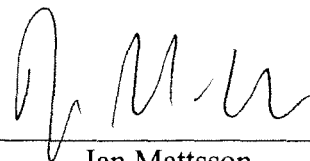


**ORGANIZATIONAL DIRECTIVE No. 33****UNOPS Strategic Risk Management Planning Framework****1. Introduction**

- 1.1. The Executive Director hereby issues UNOPS Strategic Risk Management Planning Framework. The framework provides strategic direction for further operationalization of the risk management system mandated in Article 4 of UNOPS Financial Regulations and Rules (OD 3).
  - 1.1.1. The objective of the framework is to “Facilitate that UNOPS risk management system is implemented in a phased and cost-effective manner, and embedded with a view to complement other organizational efforts driving UNOPS progression of organizational maturity.”
  - 1.1.2. Based on international standards for risk management, the framework sets out guiding principles to enable that UNOPS risk management system is a relevant and cost-effective means of managing the organization’s threats and opportunities.
  - 1.1.3. In line with the notion of enterprise risk management, the framework defines three interrelated dimensions comprising the concept for UNOPS risk management system: categories of risk; ownership of risk; and the process of managing risk.
  - 1.1.4. The framework outlines the main components which may be considered as part of further embedding UNOPS risk management system throughout the organization.

**2. Final provisions**

- 2.1. This Organizational Directive is effective 16 April 2010.
- 2.2. The policy shall be implemented in a phased manner in support of the organizational maturity agenda and to protect operational excellence for results that matter.



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Jan Mattsson  
Executive Director, UNOPS

## UNITED NATIONS OFFICE FOR PROJECT SERVICES

### Organizational Directive No. 33

## UNOPS Strategic Risk Management Planning Framework

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## A. Introduction

1. The Executive Board's approval of UNOPS Strategic Plan 2010-13<sup>1</sup> has ensured alignment around UNOPS organizational objectives and expectations of its role in the UN system and beyond. Pursuant to the approval of the strategic plan UNOPS has embarked on a phased implementation of a Global Structure<sup>2</sup> to provide a robust organizational architecture to underpin achievement of the vision, and the management and operational goals outlined in the strategic plan. A key component of UNOPS Global Structure is the organization's practice approach which will drive alignment and integration of policy, tools and people across functions, areas of service and geography.

2. As any organization, UNOPS face internal and external factors and influences that make uncertain whether and when objectives are achieved. The effect of this uncertainty on achievement of objectives is "risk", which manifests itself as threats as well as opportunities. As defined in UNOPS Financial Regulations and Rules risk management is the set of policies, procedures, and practices involved in the identification, analysis, assessment, control, avoidance, minimization, or elimination of unacceptable risks. In other words, risk management concerns coordinated activities to direct and control the organization with regard to risk, and can be applied to the entire organization, at its many areas and levels, at any time, as well as to specific functions, projects and/or activities.

3. In recent years, UNOPS has significantly solidified its internal control framework through promulgation of new management policies.<sup>3</sup> Implementation of the practice approach in concert with UNOPS approach to quality management<sup>4</sup> will, inter alia, enable continuous improvement of the business processes, instructions, guidance and tools comprising UNOPS operational infrastructure. Strengthening risk management as part of this multi-pronged and integrated approach to organizational maturity will further enhance assurance of compliance with and appropriateness of the organization's management policies.

4. UNOPS Financial Regulations and Rules, Regulation 4.01 stipulate:

*"The executive director shall maintain a risk-management system to manage and control financial and other types of risks, including identification, evaluation, and measurement of possible impact on UNOPS, and selection and maintenance of various solutions to mitigate risk."*<sup>5</sup>

5. UNOPS strategic risk management planning framework establishes the parameters for further operationalization of this regulation, through:

- a. defining the **objective** of the strategic risk management planning framework
- b. setting out the **principles** which will guide UNOPS formative approach to a mature risk management system
- c. establishing the basic **concept** for UNOPS risk management system
- d. outlining the components of the phased **approach** to embedding the risk management system throughout the organization

6. UNOPS strategic risk management planning framework has been inspired by the integrated approach inherent in the Secretary-General's report on accountability framework, enterprise risk management and internal control framework, and results-based management framework,<sup>6</sup> and the General Assembly's decision on the report.<sup>7</sup> In view of the GA's decision on the SG's report, and

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<sup>1</sup> United Nations Office for Project Services strategic plan 2010-2013 (DP/2009/36)

<sup>2</sup> UNOPS Global Structure, OD 15.

<sup>3</sup> As evidenced by the scope and continuous improvement of UNOPS high-level policy framework. On 1 February 2010 UNOPS high-level policy framework consisted of 27 Organizational Directives (ODs); of these 22 were issued in the 08-09 biennium and one in January 2010; of the remaining five, two were in revision for promulgation by the end of the first quarter of 2010 along with an additional three new ODs. For policies related to Risk Management see Annex 2: Policy Framework for UNOPS Risk Management.

<sup>4</sup> Quality Management Policy: Continually improving operational excellence for results that matter (OD 31)

<sup>5</sup> For further detail see Annex 1: UNOPS Financial Regulations and Rules, Article 4. Risk Management.

<sup>6</sup> A/62/701. Report of the Secretary-General - Accountability framework, enterprise risk management and internal control framework, and results-based management framework, 19 February 2008.

<sup>7</sup> A/RES/63/276. Resolution adopted by the General Assembly – Accountability framework, enterprise risk management and internal control framework, and results-based management framework, 26 June 2009.

based on international standards and recognized best practices for risk management,<sup>8</sup> UNOPS strategic risk management planning framework shall ensure that UNOPS risk management system is not deployed as a bolt on to existing management processes but in an integrated and phased manner with the ultimate aim of:

- **protecting operational excellence for results that matter.**

## **B. Objective of UNOPS strategic risk management planning framework**

7. As an integral part of UNOPS internal control framework, risk management shall contribute to strengthening of the organization's ability to anticipate and respond to opportunities and threats. Risk management shall at appropriate levels, inform prioritization of strategic alternatives and mitigation measures, particularly in the context of UNOPS recurrent strategy and business planning.

Furthermore, risk management shall inform calibration of UNOPS internal controls in the context of continual improvement of business processes, instructions, guidance, tools, and management information systems. In sum, in UNOPS risk management is inherently connected to quality management and an essential means of informing and prioritizing the corporate improvement agenda.

8. UNOPS risk management system comprises the set of components that provide the foundations and organizational arrangements enabling coordinated efforts for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organization. The objective of UNOPS strategic risk management planning framework is to:

*Facilitate that UNOPS risk management system is implemented in a phased and cost-effective manner, and embedded with a view to complement other organizational efforts driving UNOPS progression of organizational maturity.*

9. The phased implementation of UNOPS risk management system shall strengthen organizational maturity through enhancing organizational ability to:

- Drive alignment of risk appetite and strategy:** calibration of the organization's risk appetite to enhance management's consideration and selection of strategic alternatives, setting of related objectives, and development of specific mechanisms to manage associated risks.
- Enhance risk response decisions:** through rigor of methods and approaches to identification and selection of alternative responses to threats and opportunities.
- Reduce operational surprises and losses:** enhance UNOPS capability to identify potential events and establish responses, reducing surprises and associated costs of losses.
- Seize opportunities:** through consideration of a full range of potential events, enhance managements positioning for identification and proactive realization of opportunities.
- Improve deployment of capital:** through robust information strengthen management's ability to effectively assess overall capital needs and optimize deployment.

## **C. Principles guiding UNOPS formative risk management approach**

10. Adherence to the principles<sup>9</sup> below shall enable UNOPS risk management system to be a relevant and cost-effective means of managing the organization's threats and opportunities. UNOPS risk management system shall:

- Create and protect value:** Risk management must have demonstrable effect on achievement of objectives and improvement of performance as defined by UNOPS contribution goals and management results.
- Be an integral part of relevant business processes:** Risk management shall not be a stand-alone activity that is separate from the main activities and processes of the organization. Risk management is part of the responsibilities of management and an integral part of relevant business processes, particularly strategic planning, portfolio and engagement management, and quality management processes.

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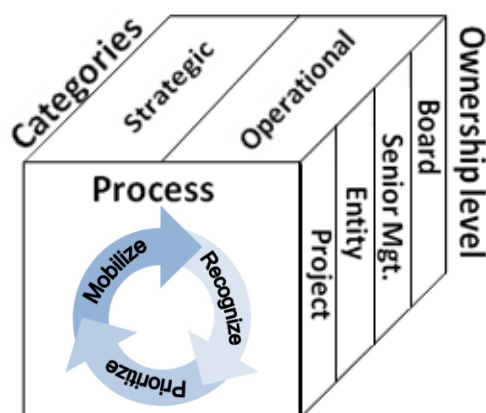
<sup>8</sup> Particularly: ISO 31000, Risk management – Principles and guidelines, first edition 2009; Enterprise Risk Management – Integrated Framework, Committee of Sponsoring Organizations of the Treadway Commission, 2004; and Management of Risk: Guidance to Practitioners, Office of Government Commerce, 2007. For further reference see Annex 3: UN and other documents on risk management.

<sup>9</sup> The principles are derived from ISO 31000.

- c. **Inform decision making:** Risk management shall be deployed to help decision makers at relevant levels make informed choices, prioritize actions and distinguish among alternative courses of action.
- d. **Explicitly addresses uncertainty:** Risk management shall explicitly take account of uncertainty, the nature of that uncertainty, and how it can be addressed.
- e. **Be systematic, structured and timely:** Risk Management shall be deployed in a systematic, structured and timely manner to enable cost-effective embedding and focused generation of consistent, comparable and reliable results.
- f. **Be based on the best available information:** The inputs to the process of managing risks are based on information sources such as historical data, experience, stakeholder feedback, observations, forecasts and expert judgement. However, decision makers shall exercise judgement and inform themselves of, and take into account, any limitations of the data or modelling used or the possibility of divergence among experts.
- g. **Be tailored to UNOPS:** UNOPS risk management system and risk categories and profile shall be tailored to the organization's external and internal context.
- h. **Be transparent and inclusive:** The deployment approach shall ensure appropriate and timely involvement of stakeholders and, in particular, relevant decision makers, to facilitate that risk management remains relevant and up-to-date; and that stakeholders views are properly represented and taken into account in determining UNOPS risk categories and mitigation measures.
- i. **Be dynamic, iterative and responsive to change:** To remain relevant risk management must continually sense and report change. As external and internal events occur, context and knowledge change, monitoring and review of risks take place, new risks emerge, some change, and others disappear.
- j. **Facilitate continual improvement in the organization:** Deployment should be complemented with mechanisms to assess and continually improve UNOPS risk management maturity and be aligned with approaches driving the organization's overall excellence and maturity agenda.
- k. **Involve UNOPS internal audit:** It is recognized that internal audit, through the Internal Audit and Investigations Group, will play a significant and supportive role in the establishment and monitoring of the UNOPS risk management system, In exercising its role, internal audit will be directed by its professional standards and related guidance.<sup>10</sup>

#### D. Concept for UNOPS Risk Management System

11. Conceptually UNOPS risk management system must enable linkages and integration of risk management on three interrelated dimensions: categories of risk, ownership of risk and the process of managing risk.<sup>11</sup> Thus, UNOPS risk management system is comparable to the notion of enterprise risk management framework or risk management framework used by other organizations. As part of further operationalizing the risk management system due regard shall be paid to the United Nations context.



<sup>10</sup> Includes: "The Role of Internal Auditing in Enterprise-wide Risk Management, The Institute of Internal Auditors, 2004."

<sup>11</sup> This three dimensional model for the basis concept of UNOPS risk management system is based on COSO's model for an enterprise risk management framework, Enterprise Risk Management – Integrated Framework, Committee of Sponsoring Organizations of the Treadway Commission, 2004.

12. Competing standards and best practices for risk management articulate the process of managing risks in their own specific language.<sup>12</sup> However, all processes share three fundamental activities constituting the core process of a risk management system: recognize risks, prioritize risks, and mobilize responses. These activities must be performed regardless of the level at which risks are being managed. At the macro level these activities must be integrated into the organization's management processes; and at the micro level, these activities reflect risk management as defined in the Prince2 methodology or the approach to risk management implicit in the logical framework approach informing results-based budgeting and management approaches in the UN system. In addition, relevant business processes must from an organizational perspective be designed in a manner which is sufficiently robust to facilitate bottom-up and top-down linkage, and integration of aspects of and responsibility for risk management at relevant levels.

13. With the ultimate aim of protecting operational excellence for results that matter, UNOPS high-level risk categories must encompass both strategic and operational risks. Within these high-level categories UNOPS will, as part of the phased implementation, identify specific risk categories to establish context and facilitate uniformity in the organization's classification of risks.

14. All UNOPS personnel have responsibility for management of risks and the Executive Director is ultimately accountable to Member States through the Executive Board for effective risk management. However, to ensure that risks are effectively managed, the ownership for different types and aspects of risks will need to be assigned at different levels of the organization, through definition of specific roles and responsibilities. Although the practical reality of codifying and assigning risk ownership throughout the organizations will represent a more complex picture, UNOPS risk management system must encompass a minimum four levels of ownership: board, senior management, entity and project level.<sup>13</sup>

## **E. Approach to embedding UNOPS risk management system**

15. In view of the inherent complexity of implementing a risk management system the primary lever for embedding UNOPS Risk Management System is the practice approach, which is embedded in the global structure to drive strategic and operational alignment of the organization's policy, tools and people. To avoid the fallacy of deploying risk management as a self-standing and isolated management activity and ensure a sustained effort, the strategic risk management planning framework will be implemented in a phased manner. To ensure relevance and sustainability the scope of coverage and involvement of the organization will be gradually expanded with a view to the organization's ability to appropriately resource the effort, and the readiness of the strategic and operational infrastructure in which the risk management system shall be embedded.

16. UNOPS approach to embedding its risk management system throughout the organization may include the following components:

- a. **Risk appetite** – senior management will develop and communicate UNOPS risk appetite statement in view of operational and management goals in the 2010-13 strategic plan. To enable Member State validation, UNOPS risk appetite statement may be included as a section in UNOPS biennial budget estimates.
- b. **External Risk Assessment** – as a means of leveraging best practice for embedding risk management UNOPS may engage external risk management specialists to conduct a comprehensive assessment of the organization's strategic and operational risks. The assessment shall, inter alia, facilitate articulation of UNOPS risk appetite and assess UNOPS approach to disaster recovery and business continuity planning.
- c. **Risk categories** – distinguishing between strategic and operational risks – define specific risk categories as they pertain to operational and management results, the organization's practices and enabling functions, regional business units, services and major engagements.
- d. **Risk owners** – specific risk categories shall be defined in a manner enabling explicit assignment of ownership, ensuring alignment of risk categories and ownership with the organizational structure, recognizing functional areas and regional business units. The sequence and time frame for mobilization of appropriate mitigation may be prioritized and agreed as part of the risk owner's work plan. As part of defining and assigning risk ownership, particular attention shall be paid to ensuring clarity of expectations vis-à-vis UNOPS Operations Centre Directors, Project Centre

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<sup>12</sup> See note 7 and Annex 6: Comparing the high-level risk process with standards and best practices.

<sup>13</sup> See Annex 5: Draft illustration of risk ownership levels.

Managers and Cluster Managers; and availing practical guidance, tools and advice enabling execution of their responsibilities.

- e. **Risk fora** – risk management shall, at regular intervals, be included as a standing item on the agenda of relevant decision-making, coordination and integration fora throughout the organization.
- f. **Risk escalation** - roles and responsibilities associated with escalation of risk shall be defined and appropriate mechanisms for managing this aspect of the process established.
- g. **Business process management and design** – risk identification and management shall be considered as an integral requirement in design and continuous improvement of relevant business processes. This shall enable incorporation of relevant mitigation measures for identified risks.
- h. **Practitioners, guidance and advice** – risk owners may involve practitioners, particularly their designated coordinators and advisors, in targeted risk management events to tailor mechanisms for recognizing, prioritizing and mobilizing responses to risk, including calibration of expectations for and reinforcement of appropriate behaviour. As appropriate such efforts should be projectized in cross-functional and/or cross-geographical teams with responsibility for developing relevant instructions, guidance and tools; coordinators and advisors shall in turn be responsible for providing advice on interpretation and application.
- i. **Job descriptions/performance appraisals** – risk management roles and responsibilities shall be codified in relevant job descriptions, and assessment of risk management diligence and/or conceptual contributions may be included in performance appraisals.
- j. **Risk taking** – mechanisms to recognize and reward informed risk-taking and problem prevention, and sanction failure to diligently exercise responsibilities for risk management shall be developed.
- k. **Common language** – through further strengthening of risk management guidance UNOPS risk management language shall be developed and communicated effectively across the organization.
- l. **Risk function** – UNOPS may assess the feasibility of establishing a dedicated corporate risk function (CRF) to drive UNOPS phased implementation of the risk management system. The function should have direct access to senior executives, and its role should be to facilitate efforts by risk owners to manage risks, i.e. it should not manage risk itself.
- m. **Risk registers and warehousing** – UNOPS may assess the utility and feasibility of leveraging existing ICT platforms for global warehousing of risk registers.
- n. **Results framework** – enable linkage of risk and performance management through conceptual integration of UNOPS results frameworks, and articulation of associated management process and alignment of management information systems.
- o. **Risk based audit** – ensure that risk based audit plans are developed through a consultative process with senior management, while safeguarding internal auditors’ objectivity and independence, and explore the feasibility of a risk based approach to prioritization of implementation effort.
- p. **Disaster recovery and business continuity planning** – particularly addresses mitigation of operational risks associated with functions under the overall authority of UNOPS Corporate Support Group. CSG will develop and promulgate a business continuity framework detailing specific risks categories associated with facilities and infrastructure. The framework will, inter alia, clarify roles and responsibilities and provide practical tools to support readiness assessment and contingency planning at relevant levels. Furthermore, special instructions on operating in an emergency situation may, as appropriate, be embedded in policy and guidance developed and issued by UNOPS Management Practices.
- q. **Monitoring and review** – risk categories shall be subject to regular and periodic review and consequent adjustment of the control response. Such monitoring and review shall determine whether: the measures adopted resulted in what was needed; the procedures adopted and information gathered for undertaking the assessment were appropriate; improved knowledge would have helped to reach better decisions; and identify what lessons could be learned for future assessments.
- r. **Risk maturity assessment** – as a strategic measure the level of maturity of the organizations risk management practices may be assessed on an annual basis as a means of identifying targeted and cost-effective approaches to further embed UNOPS risk management system.<sup>14</sup>

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<sup>14</sup> UNOPS approach to maturity assessment will be based on the criteria of the EFQM excellence model as developed by HM Treasury. Adherence to this framework will, inter alia, allow external benchmarking of UNOPS maturity level. For more detail see Annex 4: Outline of a risk maturity assessment framework.

## **F. Annex**

### **Annex 1: UNOPS Financial Regulations and Rules, Article 4. Risk Management**

#### **Regulation 4.01**

The executive director shall maintain a risk-management system to manage and control financial and other types of risks, including identification, evaluation, and measurement of possible impact on UNOPS, and selection and maintenance of various solutions to mitigate risk.

#### **Rule 104.01**

The heads of UNOPS business units shall on an annual basis define their major risks and business opportunities as integral elements of setting management work plans.

#### **Rule 104.02**

Risk tolerances shall be defined periodically based on the changing business environment. Heads of UNOPS business units shall re-evaluate at least annually such risks and strategies to mitigate them.

#### **Rule 104.03**

An independent strategy and audit advisory committee shall be established with a view to, inter alia, advise the Executive Director on any significant management issues and provide advice to the Executive Board on the soundness of the risk management systems of UNOPS.

#### **Rule 104.04**

A policy advisory committee shall be established to provide policy guidance to the Executive Director on UNOPS activities.

### **Annex 2: Policy framework for UNOPS risk management**

- a. UNOPS Legislative Framework (OD 01)
- b. Accountability Framework and Oversight Policies (OD 02)
- c. UNOPS Financial Regulations and Rules (OD 03)
- d. Engagement Acceptance Policy (OD 04)
- e. Strategy and Audit Advisory Committee Terms of Reference (OD 5)
- f. Internal Control For UNOPS Offices (OD 09)
- g. UNOPS Global Structure (OD 15)
- h. Cost Recovery and Client Pricing Policy (OD 22)
- i. Internal Audit Charter ( OD 25)
- j. Internal Control and Risk Management Framework (OD 27)
- k. Quality Management Policy: Continually improving operational excellence for results that matter (OD 31)
- l. United Nations Office for Project Services strategic plan 2010-2013 (DP/2009/36)
- m. United Nations Office for Project Services budget estimates for the biennium 2010-11 (DP/2010/9)

### **Annex 3: UN and other documents on risk management**

#### **1. Official documents of direct relevance to UNOPS risk management system**

- a. UNOPS estimates for the biennial support budget, 2010-2011 – Report of the Advisory Committee on Administrative and Budgetary Questions, DP/2010/10, 6 January 2010
- b. Comments by UNOPS Executive Director in response to ACABQ Report of 22 December 2009 on UNOPS Biennial Budget for 2010-2011, 6 January 2010
- c. United Nations Office for Project Services – Report on the implementation of the recommendations of the Board of Auditors for the biennium 2006-2007, DP/2010/14, 22 October 2009
- d. Letter from United Nations Board of Auditors -Risk management (mitigation) plan, 9 November 2009

- e. Letter from United Nations Board of Auditors - Management Letter on the interim Audit of the United Nations Office for Project Services, Headquarters, for the biennium ending 31 December 2009, 9 February 2010

**2. Other official UN documents of relevance for UNOPS risk management system:**

- a. A/RES/63/276. Resolution adopted by the General Assembly – Accountability framework, enterprise risk management and internal control framework, and results-based management framework, 26 June 2009
- b. A/63/457. Report of the Advisory Committee on Administrative and Budgetary Questions - Accountability framework, enterprise risk management and internal control framework, and results-based management framework, 29 September 2008
- c. A/63/328. Report of the Independent Audit Advisory Committee - Activities of the Independent Audit Advisory Committee for the period from 1 January to 31 July 2008, 25 August 2008
- d. A/63/268. Report of the Office of Internal Oversight Services - Review of results-based management in the United Nations, 22 September 2008
- e. A/62/704. Note by the Secretary-General - Report of the Joint Inspection Unit on results-based management in the United Nations in the context of the reform process, 19 February 2008
- f. A/62/701. Report of the Secretary-General - Accountability framework, enterprise risk management and internal control framework, and results-based management framework, 19 February 2008
- g. A/62/701/Add.1. Report of the Secretary-General - Revised estimates relating to the programme budget for the biennium 2008-2009 under sections 28A, 28D, 29 and 35, related to the accountability framework, enterprise risk management and internal control framework, and results-based management framework, 26 February 2008
- h. A/62/701/Corr.1. Report of the Secretary-General - Accountability framework, enterprise risk management and internal control framework, and results-based management framework, 14 March 2008
- i. A/61/805. Note by the Secretary-General - Results-based management in the United Nations in the context of the reform process, 19 March 2007
- j. Towards an Accountability System in the United Nations Secretariat, ppt. OUSG/DM, 2008

**3. Risk management standards and best practices:**

- a. ISO 31000, Risk management – Principles and guidelines, first edition, 2009
- b. Enterprise Risk Management – Integrated Framework, Committee of Sponsoring Organizations of the Treadway Commission, 2004
- c. Management of Risk: Guidance to Practitioners, Office of Government Commerce, 2007
- d. Managing Successful Projects with PRINCE2 Office of Government Commerce, 2009
- e. Fundamentals of Enterprise Risk Management – How Top Companies Assess Risks, Manage Exposure and Seize Opportunity, John J. Hampton, AMACOM, 2009.
- f. Applying COSO's Enterprise Risk Management – Integrated Framework, The Institute of Internal Auditors
- g. The Role of Internal Auditing in Enterprise-wide Risk Management, The Institute of Internal Auditors, 2004
- h. Enterprise Risk Management Policy, ATB Financial, 2009
- i. IFAD Policy on Enterprise Risk Management, IFAD, 2008
- j. UNDP Enterprise Risk Management Policy, UNDP 2007
- k. Policy Directive on Risk Management, DPKO, 2007
- l. Risk Management assessment framework: a tool for departments, HM Treasury, 2009

#### Annex 4: Outline of a risk maturity assessment framework

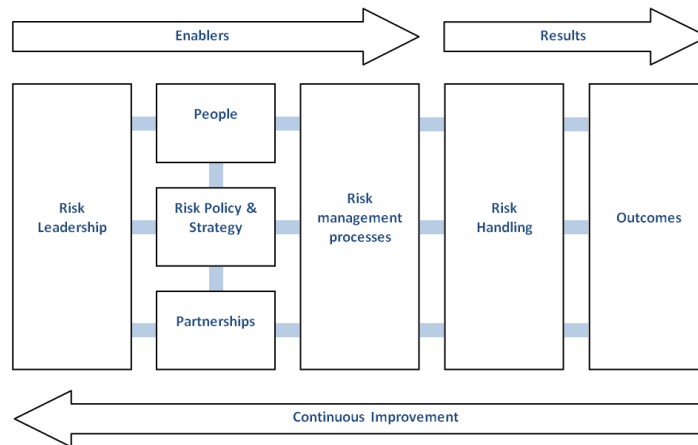
At the strategic level UNOPS will drive the embedding of the risk management system through recurrent assessment of the organizations risk management maturity. Based on the criteria of the excellence model developed by European Foundation for Quality Management, the maturity assessment shall focus on seven key questions to inform continuous improvement of the system's enablers and results. The risk maturity assessment framework is summarized below.

##### Enablers

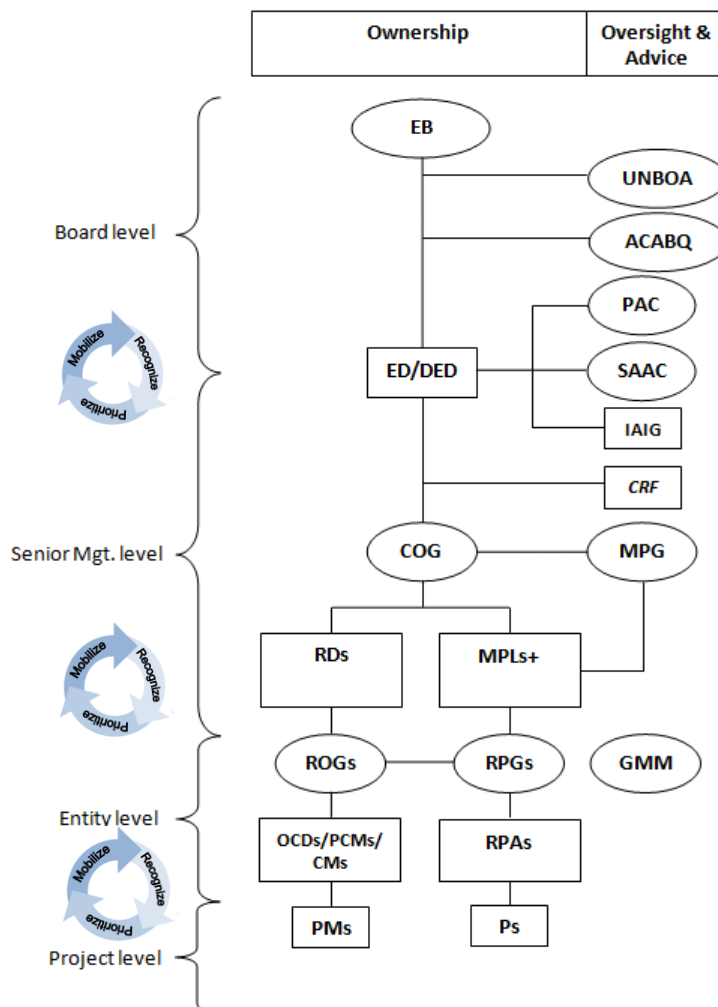
1. **Leadership**: do senior management support and promote risk management?
2. Are **people** equipped and supported to manage risk well?
3. Is there a clear **strategy** and risk **policies**?
4. Do the organization's **processes** incorporate effective risk management?
5. Are there effective arrangements for managing risks with **partners**?

##### Results

6. Are risks well **handled** and is management able to make assertions as such?
7. Does risk management contribute to **achieving outcomes**?

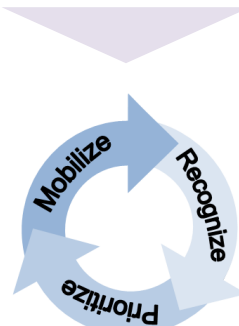
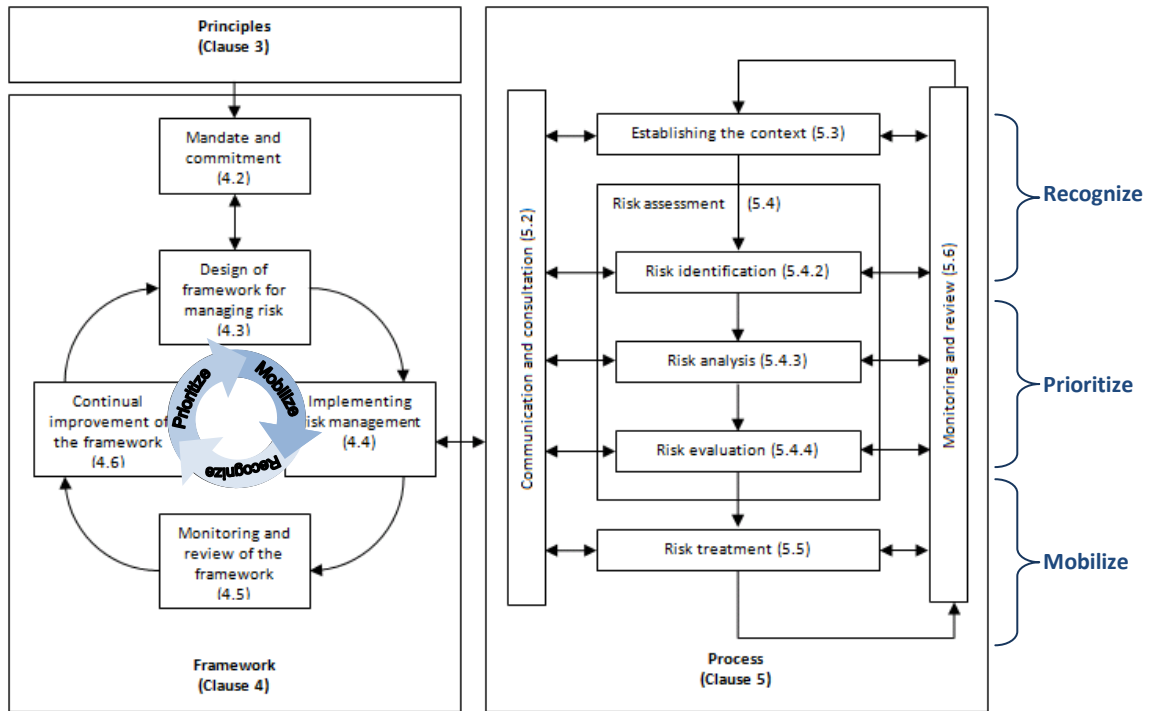


#### Annex 5: Draft illustration of risk ownership levels

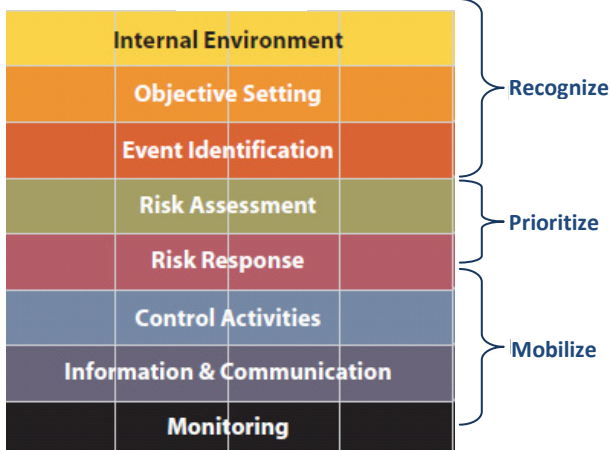


**Annex 6: Comparing the high-level risk process with standards and best practices**

**ISO 31000**



**COSO**



**OGC**

