Operational Directive Ref. OD.FG.2018.03
Risk Management

Authority:

This Operational Directive (OD) is promulgated by the Director, Finance Group (FG), on the basis of a delegation of authority from the Executive Director (ED).

Purpose:

The purpose of this OD is to define UNOPS enterprise risk management framework.

Effective Date:

This OD shall become effective **immediately.**

Promulgation Date:

15 Mar 2018

Consequential changes:

The following ODs shall be abolished as of the effective date of this OD:

- OD 27 – Internal Control and Risk management Framework, except for Internal Control component which shall remain in effect until abolished by a subsequent UNOPS legislative instrument.;
- OD 33 – UNOPS Strategic Risk Management Planning Framework.

[signature redacted]

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1. Introduction

1.1 In UNOPS, risk shall be defined as *"events or circumstances that imply uncertainty about deviation from expected objectives or outcome"*. Risk, when appropriately managed may also imply or generate opportunities and a positive outcome.

1.2 Risks are integral to UNOPS operational context, and UNOPS endeavours to manage risks effectively to avoid or minimise the impact of adverse effects from threats and enable opportunities.

2. Roles and responsibilities

2.1 The Executive Director is responsible and accountable to the Executive Board for risk management in UNOPS.

2.2 UNOPS executive and senior leadership shall ensure that a risk-aware culture is cultivated throughout the organization. This shall be supported by management at all levels, promoting transparent, effective, and proactive risk management to enable the development of risk mitigation plans, risk-informed decision-making, and enhanced risk management maturity at all levels.

2.3 UNOPS executive and senior leadership is responsible for monitoring risks that UNOPS is exposed to and for ensuring that appropriate responses are implemented to effectively address key risks to UNOPS objectives.

2.4 Policy owners, within their respective area of responsibility, are responsible for supporting, advising on and challenging risk management activities, as well as for ensuring that key risks are properly escalated.

2.5 Project and engagement authorities are responsible for ensuring efficient and effective risk assurance as defined within their respective area of responsibility.

2.6 Risk owners, typically heads of business units or relevant Delegation-of-Authority holders, are responsible for ensuring efficient and effective risk management and risk based decision-making within their respective area of responsibility.

2.7 All UNOPS personnel, in the context of their individual roles and responsibilities, shall abide by the enterprise risk management (ERM) framework and engage in regular risk management.

2.8 UNOPS Finance Group is designated as custodian for corporate risk management and shall be responsible for establishing, maintaining and supporting the implementation of UNOPS ERM framework.

3. Principles for enterprise risk management

3.1 UNOPS shall implement an ERM process, supported by associated systems and procedures

3.2 Enterprise risk management is defined as *"a process effected by the Executive Director, management and other personnel, applied in strategy-setting and across the enterprise, designed to identify potential*

events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of UNOPS objectives".

3.3 Effective risk management enables identification of the biggest threats to an organization and provides guidelines for handling them.

3.4 UNOPS shall establish an ERM framework to drive consistent, agile and effective risk management across the organization. The framework shall foster principled behaviour and an entrepreneurial risk culture, where risks are managed proactively throughout all processes and at all levels, and where lessons learned are shared to continuously improve UNOPS risk management capacity.

3.5 Risks shall be identified and managed at all levels of the organization. This includes at operational level for risks related to engagements/project objectives, at organizational level for risks related to business unit objectives, and at corporate level for risks related to UNOPS corporate objectives.

3.6 UNOPS shall set out a risk appetite statement to serve as a steering mechanism to orientate strategic decision-making, including for resource allocation and investment decisions, and to serve as a calibration instrument to assess that UNOPS operates within its desired risk boundaries, as defined by senior management.

3.7 UNOPS shall accept and manage engagements based on diligent assessments of risks, and plan and implement appropriate responses to ensure quality delivery. When relevant and possible, risks shall be quantified or qualified to inform and prioritise risk responses.

3.8 Risk management activities shall be inclusive, so that relevant stakeholders, such as project teams, subject matter experts and partners, are involved in a meaningful and timely manner to inform risk assessments and response plans.

3.9 Risks shall be assigned to risk owners that are appointed at a level aligned with the ability and authority to properly address the risks.

4. UNOPS enterprise risk management framework

4.1 UNOPS ERM framework shall be tailored to UNOPS needs and be inspired by internationally recognized risk management standards.

4.2 The framework shall define standard risk taxonomies, including risk categories and key vocabulary, to be applied throughout all risk management activities in UNOPS, to the extent possible. These taxonomies shall be specified in the OI on risk management.

4.3 The framework shall define the key steps in the cycle for conducting effective risk management, whether at operational, organizational, or corporate level. These steps are outlined below:

i. ***Establishing the context and scope:*** involves defining the scope for the risk assessment, which includes assessing the organizational and operational context.

ii. ***Risk assessment:*** includes identification, analysis and evaluation of risks within the defined risk assessment scope.

iii. ***Response:*** involves determining and implementing appropriate response mechanisms to address the identified risks.

iv. ***Monitor & Review:*** involves regularly follow-up to ensure that risk responses are adequate and to re-assess risks, when needed. It also involves escalating risks, when necessary.

v. ***Communication and consultation:*** involves engaging and informing relevant stakeholders, including team members, policy owners, and senior management, throughout the various stages of the risk management process.

vi. ***Reporting:*** involves creating risk visibility across all levels to enhance risk awareness and to inform strategic decision-making.

4.4 These steps shall be further specified in the risk management OI, including providing clarity on the established processes across UNOPS through which the risk management steps are implemented.