UN-Habitat
ENTERPRISE RISK MANAGEMENT

IMPLEMENTATION GUIDELINES

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FOR A BETTER URBAN FUTURE

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April 2015

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Contents

I. Purpose of these guidelines

1. The present guidelines are designed to facilitate the implementation of an effective risk management framework in UN-Habitat in compliance with UN-Secretariat Enterprise Risk Management (ERM) Policy and Methodology as adopted by the Secretary-General – May 2011 (see attached Annexes 1 and 2). ERM is a continuous improvement process and this document will evolve accordingly.

II. Definition

2. Risk is the effect of an event on an organization's ability to achieve its objectives and fulfill its mission and mandates successfully. It can be defined as "the effect of uncertainty on objectives".

3. ERM is defined by the United Nations as "the process of coordinated activities designed to direct and control an organization with regard to risk, the effect of uncertainty on objectives. It is applied in strategy-setting throughout the Organization" United Nations ERM Management and Internal Control Policy, May 2011.

III. Enterprise Risk Management in the UN Secretariat

4. Resolution 64/259 gave the Secretary-General the mandate to enhance "the current capabilities in the Secretariat responsible for risk assessment and mitigation and internal control".

5.   In May 2011 the UN Management Committee approved the Enterprise Risk Management (ERM) and Internal Control Policy and the ERM and Internal Control Methodology, outlining the purpose, governance mechanisms and principles that guide the adoption of ERM in the UN Secretariat, and decided to act as the ERM Committee for the Secretariat. The Policy and the Methodology provides the basis for ERM implementation in UN Secretariat entities.

6.   In November 2012, the Management Committee approved the implementation of a Secretariat-wide enterprise risk assessment to identify, evaluate and prioritize the top strategic risks for the Organization and related managerial responses.

7.   In July 2014, the Secretary-General approves (i) the Risk Register for the United Nations Secretariat, including related risk response strategies and (ii) the governance structure that will support the ERM process. The register is the instrument that summarizes the top strategic risks for the Organization as identified by the first Secretariat-wide enterprise risk assessment. The 6 top critical risks were identified as: (1) Organization structure and synchronization, (2) organizational transformation, (3) strategic planning and budget allocation, (4) Safety and security, (5) Extra-budgetary funding and management and (6) Human resources strategy, management and accountability.
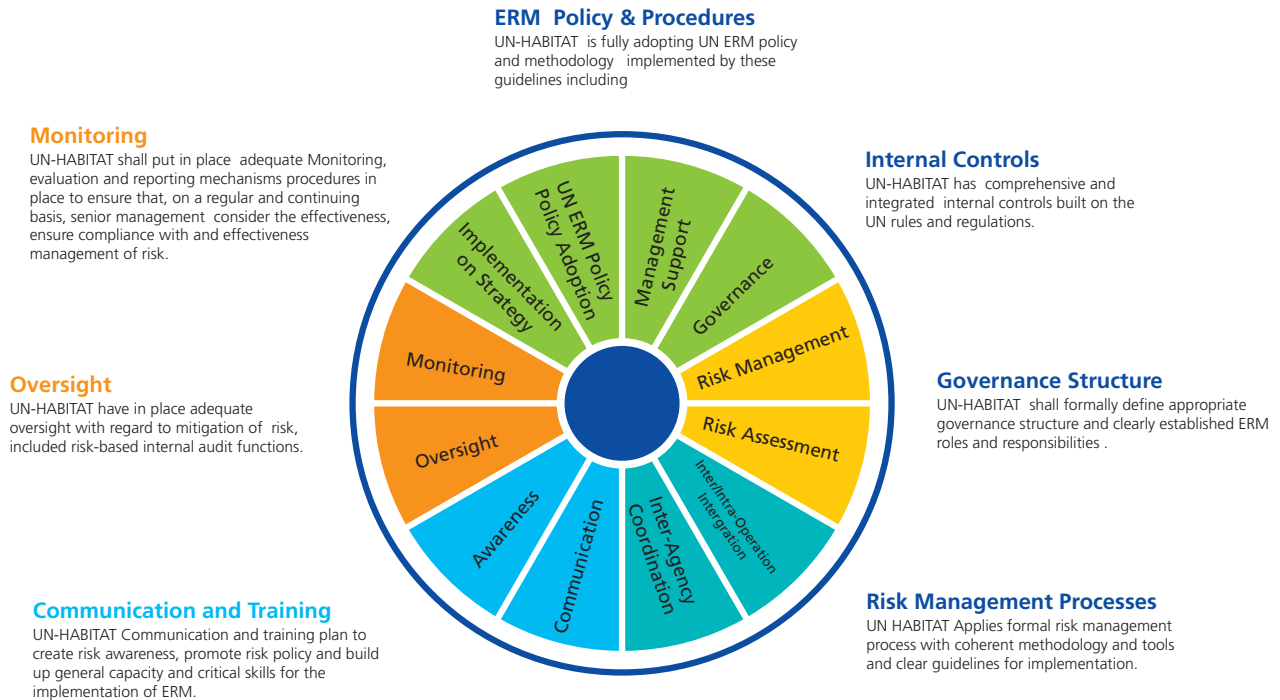
IV. Risk Management at UN-Habitat

8.   UN-Habitat actively contributed to UN-Secretariat ERM implementation initiative including the risk assessment.   With UN-Habitat being an agency part of the UN secretariat, it is bound to comply and implement the Secretariat ERM policy and methodology. The UN Secretariat established risk treatment working groups to focus on each of the identified risks; UN-Habitat is part of the Risk Treatment Group 5 focusing on extra-budgetary funding.

9.   In addition to the work being done in collaboration with the UN Secretariat, UN-Habitat established in 2012, a risk identification matrix as part of the standard project template that each project leader is required to complete on the inception of every project, including mitigation strategies for medium, high and critical risks.

10. Finally, UN-Habitat initiated a project in 2014, with support from SIDA, to look at UN-Habitat specific risks and establish a framework within the organization that is based on the wider UN standard but customized for organizational needs. This was to be in line with results based management principles and the organization's accountability framework, also under development, and taking into account the operational risks arising from the nature of the majority of its project portfolio. – (See Annex 3. Main findings and recommendations of the risk management project).

11. According to the study carried out in UN-Habitat, the top critical risks identified at the corporate levels are:

    (1) Realization and demonstration of results in line with UN-Habitat's strategic plan and mandate

    (2) Fit for purpose human resource strategies, operational tools, business processes

    (3) Governance and oversight for enhanced accountability, transparency and risk management

    (4) Financing of the core budget

    (5) Safety and security

    (6) Umoja implementation

UN-Habitat Risk Management Framework

12. Based on the ERM policy and methodology adopted by the UN Secretariat, and on the main recommendations of the UN-Habitat risk assessment project undertaken in 2014, UN-Habitat ERM Framework comprises the following elements:

ERM Policy & Procedures
UN-HABITAT is fully adopting UN ERM policy and methodology   implemented by these guidelines including

Monitoring
UN-HABITAT shall put in place adequate Monitoring, evaluation and reporting mechanisms procedures in place to ensure that, on a regular and continuing basis, senior management consider the effectiveness, ensure compliance with and effectiveness management of risk.

Internal Controls
UN-HABITAT has comprehensive and integrated internal controls built on the UN rules and regulations.

Oversight
UN-HABITAT have in place adequate oversight with regard to mitigation of risk, included risk-based internal audit functions.

Governance Structure
UN-HABITAT shall formally define appropriate governance structure and clearly established ERM roles and responsibilities .

Communication and Training
UN-HABITAT Communication and training plan to create risk awareness, promote risk policy and build up general capacity and critical skills for the implementation of ERM.

Risk Management Processes
UN HABITAT Applies formal risk management process with coherent methodology and tools and clear guidelines for implementation.

V. Risk Management Levels

13.   For effectiveness, risk management will be decentralized and managed by the organizational area closest to where the risk is occurring as follows:

RISK MANAGEMENT LEVELS	RISK TYPE	RISK OWNERS
High corporate level (HQ executive level)	Organization-wide risks	Executive Director
Divisional level	Risks affecting divisional functions and responsibilities	Divisional Directors
Regional level	Region-specific risks	Regional Directors
Sub-programme level	Risks affecting delivery of results at sub-programme level	Sub-programme Coordinators
Country office level	Country-specific risks	Head of Country Offices
Project level	Project-specific risks	Project Managers

VI. Risk Governance Structure, Roles and Responsibilities

14.   The following governance structure shall govern UN-Habitat ERM:

(a)   **Executive Director-** the ultimate responsibility for effective risk management resides with the Executive Director (ED). The ED, together with Risk Oversight and Advisory Committee semi-annually reviews significant risks facing the organization, and proposes strategies designed to effectively mitigate the identified risks to a consolidated entity level. The ED ensures that the overall ERM framework is effective and that critical risks are known and appropriately managed.

(b)   **Risk Oversight and Advisory Committee**, reporting to the Executive Director: (a) Monitors and discusses the overall effectiveness of risk management practices and provides findings to the ED. (b) Reviews the risk profile of the organization and related action plans. (c) Reviews and evaluates main risk areas and key risks, and determines the overall policy of the organization on how to manage these risks. (d) Monitors and advises on progress in the implementation of the ERM policy and framework. (e) Ensures that key risks are considered in the strategic planning and programming process. (f)Advise the Executive Director on the overall implementation of the ERM and strategic decisions regarding the implementation of ERM in UN-Habitat. The Committee is comprised of the following members:

i.   Deputy Executive Director (chair)

ii.   Chief, Office of the Executive Director

iii.   Director, Programme Coordination Division

iv.   Director, Operations Division

v.   Director, External Relations

vi.   Representative from the Branches

vii.   Representative from the Regions

(c)   **Risk owners** are responsible, amongst other matters, for: a) Regularly reviewing the risks owned by them, informing the local Risk Focal Point of any identified challenges, and escalating risks for which the relevant impact or likelihood is perceived to have increased. b) Determining where internal control deficiencies relating to their risks may be identified, proposing any appropriate risk mitigation measures, and monitoring risk treatments implementation relating to the risks for which they have responsibility. c) Updating relevant risk information and contributing to risk reporting as may be required

(d)   **Risk focal points** – each Programme Advisory Group shall have a Risk Focal Point who shall (a) Guide and facilitate the risk management process and advice on use of tools, including risk self-assessments, relevant information technology tools, and maintenance of the risk register. (b) Review and approve risk treatment and response plans in their area.

(e)   **Risk Officer** – (a) Facilitate and promote the application of sound risk management and internal control policies, and provide oversight for the implementation of the ERM activities within the organization (b) Prepare reports on risk management and internal control activities, including a consolidated entity level risk register and assessment report. (c) Support the dissemination of information and best practices with regard to risk and internal control management principles and measures across the organization, and developing appropriate communication and training programs, to enhance the risk management culture.

(f)   **Risk Assessment Assistant** - Compile risk related reports, assist with follow up on risk action plans, support Risk Oversight and Advisory Committee meetings, and assist the Risk Officer in other duties, as required.

VII. Risk Monitoring Requirements

15.   The following requirements should be followed for the monitoring and reporting of risks:

Each risk:

a.   should be assigned a risk owner;

b.   should be assigned a rating based on the likelihood and impact of the risk; risks rated

  i.   HIGH should be effectively mitigated by risk owners and the effectiveness of the mitigations monitored and reported on a quarterly basis;

  ii.   MEDIUM should be effectively monitored and mitigated by the risk owners, reviewed by the risk owner's supervisor, and reported on annually by the risk owners.

  iii.   LOW should be kept under watch by risk owners with annual reports on the change of the risk level.

VIII. Risk Management Tools

16. These main tools will support the implementation of ERM:

(a) **PAAS** as the repository system facilitating tracking, monitoring and reporting of risks;

(b) **Risk Treatment and Response Plan Template** which shall outline for each risk identified the main mitigating controls already in place, any additional control and treatment strategies to introduce to further mitigate risks, as may be appropriate, defining detailed action plans, and identifying risk owners. In the case of projects, the risk treatment and response plan template will be continue to be embedded in individual project document in PAAS and strengthened accordingly.

(c) **Risk Register** as the consolidated inventory list of all risks and risk information maintained by the Organization, including the risk category, risk definition, mitigation strategy, rating results and other relevant information pertaining to each risk

IX. Phased Implementation and implementation Roadmap

17.   The ERM will be implemented in phases with some activities taking place in parallel sequences in order to optimize the full benefits of the exercise.

	January / April 2015	May / June 2015	July / August 2015	September / October 2015	November 2015 / February 2016	March / April 2016
Enterprise Risk Management Consultancy Report	■					
Identification and assessment of corporate level risks	■					
ERM Implementation guidelines	■	■				
Establish Risk Governance Structure		■				
Actions to address top level risk[1]	■	■	■	■	■	■
PAAS risk features automation		■	■	■		
Training in risk framework				■	■	■
Conclude methodology/roll out at all levels		■	■	■	■	
Lesson learnt and process refinement						■

[1]Governing Council (GC25) adopted series of resolutions in April 2015 to facilitate mitigation actions for some top level risks, e.g. Governance

X. Annexes

Annex 1:   UN Secretariat Enterprise Risk Management and Internal Control Policy

Annex 2:   UN Secretariat Enterprise Risk Management and Internal Control Methodology

Annex 3:   Main findings and recommendations of Risk Management project

XI. Final provisions

18.   These guidelines shall be implemented in a phased and orderly manner with the aim to optimize and realize the full benefits of the ERM. Full implementation is targeted by 30 April 2016.

19.   These guidelines are effective from 1 May 2015.

Dr. Joan Clos
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