

Background

JIU review of ERM - The Joint Inspection Unit (JIU) introduced in the 2010 review of enterprise risk management in the United Nations system (JIU/REP/2010/4), a benchmarking framework for successful implementation of ERM in United Nations system organizations. In 2020, JIU conducted another review with the aim to inform legislative/governing bodies and the executive heads of United Nation system organizations about the progress made since the last review, the status of implementation, utilization and integration of ERM practices across all 28 JIU participating organizations, as well as to identify good practices and lessons learned to guide ongoing and future initiatives.

JIU concluded that for UNRWA the status of ERM as it relates to policy/framework and organizational structure has advanced between 2010 and 2019. JIU in its review also duly acknowledged that ERM must be tailored to fit an organization with due consideration given to criteria such as mandate, financial and budget considerations, personnel, business model, and organizational particularities.

The 2021 review proposed 10 updated benchmarks, assessed the progress of ERM implementation against them and included four formal recommendations tied to the benchmarks: two addressed to the legislative/governing bodies and two to the executive heads of the 28 participating organizations. The review also includes informal recommendations throughout as guidance for the assessment and implementation of the benchmarks.

UNRWA has confirmed to the JIU the relevance of the findings to the Agency, as well as our support for the recommendations, which included a commitment to undertake a comprehensive review of the ERM against JIU benchmarks. UNRWA also noted to the JIU on the finding that ERM framework is yet to be adopted in the

Agency, that ERM at UNRWA is based on the "three lines model" and is operationalized. Through the inclusion of an Agency-wide risk register within the yearly Annual Operational Plan, and that UNRWA will continue to mainstream risk management through different departments/programmes.

Objective and purpose

This assessment aims to review and assess UNRWA risk management practices as per the parameters in accordance with a) Maturity level dimensions and sub-dimensions, as set up in the Reference Maturity Model for Risk Management in the United Nations System (RMM) of the High-level Committee for Management (HLCM); and b) Benchmarks developed by the Joint Inspection Unit (JIU).

The objective was also to support the Department of Planning (DoP) in leading the determination of an appropriate level of ERM maturity considering the practical sufficiency of current practices at UNRWA and in identifying key activities that could be undertaken to further advance ERM.

What DIOS concluded

ERM at UNRWA - Organizational Directive (OD) #21 was issued in 2016, and formally established the Programme and Project Cycle and relevant structures, processes and systems that apply in UNRWA managed by DoP. The OD#21 also confirmed DoP's role in the Agency's ERM as the lead in institutionalizing risk management systems and procedures in the Agency.

The ERM implementation at UNRWA, embedded at various levels through different mechanisms culminated in a risk register, aligned with annual operational planning activities. On a yearly basis, DoP compiles the Annual Operational Plan (AOP) seeking input from each field office, department and division chief to reflect on their annual priorities, humanitarian operations plans and overall priorities. The field and HQ chiefs are also

asked to summarize key planning assumptions and risks to be managed during the year, consider relevant audit and evaluation findings, and set out priority projects for implementation.

The AOP includes an annex with the full risk matrix categorizing risk Type, Consequences, Assessment (Likelihood, Impact), Mitigation, Oversight, and Monitoring.

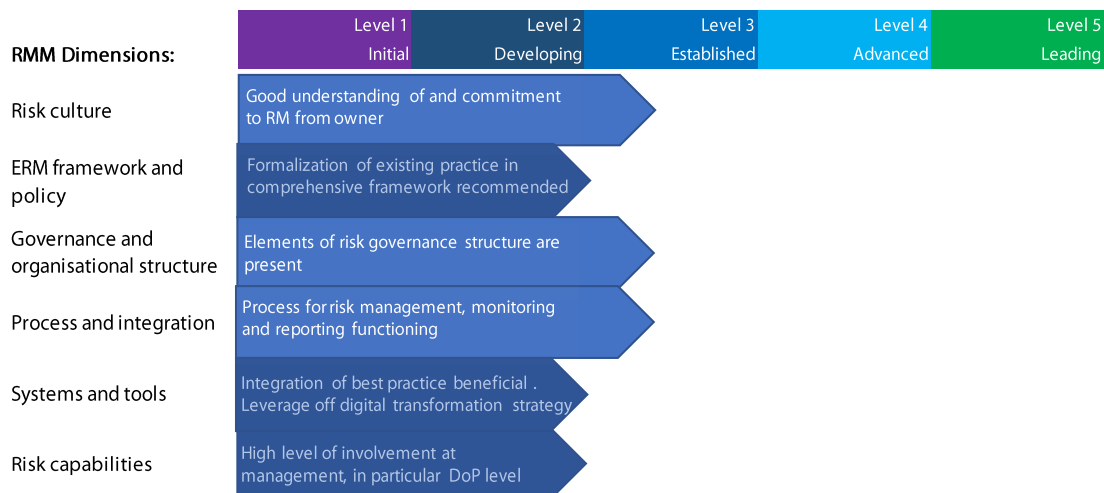
On a quarterly basis, the AOP, including the table with the top risks to reflect any changes in circumstances, priorities, and assumptions, is thoroughly reviewed by the DoP. The 2021 AOP included top risks in the risk matrix with approximately 45 presented at the top of the AOP after aggregation.

An overview of the Agency main risks is also presented in the Annual Operational Report, an external document that describes Agency progress towards the attainment of the strategic outcomes set out in the UNRWA Medium Term Strategy. For the 2021 AOP, the DoP incorporated the Emergency Appeal risk overview into the overall risk register for consistency and transparency purposes, further enhancing the Agency-wide risk assessment.

As acknowledged in the 2017-18 MOPAN Assessment, the Agency also has a robust system of internal controls that help safeguard assets, ensure adherence to regulations and rules, including management policies and procedures, and prevent fraud.

In addition to the above process specifically attributed to the Agency's risk management process, other comprehensive measures are in place for the operationalization of risk management at different levels. Systems, structures, and tools (such as the Advisory Committee on Resource Allocation, Project Assessment Committee, and bi-weekly HQ meetings with each field office), though not formally included as part of an overall risk management framework, do, in practice, manage operational risk, and are embedded into the Agency's governance structure and management systems.

The results of this assessment highlights that, despite chronic financial shortfalls and other significant crises since the ERM was established in 2016 the Agency, through the Department of Planning, has succeeded in implementing a systematic approach to risk-based decision making. The Agency has put in place various elements of a risk governance structure and has essentially operationalized ERM with annual operational planning activities. The organization discusses risk and risk management in several forums and considers risks when making strategic decisions as well as through daily practice. Based on the totality of evidence assessed, and the extent of coordination conducted by DoP, DIOS considers that the overall maturity level of the ERM process against the reference model is **Level 2 – "Developing"**. The maturity levels assessed at UNRWA by RMM dimension are summarized in the table below:



The present assessment also informs management of the implementation of JIU recommendations. DIOS is pleased to note significant progress has been made in implementing the four recommendations from the 2021 JIU review.

What DIOS recommends

DIOS reiterates that building a robust organisational risk culture is an Agency-wide responsibility. The assessment provides action for the Agency to consider for the further advancement and improvement of each dimension, meant as references to progress on the ERM journey. While some actions for consideration could be implemented within relatively short timeframes utilizing limited resources, others may require long-term capacity building, significant changes to the organizational risk culture, and tailored enhancements to business processes and internal controls – all of which may require longer timeframes for implementation.

In this regard, it will be important that the Agency determines the optimal RMM maturity and JIU benchmark implementation stage for the organization in light of practical constraints and consider some important initial action including:

- Expedite the finalization and issuance of a comprehensive ERM policy, that takes into consideration the linkage of risks to the UNRWA new strategic plan and formalizes most of the activities that are already systematically taking place.
- Seek requisite resources to establish a dedicated structure for ERM preferably within DoP to perform all activities currently carried out by the DoP, to address the risks facing the organization at the consolidated aggregate level. The risk function should include clearly defined roles and responsibilities, delegated authority, and reporting lines.
- Work towards further strengthening its risk management culture and building capacity at all organization levels. The Agency should also continue leveraging off the ongoing digital transformation strategy, for which DoP is leading on the risk management pillar, to further develop the system used for management and documentation of risk assessment and risk

response activities as well as risk analyses and monitoring.

DIOS suggests that DoP lead and facilitate efforts for the Agency in determining the most desirable maturity level the Agency wishes to reach, and adopt a plan, including specified target timelines for achieving these, in its update of UNRWA's commitment to strengthen the risk management systems, processes, and structures.

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