Update of the Risk Assessment of the Department of Management – Office of Programme Planning, Budget and Accounts

9 November 2009
Assignment No. AH2009/510/03

CONTACT INFORMATION

ACTING DIRECTOR:
Fatoumata Ndiaye: Tel: +1.212.963.5648, Fax: +1.212.963.3388,
e-mail: ndiaye@un.org

CHIEF, NEW YORK AUDIT SERVICE:
William Petersen Tel: +1.212.963.3705 Fax: +1.212.963.3388,
e-mail: petersenw@un.org

OIOS
Office of Internal Oversight Services
INTERNAL AUDIT DIVISION

United Nations Nations Unies

INTEROFFICE MEMORANDUM MEMORANDUM INTERIEUR

INTERNAL AUDIT DIVISION · DIVISION DE L'AUDIT INTERNE

OFFICE OF INTERNAL OVERSIGHT SERVICES · BUREAU DES SERVICES DE CONTRÔLE INTERNE

TO: Mr. Jun Yamazaki, Assistant Secretary-General, Controller
A: Office of Programme Planning, Budget and Accounts

DATE: 9 November 2009

REFERENCE: IAD: 09- 03092

FROM: Fatoumata Ndiaye, Acting Director
DE: Internal Audit Division, OIOS

SUBJECT: **Assignment No. AH2009/510/03 – Update of the Risk Assessment of the Department of**
OBJET: **Management – Office of Programe Planning, Budget and Accounts**

1. On 10 July 2008, OIOS presented the Department of Management with the initial risk assessment of the Department (Assignment No. AH2007/510/04). In the memorandum accompanying the risk assessment, OIOS stated that it would update the risk assessment periodically, based on subsequent audits or additional information obtained.

2. In this regard, I am pleased to present OIOS' update of the risk assessment for the Office of Programme Planning, Budget and Accounts for your review. We will contact your office in the near future to schedule a meeting to discuss the risk assessment results, and incorporate any comments you may have.

3. OIOS encourages the Office of Programme Planning, Budget and Accounts to use the results of these risk assessments to put in place appropriate risk mitigation measures. OIOS will continue to update the risk assessments periodically, based on subsequent audits or additional information obtained.

4. Thank you for your cooperation.

cc: Mr. Jayantilal Karia, Deputy Controller, OPPBA, DM
Mr. Mario Baez, Chief, Policy Oversight Coordination Services, DM
Mr. Moses Bamuwamye, Chief, Oversight Support Unit, DM
Mr. William Petersen, Chief, New York Audit Service, OIOS

SUMMARY OF RISK RATINGS

The updated risk assessment identifies both the inherent risk and the residual risk ratings for the Office of Programme Planning, Budget and Accounts. Inherent risk is based on OIOS' assessment of the likelihood and impact of the occurrence of events or actions that might adversely affect the Office's ability to successfully achieve its objectives and execute its strategies. This does not take into consideration the internal controls that management has put in place to mitigate the inherent risk and is rated as *higher*, *moderate* and *lower* risk.

Residual risk is the risk remaining after assessing the controls management has put in place to mitigate the inherent risk. In determining the residual risk, an assessment is made using the last three years' oversight reports to determine the Control Effectiveness/Preparedness under each area, where a rating of *very strong*, *strong*, *average*, *weak* and *very weak* is given. These ratings when applied to the inherent risk will produce the residual risk rating as *higher*, *moderate* and *lower* risk. The mapping of the ratings from inherent to residual risk is shown in Annex 1.

A summary of the sub-focus areas identified for the Office of Programme Planning, Budget and Accounts is shown below in Table 1 (details of the identified risks are listed in the attached risk register). For each sub-focus area, the various risks identified are summarized to give a summary rating for each sub-focus area.

Table 1: Office of Programme Planning, Budget and Accounts - Summary of identified risks by sub-focus area

Sub-focus Areas on Governance	**Inherent Risk**	**Control Effectiveness/ Preparedness**	**Residual Risk**
Control environment	Moderate risk	Average	Moderate risk
Corporate governance	Moderate risk	Average	Moderate risk
Risk management	Moderate risk	Average	Moderate risk
Sub-focus Areas on Human Resources Management	**Inherent Risk**	**Control Effectiveness/ Preparedness**	**Residual Risk**
Recruitment, hiring and retention.	Moderate risk	Average	Moderate risk
Sub-focus Areas on Information Technology Management	**Inherent Risk**	**Control Effectiveness/ Preparedness**	**Residual Risk**
Management of ICT infrastructure and systems	Moderate risk	Weak	Moderate risk
Sub-focus Areas on Programme and Project Management	**Inherent Risk**	**Control Effectiveness/ Preparedness**	**Residual Risk**
Financial contributions	Higher risk	Average	Higher risk
Budgeting	Moderate risk	Weak	Moderate risk
Delegation of authority	Moderate risk	Weak	Moderate risk
Financial management	Moderate risk	Average	Moderate risk
Financial reporting	Moderate risk	Weak	Moderate risk
Payroll	Moderate risk	Average	Moderate risk
Performance management reporting and accountability	Moderate risk	Average	Moderate risk
Treasury	Moderate risk	Weak	Moderate risk

Sub-focus Areas on Strategy	Inherent Risk	Control Effectiveness/ Preparedness	Residual Risk
Management of communication and information technology	Moderate risk	Average	Moderate risk
Strategic planning	Moderate Risk	Average	Moderate Risk

RISK REGISTER DRAFT

Risk Register OPPBA

No	Description of risk	Focus area	Sub-focus area	Likelihood	Impact	Inherent risk	Control effectiveness	Control Effectiveness/Preparedness	Residual Risk
	Sub-focus area: Control environment			**Remote**	**High**	**Moderate risk**		**Average**	**Moderate risk**
1	The leadership of OPPBA may fail to establish a positive control environment. For example, upholding ethical values and integrity and ensuring competence of people.	Governance	Control environment	Remote	High	Moderate risk	IAD (AH2007/510/02 - Mar 08): "OIOS found areas where the Under-Secretary-General's and her office's involvement is needed to increase to ensure an adequate control environment."	Average	Moderate risk
	Sub-focus area: Corporate governance			**Possible**	**Medium**	**Moderate risk**		**Average**	**Moderate risk**
2	OPPBA may fail to implement its mandates and reforms due to untimely and/or unclear decisions by the Secretary-General and the Secretariat's legislative bodies.	Governance	Corporate governance	Possible	Medium	Moderate risk	The initiative for harmonization of contractual arrangements was first proposed by the SG to the GA in 2000 (A/55/253). The GA approved this initiative in its resolution A/RES/63/271 of May 2009.	Average	Moderate risk
3	DM may not fully implement critical recommendations of oversight bodies resulting in continued inefficiencies, weak internal controls and a lack of accountability.	Governance	Corporate governance	Possible	Medium	Moderate risk	(1) Partially assessed by IAD (AH2008/513/03 - May 09): OIOS made a number of recommendations to reduce the cost and improve the management of the current travel management service contract, including determining accountability for losses incurred by the Organisation for failing to conclude the travel payment services contract in a timely manner. DM, however; rejected 9 out of 16 recommendations made. (2) Partially assessed by IAD (AH2007/13/05 - Mar 09): OIOS made 12 recommendations to improve the management of outsourced activities in ITSD as well as to promote accountability of staff. DM, however; rejected 9 out of 12 recommendations made. (3) 2008 Compact Assessment results: Implementation rate of audit recommendations with 2008 target date was only 42 per cent.	Average	Moderate risk
	Sub-focus area: Risk management			**Possible**	**Medium**	**Moderate risk**		**Average**	**Moderate risk**
4	Lack of effective Enterprise Risk Management and Internal Control Framework could result in ad hoc and inconsistent analysis of business risks to the Organization.	Governance	Risk management	Possible	Medium	Moderate risk	IAD (AH2007/510/02 - Mar 08): "OIOS found areas where the Under-Secretary-General's and her office's involvement is needed to increase to ensure an adequate control environment."	Average	Moderate risk
5	DM may not have developed a risk management framework with an inventory of risks and taken steps to mitigate these risks.	Governance	Risk management	Possible	Medium	Moderate risk	(1) Partially assessed by IAD (AH2007/510/04 - Jul 08): OIOS in conjunction with Deloitte conducted a risk assessment of the Department of Management's operations. (2) Partially assessed (Ernst & Young) - Feb 08: EY conducted an entity level enterprise risk assessment of the UN Secretariat's operations. (3) Management Representation (2009 Compact Assessment): In 2009, USG/DM aims to 'Continue to improve accountability mechanisms and initiate preparation for an enterprise risk management and internal control framework.'	Weak	Moderate risk
	Sub-focus area: Recruitment, hiring and retention			**Possible**	**Medium**	**Moderate risk**		**Average**	**Moderate risk**
6	Staffing may be inadequate, in terms of quality and quantity, for OPPBA to fulfill its mandate.	Human Resources Management	Recruitment, hiring and retention.	Possible	Medium	Moderate risk	IED (IED/08/002 - May 2008): Capacity for RBB was jeopardized by staffing issues at the missions (understaffing, long recruitment process, high turnover), lack of training on RBB from OPPBA or DFS, lack of guidance and standard operating procedures, and lack of best practices.	Average	Moderate risk

No	Description of risk	Focus area	Sub-focus area	Likelihood	Impact	Inherent risk	Control effectiveness	Control Effectiveness/Preparedness	Residual Risk
	Sub-focus area: Management of ICT infrastructure and systems			**Possible**	**Medium**	**Moderate risk**		**Weak**	**Moderate risk**
7	IT infrastructure and systems may not adequately support the financial transactional, workflow and reporting needs of OPPBA. Timeliness, reliability and integrity of financial reports may be impeded or compromised.	Information Technology Management	Management of ICT infrastructure and systems	Possible	Medium	Moderate risk	(1) IAD (AP2005/600/19 - Feb 2006): The absence of an integrated financial management system results in duplication of data entry in IMIS at HQ and in the Sun Accounting System in the missions. (2) IAD (AH2006/511/01 - Sep 2007): There is no systematic way to reconcile bank balances used for disbursement and investment purposes, to provide information on outstanding transactions and disbursements (currently done manually). There are discrepancies on data on bank accounts and signatories between IMIS and Treasury's database. Also, while the payment system used Treasury's database for selecting signatories, Treasury's database is in MS Access in a stand-alone system with no backup in event of failure. IMIS does not have the functionality to monitor and report performance of invoice processing, and a supplementary database developed to do so (called Invoice Tracker) is not accurate. (3) Management representation (AH2007/510/4 - Jul 2008): Financial information generated in several systems (e.g. SUN Accounting System used by peacekeeping and political missions) are not integrated with IMIS and are not under the purview of the Accounts Division. Accounts Division has implemented compensating manual procedures, including various analyses in preparation for financial reports as well as routine follow-ups with approving officers at OAHs. ERP, once implemented, will integrate the different systems. (4) IED (IED/08/002 - May 2008): Performance data maintained by missions for monitoring and reporting (e.g. portfolio of evidence) is not user-friendly and does not allow for reference or comparative analysis. (5) ACABQ (A/63/474) - Oct 08: The management of contributions was a manual process relying on spreadsheets for calculation, notification, and preparation of periodic reports. This results in delays in the issuance of cash receipt vouchers, application of payments to corresponding assessments and editing of periodic reports. A new automated system was to be phased in by end of 2008.	Weak	Moderate risk

No	Description of risk	Focus area	Sub-focus area	Likelihood	Impact	Inherent risk	Control effectiveness	Control Effectiveness/Preparedness	Residual Risk
							(6) BOA (A/61/182) - Jul 06: OPICS, the UN treasury management system, did not facilitate the tracking and validating of the flow of cash, which had to be done manually. The system was also not capable of posting payment instructions, which also had to be done manually. (7) Management representation (A/62/69) - Jun 07: Treasury implemented the Society for Worldwide Interbank Financial Telecommunication (SWIFT) network, which led to increased automated payments and lower bank charges. (8) IAD (AH2006/511/01 - Sep 2007): Treasury does not have visibility to, or access to, all funds to readily invest all surplus funds or otherwise manage cash liquidity and investments portfolio at a comprehensive, global level, due to differing systems used at peacekeeping missions, OAHs and field offices. (9) Management representation (AH2007/510/4 - Jul 2008): IT systems used in cash and investment management (OPIC, IMIS, SWIFT, Chase Insight, etc.) are not integrated. Access controls exist for workstations used for trading. (10) IAD (AT2008/510/1- April 09): Horizontal audit of data privacy in the UN Secretariat and peacekeeping missions determined that the UN Secretariat lacks controls to ensure adequate management and protection of data privacy. IAD made recommendations to DM to address this.		
	Sub-focus area: Financial contributions			**Possible**	**High**	**Higher risk**		**Average**	**Higher risk**
8	Failure or delay in obtaining contributions and assessments from Member States may impede the progress and/or delivery of the Organization's mandates and programmes, as well as settle financial obligations with Member States such as troop contributing countries (TCC).	Programme and Project Management	Financial contributions	Possible	High	Higher risk	(1) Partially assessed by management (A/62/69) - Jun 07: General Assembly approved to increase the Working Capital Fund to $150 million, to ensure UN cash reserves are adequate to meet financial obligations in a timely fashion. (2) Management representation (AH2007/510/4 - Jul 2008): Cross borrowing is allowed, subject to legal considerations. Articles 17 and 19 of the United Nations Charter may be invoked to rescind voting rights of non-paying Member States. Although contributions should be received in the first two months of the year, in practice they are received throughout the year. (3) Assessed by IAD (AH2006/511/01 - Sep 2007): There is a lack of strategy to avoid or mitigate cash shortage, other than delaying payments to TCCs or borrowing from peacekeeping funds.	Average	Higher risk
	Sub-focus area: Budgeting			**Possible**	**Medium**	**Moderate risk**		**Weak**	**Moderate risk**
9	Proposed budgets for the missions may not be presented to the legislative bodies in a timely manner.	Programme and Project Management	Budgeting	Possible	Medium	Moderate risk	Management representation (AH2007/510/4 - Jul 2008): Slot dates for submission of proposed budgets to legislative bodies are established and monitored by the ACABQ and the Fifth Committee.	Average	Moderate risk

No	Description of risk	Focus area	Sub-focus area	Likelihood	Impact	Inherent risk	Control effectiveness	Control Effectiveness/Preparedness	Residual Risk
10	The Organization may not be employing the appropriate planning/budgeting framework to allocate its financial resources to effectively achieve its mandates. Results-based Budgeting (RBB) may not be suitable for the Organization.	Programme and Project Management	Budgeting	Possible	Medium	Moderate risk	(1) IED (IED/08/002 - May 2008): Results-based budgeting (RBB) is not being fully utilized as a strategic planning and management tool at some missions due to lack of linkage and integration with mission implementation plans and planning process. (2) IED (A/63/268 - Sep 2008): The budget process is predominantly focused on scrutiny of posts and other inputs, with no clear reference to strategic priorities or past contributions to outcome-level results. (3) IAD (AP2005/600/19 - Feb 2006): RBB framework at the missions sampled was carried out as a separate exercise from budgeting and preparing cost estimates. (4) Management representation (A/62/701) - Feb 08: Few programmes are using results data for their own performance monitoring or planning. Information on results is perceived as a reporting requirement rather than a management tool.	Weak	Moderate risk
11	Cost estimates may not be submitted by the missions completely, timely, or in compliance with budget instructions.	Programme and Project Management	Budgeting	Possible	Medium	Moderate risk	IED (IED/08/002 - May 2008): The separate issuance of the Controller's Budget Instructions and DPKO's Strategic Guidance undermines their usefulness to the missions in preparation for its budgets (and consequently may hinder its adherence to budget instructions).	Weak	Moderate risk
12	Inflexible budget process may hinder a mission's capacity to fulfill its mandate.	Programme and Project Management	Budgeting	Possible	Medium	Moderate risk	(1) IAD (AP2005/600/19 - Feb 2006): Time given to missions to prepare the budget was not sufficient. The total time allocated for DPKO and OPPBA to review the missions' budget submissions was more than double the time given to missions to prepare the budgets. (2) Management representation (A/62/701) - Feb 08: Information on results is not provided frequently enough to allow Member States to determine whether or not changes to the direction of work or budgets are warranted. The current process is considered inflexible to different departmental needs and changing conditions. (3) IED (IED/08/002 - May 2008): The time lag between RBB framework preparation and budget implementation cycle prevents missions from capturing all of its activities in the budget, especially those activities that were not predictable at the time of the budget preparations.	Weak	Moderate risk
13	Cost estimates may not be submitted by the substantive programmes completely, timely, and otherwise in compliance with budget instructions. Relevant operating targets and performance indicators may be lacking.	Programme and Project Management	Budgeting	Remote	Medium	Lower risk	IAD (AH2007/511/01 - Sep 2007): Cost centres representing substantive programmes did not comply with the indicative planning figures provided in PPBD's budget instructions, increasing the workload of PPBD to make necessary adjustments.	Weak	Lower risk
14	Requirements for the substantive programmes may not be adequately evaluated by PPBD in its review of cost estimates and preparation of budgets. Budgeting may be prepared with a bottoms-up approach lacking focus and dependent on the substantive programmes' wishes.	Programme and Project Management	Budgeting	Remote	Medium	Lower risk	(1) IAD (AH2007/511/01 - Sep 2007): Due to fears of delaying budgets, PPBD does not consistently require resubmission of estimates aligned with allotted planning figures. In making budgetary adjustments, PPBD does not consistently consider cost centres' assessment of the impact on programme delivery of proposed new post. Records showed PPBD review of budgets entailed mainly consultations with budget officers (mainly executive officers), not with heads of cost centres. (2) Management representation (AH2007/510/4 - Jul 2008): PPBD has dedicated staff and standardized procedures for reviewing and following up on the proposed cost estimates of substantive	Average	Lower risk
15	Proposed programme budgets may not be presented to the legislative bodies in a timely manner.	Programme and Project Management	Budgeting	Remote	Medium	Lower risk	Management representation (AH2007/510/4 - Jul 2008): Slot dates for submission of proposed programme budgets to legislative bodies are established and monitored by the ACABQ and the Fifth Committee.	Average	Lower risk

No	Description of risk	Focus area	Sub-focus area	Likelihood	Impact	Inherent risk	Control effectiveness	Control Effectiveness/Preparedness	Residual Risk
16	Requirements for the substantive programmes may not be adequately evaluated by PFD in its review of cost estimates and preparation of budgets.	Programme and Project Management	Budgeting	Remote	Medium	Lower risk	Management representation (AH2007/510/4 - Jul 2008): PFD has dedicated staff and standardized procedures for reviewing the proposed cost estimates of substantive programmes.	Average	Lower risk
	Sub-focus area: Delegation of authority			**Possible**	**Medium**	**Moderate risk**		**Weak**	**Moderate risk**
17	The delegation of authority including monitoring mechanisms, from OPPBA for UN financial activities may be inadequate to ensure clarity of roles, responsibilities and accountability.	Programme and Project Management	Delegation of authority	Possible	Medium	Moderate risk	(1) Partially assessed by IAD (AH2007/510/1 - Apr 2008): OPPBA's authority to delegate is explicitly described in ST/SGB/213/Rev.1. (2) IAD (AH2007/510/1 - Apr 2008): According to the Secretary-General's report on accountability and responsibility (A/55/270) when authority is delegated, the associated responsibilities are clearly stated. (3) IAD (AP2005/600/19 - Feb 2006): There is duplication in the review of the missions' financial statements by FMSS (Finance Management and Support Service) in DFS and the Accounts Division.	Weak	Moderate risk
	Sub-focus area: Financial management			**Possible**	**Medium**	**Moderate risk**		**Average**	**Moderate risk**
18	Policies and procedures established by the Office of Programme Planning, Budget and Accounts (OPPBA) may be inadequate and/or inappropriate to ensure sound financial management of resources made available to the Organization.	Programme and Project Management	Financial management	Remote	High	Moderate risk	Partially assessed by BOA (A/63/169) - Jul 08: In the audit of the accounts and financial transactions for the financial period ended in 31 Dec 2007, the BOA issued an unqualified audit opinion after carrying out reviews on the efficiency of financial procedures, the internal financial controls, and in general, the administration and management of the organizations.	Strong	Lower risk
19	Payments may be made for goods or services not received. Duplicate payments may be made in error. Payments may be made to an incorrect vendor. Payments may be fraudulent.	Programme and Project Management	Financial management	Possible	Medium	Moderate risk	(1) IAD (AH2006/511/06 - Feb 2007): Lack of vendor payment details (e.g. vendor bank information, method of paying invoices) specified in contracts poses risk of irregular payments to unauthorized parties. Records could not be found authorizing changes to vendor payment details for a contract reviewed. There was a lack of procedure for approving and recording changes to vendor payment details. (2) IAD (AH2006/511/07 - Sep 2007): OPPBA (as of May 2007) was implementing an invoice tracking system to prevent and detect duplicate payments. (3) Management representation (AH2007/510/4 - Jul 2008): Treasury makes disbursements using the SWIFT system that is not interfaced with IMIS. After the Accounts Division approves payments in IMIS, the information in the vendor master file residing in IMIS is manually keyed into the SWIFT system by Treasury staff at the time of disbursement. The Investigation Division of OIOS clears individuals who are designated as bank signatories. Approving officers approve payments based on the Receipt & Inspection (R&I) reports prepared in IMIS.	Average	Moderate risk
20	Insurance coverage for UN assets and staff may be insufficient to protect the Organization from significant financial losses.	Programme and Project Management	Financial management	Possible	Medium	Moderate risk	Management representation (AH2007/510/4 - Jul 2008): The Risk Management Unit reviews all major commercial insurance contracts.	Average	Moderate risk

No	Description of risk	Focus area	Sub-focus area	Likelihood	Impact	Inherent risk	Control effectiveness	Control Effectiveness/Preparedness	Residual Risk
21	Memoranda of understanding (MOUs) and other documents related to payments for troop contributing countries (TCCs) may not be processed in an accurate and timely manner.	Programme and Project Management	Financial management	Possible	Medium	Moderate risk	Management representation (AH2007/510/4 - Jul 2008): Several departments (DPKO/DFS, OLA, DM) are involved in the preparation and negotiation of MOUs. Due to the lengthy process, payments are sometimes made to TCCs prior to the signing of the applicable MOUs. In such cases, the agreed cost in the MOUs may differ from the prepayment. Troop strength reports are prepared monthly by the missions and provided to PFD and FMSS/DFS simultaneously. PFD maintains a troop cost database which is used in processing (certifying) payments made to TCCs.	Weak	Moderate risk
22	Liquidated damages and other penalties against vendors may not be enforced or recovered.	Programme and Project Management	Financial management	Possible	Low	Lower risk	IAD (AH2006/511/07 - Sep 2007): OPPBA relies on the opinion of procurement officers on whether to waive claims for liquidated damage (for short or delayed delivery of procured goods/services).	Weak	Lower risk
23	Procedures for reviewing and processing staff tax reimbursements may not be adequate, resulting in financial losses to the Organization.	Programme and Project Management	Financial management	Possible	Low	Lower risk	Management representation (AH2007/510/4 - Jul 2008): The Income Tax Unit, trained by H&R Block, reviews tax returns prepared by staff members. Income Tax Unit is assisted in its reviews by an improved computer system which provides human resources and account information for US taxpayers. If a staff member prematurely separates from the UN, to recover previously-provided tax advances, OHRM has checkout procedures to ensure all assets are recovered.	Average	Lower risk
	Sub-focus area: Financial reporting			**Possible**	**Medium**	**Moderate risk**		**Weak**	**Moderate risk**
24	The IPSAS standards may be interpreted or applied incorrectly in its implementation, resulting in potential material misstatement of the financial statements.	Programme and Project Management	Financial reporting	Possible	Medium	Moderate risk	Management representation (A/62/806) - Apr 08: UN system-wide IPSAS Project Team was established to develop broad accounting policies in line with IPSAS. The Steering Committee, which directly oversees the system-wide project team, has an external expert member who currently serves as chairperson of the IPSAS Board. Chairman of the Task Force and the system-wide IPSAS Project Team Leader have been attending the meetings of the IPSAS Board as observers. Draft accounting policy papers and related materials have been provided to external auditors, and representatives of external auditors have attended Task Force meetings as observers.	Average	Moderate risk
25	Transactions may not be processed, classified, and recorded accurately, completely, timely, and in compliance with internationally recognized accounting standards. Reliability and integrity of UN financial report may be compromised and strategic and financial decision-making by senior management and the General Assembly may be adversely impacted.	Programme and Project Management	Financial reporting	Possible	High	Higher risk	(1) IAD (AH2006/511/07 - Sep 2007): The invoice processing process, requiring a designated officer of the requisitioning department (certifying officer) to manually sign-off on the vendor invoice prior to payment by OPPBA, is time-consuming and negatively impacts reputation of the UN. 48% of the sampled invoices were not reviewed and approved by OPPBA within 30 days as required by contract terms. (Per OPPBA comments in the report, the process was subsequently changed). (2) BOA (A/63/169) - Jul 08 and IAAC (A/63/328) - Aug 08: In accordance with GA resolution 60/255 and 61/264, end-of-service and post-retirement liabilities were required to be disclosed on the Organization's financial statements (rather than as notes to the financial statements). An adjustment of $1.96 billion was made to the reserves and funds balances, although does not constitute a proper funding mechanism, as no such funding has been allocated by the General Assembly.	Weak	Higher risk

No	Description of risk	Focus area	Sub-focus area	Likelihood	Impact	Inherent risk	Control effectiveness	Control Effectiveness/Preparedness	Residual Risk
26	OPPBA may not have established an effective strategy to fully implement IPSAS in a timely manner.	Programme and Project Management	Financial reporting	Possible	Medium	Moderate risk	Partially assessed by management (A/62/69 - June 2007: Adoption of International Public Sector Accounting Standards (IPSAS) was approved by the General Assembly in July 2006. Timetable is for adoption by 2010 (However, per ACABQ report (A/63/496 – Oct 2008), given the delay in funding of the ERP system, the realistic and recommended implementation would be in 2012).	Weak	Moderate risk
27	Information on contributions and assessments may not be reported in an accurate and timely manner.	Programme and Project Management	Financial reporting	Remote	Medium	Lower risk	Management representation (AH2007/510/4 - Jul 2008): Multiple assessments with different cycles may lead Contributions Service to make errors.	Weak	Lower risk
	Sub-focus area: Payroll			**Possible**	**Medium**	**Moderate risk**		**Average**	**Moderate risk**
28	Errors and irregularities may not be prevented or detected in generating payroll.	Programme and Project Management	Payroll	Possible	Medium	Moderate risk	Management representation (AH2007/510/4 - Jul 2008): OHRM issues Personnel Actions and inputs related data in IMIS. The Payroll Unit has 10 examiners who perform audit functions on the payroll.	Average	Moderate risk
	Sub-focus area: Performance management reporting and accountability			**Possible**	**Medium**	**Moderate risk**		**Average**	**Moderate risk**
29	There may be inadequate performance management mechanisms in place to assist the Controller to monitor the performance against OPPBA mandate and responsibilities.	Programme and Project Management	Performance management reporting and accountability	Possible	Medium	Moderate risk	BOA - (Sep 08): BOA recommended: "Formulate individual objectives of the Heads of Division in more specific terms and, where possible, include quantitative targets."	Average	Moderate risk
	Sub-focus area: Treasury			**Possible**	**Medium**	**Moderate risk**		**Weak**	**Moderate risk**
30	Movements in the financial markets (e.g. unexpected volatility in prices, interest rates, exchange rates, indices, etc.) may adversely impact the financial performance of the Organization as well as threaten the value of its financial assets.	Programme and Project Management	Treasury	Possible	Medium	Moderate risk	Management representation (AH2007/510/4 - Jul 2008): Speculative trading is prohibited by the CPPI.	Average	Moderate risk
31	Poor cash management and investment procedures and practices may result in financial losses and reputational damage to the Organization.	Programme and Project Management	Treasury	Remote	High	Moderate risk	(1) IAD (AH2006/511/01 - Sep 2007): The Common Principles and Policies for Investments (CPPI) provides broad guidelines on investment objectives, risk management and portfolio diversification, but provides neither operating procedures nor performance measurements. (2) (AH2006/511/07 - Sep 2007): There is no specific list of designated officials who may authorize remittance requests on behalf of their respective OAHs nor clear guidelines to process cases when such requests are authorized by Officer-in-Charge. This decentralizes cash management in the Organization. (3) Management representation (AH2007/510/4 - Jul 2008): Before trading, Treasury collects and reviews information to determine if the rating of the counterparty is within the risk appetite of the United Nations. CPPI establishes credit limits and risk appetite of the UN system.	Weak	Moderate risk

No	Description of risk	Focus area	Sub-focus area	Likelihood	Impact	Inherent risk	Control effectiveness	Control Effectiveness/Preparedness	Residual Risk
32	Bank accounts may be created without proper authorization which may result in misappropriation of funds.	Programme and Project Management	Treasury	Possible	Medium	Moderate risk	(1) Management representation (AH2007/510/4 - Jul 2008): The Treasury is responsible for opening and/or authorizing the opening of all bank accounts of the Secretariat including OAHs and peacekeeping and political missions. The Treasury transfer funds only to accounts it has opened or authorized. The Treasury is also responsible to assist the Controller in designating bank signatories. (2) Partially assessed by IAD (AH2007/580/02 - March 2008): UNIC, Tokyo has a savings account in Japanese Yen for over twenty years. The Treasury however informed OIOS that it did not have the JPY savings account in its record for UNIC Tokyo and that this bank account may not have been authorized by the Treasury.	Average	Moderate risk
33	Inadequate segregation of investment functions (i.e. front, middle, and back offices) may result in fraud and financial losses to the Organization.	Programme and Project Management	Treasury	Possible	Medium	Moderate risk	IAD (AH2006/511/01 - Sep 2007): Current functions of the back office include duties that are incompatible (i.e. place conflicting demands to those responsible), such as recording and executing transactions, reconciling transactions, and reporting transactions.	Weak	Moderate risk
34	Non-compliance with cash management and investment policies may result in financial losses and reputational damage to the Organization.	Programme and Project Management	Treasury	Remote	Medium	Lower risk	(1) Management representation (AH2007/510/4 - Jul 2008): With the CPPI as the basis, the Investment Committee governs the treasury activities of the UN. (2) Partially assessed by IAD (AH2006/511/01 - Sep 2007): The frequency of Investment Committee meetings was not in compliance with the Common Principles and Policies for Investments (CPPI). Also, majority of the meetings sampled showed attendance by Treasury staff only (i.e. no independent member to provide perspective for oversight).	Weak	Lower risk
35	Inadequate communication between different units in Treasury, as well as between different divisions within OPPBA, may result in mishandling of funds.	Programme and Project Management	Treasury	Remote	Medium	Lower risk	Partially assessed by IAD (AH2006/511/01 - Sep 2007): Discrepancies (namely in bank accounts) exist between records maintained by different divisions (Accounts Division and Treasury) and their respective systems (IMIS and Treasury's MS Access database). While monthly bank reconciliations are carried out by the Accounts Division for accounting purposes, they are inadequate for investment and disbursement planning purposes.	Weak	Lower risk
	Sub-focus area: Management of communication and information technology			**Possible**	**Medium**	**Moderate risk**		**Average**	**Moderate risk**
36	Communication strategies may be ineffective to convey the importance of strategic initiatives and reforms which impact Organisation and staff.	Strategy	Management of communication and information technology	Remote	Low	Lower risk	(1) Management representation (I-Seek December 2008): One of the main tools for DM to disseminate information is through I-Seek. I-Seek can be assessed by staff members at 61 countries or more than 100 sites. (2) The executive officers of various departments at UNHQ also meet regularly in meetings chaired by DM.	Average	Lower risk
37	Inadequate coordination by DM with other departments and within DM, which may result in ineffective (i.e. IT systems that do not communicate with each other) or redundant activities.	Strategy	Management of communication and information technology	Possible	Medium	Moderate risk	Not assessed in the past three years.		Moderate risk

No	Description of risk	Focus area	Sub-focus area	Likelihood	Impact	Inherent risk	Control effectiveness	Control Effectiveness/Preparedness	Residual Risk
	Sub-focus area: Strategic planning			**Possible**	**Medium**	**Moderate Risk**		**Average**	**Moderate Risk**
38	The concurrent implementation of multiple transformative initiatives exerts pressure on existing resources. This may result in delay in the implementations of General Assembly mandated reports and reforms.	Strategy	Strategic planning	Possible	Medium	Moderate risk	Partially assessed by IAD (AH2007/510/02 – Mar 08): The Under-Secretary-General is responsible for a number of significant reforms and major projects for the UN Secretariat. Considering the delays of certain reforms, their implementation by expected deadlines may not be met. This may create undue pressure on managers and could result in superficial implementation of the reforms.	Average	Moderate risk
39	DM's strategies may be ineffective or inadequate in supporting the Secretary-General's management reform efforts to build a stronger Secretariat that emphasizes on achievement of results and increased accountability.	Strategy	Strategic planning	Possible	Medium	Moderate risk	(1) 2008 and 2009 USG for Management's Compacts: USG stated its commitment to move forward with reforms. (2) Fifth Committee (A/C5/63/L39) Apr 2009: Fifth Committee decided not to endorse the proposed accountability framework.	Average	Moderate risk
40	OPPBA may fail to translate its mandate, objectives and strategies into an achievable work programme.	Strategy	Strategic planning	Remote	Medium	Lower risk	Not assessed in the past three years.		Lower risk

Annex 1: Mapping of risk ratings for Inherent and Residual risks

Likelihood	Impact	Inherent risk	Control Effectiveness/ Preparedness	Residual risk
Likely Likely Possible	High Medium High	Higher Risk	Very Strong	Moderate Risk
			Strong	Moderate Risk
			Average	Higher Risk
			Weak	Higher Risk
			Very Weak	Higher Risk
Likely Possible Remote	Low Medium High	Moderate Risk	Very Strong	Lower Risk
			Strong	Lower Risk
			Average	Moderate Risk
			Weak	Moderate Risk
			Very Weak	Moderate Risk
Possible Remote Remote	Low Low Medium	Lower Risk	Very Strong	Lower Risk
			Strong	Lower Risk
			Average	Lower Risk
			Weak	Lower Risk
			Very Weak	Lower Risk