms of reference outlining their roles and responsibilities. In most cases, an assignment as risk focal point means additional responsibilities for the designated official, and the responsibilities of risk focal points should be reflected in their performance appraisal to ensure their commitment and accountability.**

Second line of defence

42. The second line of defence is that of management controls, which include risk management, compliance and other similar functions, in which the individuals responsible oversee risks and assist the first line in ensuring that risks and controls are properly managed. This includes setting clear policies and guidance, providing advice and overseeing the actions of the first line.

Enterprise risk management function

43. Whether the ERM function is the responsibility of a whole unit, a small team or an individual on a full-time or part-time basis depends on the size of the organization and its business model. Twenty-five organizations covered in this review have an ERM unit and/or an institutional risk focal point (often called a chief risk officer) with specific responsibility for ERM. The structure, size and location of the function varies across participating organizations.

44. In 11 organizations, the ERM function is located in the executive office, with a direct reporting line to the executive head or deputy; 8 others have their ERM function in the department/division of finance or resource management. Senior officials tasked with risk management are typically of grade P5 or above in 20 organizations. **Responsibility for ERM should be situated at a rank at which it is possible to address senior management and have the authority to communicate across the organization and compel action, reflecting the significance and level of delegated authority attached to the function.**

45. While the primary roles and responsibilities attached to the ERM function differ among the organizations, the essential role is the coordination and facilitation of risk management processes across the organization, to ensure a harmonized approach to risk management. General and specialized training on ERM should be provided or coordinated by the entity or individual tasked with the ERM function for staff at all levels (see benchmark 8). The entity or individual needs to have appropriate access to the risk information and analysis undertaken by all functional areas in order to have an overview of strategic and operational risks across the organization.

46. In most participating organizations, the entity or individual responsible for the ERM function coordinates risk assessments at the corporate level, which typically results in the development of and updates to a risk appetite statement and a corporate risk register so as to manage key risks facing the organization. However, **it is important to note that the primary responsibility for identifying and managing risks should lie with line managers and risk owners, not with the individual or entity tasked with the ERM function.**

47. The first line of defence may proactively ask for support from the entity responsible for the ERM function. For example, country directors in WFP requested the creation of a risk officer function at the country level, which led to the establishment of “risk and compliance advisers” in regional bureaux and country offices. Risk and compliance advisers at WFP provide proactive and real-time support, advice and guidance to regional and country directors in fulfilling their risk and compliance obligations, as well as assurance that risk management is being implemented consistently across regions, specifically in high-risk locations.¹⁸

48. To fulfil its role of overseeing risks and assisting the first line, the second line is likely to send various requests to the first line, including for the completion of spreadsheets and templates. Many interviewees in the first line described ERM as a “time-consuming exercise” with “too many requirements”. One interviewee remarked, “We have collected so much information and escalated risks, but what to do with them?” The underlying reasons for requests and the potential benefits of the outputs need to be clearly communicated, as that

¹⁸ WFP, 2018 enterprise risk management policy, document WFP/EB.2/2018/5-C.

will enhance the collaboration between the first and second lines and clarify the role of the first line in ERM.

Third line of defence

49. The third line of defence¹⁹ provides independent assurance and/or assessment to the legislative/governing body and senior management. Individuals responsible for functions such as internal audit, evaluation and ethics may point out potential risks that have not yet been identified or effectively managed and recommend that senior management incorporate them into a risk register.

Internal audit

50. The core role of internal audit in relation to ERM is to provide objective and independent assurance of the effectiveness of risk management to the senior management and the legislative/governing body. In some organizations, internal audit has provided advisory and consulting services to strengthen the first and second lines in order to promote and enhance the implementation of ERM.

51. Eighteen of the 22 entities responsible for the internal audit function that responded to the JIU supplementary questionnaire confirmed that, during the initial stage of introducing ERM, they had provided advice and assistance on the strategy, methodology, tools and processes of ERM through workshops and consultations, including facilitation of risk identification sessions and preparation of risk registers.

52. Box 5 provides an example from the United Nations Industrial Development Organization (UNIDO) which describes how internal audit played an active role in enhancing the ERM processes and engaging with the senior management, as well as the legislative/governing body.

Box 5

Synthesis engagement by the Internal Oversight Division of the United Nations Industrial Development Organization^a

In order to prioritize the most important risks from the audit findings for management decision-making and action, the Internal Oversight Division of the United Nations Industrial Development Organization (UNIDO) conducted a synthesis engagement in 2019, consolidating the outstanding recommendations made by the internal audit team and triangulating them with recommendations from the evaluation team, the external auditors and JIU.

Throughout the synthesis process, the review team of UNIDO regularly engaged with senior management in discussions to ensure a transparent review process, which enabled senior management to provide valuable and timely input.

The synthesis report was presented to the Executive Board of UNIDO, which was very supportive. The Board proactively made and implemented significant decisions, including endorsing a time-bound and specific management action plan to address the key issues identified and the appointment of a full-time senior-level official as the UNIDO Risk Management and Business Continuity Focal Point.

^a UNIDO, document IDB.47/22.

53. The Office of Internal Oversight Services of IAEA has also been closely involved in strengthening the implementation of ERM with the risk management group (see box 4). Together they have reviewed the organization's stage of ERM maturity and piloted a more mature and revamped way of implementing ERM by working on the gaps between project-

¹⁹ Some United Nations organizations include ethics and evaluation functions under the second line of defence or under both second and third lines.

level risks and corporate risks as well as the missing interlinkages among risks, objectives and expected results.

Evaluation unit

54. An organization's evaluation unit can provide information on risk factors and conditions for success in achieving programmatic results at outcome levels. In some organizations, this information is consolidated to highlight organization-wide risk factors, as is the case with synthesis reports of the Independent Evaluation Office of UNDP. The entity or individual responsible for the evaluation function also provides not only a retrospective but also a prospective view, which highlights the way forward and risks factors associated with the continued relevance of the organization.

55. In the context of a periodic review, the unit can also assess an ERM policy, its methodology, the value for money it offers and whether the resources invested in ERM have produced the results or value envisioned in the ERM policy and framework. These types of findings and recommendations can inform the course and level of integration of, methodology for and resources to be invested in the future iterations of ERM.

Over the three lines

56. Senior management, legislative/governing bodies and audit and oversight committees are served by the three lines outlined above. As such, the legislative/governing bodies are positioned at the top of the ERM structure²⁰ (see benchmark 4). The executive heads and senior management have the ultimate responsibility for managing risks and achieving strategic goals, while legislative/governing bodies are accountable for overseeing the proper management of risks by the executive heads and senior management (see benchmark 3). **Therefore, risk management should be tied to the performance appraisal systems used for executive heads and senior management.** If senior management is not clearly held accountable for achieving strategic goals and managing associated risks, ERM will be limited to a bureaucratic exercise.

57. In ERM, senior management is critical in enabling, supporting and providing resources for risk management and in risk management itself. Some organizations identify risks at the first line and aggregate them, eventually determining which are enterprise-level risks. Even with this bottom-up approach, senior management involvement is essential in discussing the risks, changing or confirming the risk identification and assessment, helping build or approve the changes necessary to manage the risk and eventually enabling risk oversight reporting to the legislative/governing bodies.

Senior management committee on risk management

58. Of the 28 organizations covered by this review, 10 have a dedicated senior management committee tasked with ERM, while 9 others have incorporated topics on risk management into their regular senior management committee meetings. The committee is, in most cases, chaired by the executive head or deputy and meets quarterly to biannually to specifically discuss risk management. How such a committee is formulated varies; nevertheless, many organizations believe that senior management-level risk committees can be vital. It is crucial to ensure that corporate risks are discussed and addressed regularly at the senior management level and that risks are viewed from an integrated, holistic perspective and not managed in silos. Box 6 below illustrates an example from the United Nations Population Fund (UNFPA).

²⁰ According to IIA, "Governing bodies and senior management are the primary stakeholders served by the 'lines', and they are the parties best positioned to help ensure that the Three Lines of Defense model is reflected in the organization's risk management and control processes" (IIA position paper: the three lines of defense in effective risk management and controls).

Box 6

Risk committee of the United Nations Population Fund

The committee is chaired by the Executive Director; members of the Executive Committee have been selected as risk owners and lead the United Nations Population Fund in assessing and responding to key risk areas and strengthening accountability, while improving governance, risk management and internal controls. Their responsibilities include:

- (a) Setting objectives and vision for enterprise risk management (ERM);
- (b) Approving and communicating the annual ERM strategy and memorandum;
- (c) Monitoring risk assessment completion and effectiveness of risk factors being assessed;
- (d) Responding to escalated risks from risk treatment working groups.

Risk owners

59. Risk owners can exist at various levels and lines of defence in an organization, depending on the type of risk, and are typically in supervisory or managerial positions. The assigned risk owner should be the person in an organization who is best placed to manage a particular risk and has the relevant technical knowledge about the risk, available resources and the appropriate authority to address the risk. **For transparency and accountability, risk owners' roles and responsibilities in ERM should be reflected in their performance appraisal systems. This may also serve to further integrate ERM across an organization.**

External auditors and the Joint Inspection Unit

60. External auditors and JIU are considered external to the three lines of defence model. JIU addresses risk issues through its various reviews; for example, the review on results-based management included recommendations related to risk management and related findings were mentioned in the reviews covering fraud, resource mobilization, implementing partners and audit and oversight committees, as well as in recent single-organization reviews of management and administration.²¹

61. The primary role of external auditors is to provide opinions on financial statements and compliance with rules and regulations. In addition, they may make observations with respect to the efficiency of the financial procedures, the accounting system, the internal control systems and, in general, the administration and management of the organization. They may also conduct value-for-money or performance audits which might cover ERM.

62. Most external auditors responding to the JIU supplementary questionnaire confirmed that they have reviewed elements of ERM, such as the framework itself and its implementation processes and procedures, especially those related to finance and procurement.

63. Recommendations by external auditors have contributed to reinforcing ERM. For example, for the first time in 2019, in response to recommendations from its external auditor that the quality of its risk registers should be improved, the ERM unit of UNHCR reviewed all risk registers submitted by its field offices and provided feedback regarding the granularity of risk registers, among other aspects, and quality assurance, in consultation with the regional bureaux.²² This is a good practice that could be replicated in other organizations.

Adaptation to fit for purpose

64. As risks will always exist in an organization and may impact its ability to achieve its objectives, they must be managed at different levels. One benefit of ERM is its potential to facilitate good governance and proactive management in an organization with clear lines of accountability allocated between the legislative/governing body, senior management and the staff at large.

²¹ Such as JIU/REP/2019/6, JIU/REP/2019/1, JIU/REP/2017/6, JIU/REP/2017/1, JIU/REP/2016/4, JIU/REP/2014/4 and JIU/REP/2013/4.

²² A/AC.96/1190/Add.1.

65. As the business model, availability of resources, the particular mandate and the maturity stage of ERM vary across JIU participating organizations, each organization needs to define its own internal organizational structure for ERM. **At a minimum, relevant staff at all levels need to be aware of which line of defence they belong to and understand their roles and responsibilities in terms of ERM in order to ensure that risks are identified and managed appropriately in a systematic and coordinated manner.**

66. The eventual outcome of ERM should be a more efficient and effective organization, and relevant staff members need to understand and be accountable for their respective roles in processes with a clearly assigned delegation of authority, where applicable. **Therefore, risk management should be considered as a core competency for relevant staff at all levels.**

67. Annex II provides further details of the organizational structure of ERM for each participating organization.

B. Organizational culture embracing enterprise risk management

Benchmark 3. Risk culture fostered by “tone at the top” with full commitment from all organizational levels

“Tone at the top” is the most important driver for establishing and integrating ERM in an organization; without appropriate and engaged leadership, it could be relegated to a “check the box” exercise, centred on completing documents that satisfy legislative/governing body and/or donor inquiries.

In this review the findings included:

- (a) Across the participating organizations “tone at the top” is viewed as the most important driver in setting a risk culture as well as supporting and empowering staff to advance and integrate ERM within an organization;
- (b) While “tone at the top” regarding ERM has improved over the last decade, more needs to be done in order to further its use and integration;
- (c) Substantive involvement by executive heads in key ERM processes and practices is essential for setting and demonstrating an effective “tone at the top”;
- (d) The “tone in the middle”, mostly comprised of second-line management, is crucial for integrating, embedding and sustaining ERM in an organization.

68. Responses to the JIU questionnaires indicate that “tone at the top” is the most important driver for establishing and integrating ERM in participating organizations. A key element of this benchmark is the influence that executive heads have in integrating, promoting and sustaining ERM practices at all levels of an organization.

69. “Tone at the top” refers to the creation of a culture of ownership and responsibility for acting in accordance with ethical values and principles, out of a sense of personal and professional accountability.²³ In terms of ERM, this refers to establishing a culture that supports ERM, its processes and practices in the organization and empowers staff to sustain it across the organization and irrespective of normal staff turnover.

70. Risk culture and tone is furthered when legislative/governing bodies hold management accountable for ERM. As the Chair of an audit and oversight committee noted, “each person in the organization, right from the top level, the middle management and the people in the first line of defence should understand risk management”; the same person further commented that “a strong tone at the top helps to embrace risk management as an integral part of everyone’s work”.

²³ See Committee of Sponsoring Organizations of the Treadway Commission, *Enterprise Risk Management – Integrating with Strategy and Performance* (2017).

71. “Tone at the top” is crucial to influencing and empowering the “tone in the middle”,²⁴ that is, those in the second line of defence who are key to integrating and embedding ERM in an organization – even through leadership transitions – ensuring support for its processes and holding first-line staff accountable for its implementation and integration. This often falls to middle management and, as one ERM focal point noted: “tone in the middle and tone at the top have to go hand in hand”. Each participating organization needs to have a way to ensure that key risks are escalated to the appropriate levels on a timely basis and that decision makers have the appropriate risk information, dimensions, assessments, etc., to make informed decisions.

72. The importance of the “tone in the middle” was most evident in some normative organizations in which ERM grew out of middle management efforts and was minimally sustained with a “tone at the top” that simply endorsed it, but had little involvement in its processes, thereby inhibiting its further integration. As one such ERM focal point noted, “even though senior management discusses risks, it’s not a regular agenda item and no ERM language is used”; the focal point also noted that “usually middle managers are the most involved”.

73. Fostering a risk culture throughout an organization starts at the top level in order to ensure its implementation and then integration takes hold at all levels. It is not a passive duty for executive heads: ERM highlights and requires leadership commitment that includes implementing ERM, developing policies and actions, ensuring appropriate resources and assigning authority.²⁵

74. Leadership and tone are the keys to managing a successful risk culture²⁶ and are often displayed by allowing challenging risk conversations, providing a pathway for risk escalation and aligning ERM to the core mission and values of an organization. Furthermore, a risk culture can change as a result of either internal or external forces, and leaders should be aware of and adjust to those changes and the resulting risk culture.

75. In most participating organizations, internal and external auditors, who typically monitor ERM as the third and external lines of defence respectively, concur that, while they have generally seen improvements in the past five years, there is room for further improvement in terms of “tone at the top”. The director of oversight of one participating organization affirmed that the “tone at the top” is critical to the organization’s willingness to invest in ERM, and that the organization can “easily end up with [policies and documentation that are] perfect but not used”. Another noted that, if there is a weak “tone at the top”, risk management remains only a “common sense approach”.

76. In organizations that are further along in terms of integrating and embedding ERM, executive heads tend to be more involved in ERM processes such as identification of strategic risks and treatment measures and engagement in policy development and risk appetite statements. These actions, as some staff reported, are viewed as crucial for setting the tone and an example for other staff to follow.²⁷ A high-ranking official of one organization noted that it is essential “to take the responsibility for risk management from an individual level to the corporate level” to guarantee “individual protections when things go wrong”. Another official of the same organization commented that ERM has to be infused into the organizational culture, so it is acknowledged that “it is not a unit that is managing risks for the enterprise, but everyone has to do it”. A senior officer of another organization stated that the “involvement of senior management can actively contribute to this cultural change which goes along with adapted processes, behaviours, attitudes”. The Inspectors concur that, with senior management’s endorsement and involvement, ERM is viewed by all staff as a joint effort and responsibility.

²⁴ Global Association of Risk Professionals, “Risk culture transformation in the organization”, December 2014.

²⁵ ISO, ISO 31000:2018 – Risk management – Guidelines.

²⁶ Ibid.

²⁷ Institute of Risk Management, “Risk Appetite and Tolerance Guidance Paper” (2011); and Committee of Sponsoring Organizations of the Treadway Commission, “Creating and Protecting Value - Understanding and Implementing Enterprise Risk Management” (2020).

77. While policies can be approved and processes can be incorporated into existing operations across an organization, a “tone from the top” that conveys the value and utility of ERM is essential for its integration, embeddedness and sustainability in an organization.

78. **To support and integrate ERM, executive heads should set a “tone at the top” that supports its implementation across the organization, demonstrates its utility and importance and empowers staff to sustain it through substantive engagement in ERM processes and practices.**

C. Role of legislative/governing bodies in enterprise risk management

Benchmark 4. Legislative/governing body engaged with enterprise risk management at the appropriate levels

Legislative/governing bodies must be engaged with ERM in order to fulfil their oversight role and responsibility, prepare for uncertainties and ensure that executive heads are accountable and demonstrate appropriate commitment through their actions. They should be aware of, at a minimum, the key strategic and other significant risks an organization is facing and the strategies for each, as well as the policies and frameworks related to ERM.

Audit and oversight committees can play a key role in advising on ways of implementing and sustaining ERM by conveying technical information between management and the legislative/governing body as well as by sharing good practices from other sectors.

The key findings in the review related to this benchmark are:

- (a) Legislative/governing body interest is one of the most important drivers for implementing ERM;
- (b) Donor interest is also an important driver for implementing ERM;
- (c) ERM provides an opportunity to enhance transparency, establish trust with a legislative/governing body and leverage, attract or support additional funding opportunities;
- (d) Legislative/governing bodies need to be engaged with ERM practices at the strategic level;
- (e) In some organizations, there is a high level of reliance on audit and oversight committees. Some audit and oversight committees have members with technical skills and background who can provide substantive feedback to secretariat staff and recommendations and advice to legislative/governing bodies;
- (f) Eighteen of 28 participating organizations report that ERM is a regular agenda item in their legislative/governing body meetings, but the depth and level of coverage varies across the system.

79. Benchmark 4 calls for legislative/governing bodies to be engaged with ERM at a level that is reflective of the organization’s risk profile. At a minimum, legislative/governing bodies should be aware of key strategic and other significant risks and how they are being addressed, as well as policies and framework documents. Specifically, legislative/governing bodies should understand how ERM processes work, how the top risks are determined and being managed and when ERM was last reviewed or audited. Legislative/governing bodies may want to review relevant action plans and metrics or key risk indicators for the top risks. In some cases, legislative/governing bodies may want to contribute to the identification of the top risks, or they may find it best to acknowledge the top risks facing the organization. They may also want to be involved in establishing the organization’s risk appetite statement. In order to facilitate this engagement, it is important that ERM is regularly discussed and considered in legislative/governing body meetings.

Legislative/governing bodies: drivers for enterprise risk management

80. An analysis of the responses to the JIU questionnaires indicates that one of the primary drivers for implementing ERM in the participating organizations is legislative/governing body interest. Although leadership commitment was identified as the main driver for initial implementation of ERM, strong interest from major donors was rated as the second most important driver, followed by strong interest from legislative/governing bodies. This shows the importance of legislative/governing bodies and donors in driving ERM, which is also included as a data point in some major donors' assessments.²⁸

81. With significant overlap across the system, donors and legislative/governing body members require, at a minimum, assurance from executive heads that organizations have a systematic and integrated approach to risk management and that identified risks also have strategies for addressing them.²⁹ This points to the important role that these stakeholders play by having a shared understanding with leadership of an organization's risk tolerance and risk appetite.

82. A senior official, supported by others, affirmed the necessity to have open, bilateral discussions with member States on risk tolerance and "negotiate it to the extent of not being an all-or-nothing thing". Likewise, a chief risk officer stated that "the appetite statement is an intention of purpose" in order "to engage with member States" and that there is a "need for more risk-sharing, less risk-dumping".

83. The depth and level of engagement and interaction with legislative/governing bodies on ERM differs largely based on an organization's business model. In normative organizations, for example, legislative/governing body members indicated that they want assurance that the organizations have basic elements in place and are using ERM within major strategic activities, such as capital investment in multi-year projects.

84. A senior leader of a standard-setting organization noted that the legislative/governing body only wants to know that they "intend to put it in place". An ERM focal point of another organization confirmed that the legislative/governing body "doesn't need to go more into detail". It is rather seen as a "high-level process". The chair of an audit and oversight committee affirmed that the legislative/governing body should "focus on strategic risks" and "be based on the respective value of the organization".

85. With larger humanitarian and development organizations, interviews confirmed that the legislative/governing bodies want to see evidence of integration of ERM into decision-making and other organizational processes, such as programme and project planning.

86. A senior officer of another organization noted: "As a governing body member, you have fiduciary responsibilities." Furthermore, the officer stated that it is "essential to link ERM to the operational management cycle [i.e. results-based management]" and integrate it in both short- and long-term planning. The chair of an audit and oversight committee affirmed that it is essential for the legislative/governing body to ensure the embeddedness of ERM within the organization and to link it to resource planning and decision-making.

Enterprise risk management and the oversight role of legislative/governing bodies

87. In exercising their oversight and accountability roles and responsibilities, legislative/governing bodies should have a clear view of strategic and emerging critical risks and ERM strategies for an organization. In some cases, legislative/governing bodies may want to inquire of executive heads how any emerging risks are determined and assessed so as to reinforce the importance of maintaining a broad view of risks by factoring in external changes and trends. Additionally, for some particularly critical risks that may severely impact on operations, early warning indicators may be reported to legislative/governing bodies. Legislative/governing bodies should also be aware and kept informed of how an organization is implementing ERM, including relevant policies, frameworks and other documents – most appropriately in regular reporting to the legislative/governing body by senior management.

²⁸ Multilateral Organisation Performance Assessment Network (MOPAN), *MOPAN 3.0: Methodology Manual* (2019).

²⁹ ISO, ISO 31000:2018 – Risk management – Guidelines; and Committee of Sponsoring Organizations of the Treadway Commission, *Enterprise Risk Management – Integrating with Strategy and Performance* (2017).

88. As noted by several staff members of development and humanitarian organizations, ERM offers a chance to open a dialogue on risks – as both opportunities and threats – with legislative/governing body members. It can build trust between management and legislative/governing bodies, by providing transparency. It can also be a requirement for funding from donors. Staff noted that ERM-related discussions with legislative/governing body members can provide a sense of reality about programmes and projects operating in dangerous contexts and what the costs may be; they can also open up conversations on the opportunities that taking on risks may afford.

89. It was noted by senior staff interviewed that discussions on ERM with legislative/governing body members need to take place at the right level, with an emphasis on generally staying at a high and more strategic level rather than an operational or programmatic one. One chief risk officer named it an “implicit trust issue” and noted that the legislative/governing body needs “to be aware of what is happening, and they need to know it from us”.

90. In interviews across the system, several staff pointed out that legislative/governing body members “getting into the weeds” on ERM was not particularly helpful or useful. In some instances, legislative/governing body members, who frequently rotate and change, did not understand basic ERM terms or added a political lens that was unhelpful, viewing ERM only in terms of a particular or narrow risk. In some organizations, legislative/governing body members may need to be on-boarded or given orientation on the ERM policies and processes of the organization.

Level of involvement in enterprise risk management

91. The responses to the questionnaire show that 18 of 28 JIU participating organizations include ERM as a regular agenda item in legislative/governing body meetings. In most of those organizations, ERM is discussed either annually or biannually, and only six cover ERM as a stand-alone agenda item (see annex III). However, in some others, risk management is discussed in the context of programme planning and performance reporting, audit and financial reporting, operational and strategic planning or oversight reporting.

92. As stated, the level of involvement of legislative/governing bodies in ERM differs, with most acknowledging reports, commenting on them and, in some cases, approving them. The most frequent action (with 13 responses), though, is to comment on reports produced by audit and oversight committees.

93. Legislative/governing body involvement varies across the system based on the operational/business model; the bodies tend to play a more involved role, either directly or via their respective audit and oversight committee, in organizations whose mandate is primarily operational (either humanitarian or development) and a more circumspect role, focusing on ERM as it pertains to strategic risks, in normative/standard-setting organizations. When organizations develop a risk-taking approach or risk appetite, legislative/governing bodies should be involved at an appropriate level (see box 7 below for more information).

94. Legislative/governing bodies could consider having discussions with senior management about emerging risks, trends and changes in the organizational context and/or about major potential disruptive risks. Ideally, such discussions should be integrated into substantive topics. At a minimum, legislative/governing bodies should incorporate ERM into their meetings in order to provide oversight on its implementation and to hold senior leaders accountable for setting an appropriate “tone at the top” to promote its integration and effective use.

95. The following recommendation should assist legislative/governing bodies of the participating organizations in exercising their oversight functions:

Recommendation 1

In order to fulfil their oversight roles and responsibilities, legislative/governing bodies should incorporate ERM into their meetings at least annually, with substantive coverage determined by the organization’s mandate, field network and risk exposure.

Role of audit and oversight committees

96. Audit and oversight committees exist in all but 5 JIU participating organizations³⁰ and, of those, 18 specifically include ERM in their terms of reference, with all but 1 indicating that their committee included at least one member with expertise in ERM.³¹

97. The Inspectors would like to reiterate the recommendation contained in the JIU review of audit and oversight committees that the legislative and/or governing bodies should ensure that provisions regarding the internal control framework and risk management are included in the terms of reference or charter of their respective audit and oversight committees in order to ensure that due attention is paid to addressing internal control weaknesses and emerging risks.³²

98. According to interviews with participating organizations and responses to the JIU questionnaires, audit and oversight committees can play a significant role in various aspects of ERM, including by providing expertise typically gleaned from other sectors and acting as a bridge between technical experts and senior staff in secretariats and their respective legislative/governing body members. As one ERM officer noted, the audit and oversight committee is a “tool for the board”; another from the same organization, commenting on their value as a bridge, noted that “we would rather report to the oversight committee and have them report to the board”.

99. A senior official of another participating organization affirmed that the oversight committee acted as a bridge to the governing body, by stating that “the oversight committee reviews in more detail” and gives “more technical advice”. Due to this specialized expertise “the governing body has endorsed every recommendation from them”. Several participating organizations indicated that audit and oversight committees acted in this way.

Box 7

An organizational risk-taking approach: risk appetite^a

An organization’s individual risk-taking approach, also known as “risk appetite”, is the aggregate amount, level and type of risk an organization seeks to accept in pursuit of its mission and strategic objectives. As risk-taking is an organizational necessity, determining an organization’s risk appetite or risk-taking approach is an element of good governance; it facilitates the alignment with stakeholders, the achievement of strategic objectives and decision-making. Risk appetite is a dynamic concept that can be set by, inter alia, strategic, operational, reputational and financial parameters.

While setting and agreeing on risk appetite, an organization has to consider both its “risk capacity” and its “risk tolerance”. Whereas risk capacity refers to the maximum amount and type of risk that an organization is able to support in pursuit of its strategic objectives, risk tolerance is defined as the boundary of risk-taking outside of which the organization is not prepared to venture.

Role of the legislative/governing body

The risk appetite or risk-taking approach of an organization must be anchored and supported by its legislative/governing body. The legislative/governing body should be engaged, as appropriate, in its development and ongoing advancement. This involvement, for example, through the approval and/or endorsement of a risk appetite statement which formally articulates the risk appetite of an organization, can provide an opportunity to inform legislative/governing body members, including donors, about ERM and the strategic risks to the organization. Furthermore, it can align the secretariat and the legislative/governing body with respect to the level of risk that the organization should/can take based on factors such as its mandate and resource levels. Engaging legislative/governing body members in the process of setting a risk appetite can build trust and a broader understanding of an organization’s ERM practices.

³⁰ JIU/REP/2019/6.

³¹ Based on responses to JIU questionnaires.

³² JIU/REP/2019/6, recommendation 3.

Status across the 28 participating organizations

Risk appetite statements are not yet common across the participating organizations, with only six (the International Labour Organization (ILO), the International Trade Centre (ITC), the International Telecommunication Union (ITU), WFP, WHO and WIPO) having issued them; five organizations indicated that they are currently developing one. Of the six statements issued, four were approved by legislative/governing bodies.

^a Definitions adapted by JIU following the CEB High-level Committee on Management Guidelines on Risk Appetite Statements.

IV. Integrating and embedding enterprise risk management processes and procedures

A. Integration of enterprise risk management

Benchmark 5. Integration of risk management with key strategic and operational business processes

ERM integration is made easier when the other benchmarks are addressed and achieved. Integrated and well-managed ERM practices can produce crucial information, such as on threats and opportunities that an organization is, or may be, facing and offer a useful forum to discuss and take decisions on how best each risk should be addressed.

In order to support such high-level identification and decision-making related to risks, risk management should be an integral part of an organization's strategic, operational and programmatic planning and monitoring processes. This integration can only happen with effective communication and active support from senior leaders as well as targeted investments in key processes and platforms.

Against this benchmark the review found that:

- (a) The ERM policy and/or framework of most organizations is tied to results-based management and/or a regular strategic planning process;
- (b) Many organizations report that gaps exist between ERM and day-to-day operations;
- (c) Integrating ERM into business processes and platforms requires targeted investments;
- (d) Auditors report disconnects between ERM and various strategic and business and planning processes, and ERM focal points report integration as a distant goal in need of strong leadership if it is to be reached.

100. Although it will take time and effort, ERM and an organization's strategic planning³³ processes should be viewed as integral and complementary to each other, not as separate and distinct activities. If a corporate strategy is formulated without identifying, assessing and managing risks in achieving the goals and objectives of the organization, the strategy is incomplete and at risk of failing. Similarly, if ERM is implemented without identifying risks directly related to the organization's strategy, the effort will be incomplete as it will fail to identify key risks or barriers to the organization achieving its goals and objectives. One senior official stated that it is essential for the senior management to understand that risk management is not a "tick-the-box" exercise, but about achieving good outcomes and results.

101. **A key indicator for this benchmark, therefore, is that the policy and framework of ERM should be closely linked to an organization's strategy and all business and planning processes, as well as its results framework.** Practically, this means that risks should be defined at the objective level,³⁴ that is, in any and all planning processes that contain objectives. In some organizations, lower-level risks or those risks found at the field or divisional levels are aggregated to inform strategic or corporate-level ones. This, ideally, leads to the further integration of ERM as opposed to it being an afterthought or "bolted on" to various planning processes.

102. As ERM matures, organizations may want to conduct a separate strategic risk analysis that would enable them to compare their strategy to the current environment, reassess their strategic capabilities and business model. This could include efforts to identify strategic risks

³³ In its report on strategic planning in the United Nations system, JIU defines strategic planning as "the process by which an organization's medium- to long-term goals, as well as the resources plans to achieve them, are defined" (JIU/REP/2012/12, para. 6).

³⁴ CEB High-level Committee on Management Cross-Functional Task Force on Risk Management, "Embedding risk management – Benefits and practicalities of integrating ERM with the Enterprise Performance Management process" (2019).

in three dimensions: (a) risks related to the mandate; (b) risks related to organizational alignment; and (c) risks related to implementing and delivering on the strategic plan. This could lead to new plans and major new decisions that may require a strategic risk component and an ERM review of such new activities. This type of strategic risk analysis may require additional ERM training beyond building an ERM process (see benchmark 8).

103. Of the 28 participating organizations, 20 have linked ERM with results-based management and 16 have linked it with their regular strategic planning process. Some have integrated it into programme and operational planning processes, as well as budgeting. For example, in its programme and budget for the biennium 2020–2021, ILO specifies risks and mitigation measures for each of the eight policy outcomes. The 2020–2021 programme and budget of WIPO also presents risks and mitigation actions for each programme under the nine strategic goals, a good practice for addressing risks in achieving corporate level results. In the same programme and budget, WIPO sets “enhanced maturity of managing for results (results-based management) including risk management” as one of the performance indicators under its ninth strategic goal (efficient administrative and financial support).

104. Still, most organizations report that gaps exist between ERM and day-to-day operations and that integrating ERM into daily operations is a key challenge. This may be more challenging as processes – often tied to computer systems and platforms – are updated or enhanced and ERM processes may not be considered in the software updates (see benchmark 7).

105. As mentioned before, those in the first line of defence often see ERM as an additional compliance-based exercise added onto the operation, not embedded into it, showing that they may not have found its clear benefit and that ERM is not yet integrated into management decision-making or an organization’s culture. It is important to clarify the level and the state of integration of ERM that the organization is aiming for and how risks affect its day-to-day operations.

106. In their responses to the JIU questionnaires, internal and external auditors provided assessments that largely confirm the disconnects between ERM and key business and strategic planning processes across the United Nations system, with many characterizing the level of integration within their organizations as, for example: “not very mature”, “at a developing stage”, “siloes”, “a tick-the-box exercise” or “hampered”.

Integration in practice

107. Risk management ideally is used at all levels in a typical United Nations organization and is fundamental to the relevant staff fulfilling their duties. One interviewee stated that most of the risks identified are followed up on “thanks to basic due diligence, but through ERM it can be done through a more coordinated and systematic manner”, affirming that it is essential to break down silos and integrate ERM, moving it from fragmented and often siloes risk management practices to “enterprise-level” risk management. For example, during planning, offices of the United Nations Children’s Fund (UNICEF) are required to identify risks which would inhibit operational and/or programming goals, discuss them and agree which of them are significant enough to merit the allocation of resources.

108. Such enterprise-level integration is an “ideal state”, meaning that risks can be identified at multiple levels and critical and high-level risks that may be barriers to achieving strategic goals and objectives are identified and managed. When ERM is integrated at all levels, there needs to be a process for aggregating the risks for them to be considered jointly by senior management and, if appropriate, by legislative/governing bodies. This “ideal state” for ERM is not possible without consistent and active leadership from executive heads. They must play the crucial role to set the right “tone at the top” by targeting updates and enhancements in platforms that support these processes to ensure that risk management is integrated into the strategic, business and operational planning of the organization.

109. In interviews with senior officials of two organizations, the Inspectors were provided with examples of how parts of ERM have been integrated into organizational operations and used to inform strategic decisions. In ITU, senior managers employed ERM practices in deciding on the construction of a new facility, including its budget impact, the location of a new building and its impact on core operations. They employed ERM principles and practices to manage the building project and report on its progress to their legislative/governing body.

110. UNDP employs a three-tier structure in its ERM practices, with risks referred upwards from country offices to regional bureaux; if there is a conflict at the regional level, the risk is considered at the level of the Chief Risk Officer (the associate administrator level) or the Risk Committee (comprised of heads of the regional bureaux, security, external relations and other offices); if it still cannot be managed, it is assigned to the Administrator for a decision. The Chief Risk Officer gave several examples of how the structure has worked, including one in which he had to weigh the risks, including opportunities, when determining if UNDP should partner with a host government in importing HIV pharmaceuticals in a Central American country, considering risks such as procurement processes and quality assurance.

111. Another key indicator for this benchmark is the significant and substantive examination of the other benchmarks, which support and complement the integration of ERM. For example, support for an ERM process from legislative/governing bodies and leadership (benchmark 4) increases the chances of integration. ERM is also easier to integrate when risk owners understand their roles and responsibilities (benchmark 2) and when they see a clear ERM policy and/or framework (benchmark 1). This is also the case when the ERM tools and systems are accessible and well designed (benchmark 7), and continuous improvement of ERM is viewed as a dynamic process (benchmarks 6 and 9). Integration can be reinforced through a committed tone at the top (benchmark 3) and effective and consistent communication and training (benchmark 8).

112. Integration of ERM into strategic, business and operational planning processes requires, as benchmark 3 indicates, a strong “tone at the top”, as well as investment and targeted commitments to update and/or enhance platforms and processes that would embed it into an organization’s planning, decision-making and organizational culture.

B. Systematic and dynamic processes

Benchmark 6. Established systematic, coherent and dynamic risk management processes

Risk management processes need to be practical, agile and user-friendly for ERM to be sustainable and achieve its intended purpose. Its fundamental objective and utility should not be lost in complex and burdensome processes.

In relation to this benchmark the review found that:

- (a) Most organizations conduct risk assessments from the corporate level to the country and/or project level and have assigned risk owners to review and update their respective risk registers regularly;
- (b) Across the United Nations system, there is no single ERM implementation format or methodology, but there are common elements, which are tailored to an organization’s needs;
- (c) Many participating organizations are still in the initial stage of ERM maturity, that is, its implementation, and strive for integration with more simplified and accessible processes;
- (d) Agile ERM practices that incorporate relevant contextual data can encourage maturity and integration of ERM within an organization, as well as enable it to better respond to threats and crises.

113. ERM requires systematic and coherent processes across an organization for identifying, assessing, evaluating, prioritizing, controlling, communicating and managing key risks (both as threats and as opportunities) with the objective of advancing the organization’s strategic goals and objectives. A systematic risk approach encompasses ensuring that the risk identification process is thorough and has included, as reasonably as possible, all known and potentially unknown risks. As stated in benchmark 5, ERM should not be a stand-alone process but should be integrated into key strategic and business process

in order to feed into corporate-level decision-making on priority setting, strategic planning and resource management.

114. Ideally, processes associated with ERM need to be user-friendly and practical, crucially to prevent ERM from being perceived as simply a compliance exercise. As one senior risk officer warned, “We should not bureaucratize the [ERM] process”. ERM processes should balance process with practicality, ensuring that streamlining is a foremost consideration, which may be accomplished through its integration into other processes such as results-based management.

115. In accordance with its ERM policy and/or framework, each organization should establish and implement a systematic process to identify, assess, register and manage risks. For some risks that have greater velocity³⁵ and where the impact is more substantial or the vulnerability is higher, a more dynamic risk assessment should be conducted and frequently monitored. Only assessing risks periodically can lead to exposure to these more dynamic and prodigious risks.

Identifying and registering risks

116. Out of 28 participating organizations, 26 organizations identify and register risks at the corporate level; 24 also do so at the headquarters division, department or unit level; and 25 also do so at the country and/or project level. Thus, most organizations conduct risk assessments from the corporate level to the country and/or project level. As mentioned earlier, ILO identifies and registers risks at the policy outcome level, too.

117. Risk registers need to be reviewed and updated on a regular basis. Assigned risk owners are typically required to review and update their respective risk registers regularly in 25 organizations, of which 11 on an annual basis and 9 on a biannual basis. The subsequent reporting ideally should be continuous and embedded into existing management reporting processes and structures (in line with benchmark 5). The frequency, format and level of reporting should be formalized, with a system to allow high-risk areas to be immediately channelled or fast-tracked to the appropriate level for action.

Box 8

Risk registers

An organizational risk register is a central repository of all risks and risk information maintained by an organization, which typically includes risk categories, risk descriptions, risk owners, action plans, risk status, risk likelihood, significance levels of risk and other relevant information pertaining to that risk. It is a communication and monitoring tool that clearly articulates ownership and the sources of risk to enable the management of those risks and uncertainties.

WFP has four risk categories (strategic, operational, fiduciary and financial), 15 risk areas and 41 risk types. It maintains a corporate risk register to ensure that high-level risks faced by the organization are regularly monitored by the Oversight and Policy Committee (i.e. three times a year). The Audit Committee of WFP also reviews the corporate risk register.^a

³⁵ Velocity refers to the speed at which a risk impacts an entity (Committee of Sponsoring Organizations of the Treadway Commission, *Enterprise Risk Management - Integrating with Strategy and Performance Framework* (2017)).

UNHCR maintains two types of risk register, namely a corporate risk register and a strategic risk register. The corporate risk register contains detailed information about risks managed by individual field operations and headquarters entities. This is the main tool for monitoring risks at the operational level. As at August 2019, four of the risks in the strategic risk register were considered to be especially critical: (i) integrity and ethical conduct; (ii) organizational change; (iii) emergency response; and (iv) data and analytics. To increase transparency regarding organizational risks, a summary of the strategic risk register was shared with all UNHCR staff and member States.^b

^a WFP, Update on the implementation of the 2018 Enterprise Risk Management Policy and WFP's Anti-Fraud and Anti-Corruption Action Plan (2018–2020), WFP/EB.A/2019/5-C; WFP, 2018 enterprise risk management policy, WFP/EB.2/2018/5-C.

^b UNHCR, Risk management in UNHCR, EC/70/SC/CRP.19.

118. From the questionnaire responses and interviews, it appears that many participating organizations are still developing their ERM practices, testing and balancing the various process elements against the potential value of ERM. As previously indicated by some first line of defence staff, what may be unclear is how they see themselves in the process and how ERM practices can benefit their respective work streams and decision-making.

119. If those contributing to and involved in ERM do not appreciate or understand their role, they are unlikely to realize its value. **ERM processes should include a feedback loop, so that contributing staff in the organization can see how the risk information they collect, consolidate and report on can be useful for proactive and well-informed decision-making, effective management of resources and implementation of programmes.**

Adapting to changes and responding to emerging issues and crises

120. Agile processes that respond to feedback from their users and beneficiaries should be inherent in ERM and can serve to improve its integration as well as its effectiveness. Often referred to as organizational sustainability, resilience and agility, they are an indicator of how organizations adapt in changing circumstances.³⁶ They could include incorporating relevant external or contextual data into ERM practices to provide a broader landscape of the risks that an organization may be facing. They could also mean responding in creative and novel ways to an immediate crisis or an emerging issue.

121. Organizations that adopt an agile mindset have an advantage in managing risks, especially high-velocity and high-volatility risks. Agility can also be considered from multiple dimensions, such as budget flexibility, operational flexibility, strategic ability to pivot and the related skill set necessary to make these types of changes.

122. The coronavirus disease (COVID-19) pandemic, a salient example of a high-velocity and highly volatile risk, should be a strong reminder that identifying external risks and trying to minimize unknown risks is an important part of ERM. To respond to the COVID-19 pandemic, which shuttered offices and created concurrent and multiple crises world-wide,³⁷ a few participating organizations initiated a separate COVID-19 risk register to capture specific risks associated with the crisis as well as associated overrides and mitigation efforts. Others scrambled to update and test their continuity of business operations plans, which are sometimes a subset of ERM processes. The COVID-19 pandemic and the manner in which United Nations organizations have responded to it, both operationally and programmatically, may offer further evidence that ERM practices must be coherent, pragmatic and dynamic.

123. **Not only do ERM processes need to be tailored to an organization's business model, they also need to be dynamic and agile in order to reflect the fundamental objectives and utility of ERM.**

³⁶ Committee of Sponsoring Organizations of the Treadway Commission, *Enterprise Risk Management – Integrating with Strategy and Performance* (2017).

³⁷ United Nations Innovation Network, "Innovation: COVID-19 Special Edition" (2020).

C. Information technology systems and tools for enterprise risk management

Benchmark 7. Effective use of information technology systems and tools for ERM

Well-designed information technology systems and tools can facilitate better integration of ERM into key operations as well as capturing, recording, consolidating and monitoring key risks throughout the organization.

The following are the findings emanating from the review in relation to this benchmark:

- (a) Most organizations use spreadsheets and/or basic software for ERM, while a few use systems developed in-house to capture and record risks;
- (b) The ERM systems of 15 organizations are stand-alone and not integrated into other systems.

124. As mentioned earlier, most interviewees raised the issue that ERM processes can be heavy and complicated and divert attention from their main tasks. Risk information needs to be recorded in a systematic and simple manner to help the first and second lines to monitor and report risks and to capture salient risks for escalation to the attention of senior management.

125. The key indicator for this benchmark is that ERM is a systematic process with tools that are distributed across an organization and reflect risks specific to its contexts (e.g. humanitarian, normative or technical). **Ideally, ERM should include a comprehensive system with relevant tools that are implemented to track and monitor risks across the organization and form part of a larger platform linked to other systems so that the processes can be streamlined and integrated.**

126. Each organization needs to identify the appropriate system and tools to streamline ERM processes and ensure its integration into other business processes. Spreadsheets might be sufficient for smaller organizations, while organizations with a substantial field presence might require more integrated and advanced platforms to support their ERM processes.

127. According to the corporate questionnaire responses, most organizations use spreadsheets and/or basic software for ERM. Some organizations are using systems developed in-house to record risks identified during daily operations. For example, an online risk management system was developed in-house at the United Nations Office for Project Services (UNOPS) and ERM is available at all organizational levels, interlinked to the UNOPS engagement acceptance process and integrated across the project lifespan. Three organizations (UNICEF, WFP and WIPO) utilize commercial, off-the-shelf software products to support ERM, which can further an integrated approach.

128. The ERM systems of 15 organizations are stand-alone; only 5 organizations³⁸ have integrated ERM into their enterprise resource planning systems. Since some enterprise resource planning systems can support ERM, those organizations that have the possibility should, at least at the time of setting a strategy for the next enterprise resource planning system upgrade, perform a cost-benefit analysis of activating the ERM functionality and consider maximizing the benefits of enterprise resource planning by integrating ERM.

129. WHO uses a customized tool built and managed in-house. Designing a user-friendly and intuitive risk management tool has been one of the success factors in building confidence in the risk identification process, as the tool is specifically customized to the context of WHO. Box 9 describes the approach and tools of WHO.

³⁸ IAEA, ITC, UNDP, UNOPS and WIPO.

Box 9

World Health Organization risk management tool

The World Health Organization (WHO) risk management tool, a simple online tool, has improved the quality of risk descriptions submitted by budget centres. A regular, well communicated schedule for risk identification linked with other organizational processes has improved compliance.

The tool is an online risk register, which is supported by two documents: a users' guide that provides a glossary of all terms and relevant descriptions for the application of ERM; and a document containing frequently asked questions that is updated regularly.

With a built-in workflow, the tool automatically escalates risks to the necessary level of authority, based on the risk levels identified by the risk owner. Any risks graded as "significant" or "severe" are automatically escalated to the next level of authority and require verification and actions by that level of authority, in line with the WHO risk management policy.

The tool also enables continuous updates and sends automatic emails to users when risk response actions either are or will soon be overdue.

In addition, heads of each division at headquarters and in each region have access to the tool, which shows all risks to the departments in the division or in countries in the region concerned, all risks requiring action by the head of the division/region and division/region-level risks.

130. Furthermore, WHO states that one of the lessons learned from risk management practices is that the overall approach to risk management needs to be "the simpler, the better". A key success factor it has identified is that users should be able to access easy-to-use tools that are integrated with other areas of work, such as strategic and operational planning, implementation, monitoring and reporting, and add value rather than being stand-alone tools.

131. UNFPA launched its first computerized risk register in 2015, called "MyRisks". It works with "MyResults" (a results-based management system) to harmonize information across the organization; the two systems can be found side-by-side in the Strategic Information System. The United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) uses an integrated platform which covers ERM and creates a dashboard and a global map showing all countries where UN-Women is operational, with the top risks in each identified.

132. For the United Nations Office on Drugs and Crime (UNODC), regular reporting on risk management led to the development of a specific tool, called a "full cost recovery barometer". The tool was developed jointly by the Division for Management and the Division for Operations to closely monitor a key financial risk for field offices where 95 per cent of funding comes from voluntary contributions. The tool can be replicated to other Secretariat entities or others with similar structure of funding which requires a good system for tracking costs.

133. IAEA is currently developing a new integrated system which covers budgets, human resources, programme narratives and risk management. The new system is designed to be simple and user-friendly and is expected to enable an integrated approach and less burdensome processes for ERM. WFP is also developing a new single platform to cover risk assessment at country, regional and global levels, together with oversight recommendations.

134. Systems and tools for ERM need to be accessible, user-friendly and practical; they do not necessarily need to be complex or sophisticated. **The Inspectors encourage a dialogue among United Nations system organizations with similar business models to exchange experiences and practices regarding ERM platforms and their linkages with other information systems.**

D. Communication and training for enterprise risk management

Benchmark 8. Communication and training plans to create risk awareness, promote risk policy and establish risk capabilities for the implementation of ERM

Communication and training can be crucial elements for providing a common vision and language for staff to use and relate to their respective contexts, as well as integrating ERM across an organization. Risk focal points, especially in organizations with large field networks, can serve to amplify ERM information and provide training at multiple levels.

The findings of the review against this benchmark were:

- (a) Of the 28 participating organizations, 21 have some type of ERM training and 12 have made ERM training mandatory for some staff;
- (b) Training approaches range across the participating organizations from stand-alone ERM training to a more integrated approach.

135. Key indicators for this benchmark are, again, tied to what is fit for purpose in an organization, including what information to convey, who needs to be trained and the best medium for providing pertinent information. For integration and understanding of ERM across all levels of an organization, training on its processes and targeted communication on its importance and its utility are crucial. The United Nations Secretariat names information and communication as one of the main components of its risk management process, which includes appropriate training programmes in the form of websites, e-learning courses or communities of practice “to nurture the development of a sound risk-aware culture and build adequate capacity and critical skills”.³⁹

136. One participating organization still in the early stages of implementing ERM added that, for ERM to reach its full potential, it would “need training and capacity-building, so that everyone speaks the same language”. ERM training and using a common language and consistent terms can serve to put ERM into context and move an organization from risk management that is siloed in only certain units to one that is accessible and useful to the entire enterprise. It might be unavoidable to have different tools and processes, as one participating organization stated, but it is essential to bridge and integrate communication channels to increase staff acceptance.

137. This is especially true in organizations in which risks are an inherent part of their operations. As the chair of an audit and oversight committee in a humanitarian organization commented, “people in the country offices don’t use the terminology of ERM, but they manage risks. Training and education will help”. Another review focal point identified training and communication as a good practice for his organization and added: “This is an ongoing effort to build capacity and ensure an understanding of common language to facilitate consistent implementation of ERM in the local offices in accordance with the endorsed policy framework”.

138. Most participating organizations (21 of 28) have some type of training on ERM and, of those, 12 have made ERM training mandatory for some portion of their staff. At least three organizations (UNHCR, UNICEF and IAEA) have integrated ERM into existing organizational training programmes, which can be viewed as a good practice. In some organizations, focal points reported success with integrating ERM basics into their existing country director orientation programmes or training courses on other topics such as fraud. Additionally, about half of the organizations have also developed written materials, such as handbooks and guidance materials, to support the ERM capabilities of staff.

139. WFP has designed an ERM training using the “three lines of defence” model and found it to be widely used and completed by over 800 staff, a relatively large number for an optional training course at WFP. The Inspectors observed several WFP staff referencing the

³⁹ Department of Management Strategy, Policy and Compliance, “Enterprise Risk Management and Internal Control Framework – Implementation at Department, Office, Commission, Mission and Tribunal Level: A Guide for Managers” (2019).

training during interviews as well as referring to the various lines of defence in explaining ERM within their units. UNHCR has delivered a two-day in-person training course on risk management to over 720 risk focal points since the launch of its ERM framework in 2014. In addition, it has worked on integrating ERM into existing training programmes, leveraging existing organizational events and processes and providing clarity on roles and responsibilities for respective staff. UNHCR also produced an internal communication campaign including videos that feature senior level staff discussing how they use ERM in their work, which not only endorses and supports ERM processes and practices but also demonstrates “tone at the top”.

140. Given the variety of approaches to training and communication, the Inspectors encourage inter-agency cooperation and exchanges in order to share good practices and lessons learned. This could include joining networks with ERM peers (such as in the example in benchmark 10), attending ERM conferences and workshops or more formal training. **Additionally, a comprehensive training and communication plan for ERM is essential for its effective implementation and integration and should be tailored to the size and scope of an organization, as well as its approach to ERM.**

E. Periodic review for continuous improvement

Benchmark 9. Periodic and structured review of effectiveness of enterprise risk management implementation for continuous improvement

The effectiveness of ERM processes, practices and policies needs to be reviewed on a periodic basis to allow for adaptation and continuous improvement as external and internal contexts change.

Against this benchmark, the review found that:

- (a) Eleven organizations have conducted or are in the process of completing a self-assessment of their current ERM maturity stage. Most are using the CEB reference maturity model to identify gaps and set their target maturity stage;
- (b) Most internal and external auditors have assessed the ERM of their target organizations as “still developing, siloed or not fully integrated”.

141. As mentioned previously, ERM is not a singular and discrete task, but an ongoing process that evolves over time. This means that, as an organization responds to operational issues and updates its strategies, it also needs to assess the effectiveness of its ERM processes and practices and their alignment with evolving operations and updated strategies. Periodic, structured and disciplined reviews of ERM processes and practices will ensure continuous improvement as an organization’s external and internal contexts change.

142. Typical areas for assessment include: the effectiveness of the ERM process and whether it is working as intended and designed; the ability of action plans to improve the management of the risk; its scope and level of integration; whether it is aligned with changes in internal and external contexts; whether ERM supports management in making risk-informed decisions; whether ERM has helped the management establish risk-informed strategic planning; and whether ERM has helped legislative/governing bodies exercise their oversight roles with full knowledge of critical threats and key opportunities facing the organization. Organizations may also want to consider ways to measure the risk culture and its direction.

143. Such reviews could be performed through various approaches, including self-assessment or independent assessments such as an independent evaluation and internal or external audits.

Self-assessment of enterprise risk management

144. A reference maturity model for risk management was developed by the CEB Cross-Functional Task Force on Risk Management and endorsed by the High-level Committee on

Management in April 2019.⁴⁰ The Task Force intended the reference maturity model to serve as a guiding tool for each organization to self-assess its current maturity stage and set its own target. Once an organization has undertaken a maturity self-assessment, the reference maturity model is intended to guide it in developing an ERM improvement roadmap for reaching its target maturity stage and to provide a basis for continuous improvement.⁴¹ The JIU review team compared its own benchmarks against the reference maturity model and found that they generally aligned, except for the substantive involvement of the legislative/governing bodies (see benchmark 4).

145. Eight organizations have conducted self-assessments using the reference maturity model,⁴² at least 2 of them using external consultants to facilitate the process or provide an impartial assessment. Two organizations are in the process of self-assessment using the reference maturity model and one organization conducted an assessment using a similar model. Those that have completed a self-assessment have used the results to guide their priority interventions and track progress over time. Some have developed an action plan to assist them in moving to a higher maturity stage. Additionally, there are other ways to self-assess ERM processes and policies, including using other frameworks, such as those of the Committee of Sponsoring Organizations of the Treadway Commission and the International Organization for Standardization (ISO), and/or using JIU benchmarks as a framework.

146. In the view of the Inspectors, the Task Force’s reference maturity model is a useful guidance tool for each organization to identify gaps and set its respective target maturity stage. A periodic self-assessment is recommended to review progress over time in reaching an identified ERM target maturity stage.

Objective assessments of enterprise risk management

147. Independent and objective reviews by auditors and evaluators can provide assurance and/or assessment as to whether ERM processes, policies and practices are efficient and are performing as intended. As mentioned in benchmark 2, both internal and external auditors have supported continuous ERM improvement efforts through their audits, and internal auditors have also provided consultations and advice at the initial stage of ERM implementation in some organizations.

148. Only 8 internal auditors (out of 22 that provided responses to the JIU supplementary questionnaire) have conducted a dedicated audit of ERM processes.⁴³ Major reasons for not doing so include the nascent stage of ERM in organizations and the advisory role that some internal auditors played in ERM implementation (as mentioned in paras. 50-51), rather than assurance services. While 12 other organizations have audited some aspects of risk management practices, for example, as part of audits of country offices, most organizations have not set a fixed frequency for a dedicated audit of ERM. Only 3 organizations have set a clear frequency: the United Nations Educational, Scientific and Cultural Organization (UNESCO), WFP and WIPO.

149. As mentioned earlier, most external auditors (14 of the 18 that responded to the supplementary questionnaire) have reviewed elements of ERM, such as the framework itself and its implementation processes and procedures, especially those related to finance and procurement.

150. The majority of internal and external audits have assessed the ERM of their target organizations as still “developing, siloed or not fully integrated”. Such audit conclusions and recommendations contribute to reinforcing ERM and can function as an impetus to push an organization and its legislative/governing body to invest in ERM.

151. Independent evaluations of ERM policy and processes, its relevance and its effectiveness can also contribute to continuous improvement of ERM. For example, the evaluation policy of WFP states that new policies are evaluated between four and six years

⁴⁰ CEB/2019/3.

⁴¹ CEB High-level Committee on Management, Reference Maturity Model for Risk Management.

⁴² Ibid., annex I.

⁴³ IMO, Office of Internal Oversight Services (OIOS), UNDP, UNICEF, UN-Women, WFP, WIPO and WMO.

after their implementation, and other participating organizations' evaluation policies have similar evaluation coverage.

152. Once an organization has begun implementation of its ERM policy, periodic and independent assessments by auditors, evaluation functions or other independent advisers on the effectiveness of the policy and its associated processes should be encouraged and supported. Legislative/governing bodies should review and consider the results of these assessments.

V. Inter-agency cooperation and coordination on enterprise risk management

Benchmark 10. Inter-agency cooperation and coordination for systematic knowledge-sharing and management of common and/or United Nations system-wide risks

Since 2010, ERM has grown in importance and prominence in most participating organizations, and the CEB High-level Committee on Management Cross-Functional Task Force on Risk Management has made a valuable contribution to recent progress in this area. The Task Force will need to evolve into a sustainable mechanism working with and across CEB mechanisms and other networks to facilitate discussions, share good practices and promote the further integration of ERM within organizations and across the system. The Task Force's work stream focused on ERM in the field and within decentralized organizations should provide information and foundational guidance for implementing United Nations reform efforts at the country level, including shared risks and system-wide risks.

The review found that:

- (a) There is broad support and appreciation of the CEB Task Force's work on ERM;
- (b) ERM implementation and integration across the United Nations system is uneven;
- (c) The Task Force's engagement with other CEB mechanisms and professional networks has served to expand integration and knowledge of ERM practices;
- (d) United Nations reform and its implications on risk management and shared risks at the country level has yet to be broadly addressed;
- (e) The Task Force's work stream covering ERM in the field could be a vehicle for addressing ERM in United Nations reform efforts and exploring shared and system-wide risks.

Background of the High-level Committee on Management Cross-functional Task Force on Risk Management of the Chief Executives Board for Coordination

153. The 2010 JIU report on ERM included a recommendation that CEB, through its High-level Committee on Management, should adopt a benchmark similar to the present report's benchmark 10. The intention behind that recommendation was to facilitate inter-agency cooperation, coordination, knowledge-sharing and common and cross-cutting risks for system-wide risk management.⁴⁴ While agencies, at the time, agreed that there was merit in creating an informal network of risk professionals, they were less supportive of developing system-wide risks based on unified standards, policies, frameworks and practices due to the "lack of homogeneity of operations and mandates across agencies".⁴⁵ This 2010 benchmark may have been too ambitious and ahead of its time for a United Nations system that was largely in a nascent stage in respect of the implementation of ERM. For today's United Nations system, the benchmark may be more relevant in light of the reform efforts of the United Nations at the country level and emerging system-wide risks.

154. The CEB High-level Committee on Management included the implementation of a system-wide risk management approach in its 2013–2016 strategic plan.⁴⁶ In April 2018, the Committee agreed on the need for joint, cross-functional engagement towards the system-wide harmonization of risk management practices.⁴⁷ In October 2018, it approved the terms of reference for the new Cross-Functional Task Force on Risk Management, launching the development of a system-wide risk management reference model to serve as a benchmarking tool and an implementation guide to advance risk management in United Nations organizations.⁴⁸

⁴⁴ JIU/REP/2010/4, recommendation 3.

⁴⁵ A/65/788/Add.1.

⁴⁶ CEB High-level Committee on Management, Strategic Plan 2013-2016.

⁴⁷ CEB/2018/3.

⁴⁸ CEB/2018/5.

155. As mentioned in the section related to benchmark 9, the Task Force developed a reference maturity model for risk management,⁴⁹ to be used as a management and communication tool to help United Nations organizations assess their current maturity stage and define a road map for reaching their target maturity stage and to provide a basis for continuous improvement. The model, by design, is not intended to be prescriptive or mandatory and each organization can adapt the model and its results to its specific situation.

156. In addition to the reference maturity model, the Task Force has also developed practical guidelines for:⁵⁰ (a) establishing a risk appetite statement;⁵¹ and (b) embedding risk management in planning processes.⁵² At its October 2019 session, the High-level Committee on Management endorsed both the final reference maturity model for risk management and the guidelines for risk appetite statements.⁵³

157. At its thirty-eighth session, the High-level Committee on Management endorsed the suggestion that the co-chairs should undertake a reprioritization of the Task Force's future work areas, and to this end, the Task Force agreed to take on two additional work streams on: (a) managing fraud risk; and (b) managing risks in the field and for decentralized organizations. These two topics are scheduled to be completed by the end of 2020.⁵⁴

Value of the High-level Committee on Management Cross-Functional Task Force on Risk Management of the Chief Executives Board for Coordination

158. The Task Force is widely appreciated by participating organizations for providing a forum for knowledge-sharing and cross-learning. Its approach has been to work cross-functionally with other CEB mechanisms, such as the strategic planning and duty of care networks, in order to enrich its various deliverables. It is also appreciated by other professional networks, such as the Representatives of Internal Audit Services of the United Nations System Organizations, which is an observer on the Task Force. Members of the Task Force conveyed that they have received numerous requests by CEB member organizations to participate in its activities which further speaks to the quality of its work and the need for such a network in the United Nations system.

159. The value of the Task Force may be further realized going forward as more organizations are engaging in and will benefit from exchanges on good practices and lessons learned – especially organizations that are still in the early stages of implementing ERM. From having had limited knowledge of it in the past, some staff from smaller organizations have now expressed interest in participating in the Task Force. Those organizations stand to benefit from the Task Force in terms of knowledge-sharing and cross-functional development of ERM practices.

160. As the Task Force concludes on its deliverables, the High-level Committee on Management will deliberate on how it can be regularized in a similar way to other groups under the Committee and take advantage of opportunities to evolve. The Task Force members endorse its continuation and credit it as a valuable inter-agency cooperation mechanism in moving ERM forward. The secretariat of CEB encouraged the chairs of the Task Force “to continue its work and keep it lean, flexible and impactful”.

161. CEB is a coordinator of formal networks, and their running cost is shared among the agencies. It has no additional resources to support new formal networks. Among the networks of the High-level Committee on Management, the Procurement Network is the newest; it has a coordinator and a support staff in Copenhagen, within UNOPS. There is no clear definition of a CEB task force, working group or forum. They are structures that have evolved over

⁴⁹ CEB High-level Committee on Management, Reference Maturity Model for Risk Management.

⁵⁰ The Task Force also collected risk framework documents to be shared across the United Nations system and analysed practices and possibilities concerning the sharing of risk information, both between organizations and with donors, member States and partners.

⁵¹ CEB High-level Committee on Management, Guidelines on Risk Appetite Statements.

⁵² CEB High-level Committee on Management Cross-Functional Task Force on Risk Management, “Embedding risk management – Benefits and practicalities of integrating ERM with the Enterprise Performance Management process” (2019).

⁵³ CEB/2019/5.

⁵⁴ CEB High-level Committee on Management, draft terms of reference for 2020 for the High-level Committee on Management Cross-functional Task Force on Risk Management.

time, typically have a focused scope and output and are function-specific and time-bound. A CEB task force is a more informal structure and is horizontal, ad hoc, time-bound, focused and specific.

162. There was near consensus expressed on the value of the work of the Cross-Functional Task Force on Risk Management, and its participants appreciated being able to network with other risk management and related professionals and to work cross-functionally. In order to support ERM integration, share good practices and lessons learned, **JIU proposes that the Task Force should evolve into a standing mechanism of the CEB High-level Committee on Management that would continue its work in supporting risk professionals and the system-wide development of ERM policies and practices.**

Enterprise risk management and United Nations reform efforts at country level

163. As stated in paragraph 157 above, the Task Force will be developing guidance on managing risks in the field and for decentralized organizations. The key objectives of this work stream include to: “Collect good practices and guidance to facilitate the effective implementation of risk management in the field and decentralized United Nations organizations.”⁵⁵

164. One deliverable is the collation and review of relevant documentation to identify key challenges and emerging practices. This process will include both a “review of relevant internal policy documents that provide insight into practices, including guidance, tools, frameworks and other supporting documents pertaining to risk management in field and decentralized contexts” and a “survey of the work stream members and targeted interviews with practitioners based in the field and decentralized locations”. The second deliverable is a non-prescriptive toolkit/paper covering a review of the main challenges to effectively implementing risk management, case studies of emerging practice, a review of structures and models to provide risk management support and examples of practices in gaining assurance.⁵⁶

165. United Nations reform at the country level is guided by General Assembly resolution 72/279, accompanied by guidance documents for its implementation at the country level. Several of the guiding principles in the United Nations Sustainable Development Cooperation Framework both imply and rely on risk management and cooperation among United Nations country teams, for programmatic efforts and in the context of accountability.⁵⁷ Additionally, the Companion Package to the Cooperation Framework guidance, endorsed by the United Nations Sustainable Development Group in May 2020, provides more guidance on how to address risk management particularly for, and arising from, the United Nations-led programmes.⁵⁸

166. While some United Nations organizations have systems in place that incorporate ERM into their field missions and have processes and procedures to refer risks up to their respective headquarters, this is not case for United Nations country teams as a whole. Based on interviews with United Nations Secretariat staff at Headquarters, the Secretariat’s approach to ERM at the country level is still being developed and considered. Interviews with resident coordinators confirm that there are not yet any systematic processes for incorporating risks in programming or for referring risks to the appropriate levels.

167. Additionally, there are some risks that may cut across numerous organizations and should be managed more broadly, while other risks are too large for one organization to bear, implying a need for a larger and more coordinated effort. As one senior-level Secretariat staff member pointed out: “We need to identify the risks above the agency boundaries. There must be a conversation around it. Maybe shared risks. All the instruments the United Nations has for contingency planning, they need to be more streamlined. There is no reason why this should be a single agency issue.”

168. Some participating organizations have cooperated on risk management procedures in certain countries and some country teams have also come together to respond to a particular

⁵⁵ Ibid.

⁵⁶ Ibid.

⁵⁷ United Nations Sustainable Development Group, “United Nations Sustainable Development Cooperation Framework: internal guidance” (2019).

⁵⁸ United Nations Sustainable Development Group, “Cooperation Framework Companion Package” (2020).

issue but, in all cases reported to JIU, the circumstances were unusual and ad hoc. For example, in Burkina Faso, Somalia and the Syrian Arab Republic, several participating organizations joined forces and shared information about potential implementing partners in the field. As a senior officer of a humanitarian organization stated, they set up “an extremely cooperative network” where best practices and lessons learned are discussed. To adopt common risk registers in certain countries would be “an important vehicle, also in the spirit of the United Nations reform”. Nevertheless, these field collaborations are only individual cases. Cooperation between regional offices of different United Nations agencies would be complicated and is thus still limited, as another organization confirmed.

169. The parts of the recently approved Companion Package to the United Nations Sustainable Development Cooperation Framework relating to risk management provide an entry point for the Cross-Functional Task Force on Risk Management to develop an approach to inter-agency cooperation for ERM processes at the country level. This approach could support United Nations reform efforts at the country level by identifying shared and system-wide risks and would be an invaluable contribution to the efforts of the newly formed United Nations Sustainable Development Group. **The Task Force’s workstream in this realm should be considered by the United Nations Sustainable Development Group in addressing shared risks at the country level to further United Nations reform efforts, and by the CEB High-level Committee on Management in addressing broader system-wide risks facing the United Nations system as a whole.**

VI. Furthering progress, calling for accountability and promoting inter-agency efforts

170. There has been substantial progress in terms of policy adoption and establishment of internal organizational structures in support of ERM since the previous JIU review. However, many organizations are still refining their policies and establishing suitable practices to support their approach to ERM. Integration and embeddedness are within reach for a few and a stretch goal for most participating organizations.

171. The updated benchmarks offer participating organizations an opportunity to revisit ERM policies and practices to ensure that they are practical and are meeting their intended purpose and fundamental objectives. They seek to propose system-wide guidance for comparability, coherence and the sharing of good practices.

172. Benchmarks 1 to 9 should be considered within an organization's own unique context and business model, as well as in the context of its continuous improvement process. Assessing an organization's ERM processes and practices against these benchmarks will, ideally, serve to identify gaps that need to be addressed for effective and integrated ERM to be achieved.

173. Since the utility and success of ERM is highly dependent on executive heads, they should undertake a comprehensive review of benchmarks 1 to 9 to ensure that ERM is effective and fit for purpose within their respective organizations.

174. The following recommendation is intended to support continuous improvement and accountability efforts.

Recommendation 2

By the end of 2021, executive heads should undertake a comprehensive review of their ERM implementation against JIU benchmarks 1 to 9, as outlined in the present report.

175. Benchmark 10, as discussed in the previous chapter, is intended to promote the ongoing work that the CEB High-level Committee on Management Cross-Functional Task Force on Risk Management has undertaken to promote cross-functional collaboration and sharing of good practices across the United Nations system. There was near consensus on the value of the work of the Task Force, and its participants appreciated being able to network with other risk management and related professionals as well as to work cross-functionally. As its mandate as a task force will wind down once its most recent work streams have been completed, its future as a more sustainable CEB entity should be secured.

176. Executive heads, in their role as members of the CEB, should instruct their staff on the High-level Committee on Management to ensure that CEB evolves the Task Force into a more sustainable and viable CEB mechanism to support inter-agency cooperation and knowledge-sharing and to explore system-wide and shared risks associated with United Nations reform efforts.

177. The following recommendation is intended to further support inter-agency ERM efforts.

Recommendation 3

By the end of 2021, members of the High-level Committee on Management of the Chief Executives Board for Coordination should ensure that its Cross-Functional Task Force on Risk Management is continued as a viable mechanism to further promote and facilitate inter-agency cooperation, coordination and knowledge-sharing and to explore shared risks associated with United Nations reform efforts.

178. While ERM processes are primarily centred within an organization's operations, the linkage between ERM and an organization's strategic plan and its value as a tool for accountability make it crucial to legislative/governing body engagement at certain points in

the process. This engagement can provide important steps toward a shared understanding of an organization's approach to risk and how it is supported through "tone at the top" communication, as well as demonstrated in strategic decision-making.

179. Recommendation 1 in the section related to benchmark 4 calls for legislative/governing bodies to incorporate ERM into their meetings at least annually. Incorporating ERM into meetings will serve to recognize and reinforce it as a dynamic and agile process that will evolve as an organization changes and encourage its continuous improvement and refinement.

180. Appendix I to the present report provides comprehensive information for legislative/governing bodies on ERM as a tool to strengthen oversight and accountability.⁵⁹ As stated above, recommendation 2 is intended to promote a comprehensive organizational assessment of benchmarks 1 to 9 by executive heads. Legislative/governing bodies should be provided with a report on that assessment to further their understanding of ERM within the organization as well as the approach that the organization is taking towards risk management.

181. As benchmark 9 advocates, legislative/governing bodies may want to request a periodic review or independent assessment of ERM, which could include using the JIU benchmarks as a reference framework. Subsequent follow-up by the legislative/governing bodies is recommended to understand how gaps are addressed.

182. The following recommendation is intended to enhance the oversight and accountability role of the legislative/governing bodies.

Recommendation 4

By the end of 2022, legislative/governing bodies of participating organizations should request executive heads to report on the outcomes of a comprehensive review of the organization's implementation of ERM against JIU benchmarks 1 to 9, as outlined in the present report.

⁵⁹ Available as a supplementary paper to the present review, in English, on the JIU website.

Annex I

Benchmarks and recommendations from the previous Joint Inspection Unit report on enterprise risk management

For successful implementation of enterprise risk management (ERM) in the United Nations organizations, the 2010 Joint Inspection Unit (JIU) review (JIU/REP/2010/4) provided the following 10 benchmarks:

1. Adoption of a formal ERM policy and framework.
2. Full commitment and engagement of executive management to leading the ERM strategy and implementation process.
3. Formal implementation strategy including a time-bound action plan and clear roles and responsibilities to manage the process.
4. Formally defined appropriate governance structure and clearly established roles and responsibilities for the implementation.
5. Communication and training plan to create risk awareness, promote risk policy and build up general capacity and critical skills for the implementation of ERM.
6. Provision of adequate resources to introduce ERM and sustain the implementation process.
7. Formal risk management process with coherent methodology and tools and clear guidelines for implementation.
8. Integration of risk management with results-based management, planning, programming and operational and business processes.
9. Monitoring, evaluation and reporting mechanisms to ensure compliance with, and effectiveness of, risk management.
10. Inter-agency cooperation and coordination, including the development of a common ERM framework, knowledge-sharing mechanisms and management of common and cross-cutting key organizational risks.

Nine of the above benchmarks were to be adopted and implemented as a package by each executive head, and the last one was for inter-agency cooperation and joint action.

Except for the first benchmark, most of the organizations were not yet at a stage to satisfactorily fulfil the relevant benchmarks at the time of the 2010 review. Inter-agency cooperation and coordination were also yet to be fully explored.

Together with these 10 benchmarks, the 2010 review presented three recommendations: that executive heads should adopt the JIU benchmarks; that legislative/governing bodies should exercise their oversight role regarding the adoption of the JIU benchmarks, the effectiveness of implementation and the management of critical risks in their respective organizations; and that the Chief Executives Board for Coordination, through its High-level Committee on Management, should facilitate inter-agency cooperation, coordination, knowledge-sharing and the management of common and cross-cutting risks, for more effective and efficient risk management throughout the system.

According to the JIU web-based tracking system, the majority of the 24 United Nations entities covered by the 2010 review⁶⁰ accepted and implemented the first and second recommendations. The third recommendation is recorded in the tracking system as being under consideration, but it has been implemented, as mentioned in chapter V.

⁶⁰ FAO, IAEA, ICAO, ILO, IMO, ITU, the United Nations Secretariat, UNCTAD, UNDP, UNEP, UNESCO, UNFPA, UN-Habitat, UNHCR, UNICEF, UNIDO, UNODC, UNRWA, UNWTO, UPU, WFP, WHO, WIPO and WMO.

Annex II

Status of policy and/or framework and organizational structure for enterprise risk management

Organization	Policy/framework		Organizational structure	
	2010	2019	2010	2019
<i>United Nations Secretariat; its departments and offices</i>				
United Nations	<ul style="list-style-type: none"> In its planning stage with phased approach. ERM and internal control framework under development. 	<ul style="list-style-type: none"> Enterprise risk management (ERM) policy and framework were adopted in 2011. Operating procedure/guidelines were adopted in 2011. ERM frameworks are linked with the accountability framework, the internal control framework, delegation of authority and results-based management. A practical guide for managers was issued in 2016 to ensure consistent implementation of ERM across all departments and entities. 		<ul style="list-style-type: none"> The Management Committee (Chef du Cabinet as Chair, with all Under Secretaries-General and Assistant Secretaries-General as members) is tasked with management and oversight issues, including ERM. It reviews ERM quarterly. The ERM Section was expanded in 2019 from 1 P5 staff member to 10 staff members (9 professionals and 1 general service staff). There is a network of 142 risk focal points/ambassadors at headquarters, regional and country levels.
UNCTAD	<ul style="list-style-type: none"> As part of the Secretariat, UNCTAD did not respond. 	<ul style="list-style-type: none"> As part of the Secretariat, UNCTAD adheres to the Secretariat-wide ERM policy, framework and operating procedures adopted in 2011. ERM is linked with the internal control framework, delegation of authority and results-based management. 		<ul style="list-style-type: none"> UNCTAD has a focal point for ERM through which it engages and coordinates with the United Nations Headquarters.
UNEP	<ul style="list-style-type: none"> Not yet considered. 	<ul style="list-style-type: none"> As part of the Secretariat, UNEP adheres to the Secretariat-wide ERM policy, framework and operating procedures adopted in 2011. ERM is in its planning stage. The plan is to link the internal control framework and to integrate delegation of authority, results-based management, strategic planning, etc. The implementation phase is set to start in January 2020. 		<ul style="list-style-type: none"> The position of ERM officer (P2/JPO) was established in November 2019, located in the Administration Unit.
UN-Habitat	<ul style="list-style-type: none"> Not yet considered. 	<ul style="list-style-type: none"> UN-Habitat is covered by the Secretariat policy and framework of 2011 and adopted the ERM implementation guidelines of 2015. The ERM framework is linked with the accountability framework, the internal control framework, delegation of authority and strategic planning. 		<ul style="list-style-type: none"> The Risk Oversight and Advisory Committee, chaired by the Deputy Executive Director (Assistant Secretary-General), is the risk committee. The most senior official tasked with ERM is the Director of the Management, Advisory and Compliance Service, who reports to the Deputy Executive Director (Assistant Secretary-General). The Oversight and Internal Control Unit, with one oversight officer (P4), is tasked with ERM. There are no other experts or risk focal points/ambassadors.

Organization	Policy/framework		Organizational structure	
	2010	2019	2010	2019
UNODC	<ul style="list-style-type: none"> Not yet considered. 	<ul style="list-style-type: none"> As part of the Secretariat, UNODC adheres to the Secretariat-wide ERM policy, framework and operating procedures adopted in 2011. The ERM policy, framework and operating procedures/guidelines of UNOV/UNODC were adopted in 2014. 		<ul style="list-style-type: none"> The Executive Committee of UNOV/UNODC, the highest decision-making body, directly takes on board the functions related to the institutional ERM framework and reviews risk reports and treatment plans semi-annually. There is no position tasked exclusively with risk management within UNOV/UNODC. Within the Office of the Director-General/Executive Director, the Chief of the Office (D1) is the institutional risk management focal point, supported by two professionals (P4 and P3). There are 15 risk management focal points in headquarters whose grades range from D1 to P3 throughout all divisions and in the Independent Evaluation Section.
<i>Funds and programmes</i>				
UNDP	<ul style="list-style-type: none"> The ERM policy came into effect in 2008. An enhanced ERM framework was endorsed in 2010. The first stage of ERM implementation was completed in 2008. It was introduced at both corporate and unit levels. The efforts to strengthen ERM continued in 2009 and during the biennium 2010/2011. 	<ul style="list-style-type: none"> The ERM policy was updated in 2016 and 2019. An ERM toolkit was launched in November 2019. The UNDP Strategic Plan demands a shift from risk aversion to risk management. The ERM framework is linked with the accountability framework, the internal control framework, delegation of authority, results-based management, strategic planning and the anti-fraud policy and framework. 	<ul style="list-style-type: none"> The ERM Secretariat comprised one full-time P4 position. 	<ul style="list-style-type: none"> There is a Risk Committee and a Risk Reference Group which has an advisory role to the Committee. The chief risk officer is the Associate Administrator (Assistant Secretary-General) who chairs the Risk Committee and reports directly to the Administrator. There is one risk and resilience specialist (P4) in the Bureau for Management Services. The Bureau's directorate is the ERM unit at headquarters. All headquarters and regional bureaux have a risk focal point (13).
UNFPA	<ul style="list-style-type: none"> In its planning stage. 	<ul style="list-style-type: none"> The ERM policy was adopted in 2015. The risk management framework is linked to the accountability framework, the internal control framework, delegation of authority, results-based management, strategic planning, policy on cash transfer to implementing partners and policy on management of programme suppliers. 	<ul style="list-style-type: none"> A senior risk adviser position (P5) was placed in the Change Management and Business Continuity Office (part of the Executive Office). The governance architecture would be put in place as part of ERM strategy in 2010. 	<ul style="list-style-type: none"> An executive committee/risk committee is responsible, as the risk owner, for assessing and responding to key risk areas. It is chaired by the Executive Director. The ERM function is led by the Director of the Division for Management Services (D2) and coordinated by an ERM specialist (50 per cent, P4). The ERM specialist is located in the Office of the Executive Director. There is a network of risk focal points at headquarters (10 departmental focal points) and in regional (6) and country (129) offices.

Organization	Policy/framework		Organizational structure	
	2010	2019	2010	2019
UNHCR	<ul style="list-style-type: none"> Not yet considered. 	<ul style="list-style-type: none"> The ERM policy, framework and implementation guidelines were adopted in 2014. The ERM framework is linked with the internal control framework, results-based management and strategic planning. The Risk Management 2.0 initiative was launched by the High Commissioner in 2017 to further strengthen risk culture and risk management capabilities. 		<ul style="list-style-type: none"> The Senior Executive Team provides guidance and direction on risk management and reviews strategic and critical risks. The ERM unit, located in the Executive Office, has 10 staff members (1D, 8Ps, 1G) and is headed by the Chief Risk Officer (D1) reporting directly to the Deputy High Commissioner (Assistant Secretary-General). There is a network of almost 400 risk owners (directors and country representatives) and risk focal points (ranging from G6 to D1 level). This is further supported by approximately 10 senior risk management and compliance advisers (P5-D1) in high risk country operations and 7 regional senior risk management and compliance advisers (P5-D1).
UNICEF	<ul style="list-style-type: none"> In its planning stage. The ERM policy and framework were adopted in 2009. ERM was to be implemented with organizational improvement reforms, which were planned to be completed by 2012. 	<ul style="list-style-type: none"> The ERM framework was updated in 2019. The ERM implementation strategy was adopted in 2019 and the operational procedure/guidelines are to be adopted in 2020. The ERM framework is linked to the accountability framework, the internal control framework, delegation of authority, results-based management, strategic planning and country programme development 	<ul style="list-style-type: none"> A chief of risk management position (P5) was established in the Change Management Office. 	<ul style="list-style-type: none"> The Global management team, led by the Executive Director and the Deputy Executive Directors, is the committee tasked with ERM. The Strategic Business Support unit in the Division of Financial and Administrative Management is responsible for ERM implementation and has a total of five professional staff members. The chief (P5) reports to the Comptroller (D2), who is the most senior official tasked with risk management. There is a network of risk focal points at headquarters, regional and country levels (around 150).
UNOPS		<ul style="list-style-type: none"> The ERM policy, framework and operating guidelines were adopted in 2018. Risk management requirements at project level were adopted in 2018. Risk management process guidance was adopted in 2019. ERM is linked with the internal control framework and delegation of authority. 		<ul style="list-style-type: none"> The Engagement Acceptance Committee, chaired by the Executive Director, is the committee for high-risk engagements. The senior leadership team is tasked with corporate risks. The dedicated ERM function lies with the Chief Financial Officer and Director of Administration (D2), who reports to the Deputy Executive Director (Assistant Secretary-General). There is a risk team in the finance unit with 2 staff members reporting to the Deputy Chief Financial Officer (D1). There are 13 additional posts with risk management functions (ICS10-11), such as chief information security officer, procurement specialist, risk management manager/specialist/adviser at the headquarters, New York and field offices. The ERM focal point network is being defined across UNOPS regional and country offices.

Organization	Policy/framework		Organizational structure	
	2010	2019	2010	2019
UNRWA	<ul style="list-style-type: none"> At the beginning. The draft concept of risk registers was tested in 2009, the risk registers were planned to be completed for all offices in 2010. For the initial stage, offices were expected to focus on the top dozen risks. This process was expected to take the biennium 2010–2011 to complete. 	<ul style="list-style-type: none"> There is no ERM policy or framework. Organizational Directive 21 on programme and project management includes a structure to support accountability and management of enterprise risk. 	<ul style="list-style-type: none"> The Advisory Committee suggested that a risk officer should be placed in the Executive Office. However, due to resource constraints, UNRWA was planning to appoint a part time focal point for risk management in the Executive Office. 	<ul style="list-style-type: none"> There is no specific function or office dedicated to ERM. The lack of resources to establish a dedicated function for risk management have required risk management to be mainstreamed through other departments/programmes.
UN-Women	<ul style="list-style-type: none"> UN-Women became a JIU participating organization in 2012. 	<ul style="list-style-type: none"> The ERM policy, framework and operating guidelines were adopted in 2014. ERM is linked with the internal control framework and strategic planning. 		<ul style="list-style-type: none"> The risk management committee, consisting of pertinent Directors at D2 level and 2 Regional Directors (annual rotation), is chaired by Assistant Secretaries-General. The most senior official tasked with risk management is the Director of the Strategy, Planning Resources and Effectiveness Division (D2), who reports to the Assistant Secretary-General for Resource Management, Sustainability and Partnerships and Deputy Executive Director of UN-Women. The ERM unit has one ERM specialist (P3, 50 per cent) who reports to the Director of the Strategy, Planning Resources and Effectiveness Division. There are no additional ERM experts. The risk focal point network exists at headquarters (8), regional (6) and country (70) levels.
WFP	<ul style="list-style-type: none"> In its planning stage. The first ERM policy was introduced in 2005. An ERM framework was developed during 2009–2010 and was expected to be implemented in the latter part of 2010. 	<ul style="list-style-type: none"> The ERM policy was adopted in 2005 and updated in 2015 and 2018. The risk appetite statement was first issued in 2012 and updated in 2016 and 2018. ERM is linked with the accountability framework and internal control framework. 	<ul style="list-style-type: none"> Adopted a phased approach. Country offices volunteered to be pilots. 	<ul style="list-style-type: none"> The Oversight and Policy Committee, chaired by the Executive Director, is responsible for ensuring risk management effectively. The Chief Risk Officer (D1) in a distinct ERM Division reports to the Chief Financial Officer /Assistant Executive Director for Resource Management. The division has 19 staff members (1D, 9 professionals, 2 general service staff and 7 consultants). There is a network of performance and risk management champions (in headquarters, the regional bureaux and country offices) and risk and compliance advisers (2 in regional bureaux and 32 in country offices).

Organization	Policy/framework		Organizational structure	
	2010	2019	2010	2019
<i>Other United Nations bodies/entities</i>				
ITC	<ul style="list-style-type: none"> ITC became a JIU participating organization in 2012. 	<ul style="list-style-type: none"> The ERM policy and implementation guidelines were adopted in 2018 and updated in 2019. The ERM framework was adopted in 2019. The risk appetite statement has been issued. The ERM framework is linked with the internal control framework, delegation of authority, results-based management and strategic planning. 		<ul style="list-style-type: none"> The Senior Management Committee is tasked with ERM and chaired by the Executive Director (Assistant Secretary-General). The dedicated ERM function is a planning and monitoring system development adviser (P3) in the Office of the Executive Director, Strategic Planning, Performance and Governance Section, who reports to the Chief of Strategic Planning, Performance and Governance (P5). There is no ERM unit or any additional ERM experts.
UNAIDS	<ul style="list-style-type: none"> UNAIDS became a JIU participating organization in 2012. 	<ul style="list-style-type: none"> The ERM policy and framework were adopted in 2013 and updated in 2017. Operating guidelines were adopted in 2017 and updated in 2019. ERM is linked with the accountability framework, internal control framework, results-based management and strategic planning. 		<ul style="list-style-type: none"> The risk management committee, chaired by the Deputy Executive Director for Management and Governance, consists of directors and section chiefs at D1 and P5 levels is. There is a specific position dedicated to ERM: a senior risk management and compliance adviser (P5). The function reports to the Director of the Planning, Finance and Accountability Department (D1). A newly created risk management and compliance team, consisting of 3 staff members devoting part of their time to ERM, will be fully functional in 2020. The reporting line is to the Director of the Planning, Finance and Accountability Department. There are no additional ERM experts or a risk focal point network.
<i>Specialized agencies and IAEA</i>				
FAO	<ul style="list-style-type: none"> At the beginning of ERM. Planned to implement ERM in 2010–2011 with a pilot-based approach along with results-based management. No policy document yet. 	<ul style="list-style-type: none"> The ERM policy was adopted in 2013. Guidelines/procedure were adopted in 2013 and updated in 2019. The ERM framework is linked with the accountability framework, the internal control framework and results-based management. 		<ul style="list-style-type: none"> There is no risk committee. A senior strategy and planning officer (P5) tasked with ERM reports to the Director of the Office of Strategy, Planning and Resource Management (D2). There is a risk focal point network at headquarters (5 professionals) and regional levels (5 professionals) who coordinate risk registers and provide support.

Organization	Policy/framework		Organizational structure	
	2010	2019	2010	2019
IAEA	<ul style="list-style-type: none"> At the beginning of ERM. A formal framework was put in process. The PROBIS software was used for ERM purposes. 	<ul style="list-style-type: none"> The ERM policy and operating guidelines were adopted in 2012 and updated in 2015. ERM is linked with the accountability framework, results-based management and strategic planning. 		<ul style="list-style-type: none"> The Risk Management Group, chaired by the institutional focal point for risk management (P5) in the Director General's Office, has been established, with senior programme coordinators and other relevant representatives (P5) who are departmental focal points for risk management. The institutional focal point reports to the Director General. There is no ERM unit or any additional ERM experts.
ICAO	<ul style="list-style-type: none"> In planning stage. A policy was to be developed in 2010. Implementation was planned for 2011. 	<ul style="list-style-type: none"> There is no ERM policy or framework. The corporate risk register, a gap analysis, a draft implementation plan, terms of reference for ERM focal points and the ERM reference group were issued in 2019. ERM is linked with the internal control framework, results-based management and strategic planning. 		<ul style="list-style-type: none"> There is no ERM unit or risk committee. The chief of strategic planning and regional affairs coordination (P5) and a strategic planning and regional affairs coordination officer (P4) are tasked with ERM and report directly to the Head of the Strategic Planning, Coordination and Partnerships Office (D1). The ERM network consists of five focal points in headquarters and seven in regional offices. In 2020, an ERM expert was recruited to help progressing the work on the development and implementation of a robust ERM framework across the organization, including the definition of clear roles and responsibilities and the establishment of an ERM reference group.
ILO	<ul style="list-style-type: none"> In its planning stage. The ERM policy was adopted in 2009. 	<ul style="list-style-type: none"> The ERM framework and operating procedure/guidelines were first adopted in 2015 and updated in 2018. The ERM implementation strategy was adopted in 2017 and updated in 2019. The risk appetite statement has been issued. The ERM framework is linked with the accountability framework, the internal control framework, results-based management, strategic planning, project management, the procurement manual, major information technology project management, major building management and office lease business cases. 	<ul style="list-style-type: none"> It was planned to train staff of headquarters offices by the end of 2011 and of external offices beginning in 2011. 	<ul style="list-style-type: none"> The Risk Management Committee, chaired by the Treasurer and Financial Comptroller (Assistant Secretary-General), has been established with departmental directors (D2s and D1s) and section chiefs (P5s). A senior risk officer (P5) reports to the Treasurer and Financial Comptroller. There is a network of risk focal points in headquarters and field offices (a total of nine focal points at P5 level).

Organization	Policy/framework		Organizational structure	
	2010	2019	2010	2019
IMO	<ul style="list-style-type: none"> In the first stage of full-scale implementation as at 2009, after completion of a pilot exercise. The risk management framework was adopted in 2008. 	<ul style="list-style-type: none"> The ERM policy, framework and implementation strategy were adopted in 2007 and updated in 2014. The operating guidelines were updated in 2015. The ERM framework is linked with results-based management and strategic planning. 		<ul style="list-style-type: none"> The Senior Management Committee (D2s and D1s), chaired by the Secretary-General, reviews the annual risk report, risk assessment and mitigation. The Chief of Staff (D1) in the Executive Office of the Secretary General is tasked with ERM. The risk network, coordinated by the Executive Office of the Secretary General, consists of 7 focal points from P2 to D1.
ITU	<ul style="list-style-type: none"> Under discussion. 	<ul style="list-style-type: none"> The ERM policy, framework and procedure/guidelines were adopted in 2017. The risk appetite statement has been issued. The ERM framework is linked with the accountability framework, the internal control framework, results-based management and strategic planning. 		<ul style="list-style-type: none"> There is no specific position, unit or risk committee with responsibility for ERM. ERM is reviewed by the Inter-Sectoral Coordination Task Force chaired by the Deputy Secretary-General. Six risk focal points at P4 and P5 levels devote a fraction of their time to ERM.
UNESCO	<ul style="list-style-type: none"> At the beginning. As of 2008, ERM was gradually being implemented under the supervision of the Risk Management Committee. 	<ul style="list-style-type: none"> The ERM policy was adopted in 2017 and updated in 2019. The ERM framework, implementation strategy and operating procedure/guidelines were updated in 2019. The UNESCO Risk Management Training Handbook was issued in 2010. The ERM framework is linked with the accountability framework, the internal control framework, results-based management and strategic planning. 		<ul style="list-style-type: none"> The Programme and Operations Committee, chaired by the Deputy Director General, is tasked with ERM. A new ERM unit was created in 2019 and consists of 2.5 full-time equivalent staff, led by a senior executive officer (P5) in the Sector for Administration and Management who reports directly to the Assistant Director General for Administration and Management. There is a network of risk focal points in headquarters and field.

Organization	Policy/framework		Organizational structure	
	2010	2019	2010	2019
UNIDO	<ul style="list-style-type: none"> At the beginning. The first phase in 2009 mainly focused on training on risk awareness and risk identification for senior management. An ERM policy was to be finalized as part of the ERM strategy, which would be formulated during 2010. 	<ul style="list-style-type: none"> The ERM policy was adopted in 2013. The ERM framework and implementation guidelines were adopted in 2018 and 2019 respectively. The ERM framework is linked with the accountability framework, the internal control framework, delegation of authority and results-based management. 		<ul style="list-style-type: none"> The Risk Management Committee, chaired by the Risk Management and Business Continuity Focal Point (D1), consists of departmental directors (D1s) The Risk Management and Business Continuity Focal Point is the most senior officer with a dedicated ERM function and chairs the Committee. The ERM unit consists of the Risk Management and Business Continuity Focal Point and one senior coordination and management consultant. The Focal Point reports to the Director General. There is a network of risk focal points to be established in 2020 through risk liaison officers. Their function will be to escalate high risks.
UNWTO	<ul style="list-style-type: none"> Not yet considered. 			
UPU	<ul style="list-style-type: none"> In June 2010, UPU conducted a risk assessment exercise assisted by an external consultancy company. The main findings would serve as a basis for the formulation of an ERM policy. 	<ul style="list-style-type: none"> There is an internal control framework and strategic planning linked with risk and control. 		<ul style="list-style-type: none"> There is no risk committee. The Internal Audit Committee monitors risk management. The International Bureau Steering Committee discusses risks and mitigation. There is no ERM office. ERM falls under the responsibility of the Governance and Internal Control Programme. The Deputy Director General is therefore tasked with risk management.
WHO	<ul style="list-style-type: none"> At the beginning of ERM. It had started implementation in one cluster. The ERM concept and framework were to be expanded to the entire organization in the future, however no fixed time frame had yet been determined. 	<ul style="list-style-type: none"> The ERM policy was adopted in 2015. The WHO Risk Management Tool Users' Guide has been issued. The risk appetite statement has been issued. ERM is linked with the accountability framework, the internal control framework, delegation of authority and results-based management. 		<ul style="list-style-type: none"> The risk management committee consists of Directors (D2s and D1s) and is co-chaired by the Chef de Cabinet and the Assistant Director-General for Business Operations. The Office of Compliance, Risk Management and Ethics in the Director General's Office is the ERM unit. It has a Director (D1) and four professional staff dedicated to compliance and risk management. There are an additional 6 professional ERM experts in each regional office. There is a network of designated risk focal points at headquarters (12 management officers in each division), regional compliance offices coordinating regional risk management committees (6 compliance and risk management officers and teams (where applicable)) and at country level (68 local compliance and risk management committees).

Organization	Policy/framework		Organizational structure	
	2010	2019	2010	2019
WIPO	<ul style="list-style-type: none"> Under consideration. 	<ul style="list-style-type: none"> The ERM policy was adopted in 2014 and updated in 2017. Its operating manual was adopted in 2014 and updated in 2019. The risk appetite statement was considered by member States and issued in 2014 and updated in 2019. The ERM framework is linked with the accountability framework, the internal control framework, delegation of authority, results-based management and strategic planning. 		<ul style="list-style-type: none"> The risk management group, chaired by the Director General, consists of Assistant Directors General, D2s and D1s and meets quarterly. The Director of Programme Planning and Finance (D2) is the highest senior official tasked with ERM and reports to the Assistant Director General. Responsibility for ERM is located in the Office of the Controller, which has 4 staff members. Additionally, there is an information risk officer (P4) in a different unit reporting to the Chief Security Officer. At headquarters level, there is a network of 14 sector risk coordinators.
WMO	<ul style="list-style-type: none"> At the beginning of ERM. Risk assessments and departmental risk registers were developed in 2009. A comprehensive ERM would be introduced upon availability of funds. A risk management framework had been created, but no policy. 	<ul style="list-style-type: none"> The ERM policy and framework were adopted in 2013. There are standing instructions on finance, budget and internal oversight and ethics framework that support ERM. ERM is linked with the results-based management and strategic planning. 	<ul style="list-style-type: none"> A strategic planning and risk management officer (P5) was appointed in the Strategic Planning Office in 2009. 	<ul style="list-style-type: none"> The risk management committee, chaired by the Assistant Secretary-General and consisting departmental directors (D2s), has not met since 2018. The highest official tasked with ERM is the Assistant Secretary-General. There is no ERM unit or any additional ERM experts. The responsibilities for risk management lie with the first line of defence in terms of risk ownership. However, the ERM process is owned by the second line of defence.

Source: For 2010, see JIU/REP/2010/4, annex III; the information for 2019 is based on responses to JIU questionnaires.

Oversight by legislative/governing bodies and audit and oversight committees

Organization	Legislative/governing body		Audit and oversight committee		
	Reviews ERM at formal sessions	Reviews ERM at informal sessions	Terms of reference include oversight of ERM	Reviews risk register	Produces report on ERM
<i>United Nations Secretariat; its departments and offices</i>					
United Nations	Annually	n/a	Yes	Yes	Yes
UNCTAD	No	Yes ^a			
UNEP	No	n/a			
UN-Habitat	No	n/a			
UNODC	No	No			
<i>Funds and programmes</i>					
UNDP	Yes ^b	n/a	Yes	Yes	Yes
UNFPA	Yes ^c	No	Yes	Yes	No
UNHCR	Annually	n/a	Yes	Yes	No
UNICEF	Yes ^d	No	Yes	No	No
UNOPS	Yes ^e	n/a	Yes	No	No
UNRWA	Biannually & annually	No	Yes	No	No
UN-Women	Annually ^f	Yes ^g	Yes	Yes	Yes
WFP	Annually	Yes ^h	Yes	Yes	Yes
<i>Other UN bodies/entities</i>					
ITC	Biannually	Yes ⁱ	Yes	Yes	Yes
UNAIDS	Annually ^j	n/a	No Audit/Oversight Committee		
<i>Specialized Agencies and IAEA</i>					
FAO	Biannually ^k	n/a	Yes	Yes	No
IAEA	No	No	No Audit/Oversight Committee		
ICAO	Yes ^l	n/a	Yes	No	Yes
ILO	Biennially ^m	No	Yes	Yes ⁿ	Yes
IMO	Biennially	n/a	No Audit/Oversight Committee		
ITU	Annually ^o	n/a	No	No	No
UNESCO	Yes	Yes ^p	Yes	Yes	Yes
UNIDO	Yes ^q	n/a	Yes	Yes	Yes
UNWTO	No	No	No Audit/Oversight Committee		
UPU	Yes ^r	n/a	No Audit/Oversight Committee		

Organization	Legislative/governing body		Audit and oversight committee		
	Reviews ERM at formal sessions	Reviews ERM at informal sessions	Terms of reference include oversight of ERM	Reviews risk register	Produces report on ERM
WHO	Annually	n/a	Yes	No	No
WIPO	Biennially	n/a	Yes	No	No
WMO	No	Yes ^s	Yes	Yes	Yes

Source: Based on responses to Joint Inspection Unit questionnaires.

- ^a During the informal management briefings organized for member states of UNCTAD, on average twice per year, ERM might be discussed in various forms, for example, in the form of the results of any given OIOS audit.
- ^b Corporate risks are aligned with top audit priorities, which are regularly discussed at the monthly meetings of the Organizational Performance Group and Executive Group.
- ^c ERM is not discussed as a separate agenda item but it features in the follow-up to the Board of Auditors recommendations, as well as in the report of the director of the Office of Audit and Investigations Services, as part of the opinion on governance, risk management and controls at UNFPA, and the follow-up on internal audit recommendations.
- ^d The key risks are included in the Annual Financial Statement, which is a regular agenda item for the formal sessions of the Executive Board.
- ^e Risk management is an inherent part of the organization's engagement with the Executive Board. As such, it can be seen as a cross-cutting central element for ongoing discussions and recurrent reports to the Executive Board. The UNOPS Executive Director formally addresses the Executive Board at least three times each year.
- ^f ERM is discussed by the Executive Board under the agenda item on audit matters, although it is not named as such. It is discussed within the context of the annual reports of the Internal Audit Service, the Advisory Committee on Oversight and the United Nations Board of Auditors and related management responses are presented.
- ^g Although there is not a dedicated informal session to discuss ERM, the topic is frequently discussed in connection with annual reports of the Internal Audit Service, the Advisory Committee on Oversight and the United Nations Board of Auditors.
- ^h The WFP Executive Board deliberates on the Programme's Enterprise Risk Management Policy implementation at least once every year and there are additional ad hoc informal consultations with the Executive Board at least once a year.
- ⁱ ITC holds informal sessions of the Consultative Committee of the ITC Trust Fund; one on risk management was to be held in December 2019.
- ^j Both yes and no: risk has been included in the agenda item of the financial report, which includes a specific report from the external and internal auditors.
- ^k Risk management is not a stand-alone agenda item but is regularly discussed as part of agenda items on audit and financial reporting on the agenda of the Finance Committee. The discussions focus on the progress of implementation of ERM and do not include a review of key risks.
- ^l The governing body reviews the corporate risks three times per year.
- ^m The biennial programme and budget details the main risks to the delivery of the benefits and activities outlined in the document. The risks are discussed as part of the discussion of the programme and budget.
- ⁿ Risk management is a standing agenda item at meetings of the Oversight Committee. The Strategic Risk Register is shared with them, and they comment on it.
- ^o In the framework of the annual review of the Operational Plans, risks are communicated and consulted with membership. The sector advisory groups have the opportunity to review them and the Council makes a final review of the risks and the mitigation measures to be implemented. Strategic risks are reviewed every four years in the development of the Strategic Plan.
- ^p This will be necessary as UNESCO has the intention to go to the Executive Board for the risk appetite statement (not yet planned, first quarter 2020).
- ^q Risk management is an ongoing discussion in formal sessions with periodic reports on the progress made in ERM provided by the Organization.
- ^r Whenever necessary.
- ^s The Risk Register to the Reform is reviewed quarterly by the Executive Council Constituent Bodies Reform Task Force.

Annex IV

List of informal recommendations

Chapter II: Basics of enterprise risk management for the United Nations system organizations

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

1. The Inspectors strongly encourage those United Nations entities that have not yet adopted an ERM policy and/or framework to do so. Those organizations that have adopted ERM policies and/or frameworks are encouraged to review them and make the necessary revisions and updates to ensure that ERM is linked to and reflective of the organization's strategic plan, as well as to take into account emerging issues and changes in the operating environment (para. 31).

Chapter III: Enterprise risk management as an accountability tool

Benchmark 2. Formally defined internal organizational structure for ERM with assigned roles and responsibilities

2. Organizations with extensive field operations that have not established a network of risk focal points should consider setting up such a network from headquarters to field levels to ensure risks in the field are properly identified and addressed (para. 39).

3. To provide clarity and consistency, risk focal points should be supported by terms of reference outlining their roles and responsibilities. In most cases, an assignment as risk focal point means additional responsibilities for the designated official, and the responsibilities of risk focal points should be reflected in their performance appraisal to ensure commitment and accountability (para. 41).

4. Responsibility for ERM should be situated at a rank at which it is possible to address senior management and have the authority to communicate across the organization and compel action, reflecting the significance and level of delegated authority attached to the function (para. 44).

5. It is important to note that the primary responsibility for identifying and managing risks should lie with line managers and risk owners, not with the individual or entity tasked with the ERM function (para. 46).

6. Risk management should be tied to the performance appraisal systems used for executive heads and senior management (para. 56).

7. For transparency and accountability, risk owners' roles and responsibilities in ERM should be reflected in their performance appraisal systems. This may also serve to further integrate ERM across an organization (para. 59).

8. At a minimum, relevant staff at all levels need to be aware of which line of defence they belong to and understand their roles and responsibilities in terms of ERM in order to ensure that risks are identified and managed appropriately in a systematic and coordinated manner (para. 65).

9. Risk management should be considered as a core competency for relevant staff at all levels (para. 66).

Benchmark 3. Risk culture fostered by "tone at the top" with full commitment from all organizational levels

10. To support and integrate ERM, executive heads should set a "tone at the top" that supports its implementation across the organization, demonstrates its utility and importance and empowers staff to sustain it through substantive engagement in ERM processes and practices (para. 78).

Benchmark 4. Legislative/governing body engaged with enterprise risk management at the appropriate levels

(There is no informal recommendation under this benchmark.)

Chapter IV: Integrating and embedding enterprise risk management processes and procedures

Benchmark 5. Integration of risk management with key strategic and operational business processes

11. A key indicator for this benchmark is that the policy and framework of ERM should be closely linked to an organization's strategy and all business and planning processes, as well as its results framework (para. 101).

12. Integration of ERM into strategic, business and operational planning processes requires, as benchmark 3 indicates, a strong "tone at the top", as well as investment and targeted commitments to update and/or enhance platforms and processes that would embed it into an organization's planning, decision-making and organizational culture (para. 112).

Benchmark 6. Established systematic, coherent and dynamic risk management processes

13. ERM processes should include a feedback loop, so that contributing staff in the organization can see how the risk information they collect, consolidate and report on can be useful for proactive and well-informed decision-making, effective management of resources and implementation of programmes (para. 119).

14. Not only do ERM processes need to be tailored to an organization's business model, they also need to be dynamic and agile in order to reflect the fundamental objectives and utility of ERM (para. 123).

Benchmark 7. Effective use of information technology systems and tools for enterprise risk management

15. Ideally, ERM should include a comprehensive system with relevant tools that are implemented to track and monitor risks across the organization and form part of a larger platform linked to other systems so that the processes can be streamlined and integrated (para. 125).

16. The Inspectors encourage a dialogue among United Nations system organizations with similar business models to exchange experiences and practices regarding ERM platforms and their linkages with other information systems (para. 134).

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

17. Additionally, a comprehensive training and communication plan for ERM is essential for its effective implementation and integration and should be tailored to the size and scope of an organization, as well as its approach to ERM (para. 140).

Benchmark 9. Periodic and structured review of effectiveness of ERM implementation for continuous improvement

18. In the view of the Inspectors, the Task Force's reference maturity model is a useful guidance tool for each organization to identify gaps and set its respective target maturity stage. A periodic self-assessment is recommended to review progress over time in reaching an identified ERM target maturity stage (para. 146).

19. Once an organization has begun implementation of its ERM policy, periodic and independent assessments by auditors, evaluation functions or other independent advisers on the effectiveness of the policy and its associated processes should be encouraged and supported. Legislative/governing bodies should review and consider the results of these assessments (para. 152).

Chapter V: Inter-agency cooperation and coordination on enterprise risk management

Benchmark 10. Inter-agency cooperation and coordination for systematic knowledge sharing and management of common and/or United Nations system-wide risks

20. JIU proposes that the Task Force should evolve into a standing mechanism of the CEB High-level Committee on Management that would continue its work in supporting risk professionals and the system-wide development of ERM policies and practices (para. 162).

21. The Task Force's workstream in this realm should be considered by the United Nations Sustainable Development Group in addressing shared risks at the country level to further United Nations reform efforts, and by the CEB High-level Committee on Management in addressing broader system-wide risks facing the United Nations system as a whole (para. 169).

Annex V

Overview of actions to be taken by participating organizations on the recommendations of the Joint Inspection Unit

JIU/REP/2020/5

Report	Intended impact	United Nations and its funds and programmes															Specialized agencies and IAEA													
		CEB	United Nations	UNAIDS	UNCTAD	ITC	UNDP	UNEP	UNFPA	UN-Habitat	UNHCR	UNICEF	UNODC	UNOPS	UNRWA	UN-Women	WFP	FAO	IAEA	ICAO	ILO	IMO	ITU	UNESCO	UNIDO	UNWTO	UPU	WHO	WIPO	WMO
For action		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
For information		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Recommendation 1	a		L	L	L		L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L
Recommendation 2	a, f		E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Recommendation 3	b, c, f		E	E	E		E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Recommendation 4	a, c		L	L	L		L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L

Legend: L: Recommendation for decision by legislative organ E: Recommendation for action by executive head

: Recommendation does not require action by this organization

Intended impact: a: enhanced transparency and accountability b: dissemination of good/best practices c: enhanced coordination and cooperation
d: strengthened coherence and harmonization e: enhanced control and compliance f: enhanced effectiveness g: significant financial savings
h: enhanced efficiency i: other.

* As listed in ST/SGB/2015/3.