

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

Distr.: Restricted
31 August 2016
English
Original: English and French

Standing Committee
67th meeting

Risk management in UNHCR

Summary

This paper reports on UNHCR's approach to risk management within its framework for enterprise risk management. It highlights the main elements of this framework, implementation progress and the ongoing integration of risk management in the organization's planning, management and oversight processes.

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I. Introduction

1. UNHCR formally launched enterprise risk management (ERM) in 2014, in order to systematically identify, review and prioritize risks faced by field operations and Headquarters entities, and to develop and implement mitigation measures, as appropriate. The framework was developed in line with best practices of risk management in the public and private sectors and was adapted to UNHCR's needs.¹ It bridges the various risk management policies and practices already in place within the organization.

2. UNHCR's ERM framework does not offer prescribed risk treatments for operations, rather it focuses on the context-specific identification, assessment and management of risks. This important feature allows for the incorporation of risk management in existing operational management practices.

3. The objective of the ERM framework is to enhance risk awareness, improve internal control and decision-making processes, strengthen accountability throughout the organization and protect UNHCR's reputation. The comprehensive and consistent identification, assessment and mitigation of risks, enabled by a structured, formal approach to risk management, helps increase the effectiveness of UNHCR's programmes. Lastly, ERM supports and informs the planning of oversight activities.

II. UNHCR's enterprise risk management framework

A. Background

4. In 2006, the United Nations General Assembly endorsed the adoption of enterprise risk management in the United Nations system in order to enhance accountability (A/RES/61/245).

5. Following this direction, UNHCR started working towards the development of a structured organization-wide risk management system, with support from the private sector. This resulted in the creation of an initial risk profile for the organization that was largely based on desk reviews and consultations at Headquarters. Building on this initial work, the United Nations Office of Internal Oversight Services (OIOS) conducted a more detailed risk assessment during 2007 and 2008. In 2011, the United Nations Board of Auditors recommended that the organization implement enterprise risk management as a matter of urgency. It suggested that a simple organization-wide risk management approach should be implemented without imposing onerous burdens on country operations.²

6. The internal conceptualization of a UNHCR-specific ERM framework started in 2012, in the form of a scoping exercise and a roll out and implementation plan. A permanent ERM Unit was created within the organization in the last quarter of 2013, with the purpose of developing an ERM policy and procedures, and to carry out the implementation of the framework. This Unit currently reports to the Deputy High Commissioner.

¹ This framework is based on the international standard for risk management set out by the International Organization for Standardization (ISO) in ISO 31000, "Risk management – Principles and guidelines" (2009). UNHCR's policy and implementation guidance on risk management follows the process and terminology outlined in this standard.

² United Nations Financial report and audited financial statements for the year ended 31 December 2010 and report of the Board of Auditors, A/66/5/Add.5.

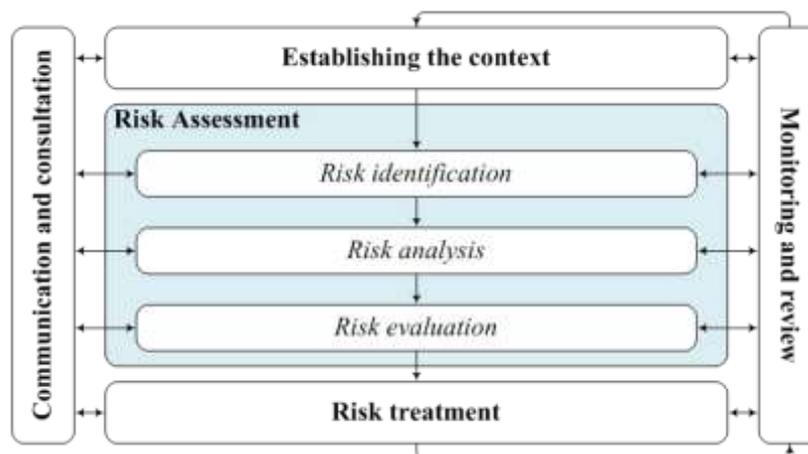
7. A UNHCR policy on enterprise risk management was issued in July 2014, followed by detailed instructions on implementation and an e-learning programme for all staff, which is currently available in Arabic, English, French and Spanish.

B. The risk management process

8. UNHCR follows a relatively simple risk management process, which has been integrated into the operations management cycle – from the planning and resource allocation stage, throughout implementation, to the monitoring and reporting stage.

9. Figure 1 below shows the risk management process adopted by UNHCR. Paragraphs 10-14 explain the various elements of the process in greater detail.

Figure 1. The risk management process adopted by UNHCR



10. *Establishing the context* for risk management is critical to ensuring its relevance to the specific setting in which field operations and Headquarters entities operate. The context is typically well-documented during the planning phase and is referred to during the risk assessments.

11. *Risk assessment* includes *risk identification*, *risk analysis* and *risk evaluation*. Risk identification and risk analysis are included in the detailed planning activities that take place in the last quarter of each year. In addition, field operations and Headquarters entities are strongly encouraged to review and modify risk information, as necessary, as part of the annual planning and mid-term reviews.

12. *Risk identification* is the process of identifying potential future events that could prevent, delay or accelerate the achievement of approved objectives, or events that could lead to different results than those planned. Through *risk analysis*, field operations and Headquarters entities determine possible sources of risk, their causes and potential consequences, consider appropriate mitigation measures and assess the likelihood and impact of a risk. Following this process, selected risks are prioritized through a *risk evaluation* in order to determine which ones need active mitigation and monitoring.

13. *Risk treatment* is the selection and implementation of proactive and reactive actions to mitigate or modify risks. Implementation of risk treatments is an ongoing process aimed at proactively reducing the likelihood and impact of risks and reactively addressing the impact of consequences should risks materialize.

14. The context analysis, risk assessment and risk treatment are continuously reviewed throughout the operations management cycle. *Communication and consultations* with all relevant stakeholders throughout the risk management process are needed to ensure the effectiveness. Continued *monitoring and review* are also key activities for maintaining the relevance of the risk management process to the evolving context.

C. Functional accountabilities/responsibilities

15. The accountabilities and responsibilities for risk management are mainstreamed into UNHCR's relevant accountability frameworks. The principle responsibility for the management of risk on a daily basis rests with the Representatives in the field and the Directors at Headquarters, in their capacity as "risk owners".

16. The main responsibilities of the risk owners include reviewing risks related to all areas within their purview, coordinating the development of risk treatment plans and monitoring their implementation, and deciding when to escalate risks. The risk owners are assisted by risk management focal points.

17. The High Commissioner is accountable for the establishment and operation of an effective ERM framework that supports UNHCR's global strategic objectives. The Deputy High Commissioner is accountable for the implementation and effective functioning of ERM in UNHCR.

D. Risk registers

18. Information on risks is captured in risk registers. UNHCR maintains two registers – a corporate risk register and a strategic one. Given the sensitive nature of the content, both registers are kept confidential.

19. The corporate risk register contains detailed information about risks that are being managed by individual field operations and Headquarters entities. This is the main tool for monitoring risks. The risk owners are accountable for the content of the corporate risk register. The annex to this document provides statistical information on the risks contained in the corporate risk register.

20. The strategic risk register contains information about critical risks which are apparent at the organizational level only. Some of these risks reflect the trends stemming from the corporate risk register. The strategic risk register is owned by the High Commissioner, with the development and maintenance of this register monitored by the Deputy High Commissioner.

III. Enterprise risk management implementation

21. Recognizing the complexity of the task, the roll-out of ERM followed a gradual approach. The initial priority was to complete risk assessments in all field operations. Through a series of workshops that took place in the last quarter of 2014, all field-based risk management focal points were trained on the main elements of ERM, enabling them to organize and facilitate assessments in their operations. The first organization-wide risk assessment was successfully completed by April 2015, forming UNHCR's corporate risk register. The ERM Unit facilitated the risk assessments in particularly large and complex operations.

22. Following the completion of the first risk assessment, information from the 30 largest field operations was reviewed at the central level and feedback was provided in order to improve and enhance risk management in these operations. The first mandatory risk review took place in the last quarter of 2015. In accordance with the policy on ERM, this exercise will take place annually. The objective of these reviews is to update the risk analysis and mitigation measures and – when required – integrate new measures for priority risks in programme implementation.

23. With information on risks and their mitigation becoming more refined in the corporate risk register through every review, decisions on prioritization, resource allocation and planning of specific activities will be better informed. Over time, improving information will enable regional and thematic risk analyses.

24. The first strategic risk register was developed and approved in 2015 through a series of consultations with senior management. The consultations helped identify major risks of an organization-wide nature. Necessary mitigation measures were then discussed and adopted, leading to the completion of the register in December 2015.

25. In addition to these achievements, ERM also serves as an umbrella framework for risk management within UNHCR, complementing and connecting already existing frameworks developed over the years to address risks in a number of important areas, including:

- Guidance on programme criticality;
- High-level internal control framework with focus on financial management;
- Policy and procedures on anti-money laundering;
- Policy and procedures addressing resettlement fraud perpetrated by refugees;
- Risk-based enhanced framework for implementing with partners;
- Security management policy; and
- Strategic framework for the prevention of fraud and corruption.

26. ERM serves as a useful platform for capturing the main risks identified through these specific frameworks, improving the understanding and appreciation of specific risks throughout the organization.

IV. Enterprise risk management integration and next steps

27. While ERM in UNHCR is in its early stages, some good practices have already emerged. A number of operations were able 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. This demonstrates the gradually growing appreciation of the added value of structured, systematic risk management.

28. Since April 2016, UNHCR's Inspection Service and OIOS systematically collect information on risk management practices during their field visits in order to gain a better understanding of how systematic risk management is evolving in the operations. From 2017 onwards, OIOS will move towards comprehensive risk assurance, which guarantees the adequacy of risk management implemented by UNHCR.

29. Similarly, the focus at Headquarters is also shifting away from compliance towards quality assurance. This will be partly achieved through further involvement of UNHCR's Regional Bureaux in the review and analysis of the corporate risk register. To provide

greater support to the Regional Bureaux in this area, additional structured internal reporting capabilities will be developed. This will allow for a better analysis of risk information, notably for priority risks.

30. Risk trends in the corporate risk register are continuously monitored, ensuring that major emerging risk areas are also adequately reflected in the strategic risk register. This will draw continued attention of senior management to important risks prevailing in the field and provide reasonable convergence between the two risk registers.

31. As planned at the time of its issuance, the ERM policy and implementation procedures will be reviewed in the first half of 2017 and amended, as required, reflecting good practices and lessons learned that would emerge by that time.

Annex

Categorization and rating statistics of risks in the corporate risk register

1. UNHCR uses three main categories to thematically 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.
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 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

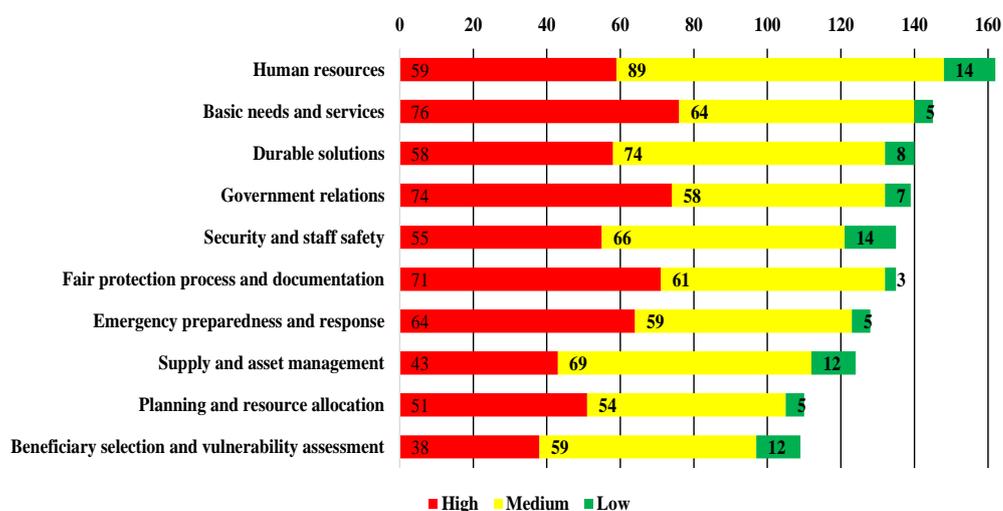
<i>Risk categories</i>	<i>All risks</i>				<i>Priority risks only</i>			
	<i>High</i>	<i>Medium</i>	<i>Low</i>	<i>Total</i>	<i>High</i>	<i>Medium</i>	<i>Low</i>	<i>Total</i>
Institutional	119	89	11	219	26	9	1	36
Management and support	486	737	119	1,342	124	80	9	213
Operations / Implementation	517	537	64	1,118	120	74	7	201
Total	1,122	1,363	194	2,679	270	163	17	450

4. Table I.B and Figure I.A provide a breakdown of the ten largest sub-categories of risks.

Table I.B
Ten largest sub-categories of all risks

<i>Risk sub-categories</i>	<i>High</i>	<i>Medium</i>	<i>Low</i>	<i>Total</i>
Human resources	59	89	14	162
Basic needs and services	76	64	5	145
Durable solutions	58	74	8	140
Government relations	74	58	7	139
Security and staff safety	55	66	14	135
Fair protection process and documentation	71	61	3	135
Emergency preparedness and response	64	59	5	128
Supply and asset management	43	69	12	124
Planning and resource allocation	51	54	5	110
Beneficiary selection and vulnerability assessment	38	59	12	109
All other risk subcategories	533	710	109	1,352
Total	1,122	1,363	194	2,679

Figure I.A
Ten largest sub-categories of all risks



5. Table I.C and Figure I.B provide a breakdown of the ten largest sub-categories of priority risks only.

Table I.C
Ten largest sub-categories of priority risks only

<i>Risk sub-categories</i>	<i>High</i>	<i>Medium</i>	<i>Low</i>	<i>Total</i>
Security and staff safety	18	13	1	32
Emergency preparedness and response	23	8	-	31
Durable solutions	16	12	2	30
Fair protection process and documentation	16	13	-	29
Basic needs and services	14	10	-	24
Human resources	11	9	1	21
Supply and asset management	12	8	-	20
Government relations	15	4	-	19
Beneficiary selection and vulnerability assessment	10	8	1	19
Planning and resource allocation	12	6	-	18
Other subcategories	123	72	12	207
Total	270	163	17	450

Figure I.B
Ten largest sub-categories of priority risks only

