



INTERNAL AUDIT DIVISION

OFFICE OF INTERNAL OVERSIGHT SERVICES

RISK ASSESSMENT

**United Nations Special Coordinator for
the Middle East Peace Process**

27 May 2008

Assignment No. AP2007/678/03

United Nations  Nations Unies

INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

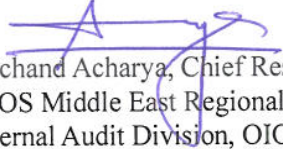
INTERNAL AUDIT DIVISION · DIVISION DE L'AUDIT INTERNE

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

TO: Mr. Robert H. Serry
A: Special Coordinator for the Middle East Peace Process

DATE: 27 May 2008

REFERENCE: IAD: 08-


FROM: Tilchand Acharya, Chief Resident Auditor
DE: OIOS Middle East Regional Audit Office
Internal Audit Division, OIOS

SUBJECT: **Assignment No. AP2007/678/03: Risk assessment of UNSCO**

OBJET:

1. I am pleased to present OIOS' preliminary risk assessment of UNSCO for your information. While we do not require a formal response to this report, you are welcome to discuss any of the issues raised further.
2. OIOS encourages UNSCO to use the results of this risk assessment to put in place appropriate risk mitigation measures. OIOS will update this risk assessment later this year in line with our standard risk assessment framework.
3. I take this opportunity to thank the management and staff involved in the risk assessment for the assistance and cooperation provided to the project team in connection with this assignment.

cc: Mr. Wolfgang Weiszegger, Chief of Mission Support, UNSCO
Mr. Byung-Kun Min, Programme Officer, OIOS

INTERNAL AUDIT DIVISION

FUNCTION

“The Office shall, in accordance with the relevant provisions of the Financial Regulations and Rules of the United Nations examine, review and appraise the use of financial resources of the United Nations in order to guarantee the implementation of programmes and legislative mandates, ascertain compliance of programme managers with the financial and administrative regulations and rules, as well as with the approved recommendations of external oversight bodies, undertake management audits, reviews and surveys to improve the structure of the Organization and its responsiveness to the requirements of programmes and legislative mandates, and monitor the effectiveness of the systems of internal control of the Organization” (General Assembly Resolution 48/218 B).

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PARTICIPANTS

OIOS conducted UNSCO's risk assessment in 2006. In order to update the Mission's risk profile in 2007 and to gain understanding of existing organizational relationships, risks, controls and process issues, OIOS sent two separate sets of questionnaires to: (a) the UNSCO senior management; and (b) the heads of substantive and support units.

OIOS analyzed the information collected and presented the interim outcome of the risk assessment exercise to the Chief Administrative Officers' (CAO) Conference in Beirut on 18 October 2007, which was attended by the following participants:

Mission	Name and Functional Title
UNDOF	<ul style="list-style-type: none">• Mr. Patrick Devaney, Chief Mission Support
UNIFIL	<ul style="list-style-type: none">• Mr. Marcel Savard, Director Mission Support• Mr. Henry Thompson, Chief of Integrated Support Services• Mr. Robin Sellers, Chief of Administrative Services
UNFICYP	<ul style="list-style-type: none">• Mr. Francis Clancy, Chief Mission Support
UNTSO	<ul style="list-style-type: none">• Ms. Cecilia McGill, Chief Administrative Officer
UNSCO	<ul style="list-style-type: none">• Mr. Wolfgang Weiszegger, Chief Mission Support
UNIIC	<ul style="list-style-type: none">• Mr. Farrakh Shah, Chief Mission Support

SUMMARY OF RISK RATINGS

The risk assessment identified the following areas as Higher, Moderate and Lower Risk. A summary of the identified risks is shown below. Full details of the identified risks are listed in the Risk Register.

Focus Area	Overall Risk
i. Strategic Management and Governance ii. Procurement and Contract Administration iii. Safety and Security	Higher Risk
i. Financial Management ii. Human Resources Management iii. Programme and Project Management iv. Information Technology Management	Moderate Risk
i. Logistics Management ii. Property and Facilities Management	Lower Risk

RISK REGISTER

Risk Assessment of : UNSCO

	Focus Area:	Strategic Management and Governance	Strategic	Likely	High	Higher Risk
	Interview/Review Summary (Description of risk)	OIOS Assessment	Risk Category	Likelihood	Impact	Overall Risk
I	Mandate and mission F (i) Inadequate staffing resources may result in the improper performance of functions.	Staffing in the Coordination Unit was reduced as a result of expiration of the Norwegian Trust Fund for UNSCO and the Regional Affairs, Coordination and Media Units are operating without any budgeted support staff.	Human resources	Likely	High	Higher Risk
	B (i) The lack of benchmarks with which the Mission's quarterly performance activities reported to the Security Council may result in the Mission not being able to hold key stakeholders involved in the Middle East conflict accountable for progress made or the lack thereof in relation to their commitments.	UNSCO has not established benchmarks against which its quarterly performance reports to the Security Council are prepared.	Governance	Likely	Medium	Higher Risk
	D (i) The limited financial resources allocated to UNSCO may have a negative impact on the Mission's ability to continue to meet the current standards of performance and accountability.	No controls observed.	Financial	Remote	High	Moderate Risk
II	Strategic planning and monitoring E (i) The difficult operating environment in the Mission (such as movement restrictions, border crossing issues, customs duties and taxation and property ownership issues) may affect the Mission's ability to conduct its day-to-day operations.	UNSCO liaises regularly with host nations, government and non-government officials to improve relations and mitigate key risks.	Operational	Possible	High	Higher Risk
	B (i) The inadequate consideration/analysis of opportunities to consolidate and/or complement substantive and support functions with UNTSO, UNDOF and UNIFIL may lead to duplication of efforts and inefficiencies in operations.	UNSCO continues to collaborate with UNIFIL, UNDOF and other UN agencies and missions located in the UNTSO area of operations. In 2006, UNSCO entered into cost-sharing arrangements with UNTSO in relation to the shared use of UNTSO premises in Jerusalem where UNSCO is co-located.	Governance	Likely	Medium	Higher Risk
III	Control environment			Possible	High	Higher Risk

1	Focus Area:	Strategic Management and Governance	Strategic	Likely	High	Higher Risk
No	Interview/Review Summary (Description of risk) B (i) The lack of a proper control environment in the Mission could result in weak governance, lack of accountability and a weak ethical environment.	OIOS Assessment The UN code of conduct and the UN Charter require UN staff to abide by the highest standards of efficiency, competence and integrity. The SG has issued several bulletins and administrative instructions regarding accountability and ethics.	Risk Category Governance	Likelihood Possible	Impact High	Overall Risk Higher Risk

7A

Risk Assessment of : UNSCO

2	Focus Area:	Financial Management	Fin	Possible	Medium	Moderate Risk
No	Interview/Review Summary (Description of risk)	OIOS Assessment	Risk Category	Likelihood	Impact	Overall Risk
I	<p>Finance</p> <p>B (i) The indicators of achievement and outputs in the UNTSO budget may not be sufficiently detailed and substantiated, resulting in the inability to measure and compare the Mission's achievements against the budgeted outputs at the end of a budget period.</p> <p>B (ii) The results-based budgeting (RBB) framework may not be used as part of the overall accountability mechanism, which could lessen the effectiveness of the RBB process.</p> <p>D (ii) Cost centre managers may not be effectively using the allotment control system, resulting in unused allotments.</p> <p>C (i) Prior year unliquidated obligations may be carried forward to the next budget period without a valid commitment/claim, resulting in the unnecessary blocking of funds.</p>	<p>No controls observed.</p> <p>No controls observed.</p> <p>Financial rules require cost centre managers to monitor allotments and expenditures.</p> <p>Financial rules require certifying officers to review unliquidated obligations on a regular basis to ascertain their validity before carrying them over to the next budget period.</p>	Governance	Possible	Medium	Moderate Risk

7A

Risk Assessment of : UNSCO

3	Focus Area:	Human Resource Management	HR	Possible	Medium	Moderate Risk
No	Interview/Review Summary (Description of risk)	OIOS Assessment	Risk Category	Likeli-hood	Impact	Overall Risk
I	<p>Personnel activities</p> <p>F (i) The absence of adequate succession planning and vacancy management processes may result in the inability of the mission to recruit and deploy staff in a timely manner.</p> <p>F (ii) Delays in filling critical posts may result in the failure to perform critical tasks effectively.</p> <p>F (iii) Staff performance may not be linked to the respective organizational unit work plans, resulting in Mission staff not working toward achieving a common Mission goal/objective.</p>	<p>Currently staffing in the Coordination Unit was reduced as a result of expiry of the Norwegian Trust Fund for UNSCO. According to the Mission, the Regional Affairs, Coordination and Media Units are operating without any budgeted support staff.</p> <p>UNSCO's first reporting officers are required to ensure that their staff members' individual goals are linked to the goals stated in the respective sections' work plans.</p> <p>There is an SEA policy in place. DPKO/DFS has established conduct and discipline teams at headquarters and in peacekeeping missions to monitor and report on misconduct issues, particularly SEA cases.</p>	Human Resources	Possible Likely	Medium Medium	Moderate Risk Higher Risk
II	<p>Conduct and discipline</p> <p>B (i) Conduct and discipline issues, particularly sexual exploitation and abuse (SEA), may not be given adequate attention by the Mission management, resulting in serious reputation risk to the Organization.</p>		Governance	Possible Possible	Medium Medium	Moderate Risk Moderate Risk

Risk Assessment of : UNSCO

4	Focus Area:	Procurement and Contract Administration	Proc	Possible	High	Higher Risk
Interview/Review Summary (Description of risk)		OIOS Assessment	Risk Category	Likelihood	Impact	Overall Risk
No	<p>Procurement activities</p> <p>E (i) The lack of an acquisition plan to control and monitor requisitions may result in the uncoordinated or unplanned procurement of goods and services.</p> <p>C (i) Controls over the procurement of goods and services may be overridden due to exigencies, which could compromise the integrity and transparency of the procurement process.</p>	<p>The Financial Regulations and Rules of the United Nations and the Procurement Manual are in place to serve as the policy and guide over the procurement function.</p> <p>The Financial Regulations and Rules of the United Nations and the Procurement Manual are in place to serve as the policy and guide over the procurement function.</p>	Operational	Possible	High	Higher Risk
			Compliance	Possible	High	Higher Risk

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Risk Assessment of : UNSCO

5	Focus Area:	Logistics Management	Logistics	Possible	Low	Lower Risk
No	Interview/Review Summary (Description of risk)	OIOS Assessment	Risk Category	Likelihood	Impact	Overall Risk
I	<p>Ground transportation</p> <p>E (i) The Mission's transportation resources may not be sufficient to meet the Mission's requirements, which may hamper the delivery of logistical services.</p>	<p>As of May 2006, UNSCO maintained 50 transportation assets. For the period July 2006 – June 2007, UNTSO staffing table provided for 56 established posts. Prior audit noted that UNSCO had provided 6 vehicles to OCHA, under MOU with a reimbursable scheme which de facto mirrored the liberty mileage arrangements.</p>	Operational	Possible	Low	Lower Risk
	<p>C (i) The distribution of vehicles may not be in compliance with the established guidelines on the ratio to vehicle, which may result in the sub-optimal use of Mission resources.</p>	<p>As of May 2006, UNSCO maintained 50 transportation assets. For the period July 2006 – June 2007, UNTSO staffing table provided for 56 established posts. Prior audit noted that UNSCO had provided 6 vehicles to OCHA, under MOU with a reimbursable scheme which de facto mirrored the liberty mileage arrangements.</p>	Compliance	Possible	Low	Lower Risk
	<p>D (i) The use of Mission vehicles for personal purposes (the liberty mileage system) may be abused, resulting in losses to the Organization.</p>	<p>Controls on the use of liberty mileage appear to be weak.</p>	Financial	Possible	Low	Lower Risk

Risk Assessment of : UNSCO

6	Focus Area:	Information Technology Management	IT	Possible	Medium	Moderate Risk
Interview/Review Summary (Description of risk)		OIOS Assessment		Likelihood	Impact	Overall Risk
No	IT activities		Risk Category	Possible	Medium	Moderate Risk
I	G (i) Inadequate staff awareness of applicable information and communication technology (ICT) policies may compromise ICT security.	Information and communication technology (ICT) policies have not been updated and communicated to all staff and compliance is not actively being monitored as highlighted by both BOA and OIOS audits.	Information Resources	Possible	Medium	Moderate Risk
II	Business continuity/disaster recover	The Mission does not have a duly tested DRBC plan.	Operational	Possible	High	Higher Risk
	E (i) The absence of a disaster recovery and business continuity (DRBC) plan for ICT may negatively affect the Mission's ability to recover and continue ICT operations within an acceptable period after a disaster.			Possible	High	Higher Risk

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Risk Assessment of : UNSCO

7	Focus Area:	Programme and Project Management	Prog	Possible	Medium	Moderate Risk
No	Interview/Review Summary (Description of risk)		Risk Category	Likelihood	Impact	Overall Risk
I	Operational activities			Possible	Medium	Moderate Risk
	B (i) The absence of appropriate public information management policies including those on local media using the local languages may result in the ineffective dissemination of public information.	UNSCO does not appear to have a proactive approach in media management.	Strategy	Possible	Medium	Moderate Risk
	G (i) Messages disseminated to the public may not be coherent and consistent in the absence of a public information strategy/policy, negatively affecting the Mission's credibility.	UNSCO does not have a public information strategy/policy.	Information Resources	Possible	Medium	Moderate Risk

Risk Assessment of : UNSCO

9	Focus Area:	Property and Facilities Management	Prop	Possible	Low	Lower Risk
Interview/Review Summary (Description of risk)		OIOS Assessment	Risk Category	Likelihood	Impact	Overall Risk
No	<p>Asset management and property control</p> <p>E (i) The lack of proper asset records may lead to the ineffective tracking of assets</p> <p>E (ii) The failure of SAUs to update the Galileo system to reflect the actual and current asset location may result in difficulties in tracking assets.</p>	<p>In its audit of the asset management function in UNSCO in 2006, OIOS recommended inter alia the establishment of proper asset records and the provision of training on asset management and the Galileo inventory system. The UNSCO Administration agreed with and implemented the audit recommendations.</p>	Operational	Possible	Low	Lower Risk
I				Possible	Low	Lower Risk

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Risk Assessment of : UNSCO

10	Focus Area:	Safety and Security	Safety	Likely	High	Higher Risk
No	Interview/Review Summary (Description of risk)	OIOS Assessment	Risk Category	Likelihood	Impact	Overall Risk
I	<p>Security</p> <p>E (i) Inadequate funds to establish a security system that is in line with established United Nations security policies may lead to the establishment of an inadequate security system which may pose security risks to UNSCO staff.</p>	<p>According to UNSCO, there is no sufficient appropriation of funds required to meet the Senior Management Team-approved recurring security cost.</p>	Financial	Likely	High	Higher Risk
	<p>C (i) The Mission's security system may not be in accordance with the UN security policy, resulting in a non-compliant security system. This situation may increase staff security and safety risks.</p>	<p>DSS has established security policies and rules for implementation in and compliance by peacekeeping missions.</p>	Compliance	Possible	High	Higher Risk
II	<p>Safety</p> <p>E (i) The Mission may not give adequate attention/priority to occupational safety and health issues, increasing staff safety risks.</p>	<p>No controls observed.</p>	Operational	Possible	Medium	Moderate Risk

Focus Areas

Focus areas are the key standard processes that are typically found in United Nations operations. These are categories established by the risk assessment framework to facilitate understanding and communicating common processes or functions within the Organization (common language). They are based on a categorization of objectives, using a hierarchy that begins with high-level objectives and then cascades down to objectives relevant to organizational units, functions, or business processes. The IAD risk assessment framework has identified eleven focus areas as follows:

- 1 Strategic Management and Governance
- 2 Financial Management
- 3 Human Resources Management
- 4 Procurement and Contract Administration
- 5 Logistics Management
- 6 Information Technology Management
- 7 Programme and Project Management
- 8 Conference and Documents Management
- 9 Property and Facilities Management
- 10 Safety and Security
- 11 Other areas (for areas not included in 1 to 10)

Each focus area may be broken down into sub-focus areas. Examples of sub-focus areas are listed below.

Examples of Sub Focus areas relating to principal focus	
No.	Focus Areas
1	Strategic Management and Governance Strategic planning and monitoring, Mandate and mission, Organizational structure and functions, Start up planning, Liquidation planning, Risk management, Policies and procedures, Governing/Legislative bodies, High level committees, Top level offices.
2	Financial Management Accounting and financial reporting, Results-based Budgeting, Cash management, Treasury, Contributions, Fund raising, Payroll
3	Human Resources Management Recruitment, Training, Conduct and discipline, Entitlements and allowances, Performance appraisal system and Medical Services, Use of short term staff (consultants, gratis personnel etc
4	Procurement and Contract Administration Procurement planning, Procurement process, Local contracts committee, Administration of major contracts such as for fuel, rations, airfield services, medical supplies etc.
5	Logistics Management Travel services, Transport operations, Air operations, Movement control, Fleet Management and Maintenance
6	Information Technology Management Management of ICT infrastructure, software development, Communications services, ICT operations, Business continuity and disaster recovery, IT Security
7	Programme and Project Management Management of programmes such as Rule of Law, Human Rights, Child Protection, Public Information, Disarmament, Demobilization and Reintegration, Mine action, Protection of Civilians, Military and Civilian Police operations, and Logistics; Management of projects such as technical cooperation and quick impact projects
8	Conference and Documents Management Records management, Publications, Editorial services, Conference management, Translation and interpretation services, Web sites
9	Property and Facilities Management Management of office premises and facilities, Contingent-owned equipment, Expendable and non-expendable property, Building Services, Inventory management, Local Property Service Board
10	Safety and Security Security of UN staff and installations, Contingency planning, Evacuation procedures and drills, Occupational safety
11	Other areas This is for illustration purposes only and is not a comprehensive audit and is included for any other focus areas not specified in 1-10. This may include general office administration, executive offices and common services etc.

Risk Categories

Risk categories are common concerns or events, grouped together by the type of risk that will result. The seven (7) risks used in OIOS Risk Assessment methodology are as follows:

- A. Strategy
- B. Governance
- C. Compliance
- D. Financial
- E. Operational
- F. Human Resources
- G. Information Resources

No.	Risk Category	Description
A	Strategy	Impact on mandate, operations or reputation arising from inadequate strategic planning, adverse business decisions, improper implementation of decisions, a lack of responsiveness to changes to the external environment, or exposure to economic or other considerations that affect the Organization's mandates and objectives.
B	Governance	Impact on mandate, operations or reputation as a result of failure to establish appropriate processes and structures to inform, direct, manage and monitor the activities of the Organization toward the achievement of its objectives. Includes attributes such as leadership, tone at the top, and promotion of an ethical culture in the Organization.
C	Compliance	Impact on mandate, operations or reputation from violations or non-conformance with, or inability to comply with laws, rules, regulations, prescribed practices, policies and procedures, or ethical standards.
D	Financial	Impact on mandate, operations or reputation resulting from: failure to obtain sufficient funding, funds being inappropriately used, financial performance being not managed according to expectations, or financial results being inappropriately reported or disclosed.
E	Operational	Impact on mandate, operations or reputation resulting from inadequate, inefficient or failed internal processes that do not allow operations to be carried out economically, efficiently or effectively.
F	Human Resources	Impact on mandate, operations or reputation resulting from a failure to develop and implement appropriate human resources policies, procedures and practices to meet the Organization's needs.
G	Information Resources	Impact on mandate, operations or reputation resulting from failure to establish appropriate information and communication systems and infrastructure so as to efficiently and effectively.

Risk Assessment Ratings

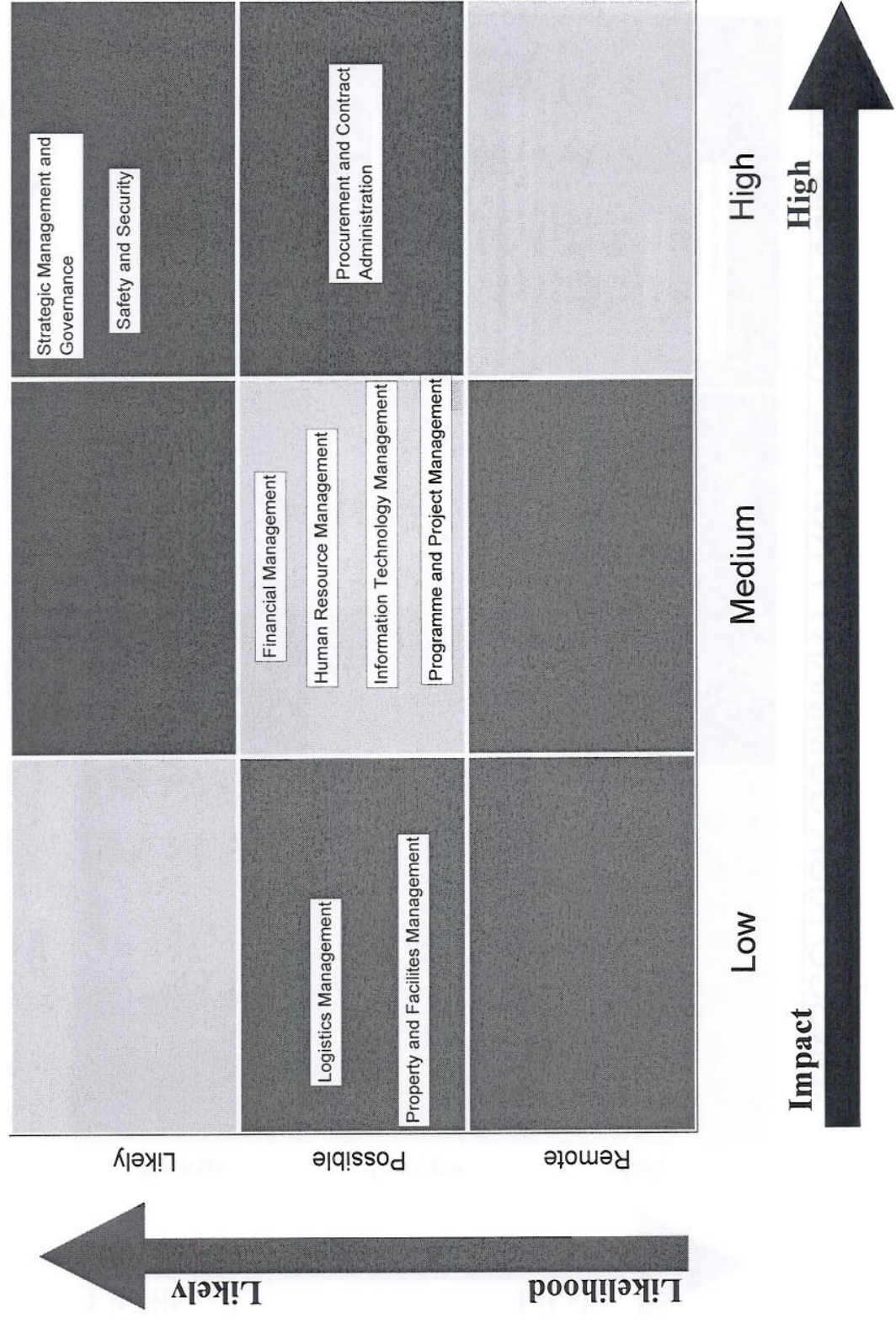
The OIOS Risk Assessment Framework evaluates the likelihood of the risk occurring and the impact it will have if it occurs. Based on the assessment of the two factors an overall risk rating is derived indicating whether the risk of a focus area is High, Moderate or Low. The ratings used is show below:

Risk Likelihood	
Likely	Conditions within our environment indicate that an event is expected to occur in most circumstances
Possible	Conditions within our environment indicate that an event will probably occur in many circumstances
Remote	Conditions within our environment indicate that an event may occur at some time

Risk Impact	
High	Serious impact on operation, reputation, or funding status
Medium	Significant impact on operations, reputation, or funding status
Low	Less significant impact on operations, reputation, or funding status

Overall Risk Combinations Impact and Likelihood	
Higher Risk	<p>The identified issue represents the following likelihood and impact combinations:</p> <ul style="list-style-type: none"> • Likely and high • Likely and medium • Possible and high
Moderate Risk	<p>The identified issue represents the following likelihood and impact combinations</p> <ul style="list-style-type: none"> • Likely and low • Possible and medium • Remote and high
Lower Risk	<p>The identified issue represents the following likelihood and impact combinations</p> <ul style="list-style-type: none"> • Possible and low • Remote and low • Remote and medium

UNESCO RISK SUMMARY PROFILE (Focus Area)



UNSCO RISK SUMMARY PROFILE (Sub Focus Area)

