

**Executive Committee of the
High Commissioner's Programme**

Distr.: Restricted
29 August 2018
English
Original: English and French

Standing Committee
73rd meeting

Risk management in UNHCR

Summary

This paper provides an update on the progress made in the implementation of UNHCR's enterprise risk management framework since the previous report on this subject (EC/67/SC/CRP.22) was presented to the sixty seventh meeting of the Standing Committee in 2016. It elaborates on the High Commissioner's Risk Management 2.0 initiative to strengthen the integrity of UNHCR's programmes and activities, and prevent and address the root causes of corruption and fraud.

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I. Introduction

1. The organization's approach to enterprise risk management (ERM), including its framework, methodology and the status of its implementation was reported to the sixty seventh meeting of the Standing Committee (EC/67/SC/CRP.22). Since then, the process has matured and implementation has been reviewed as part of the standard activities of the Independent Audit and Oversight Committee (IAOC), the United Nations Board of Auditors (BOA) and the United Nations Office of Internal Oversight Services (OIOS). OIOS also conducted an advisory review to assess the maturity of risk management implementation in UNHCR.

2. To further strengthen the organization's approach to managing risk, maintaining the integrity of its programmes and addressing the root causes of corruption and fraud, the High Commissioner announced the launch of the Risk Management 2.0 initiative during the sixty eighth session of the Executive Committee in October 2017.

3. The main objective of this initiative is to foster a culture of risk management in UNHCR and strengthen the systems, structures, capacities and processes needed to effectively manage risk, thereby maximizing the Office's potential to achieve its objectives. The initiative also aims at achieving a better integration of risk considerations in planning and decision-making processes and strengthening accountability throughout the organization.

II. UNHCR's enterprise risk management framework implementation

A. Background

4. In 2006, the United Nations General Assembly endorsed the adoption of ERM in the United Nations system to enhance accountability (A/RES/61/245). In July 2014, UNHCR's policy on ERM was issued, followed by detailed instructions on its implementation. Since then, the comprehensive identification, assessment and management of risks, enabled by a structured approach to risk management, have helped increase the effectiveness of UNHCR's programmes. Information on risks, identified through regular assessments, is captured in risk registers. UNHCR maintains two of them, namely a corporate risk register and a strategic risk register, which are considered internal.

5. The corporate risk register contains detailed information about risks managed by individual field operations and headquarters entities. This is the main tool for monitoring risks at the operational level. "Risk owners" are accountable for the identification and management of risks in their operations or areas of work, and for updating the risk register accordingly. The annex to this document provides statistical information on the type of risks contained in the corporate risk register.

6. The strategic risk register captures risks at the organizational level and its "owner" is the High Commissioner. It is monitored and regularly reviewed by the Senior Executive Team. The risks that feature highest in this register are related to: i) potential reputational damage to UNHCR due to a significant scandal; ii) emergency preparedness, response capacity and practices; and iii) registration, statistics and operational data management.

7. The Chief Risk Officer and the ERM unit at UNHCR Headquarters support the elaboration of risk registers and facilitate risk assessments in large and complex operations with a view to updating analysis and management measures and, when required, integrating new measures to mitigate priority risks in programme implementation. The ERM unit also provides support through face-to-face workshops and webinars for the entire network of ERM focal points, and develops tools and guidance. To complement these efforts, a UNHCR-specific ERM eLearning programme for all staff is available in Arabic, English, French and Spanish.

B. Risk management integration

8 With the introduction of the ERM policy, annual organization-wide risk assessments became part of the detailed planning process, informing UNHCR's corporate risk register. Since then, field operations and headquarters entities were mandated to integrate regular risk reviews in their management processes, informing not only detailed planning, but also ongoing monitoring of activities, annual planning for subsequent years and mid-year reviews.

9. In addition, the ERM unit placed special emphasis on ensuring effective integration and harmonization of separate or parallel risk management processes. As part of these efforts and based on thorough field consultations, fraud risk assessments were integrated in the corporate risk register in 2017. Operations have also been asked to systematically track risks related to implementation of cash-based interventions, as well as those related to emergency preparedness, in their risk registers.

10. In 2016, OIOS conducted informal ERM maturity assessments of UNHCR risk management practices during their field missions. In 2017, OIOS formalized this approach, and internal audit reports now also contain assessment and recommendations related to ERM. The aim is to help operations improve their risk management practices, providing information on the overall maturity of ERM in the field and drawing lessons from findings. As of 2018, OIOS has adopted a fully integrated approach and assesses the effectiveness of risk management as part of each substantive audited area. Furthermore, the BOA, the IAOC and the High-Level Committee on Management of the United Nations Chief Executives Board for Coordination have provided important guidance on how to strengthen ERM in UNHCR.

11. In December 2016, UNHCR requested OIOS to conduct an advisory review on the status of implementation of the ERM framework in the organization and to provide options and suggestions for the revision of the framework. The advisory report (2017/115)¹ issued in November 2017 confirmed that the ERM framework is firmly in place and has gained acceptance in UNHCR, although it is yet to be fully absorbed in the organizational culture. The report underlines the importance of some planned changes in reporting and information-sharing and gives suggestions for better integration of ERM in UNHCR's management and oversight structure.

12. Various other audit findings have confirmed the conclusions of the OIOS advisory report, namely that strong foundations are in place, that regular risk reviews are now an integral part of planning processes and that the quality of risk information has started to mature. At the organizational level, it is recommended to establish a clearer linkage between the corporate and strategic risk registers. Further embedding risk management in day-to-day management and decision-making processes will enable the organization to strengthen its risk management culture so that risk registers become an active management information and decision-making tool. A number of recommendations are being taken forward under the risk management 2.0 initiative and some will be considered under the planned framework review by mid-2019.

III. Risk management 2.0 initiative

13. UNHCR has enhanced its approach to risk management through a number of measures aimed at strengthening management systems and the integrity of the Office's programmes. The risk management 2.0 initiative is designed to ensure that strategic planning and decision-making are consistently informed by operational and management risks, with an emphasis on proactively identifying and preventing potential fraud, corruption and exploitation. This initiative is planned to be implemented over a period of three years (2018-2020).

14. Risk management 2.0 reinforces the continuum between risk identification, the analysis of root causes, the implementation of mitigation measures and the response to risks. The initiative aims to strengthen risk management across the three lines of defence: (i) those functions in the field that own and manage risks; (ii) functions that oversee risks in the

¹ See <https://oios.un.org/page/download/id/754>.

regional bureaux and divisions; and (iii) independent oversight functions. These efforts will improve the integrity of operations, thereby enhancing the organization's credibility and reputation.

15. Under the initiative, additional risk management capacity has been embedded in selected high-profile operations, beginning with those in Kenya and Uganda, and more recently in Iraq, to support management and identify areas where risk management measures need to be strengthened. This additional capacity has already yielded results, allowing for the proactive identification and mitigation of risks, as well as the sharing of lessons learned across the organization.

16. The additional risk management capacities in Kenya and Uganda have bolstered operational integrity, including by establishing comprehensive and responsive feedback mechanisms for persons of concern, which enable them to report directly and confidentially incidents of exploitation, abuse, fraud and corruption, and to raise other types of concerns. These mechanisms have also assisted UNHCR to respond to reported gaps in service delivery and provide objective information on rights and entitlements. Furthermore, UNHCR and its partners have strengthened systems and procedures to share information between organizations relating to recruitment and supply, thereby enabling them to collectively manage risks of fraud and corruption in those processes. In addition, a suite of innovative information technology tools have been developed which improve the efficiency and effectiveness of protection and communication, as well as the integrity of processes by eliminating opportunities for fraud.

17. The inclusion of risk positions in the structure of selected field operations has strengthened the understanding and practical application of risk management approaches as part of regular management. The presence of these functions has also enhanced training and awareness on this subject within the operation, as well as better communication and reporting to external stakeholders on efforts underway to manage key risks.

18. Over time, information collected from the network of Senior Risk Management Advisers and ERM focal points will help further develop the ERM framework and reporting tools, guidance and training materials to improve risk management and to meet evolving needs.

19. Risk management 2.0 will also strengthen ERM's role as an umbrella framework for risk management within UNHCR, complementing and connecting other risk management related frameworks and policies, including the detailed guidance on how to handle fraud committed by persons of concern, the strategic framework for the prevention of fraud and corruption and the enhanced framework for implementing with partners.

IV. Risk management 2.0 roll-out and next steps

20. The risk management 2.0 initiative establishes an ambitious work programme for UNHCR, requiring serious investment and the involvement of the organization as a whole. The expected outcomes of the initiative are, however, important, whereby risk culture is strengthened, and risk decisions are shaped by a system of shared values and behaviours in the organization.

21. With information on risks and their mitigation measures becoming more refined in the corporate risk register through every review, risk management information can be increasingly used to inform decisions on prioritization and resource allocation, as well as the planning of specific activities. In addition, the strategic risk register will be better informed of the emerging risks.

22. Through targeted delivery of trainings and the integration of risk management in broader training materials, there will be greater understanding and awareness of risk management, which will contribute to strengthening the risk management culture within the organization.

23. The strengthened ERM unit will serve as a platform for capturing the experience gained and good practices developed. These will be shared with operations that are not

directly benefiting from targeted support. Policy owners and subject matter experts at all levels will be involved in drawing lessons learned and ensuring that they contribute to policy changes as required.

24. Risk management capacity will be further strengthened in several other operations in the course of 2018 and in 2019. Roving risk management capacity has also been established within the reinforced ERM unit to provide short-term support to specific field operations, ensuring that risk management principles are firmly integrated in their decision-making and other processes.

25. Risk trends in the corporate risk register will be continuously monitored and reporting tools will be further improved, as needed. Major emerging risk areas in the corporate and strategic risk registers will be presented to senior management, systematically drawing attention to important risks prevailing in the field and elsewhere in the organization, and enabling timely and appropriate action.

26. The ERM policy and implementation procedures are scheduled to be reviewed and amended in the first half of 2019, reflecting good practices and lessons learned from the risk management 2.0 initiative.

Annex

Categorization and rating statistics of risks in the corporate risk register

1. UNHCR uses three main categories to track risks in the corporate risk register: (a) institutional; (b) management and support; and (c) operations/implementation, with thirty-seven sub-categories allowing for further analysis of the risks. Risks related to fraud and cash-based interventions are tracked separately within these categories to allow for detailed analysis.

2. Risks are rated in terms of their likelihood and impact on a scale of 1-5, ranging from “very low” to “very high” in case of their likelihood, and from “insignificant” to “disastrous” in case of their potential impact. Based on the combination of the likelihood and impact of the risk, an overall rating of high, medium or low is assigned.

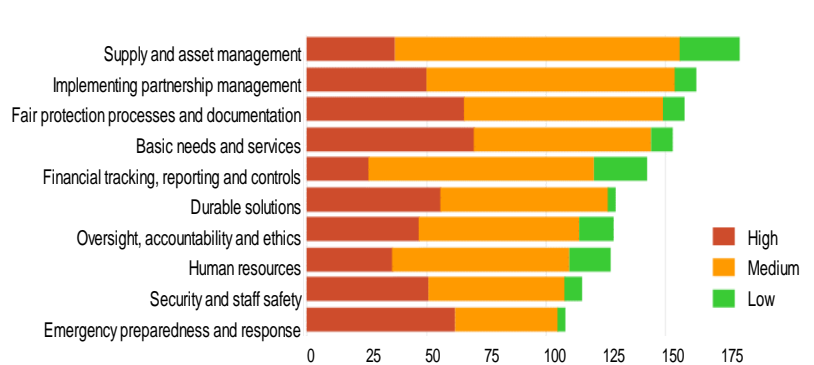
3. In addition to risk categorization and ratings, risks are also distinguished as priority and non-priority, helping operations focus attention on key issues. This information provides a good basis for the analysis of trends of risks in the corporate risk register. Table I.A presents a breakdown of risks in each main category by rating, including a breakdown for priority risks only.

Table I.A
Risks by categories and rating as at 25/07/2018

Risk categories	All risks				Priority risks only			
	High	Medium	Low	Total	High	Medium	Low	Total
Institutional	112	108	9	229	43	16	0	59
Management and support	439	789	127	1,355	179	119	12	310
Operations / Implementation	457	519	58	1,034	212	111	6	329
Total	1,008	1,416	194	2,618	434	246	18	698

4. Figure I.A provides a breakdown of the ten largest sub-categories of risks in the corporate risk register as at 25/07/2018. Compared to previous years, there is a visible shift in field operations towards identifying and treating a higher number of risks related to *supply and asset management* and *implementing partnership management*. Potential threats related to *basic needs and services*, *fair protection processes and documentation*, *emergency preparedness and response*, and *durable solutions* are consistently identified as high risks, since the establishment of the corporate risk register, alongside *security and staff safety* risks.

Figure I.A
Ten largest sub-categories of all risks in the corporate risk register as at 25/07/2018



5. Figure I.B provides a breakdown of the ten largest sub-categories of priority risks in the corporate risk register as at 25/07/2018. Prioritized risks reflect a shift of operational context in a number of field locations, with increased attention to risks related to *government relations*, as more and more operations adopt the comprehensive refugee response framework (CRRF). Risks related to *fair protection processes and documentation*, and *durable solutions* are consistently treated as high priorities, while there was a marked increase of prioritized risks in the area of *security from violence and exploitation* globally.

Figure I.B
Ten largest sub-categories of priority risks in the corporate risk register as at 25/07/2018

