



# **Introduction to OIOS Risk Assessment Framework**



# Statutory Requirement for Risk Assessment

The Institute of Internal Auditors (IIA) standards state:

## ■2010: **Planning**

The chief audit executive should establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organization's goals.

## ■2010.A1:**Implementation Standard**

The internal audit activity's plan of engagements should be based on a risk assessment, undertaken at least annually. The input of senior management and the board should be considered in this process.

OIOS will ensure that its 2008 work plan is fully risk based.



# **Risk Assessment Objectives**

- Identify and prioritize risk, in the context of the Organization's strategies and operational objectives.
- Create a risk register for the Organization, including identification and assessment of the likelihood and impact of risks
- Assist in prioritizing internal oversight activities.



# Key Concepts for Risk Assessment

**Risk:** The threat that an event or action will adversely affect the UN's ability to achieve its organizational objectives and execute its strategies successfully. Risk has two components: 1) the likelihood of occurrence, or probability, and 2) the impact that the event or action would have.



# Key Concepts for Risk Assessment

## Likelihood of Risk

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



# Key Concepts for Risk Assessment

## Impact of Risk

Impact of Risk	
<i>High</i>	<i>Serious impact on operation, reputation, or funding status</i>
<i>Medium</i>	<i>Significant impact on operations, reputation, or funding status</i>
<i>Low</i>	<i>Less significant impact on operations, reputation, or funding status</i>



# Key Concepts for Risk Assessment

## Risk Matrix

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



# Risk Assessment Methodologies

- Internal Audit Division (IAD) conducts detailed departmental or entity level risk assessments through dialogue and consultation with management and staff and review of available documents.
- Monitoring, Evaluation and Consulting Division (MECD) considers IAD's risk assessment results and applies additional qualitative and quantitative parameters to identify inspection and evaluation topics and programmes.





# **IAD Risk Assessment Methodology**

## Phases:

1. Planning
2. Fieldwork
3. Development of risk register and risk matrix
4. Work planning



# IAD Risk Assessment Methodology

- Active participation from management is key to effective risk assessment. This participation includes:
  - Workshops
  - Interviews
  - Management self-assessment of risks and controls



# IAD Risk Assessment Methodology

Key procedures for risk assessment include:

- Identifying key goals and objectives and gaining an understanding of the key business processes;
- Identifying both external and internal critical success factors and threats to achievement of goals and objectives;
- Assessing likelihood and impact of these risks; and
- Identifying potential risk-minimizing procedures.



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# Sample IAD Risk Register

## Risk Assessment of : [Department/Unit]

2.	<b>Focus Area: Financial Management</b>			<b>Possible</b>	<b>Medium</b>	<b>Moderate Risk</b>
No	Interview and Review summary (Description of risk)	OIOS Assessment	Risk Category	Likelihood	Impact	Overall Risk
I.	<b>Payroll</b>			<b>Possible</b>	<b>High</b>	<b>Higher Risk</b>
	<b>C(i) Control on payroll processing in the Finance Section is weak.</b>  <b>C(ii) Personal action not required to start payroll process could result in fraud</b>	<b>Policies exist but not used and no proper segregation of duties and approval process</b>	<b>Compliance</b>	<b>Possible</b>	<b>High</b>	<b>Higher Risk</b>
II.	<b>Cash Management</b>			<b>Possible</b>	<b>Medium</b>	<b>Moderate Risk</b>
	<b>D(i) Risk of fraud occurring on bank accounts</b> <b>D(ii) Cash can go missing without persons being accountable</b>	<b>Bank reconciliation are 6 mths behind and no custodian of petty cash till</b>	<b>Financial</b>	<b>Possible</b>	<b>Medium</b>	<b>Moderate Risk</b>



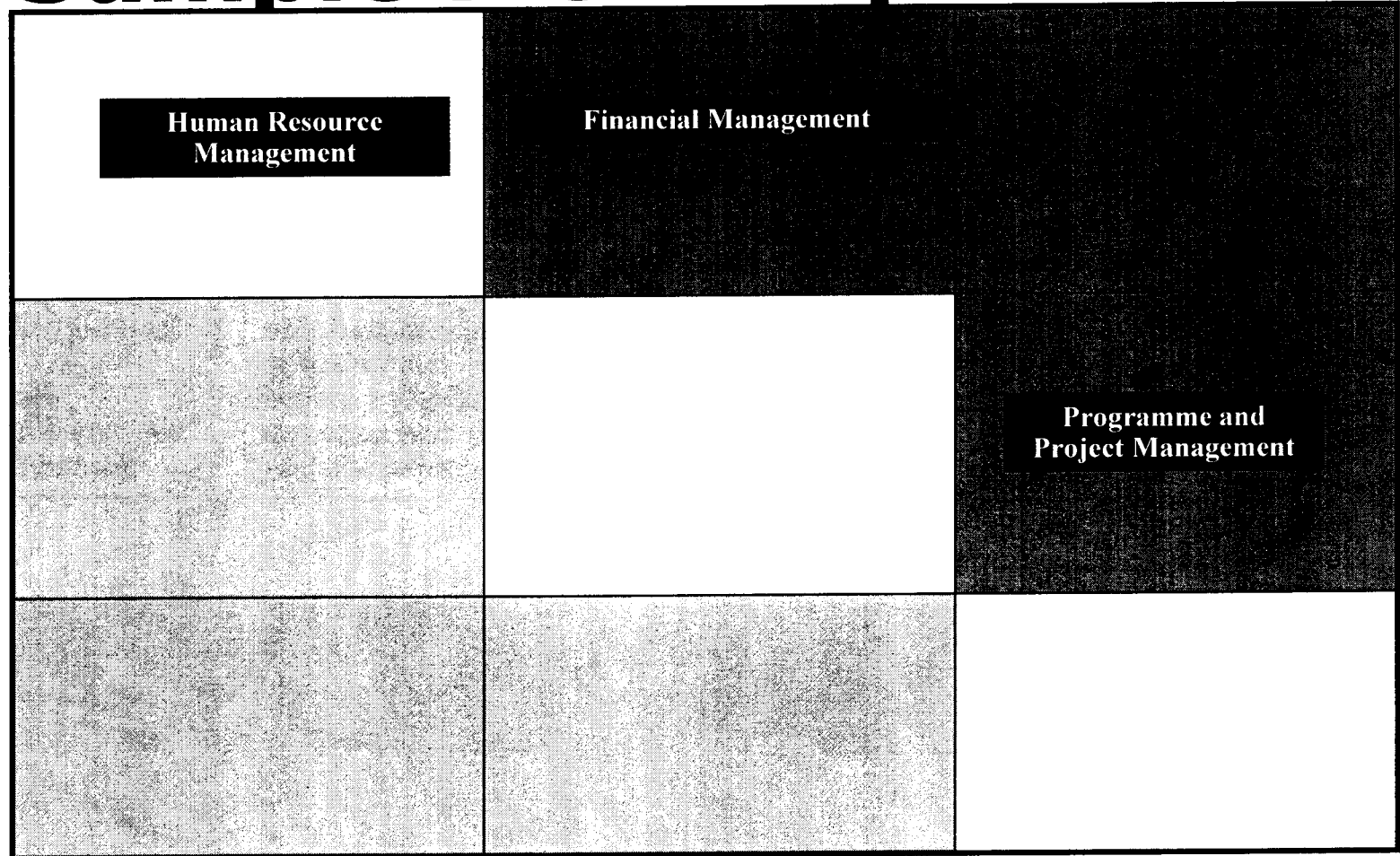
# Sample Risk Map

LIKELIHOOD

Likely

Possible

Remote



Low

Medium

High

IMPACT



# Additional risk parameters for Inspection and Evaluation

<u>Category</u>	<u>Parameters</u>
<b>Resources at Risk</b>	<i>Resource Volume</i>
	<i>Resource Vulnerability (Share of XB)</i>
<b>Programme</b>	<i>Organizational reach / impact</i>
	<i>Relevance to UN strategic priorities</i>
	<i>Risk of duplication of programme activities</i>
	<i>Timeliness</i>
	<i>Programme Performance Indicator Availability</i>
	<i>Complexity of coordination</i>
	<i>Output implementation rate</i>
<b>Programme Oversight</b>	<i>Implementation of OIOS Recommendations</i>
	<i>Previous and / or planned oversight coverage</i>