

UNICEF Risk Management Policy

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This UNICEF Risk Management Policy constitutes part of the UNICEF Risk Management Framework which also comprises guidance on the UNICEF Risk Management Guide (to be issued) and the UNICEF Risk Reference Guide.

1. Purpose of Risk Management and Philosophy

1.1. Risk in Development and Humanitarian Work

Development and humanitarian work is fraught with risks. When risks are well managed, extraordinary results can be achieved; inadequate management of risks can jeopardize the achievement of any significant results. The largest development and emergency programmes are in countries with weak governance mechanisms, fragile states, and those emerging from years of conflict, where the needs are the greatest and the risks to any investment are the highest. Even in stable countries that have made good progress towards achieving the Millennium Development Goals, the programme environment is usually complex. Many problems affecting children cannot be solved by doing “more of the same,” and call for new and innovative approaches and flexibility, often involving additional risk.

Risks to UNICEF’s objectives reside in all areas of UNICEF’s work, for example:

- Strategic Planning: group-think, goals not matched by capacities;
- Programme Planning: unrealistic plans, too many assumptions;
- Emergencies: being too late;
- Contribution Agreements: promising too much;
- Partnerships: ineffective partnerships, engaging with the wrong partner;
- Policy Advocacy: not based on local analysis, evidence, and global wisdom;
- Finance: loss of assets, loss of reputation; and
- Human Resources: wrong people in the wrong place at the wrong time.

While procedures are in place to address certain risks, management and staff often find these to be overly complex and constraining, creating a culture of risk avoidance. Historically, different parts of the organization have had different levels of tolerance for risk – some being more risk averse and others seeking ways around seemingly stifling controls to achieve ambitious objectives. Therefore, a key challenge for UNICEF is to ensure that the level of risk taken is known and deemed acceptable, and that opportunities are recognized and pursued effectively.

Risk management in UNICEF has hitherto been characterized by the following:

- Risk has not always been explicitly considered when making strategic decisions;
- Risk is generally sought to be minimized as much as possible, without regard to the balance needed between the costs and benefits of control;
- Staff do not know “how much” risk they are expected to tolerate;
- Ad hoc management instead of consistent management of key risks;
- Processes and procedures meant to help to manage risk have not been updated in line with the changing role of UNICEF and modern business practice; and
- Some parts of the organization apply a low risk tolerance that other parts of the organization find too constraining.

Without a consistent approach to identifying, assessing, and managing risks across UNICEF, the organization cannot optimally achieve strategy and objectives.

1.2. Purpose and Objectives

The purpose of this policy is to embed a systematic and consistent approach to identifying, assessing, and managing risks across UNICEF using a common risk language. The policy seeks to:

- Help management and staff to better identify threats and opportunities related to organizational objectives, and take ownership over risk management;
- Help management and staff to anticipate risk and avoid underestimating risk or overreacting;
- Harmonize the different risk management practices and risk tolerances across UNICEF;
- Articulate how staff members are expected to manage risks in key risk areas, ensuring an appropriate balance between avoiding and accepting risk; and
- Foster a culture that encourages dialog about risks and an effective response to risk, both strategically and in day to day operations.

Implementation of the Policy will:

- Facilitate risk-informed decisions when setting objectives, selecting and managing the most appropriate course of action, and evaluating results;
- Maintain forward-looking rather than reactive risk management by encouraging well planned and well managed risk-taking;
- Facilitate a change in organizational culture to enhance risk management practices; and
- Provide assurance to stakeholders that UNICEF's objectives would be met, key risks would be better managed, and results would be demonstrated.

This policy paper together with the UNICEF Risk Management Guide and the UNICEF Risk Reference Guide constitute the UNICEF Risk Management Framework.

- The Risk Management Guide describes the process generally to be followed by managers and staff for identifying, assessing and managing risk, as well as some useful tools and decision aids. When issued, the document will be available on the intranet.
- The UNICEF Risk Reference Guide describes the 2008 UNICEF Risk Profile, general expectations on how to manage risks in 26 key risk areas, and includes a Risk and Control Library to be used as a reference. The Reference Guide is available on the intranet to allow regular updates as required.

The Risk Management Framework builds upon and integrates UNICEF's established risk management activities into a consistent set of practices. The framework also leverages leading practices observed in other organizations, including in other UN organizations. This consistency is intended to harmonize UN operations and to provide opportunities to integrate activities such as risk assessments.

1.3. Philosophy and Principles

UNICEF's risk management philosophy guides country offices, regional offices, and headquarter divisions, and is reflected in the following principles:

- *Risk management is everyone's business:* Risks attach to what we do and the decisions we make. All staff members are expected to identify, assess and manage risks related to their area of work;
- *Accept no unnecessary risk:* There is no benefit in accepting any risk if it does not help to advance towards UNICEF's objectives;
- *Accept risk when benefits outweigh costs:* The aim is not always to eliminate risk; total risk elimination would involve extensive controls and is costly; walking away from risky situations would often be impractical and may not serve UNICEF's strategy and objectives. Greater reward often requires greater risk;
- *Anticipate and manage risk by planning:* When developing strategies and office work plans, designing or reviewing programmes, or preparing for emergencies, consider risks to the achievement of expected result; risks are more easily mitigated when they are identified during planning;
- *Recognize opportunities:* Explore opportunities that may arise in support of the expected results and assess the risks related to such new interventions;
- *Take decisions promptly:* Avoiding or delaying decisions may exacerbate the problem or miss an opportunity, and in humanitarian situations may even lead to loss of lives; taking no decisions is a decision to default to the status quo; affirmative management of risks is critical to success;
- *Consider risks individually and in the aggregate:* Evaluate each risk on its own and in combination with other risks related to the same overall objective; the best strategy for the achievement of a major objective may involve a combination of different responses to risks related to contributing objectives;
- *Make risk management decisions at the right level:* Take decisions on risks at the level of delegated authority; do not assume risks for which authority has not been received; escalate the risk to a higher level of management when necessary; and
- *Embed risk management:* Risk management is a discipline embedded into existing business processes, and should not create additional work.

Taking calculated risks and pursuing innovation are not contradicted by control measures or compliance requirements. To advance the organization's strategy and objectives, management and staff are encouraged to explore and take actions that are innovative while using sound management practices. This requires the identification and assessment of risks that attach to innovative approaches.

Management and staff are required to apply this policy in their work. Decisions should be made upon consideration of the risks and their significance in relation to the expected results and the context of the particular situation.

2. What is Risk?

2.1. Defining a Risk

Risk is the possibility that an event will occur or circumstance will arise that affects the achievement of objectives. Risk is the uncertainty of outcome and can be a threat to success or an opportunity to increased success. In order to adequately assess the exposure to risk and develop an appropriate response, a risk must be clearly stated:

- A risk description must relate to the objective whose achievement is at risk;
- A risk description must state both the cause and effect;
- Risks may affect one or more objectives. All key objectives should be stated. The best way of addressing a risk might be different for different objectives; and
- A risk statement must not simply state the opposite of the objective.

Risks to UNICEF objectives stem from external and internal causes:

- External causes may relate to outside events or conditions in the programme country. They may include threats such as a sudden onset of a political or humanitarian crisis or opportunities such as a change in government policy or new partnerships. Such risks may be beyond the organization's immediate control, but must be recognized and their effect can be managed, for instance through contingency plans; and
- Internal causes may have to do with the adequacy of the organizational strategy, capacities for programme management, talent management or other issues. Each of these may pose threats, which UNICEF must mitigate, or opportunities, which UNICEF must exploit to increase the likelihood of achieving results.

A risk may have a major impact when it occurs, but the likelihood of it happening may be very remote. Conversely, a risk with a rather minor impact may turn into a major risk for the organization if it occurs repeatedly. Therefore, when discussing the significance of a risk, there should be clarity about the likelihood and impact of each risk on the relevant objective(s).

Risk = Likelihood x Impact

Detailed guidance on how to identify and formulate risks will be developed and staff will be trained on how to apply risk management in their offices.

2.2. Risk Terminology

<i>Risk:</i>	An event or circumstance that may affect the achievement of objectives. A risk has a cause and effect.
<i>Threat:</i>	An event or circumstance that may adversely affect the achievement of objectives.
<i>Opportunity:</i>	An event or circumstance that may positively affect the achievement of objectives.
<i>Impact:</i>	In risk management terms, the effect of a risk relative to the achievement of the objective.
<i>Likelihood:</i>	The possibility that a risk will occur.
<i>Risk Significance:</i>	The overall importance of a risk considering both the impact of the event and the likelihood of its occurrence. Risks can be ranked according to their significance. Risk Significance is also referred to as Risk Level .
<i>Risk Tolerance:</i>	Often referred to as "risk appetite," is the degree of risk, on a broad-based level, that UNICEF is willing to accept in pursuit of its mission and objectives. For different types of risk, UNICEF may have different levels of tolerance.
<i>Inherent risk:</i>	The risk without considering the application of any mitigating measures or any controls.
<i>Residual risk:</i>	The risk after the application of mitigating measures or controls.
<i>Risk Response:</i>	Decisions made and actions taken to bring the residual risk within the accepted risk tolerance. The organization can make the decision to accept, control, avoid, or transfer/share the risk.
<i>Control:</i>	An activity or measure that may be part of the risk response. A control may reduce the likelihood of the risk occurring or its impact, or both. Good controls provide assurance over the achievement of objectives. Good brakes allow a driver to go faster because the driver can stop and turn more effectively.
<i>Risk Profile:</i>	An organization-wide or office-wide inventory of risk categories, from internal and external sources, assessed in terms of significance in relation to objectives and defined risk tolerance levels.
<i>Risk Matrix:</i>	A graphical representation of key risks or risk categories in relation to each other, reflecting their individual significance in relation to objectives and defined risk tolerance levels. A Risk Matrix can be visualized through a heat map depicting the likelihood and impact of each major risk. It helps determine and prioritize risk responses.

3. What is Risk Management?

Risk management is the process of identifying and assessing risk, and establishing measures or controls to bring risks within the organizational risk tolerance. Risk management includes activities to realize opportunities while mitigating the negative consequences of events.

While risk identification and assessment should be done on a day-to-day basis, each office should conduct a formal risk assessment at least once a year, or whenever a major change in the environment occurs. This assessment can be conducted as part of the annual planning process and should ensure that key risks are identified, assessed and responded to in a manner to ensure that residual risk is brought within the risk tolerance accepted by the organization. Major risks should be reported to management on a periodic basis, as described in Section 5 below.

Major risks that can not be adequately treated must be escalated, and brought to the notice of the UNICEF manager with sufficient authority to deal with the risk and take appropriate decisions.

To support the adoption of a risk management approach throughout the organization, all new or updated policies should be considering risks that attach to the issue under discussion; new or revised directives should explain the risk that is to be managed, and differentiate between mandatory and optional or business process and controls.

Refer to the Risk Reference Guide for details on the key risk areas currently identified by UNICEF and related risk tolerance levels.

4. Roles and Responsibilities

Identification and treatment of risks is part of the UNICEF accountability framework and the responsibility of all managers and staff. Risks should be identified in relation to organizational objectives, as may be defined through the formal multi-year strategic planning process, programme planning, office plan development, and any ad hoc objective setting, such as in emergency response situations. Innovation and taking calculated risks in new programme initiatives while applying sound management practices is encouraged; but there is little excuse for failure if it involves a risk that could reasonably have been identified and treated.

While it is generally impractical to seek to eliminate all risks, it is required that all management and staff understand and fulfill their roles and responsibilities in relation to risk management. Staff members should be evaluated on the effectiveness of their overall management of risks.

Demonstrated ability to achieve results through innovation while effectively managing risk is key to UNICEF's ongoing success and will increasingly be recognized. Conversely, failure to manage risks adequately or to avoid decisions will result in assignment of lesser responsibilities and reduced delegated authority. UNICEF managers are not accountable to prevent all events, but to implement due process in assessing risk and implementing effective risk management strategies.

4.1. Executive Director

The Executive Director is accountable to the Executive Board for the development and achievement of UNICEF strategy and objectives, including the overall management of risks to these objectives. The Executive Director needs to be informed of key risks, how these risks are managed, and how the Risk Profile of UNICEF is changing over time. To this end, the Executive Director will:

- Promote effective risk management and innovation, which encourages informed and intelligent risk-taking by setting a strong tone at the top;
- Review and approve the risk tolerance of the organization proposed by the Senior Staff Risk Committee and the Risk Management Secretariat;
- Ensure that risk management practices are integrated into strategic planning, operations, and evaluation;
- Promote a culture of responsible risk management and make it an accountability of all staff ;
- Oversee an organization-wide internal control system that ensures that risks are managed in accordance with UNICEF's risk tolerance;
- Appoint and oversee the Senior Staff Risk Committee and supporting Risk Management Secretariat which facilitate consistent risk management and reporting across UNICEF; and
- Review and determine response to key risks that may be escalated by the Senior Staff Risk Committee or its members.
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4.2. Senior Staff Risk Committee

The members of the UNICEF Global Management Team extend their remit to include discussion of key risks and assignment of significant issues to the appropriate parties, as necessary. This role of a *Senior Staff Risk Committee* is not to manage risk but to provide direction in risk management activities within UNICEF. The responsibilities of the *Senior Staff Risk Committee* are to:

- Review the Risk Profile and Matrix of the organization provided by the Risk Management Secretariat and evaluate key risks to the organization along with their root causes and suggested risk response;
- Propose to the Executive Director the organizational risk tolerance in key risk areas; specifically, mediate between different UNICEF offices and divisions that wish to apply a different risk tolerance, and determine an overall UNICEF position on how risks in these key areas are expected to be managed;
- Help ensure that key risks are considered in the strategic planning process (e.g., Medium Term Strategic Plan, biennial budget, country programme planning, emergency preparedness planning) such that both threats and opportunities are adequately considered;
- Discuss the overall effectiveness of risk management practices and provide key findings to the Executive Director; and

- Monitor emerging risks and discuss appropriate responses.

4.3. Heads of Offices

Heads of Offices (Representatives, Regional Directors and Directors of HQ Divisions and Offices) are responsible for the overall management of risks related to programme and office operations. They must assure themselves that planned results are risk-informed and achieved, that services or work performed by their office are effective, efficient and of high quality, and in response to identified risks or constraints balance the need for innovation with sound resource management. Specifically, Heads of Offices will:

- Provide day-to-day guidance to staff to ensure that risks are identified and managed within the acceptable tolerance and that opportunities are seized;
- Ensure major decisions are made and agreements entered into following a risk assessment, usually performed through statutory committees or peer review;
- Ensure that a Risk and Control Self Assessment related to programme or office objectives is completed as part of annual planning and reviews and otherwise as necessary;
- Ensure that risk responses are aligned with the risk tolerances, as defined in the Risk Reference Guide;
- Define risk management responsibilities in their office and ensure controls are in place and functioning to manage risks within defined risk tolerance levels;
- Evaluate performance also on the adequacy of risk management practices, the overall portfolio of risks taken and opportunities captured, and whether difficult decisions have been made or avoided; and
- Continuously monitor exposure to risk, and escalate risks where the office does not have the capacity or authority to manage it, where a particular risk requires a coordinated or organization-wide response, and where the risk would affect UNICEF as a whole.

4.4. Policymakers

Policymakers are Heads of Offices responsible for promulgating or proposing for promulgation organizational policies and procedures, including how to manage risks in their functional area. In the past, policies and guidance did not always explain what risk was meant to be addressed and did not differentiate between what is recommended and what is mandatory. Optional guidance allows managers to tailor and make decisions based on their assessment of local conditions and risks. Those responsible for setting new or revised policies and procedures are to ensure that:

- Any new or revised policy describes the risks that are to be managed before setting out required control steps or optional guidance;
- There is a clear separation between mandatory controls and processes, and optional guidance;
- Subject matter experts provide input when defining risk tolerance levels;
- Cost of controls and procedures must not outweigh benefits;

- Significant risks, especially those escalated from other heads of office should be reviewed and may become the subject of new or revised policies, procedures or guidance; and
- Policies, procedures and guidance are in alignment with risk tolerances and risk management expectations, as defined in this Policy and the updated Risk Reference Guide.

4.5. Risk Management Secretariat

The Risk Management Secretariat is responsible for monitoring the effectiveness of risk management and related processes in UNICEF, facilitating implementation of these across UNICEF, and preparing reports on issues and trends in overall risk management in UNICEF. The team is comprised of a dedicated senior risk officer, supported by risk management specialists from various divisions. Specifically, the Risk Management Secretariat shall:

- Collaborate with Risk Liaisons and those responsible for proposing policy to define risk management expectations and risk tolerance subject to review and approval by the Senior Staff Risk Committee;
- Assist policymakers and those involved with training activities to embed consideration and management of risk and opportunities into existing policies and training for planning, implementation and evaluation of results;
- Facilitate and provide training to Risk Liaisons on Risk and Control Self Assessments and review resulting risk profiles and matrices ;
- Monitor the effectiveness of risk management practices, and report findings and recommendations related to residual risks to the Senior Staff Risk Committee;
- Remain current on evolving risk management standards such as COSO¹, leading risk management practices, as well as the direction of risk management programmes of other UN agencies, and reflect these as appropriate in updates to the UNICEF Risk Management Framework;
- In liaison with the Change Management Unit, the Division of Communication and the unit for Organizational Learning and Development (OLDS), develop training materials;
- Maintain, update and communicate this Policy and related Risk Management Guide and Risk Reference Guide to ensure alignment with UNICEF's evolving strategy and risk tolerance; and
- Build and maintain an active network of risk liaisons and risk management experts, to serve as a reference group and resource to all UNICEF staff.

¹ The UNICEF Risk Management Framework will be broadly based on the approach described by the Committee of Sponsoring Organizations of the Treadway Commission Enterprise Risk Management Integrated Framework (COSO) 2004.

4.6. Risk Liaisons

Risk Liaisons are focal points for risk management in UNICEF offices. They may be planning officers, staff concerned with monitoring, evaluation or research, or other specialists. Risk Liaisons have deep knowledge of risk management challenges affecting their office. Risk Liaisons are responsible to:

- Champion risk management and facilitate the use of risk management processes and tools, including Risk and Control Self Assessments and the development of local or theme-specific guidance on risk management;
- Collect and analyze risk information for sharing with the head of office and, as appropriate, with the Risk Management Secretariat.
- Identify required adjustments to risk tolerance levels and present these to the Risk Management Secretariat;
- Support senior management in overseeing the effectiveness of risk management practices, prepare a periodic risk profile and matrix and submit to the Risk Management Secretariat; and
- Help share best practices and lessons learned to optimize risk management practices, including through "success stories" shared at appropriate fora.

4.7. All Staff

All UNICEF staff members are responsible for managing the risks that affect the achievement of objectives related to their area of work, within their delegated authority. Specifically, all staff members are expected to:

- Support the identification and management of risks in their division or office;
- Balance risk avoidance with seizing opportunities, while remaining within their delegated authority and avoiding unnecessary risk; and
- Escalate risk management issues and concerns beyond their own authority or ability to resolve to Risk Liaison and the Head of Office.

4.8. Office of Internal Audit

The Office of Internal Audit provides independent assurance to the Executive Director on risk management practices within the organization. Its responsibilities are further described in the Charter of the Office of Internal Audit.

5. Risk Reporting











The management of risk has to be reviewed and reported to (i) monitor whether or not the risk profile is changing and (ii) gain assurance that risk management is effective and to determine whether further action is necessary.

A *Risk and Control Self-Assessment* must be conducted on an annual basis at the Divisional, Regional, and Country Office level. The *Risk and Control Self-Assessment* is typically facilitated by the Risk Liaisons and reported to the respective Heads of Office. The Risk Liaison also reports the results to the Risk Management Secretariat. The Risk Management Secretariat reviews a sample of risk profiles and matrices to monitor the effectiveness of risk management practices and the emergence of new risks or “red flags.” The Risk Management Secretariat uses the risk profiles to update the Risk and Control Library and overall Risk Profile for the organization.

The Risk Management Secretariat, together with the Senior Staff Risk Committee and directors, conducts an annual review of organization-wide key risk areas. A summary report, including the organization-wide Risk Profile and Risk Matrix that provide a summary view of the key risks facing the organization is submitted to the Executive Office for review and direction on how to address those key risks. The effectiveness of risk management efforts can be evaluated through:

- The change over time in the organization's Risk Profile (reflecting the risks UNICEF is taking and their significance based on how these are managed);
- The extent of dialog and alignment between the Risk Management Secretariat, Risk Liaisons, Policymakers and other risk experts in refining risk tolerance definitions; and
- The quality of risk assessment and reporting.

Illustrative example of an organizational annual risk report:

	Rating Level/ Trend	Key Actions/ Comments
Safety & Security	 ↓	
Aid Environment	 ↓	
Political Neutrality	 ↔	
Country Environment Risks	 ↔	
Partner Relations	 ↑	
Foreign Exchange	 ↓	
Predictability of Funding	 ↓	
Programme Strategy	 ↔	
Processes and Controls	 ↑	
Etc....	 ↑	

6. Final Provisions

This policy enters into effect immediately.

6.1. Review of this Policy

The Risk Management Secretariat will organize an evaluation of this policy and its implementation within three years of the effective date. The Risk Management Guide which supports this policy will be reviewed and updated for any necessary changes every three years or otherwise as necessary. The UNICEF Risk Reference Guide which also supports this policy will be web-based and updated by the Risk Management Secretariat annually or as major changes occur. Respective updates will then be communicated to all management and staff.

Review and update of this Policy and the related Risk Management Framework elements will consider the evolving needs of UNICEF and the environment in which it operates as well as the direction of risk management programmes of other UN agencies, leading practice developments, and updates to applicable standards such as COSO. As the Risk Management Framework evolves, consideration will also be given to technological means to support the risk management process.

6.2. Communication and Training

This policy shall be disseminated through an appropriate directive to all staff.

Improving the consistency and rigor in risk management involves a shift in organizational culture. This requires further communications, training, and day-to-day reinforcement of risk management expectations.

To ensure increased awareness and reinforcement of risk management expectations Heads of Offices must ensure that all staff understand this policy and take the opportunity to discuss it within their teams. They may refer to the Risk Management Secretariat for further guidance.

With their responsibility for organizational policies and guidelines, Heads of Offices will incorporate the relevant risk management expectations and risk tolerances through new or revised organizational policy, procedures, and guidance, as necessary. In each of their respective areas, they are expected to facilitate learning of staff on expected risk management practices, such as when to perform a risk assessment, how to perform a cost/benefit analysis, and how to monitor key risks. Judicious risk management will be recognized in Performance Evaluation Reviews.