

UPDATE ON ENTERPRISE RISK MANAGEMENT

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UNICEF Executive Board – Informal briefing – 22 January 2024

Item 9: Update on the development of an overarching system for enterprise risk management

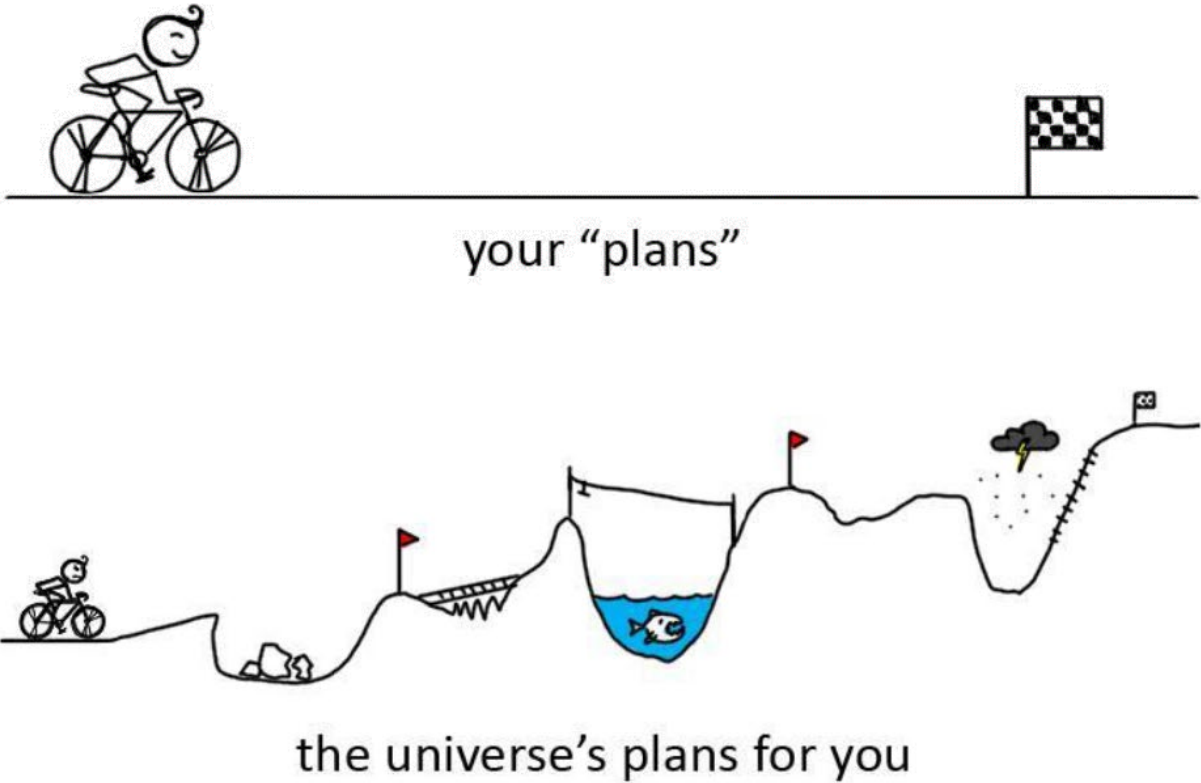
Reference document: E/ICEF/2024/8

The need for risk management: anticipating what might happen

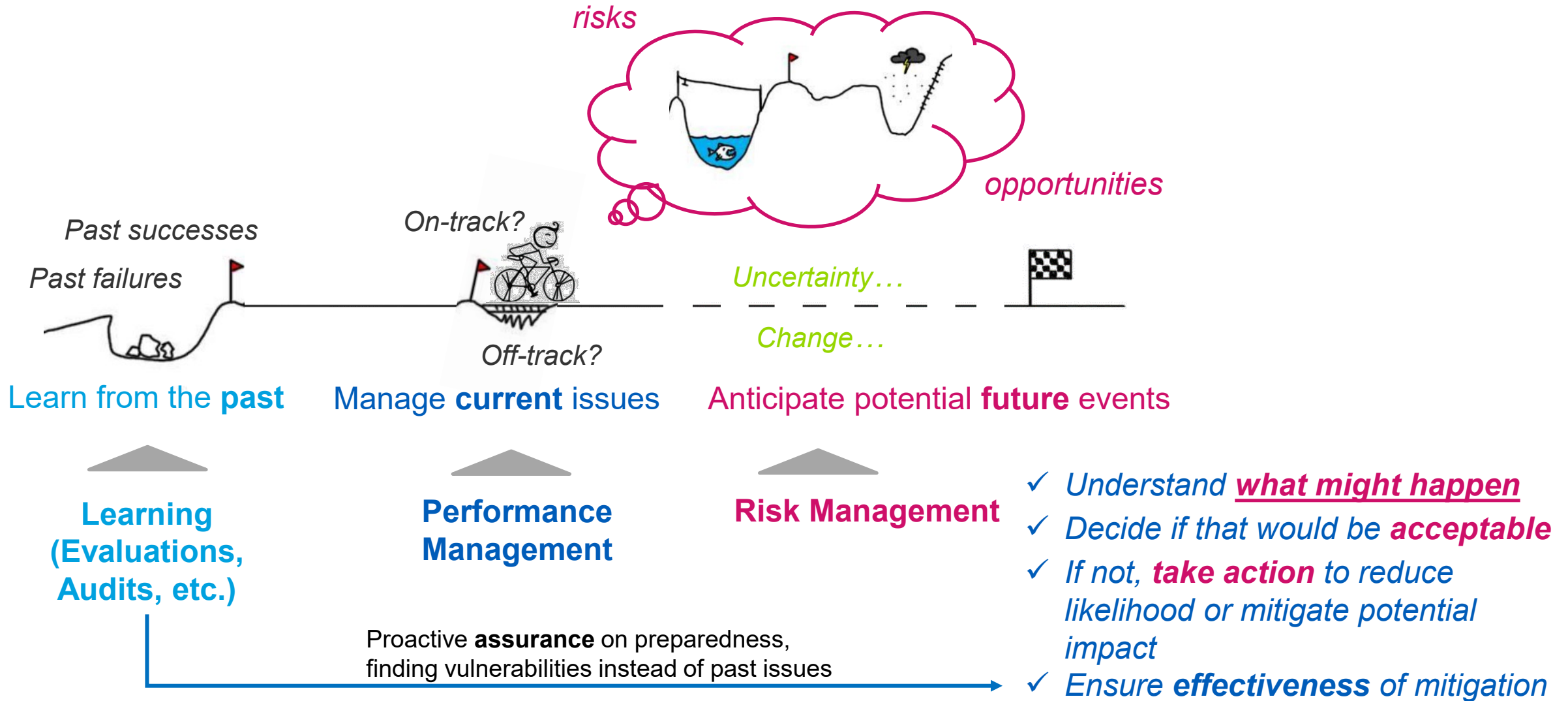
- **Scale, range and complexity** of UNICEF programmes and operations have increased with ambitious SDGs and surge in humanitarian needs
- **Unpredictable and volatile world** increasingly facing (geo)political divides, conflict, natural disasters and economic uncertainty
- UNICEF needs to be able to **safely face risks** and **confidently take risks** to achieve its mission and deliver results for children



How to think about risk

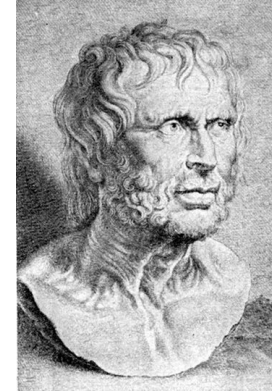


Managing our way to success



Risk is a fact of life

- Every organization **needs to take risks** to achieve its objectives and, to fulfil its mandate, UNICEF is required to work in risky environments.
- The purpose of risk management is to **enable necessary risk-taking**; it is not about avoiding or eliminating all risks at all costs.
- Risk management aims to optimize potential outcomes, thereby **balancing risks versus rewards** and the costs of mitigation versus the potential benefits.
- Some objectives can only be achieved by taking calculated and carefully managed risks, and **sometimes the greatest risk is inaction**. Some risks can be turned into opportunities when recognized and acted upon early on.



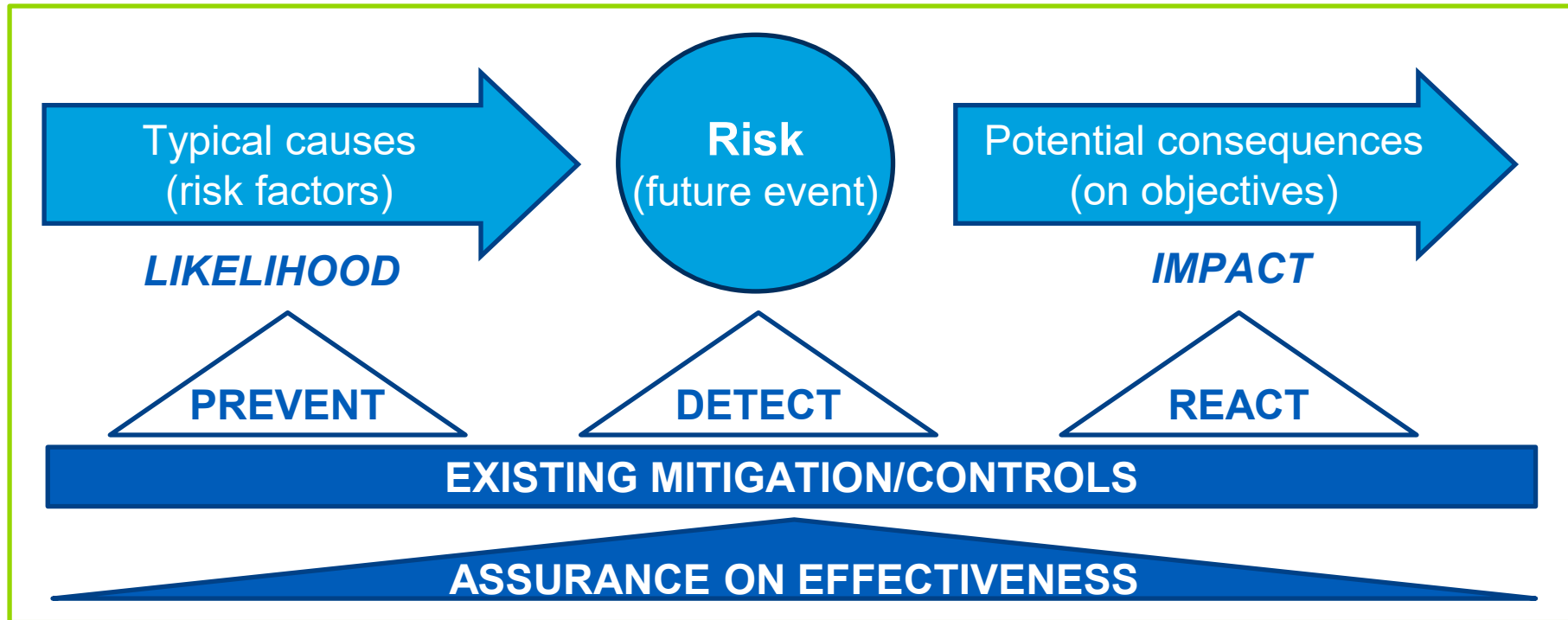
“It is not because things are difficult that we do not dare, it is because we do not dare that they are difficult.” – Seneca

“A ship is safe at harbour, but that’s not what ships are for.” – William G.T. Shedd



Key concepts in assessing a risk

1. UNDERSTAND 2. ASSESS CURRENT EXPOSURE 3. EVALUATE



WITHIN RISK APPETITE? FURTHER MITIGATION?

Various approaches exist, often fragmented across risk areas and business owners

Enterprise risk assessments

UNICEF POLICY ON ENTERPRISE RISK MANAGEMENT
Document Number: PE
Effective Date: 12 Nov

Mandatory Assessment by offices

Risk Category	Risk Areas
Institutional Risks	Fraud, Waste and Misuse of Resources Misconduct, Wrong Toward Others (Child Safeguarding)
Operational Risks	Funding and External Failure to meet target ICT Systems and Info (Cyber Security risks)
Contextual Risks	Organizational Resilience (Business continuity risks)

Natural Disasters and Anthropogenic Hazards

International	Regional	Country	Operational
Basic Needs and Access of Services (mandated 2021)	Service and Basic Health and Nutrition	Education Management	Operational Activities Management
Resilience and External Stability	Learn, Educator	Human Resources	Environmental and Social Sustainability
Governance and Accountability	Protection from Violence and Exploitation, Child Protection	Supply and Logistics	Natural and Anthropogenic Hazards
Operational Strategy	Safe and Clean Environment, WASH	ICT Systems and Information Security	
Misconduct, Misreport and Inefficient Resource Spend/Cases	Available Choice in Life, Equity	Results Based Management and Reporting	

Implementing partner risk management

The Harmonized Approach to Cash Transfers (HACT)

RISK ASSESSMENTS

All civil society partners engaged in programme implementation are subject to due diligence verification and a prevention of sexual exploitation and abuse

undertake financial risk assessment

THE EMERGENCY PROCEDURES

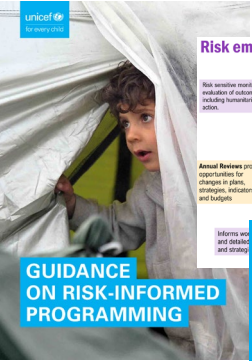
SIMPLIFIED & STREAMLINED FOR EVERY EMERGENCY (L1, L2, L3)

3. Humanitarian Risk Management

The principal risk for UNICEF in all humanitarian responses is any action or inaction which results in a failure or delay in saving lives, alleviating suffering, maintaining human dignity and protecting rights of children and their families affected by humanitarian crises.

The principal risk is inseparable from two related risks: any action or reaction that contravenes the Humanitarian Principles of humanity, impartiality, neutrality and independence or international humanitarian law and any action or reaction which puts the affected population at risk (the principle of "do no harm").

Action	Accountable	Responsible
Risk of inaction: In line with the principal risk stated above, and in line with the CCCQ, explicitly define and demonstrate the full risk to be in the response action.	Representative	Representative, RO, Director of EMOPs



Risk embedded in the programme cycle

Risk management in country programmes

Humanitarian cash programming risk management

hope
Humanitarian Cash Operations & Programme Ecosystem

- Targeting**
The Targeting module allows querying households based on programme's criteria and defining entitled households to be included. In this regard HOPE can perform complex computation analysis resulting in composite vulnerability scores.
- Reporting**
The Reporting module provides downloadable excel files with anonymised data for analysis of process and output indicators at country level.
- Payment Verification**
The Payment Verification module allows UNICEF to check that beneficiaries have received the correct amounts in the correct timeframe by providing tools for sampling and matching data from financial reconciliation beneficiaries for each payment cycle and verify received amounts with households.
- Grievance and Feedback**
This module enables UNICEF to aggregate grievances and feedback received from a variety of sources to systematically categorise, address and refer beneficiaries and non-beneficiaries' complaints in a timely and traceable manner. This function supports in detecting and mitigating risks of undue selection, treatment and exclusion of vulnerable groups and was designed to improve the protection from and prevention of sexual exploitation and abuse (PSEA) by enabling people, regardless of their beneficiary status to submit confidential sensitive grievances, as well as for UNICEF to handle these types of grievances in an effective and confidential manner. This module represents a major tool in UNICEF's effort to advance on its commitment to Accountability to Affected Populations.

Emergency preparedness and response

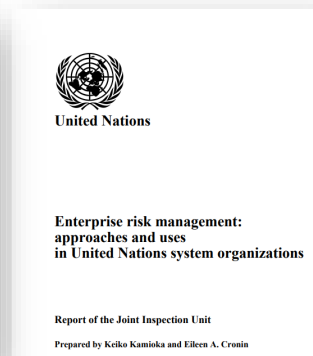
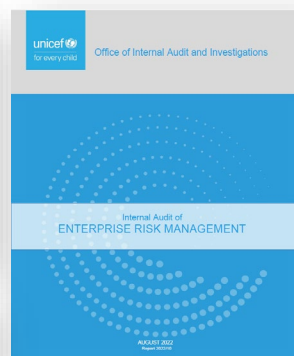
Current state assessment and progress made

01. Enterprise risk management policy framework

- Making it less complex and compliance-oriented, more centred around results for children

02. Organizational structure and governance

- Chief Risk Officer in Office of the Executive Director
- Clarification of roles, governance and capacity needs across the organization



03. Risk culture and capabilities

- Culture of risk aversion and bold risk taking
- Sr. Management Risk Committee reconstituted
- Training, communication and engagement to target risk awareness and calculated risk taking

04. Tools, processes, and integration

- Fragmented risk management practices and unwieldy tools require simplification and harmonization

05. Risk sharing and collaboration

- HLCM Risk Management Forum and inter-agency risk management coordination committees
- Risk Sharing Platform by signatories to the Grand Bargain

Towards a more integrated and overarching approach

- Based on a revamped vision and implementation plan, an evolved Enterprise Risk Management (ERM) framework will be launched in early 2024.
- The multi-year plan will guide an incremental evolution in risk management maturity and address various recommendations comprehensively.
- The Chief Risk Officer will drive the ERM agenda, working with risk owners and other functions, and will be a clear overarching point of contact on risk for internal and external stakeholders.



A new vision and implementation strategy

Safely face and confidently take risks required to deliver results for children

- Risk management to be used as an active management tool to **enable taking the right amount of the right type of risks**, integrated in and informing planning and decision-making
- Building a comprehensive and lean system of risk assessment, control and assurance functions working efficiently together based on a **shared understanding of key risks**
- Becoming a forward-looking organization that **systematically anticipates** potential issues, manages expectations and takes proactive actions to secure success
- **Prioritizing** and deprioritizing levels of focus, effort and oversight in line with levels of risk
- Fostering an open **culture of risk-awareness** that encourages everybody to flag risks transparently, try out what's worth trying, and learn from failure

➤ Make it actionable

➤ Keep it simple

➤ Bridge the siloes

1. A simplified risk policy and risk framework, centered around results for children

2. Defined top risks for the organization and clarified risk appetite

3. A formalized organizational structure and governance for risk management

4. A positive culture of risk-awareness and strong risk management capabilities

5. Simplified and harmonized tools and processes, integrated into planning and decision-making

6. A collaborative stakeholder and peer environment embracing risk sharing

- Revise key risk policies and procedures
- Simplify guidance and taxonomy of risk categories
- Align during MTR around results for children

- Strategic risk assessment
- Have risk appetite discussions as part of top risks and updated emergency procedures
- Capture results in overall risk appetite statement

- Define roles and responsibilities across three lines of defense, and across CO/RO/HQ
- Define governance and engagement on risk

- Communication campaign to propagate risk vision and philosophy and update ERM intranet page
- Risk analysis support to COs/initiatives and sharing of best practices
- Training to target cultural change
- Set up risk network and community of practice

- Pilot simplified ERM tools and procedures
- Integrate and simplify existing programmatic and operational risk tools
- Review operational rules-based risk controls in policies, procedures and processes

- Represent UNICEF in UN Risk Management Forum and other external fora
- Engage in risk sharing conversations with stakeholders and donors.

Thank you.

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