

CERF Secretariat Response to OIOS Risk Assessment

CERF secretariat
April 2012

In October 2010, the Office of Internal Oversight Services (OIOS) released a report with the findings of a risk assessment of United Nations (UN) general trust funds. The report outlined key risks identified in relation to the operation of UN general trust funds, with risks grouped into four categories: Loss of legitimacy, loss of financing, loss of knowledge capacity and loss of operational capacity.

The assessment covered 168 UN general trust funds. Of these, 15 had received more than \$15 million each in the biennium accounting for 93 per cent of contributions received. The CERF was found to be the largest trust with a significant share of field activities executed by implementing partner. This category was found to carry specific risk since they relied to a considerable extent on external partners, such as UN agencies and non-governmental organisations.

For each risk identified the report presented mitigation controls already in place and assessed the residual risks that still need to be addressed. The Central Emergency Response Fund (CERF) is the largest of the general trust funds assessed by OIOS, and as such many of the identified risks are to some degree applicable for the operation of the CERF. Risk assessment and mitigation is already an integral part of the regular CERF work-planning process. Based on the findings of the OIOS assessment, however, the CERF secretariat decided to review OIOS's assessment and develop a response table to determine the extent to which the identified risks apply to CERF, state current controls and outline any additional action required.

The table addresses those risks from the OIOS report directly relevant for CERF as well as other CERF-specific risks identified by the CERF secretariat. The table will inform future work planning of the CERF secretariat to further mitigate the risks identified as the most pressing. To that end, the CERF secretariat will develop a shorter risk management plan specifically geared towards the risks faced by the CERF.

In the table, the "Risk ID" and "Description of Risk and Causes" columns have been taken unchanged from the OIOS report. The "Likelihood", "Impact" and "Inherent Risk" ratings in the corresponding columns have been modified by the CERF secretariat to reflect its assessment of their applicability to the CERF, rather than to UN general trust funds as a whole as outlined in the OIOS report. Similarly, the "Residual Risk" column refers to the remaining risk to the CERF after the application of current control and mitigation measure by the CERF secretariat and other partners.

For the sake of comprehensiveness, all risks identified by OIOS are contained in the table below. Due to the broader scope of the OIOS risk assessment exercise, however, not all risks are equally applicable to the CERF.

CERF SECRETARIAT RESPONSE TO OIOS RISK ASSESSMENT

In October 2010 the Office of Internal Oversight Services (OIOS) released a report with the findings of a risk assessment of United Nations (UN) general trust funds. The report outlined key risks identified in relation to the operation of UN general trust funds, with risks grouped into four categories: Loss of legitimacy, loss of financing, loss of knowledge capacity and loss of operational capacity. For each risk identified the report presented mitigation controls already in place and assessed the residual risks that still need to be addressed. The Central Emergency Response Fund (CERF) is the largest of the general trust funds assessed by OIOS, and as such many of the identified risks are to some degree directly applicable for the operation of the CERF. Risk assessment and mitigation is already an integral part of the regular CERF work-planning process, however, based on the findings of the OIOS assessment the CERF secretariat decided to formulate this response. The plan addresses those risks from the OIOS report directly relevant for CERF as well as other CERF specific risks identified by the CERF secretariat.

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Last Updated: 13 April 2012
Next Update: [day] [month] 2012

Risk levels:

Lower	Moderate	Higher
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Risk Id ¹	Description of Risk and Causes	Likelihood ²	Impact ³	Inherent Risk ⁴	CERF Secretariat Assessment of Risk and Description of Existing Controls (CERF tools, processes, procedures etc.)	Residual Risk ⁵	Additional Actions for Addressing Residual Risk ⁶	CERF Lead ⁷	Status as of 13 April 2012 ⁸
A	Loss of Legitimacy								
A.1	Failure to identify threats and opportunities, which may prevent the United Nations from making the changes required to maintain/increase its relevance								
A.1.1	<u>Insufficient outreach</u> a. Inability to raise a critical mass of funds may make the UN irrelevant in coordinating a strategic response and rendering programmes in a thematic area.	Remote	High	Moderate	In 2009 CERF developed a resource mobilisation strategy which includes a strategy for outreach to member states and the private sector. The resource mobilization strategy was endorsed by the CERF Advisory Group in 2010 and is reviewed and updated annually. The CERF is also working with donors to increase the number of multi-year agreements, thus increasing predictability and stability. Currently, the CERF has multi-year agreements with the UK, Australia and New Zealand.	Lower	None.	EPRS RU	The resource mobilisation strategy was reviewed and updated in January 2011 and will be reviewed again in the first quarter of 2012.

¹ For OIOS identified risks (*Assignment No. AG2009/510/02 – Risk assessment of management of general trust funds*) the OIOS risk id is indicated in the field.

² Rating of the likelihood of the risk based on OIOS assessment for general trust funds: Remote, possible, likely

³ Rating of the impact of the risk: High, medium or low

⁴ Rating of risk level based on likelihood and impact: Higher, moderate, lower

⁵ Remaining CERF risk level adjusted to reflect the controls in place: Higher, moderate, lower

⁶ What actions are planned by CERF to further mitigate risks? Please outline actions, timeline, related processes (e.g. 5YE MRP, SF Obj2.4 etc.)

⁷ If a dedicated unit within CERF is leading on the specific risk mitigation please indicate here (Programme Unit (PU), Reporting Unit (RU), Finance Unit (FU), Performance Management Unit (PMU), External Relations and Partnerships Section (EPRS))

⁸ Status of risk mitigation (specifically focused on the implementation of any new planned actions, but can also highlight any relevant risk mitigation activities through existing controls).

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A.1.2	<p>Absence of risk management process</p> <p>a. There may be insufficient identification and assessment of risks to allow them to be effectively managed to enhance the likelihood of achieving programme objectives.</p> <p>b. Insufficient risk management processes may lead to inability to determine prior to an emergency, what flexibility measures may be adopted, the circumstances that should trigger such flexibility measures and how long they should last.</p>	Possible	High	Higher	CERF has developed a risk management plan (this document) through which potential risks will be monitored, assessed and addressed.	Lower	The Chief of the CERF Secretariat and CERF Secretariat heads of units will review and update the Risk Management Plan on a quarterly basis to ensure that risk mitigation initiatives are implemented as planned.	PMU	Draft CERF risk management plan has been developed and will be reviewed by the Chief of CERF and CERF heads of units. Once approved the plan will be reviewed on a quarterly basis.
A.2	<p>Inability to articulate clear, comprehensive and achievable United Nations mandates, and inability to achieve and to report on implementation of these mandates, which may lead to a loss of confidence in the Secretariat's ability to deliver</p>								

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A.2.1	<p><u>Lack of attention to monitoring and evaluation as part of governance</u></p> <p>a. Insufficient attention to setting up monitoring and evaluation mechanisms and lack of attention to establishing baseline indicators may lead to substantive offices being unable to or encountering difficulties in measuring the outcome of funding activities.</p> <p>b. Different interpretations of the expected outcome of programme activities may lead to donors’ assessment that their objectives have not been met.</p>	Likely	High	Higher	<p>CERF has recognized this issue and has developed a performance and accountability framework (PAF) in 2010. Country-level reviews under the PAF are being conducted, but these focus largely on the CERF contribution to the overall response. Project-level and impact evaluations remain under the purview of agencies and information on these is limited. CERF-recipient agencies maintain their own monitoring and evaluation systems for the implementation of their programmes and projects of which CERF funding is often only a component.</p> <p>HCs in CERF recipient countries prepare an annual country report on the results achieved with CERF funding. The report is based on project level reporting by CERF recipient agencies. The HC CERF country reports are made publicly available on the CERF website.</p> <p>As mandated by the General Assembly, the SG reports annually to Member States on the use and impact of the Fund in the form of a SG report. In addition, the CERF Secretariat organizes four briefings a year (two in New York and two in Geneva) for member states.</p>	Higher	<p>In 2012 CERF will actively work with recipient agencies’ evaluation departments to systematically gain access to relevant internal agency evaluations of CERF funded programmes, and will aim to ensure that agency evaluations adequately address relevant CERF issues.</p> <p>Annual CERF country reporting from HCs will be strengthened to more clearly report on achievements against planned outcomes.</p>	PMU RU	<p>In progress.</p> <p>The CERF Narrative RC/HC Reporting Guidelines have been revised and the reporting template has been updated to ensure better reporting on the impact and use of CERF funds.</p>

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A.2.2	<p><u>Lack of appropriate results indicators for UN and implementing partners</u></p> <p>a. Lack of appropriate results indicators may lead to focus on conduct of activities rather than their purpose and outcomes.</p> <p>b. Improperly designed performance indicators may lead donors to come up with their own indicators and request data for them, on which the UN may not be able to provide information. The indicators may also not be linked with the mandate of the trust fund.</p>	Likely	Medium	Higher	<p><u>CERF Funded Activities:</u> CERF funds are transferred to agencies who implement projects in line with their own results frameworks and performance indicators. CERF proposals include a description of objectives, activities, outcomes and indicators for each project. This forms part of the review criteria and also forms the basis for project level reporting through the annual CERF country report.</p> <p><u>CERF Itself:</u> CERF has developed a Performance and Accountability Framework that contains a list of indicators that can be used as a starting point to measure CERF performance. CERF added value at country level will be assessed through the independent country reviews stipulated under the PAF. All information is publicly available through the CERF website.</p> <p>CERF has a separate performance framework with DFID, this has been developed in consultation between DFID and the CERF secretariat. Its indicators are closely linked to the mandate of the CERF and the CERF's own management information systems.</p>	Higher	<p><u>CERF Funded Activities:</u> CERF will closely follow the IASC work on the establishment on standardized cluster/sector performance indicators and determine how these can be used in or linked to CERF proposals. CERF will also follow related work for country based pooled funds and assess its relevance for CERF. CERF will also use the IASC Transformative Agenda to strengthen its own monitoring framework.</p> <p>Annual CERF country reporting from HCs will be strengthened to more clearly report on achievements against planned outcomes.</p> <p><u>CERF Itself:</u> In 2012 CERF will review the CERF Performance and Accountability Framework and explore opportunities for further strengthening the framework and its indicators.</p>	PMU	In progress

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A.2.3	<p><u>Lack of independent, objective evaluation of programmes</u></p> <p>a. Lack of independent, objective evaluation may lead to the UN being unable to demonstrate effectiveness and impact of trust fund activities and justify continued funding.</p> <p>b. Inadequate or inconsistent approach to monitoring project activities may lead to objectives not being achieved and ultimately, loss of funds and credibility of the UN.</p> <p>c. Lack of resources to undertake monitoring/verification /evaluation may result in the inability to detect problems and/or identify solutions.</p> <p>d. Lack of a monitoring and evaluation framework coupled with objective performance indicators may limit effective quality assurance of programme activities.</p> <p>e. There may be insufficient mechanisms to substantiate results reported by implementing partners, which may lead to loss of credibility on UN reporting, if found to be inaccurate.</p>	Likely	High	Higher	<p>The CERF has been formally evaluated several times, including through the General Assembly-mandated two-year and five-year evaluations. These have been managed by OCHA's Evaluation and Guidance Section and conducted by independent outside firms hired through the UN's Procurement Division. Recommendations from the evaluations are implemented through a Management Response Plan that is made publicly available on the CERF website and progress is discussed in the CERF Advisory Group.</p> <p>CERF has developed a Performance and Accountability Framework (PAF) that defines a set of indicators that will serve as a basis for measuring CERF's performance. As part of the PAF CERF's added value at country level will be assessed through independent country reviews. The PAF stipulates that 3-5 independent country reviews shall be conducted each year. All reviews are made publicly available through the CERF website and findings and recommendations are discussed in the CERF Advisory Group.</p> <p>Project-level and impact evaluations remain under the purview of agencies. CERF-recipient agencies maintain their own monitoring and evaluation systems for the implementation of their programmes and projects of which CERF funding is often only a component.</p> <p>HCs in CERF recipient countries prepare an annual country report on the results achieved with CERF funding. The report is based on project level reporting by CERF recipient agencies. The HC CERF country reports are made publicly available on the CERF website.</p>	Higher	<p>In 2012 CERF will review the CERF Performance and Accountability Framework and explore opportunities for further strengthening the framework and its indicators.</p> <p>In 2012, CERF will actively work with recipient agencies' evaluation departments to systematically gain access to relevant internal agency evaluations of CERF funded programmes, and will aim to ensure that agency evaluations adequately address relevant CERF issues.</p> <p>The CERF secretariat will also closely follow the IASC work on the establishment on standardized cluster/sector performance indicators and determine how these can be used in or linked to CERF proposals. CERF will also follow related work for country based pooled funds and assess its relevance for CERF. CERF will also use the IASC Transformative Agenda to strengthen its own monitoring framework.</p> <p>Annual CERF country reporting from HCs will be strengthened to more clearly report on achievements against planned outcomes.</p>	PMU	In progress

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A.2.4	<p><u>Inability to show the benefit of pooling donor funds</u></p> <p>a. Reports may not indicate to donors the advantages of pooling their resources with other donors and thus justify donors' support to programmes through the UN Secretariat. They may therefore look for alternative routes to channel funds.</p>	Possible	Medium	Moderate	<p>Annual reporting by RC/HCs on the use of CERF funds is in place. However, the quality is variable. Some reports contain an analysis that demonstrates the extent to which CERF funding provides benefits over traditional bilateral contributions. Others appear more as a compilation of project outputs. Efforts are underway to improve reporting.</p> <p>The CERF annual report brings together the information from the RC reports and focuses on identifying the CERF's added value.</p> <p>The CERF has improved its communication strategy and outreach through the development of feature stories, videography for international broadcast and improved website. These are widely shared with Member States, private sector and media.</p> <p>Apart from the aforementioned formal evaluations, the PAF country-level reviews provide an additional layer of analysis of the added value of CERF.</p>	Lower	Annual CERF country reporting from HCs will be strengthened to more clearly report on achievements against planned outcomes and to demonstrate the added value of CERF.	RU	The CERF Narrative RC/HC Reporting Guidelines have been revised and the reporting template has been updated to ensure better reporting on the impact and use of CERF funds

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A.2.5	<p><u>Inadequate UN monitoring and reporting standards and skills</u></p> <p>a. Inadequate standards for monitoring, evaluating and reporting on funded projects may lead to donor information requirements not being satisfied.</p> <p>b. Reporting may not meet the specific expectations of the donor, which may be more demanding in frequency and detail than traditional UN reporting standards.</p> <p>c. Lack of necessary skill sets could result in low quality reporting which donors may not accept, potentially leading to loss of credibility and termination of extrabudgetary support.</p> <p>d. An undue proportion of the time of donor relations/resource mobilization officers may be dedicated to correcting and improving substantive reports received from the field limiting time available for their core functions.</p>	Possible	Medium	Higher	<p>Project-level monitoring and evaluation remains under the purview of agencies who maintain their own monitoring and evaluation systems for the implementation of their programmes and projects.</p> <p>HCs in CERF recipient countries prepare an annual country report on the results achieved with CERF funding. The report is based on project level reporting by CERF recipient agencies Reports from the field are thoroughly reviewed by the CERF Secretariat to improve the standard.</p> <p>As mandated by the General Assembly, the SG reports annually to Member States on the use and impact of the Fund in the form of a SG report.</p> <p>Donors have not requested separate reporting from the CERF.</p>	Moderate	<p>The CERF reporting format will be revised in 2012 in order to improve the quality of reporting and the utility of reports for key stakeholders (i.e. HCs, ERC, CERF Secretariat, donors, member states)</p>	RU	<p>The CERF reporting format has been revised in 2012 in order to improve the quality of reporting). The CERF Secretariat is working closely with the RC/HCs of recipient countries to ensure better quality of reporting..</p>
A.2.6	<p><u>Inability to attribute programme success</u></p> <p>a. Where UN agencies are implementing partners, their programmatic approach to activities funded by donors may make it difficult to identify or correlate the outcomes of programmes with individual sources of funding.</p>	Possible	Medium	Moderate	<p>The CERF is frequently just one donor to agency projects and programmes. As a result, the PAF focuses on the value added of CERF contributions to the response as a whole.</p> <p>The CERF's largest donors are also major supporters of the UN agencies, and explicitly support these programme approaches.</p>	Moderate	<p>CERF will work with recipient agencies' evaluation departments to explore options for ensuring that agencies own evaluations better reference CERF contribution and added value to programmes.</p> <p>The CERF reporting format will be revised in 2012 in order to improve the quality of reporting and the utility of reports for key stakeholders (i.e. HCs, ERC, CERF Secretariat, donors, member states).</p>	PMU / RU	<p>The CERF reporting format and guidance have been revised to improve the reporting on CERF attribution and added value. The CERF Secretariat is working closely with the RC/HCs of recipient countries to ensure better quality of reporting.</p>

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A.2.7	<p><u>Unsatisfactory financial reports to donors</u></p> <p>a. Where funds to finance programmes are obtained from multiple sources, substantive offices may be unable to provide detailed financial reports on the utilization of the funds provided by specific donors, if requested. Currently, such financial information is based on approximations, which may be contrary to the expectations of the donor and may lead to loss of the UN's credibility if detected.</p> <p>b. Financial reports, which may be at variance with those submitted by the Trust Fund Unit, may be prepared and distributed by substantive offices damaging the credibility of the UN's financial reporting system.</p>	Remote	Medium	Moderate	This does not apply to CERF as CERF does not release financial reports to donors or to the public. The only financial reports released for CERF are the UN Official Financial Statements released by the UN's Office of Programme Planning Budget and Accounts (OPPBA) and certified by the Controller.	Lower			
A.2.8	<p><u>Non-liquidation of obligations may distort financial reporting</u></p> <p>a. Outstanding obligations may not be reviewed on a regular basis, putting into question the validity of the obligations and their financial statement presentation. The rate of funds utilization may also be lowered if obligations are not released early enough to allow for them to be reprogrammed.</p>	Remote	Low	Lower	Outstanding obligations are reviewed by the CERF Secretariat monthly, and every effort to minimize the outstanding receivables is made. However, valid obligations still exist for CERF projects still within their legitimate implementation period, which can distort financial reporting to some degree. Here, it is important to note the difference between outstanding and valid non-liquidated obligations.	Lower			
A.2.9	<p><u>Lack of timely reporting by implementing partners</u></p> <p>a. Delays in receiving narrative reports from implementing partners may limit the ability to monitor programme activities and take prompt remedial action to ensure objectives are achieved.</p>	Possible	Medium	Moderate	Timeliness of annual reports submitted by RC/HCs has improved considerably. Current efforts focus on improving the quality of the reports. However, there are severe limits to the extent that annual reports can be used by the CERF Secretariat as a monitoring tool given that CERF implementation periods average six to nine months. In this short time frame, monitoring and programme course correction is the responsibility of the recipient agencies	Moderate			
A.3	<i>Loss of confidence in the United Nations, which may lead Member States to turn to competing organizations and forums (such as the G20) to carry out their missions</i>								

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A.3.1	<p>Change in funding channels</p> <p>a. Increasing shift by donors to bilateral assistance may reduce the level of funding available to multilateral actors.</p> <p>b. Increasing interest in the Multi-Donor Trust Fund (MDTF) channel (due to perceived advantages such as more favourable programme support costs, more visible reporting and ability to support the UN system as a whole) may reduce the amount of funding channelled through the UN Secretariat.</p> <p>c. Donors increasingly want to channel funds through the UN Secretariat for projects to be implemented by other UN agencies or implementing partners (pass-through funding). The UN Secretariat may be unable to respond to this trend because of inconsistent financial regulations and rules within the UN system, lack of accountability framework and inadequate mechanisms for reporting funds utilization. This may lead to donors utilizing other funding channels, e.g. the MDTF.</p>	Possible	Medium	Moderate	<p>a. There is no evidence of this shift.</p> <p>b. This risk is not relevant to CERF as long as CERF receives priority treatment from OPPBA</p> <p>c. Donors provide funding to CERF for a specific purpose in line with CERF's mandate. As long as CERF functions effectively and fulfils its purpose donor support will not be jeopardized. The CERF enjoys a reduced overall PSC level, which has also been harmonized with the PSC rate of the agencies, funds, and programs to lead to a more effective and streamlined management of the Fund. In addition, the UN Secretariat has exercised flexibility with the FRRs of the CERF, in order to harmonize it with the agencies, funds, and programs (such as the adoption of the MDTF financial reporting format for CERF reporting).</p>	Moderate			
A.4	<i>Lack of coordination among United Nations agencies which exposes them to overlapping, duplicative functions, roles and responsibilities, unclear delegated authority and possible failure to deal with key issues effectively and efficiently.</i>								

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A.4.1	<p><u>Unclear accountability framework when UN agencies are implementing partners</u></p> <p>a. The UN Secretariat retains accountability for funds disbursed to UN agencies to implement programmes yet the Secretariat may have no direct authority to regulate and monitor the use of the funds.</p> <p>i. Funds received from the Secretariat are integrated with the UN agencies' other resources and (a) utilized in support of the funded activity in accordance with programmes mandated by their executive boards, and (b) accounted for in terms of the agencies' financial regulations and rules (FRR).</p> <p>b. The UN Secretariat may seek to require UN agencies to apply Secretariat FRR when accounting for funds. This may be onerous to the agencies as they may not have the structure to do so and may lack the requisite training. This may also be challenged by the agency and cause confusion which may damage the reputation of the UN as a whole.</p> <p>c. Protracted negotiations over the rules that should govern funds disbursed to UN agencies may lead to delays in programme implementation.</p>	Possible	High	Higher	<p>The legislation which governs the CERF (SGB and Letters of Understanding with implementing partners) refers to each agency to apply their own internal FRRs when implementing CERF funds.</p> <p>The revised SGB (2010/5) and corresponding umbrella LOU in place with all CERF-receiving agencies specifies that all CERF funds will be accounted for according to the internal accounting practices of each receiving fund or programme. Further, all UN agencies, funds and programs, including the UN Secretariat, are in the process of implementing IPSAS and the new harmonized (UNDG) financial reporting template. Therefore, the UN Secretariat and the UN funds and programmes, to which the CERF disburses funds, are becoming increasingly similar to the way in which they account for the funds.</p> <p>The adoption of the UNDG template for budgeting and reporting has decreased the number of errors and improved accuracy of reporting..</p> <p>The UN agencies, funds, and programmes are also audited in the same manner and to the same standards as the UN Secretariat.</p> <p>The close liaison between the CERF Secretariat and OPPBA has contributed to reducing confusion.</p>	Moderate	CERF Secretariat to participate in UN harmonization activities.	FU	

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A.4.2	<p><u>Lack of agreed objective fund allocation criteria and process</u></p> <p>a. Lack of transparency in the criteria for allocating un-earmarked funds may result in inequitable distribution of funds to UN funds and programmes and the appearance of conflict of interest, for those trust funds where the Secretariat plays a coordination role (e.g. Voluntary Trust Fund for Assistance in Mine Action).</p>	Possible	Medium	Moderate	<p>OCHA is not eligible to receive funds from the CERF's grant element which mitigates against the appearance of a conflict of interest described.</p> <p>However, other transparency issues in fund allocation remain.</p> <p><u>HQ Transparency</u> For example, the basis for selecting countries for the Underfunded Emergencies (UFE) rounds is not always well understood at field level despite being rooted in inclusive and extensive inter-agency consultations at headquarters level. Opportunities for better communicating this are being explored and additional reports and information products have been launched in 2011.</p> <p>The CERF Secretariat is using the life-saving criteria to review all incoming request for funding. These criteria have been developed through a participatory process and agreed upon by all recipient agencies.</p> <p><u>Field level Transparency</u> When reviewing CERF submissions the CERF Secretariat emphasises the need for CERF submissions to clearly explain and articulate criteria and rationale for field level prioritization.</p>	Moderate	<p>The CERF Secretariat will undertake an independent review of the UFE process in 2012.</p> <p>The CERF Secretariat will prepare guidance on field-level prioritization and develop a repository of good practice in this respect.</p> <p>The CERF Secretariat will develop a list of standard guiding questions on the most common activities in clusters/sectors to be considered as an addendum of the life-saving criteria</p>	PU	
A.5	<i>Over-dependence on earmarked funding, which may lead to loss of programmatic focus</i>								

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A.5.1	<p><u>Donor earmarking of funds</u></p> <p>a. There may be a distortion in substantive offices' priorities and mandates as a result of earmarking of funds. Key needs may also be under-funded because of differing priorities.</p> <p>b. Earmarked funds may require special reporting, for which the information systems are not well adapted.</p>	Remote	Medium	Lower	All CERF funds are unearmarked.	Lower			

Risk Id ¹	Description of Risk and Causes	Likelihood ²	Impact ³	Inherent Risk ⁴	CERF Secretariat Assessment of Risk and Description of Existing Controls (CERF tools, processes, procedures etc.)	Residual Risk ⁵	Additional Actions for Addressing Residual Risk ⁶	CERF Lead ⁷	Status as of 13 April 2012 ⁸
A.5.2	<p><u>Under-diversified funding sources</u></p> <p>a. UN reputation could be put at risk if programmes that rely on only few donors were perceived to promote the political influence of those donors' interests. This may discourage participation by other donors and may be challenged by Member States.</p> <p>b. An activity may be financed by one or few donors, which may indicate there is not wide interest in the programme area. This poses a risk of continuation of funding for underlying programmes if the contributor ceases funding, leading to a reputation risk for the UN.</p> <p>c. The UN may be unable to realize its ambition to attract the broadest base of donors, which may reduce its ability to diversify its pool of donors.</p>	Possible	Medium	Moderate	<p>Even though the CERF has attracted broad-based political and financial support, the bulk of contributions continue to come from a few Member States (seven have contributed more than 80% of total income). Efforts to further diversify the funding base are underway. Currently, the CERF counts 126 of 193 Member States and Observers as supporters, nearly two-thirds of the total.</p> <p>The CERF Advisory Group provides the Secretary-General with periodic policy guidance and expert advice on the use and impact of the through the Fund Manager. Members are nominated by member states. However, they serve in their individual capacity, not as representatives of their countries or governments. They include government officials from contributing and recipient countries, representatives of humanitarian non-governmental organizations and academic experts and have been carefully selected to reflect a geographical and gender balance. AG membership is governed by a rotation strategy that ensures a varied and representative membership profile. The AG meets on a regular basis and provides recommendations to the SG on how to further improve the CERF. The recommendations are then sent by the President of the General Assembly to all member states as an official UN document.</p>	Moderate	Efforts to further broaden and deepen the donor base will be intensified in 2012 with targeted outreach to existing and potential donor groups.		

Risk Id ¹	Description of Risk and Causes	Likelihood ²	Impact ³	Inherent Risk ⁴	CERF Secretariat Assessment of Risk and Description of Existing Controls (CERF tools, processes, procedures etc.)	Residual Risk ⁵	Additional Actions for Addressing Residual Risk ⁶	CERF Lead ⁷	Status as of 13 April 2012 ⁸
A.5.3	<p><u>Proliferation of trust funds with overlapping programmes</u></p> <p>a. Inadequate analysis of thematic areas covered by existing trust funds might lead to establishing new trust funds for activities that are already being undertaken by existing trust funds. This may increase administrative burdens and costs and reduce impact in terms of implementation.</p>	Possible	Medium	Moderate	The focus for the CERF is reasonably clear. Currently, there seems to be a low danger of duplication as the CERF remains the only global humanitarian pooled fund. However, greater coordination with country-based pooled funds was identified as a priority by the CERF Secretariat as well as outside evaluators and reviewers.	Lower	Measures for improved harmonization between CERF and Country Based Pooled Funds will be undertaken in 2012.		
A.5.4	<p><u>Fragmentation of programme activities</u></p> <p>a. The focus by donors on results and impact of field activities may lead to a short-term view of the scale of intervention required and inability to meet the overall objectives of the funding. This may also lead to programmes being fragmented into a series of non-cohesive projects, which may not achieve the desired results.</p>	Likely	Medium	Moderate	Field-level prioritization is an important part of the proposal review process. Overly fragmented or small submissions are returned to the field with requests for clarification and/or revision. Proposal packages must be coherent and well-prioritized.	Moderate	Development of prioritization guidance.	PMU PU	<p>A concept note outlining the possible methodology for the development of prioritization guidance has been prepared.</p> <p>The prioritisation guidance will build on good practices from the field and it will be based on existing guidance from CAPs and country based pooled and be informed by related work under the IASC Transformative Agenda.</p>
A.5.5	<p><u>Insufficient programme support costs to cover programme delivery costs</u></p> <p>a. Share of programme support costs attributed to a substantive office may not be sufficient to ensure adequate administrative support for programme delivery.</p> <p>b. Standard programme support costs may not be sufficient to cover the cost of implementing trust funds which are small in size or have many small disbursements; this may result in their administration costs being subsidized by funds from other sources.</p>	Possible	Medium	Moderate	It is true that the share of PSC to OCHA/CERF (40 per cent of the 3 per cent retained by the Controller) is not always adequate to cover the needs of the CERF Secretariat. Therefore, the Controller has agreed to allot more funds on an “as needed” basis to the Secretariat. While the 7 per cent PSC allocated to the agencies covers indirect administrative costs, typically at HQ, they also include in CERF budgets direct administrative costs as per their internal definitions. These two issues are currently under discussion in the PSC Working Group and the Service Cost Working Group chaired by the UN Controller.	Lower			

B	Loss of Financing							
B.1	<i>Collapse of world economies affecting Member States' resources which may lead to a reduction in contributions</i>							
B.1.1	<p><u>Unpredictability of extrabudgetary funding</u></p> <p>b. Extrabudgetary funding may be subject to unpredictable fluctuations, which could impede substantive offices' ability to execute long-term planning of operational and financial requirements. If actual extrabudgetary funding either exceeds or falls short of projections, this could lead to less than optimal use of available resources.</p> <p>i. Where an office depends on extrabudgetary funds for its own expenses (e.g. staff or rent), the curtailment of contributions may have a significant impact on the office and its staff.</p> <p>ii. Where a programme depends on extrabudgetary resources to finance implementing partners, curtailment of contributions could have a significant impact on field activities.</p> <p>c. Lack of a comprehensive fund-raising strategy may result in a fragmented fund-raising approach, competition with other United Nations entities, inability to leverage with donors, loss of credibility and ultimately loss of funding. This may also project an unfavourable image of the Organization as a whole and pose a reputation risk.</p> <p>d. Programme managers may not be able to focus on both fundraising activities and programme activities. This may negatively affect the ability to raise the funding resources required to implement programme activities.</p> <p>e. Deteriorating world economic climate may reduce discretionary funding from donors.</p>	Possible	High	Moderate	<p>Re. c.: In 2009 CERF developed a resource mobilisation strategy which includes a strategy for outreach to Member States and the private sector. The resource mobilization strategy was endorsed by the CERF Advisory Group in 2010 and is reviewed and updated annually.</p> <p>Re. d.: The OCHA External Relations and Partnerships Section leads on CERF outreach to Member States the private sector and fundraising initiatives, leaving the CERF Programme Unit and other CERF units free to focus on programmatic activities. The CERF Secretariat's Information and Reporting Unit supports OCHA's External Relations and Partnerships Section (ERPS) as needed and to ensure continuity.</p> <p>Member States are briefed twice a year in both New York and Geneva on the activities of the CERF to ensure accountability.</p> <p>Re. e.: Contributions to the CERF have remained relatively stable even during the global economic downturn. However, the possible impact of the European sovereign debt crisis on key Member States and CERF contributions remains a cause for concern.</p>	Moderate	<p>Regular updating of resource mobilization strategy.</p> <p>Continued efforts to diversify donor base.</p>	ERPS

B.1.2	<p><u>Donor concerns regarding programme support costs</u></p> <p>a. Donors may be concerned that the level and/or use of programme support costs are not transparent, especially if they believe that there is insufficient investment in staff and other support for programme implementation.</p> <p>b. Programme support costs, if perceived as high, may lead donors and contributors to fund activities through non-governmental organizations or other agency channels.</p> <p>c. Inconsistency in the charge for programme support costs (13 per cent but subject to negotiation) may produce reputation risk to the UN and may reduce the flow of future resources.</p> <p>i. There are requests from donors to lower the rate of programme support costs and donors are aware of Financial and Administrative Framework Agreement (FAFA) with the European Union, for which programme support cost is 7 per cent.</p> <p>d. Push by donors to reduce the proportion of funding utilized on staff and administrative costs may lead to inadequate supervision of programme activities and administrative support.</p>	Possible	Medium	Moderate	<p>There is agreement on a reduced PSC rate of 10 per cent for the CERF (3 per cent for UN Secretariat/CERF Secretariat to cover the indirect costs of administering the trust fund, 7 per cent for implementing agencies). However, the lack of consistency among agencies on definitions for indirect and direct administration costs and allowable amounts under each type of contract billing for sub-grantees is an ongoing concern.</p> <p>While it may appear from the differing agency PSC levels that a lower rate is more optimal for donors, each rate affords different levels of oversight, administrative services, reporting, etc. On CERF, the difference of the 3 per cent additional PSC from the 7 per cent favoured by donors affords the CERF Secretariat, which supports the ERC, in vetting projects and ensuring proper reporting from the implementing partners. This also serves to empower coordination. In addition, the funds are disbursed through the Office of the Controller, providing checks and balances to reduce mistakes in disbursement, which is also covered by the 3 per cent PSC</p>	Moderate		
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B.1.3	<p><u>UN standard agreements</u></p> <p>a. Standard contribution agreements may be unacceptable to some donors or inappropriate for certain types of programmes, for example, for humanitarian activities. (E.g.. agreements that are project-based instead of programme-based, do not allow for unearmarked funds or require return of unspent funds.) This may lead to donors holding back voluntary contributions until terms have been agreed.</p> <p>i. Some bilateral donors may have specific requirements, which may be at variance with standard UN text.</p> <p>ii. New requirements continually appear and donors may seek to change UN conditions.</p> <p>b. Standard agreements may result in a “one-size fits all” approach to managing trust fund, which may adversely affect the operations of some trust funds.</p>	Likely	Medium	Moderate	<p>Standard agreements in place for CERF. While many donors sign the standard MOU for contributions to the CERF, there are some donors, such as USAID/OFDA, Canada, and Germany, who require specific language in the agreements. The UN Secretariat has successfully negotiated agreeable language for these donors to date.</p>	Lower			
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B.1.4	<p><u>Delays and inconsistencies in funding agreements</u></p> <p>a. Delays in the Controller’s Office or Office of Legal Affairs in reviewing agreements may cause uncertainty, delays in programme implementation and damage to UN image. Lack of distinction between review of essential issues for mandatory compliance and review for quality improvement may cause unnecessary delays.</p> <p>b. Differences in the depth and quality of review by various staff members in the Controller’s Office over time may result in inconsistencies in the provisions of funding agreements, which may lead to reputation risks for the UN.</p> <p>c. The Controller’s Office may not circulate newly introduced standard funding agreement clauses to substantive offices which may result in them being omitted from agreements negotiated with donors. Late inclusion of these clauses may result in reopening negotiations which may result in loss of credibility of the UN and delays in receiving funds.</p>	Possible	Medium	Moderate	<p>a. The Controller has approved a standard MOU for contributions to the CERF. Most donors use this standard template, and these agreements are usually signed within 3 business days. In cases where the donor deviates from this approved template, there are delays in the review and approval of the agreement – although these cases are uncommon and are usually resolved within a few weeks.</p> <p>b. The CERF Secretariat works in close collaboration with a dedicated focal point in the Office of the Controller to ensure an accurate and timely review of documentation.</p> <p>c. While this remains a risk for CERF, we have substantially increased partnering with the Office of the Controller to avoid the likelihood of this occurrence.</p>	Lower			
B.1.5	<p><u>Inability to comply with specific donor request</u></p> <p>b. The UN may be unable to comply with certain specific requirements by some donors, which may result in protracted negotiations and delays in finalizing financing agreements. Some of these requirements include identifying and returning interest income on contributions, undertaking programme activities on a reimbursement basis and publicizing relationship with the UN. The requirement to return interest earned may also limit the ability to re-programme such income.</p>	Possible	Medium	Moderate	<p>To date, donors have not issued requirements that the UN Secretariat could not fulfil. In the rare cases that included requirements outside of the UN Secretariat Regulations and Rules/policies, negotiations were held to resolve the issues.</p>	Lower			

B.1.6	<p><u>Delays in finalizing contribution agreements/missing application deadlines for donor contributions</u></p> <p>a. Limited delegation of authority from the Controller, which then requires that all documents have to be centrally approved, may cause delays in approving contribution agreements and damage the image of the UN as being very bureaucratic. Delays may be exacerbated due to changing review criteria in the Controller's Office.</p> <p>b. Donors may have funding for specific projects, which can only be disbursed during a specific (limited) period of time, e.g. before the end of the fiscal period. Delays in approving/signing contribution agreements may result in the loss of such funds.</p> <p>c. Substantive offices may delay preparing contribution agreements and leave insufficient time for review by the Controller's Office</p>	Remote	Medium	Lower	<p>a. While this risk was greater in the past, and the Controller has improved the turnaround time for negotiating language and for approving agreements which deviate from the standard CERF template, there are still improvements that can be made. For example, the timeliness would be improved from 3 business days to the same business day if the CERF Secretariat could have delegation of authority to approve the agreements that adhere to the standard template which was already approved by the UN Controller.</p>	Lower			
B.1.7	<p><u>Decreased donor interest</u></p> <p>a. Inability to retain donor interest when issues are no longer topical may reduce amount of funds that can be raised.</p> <p>b. A negative perception of the UN or a specific office, mission or programme by a donor may affect its willingness to make voluntary contributions to the related trust fund.</p> <p>c. If an office, mission or programme is in its 'closing' phase, donor interest in contributing to its trust fund may decrease substantially.</p>	Remote	High	Moderate	<p>Contributions to the CERF have remained relatively stable throughout the global economic downturn. However, the possible impact of the European sovereign debt crisis on key Member States and CERF contributions remains a cause for concern.</p> <p>The CERF has improved its communication strategy and outreach through the development of feature stories, videography for international broadcast and an improved website. These are widely shared with Member States, private sector and media.</p> <p>The CERF's global reach avoids region-specific donor fatigue.</p>	Moderate			

B.1.8	<p><u>Slow donor response on funding proposals</u></p> <p>a. Delays by donors to respond to funding proposals, may impact on the ability of the Organization to finalize agreements or provide documentation within the tight or short timeline given.</p>	Remote	Medium	Lower	N.A. to the CERF. Allocations do not require ad-hoc solicitation of donor funds.	Lower	None		
B.1.9	<p><u>Donor or contributor fatigue</u></p> <p>a. Multiple requests for funds from the same set of donors or contributing countries may result in donor fatigue and limit the success of fund-raising efforts.</p>	Remote	Medium	Lower	<p>N.A. to the CERF. Allocations do not require ad-hoc solicitation of donor funds. Annual High Level Conference an additional mitigating measure.</p> <p>The CERF maintains donor confidence and engagements through the heightened visibility of the CERF and by demonstrating its value added and its impact on beneficiaries.</p> <p>Some donors who may not be present in small crises, could indirectly contribute to these small crises through the CERF.</p>	Lower	None		
B.1.10	<p><u>Change in personnel</u></p> <p>a. Frequent personnel turnover in contributing countries may impact the ability of substantive offices to implement long term strategies. With changes in governments, promised or anticipated funds may not materialize.</p> <p>b. Change in personnel in substantive offices without proper orientation may limit the ability of the UN to tap into the various funding arms of contributing countries.</p>	Remote	Low	Lower	<p>Not applicable to CERF</p> <p>From OIOS Assessment: Programme offices maintain professional relationships with all relevant personnel. End of assignment reports, which include all pertinent information, are prepared by separating staff members.)</p>	Lower			

B.1.11	<p><u>Private sector fundraising</u></p> <p>a. The character or profile of prospective donors may raise concerns about consistency with the ideals of the UN.</p> <p>b. Lack of specialized expertise in dealing with private sector fundraising could limit funds raised from this source.</p> <p>c. General suspicion of the motivation behind private sector donations may result in a very cautious approach and less use of this potential opportunity.</p> <p>d. Lack of agreement by the Controller and Office of Legal Affairs on the extent of collaboration with the private sector may make it difficult to raise funds from this source. (Areas of concern relate to division of profits, use of UN logo, compliance with the Global Compact, use of interest earned on funds, etc.)</p>	Remote	High	Moderate	Lower	<p>Outreach to private sector will be intensified in 2012 as it forms part of the resource mobilisation strategy.</p>	ERPS RU	
B.1.12	<p><u>Exchange rate fluctuations</u></p> <p>a. Exchange rate fluctuations could significantly erode the purchasing power of contributions leading to inability to complete agreed activities.</p>	Possible	Medium	Moderate	Moderate			

B.1.13	<p><u>Delayed receipt (non-receipt) of pledged funds</u></p> <p>a. Lack of timely, adequate and predictable receipt of contributions, may impact overall programme planning and management. This may force interruption of on-going activities, with resulting delays in achievement of results.</p> <p>b. Delays in receiving funds may disrupt contracts with implementing partners, who may be unavailable when funds are received. Delays may also cause funds to be utilized in an unplanned and unstructured manner in order to meet deadline dates in contribution agreements.</p> <p>c. The requirement that amounts can only be obligated against funds actually received may reduce the opportunity to secure the services of preferred implementing partners.</p>	Remote	Medium	Lower	Historically, two-thirds of CERF pledges are converted into contributions by the end of the first quarter. These disbursements are tied to national budget cycles and are thus “predictable” within a range. Therefore, CERF has had sufficient reserves to ensure continued functioning. In addition, the ERC usually carries over a minimum of \$30 million to ensure that the CERF can adequately respond to rapid onset emergencies during the end of the fiscal year when the fund balance is the lowest.	Lower			
B.1.14	<p><u>Long lead time for funds to reach implementing partners</u></p> <p>a. The time between receipt of funds by the UN Secretariat and eventual disbursement to implementing partner (usually through a UN agency) may be so long as to lessen the validity of channelling funds through the Secretariat leading to donors looking for alternative routes (e.g. bilateral arrangements with the implementing partner).</p>	Likely	High	Higher	Disbursement of funds to recipient agencies (referred to as implementing partners in OIOS assessment) takes place in a timely manner. However, onward disbursement of funds by agencies to sub-grantees is difficult to track. Available evidence suggests that there can be significant delays in this.	Higher	In 2012 CERF will seek better data on the timeliness of onward disbursement of CERF funds by agencies to sub-grantees. The improved data will inform discussions in the CERF Advisory Group and support development of policy and guidance.	RU PMU	<p>Reporting Guidelines and the narrative reporting template have been revised to give clearer instructions to agencies in reporting on the forward disbursement of funds to their implementing partners.</p> <p>The USG has written to the Heads of recipient agencies (IASC) and Resident and Humanitarian Coordinators to highlight the importance of ensuring that agencies should report on the forward disbursement of funds.</p>

B.1.15	<p><u>Inadequate operating reserve policy</u></p> <p>The requirement to set aside operating reserves of 15 per cent may be inappropriate, and difficult to explain to donors giving the impression that funds are not well utilized.</p> <p>i. Although reserved funds are released at the end of the calendar year, it may be too late to expend it before the expiry of the agreement, which may result in funds having to be returned to the donor.</p> <p>ii. There is no accounting entry for the reserve, so funds set aside are shown as unallocated on financial statements.</p> <p>iii. Operating reserves have historically not been used for the intended purposes.</p>	Remote	Low	Lower	<p>While 15% per cent are taken on the CERF grant element for the operational reserve to cover obligations during potential liquidation of the Fund, it has never been used to date, and poses little risk to CERF considering that typically balances higher than the operating reserve are rolled into the following financial period.</p>	Lower	None			
C	Loss of Knowledge Capacity									
	<p><u>No risks specific to trust funds activities were identified</u></p>									
D	Loss of Operational Capacity									
D.1	<i>An imbalance in influence and decision-making processes between the Secretariat's headquarters and decentralized offices may impact on decentralized offices' ability to deliver</i>									

D.1.1	<p><u>Unclear overall accountability for trust funds</u></p> <p>a. Lack of clarity on the overall accountability for trust funds between the Controller’s Office, Office of Programme Planning, Budget and Accounts (OPPBA) and the respective substantive offices managing trust funds may result in internal control weaknesses, bottlenecks and risks not being effectively addressed and managed.</p> <p>i. The Controller signs agreements with donors but does not have responsibility for implementation.</p> <p>ii. Programmes are implemented by substantive offices, but this may not be accompanied with sufficient delegation of authority (DOA) to efficiently and effectively respond to developments in the field.</p> <p>iii. OPPBA retains budgetary control but has no accountability for implementation.</p>	Likely	Medium	Higher	<p>The CERF has discussed delegation of authority with the UN Controller in order to minimize these risks. These talks have been put on hold concerning the CERF as the issue of delegation of authority is being examined overall internally by the Office of the Controller and included in discussions in the PSC Working Group, chaired by the Controller. The CERF Secretariat expects the discussions regarding delegation of authority to resume now that the PSC Working Group is coming to a close.</p>	Lower				
D.1.2	<p><u>Inappropriate designation of trust funds</u></p> <p>a. Inappropriate designation of a trust fund to a substantive office with no expertise in the thematic area might lead to inadequate oversight of programme activities.</p>	Remote	Medium	Lower	<p>OCHA has the mandate and experience to manage this fund, and the recipients are all mandated UN organizations and IOM.</p>	Lower	None			
<p><i>D.3 Lack of capacity of systems to support operations may have a disproportionate effect on budgets and delivery</i></p>										
D.3.1	<p><u>Inappropriate institutional commitments to prospective donors</u></p> <p>a. Programme managers/resource mobilizers may not have appropriate authority to enter into certain commitments with prospective donors or contributors (e.g. allowing access by donor’s auditors to books and records, applicability of national laws, etc.). Pulling back from these agreements may result in loss of credibility for the UN.</p>	Remote	Medium	Lower	<p>This is not a risk for the CERF, as only the Controller can sign contribution agreements for the CERF.</p>	Lower				

D.3.2	<p><u>Inappropriate background information or operational commitments to prospective donors</u></p> <p>a. Programme managers/resource mobilizers may not appropriately advise prospective contributors of United Nations' policies and procedures in establishing and managing trust funds. This might lead prospective donors not to expect decisions relating to selection of implementing partners, awarding of grants, procurement, recruitment etc., to be made on a competitive basis or programme support costs to be charged.</p>	Possible	Medium	Moderate	<p>The main donors to CERF now appear familiar with workings of the Fund as evidenced by recurring contributions. New donors and new members of the CERF Advisory Group are briefed on the Funds workings.</p> <p>Member States are briefed twice a year in both New York and Geneva on the activities of the CERF to ensure accountability.</p> <p>As mandated by the General Assembly, the SG reports annually to Member States on the use and impact of the Fund in the form of a SG report.</p> <p>The CERF website acts as a transparent database and keep Member States informed on the status of allocations for emergencies, pledges and contributions and reporting.</p>	Lower	None		
D.3.3	<p><u>Non-detection of incompatible terms in contribution agreements</u></p> <p>a. Lack of a process to review or conduct sample checks of contribution agreements signed by offices with delegated authority, by the Controller's Office, may lead to non-detection of terms therein, which may violate UN policies.</p>	Remote	High	Moderate	<p>The agreements for the CERF are reviewed twice, first by the Finance and Administration Unit of the CERF Secretariat and, secondly, by the Management Officer in the Office of the UN Controller.</p>	Lower			
D.3.4	<p><u>Outdated policies and guidelines</u></p> <p>a. Old administrative instructions and Secretary-General's bulletins governing the trust funds may not fully address current issues being experienced.</p> <p>b. Guidelines and instructions available may not be sufficiently clear and concise resulting in difficulties in interpreting and implementing procedures for managing of trust funds.</p>	Likely	Low	Moderate	<p>An updated version of the SGB on the CERF was published in April 2010.</p> <p>Other guidelines are periodically reviewed and updated.</p> <p>In addition, STAIs and other instructive notes are routinely monitored by the Finance and Administration Unit of the CERF Secretariat.</p>	Lower	Guidelines are reviewed on an annual basis.		

D.3.5	<p><u>Outdated/inappropriate terms of reference</u></p> <p>a. The original terms of reference (TOR) for the trust fund may be outdated, resulting in a conflict between full compliance with the TOR and practical action of the trust fund</p> <p>b. TORs that are too broad may increase the scope of the trust fund and make the activities unmanageable. TORs that are too narrow may restrict the activities of the trust fund.</p>	Possible	Medium	Moderate	<p>The basic objectives of the CERF are specified in General Assembly resolution 60/124. Member States review the CERF annually. In the 66th session of the GA, the resolution on the CERF was amended to reduce the size of the loan window.</p> <p>The GA resolutions are operationalized in the Secretary-General's Bulletin on the CERF. Additional information on more specialized aspects of the Fund's operation is contained in, amongst other places, the guidelines on the life-saving criteria, the PAF, the UFE and RR guidelines and sectoral funding guidance. Periodic review and evaluations along with AG meetings serve to keep the CERF in line with its mission.</p>	Lower			
D.3.6	<p><u>Acceptance of funds by staff without authority</u></p> <p>a. Acceptance of funds by senior staff members lacking authority to do so may create legal obligations counter to UN policy and damage the image of the UN.</p>	Remote	High	Moderate	<p>CERF funds are only accepted by the UN Controller and by the Finance and Administration Unit of the CERF Secretariat, in line with current Financial Rules and Regulations (FRRs).</p>	Lower			
D.3.7	<p><u>Improper accounting for contributions in-kind</u></p> <p>a. The monetary value of pledges and receipt of donations or contributions in kind may not be properly estimated and accounted for resulting in inaccurate statement of income and a reputation risk for the UN.</p>	Remote	Moderate	Lower	<p>All CERF in-kind contributions are accounted for in line with UN FRRs and reported as required.</p>	Lower			
D.3.8	<p><u>Diversion of funds</u></p> <p>a. Funds may be inappropriately channelled through third parties instead of through the United Nations accounting system (in a bid to avoid UN "bureaucratic" processes) resulting in loss of accountability to the donor and operations outside the United Nations financial regulations. This may also increase the risk of fraud. This risk is more likely to occur with public donations.</p>	Remote	Higher	Moderate	<p>All CERF funds adhere to the accounting policies of the UN Secretariat.</p>	Lower			

D.3.9	<p><u>Inflexibility of budget allocations and delays in issuing revised allotments</u></p> <p>a. There may be delays in approving budgets and programme implementation because requests for revisions in allotments may not be prepared on time or properly.</p> <p>b. There may be delays in responding to changing requirements during programme implementation because substantive offices are required to obtain approval from the Budget Division for all revisions to issued allotments; there is no flexibility to adjust between budget lines. In the field, activities may be undertaken, which are not in line with the allotments making it difficult to reconcile financial reports.</p>	Remote	Low	Lower	<p>While this is a risk on the CERF Secretariat in terms of the CERF Secretariat budget, improvements regarding the timeliness of the allotments have been made over the last year.</p> <p>Standard procedures and templates for requesting budget modification have been developed.</p>	Lower			
D.3.10	<p><u>Non-utilization of funds</u></p> <p>a. Inadequate planning may result in substantive offices not being able to use allocated funds in a timely manner thus affecting mandate completion and being obliged to return funds.</p> <p>b. Late receipt of funds can result in insufficient time to utilize funds.</p> <p>c. Low utilization rate of allocated funds may call into question the need for these funds and the strategy in establishing the trust funds.</p>	Possible	Medium	Moderate	<p>While all CERF funds are not used annually, there are no time-related return restrictions from donors. Therefore, even though the CERF may roll minimal funds from one year to the next, OCHA has never returned CERF funds to donors.</p> <p>In terms of implementing partners, procedures for the return of non-utilized funds to the UN Secretariat by agencies are in place.</p> <p>Generally, the CERF has a very high utilization rate as one of the key tools in the SG's response to natural and man-made disasters. It is highly unlikely that the need for the CERF will be called into question.</p>	Lower			

D.3.11	<p><u>Inadequate cost plans</u></p> <p>a. The cost plan may not include sufficient justification for proposed expenditures leading to delays in approval or non-approval of the plan, which might delay or adversely affect the implementation of programme activities and programme delivery.</p> <p>b. Cost plans may not be subject to the same level of scrutiny as regular budgets, which may lead to unjustified staff, acquisition and travel costs.</p>	Possible	Medium	Moderate	<p>The CERF Secretariat cost plan is based on the CERF Secretariat work plan, which is based on the overall OCHA strategic plan. The cost plan is drafted with a zero starting point and not based solely on variances from the prior period. The plans are scrutinized. The justification exchange, however, is completed quickly and funds are allotted in a timely manner.</p>	Lower			
D.3.12	<p><u>Poor cash management</u></p> <p>a. Non-preparation of rolling forecasts of cash requirements for trust funds with expenditures over \$500,000 may lead to poor cash management.</p>	Remote	Low	Lower	<p>Generally, the cash requirements for CERF are based on the GA resolution establishing the fund, which sets a target of \$500 million for the CERF.</p> <p>In addition, annual cost plans are in place for the CERF Secretariat. The majority of costs are staff-related and hence predictable.</p>	Lower			

D.3.13	<p><u>Lack of appropriate expertise of implementing partner</u></p> <p>a. Implementing partners may not be selected on a competitive basis that ensures that the best entity is identified to implement a programme activity.</p> <p>b. Implementing partners may not have the resources, capacity or expertise to deliver the programme as specified in the financial agreement. This may lead to delays or poor implementation of the programme and loss of credibility of the United Nations to the donor or contributor.</p> <p>c. Delays in submitting substantive and/or financial reporting from implementing partner may result in inability to properly monitor the implementing partner's progress.</p>	Possible	High	Higher	<p>In this case, OIOS use of the term IP is the same as CERF Secretariat usage (see below). Performance of IPs is indeed a possible risk that the CERF Secretariat has limited control over. Selection and supervision of IPs remains the responsibility of recipient agencies, using their own internal oversight mechanism. However, the CERF Secretariat asks applying agencies to provide information on expected IPs, their role in the project and selection method in the project proposal. In addition, the CERF Secretariat require all agencies receiving CERF funds to report on sub-grants made to IPs as part of the annual report by the RC/HC on the use of CERF funds.</p> <p>(From OIOS assessment: Some substantive offices maintain a list of approved non-governmental organizations in a country while others monitor the track record of existing implementing partners and only award new projects to those who perform well. There is also a process to assess new implementing partners including obtaining references.)</p>	Moderate			
D.3.14	<p><u>Inadequate provisions in financial agreements to guide programme activities</u></p> <p>a. Unclear or ambiguous provisions in the financial agreement regarding the use of project funds or procedures for recruitment, procurement and other operations may increase exposure to implementing partner fraud.</p>	Possible	High	Higher	<p>In 2010, an Umbrella LoU was negotiated by the UN Secretariat (UN Controller, the Office of Legal Affairs, and the CERF Secretariat) with the agencies which outlines the use of project funds according to the CERF mandate and the current CERF SGB. Agencies continue to follow their own procurement and recruitment procedures and are subject to their own oversight bodies.</p>	Moderate			
D.3.15	<p><u>Protracted project/implementing partner approval process</u></p> <p>a. A lengthy project review process could result in inefficient use of time and resources, donor queries, lack of interest among potential implementing partners, projects no longer relevant due to changing circumstances, etc.</p>	Possible	Medium	Moderate	<p>CERF Secretariat has been found to review projects swiftly once submitted and ensure their approval and disbursement. In 2011, it took an average of 11 working days for a proposal to be approved following its initial submission. Disbursal of funds took place on average nine working days after project approval.</p>	Lower			

D.3.16	<p><u>Inadequate information on funds availability</u></p> <p>a. Arrangements may be made, especially in the field, to undertake programme activities for which funds are not available due to absence of accurate, up-to-date financial information.</p>	Possible	Low	<p>Lower</p> <p>The CERF Secretariat partners closely with the UN's Office of Programme Planning Budget and Accounts to receive weekly accurate Fund balances based on the UN's Integrated Management Information System (IMIS). In addition, the CERF Secretariat keeps unofficial in-house balance sheets based on these weekly updates to ensure that the Fund manager is aware of balances and upcoming expenditure.</p>	Lower			
D.3.17	<p><u>Misuse of funds – fraud</u></p> <p>a. Fraudulent activities by UN implementing partners may limit their operational effectiveness and damage the image of the UN, reducing flow of future funds.</p> <p>b. An implementing partner may receive funds to implement the same programme activity from multiple donors and divert funds from the UN from the intended purpose.</p> <p>c. Where an implementing partner executes projects simultaneously or within a short space of time, some administrative support may be duplicated e.g. for vehicles and equipment.</p>	Possible	High	<p>Higher</p> <p>Agencies applying for CERF funds have to specify what share of total project costs are requested from CERF and, if possible, other sources of funding. In addition, contributions by CERF are reported to the Financial Tracking Service (FTS) in Geneva. Agencies are also subject to their own oversight and audit provisions.</p> <p>Each implementing partner will apply their own Financial Rules and Regulations as well as auditing procedures during the implementation of CERF grants. Additionally, the umbrella LOU contains language requiring each CERF implementing partner to share with the ERC all negative audit recommendations pertaining to CERF funds and the agency's response to the recommendation.</p>	Moderate			

D.3.18	<p><u>Misuse of funds in relation to trust funds conditions</u></p> <p>a. Funds allocated to UN and NGO implementing partners may be used for purposes other than those for which they were designated. This may include inappropriate recruitment, procurement or other expenditures.</p> <p>b. Inability to meet donor requirements may lead to obligation to reimburse funds used for non-eligible expenditures and eventually loss of credibility.</p>	Possible	Medium	Moderate	<p>(From OIOS assessment: Regular desk review of implementing partner financial and substantive reports. However, this does not provide sufficient assurance that funds have been properly used.)</p> <p>The CERF Secretariat has no direct oversight over CERF funded projects. Project-level monitoring and evaluation remains under the purview of agencies who maintain their own monitoring and evaluation systems for the implementation of their programmes and projects.</p> <p>Each implementing partner will apply their own Financial Rules and Regulations as well as auditing procedures during the implementation of CERF grants. Additionally, the umbrella LOU contains language requiring each CERF implementing partner to share with the ERC all negative audit recommendations pertaining to CERF funds and the agency's response to the recommendation.</p> <p>Agencies also report annually to the HC on the results achieved with CERF funding .These reports are shared with humanitarian partners at the country level and are made publicly available on the CERF website. This introduces an informal peer review component to the accountability framework.</p> <p>The CERF commissioned independent country reviews under the PAF aim to asses the added value of CERF at country level, and although these reviews do not evaluate individual CERF projects systematically, they often include sample reviews of CERF projects.</p>	Moderate		
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D.3.19	<p><u>Improper use of overhead or support cost charges</u></p> <p>a. Use of programme support costs on expenditures that have no demonstrable relationship to the trust fund activities may lead to loss of credibility of the UN.</p> <p>b. Cumulative programme support charges from chain of entities implementing the programme activity (exceeding 13 per cent in total) may be excessive and thus reduce funds available for operations and damage credibility of UN programmes.</p>	Possible	Medium	Moderate	<p>These risks are both of particular concern to the CERF Secretariat, and are currently being discussed at both the PSC Working Group and the Service Agreement Working Group, chaired by the Controller, with an eye towards resolving these issues and minimizing the inherent risks.</p> <p>(From OIOS assessment: The Controller's Office monitors the use of programme support costs. A few substantive offices have reached agreement with the Controller on the use of some of the programme support costs to directly support their offices. However, there is a lack of clarity by other substantive offices on how these funds are utilized.)</p>	Moderate		FU	
D.3.20	<p><u>Excessive advances to implementing partners</u></p> <p>a. Excessive advances to implementing partners may result in insufficient funding for other requirements and reflect poor cash management. Advances to implementing partners may not be used for the intended purposes or not properly accounted for. Excessive advances may result in loss of interest income.</p>	Remote	Low	Lower	<p>Agencies receive 100 per cent of the grant in one instalment. Given the shorter-term nature of the emergency relief projects that the CERF funds and the number of projects, payment in several instalments is not feasible.</p> <p>Agencies are required by the CERF Letter of Understanding to return interest on unspent funds unless prohibited by their Boards in the form of a policy.</p>	Lower			
D.3.21	<p><u>Inadequate absorptive capacity of implementing partners</u></p> <p>a. Selection of partners with inadequate implementation capacity may reduce UN effectiveness and damage its image. This may be worsened by repeated use of the same set of implementing partners.</p> <p>b. Insufficient number of implementing partners from which to select limits leverage of UN to negotiate for best results.</p>	Possible	Medium	Moderate	<p>In-country prioritization process and restricting eligibility to UN agencies and IOM mitigate against this in the CERF's case. The CERF Secretariat also requires prospective countries for UFE funding to confirm their implementing capacities. The CERF Secretariat also reviews implementation of ongoing projects for prospective UFE countries that have received UFE funding in the previous round.</p>	Moderate			

D.3.22	<p><u>Change in accounting policies</u></p> <p>a. The change in accounting standards to IPSAS may require pledges to be recorded when agreements are signed instead of when funds are actually received, which may result in expenditures being made against funds not yet received.</p>	Possible	Medium	Moderate	<p>While this is a current risk to CERF, it is not clear yet if and how the UN Financial Rules and Regulations might change to prevent this from transpiring. It should be noted that most CERF donors transfer their funds within two months of signing the Memorandum of Understanding.</p>	Moderate			
D.3.23	<p><u>Ineffective financial monitoring of programme expenditure</u></p> <p>a. Substantive offices may be unable to conduct effective financial monitoring of projects executed by implementing partners due to late receipt of financial reports.</p> <p>b. Annual financial reporting from UN agencies may be insufficiently frequent to enable effective programme management and timely reporting to donors.</p> <p>c. Inadequate review and reconciliation of financial reports submitted by implementing partners (to determine compliance with financial agreements; validity of expenditures; reported expenditures vs. approved budget; and financial performance vs. reported activities) could lead to poor funds management, funded activities not being implemented and non-detection of misuse of funds, which could reduce credibility of UN and reduce future funding.</p> <p>d. Frequent requests for financial reports may be burdensome on implementing partners and increase their administrative costs.</p>	Likely	Medium	Higher	<p>Currently, most CERF receiving agencies financially report by the reporting deadlines. The Finance and Administration Unit of the CERF Secretariat reviews each and every financial report, to ensure that they are certified and that they can be successfully reconciled with the approved project budget.</p> <p>Erroneous or otherwise unacceptable reports are returned with instruction on how to improve them and new due dates for the revised submissions. Each agency that receives CERF funding has a dedicated CERF focal-point as well as a CERF financial focal point, and the CERF Secretariat Finance and Administration Unit consults regularly about upcoming reporting deadlines, the status of reporting and refunds due, and overall reporting issues. On occasion poorly reporting agencies have had CERF grant funding suspended.</p>	Moderate		FU	

D.3.25	<p><u>Inadequate information to close trust funds</u></p> <p>a. Insufficient information to process the closing of trust funds e.g. certified financial statements, final substantive report, return of unutilized balance by implementing partner, may result in inactive trust funds not being closed.</p> <p>b. Lack of planning on how trust funds should be closed may make the closure of trust funds onerous. The requirement that substantive offices should consult donors to determine how very old, negligible residual amounts on trust funds should be disposed of may further delay the process.</p>	Remote	Low	Lower	This does not apply to CERF as CERF has not closed.	Lower			
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