67ᵗʰ Meeting of the Standing Committee of the Executive Committee of the High Commissioner's Programme, Geneva, 21-22 September 2016

Agenda item 2 (b): Management – Risk management in UNHCR (EC/67/SC/CRP.22)
Presentation by Arman Harutyunyan, Chief Risk Officer

Mr. Chairman, distinguished delegates, ladies and gentlemen,

I am pleased to introduce the risk management item of the September Standing Committee, as reflected in the Conference Room Paper 22.

The presentation will explain the conceptual framework for risk management, oversight and accountability in UNHCR, provide an overview of the risk management process, clarify risk management accountabilities and responsibilities, describe UNHCR's risk registers, and explain the implementation of enterprise risk management to date and the next steps in the process.

First – the conceptual framework. To situate risk management within UNHCR it is useful to refer to the so-called "3 lines of defence" framework of the Institute of Internal Auditors. The framework, also adopted by the United Nations system as a reference framework for risk management, oversight and accountability, helps to give a structured overview.

In brief, organizations, including UNHCR, employ "3 lines of defence" to manage risks and exert effective oversight and accountability. The first and the second lines comprise the control mechanisms – the functions that own, manage and oversee risks. The third line provides independent assurance on whether risk management is functioning in the organization as intended.

Let's look at these three lines of defence in UNHCR in detail. The first line of defence is comprised of the managers who own and manage the risks by applying controls, policies and procedures. These managers are responsible for identification and implementation of corrective actions to address deficiencies.

The second line of defence in UNHCR is comprised of the regional bureaux, management services and functional divisions. The Enterprise Risk Management (ERM) unit is part of this second line of defence. The primary role of these functions is to support the first line by applying specialized knowledge and expertise; monitor compliance with regulatory frameworks and support senior management in development or modification of policies and procedures for the organization. The second line is not entirely separate from the first line – the bureaux directly supervise field operations, divisions maintain the systems used by the field, and other dependencies and links also exist.

The third line of defence is the internal and external audit, evaluation, investigation and ethics functions of the organization. They collectively provide the governing body and senior management with comprehensive assurance based on the highest level of independence and objectivity within the organization. Such a degree of independence is not available in the second line of defence.

Now I would like to turn to the risk management process, functional accountabilities/responsibilities and risk registers adopted in UNHCR. These are described in detail in the chapter II of the conference room paper.

UNHCR adopted the international standard ISO 31000 for risk management, which follows a fairly simple, yet structured approach. It requires that field operations and HQ entities conduct context-specific risk assessments. This results in an identification and analysis of risks that are relevant to the specific operating realities. Once risk analyses are complete, field operations and HQ entities perform context-specific risk evaluation. This entails identification of priority risks which require active monitoring and mitigation. The process adopted emphasizes the importance of continued monitoring and review, supported by effective communications and consultations.

All field operations and HQ entities have started to follow this process, which led to the successful completion of the first organization-wide risk assessment in 2014. This simple risk management process is embedded in the overall operations management cycle of the organization and supports the planning and implementation activities.

The executive management of the organization is accountable for the establishment and effective functioning of ERM. The High Commissioner issued the policy and procedures for ERM. The Deputy High Commissioner ensures that organization-wide risk management effectively functions at various levels. The ERM unit monitors the quality of risk information and compliance with the adopted framework.

The risk owners – field representatives, directors and other managers at Headquarters – are managing risks on a day-to-day basis. Risk owners are supported by focal points, who have been trained to carry out these responsibilities.

UNHCR maintains two risk registers – a corporate and a strategic one. The corporate risk register is the repository of risks identified and documented in all field operations and at Headquarters. This register increasingly assists the organization with risk analysis, enabling identification of trends and monitoring of compliance gaps. Examples of such trend analyses are included in the Annex to the CRP.

The strategic risk register has been developed centrally through a series of consultations between senior managers. This register reflects the most important organization-wide risks, which require a centralized institutional response. All risks in this register are owned by the High Commissioner and mitigation measures are entrusted to the Deputy and Assistant High Commissioners. Examples of such strategic risks are "inadequate emergency, preparedness and response, misaligned workforce, qualification of accounts", just to mention some.

Some of the strategic risks reflect the trends emerging from the corporate risk register, while others derive from a central analysis. Continued monitoring of risk trends in field operations ensures the necessary level of convergence between the two risk registers.

Let me present a brief overview of the implementation of ERM in UNHCR. The first year of introduction (2014) focused on the roll-out of concepts, training and compliance. Moving forward, the focus has been gradually shifting towards qualitative improvements. Starting with the annual risk review in 2015 the emphasis has been on improving the quality of risk analysis and its use in day-to-day decision making.

As is the case with most new endeavours, structured risk management is at different levels of maturity in different parts of the organization. Some operations still focus purely on compliance, while some good practices have emerged in other operations. Examples of such good practices are the application of risk analysis techniques to specific components of country programmes, establishing networks of risk champions in operations and bringing systematic risk management to offices in the deep field. Many operations, in addition to the mandatory annual risk review which takes place in the last quarter, also conduct specific risk reviews at

the time of annual/biannual planning and during the mid-term implementation review. Our aim is to build on these practices and expand them throughout all operations.

The recent findings of the Board of Auditors speak to this situation, calling upon UNHCR to capitalize on the advances already made. This is indeed the focus of our work, now and in the future.

Moving forward, our goal is indeed to further improve risk management, informed by oversight findings and self analysis. Since April 2016 the internal audit has been collating "soft" maturity analysis through a jointly developed questionnaire, providing visibility on what is and what is not working in risk management, and gradually shaping the scope of scheduled policy review. As already announced in our briefing just over a year ago, UNHCR will review and, if necessary, revise its ERM policy in 2017. The internal audit will conduct an independent review and its findings will inform the planned revision of the risk management framework.

Internal audit will embed the assurance of risk management as a standard element in audit assignments from January 2017 onwards, as such fulfilling its functions as part of the 3rd line of defence.

I will stop here and invite delegations to ask questions and provide comments.

Thank you.