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  History and structure of ERM in UNICEF
The Office of Internal Audit and Investigations (OIAI) conducted an audit of UNICEF’s Enterprise Risk Management (ERM) activity, covering the period from January 2020 to September 2021. The audit was conducted from July to September 2021, in accordance with the International Standards for the Professional Practice of Internal Auditing. The audit reviewed the design of UNICEF’s ERM strategy and related processes, and their effectiveness in achieving a global risk management framework to support effective risk management by risk owners at country, regional and headquarters level, and to meet external stakeholder demands. The scope of the audit covered both headquarters-led and country-level ERM activities. Effective ERM must start at the very top, with strong commitment from the governing body and executive management. However, the audit recommendations have been designed to produce the framework, structure and tools needed to support staff in the field in delivering results for children.

Over the last decade, the scale, range and complexity of UNICEF’s operations have increased significantly; its income has doubled to over US$ 8billion, with commensurate increase in staffing. Risk management will be critical to achieving the goals of the new 2022-2025 Strategic Plan. In the face of political crises, natural disasters, security, and access challenges, safeguarding issues and funding constraints – all with potential to disrupt the best-laid plans – UNICEF staff at every level must make the right decisions to achieve results for children. Indeed, the nature of UNICEF’s mission and the challenging environments in which UNICEF operates mean that the organization has to constantly take risks and seize opportunities to achieve its goals.

In this age of social media, public engagement and powerful brand associations, an isolated risk incident – related, for example, to sexual exploitation and abuse, fraud or mismanagement – can cause immediate, far-reaching damage to the trust that underpins the success of UNICEF. Therefore, a UNICEF country office or division must not manage risk in isolation and without an overarching framework set out by senior leadership.

ERM is a systematic, transparent approach to risk management that:

- Ensures consistency and coordination of programmatic, operational and strategic risk management mechanisms and activities at every level of the organization.
- Enables sharing of good practices and lessons learned.
- Ensures that decisions by any staff member are based on a common understanding of the organization’s risk appetite in any given scenario.
- Provides the means to demonstrate to governing bodies, executive management, donors and other stakeholders that risks and opportunities are understood and managed within clearly defined boundaries.

An ERM framework, while led from the top of the organization, lays the foundation for effective risk management at all levels of organizations such as UNICEF with global presence, and guides strategic decision-making. With clear leadership from senior staff, ERM equips and empowers all staff to anticipate and respond quickly and appropriately to uncertainties, within well-established boundaries, ensuring the most efficient delivery of planned results.
**Overall conclusion**

Based on the audit work performed, OIAI concluded that the assessed governance, risk management and control processes were **Partially Satisfactory, Significant Improvement Needed**, meaning that the assessed governance, risk management or control processes needed significant improvement. The weaknesses or deficiencies identified could have a materially negative impact on the performance of the audited entity, area, activity or process. (See Appendix I for definitions of the conclusion ratings.)

OIAI is suggesting several actions, of which four are high priority. High-priority actions require prompt or immediate resolution to avoid major adverse consequences for the audited activity or process, or for UNICEF as a whole.

**Summary of observations and agreed actions**

OIAI noted several activities related to ERM that were adequate and functioned well. For example, risk assessment and mitigation are an integral part of certain activities that underpin country office planning and programme delivery. These include:

- The situation analysis and development of programme strategy notes.
- The Guidance on Risk-Informed Programming (GRIP) developed by the Programme Division.
- UNICEF emergency procedures.
- In some country offices, discussions around risk management are a routine part of senior management meetings.
- Some country offices and divisions have developed their own risk management tools to support risk analysis and tracking of mitigating actions.

Furthermore, the pace of ERM implementation at UNICEF, led by the ERM Secretariat,\(^1\) has increased significantly in the last few years, including:

- Development of an ERM strategy and policy, intended to provide a road map towards risk management ‘maturity’.
- Establishment of a Senior Management Risk Committee, charged with overseeing ERM implementation, reviewing UNICEF’s strategic risks and monitoring risk response plans.
- Roll-out of an online tool (called eGRC) and user training to support a consistent approach to recording risks and related mitigating measures at all levels of the organization.

OIAI also made a number of observations related to improving the design and effectiveness of ERM activities in supporting both staff facing risks when delivering country programmes and responding to crises, and senior leaders and stakeholders charged with providing strategic direction and oversight. The most significant audit observations were the following:

- **ERM Vision.** The audit noted that UNICEF executive leaders have had limited involvement in developing the current ERM strategy. This has contributed to a need for greater clarity as

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\(^1\) See Appendix II for an overview of the ERM structure at UNICEF.
to what executive leaders expect successful ERM to look like in delivering results for children. For example, the strategy does not fully explore the extent and nature of integration between existing programmatic and operational risk management mechanisms and the ERM Secretariat-led approach; identify the information requirements of risk owners at all levels, senior management and other stakeholders for the purpose of timely, well-informed decision-making, monitoring and reporting; or define the target organizational structure, capabilities, resources, systems and processes to support risk management at country, regional and headquarters level.

- **Governance.** The limited engagement of executive leaders in developing, directing and overseeing ERM was due to the lack of clarity in their roles, responsibilities and accountabilities in relation to ERM. There was also insufficient evidence that executive management had explored how to engage the Executive Board most effectively and to meet its requirements for information, to enable it to execute its accountabilities and oversight responsibilities for ERM, as set out in the Executive Board’s mandate from the United Nations General Assembly.

- **Risk culture.** Improvement was needed with respect to the contribution of executive management to the establishment of a risk-intelligent culture, promoting the benefits of ERM and setting the tone, direction and expectations required to embed consistent behaviours and attitudes towards risk at every level of the organization. ‘Tone at the top’ is a key driver for establishing effective ERM and should be supported by a performance management system that encourages and rewards responsible risk management based on clearly defined accountabilities.

- **Risk appetite.** UNICEF’s mission requires country teams to take timely, risk-informed decisions and actions on a daily basis. Emergency responses are guided by a ‘no regrets’ approach and there is zero tolerance of fraud, corruption, and sexual exploitation and abuse. Nevertheless, UNICEF had not adequately defined its ‘risk appetite’ to support decision-making from the Executive Board down and to guide the programmatic and operational response to new or unique risks not addressed by any policy or procedure. Faced with critical, urgent decisions, staff are under pressure to make the right judgment call without a clear frame of reference, in an organization whose mission depends on timely, risk-conscious decision-making.

- **Organizational structure, resources and capabilities.** Roles and responsibilities for ERM had not been adequately defined at country, regional and headquarters levels, and the necessary resources, both financial and capability-related, had not been committed. The positioning of the ERM Secretariat within the finance function, the appointment of the Comptroller as Chair of the Senior Management Risk Committee and the focus on populating the global risk database (eGRC) had contributed to ERM being perceived as a compliance-based activity serving headquarters reporting needs. The recruitment of a high-calibre and dedicated Chief Risk Officer, leading the ERM function, will be key to the development and implementation of an ERM strategy that addresses these shortcomings and best supports the UNICEF mission.

- **Risk monitoring and reporting.** A well-designed ERM framework ensures visibility of the most critical risks and incorporates monitoring and reporting at each level of the organization. Despite significant investment in the eGRC tool, it was not yet generating sufficiently reliable data to allow senior management to monitor and respond to strategic or cross-cutting risks and to report to the Executive Board, donors and other stakeholders, as appropriate. With
respect to operational and programmatic risk management, the lack of user-friendly tools and streamlined processes limited country offices’ ability to analyse and monitor country-level risk, and regional offices’ capacity to provide regional oversight and support.

- **Risk management systems and processes.** The current ERM strategy involves collating risk data from every level of the organization in one comprehensive risk register (eGRC). In arriving at its ERM vision, UNICEF should consider alternative approaches, while leveraging existing risk management tools as much as possible. For example, a ‘top’ risk register of the most critical, strategic and cross-cutting risks could be easily created through engagement with senior management and simply updated for regular review and periodic reporting to key stakeholders. This would free up capacity at country and regional levels to streamline existing operational and programmatic risk management tools and activities within the broader ERM framework and embed a more positive risk culture at every level of the organization.

OIAI ascribes a rating to audit actions based on the potential consequence or residual risks\(^2\) to the audited entity, area, activity or process, or, as in this case, to UNICEF as a whole. The table below summarizes the most important actions suggested to address the residual risks identified and the ratings of these risks and observations in respect of the assessed governance, risk management and control processes. (See the definitions of the observation ratings in Appendix I.)

<table>
<thead>
<tr>
<th>OBSERVATION PRIORITY</th>
<th>Category of Process</th>
<th>Area or Operation and Key Agreed Action</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance structure</td>
<td>Governance</td>
<td>(Observation 1): The Executive Director will clarify and communicate the roles, responsibilities and accountabilities for ERM governance and oversight, including those of the Executive Board, the Executive Director, the Office of the Executive Director, the Global Management Team, as well as the composition and terms of reference of the Senior Management Risk Committee. Executive Management will periodically report to the Executive Board for information and decision, as needed, on the development and implementation of ERM in line with the revised UNICEF accountability framework.</td>
<td>High</td>
</tr>
<tr>
<td>Development of an ERM vision</td>
<td>Governance</td>
<td>(Observation 4): With support of the Executive Director, the Chief Risk Officer/ERM Secretariat will conduct a stakeholder consultation process as a basis for developing a long-term ERM vision, for review and endorsement by the Senior Management Risk Committee and Executive Director.</td>
<td>High</td>
</tr>
<tr>
<td>Risk culture</td>
<td>Governance</td>
<td>(Observation 2): The Executive Director will ensure that the ‘tone from the top’ of UNICEF demonstrates the importance of responsible risk management by all staff by, amongst other things, communicating to the whole Organization the Executive Director’s approval of the ERM Strategy and Policy and involvement of executive management in ERM activities.</td>
<td>Medium</td>
</tr>
</tbody>
</table>

\(^2\) Residual risk is the amount of risk that remains after any mitigating action or risk treatment.
### Risk management

**Risk appetite** (Observation 3): The Senior Management Risk Committee will finalize UNICEF’s risk appetite statement and ensure communication and operationalization of the risk appetite statement, including at the field level and in all strategic decision-making. 

**Organizational structure and resources** (Observation 5): The Executive Director will prioritize the immediate recruitment of a Chief Risk Officer with the stature, skills and experience to ensure the successful development and delivery of UNICEF’s ERM strategy; and reposition the ERM Secretariat (led by the Chief Risk Officer) so that it attains the functional independence and authority required to achieve its objectives.

### Control processes

**Risk monitoring and reporting** (Observation 7): The ERM Secretariat will provide support to the Senior Management Risk Committee to enable it to discharge its responsibility to review and monitor UNICEF’s strategic risks and associated mitigating actions.

Management is responsible for establishing and maintaining appropriate governance, risk management and control processes, and implementing the agreed actions. The role of the internal auditor is to provide an independent assessment of those governance, risk management and control processes.
The audit was conducted remotely from July to September 2021, in accordance with the International Standards for the Professional Practice of Internal Auditing, and covered the period from January 2020 to September 2021.

Objective

The audit objective was to assess the design and operational effectiveness of processes related to the strategy and implementation of UNICEF enterprise risk management (ERM) activities.

Scope and approach

The audit adopted a risk-based approach, informed by an initial review of the structures, methodologies and processes used for ERM. Based on this preliminary assessment, the audit focused its analysis on the following key areas:

- Development and approval of the ERM strategy, policy and implementation plan
- Governance and oversight of ERM activities
- Implementation of the ERM strategy, including:
  - Clarity of roles and responsibilities
  - Methodology, processes and tools
  - Communication and training
  - Monitoring and reporting
  - Alignment/integration with other risk management activities and risk-based systems
- Ongoing review and continuous improvement.

The audit involved review of ERM-related systems and documentation, discussion with relevant UNICEF management and staff, external benchmarking and testing evidence of risk management procedures on a sample basis, as appropriate. OIAI interviewed approximately 60 UNICEF staff (including Deputy Executive Directors and heads of divisions) from 20 UNICEF offices/divisions and conducted a survey of all heads of offices and headquarters divisions to solicit views and identify challenges, lessons learned and good practices. Relevant results from country office audits performed by OIAI in 2020 and 2021 were also taken into account. The Chief Risk Officers of two United Nations agencies with decentralized structures, comparable to UNICEF, were interviewed for external benchmarking purposes.

Reference was made, where appropriate, to relevant external standards and guidelines for ERM, in particular, Enterprise Risk Management—Integrating with Strategy and Performance (2017) of the Committee of Sponsoring Organizations (COSO) and ISO 31000, Risk management – Guidelines of the International Organization for Standardization, both widely recognized by public- and private-sector organizations.

In 2019, UNICEF commissioned an external review of ERM alignment with COSO guidance and participated in a review by the United Nations Joint Inspection Unit (JIU) of the quality of ERM in...
United Nations agencies. In 2020, the JIU issued conclusions in a report (“the JIU report”). OIAI reviewed both reports and the status of outstanding recommendations. In addition, during the audit reporting phase, OIAI received the conclusions of a major donor’s assessment of UNICEF’s central assurance activities, including ERM, performed in 2018, with follow-up and reporting conducted in 2020.

Each of these reviews provided feedback on the UNICEF ERM framework and recommendations for improvement. At the time of the audit, some of the issues raised had been addressed but many recommendations were still to be addressed, including some related to governance, risk culture, risk appetite, integration and reporting. All these topics were within the scope of the audit and the subsequent relevant observations, together with the likely causes of non-implementation, are included in this report. Reference is made to both the findings of the major donor assessment (“the donor report”) and the JIU report in this report.

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UNICEF staff are required to work in high-risk environments, necessitating a smart approach to risk management, which enables rather than constrains the delivery of the most challenging programmatic and humanitarian objectives. Managing risk is fundamental to achieving results for children.

**Risk management**

Risk can be defined as the effect of uncertainty on objectives or the possibility that an event will occur or a circumstance arise that will affect the achievement of objectives. The effect may be positive or negative, a threat or an opportunity. Thus, risk management does not mean avoiding risks – which, in the UNICEF context, could jeopardize its mission – but managing uncertainty and ensuring that risks are taken and opportunities seized where the strategic impact is highest. Risk management means maintaining a culture of conscious, well-informed risk-taking within a structured framework and clearly-defined limits that emanate from guidance from senior leadership.

**Enterprise risk management**

ERM is a systematic approach to managing risks to an organization’s strategic objectives, intended to facilitate risk management by staff at all levels of the organization. It provides assurance to internal and external stakeholders that the organization has the structures, processes and capabilities to fulfil its mandate responsibly, effectively and with transparency.

In practical terms, an ERM framework serves to align and coordinate the risk management policies, processes and tools embedded in strategic, programmatic and operational areas, with the goal of achieving a holistic view of risk for the purpose of strategic decision-making. Effective ERM is not a parallel process; it is part of every activity, process or decision, and ensures that every individual is equipped and encouraged to make risk-informed judgments, based on clear accountabilities and a positive risk culture. Where staff are already managing risks effectively, ERM ensures that this is transparent, and achieves a coherent, enterprise-wide approach to the analysis and management of risks, including escalation and reporting, as appropriate.

There is no single ‘best practice’ for ERM; the approach must be tailored to the organization’s objectives, operating environment, culture and available resources. Most ERM frameworks include a strategy, policy, guidelines, reporting mechanism, and process for identifying, analysing, monitoring and communicating risks and the actions planned to address them.

Appendix II of this report offers further explanation of common features of ERM frameworks, together with a summary of the development of ERM in the United Nations system and within UNICEF.

**Continuous improvement**

As noted above (see Audit Objectives, Scope and Approach), between 2018 and 2020, UNICEF participated in a number of reviews of its ERM framework, including an external assessment of the alignment of UNICEF ERM Policy with the COSO framework, commissioned by the ERM Secretariat; the JIU review of the ERM framework of 28 United Nations agencies; and a major donor assessment of ERM activities. Each of these reviews provided feedback on the UNICEF ERM framework and recommendations for improvement. The JIU report included a recommendation to all participating agencies, including UNICEF, that, “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.” In addition, the JIU recommended that, “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.”

The JIU benchmarks⁶ offer participating organizations an opportunity to revisit ERM policies and practices to ensure that they are practical and fulfil their intended purpose. The JIU notes: “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.” OIAI was informed that UNICEF’s ERM Secretariat intended to use the findings of this audit to support its review of UNICEF ERM actions against the JIU benchmarks and subsequent reporting.

Effective implementation of ERM is widely recognized to be a long and challenging process and many issues identified by the audit are not uncommon to other organizations. OIAI acknowledges the efforts made by the ERM Secretariat to benchmark its approach against recognized standards and to invite external assessments of progress and encourages this commitment to continuous improvement.

**Next steps for enterprise risk management at UNICEF**

Based on its broader engagement with UNICEF management and the conduct of this audit, OIAI notes that there is a genuine appetite among programmatic and operational staff across the organization for an effective, pragmatic approach to risk management to support transparent, risk-conscious decision-making at every level of operations.

As UNICEF embarks on its 2022-2025 Strategic Plan, under the leadership of a new Executive Director, and with the prospect of a newly created Chief Risk Officer role, the findings of this audit are presented with the aim of providing the basis for management to work together across functions, tiers and offices to ensure that UNICEF has an agreed strategy and realistic implementation plan to realize a vision for ERM that is fit-for-purpose and aligned with the new strategic goals.

OIAI takes this opportunity to thank all teams who contributed to the audit for their assistance.

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⁶ The 10 benchmarks against which the JIU assessed participating United Nations agencies’ ERM activities are set out in Appendix II to this report.
The key areas where actions are needed are summarized below.

1. Governance structure

“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.”

Benchmark 4, Report of the Joint Inspections Unit on ERM, 2020

The Three Lines Model of the Institute of Internal Auditors (see Annex II) is advocated by both the High-level Committee on Management and the JIU, which adapted it for the purposes of its 2020 review of ERM in United Nations agencies, as shown below. The model illustrates that senior management has the ultimate responsibility for managing risks and achieving strategic goals, while governing bodies provide oversight to ensure that senior management is managing risks properly.

Role of the Executive Board and Executive Management in the ERM framework

Successful and consistent risk management at the field level must begin with a clear definition of the roles, actions and leadership expected of senior management. The UNICEF ERM governance structure (see Appendix II) does not include the Executive Board nor does the ERM Policy set out the roles and responsibilities of the Executive Director or Deputy Executive Directors or management’s accountability for reporting to the Board on ERM. Thus, OIAI identified a need for the Executive Director and Deputy Executive Directors to increase their focus on actions that are typically undertaken by the executive management of organizations with strong ERM and to clarify the expectations of the Executive Board in respect of their own responsibilities for risk management. For example, there was no evidence that the Executive Director/Deputy Executive Directors and Executive Board had reviewed any stand-alone enterprise risk report and engaged in any significant discussions specifically about ERM (see Observation 3).

This need to better define and operationalize senior management and governing body roles in respect of ERM has limited the consistency and effectiveness of risk management practices at every level of the organization, risking UNICEF’s ability to maximize its results for children through agile, informed decision-making and risk-taking within clearly defined boundaries. As stated in the JIU report, “If senior management is not clearly held accountable for achieving strategic goals and managing associated risks, ERM will be limited to a bureaucratic exercise.” By extension, senior management must be visibly leading ERM and ‘walking the talk’, or there will be little incentive for the wider organization to do the same.

Senior Management Risk Committee (SMRC)

The JIU report states that “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.” This also reflects good practice across industry sectors.

The UNICEF SMRC brings together a cross-disciplinary group to take an enterprise-wide view of risk. Its terms of reference were approved at its first meeting in June 2021 and include reviewing the ERM Policy, ensuring the effectiveness of ERM processes and systems, monitoring risk response plans, conducting deep dives of strategic risks and ensuring that critical risks are considered by the executive management, Audit Advisory Committee and Executive Board. (See Appendix II for more details.)

The equivalent committees of most of the 28 United Nations organizations covered in the JIU report are chaired by the executive head or a deputy head. The UNICEF SMRC is chaired by the Comptroller and comprises six headquarters Directors, three Regional Directors and four Country Representatives (on a rotational basis). The Executive Director and Deputy Executive Directors are not members, although the Committee does report to the Office of the Executive Director. (By way of comparison, three Deputy Executive Directors serve on the UNICEF Information and Communications Technology Board and one on the Financial Advisory Board.)
At the time of the audit, the SMRC had held only two meetings (in June and September 2021) and had not had any substantive discussion about enterprise risks or the adequacy of risk response plans. Since completion of the audit fieldwork, the SMRC has held further meetings, focused on the review of a draft risk appetite statement that had been submitted to the Committee for comment by the ERM Secretariat along with a first annual risk report (dated August 2021). As at the time of writing, the risk appetite statement had not yet been endorsed by the SMRC.

Due to the relatively recent establishment of the SMRC, OIAI was unable to assess its effectiveness. However, OIAI is of the view that the performance and value of the SMRC would be significantly enhanced under the chairmanship of a Deputy Executive Director, reporting to the Executive Director, and by regular participation of the other Deputy Executive Directors. In addition to ensuring the Committee’s operational effectiveness, the appointment of high-level staff would demonstrate the senior management’s commitment to ERM and support efforts to foster a positive risk culture.

**AGREED ACTIONS**

Management agrees to clarify and communicate the roles, responsibilities and accountabilities for ERM governance and oversight, including those of the Executive Board, the Executive Director, the Office of the Executive Director, the Global Management Team as well as the composition and roles and responsibilities of the Senior Risk Management Committee.

This will include:

(i) revising the terms of reference of the Senior Management Risk Committee to provide for the appointment (on a rotational basis) of a Deputy Executive Director, reporting to the Executive Director, as Chair of the Committee; the appointment of all Deputy Executive Directors and Regional Directors as Committee members; and review of ERM policies prior to approval by the Executive Director.

(ii) updating all relevant policies, including the ERM Policy, to reflect all ERM governance and oversight roles, responsibilities and accountabilities.

(iii) periodically reporting to the Executive Board for information and decision, as needed, on the development and implementation of ERM in line with the revised UNICEF accountability framework.

**Staff Responsible:** Executive Director, with support from CRO/ERM Secretariat

**Implementation Date:** SMRC - July 2022; Other actions – December 2022
2. Risk culture

As organizations achieve greater ERM maturity, there is an increasing focus on establishing a risk culture, whereby all staff understand and display the same set of values, behaviours and attitudes towards risk, exemplified by their leaders who set the tone, direction and expectations.

The UNICEF ERM Policy aspires to a similar level of maturity: “Risk management should be an integral part of UNICEF organizational culture; where staff embrace the relevance and benefits of an intelligent risk culture, not just risk process, ensuring a culture of cross-functional risk ownership at all levels of operations.”

Tone at the top

Across the 28 United Nations agencies participating in the JIU review, ‘tone at the top’ was viewed as the most important driver in setting a risk culture, and in supporting and empowering staff to advance and integrate ERM in their everyday activities. In practice, this means substantive involvement by executive heads in key ERM processes and practices, including in the development and operationalization of ERM policies and risk appetite statements and the regular review of strategic risks and of progress with mitigating actions.

As noted above, UNICEF executive management roles and responsibilities in relation to ERM had not been adequately defined and the Office of the Executive Director and Global Management Team had limited involvement in developing and implementing the ERM strategy. From January 2020 to September 2021, there was no systematic or structured enterprise-wide risk reporting to or by the Global Management Team/SMRC, no ERM-related standing agenda item at Global Management Team meetings and the newly formed SMRC was not yet fully functional. UNICEF’s senior leaders had a minimal role in promoting ERM and shaping a positive risk culture.

Accountabilities

In ‘risk-mature’ organizations, decisions and actions are based on conscious, systematic risk assessment, within defined boundaries and with clear accountabilities. Robust, open discussion about risks and opportunities is encouraged and rewarded, lessons are learned from past experience and risk management is linked to staff performance management.

The audit found that, although there are statements of intent in the UNICEF ERM strategy and policy documents, indications of concrete actions to facilitate development of a risk culture were limited. The ERM strategy does not include incentives to promote sound risk-taking or to discourage excessive risk-taking and risk aversion. While the ERM Policy does set out in broad terms the roles and responsibilities of all operational staff, it does not establish how accountability for managing risks can be demonstrated and performance measured.
OIAI noted proactive, positive steps taken by some heads of offices in setting guidelines for specific situations. The risk appetite guidance included in the emergency procedures for the Afghanistan country office is one such example. Similarly, the audit survey indicated that several offices had developed their own risk management tools. While the stated goal is a single approach to risk management, coordinated by the ERM Secretariat, such localised initiatives show positive risk-focused behaviours that should be recognized and from which lessons may be learned as the organization works towards establishing a common and consistent risk culture, while still recognizing that one size does not fit all and risk management must at some level be tailored to specific circumstances.

However, several interviewees reported that staff were not always held accountable for managing risks or for their behaviours towards risks. Some senior staff admitted risk aversion due to a fear of potential consequences, preferring to comply with risk reporting requirements or ‘box ticking’ rather than proactively and promptly managing risks. OIAI found that a number of staff at a variety of levels did not have a clear and consistent understanding of UNICEF’s risk culture, as values and behaviours related to risk had not been clearly defined and were not fully integrated into the organizational values.

Performance management

The UNICEF competency framework establishes core competencies and common standards of behaviour against which all staff are assessed. However, the audit found that responsibilities and accountabilities for managing risk could not easily be linked to staff performance objectives.

Risk owners were expected to use the corporate risk register (eGRC) to record the identification, assessment and management of all risks for which they are responsible. However, individual accountabilities were not consistently reflected in the system and users were not able to easily extract relevant reports from eGRC for the purpose of monitoring risks and tracking actions. Therefore, reliance cannot be placed on the tool for the purposes of performance management.

**AGREED ACTIONS**

1. The Executive Director agrees to ensure that the tone from the top of UNICEF demonstrates the importance of responsible risk management by all staff. Related activities of UNICEF leadership should include:
   (i) Communication to the whole organization of the Executive Director’s approval of the ERM Strategy and Policy, reinforcing the value and importance of ERM to all staff in fulfilment of the UNICEF mandate and the Executive Board’s accountability to the United Nations General Assembly in respect of ERM;
   (ii) Visible commitment to ERM by the Office of the Executive Director, Deputy Executive Directors and Directors across the organization through their substantive involvement in ERM processes and practices, including the regular review, monitoring and reporting of key risks and mitigating actions both within their own areas of accountability and, where appropriate, enterprise-wide.
2. Management agrees to revise the UNICEF competency framework and staff performance management system to encourage smart risk management and incorporate indicators that hold staff accountable for their actions and behaviours related to risk management. This might, for example, require evidence of risk assessment in decision-making processes, regular review and update of risk registers and follow-up of mitigating actions by risk owners.

Staff Responsible: Executive Director
Implementation Date: December 2022

3. Management agrees to:
   (i) Establish an internal communication programme for regular communication and discussion with all staff of UNICEF values and desired behaviours in relation to risk, to promote responsible risk-taking and discourage extreme risk aversion and risk-taking;
   (ii) Ensure that ERM is a regular item on all relevant senior management meeting agendas, including consideration of top risks and related mitigating actions.

Staff Responsible: Chief Performance Management/DHR
Implementation Date: January 2023

4. Management agrees to:
   (i) Revise the ERM strategy to incorporate achievement of the desired risk culture;
   (ii) Develop and monitor an implementation plan that includes responsibilities, approach, concrete steps and performance measures; and report to the Executive Director on progress;
   (iii) Identify and share good practices and lessons learned from within and outside UNICEF to promote continuous learning for a robust risk-focused culture.

Staff Responsible: CRO
Implementation Date: December 2022

3. Risk appetite

Risk appetite is the amount of risk that an organization is willing to accept in pursuit of its strategic objectives. It reflects the risk management philosophy that the board wants the organization to adopt and thereby influences its risk culture, operating style and decision-making. Best practice would require risk appetite to be set by the accountable governing body and aligned with strategic objectives.
A first risk appetite statement was drafted by the ERM Secretariat and submitted to the SMRC for review and endorsement in September 2021. It sets out clearly the levels of strategic, institutional, operational and contextual risk the organization is willing to accept in the pursuit of each of its strategic goals. A risk appetite statement is critical to providing adequate guidance to field level staff on how to manage risk in their particular area of operations. At the time of the audit, the SMRC had yet to reach agreement on its content. The audit found that neither the Audit Advisory Committee nor the Executive Director had been consulted in developing the statement, and it was not clear when or how it would be operationalized. The donor report stated that: “Risk appetite is not yet stated or explicitly approved across the management chain, and we did not see risk appetite being explicitly defined and discussed systematically at the board level or with donors.” At the operational level, the concept of risk appetite was not a feature of the UNICEF ERM methodology and had not yet been incorporated into the eGRC risk registers.

During the COVID-19 pandemic, UNICEF introduced a ‘no regrets’ approach to humanitarian assistance, whereby the organization will err on the side of investing in, securing, prepositioning and deploying more capacity and mobilizing more resources in support of the response even if this proves to have been unnecessary after the fact. OIAI noted that, since completion of the audit, UNICEF has updated its emergency procedures, which now set out clear risk appetite levels by component, to guide decision-making and actions in humanitarian situations. While this initiative is to be commended, in order to ensure alignment of country, regional and divisional risk appetite and UNICEF’s overall risk tolerance level, such actions should be coordinated under the ERM framework. In the absence of clear risk appetite guidance, such a piecemeal approach presents challenges for country offices in terms of deciding the degree of risk to be taken when making specific operational decisions or taking actions to achieve UNICEF’s mission.

Without risk appetite guidance or oversight, staff may take risks that are outside the organization’s risk appetite, or, conversely, miss opportunities or hinder progress as a result of excessive risk aversion. Country teams facing risk scenarios for which, owing to their unique or fast-evolving nature, no established guidance or operating procedure exists, need a practical frame of reference to empower them to take timely, risk-based decisions and actions within approved limits. Moreover, failure to consider donor risk appetite levels may result in misaligned expectations and a reduced ability to anticipate and address donor relationship issues.

**AGREED ACTIONS**

1. Management agrees to:
   
   (i) Finalize UNICEF’s risk appetite statement. The risk appetite statement should be aligned with major donor and partner risk appetite levels, where appropriate;
   
   (ii) Ensure communication and operationalization of the risk appetite statement, including consideration of risk appetite in decision-making at both strategic and operational levels,
and regular review and reporting of any risks that exceed the agreed risk appetite level. Risk registers should indicate whether the residual risks are within the agreed risk appetite level and, if not, what additional mitigating actions will be taken. The business case for strategic decisions, investments or projects should demonstrate that risk appetite has been appropriately considered.

**Staff Responsible:** Senior Management Risk Committee  
**Implementation Date:** Q3 2022

2. Management agrees to ensure that the ERM training programme (see Observation 6) provides adequate training to support operationalization of the risk appetite statement. Training should include the concept of risk appetite in decision-making (at strategic and operational levels).

**Staff Responsible:** CRO/ERM Secretariat  
**Implementation Date:** Q1 2023

### 4. Development of an ERM vision

*High*

There is no single best practice or ‘one size fits all’ approach to ERM. The process of defining a vision for ERM that is aligned with organizational objectives strengthens senior stakeholder buy-in, which, in turn, contributes to the ‘tone at the top’. 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.

Following an external review of UNICEF ERM activities commissioned by the ERM Secretariat in 2019, UNICEF developed an ambitious new ERM strategy. It involves an online platform (called eGRC) to integrate risk management processes across the organization and consolidate risk data from all offices to improve risk monitoring and performance management at local and global level. The strategy is supported by the ERM Policy which outlines the guiding principles for risk management at UNICEF, defines key ERM terminology and sets out in broad terms the steps in the ERM implementation process and some of the key ERM roles and responsibilities. The ERM Secretariat measures progress on the strategy against the Risk Maturity Model of the High-level Committee on Management of the United Nations System Chief Executives Board for Coordination.⁷

Successful ERM depends on having a clear, common understanding of the organization’s level of ambition for risk management and on defining the right model to achieve its ERM goals, aligned

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with the strategic plan, structure, resources, culture and other particularities. In this regard, it appears that executive management had limited involvement in developing the UNICEF ERM strategy and there was no clear vision of what successful ERM should look like in UNICEF or how it would impact the achievement of results for children on the ground. While the strategy intends to bring UNICEF to full ERM ‘maturity’, there has been limited consultation with key internal and external stakeholders to consider UNICEF’s objectives for ERM and how they translate into operational reality. For example, the ERM strategy did not define:

- How existing programmatic and operational risk management mechanisms (e.g. country situation analysis, programme strategy notes, emergency procedures) should be incorporated in the ERM framework;
- The information needs of risk owners (including at the field level), senior management, the Executive Board and donors for decision-making, risk monitoring and reporting;
- The target organizational structure, capabilities, resources and systems/processes to support risk management at country, regional and headquarters level.

There was therefore limited support for the ERM strategy, insufficient resources to deliver it and implementation of the adopted approach had been problematic. Despite the high level of ambition set out in the strategy, the focus to date has been on roll-out of the eGRC risk tool. At the time of the audit, the stated goals for 2021 – full enterprise risk coherence, integration with major programmatic processes, transparent enterprise risk decisions, reporting to the Board and donors – were far from being achieved.

**AGREED ACTIONS**

With support of the Executive Director, management agrees to:

(i) Conduct a stakeholder consultation process as a basis for developing a long-term ERM vision, for review and endorsement by the Senior Management Risk Committee and Executive Director. In addition to internal stakeholders, partners and donors should be consulted. The exercise should be informed by relevant benchmarks and standards as well as lessons learned from comparable United Nations agencies and other relevant organizations. The resulting vision should be aligned with UNICEF’s 2022-2025 Strategic Plan, risk appetite and available resources. The vision should reflect:

- The depth and breadth of UNICEF’s ambition for ERM and how it is intended to impact delivery of results for children;
- The extent of strategic and operational risk reporting and oversight required by key stakeholders;
- The target organizational structure, roles, responsibilities and accountabilities to support effective ERM at the country office, regional office, headquarters and ERM Secretariat level;
- The target ERM ‘architecture’ (including the nature and extent of integration between existing risk-related policies, procedures and practices and the global ERM process);
- The skills, capabilities and systems required to achieve the vision including at the level of country office operations.
(ii) Update the ERM Strategy and Policy to support achievement of the agreed vision;
(iii) Create opportunities for stakeholders to regularly review the progress of implementation of the ERM strategy and consider any necessary adjustments. This may include drafting an annual report to external stakeholders and more frequent reviews by the Senior Management Risk Committee and executive management, as appropriate, to ensure the ongoing relevance of the strategy and to maintain enterprise-wide commitment to ERM.

Staff Responsible: CRO
Implementation Date: Q4 2022

5. Organizational structure and resources

ERM requires a well-defined, adequately resourced structure to ensure the effective operation of risk management at all levels of the organization, and to facilitate interactions between risk owners, the ERM Secretariat and other ERM stakeholders.

In defining its long-term vision for ERM, UNICEF needs to set out the number, location and reporting lines of the first and second line roles (see Appendix II for definitions of the roles), and the relationship and necessary interaction between programmes and operations, and between country, regional and headquarters offices.

OIAI observed that risk management activity across UNICEF is fragmented, with no clear or consistent approach to the allocation of risk management tasks and little coordination between offices or regions. The audit confirmed that additional resources need to be allocated to ERM to develop and maintain an adequate risk management capability across the organization. In particular, the ERM Secretariat was under-resourced, and while risk focal points \(^8\) (approximately 150) had been appointed in each office and division, many were ill-equipped to adequately support ERM implementation. In addition, only one out of the seven regional offices had a dedicated risk manager.

Risk management at country offices

The primary responsibility for identifying and managing risk at the country level lies with country office managers and risk owners, not with the ERM Secretariat. Country office audits performed by OIAI during 2020-2021 and the ERM audit survey showed that the extent and quality of ERM activity varied significantly from one country office to another, even within a single region. Eight out of the 12 audit reports with risk management-related recommendations stressed the need to improve risk identification, assessment and response. Seven country offices indicated that risks identified in country programme documents or programme strategy notes were not reflected in

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\(^8\) Risk focal points are designated focal points for risk management issues in UNICEF divisions or offices at country, regional and headquarters levels. They are heads of operations, risk managers or others appointed by the heads of office and serve as the main point of contact between UNICEF staff, heads of offices and the ERM Secretariat.
the country risk register. Gaps were also noted between risk assessments and the responses; for
example, a failure to identify the root cause of risks meant that actions identified to mitigate the
risk were not appropriate or sufficient. Three audit recommendations related to the need to
improve risk monitoring.

There are several important factors that should contribute to an assessment of the appropriate
structure and resources to ensure effective country office risk management in UNICEF’s future
ERM framework. These are detailed elsewhere in this report: Observation 3 highlights the need
for clear risk appetite guidance to provide a frame of reference for country teams to take smart,
timely, risk-based decisions within approved limits, while Observation 6 notes that adequate
training would enhance the risk management capabilities of staff at country offices. Observation
8 explores whether eGRC is the most appropriate tool to support country office needs for risk
assessment and reporting and proposes a review of the requirements for risk information and
reports of each user or stakeholder group, including country office management.

Regional office risk management

Regional management has an important role to play in supporting and overseeing the risk
management activities at country level and is a key interface between country offices and the
ERM Secretariat. However, the nature and extent of support and oversight provided to country
offices is inconsistent across the seven UNICEF regional offices owing to inadequate resources
and capabilities, as well as system limitations. The responsibilities of Regional Directors in respect
of risk management are outlined in broad terms in the ERM Policy, as follows:

- Providing support and ensuring that ERM strategies and policies are implemented by
country offices;
- Exercising oversight of country and regional risk management, including timely risk
identification, appropriate risk responses, regular monitoring of mitigation plans and
prompt escalation, as required;
- Ensuring consistency, integrity and quality of risk data (i.e. input to eGRC) and coherence
between country and regional risk reporting.

These regional oversight, monitoring and support responsibilities mirror some of those of the
SMRC and ERM Secretariat at the global level. In practical terms, they might be most effectively
and efficiently fulfilled by replicating certain SMRC activities at regional and/or country office
levels, while building on existing structures and incorporating risk into established meeting
agendas to avoid creating add-on or parallel processes. Regional and/or country risk officers or
focal points might play similar roles to the ERM Secretariat, facilitating the flow of reliable, timely
ERM data in the required format to support country, regional and global risk analysis, monitoring
and reporting, as well as providing risk management training, advice and support to colleagues
within their region.

ERM Secretariat

Implementation of the ERM strategy has been constrained by a lack of dedicated resource in the
ERM Secretariat. The team was heavily dependent on external contractors to develop ERM
policies and procedures, customize eGRC reports, provide training and harmonize risk data. The
UNICEF Comptroller informed OIAI that ERM Secretariat funds intended for other core financial
management activities had been transferred to support ERM work, which was under-resourced.
The donor report on UNICEF ERM activities highlighted the risk that the capacity of the central
risk function to drive the proposed ERM reforms would be insufficient, especially given the need
to secure senior and operational level buy-in across a significant spread of offices.
In defining the ERM vision, it will be important to conduct a full review of the role and priorities for the ERM Secretariat at different stages of the ERM ‘journey,’ including the range of services to be offered to first line management, including field-level operations, and the degree of support required by the SMRC and the Executive Board for strategic risk monitoring and review. Consideration could be given to extending the ERM Secretariat’s remit to include participation in organization-wide risk-related discussions and policy formulation, deep dives into specific ‘top’, cross-cutting or emerging risks, facilitation of risk workshops at local, regional or global level, sharing internal and external good practices and latest thinking across offices of similar size, risk profile, risk management maturity, providing ERM training and offering ad hoc advice to management.

**Chief Risk Officer position**

A Chief Risk Officer is generally the executive accountable for enabling the efficient and effective governance of significant risks and opportunities in an organization. The JIU report notes that “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.”

In 11 of the 28 organizations reviewed by the JIU, the ERM function was situated in the Executive Office, with a direct reporting line to the Executive Head or Deputy. These included two comparable decentralized agencies, whose Chief Risk Officers OIAI interviewed as part of the audit. Both indicated that the positioning and stature of the Chief Risk Officer was essential to achieve visibility and to secure a ‘seat at the table’ in senior management discussions.

Currently the UNICEF Comptroller is responsible for ERM development, implementation and communication, with the support of the ERM Secretariat. At the time of the audit, the ERM Secretariat function was carried out by members of the Strategic Business Support Unit. Since completion of the audit fieldwork, the establishment of a new ERM unit in the 2022-2025 Office Management Plan of the Division of Financial and Administrative Management has been proposed. The proposed unit would comprise a Chief, ERM, reporting to the Comptroller, and a Business Analyst.

Good practice observed by OIAI in many private- and public-sector organizations suggests that the Chief Risk Officer and supporting ERM team are best situated independent of any operational department or division, to reinforce the cross-functional scope and strategic importance of ERM. In UNICEF, the more logical position of this function might be in the Office of the Executive Director, not only to strengthen organizational commitment to its development but also to avoid the perception that ERM is primarily a finance and/or compliance activity (which might arise if the function is located within the Division of Financial and Administrative Management).

UNICEF’s progress on some of the most critical aspects of its ERM strategy has been hindered by the absence of a dedicated Chief Risk Officer of sufficient stature to lead and influence senior colleagues and other key stakeholders. The ERM Secretariat has focused primarily on those areas within its capabilities, for example, developing policy and procedure documents and rolling out and administering the online risk system. While a full-time Chief Risk Officer may not be able to address all issues raised by the audit, without this key position, it is difficult to envisage...
significant progress in tackling key actions around governance, culture and leadership.

**AGREED ACTIONS**

1. The Executive Director agrees to:
   
   (i) Support the immediate recruitment of a Chief Risk Officer with the stature, skills and experience to ensure successful development and delivery of UNICEF’s ERM strategy;
   
   (ii) Reposition the ERM Secretariat (led by the Chief Risk Officer) so that it attains the functional independence and authority required to achieve its objectives.

   **Staff Responsible:** Executive Director
   
   **Implementation Date:** (i) September 2022 (ii) July 2022

2. In determining UNICEF’s future vision for ERM (see Observation 4), management agrees to:
   
   (i) Assess the organizational structure and related resources required to support delivery of the UNICEF ERM strategy for 2022-2025 and beyond. This should involve consultation with management of all regional offices, selected country offices and headquarters divisions. The review should take into account any advice or lessons learned from comparable United Nations agencies, donors and other partners;
   
   (ii) Clearly define the roles, responsibilities and accountabilities for ERM within each office across UNICEF and between each office/function, including the ERM Secretariat, and provide realistic budget assumptions to implement the structure.

   **Staff Responsible:** Chief Risk Officer
   
   **Implementation Date:** March 2023

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**6. Risk capabilities**

*Benchmark 8 for ERM set out in the JIU report requires organizations to deliver “communication and training plans to create risk awareness, promote risk policy, and establish risk capabilities for the implementation of ERM.”*

OIAI noted the absence of a comprehensive, structured approach to identifying gaps in risk management capabilities and providing appropriate training or communication to meet the identified needs. During the period under review, the focus was primarily on widespread eGRC user training to support the roll-out of the tool and improve the quality and consistency of risk data; less attention was paid to broader risk management training, in particular building awareness and support for ERM at senior levels of the organization, which is essential to strengthen the tone at the top and develop the risk culture.
While progress has been made on integrating elements of risk management training into broader training courses for UNICEF staff (e.g. on fraud risk management), additional training for staff at all levels is critical to the development of a mature risk management framework. Examples of such support include:

- Training focal points on key ERM skills;
- Coaching senior leaders and risk owners to support risk monitoring and effective ERM oversight;
- Facilitating risk workshops for country, regional or headquarters teams to build stronger skills in risk identification, analysis and mitigation;
- Building and coordinating a risk management ‘community of practice’ for the exchange of ERM experience and advice between colleagues and, in some cases, peer organizations;
- Conducting internal communication campaigns to showcase good practices and highlight senior management commitment to ERM.

In the second half of 2020, the ERM Secretariat engaged a contractor to provide online eGRC-focused training to risk focal points, who were then expected to train staff in their respective offices. In June 2021, the ERM Secretariat arranged refresher courses. However, the heads of country and regional offices and headquarters divisions surveyed by the audit team in July 2021 overwhelmingly said more training was needed. Some staff members felt the training was too theoretical; the time allotted was too short for such a complex system; and it was offered too late to support the 2020 annual risk reporting exercise.

**AGREED ACTIONS**

To improve UNICEF risk management capabilities from the top down, management agrees to:

(i) Perform a training needs analysis (with support from Division of Human Resources), to identify gaps in risk management capabilities at every level of the organization (from the Executive Board through to country offices);

(ii) Develop a training programme to support delivery of the ERM strategy. The programme should set out a timeline for implementation and resource requirements (both internal and third party) to support the case for additional budget allocation. The training programme should:

   a) Be practical and tailored to specific needs, with priority given to heads of offices and divisions and others with significant risk management responsibilities;

   b) Include senior leadership coaching to support effective ERM governance and oversight and equip members with skills required to monitor strategic risks and risk appetite. This should cover members of the Senior Management Risk Committee, the Global Management Team and the Executive Board, as required;

   c) Include ERM Secretariat capability needs to ensure it is equipped to support longer-term ERM implementation (e.g. senior leadership coaching skills, risk workshop facilitation, deep dive risk analysis, ad hoc advice on specific risk topics). Consideration should be given to building in-house expertise and institutional knowledge in place of the short-term use of consultants;

   d) Where possible, incorporate ERM basics into existing orientation programmes or training courses (e.g. on fraud prevention) to maximize coverage and embed risk management within the organizational culture;

The ERM Secretariat is not adequately resourced to provide a full range of capacity-building support.
(iii) Track and report progress with delivery of the training programme, including follow-up on feedback to ensure any necessary course correction;

(iv) Involve communications colleagues to enhance ERM internal communication (through a variety of media) as a means of developing awareness and capabilities, showcasing good practices and demonstrating organizational commitment to ERM;

(v) Establish and facilitate a risk management ‘community of practice’ for the exchange of ERM experience and advice between colleagues and, potentially, peer organizations.

Staff Responsible: ERM Secretariat/CRO
Implementation Date: March 2023

7. Risk monitoring and reporting

Medium

Effective ERM ensures the timely provision of accurate, relevant information to key internal and external stakeholders on how well the organization is managing significant risks to its objectives. It supports executive management in making well-informed strategic decisions, facilitates discharge of the Board’s governance responsibilities and demonstrates transparency to donors, partners and other interested parties.

Strategic risk monitoring and reporting

At the time of the audit, UNICEF’s top-down risk monitoring and reporting were primarily ad hoc, with no standing item on any senior management agenda, no regular review or analysis of the corporate risk profile and no established process for generating risk reports. Thus, senior leaders were not adequately equipped to fulfil their responsibilities for strategic risk management and oversight.

UNICEF’s top-down risk monitoring and reporting were ad hoc, with no standing item on any senior management agenda, no regular review or analysis of the corporate risk profile and no established process for generating risk reports.

In its 2020 annual report to the Executive Board, the Audit Advisory Committee recommended that UNICEF prepare periodic incisive and informative reports for the Committee and the Executive Director on the most significant risks to the organization, leveraging the investments made in the eGRC risk tool. As at the time of the audit in September 2021, this had not yet been achieved; indeed, no official enterprise risk report had been prepared for several years. However, in September 2021, the ERM Secretariat submitted a first enterprise risk report to the recently established SMRC for review and endorsement. The eGRC service provider was engaged to produce the data for the report, using information from the eGRC risk register; risk owners were not consulted. At the time of the audit, the report had not yet been reviewed. As noted elsewhere in this report, efforts are ongoing to improve the quality of data in eGRC which, at the time of the audit, could not be assured.

Operational risk monitoring, reporting and escalation
Operational risk registers can facilitate risk analysis and monitoring at all levels of the organization and provide increased visibility and understanding of organizational performance.

The OIAI survey indicated that many users found eGRC very complex and would welcome a simpler, more practical tool to support their day-to-day risk management needs, including user-friendly reporting and analysis. Several headquarters divisions and regional offices stressed that information in the risk register was not being used for decision-making because of challenges generating meaningful reports and limited reporting functionality in eGRC. Sixty-six per cent of the 84 offices that responded to the OIAI survey indicated they did not prepare and disseminate risk profiles and reports. At the time of the audit, the eGRC vendor was tailoring 11 reports and one interactive dashboard based on available information in eGRC. These were expected to be finalized by the end of the year.

eGRC provides risk managers with the option to escalate a risk to the headquarters risk owner if further guidance, support or resource is required to address it. Interviews indicated that risks had been escalated as needed but not systematically documented in eGRC. A procedure offering guidance on when and how to escalate risks was issued in July 2021; it was thus too early for OIAI to assess its effectiveness.

The lack of regular, reliable risk information may result in insufficient review and discussion of emerging or significant risks by executive management and the Executive Board, or ill-informed decisions that may impact achievement of strategic goals. In addition, the inability to meet donor information requirements and associated reputational risks may impact UNICEF’s fundraising ability.

**AGREED ACTIONS**

Subject to adequate resourcing (see Observation 5) management agrees to:

(i) Provide support to the Senior Management Risk Committee to enable it to discharge its responsibility to review and monitor UNICEF’s top and emerging risks and associated mitigating actions. This may include:

    a) Maintaining a register of top/strategic risks that includes agreed risk owners and accountabilities for mitigating actions and establishing a clear process to escalate issues to the Executive Director and/or Executive Board, as appropriate. Such a register could be generated ‘top down’ through facilitated risk workshops and/or consultation with the Committee or other senior management, without reliance on any risk management tool;

    b) Providing information to support in-depth analysis of specific risks as well as regular, reliable status reports of enterprise-wide risks.

(ii) Consult key internal and external stakeholders to determine risk management information needs, establish a reporting schedule and deliver timely, reliable information accordingly. This includes meeting the needs of risk owners and managers at the country, regional and headquarters level for accessible, user-friendly risk information and reports for the purpose of day-to-day risk analysis and monitoring.

**Staff Responsible:** ERM Secretariat/CRO
8. Risk management systems and processes

To meet risk owner and other stakeholder needs, the ERM vision and supporting strategy should define the systems and processes required to support risk assessment, monitoring and reporting.

Risk management tool (eGRC)

According to the UNICEF ERM Policy, all offices are required to identify, assess, respond to and monitor risks relative to their working environment. The ERM Secretariat issues annual guidance, which requires all offices to record all 'significant' risks (rated medium or above by office management) in the eGRC application platform, which, according to the ERM Policy, is “the designated single source of shared truth” and place of record for a centralized and integrated collection of all risks identified by UNICEF offices. Aside from the annual reporting requirement, risks should be documented in eGRC at the planning stage and continually monitored and updated, as relevant, during the programme cycle.

The external review of UNICEF ERM activities commissioned by the ERM Secretariat in 2019 confirmed widely known weaknesses in the quality of country, regional and headquarters risk data in eGRC. OIAI confirmed that these weaknesses had not yet all been addressed, with improvements needed in recording risk identification, assessment and mitigation plans, as well as risk monitoring and escalation. In fact, OIAI found little evidence of real contributions from the organization’s substantial investment in ERM (estimated at several million US dollars over 12 years), in the form of risk-informed discussion, decision-making, monitoring or reporting at country, regional or headquarters level.

Discussions with the eGRC vendor confirmed that UNICEF’s chosen approach to risk documentation had required field offices to populate free-text fields instead of selecting from a drop-down menu of standard risks and controls from UNICEF’s operating procedures. This, coupled with a lack of initial guidance and insufficient quality assurance, had resulted in a high volume of data credibility issues and the need for an extensive exercise to improve the quality and consistency of data; this was being conducted by the eGRC vendor at the time of the audit.

At the time of the audit, the quality of data in eGRC could not be assured, such that decisions based on eGRC data may be misinformed or misguided.

Interviews with staff highlighted that local and organization-wide risks were generally discussed and monitored during midyear and annual reviews, and during other management, section and divisional meetings but the corporate risk register was not typically used as a source of information for such discussions or to document outcomes. In addition, not all risks identified from other management processes and tools were captured in eGRC, as outlined below. This means that conclusions about the quality of offices’ actual risk management activities cannot be reliably drawn from eGRC and that decisions based on eGRC data may be misinformed or misguided.
Many of the audit observations on the ERM implementation planning process are directly related to eGRC. Interviews from offices and headquarters divisions noted the need to simplify the eGRC tool, improve its reporting functionality, provide more regular training, and expand access to more staff. Twenty-nine per cent of survey respondents complemented eGRC by creating their own manual risk assessment processes and tools. The majority felt eGRC was too complex, difficult to use and needed to be simplified. UNICEF purchased the eGRC risk application in 2015. It should be noted that the needs assessment and vendor selection process were therefore not within the scope of this audit, which covered the period from January 2020 to September 2021.

An integrated approach to ERM

UNICEF implements a multitude of practices and mechanisms for managing risks. Examples of these include:

- The emergency preparedness platform and other tools that underpin the key country office planning policies and guidance;
- The situation analysis and programme strategy notes;
- The Guidance on Risk Informed Programming (GRIP) separately developed by Programme Division;
- UNICEF emergency procedures.

However, OIAI noted that risks identified through these mechanisms are often not recorded in the eGRC, which, as stated in the ERM Policy, is intended to be the “single source of truth” in relation to UNICEF’s enterprise, strategic and operational risks. OIAI noted that the risks identified through these mechanisms were sometimes captured in stand-alone documents, and not in the eGRC. Indeed, approximately 20 per cent of respondents to the OIAI survey did not record significant risks identified from other management processes and tools in eGRC, while a review of country office audit reports issued in 2020 and 2021 revealed that seven offices identified risks from their systems, processes and tools, but did not always include these in the risk register. As a result, the totality of significant risks was unknown, and some significant risks may have skipped management purview. While country offices may be managing risks effectively, reduced visibility of local and all significant risks at the regional or global level undermines the reliability and effectiveness of the global ERM process.

One of the ERM Secretariat’s 2021 goals was to fully integrate the global ERM approach with the risk management practices and processes of country offices; however, this had not been achieved at the time of the audit. Indeed, there was no clear vision of what integration should look like and how this would be accomplished, in terms of people, process and systems. In view of the many issues related to eGRC, including user-friendliness, reporting and degree of integration with wider risk management processes, the question needs to be raised as to whether eGRC provides the best-fit solution to support UNICEF’s future ERM strategy.

During the audit reporting process, OIAI raised with the ERM Secretariat additional issues related to the customization and use of eGRC, for example, in respect of the compatibility of the risk taxonomy to address the full range of programmatic risks. These issues were considered low priority relative to the overall ERM strategy and were therefore not included in this report.
AGREED ACTIONS

In defining the long-term vision for ERM (see Observation 4), management agrees to assess whether eGRC is the appropriate tool to meet UNICEF’s ERM needs, taking into account lessons learned, cost–benefit considerations (including the use of consultants and dependency on the vendor for customization/maintenance) and options for integration with other risk-based processes and tools.

Staff Responsible: CRO/ERM Secretariat
Implementation Date: March 2023

9. ERM implementation planning and review

The path towards effective ERM is widely recognized as being long, challenging and not without its own risks. It is regarded by many as a “journey” and its success depends not only on developing a fit-for-purpose strategy but also on the approach to implementation.

A robust implementation plan, with clear accountabilities, measurable objectives, realistic time frames and systematic review, monitoring and reporting, is essential, as for any major project. However, successful ERM is often dependent on wider organizational factors, such as the tone at the top, culture, communication and performance management – all of which should be factored into the plan to ensure a realistic chance of achieving the goals within the established time frame and budget.

Between 2009 and 2018, the pace of ERM implementation in UNICEF was relatively slow. OIAI noted that there has been significant progress since 2019, following the external review, which prompted revision of the strategy and a focus on strengthening risk management processes and accountabilities through the roll-out of the eGRC online risk application.

The Division of Financial and Administrative Management prepared a rolling workplan for 2018-2021 that included ERM and set out planned activities, resource requirements, performance indicators and target completion dates for each expected output. However, OIAI found that the targets for ERM activities were not always specific or measurable, such that progress could not be objectively measured or reported. For instance, the target for the activity “equip UNICEF Offices with the right skills and key information to make risk informed decisions to improve performance, supported by the eGRC platform” was that “UNICEF offices assume a more active role in managing risk.” A more relevant indicator might be the rate of progress in implementing risk response plans or in reducing the number of high risks reported by an office by a target date.

The ERM Secretariat has been proactive in assessing its progress towards risk management maturity through regular self-assessment and by commissioning the 2019 external review. However, the status of the recommendations from that review has not been closely tracked by the ERM Secretariat or reported to senior management. As mentioned in the Background and Context section of this report, the JIU called on the executive heads of all participating United Nations agencies, including UNICEF, to review progress against the benchmarks set out in its report by the end of 2021 and to report on the outcomes of that review to their respective
governing bodies by the end of 2022. It is understood that the results of this audit will contribute to fulfilment of this requirement.

The external review (2019), JIU report (2020) and donor assessment (conducted between 2018 and 2020) set out many similar areas for improvement, many of them common to all three reports. While the donor report acknowledged the efforts underway to strengthen risk management processes, it also raised ‘high risk’ recommendations related to ERM strategy/policy, risk appetite, governance, resources, training and awareness. OIAI’s audit confirmed that issues remain in many of these areas, which indicates that sufficient management attention and/or resources have not been devoted to addressing important gaps in the ERM framework and activities in the intervening period.

The challenges faced by UNICEF in delivering its ERM strategy reflect weaknesses highlighted in other sections of this report related to the ERM vision, management commitment and oversight, resources and capabilities, all of which may have affected the quality of implementation planning, monitoring and review.

As UNICEF continues on its ERM ‘journey’, it should be mindful that:

- Failure to perform a robust assessment of all conditions necessary for ERM success, as part of implementation planning, may result in unrealistic objectives and in staff being held accountable for things beyond their control, resulting in disincentives for staff to move towards smarter risk management.
- Imprecise targets and key performance indicators may limit the ability to measure and report progress and to identify issues requiring remedial action.
- A lack of regular, transparent monitoring and reporting may result in high-risk issues going unnoticed, such that goals cannot be achieved and resource or performance issues cannot be managed within the project time frame.

**AGREED ACTION**

To support delivery of the ERM strategy, management agrees to develop a comprehensive implementation plan that will be used to guide delivery of the strategy, monitor and report progress, and manage performance against agreed targets. The plan should include clear accountabilities, measurable objectives and realistic time frames, in accordance with good project management practices. Progress should be tracked, systematically and transparently, to allow timely resolution of issues, effective monitoring and performance management, at an individual and overall level; and the implementation status should be reported at every Senior Management Risk Committee meeting.

**Staff Responsible:** CRO/ERM Secretariat  
**Implementation Date:** December 2022
APPENDIX I

Definitions of audit observation ratings and conclusions

Audit observation ratings

To assist management in prioritizing the actions arising from the audit, OIAI ascribes a rating to each audit observation based on the potential consequence or residual risks to the audited entity, area, activity or process, or to UNICEF as a whole. Individual observations are rated as follows:

| Low          | The observation concerns a potential opportunity for improvement in the assessed governance, risk management or control processes. Low-priority observations are reported to management during the audit but are not included in the audit report. Action in response to the observation is desirable. |
| Medium       | The observation relates to a weakness or deficiency in the assessed governance, risk management or control processes that requires resolution within a reasonable period of time to avoid adverse consequences for the audited entity, area, activity or process. |
| High         | The observation concerns a fundamental weakness or deficiency in the assessed governance, risk management or control processes that requires prompt/immediate resolution to avoid severe/major adverse consequences for the audited entity, area, activity or process, or for UNICEF as a whole. |

Overall audit conclusions

The above ratings of audit observations are then used to support an overall audit conclusion for the area under review, as follows:

| Satisfactory | The assessed governance, risk management or control processes were adequate and functioning well. |
| Partially Satisfactory, Improvement Needed | The assessed governance, risk management or control processes were generally adequate and functioning but needed some improvement. The weaknesses or deficiencies identified were unlikely to have a materially negative impact on the performance of the audited entity, area, activity or process. |
| Partially Satisfactory, Significant Improvement Needed | The assessed governance, risk management or control processes needed significant improvement. The weaknesses or deficiencies identified could have a materially negative impact on the performance of the audited entity, area, activity or process. |
| Unsatisfactory | The assessed governance, risk management or control processes needed major improvement. The weaknesses or deficiencies identified could have a severely negative impact on the performance of the audited entity, area, activity or process. |
History and structure of ERM in UNICEF

Enterprise risk management in the United Nations system

In 2006, the General Assembly endorsed the adoption of ERM in the United Nations system to enhance governance and oversight.

In its 2020 report of ERM in the UN system, the JIU summarized the benefits of ERM as follows:

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

The JIU developed the following 10 benchmarks for the purpose of its assessment of ERM in United Nations system organizations and to offer system-wide guidance for comparability, coherence and the sharing of good practices.

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.
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.

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The benchmarks were established with the assistance of an internationally recognized expert on ERM and with reference to the maturity model for risk management developed by the High-level Committee for Management cross-functional task force on risk management of the United Nations Systems Chief Executives Board for Coordination,10 as well as academic and business studies and recently updated international standards and frameworks.11

**History of enterprise risk management in UNICEF**

UNICEF issued its first ERM policy in May 2009 to address the perceived risk-averse culture; however, the pace of ERM implementation has only significantly increased since 2019, with a new strategy (2019) and policy (2020) and the roll-out of an online risk management tool (called eGRC), capable of supporting risk analysis, reporting and tracking. This is supported by a comprehensive glossary of terms, risk library and detailed risk classification structure, and a range of ERM documents and materials which are available for staff to consult on the intranet site of the Division of Financial and Administrative Management.

Implementation of the eGRC platform as a corporate risk register has been the focus of UNICEF ERM activity since 2019. Significant investments were made in terms of staff and consultancy time and a training programme for staff at country, regional and headquarters levels. In 2021, the eGRC supplier was engaged to perform an exercise to harmonize and improve the quality of data input, to ensure its reliability for reporting purposes.

**Structure of enterprise risk management in UNICEF**

At the time of the audit, UNICEF’s ERM structure was as follows:

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10 CEB High-level Committee on Management, Reference Maturity Model for Risk Management.
This structure is based on the ‘Three Lines Model’ of the Institute of Internal Auditors,\textsuperscript{12} which explains clearly how the respective organizational roles and responsibilities should work together to facilitate strong governance and risk management, as shown below.

The \textbf{first line} consists of operational managers and staff and the measures taken by them in dealing with the risks for which they are responsible in performing their daily roles.

The \textbf{second line}, which typically includes the ERM function, provides complementary expertise and supports, monitors and challenges first line activities to ensure that risks are properly managed. This typically includes implementing policies, processes and tools for risk management, offering training and advice, and providing analysis and reports on the adequacy and effectiveness of risk management by the first line.

The \textbf{third line}, which is typically the organization’s internal audit unit, provides independent assurance of the effectiveness of risk management activities exercised by the first and second lines, with a view to promoting and enhancing the implementation of ERM.

\begin{center}
\textbf{The IIA’s Three Lines Model}
\end{center}

Differences between this model and UNICEF’s application of the model are explored in the audit observations section of this report, most notably in relation to the overarching role of the governing body which, according to the model, is accountable to stakeholders for overseeing the effective management of risk by senior management.

\textbf{Senior Management Risk Committee}

The UNICEF Senior Management Risk Committee (SMRC) is the management committee responsible for ERM. It is chaired by the Comptroller and reports to the Office of the Executive Director. The SMRC was established in November 2020 and met for the first time in June 2021. Its purpose, as defined in its terms of reference, is to ensure successful implementation of the

The SMRC functions and responsibilities include:

- Periodically assessing UNICEF’s risk culture and supporting a culture of risk-taking within sound risk governance;
- Enhancing UNICEF’s risk awareness and ability to deliver results in an increasingly complex operating environment;
- Reviewing the risk appetite and risk tolerance appropriate to each operating context;
- Considering the UNICEF risk management policy and procedural framework;
- Ensuring that there are adequate enterprise processes and integrated systems for identifying and reporting on risks;
- Conducting deep dives on different organizational risks;
- Monitoring changes in the external environment for strategic risk implications;
- Understanding responses for specific risks and making recommendations to improve them;
- Benchmarking peers and best-of-class organizations for best practices;
- Ensuring that critical enterprise risks are considered by the executive management, the Audit Advisory Committee and the Executive Board.

**ERM Secretariat**

The ERM Secretariat, part of the Strategic Business Support Unit of the Division of Financial and Administrative Management, is responsible for facilitating implementation of ERM across the organization, monitoring its effectiveness, and reporting risk exposures and issues to management. At the time of the audit, the ERM Secretariat consisted of the Chief and two other members of the Strategic Business Support Unit, each of whom devoted about 50 to 60 per cent of their time to ERM. The Chief of the Unit (P-5) reported to the Comptroller (D-2), the most senior official tasked with risk management, and defined in the ERM Policy as the ultimate champion of ERM. In addition to leading the development, implementation and continuous improvement of ERM processes, the Comptroller is a standing member of all risk governance entities and coordinates risk management activities, data and processes between all UNICEF functions.

These internal resources have been supplemented by the services of external contractors, who assisted with customizing the online risk tool (eGRC) to the UNICEF operating environment, including tailoring reports, analysing issues with data quality and completeness, coaching users on how to write risk data, and fine-tuning the risk structure. The same firm also delivered a staff training programme, developed ERM procedures, and drafted a risk appetite statement and an annual risk report.

**Risk focal points in regional and country offices**

UNICEF has a network of approximately 150 designated ‘risk focal points’ at headquarters, regional and country levels who are tasked with addressing risk management matters at their respective levels and acting as the primary source of communication between UNICEF staff, heads of offices and the ERM Secretariat. They are the heads/deputy heads of operations, risk managers, or other staff members appointed by the heads of office, and are expected to have enhanced knowledge of risk management challenges affecting their office and to support the implementation of ERM practices across the organization.