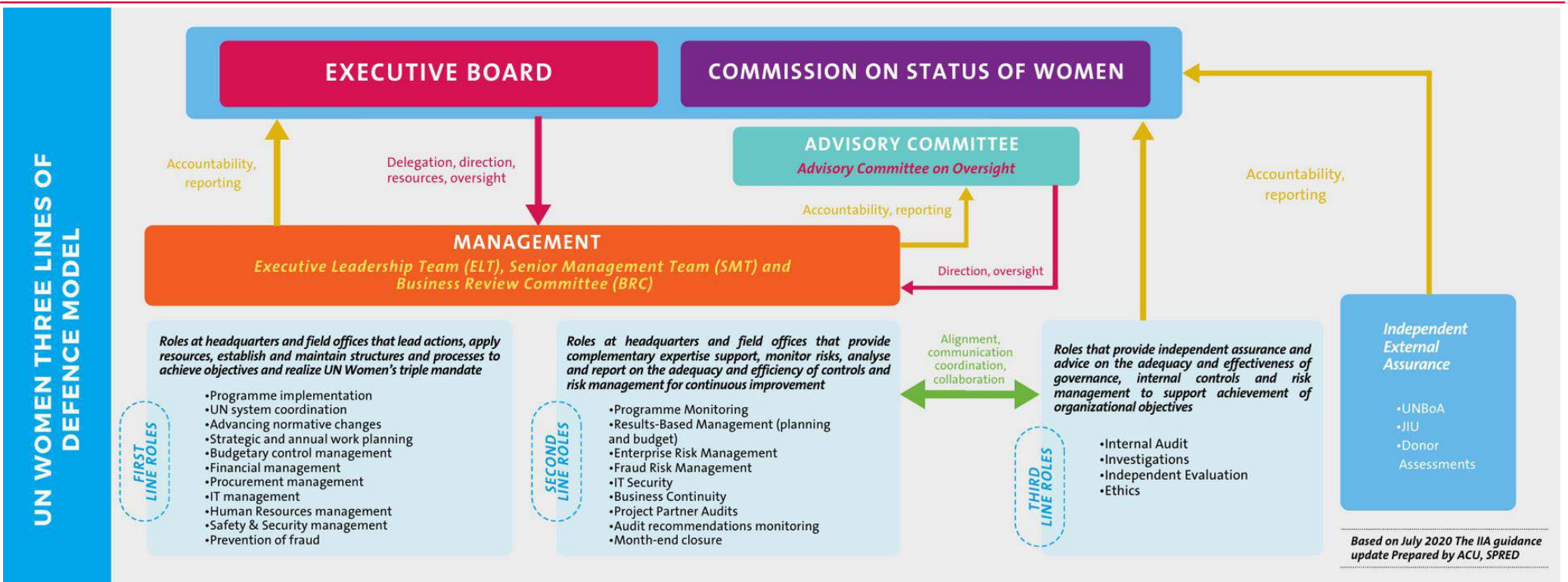# RISK MANAGEMENT PROCESS:
MATURITY ASSESSMENT AS OF MAY 2019

The key objective of risk management is to assist managers in making risk-informed decisions, justified by the assessment of existing and potential risks and opportunities. Risks should also drive the design of an organization's internal controls to ensure risks are mitigated by proportional and cost-effective controls, without creating a bureaucracy of unnecessary mitigating measures. Effective risk management, followed by a cost-effective internal control system, and assured by the Three Line of Defence providers, are the foundation pillars of the Combined Assurance Concept, i.e. a matrix comprising an organization's risks and the internal and external providers of assurance services that cover those risks.

UN WOMEN THREE LINES OF DEFENCE MODEL

EXECUTIVE BOARD

COMMISSION ON STATUS OF WOMEN

Accountability, reporting

Delegation, direction, resources, oversight

ADVISORY COMMITTEE
Advisory Committee on Oversight

Accountability, reporting

Accountability, reporting

MANAGEMENT
Executive Leadership Team (ELT), Senior Management Team (SMT) and Business Review Committee (BRC)

Direction, oversight

FIRST LINE ROLES

Roles at headquarters and field offices that lead actions, apply resources, establish and maintain structures and processes to achieve objectives and realize UN Women's triple mandate

- Programme implementation
- UN system coordination
- Advancing normative changes
- Strategic and annual work planning
- Budgetary control management
- Financial management
- Procurement management
- IT management
- Human Resources management
- Safety & Security management
- Prevention of fraud

SECOND LINE ROLES

Roles at headquarters and field offices that provide complementary expertise support, monitor risks, analyse and report on the adequacy and efficiency of controls and risk management for continuous improvement

- Programme Monitoring
- Results-Based Management (planning and budget)
- Enterprise Risk Management
- Fraud Risk Management
- IT Security
- Business Continuity
- Project Partner Audits
- Audit recommendations monitoring
- Month-end closure

Alignment, communication coordination, collaboration

THIRD LINE ROLES

Roles that provide independent assurance and advice on the adequacy and effectiveness of governance, internal controls and risk management to support achievement of organizational objectives

- Internal Audit
- Investigations
- Independent Evaluation
- Ethics

Independent External Assurance

- UNBoA
- JIU
- Donor Assessments

Based on July 2020 The IIA guidance update Prepared by ACU, SPRED

Main objectives

IAS conducted a maturity assessment of the Entity's risk-management process to promote concepts of results-focused accountability and good governance; enhanced risk management and effective internal controls; and to encourage management producing an annual Statement on Internal Controls. This review aimed to assist UN-Women management in their development of an action plan to enhance risk management and advance the organization to a higher level of maturity.
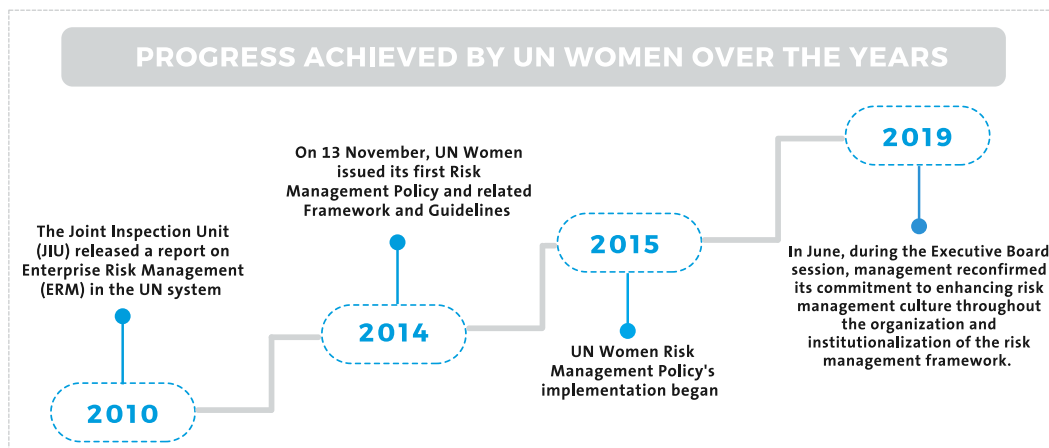
Methodology

IAS based its work on interviews and surveys with Function Heads (Business Process Owners) and risk owners in the field and headquarters; previous audit reports; and benchmarking with other UN and international organizations to identify cost-effective solutions to improve the risk management process.

The Risk Maturity Model developed by the Risk Management Society (RIMS) was adapted to UN Women's context to measure the Entity's risk management maturity. The model consists of seven attributes scored based on a five-level scale: (1) ad hoc, (2) initial, (3) repeatable, (4) managed and (5) leadership.

This brief presents the key conclusions and recommendations of the advisory assignment.

Achievements as of May 2019

IAS assessed that significant progress has been achieved in the risk management process within a very short timeline. The Entity had developed a Risk Management Policy and Framework; put in place risk management governance elements; established a risk management workflow for recording and reporting on risks; enhanced the risk management function; and conducted training and awareness raising among staff.
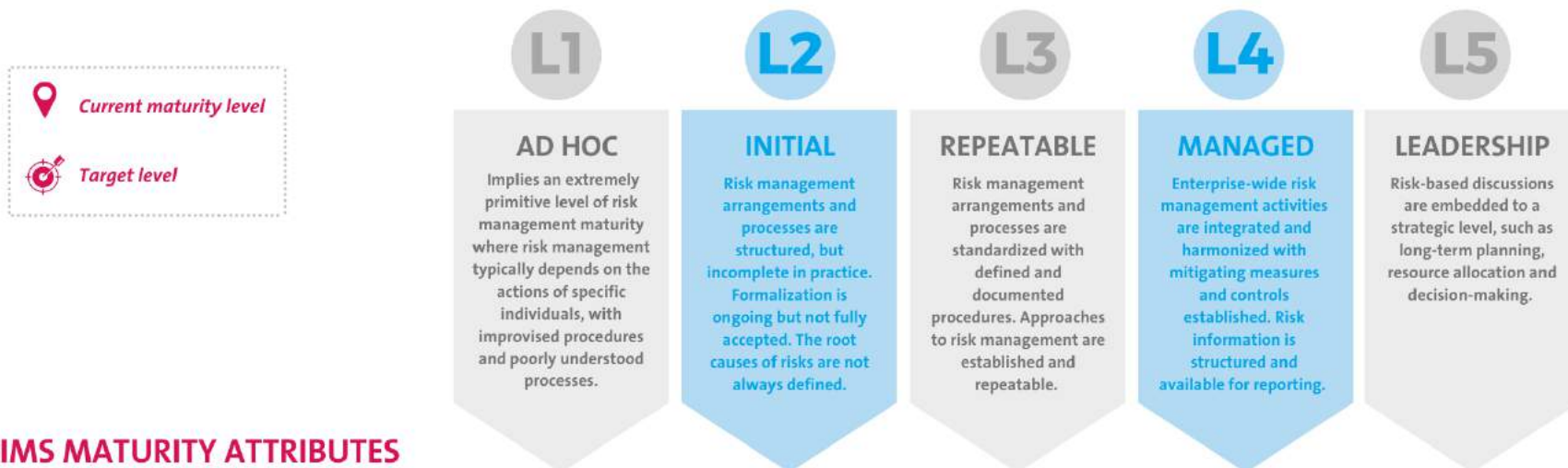
PROGRESS ACHIEVED BY UN WOMEN OVER THE YEARS

The Joint Inspection Unit (JIU) released a report on Enterprise Risk Management (ERM) in the UN system

2010

2014

On 13 November, UN Women issued its first Risk Management Policy and related Framework and Guidelines

UN Women Risk Management Policy's implementation began

2015

2019

In June, during the Executive Board session, management reconfirmed its commitment to enhancing risk management culture throughout the organization and institutionalization of the risk management framework.

Key conclusions

- *Conclusion 1:* The key objective of risk management – **to assist managers in making decisions**, justified by the assessment of existing and potential risks and opportunities – was not yet fully embedded in UN Women's culture. The current risk management process was perceived more as a compliance driven exercise, **matured but not yet used** to its full potential as an added-value managerial tool.

- *Conclusion 2:* Some management practices and discussions were in place with clear risk-driven trails. However, these did not always emanate from a systematic risk management process, but rather existed in parallel to it. Therefore, there were some **missing links** between mature risk management and risk-informed strategic and operational decision-making, its supporting governance and resource allocation principles.

- *Conclusion 3:* The key principle of good governance is that the design of an organization's internal controls must be driven by the risks it faces. This ensures that risks are mitigated by proportional and cost-effective controls, **without creating a bureaucracy of unnecessary mitigating measures.** To ensure that UN Women follows this principle, the Entity needs to make progress in the following areas by: systematically assessing the risks for end-to-end business processes, new large projects and strategic plans and initiatives; and by focusing on addressing the root-causes and dependencies of risks instead of the symptoms, which, if properly identified, consolidated, analysed and monitored for effectiveness, would align internal controls with risks.

- *Conclusion 4:* If risk management principles are regularly used, it will enhance knowledge and awareness among risk owners and Business Process Owners about their role and accountability for risk-informed decisions. This would also require the identification of risk roles and accountabilities; the definition and communication of risk appetite and level of tolerance that the Entity and functions are ready to accept; and the development of escalation protocols when tolerance may be exceeded.

The following infographic summarizes the current maturity and target level for long-term risk management process improvement proposed by IAS as a result of benchmarking UN Women against the practices within the UN system and international agencies, which might be reasonable and feasible to implement within a two to three-year period. IAS used the RIMS model and definitions with some changes to the maturity indicators to adapt them to UN Women's context.

Current maturity level

Target level

	L1 AD HOC	L2 INITIAL	L3 REPEATABLE	L4 MANAGED	L5 LEADERSHIP
	Implies an extremely primitive level of risk management maturity where risk management typically depends on the actions of specific individuals, with improvised procedures and poorly understood processes.	Risk management arrangements and processes are structured, but incomplete in practice. Formalization is ongoing but not fully accepted. The root causes of risks are not always defined.	Risk management arrangements and processes are standardized with defined and documented procedures. Approaches to risk management are established and repeatable.	Enterprise-wide risk management activities are integrated and harmonized with mitigating measures and controls established. Risk information is structured and available for reporting.	Risk-based discussions are embedded to a strategic level, such as long-term planning, resource allocation and decision-making.

RIMS MATURITY ATTRIBUTES

	L1 AD HOC	L2 INITIAL	L3 REPEATABLE	L4 MANAGED	L5 LEADERSHIP
ATTRIBUTE 1: ADOPTION OF RISK MANAGEMENT-BASED APPROACH		Current		Target	
ATTRIBUTE 2: RISK MANAGEMENT PROCESS			Current	Target	
ATTRIBUTE 3: RISK APPETITE MANAGEMENT		Current	Target		
ATTRIBUTE 4: ROOT CAUSE DISCIPLINE		Current		Target	
ATTRIBUTE 5: UNCOVERING RISKS		Current		Target	
ATTRIBUTE 6: PERFORMANCE MANAGEMENT		Current	Target		
ATTRIBUTE 7: BUSINESS RESILIENCY AND SUSTAINABILITY			Current	Target	

Way Forward

IAS proposes a road map for management consideration to advance UN Women's risk management strategy to the next maturity level. The road map was built around key pillars of risk management in the following areas:

To strengthen risk culture: Appoint a champion at executive/senior management level to strongly advocate for risk management to be part of key management decision-making and to clearly spell out the link between risk management, key decisions and related accountability.

To enhance governance: Establish a risk management committee, with regular reporting to the SMT on its key responsibility to regularly review corporate risks and their mitigating actions.

To enhance risk management stature and capacity: Upgrade the function's organizational position, role, accountability, authority and capacity. Embed the risk management function into proposal to create a dedicated planning and performance unit under a Deputy Executive Director, which would assist senior management in enhancing risk management culture and decision-making.

To enhance the risk management framework: Set up a Risk Management Assurance Framework with risk-maturity principles, indicators and targets.

To advance risk management process maturity: Introduce and complete periodic functional risk assessments for all high-risk initiatives and for all Business Process Owners, focused on identifying root causes and dependencies between risks and processes, and the mapping of risks with existing controls (to cover gaps and eliminate inefficiencies).

Systems: Integrate the systems recording risks with other systems that are used for annual work planning and monitoring. In addition, make changes to the risk management platform to enhance the risk libraries by introducing standardized risk statements, root causes and consequences. Introduce the measurement of mitigating actions similar to the scale used for impact and likelihood to facilitate better escalation and reporting; and introduce the option to pursue risk as a mitigating measure in case of potential opportunities.

To validate data quality for lessons learned: Periodically validate data to ensure that risk registers are reliable so that they enable informed decisions and are easily consolidated and analysed for root causes. Organize training on the areas identified for improvement.

To enhance monitoring of risk management: Align monitoring with combined assurance of the Three Lines of Defence concept.

To assure the risk management framework and reporting process: Collect information to demonstrate the contribution of risk management to improving UN Women's performance; enhance accountability for embedding risk management into daily processes by setting up a Risk Management Assurance Framework with risk-maturity principles, indicators and targets; and monitor the effectiveness of the Risk Management Policy through annual self-assessment.

To strengthen accountability and transparency: Produce an Annual Risk Assurance Report as the basis for a management plan to introduce an annual Statement on Internal Control consolidated based on inputs from all Heads of Units (risk owners).