United Nations Children's Fund
Executive Board
Annual session 2024
11–14 June 2024
Item 14 of the provisional agenda*

UNICEF evolved enterprise risk management framework

Summary

In accordance with Executive Board decision 2024/3, this document presents an overview of the UNICEF vision and implementation strategy for an evolved enterprise risk management framework, with a timeline and a general plan for the ongoing and continued development process. The document also presents an outline for discussion on risk governance, including options for regular engagement of the Executive Board on risk and risk management.

Elements of a draft decision for consideration by the Executive Board are provided in section V.

* E/ICEF/2024/10.

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I. Overview

1.   At its first regular session of 2024, the UNICEF Executive Board received an update on the development of an overarching system for enterprise risk management (ERM), including on progress on the recommendations from the internal audit of enterprise risk management and the initial assessment by the Chief Risk Officer of the UNICEF risk management system.[1] The present document provides further details on the vision and longer-term implementation strategy for the proposed enterprise risk management framework as a true enabler for the delivery of results in an uncertain and volatile environment. It includes a timeline and a general plan for the ongoing and continued development process, building on a solid foundation of existing risk management practices to bring enterprise-wide risk management to its next level of maturity.

2.   The document also presents an outline for discussion on risk governance, including options for regular engagement of the Executive Board on risk and risk management. The Joint Inspection Unit, in its review of the governance and oversight functions of Executive Boards,[2] states: "risk management is closely related to a Board's overall responsibility to oversee strategy and performance [and that the] Boards must satisfy themselves that there are effective risk management policies and procedures in place so that the organization takes risks into account in setting strategies, planning and decision-making". Globally recognized best practice and standards also suggest that risk oversight for Boards may include establishing a mutual understanding of risk appetite, verifying that effective risk management processes have been established, and being informed of the most significant risks to achieving the mission and strategic goals of the organization. The organization's executive management retains the responsibility to design, implement and monitor the risk management approach.

3.   Following Executive Board decision 2024/3, which requested UNICEF to include a recurring agenda item on risk management, for decision, starting in 2025, UNICEF proposes using these annual risk updates to support the Executive Board in its risk oversight duties. The updates can inform the Executive Board of risk management arrangements in place and of continuous improvement and progress against the new vision and implementation plan. Once the enterprise-wide top risks have been established following the strategic risk assessment, an annual risk report can discuss the most critical risks that could potentially have an impact on the ability of UNICEF to achieve its mission and strategic goals in the future. The risk report can provide an analysis of macro trends affecting the overall risk profile of UNICEF, an overview of key changes in top risks compared to the previous year, and an overview of how current levels of risk compare to the risk appetite of UNICEF (i.e. its willingness to accept exposure to certain risks). Where applicable, links can be made with the findings from audits, evaluations and other reviews if they provide insights or assurance on the effectiveness of existing mitigation measures, or identify new risks.

4.   UNICEF welcomes a discussion with the Executive Board on the most appropriate timing and substance of the annual risk updates. UNICEF notes that presentation at the annual session would best align with UNICEF internal

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[1] United Nations Children's Fund, Update on the development of an overarching system for enterprise risk management, E/ICEF/2024/8, UNICEF, New York, 2024.

[2] Hunte, C., Report of the Joint Inspection Unit, Review of the governance and oversight functions of the Executive Boards of the United Nations Development Programme/United Nations Population Fund/United Nations Office for Project Services, the United Nations Children's Fund and the United Nations Entity for Gender Equality and the Empowerment of Women, JIU/REP/2023/7, United Nations, Geneva, 2023.

workplanning processes, including the identification of risks associated with the workplans of the country and regional offices and headquarters divisions.

II. Vision and implementation strategy

5. Robust enterprise-wide risk management will help UNICEF to secure success in its work for every child – recognizing that the biggest risk is not reaching children. It will enable a proactive and resilient organization to safely face the risks posed by the current environment and confidently take the risks required to achieve its objectives.

6. By implementing an evolved risk management framework, UNICEF strives to:

(a) Use risk management as an active management tool to help the organization to take the right amount of the right type of risks, thus informing planning and decision-making;

(b) Be a forward-looking organization that systematically anticipates potential issues before they happen, manages expectations effectively and takes proactive action to reduce vulnerabilities and secure success;

(c) Build a comprehensive and streamlined system of risk assessment, control and assurance functions that work together efficiently based on a shared understanding of key risks;

(d) Apply risk mitigation, control and oversight efforts that are proportionate to the levels of risk associated with the delivery of results for children;

(e) Foster an open culture of risk awareness that encourages all stakeholders to transparently flag risks ahead of time, confidently take necessary risks and plan for and learn from failure.

Figure I
Enterprise risk management 2.0 vision and implementation strategy
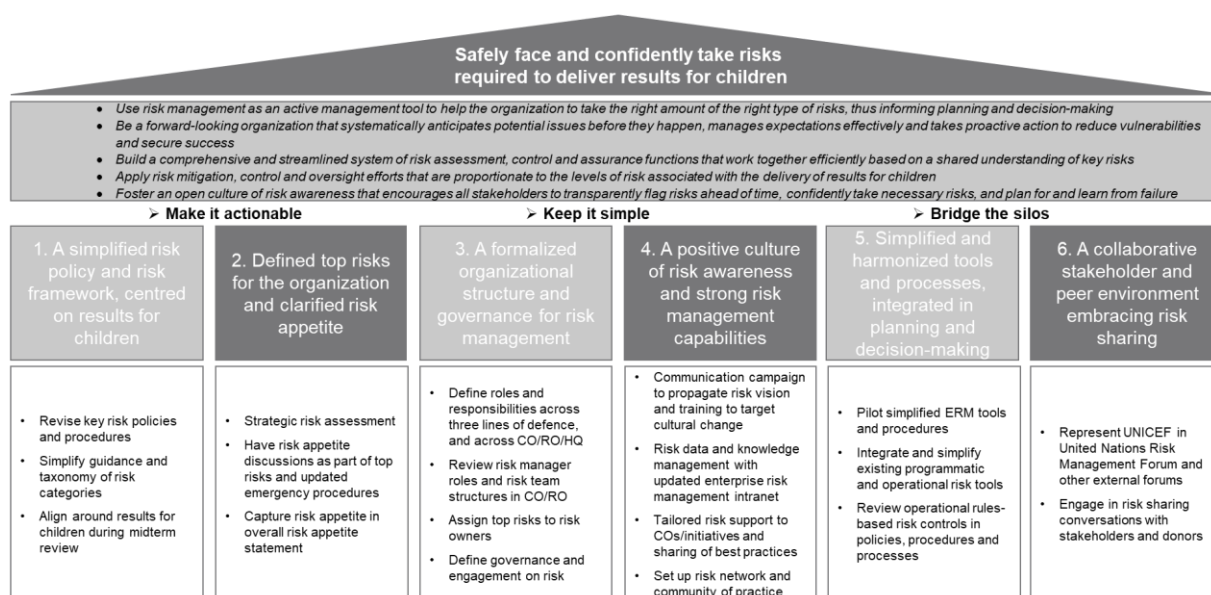
Legend: CO: country office; ERM: enterprise risk management; HQ: headquarters; RO: regional office.

7. Three key principles guide the operationalization of the new vision:

(a) **Make it actionable**: focus on creating risk conversations rather than reports and on making ERM an active management tool to inform decisions and actions rather than an administrative or compliance exercise.

(b) **Keep it simple**: prioritize mitigation of a few key risks and development of user-friendly tools.

(c) **Bridge the silos**: connect programmatic and operational risk management and ensure a harmonized approach across country offices, regional offices and headquarters divisions.

8. Six pillars define key goal areas that are implemented through a number of activities, many of which are already under way:

A. A simplified risk policy and risk framework, centred on results for children

9. Key risk policies and procedures are revised in line with the new vision. This involves simplifying guidance documents, reporting and escalation procedures and the taxonomy of risk categories, and clarifying the integration between existing programmatic and operational risk management mechanisms and the overarching ERM approach.

10. The midterm review of the UNICEF Strategic Plan, 2022–2025 is used as an opportunity to clearly centre the taxonomy of risk categories on results for children linked with the Strategic Plan and redefine a limited number of key risks and risk categories to be assessed and reported on, with flexibility to adapt to different contexts.

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

11. A strategic risk assessment (grounded in the UNICEF Strategic Plan and with contributions from senior leadership) is defining the top risks that require a corporate-level focus and deliberation by the Senior Management Risk Committee. Top risks are identified thematically and by context, and their selection is informed by bottom-up risk reporting from country offices, regional offices and headquarters divisions.

12. An organization-wide risk appetite statement broadly articulates the level of risk that UNICEF is willing to accept in pursuit of its strategic goals and objectives. The statement aims to support judgment and decision-making regarding risks and will continue to be refined and operationalized (including to provide further clarification of the "no regrets" approach in humanitarian action) as the top risks and risk-benefit trade-offs are further defined and the risk culture is strengthened. The "no regrets" approach and risk appetite in humanitarian action is also being made more explicit in the updated Emergency Procedures, including their practical application at country level.

C. A formalized organizational structure and governance for risk management

13. Governance mechanisms and roles and responsibilities for risk management, including those of the various risk-related functions across the three lines of defence (as explained in section IV below), are defined and aligned with the UNICEF accountability framework and reflected in the competency framework and staff performance management system. Furthermore, broader risk management capacity needs across the organization are specified, as well as the optimal engagement model

between the office of the Chief Risk Officer, risk management focal points at regional and country level, and risk managers in other headquarters divisions.

14.   Agreed top risks are assigned to specific risk owners who are responsible for overseeing changes in the level of risk and effectiveness of mitigation measures and for driving substantive discussions in the Senior Management Risk Committee on the nature of those risks and the organization's risk appetite.

15.   The Executive Board received an initial update on risk management in February 2024 during its first regular session. Further Executive Board engagement on ERM is also being informed by the results of a 2023 Joint Inspection Unit review of how the Executive Boards execute their governance and oversight functions. Section IV of this document proposes that UNICEF provide the Board with an annual risk update in support of its risk oversight duties.

D.   A positive culture of risk awareness and strong risk management capabilities

16.   Communication and training material on risk management are aiming to bring about a culture of calculated risk-taking and transparently managing expectations, acknowledging that the UNICEF mandate requires facing risks. A communication strategy is designed to focus on the different types of cultures and risk attitudes in the organization, across country typologies. The strategy includes a communication campaign to propagate the new vision and risk philosophy during the launch of the evolved enterprise risk framework. The Chief Risk Officer is also exploring how to leverage existing workplace culture initiatives, e.g. sharing of good practices related to risk-taking and broadcasting a senior leadership conversation on the topic of risk. The Chief Risk Officer is working with the UNICEF global learning team on risk-related learning modules and including risk management components in existing training material. A dedicated ERM intranet page is redesigned to serve as a common repository for risk data and knowledge.

17.   Risk awareness and risk management capabilities are actively reinforced through regular meetings with senior leadership and other risk-related functions in the organization. On visits by the Chief Risk Officer to country and regional offices, tailored risk management support is provided as needed, e.g. risk identification for new investments, initiatives or projects; guidance on how to structure risk teams and run local risk committee meetings; and sharing best practices on how to mitigate common areas of risk. A robust risk practitioners' network and community of practice is set up to strengthen and support second-line functions and risk managers across the organization.

E.   Simplified and harmonized tools and processes

18.   A mapping of various existing programmatic and operational risk management tools (e.g. for risk-informed programming and programme planning, implementing partnerships, private sector partnerships, safeguarding, environmental and social standards, supply risk, fraud risk, humanitarian cash transfers, emergency preparedness, business continuity, data protection, security risk and enterprise risk) is used to achieve integration, interoperability and simplification in a landscape that has a proliferation of risk-related tools, methodologies and requirements.

19.   Simplified ERM risk assessment and reporting tools and procedures are developed and piloted, with a focus on prioritizing a few key risks rather than attempting to record all risks. The objective is to make risk analysis a core element of planning and decision-making by embedding it in the regular programme and annual

workplanning cycle so that it can generate insightful and forward-looking conversations instead of being a parallel administrative activity.

20.   A holistic review of operational risk controls in existing policies, procedures and processes will be conducted to understand whether they are proportionate to real levels of business risk and to what extent they affect risks related to delivering results for children. The review findings will be used to make these controls more efficient and risk-based, eliminating any gaps and overlaps.

F.   A collaborative stakeholder and peer environment embracing risk sharing

21.   UNICEF is an active participant in external risk management forums, such as the United Nations Risk Management Forum of the High-level Committee on Management, which examine shared risk areas and exchange risk management practices across United Nations agencies. Inter-agency cooperation and knowledge exchange will also be a recurring theme of discussions by the Senior Management Risk Committee and other risk discussions across UNICEF.

22.   UNICEF also engages in broader risk-sharing conversations, e.g. as part of the Risk Sharing Platform for signatories to the Grand Bargain, and with specific donors and international financial institutions. The aim is to better manage expectations and define a common risk appetite to avoid merely transferring risks between donors and actors across the delivery chain.
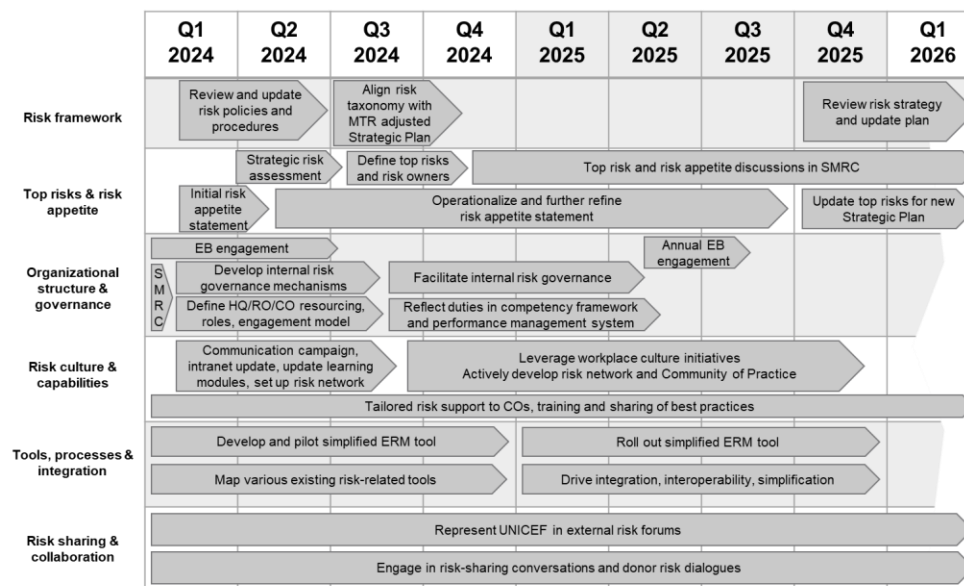
III.   Timeline and progress

23.   Strengthening risk management is widely seen as a journey of continuous improvement and change management, and usually refers to so-called "maturity models" that guide an incremental evolution in risk management maturity over several phases. In line with this view, the time needed to implement the longer-term vision will span multiple years and will require carefully sequenced activities that build on each other and fit the organization's actual maturity level so as to move it to a higher level.

24.   The current risk management implementation plan defines activities for the period 2024–2025. The plan will need to be reassessed at the start of the next strategic plan period to align with the organization's progression at that stage and to address any new needs and challenges that may arise.

25.   A timeline for implementation is depicted in figure II (below). Many activities will already be under way by the annual session of the Executive Board in June 2024. The Senior Management Risk Committee continues to meet regularly and has endorsed the plan and is monitoring its implementation.

Figure II
Risk management implementation plan, 2024–2025

	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
Risk framework	Review and update risk policies and procedures		Align risk taxonomy with MTR adjusted Strategic Plan					Review risk strategy and update plan	
Top risks & risk appetite		Strategic risk assessment	Define top risks and risk owners		Top risk and risk appetite discussions in SMRC				
	Initial risk appetite statement		Operationalize and further refine risk appetite statement					Update top risks for new Strategic Plan	
Organizational structure & governance	EB engagement						Annual EB engagement		
	SMRC	Develop internal risk governance mechanisms		Facilitate internal risk governance					
		Define HQ/RO/CO resourcing, roles, engagement model		Reflect duties in competency framework and performance management system					
Risk culture & capabilities	Communication campaign, intranet update, update learning modules, set up risk network			Leverage workplace culture initiatives Actively develop risk network and Community of Practice					
	Tailored risk support to COs, training and sharing of best practices								
Tools, processes & integration	Develop and pilot simplified ERM tool				Roll out simplified ERM tool				
	Map various existing risk-related tools				Drive integration, interoperability, simplification				
Risk sharing & collaboration	Represent UNICEF in external risk forums								
	Engage in risk-sharing conversations and donor risk dialogues								

Legend: CO: country office; EB: Executive Board; ERM: enterprise risk management; HQ: headquarters; MTR: midterm review; RO: regional office; SMRC: Senior Management Risk Committee.

IV. Risk governance and Executive Board engagement on risk

26. The UNICEF accountability system[3] embodies the Three Lines Model,[4] which is recommended by the Institute of Internal Auditors as a reference model on risk management, oversight and accountability for United Nations system organizations. First-line roles are directly aligned with the delivery of products and services to UNICEF beneficiaries and include support functions. Second-line roles help to manage risk within the organization's risk appetite by providing complementary expertise, support and monitoring. The third-line role is performed by three independent offices: the Office of Internal Audit and Investigations, the Evaluation Office and the Ethics Office.

27. The UNICEF Senior Management Risk Committee is a corporate management committee responsible for advising on the effectiveness of the organization's approach to ERM and organizational resilience. The Committee brings together a cross-disciplinary group of senior leaders who adopt an enterprise-wide and holistic view of key strategic and organizational risks and provide guidance on proportionate risk mitigation and risk appetite.

28. The Committee acts as an advisory body to executive management on the most critical risks that could potentially have an impact on the ability of UNICEF to achieve its mission and strategic goals. The Committee promotes responsible risk-taking and sound risk management practices throughout the organization to enable outcomes for children. It serves as a forum to take an aggregate view of cross-cutting and common country and regional risk areas where a corporate position or a global

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[3] United Nations Children's Fund, Report of the accountability system of UNICEF, E/ICEF/2022/24, UNICEF, New York, 2022.

[4] The Institute of Internal Auditors, The IIA's Three Lines Model, an update of the Three Lines of Defense, Lake Mary, FL., July 2020.

initiative can support local risk management or inform risk-related decision-making. The Senior Management Risk Committee ensures that critical risks are considered as part of strategic planning and decision-making by executive management, the Global Management Team and the Regional Management Teams, as required.

29. The Global Management Team acts as an advisory body to the Executive Director on strategic management of the organization, including setting organizational priorities and reviewing and advising on key organizational risks and identifying mechanisms to address them.

30. The Audit Advisory Committee is an independent advisory body, without management powers or executive responsibilities, which advises the Executive Director (and informs the Executive Board through its annual report) with regard to the discharge of the Executive Director's governance, management and oversight responsibilities, including on the adequacy and effectiveness of internal controls and risk management.

31. Various other management committees oversee specific risk areas, such as the Contracts Review Committee (procurement-related risks), the Finance Advisory Committee (investment-related risks), the Digital Transformation Board (technology-related risks), the Innovative Finance Committee (financial risks related to innovative finance), the Innovation Portfolio Steering Committee (innovation-related risks) and the Insurance Survey Board (insurable risks).[5]

32. As the governing body of UNICEF, the Executive Board provides intergovernmental support and oversight to the organization, in accordance with the overall policy guidance of the United Nations General Assembly and the Economic and Social Council. The Joint Inspection Unit, in its recent review of the governance and oversight functions of Executive Boards,[6] states: "risk management is closely related to a Board's overall responsibility to oversee strategy and performance [and that the] Boards must satisfy themselves that there are effective risk management policies and procedures in place so that the organization takes risks into account in setting strategies, planning and decision-making". In its 2020 report on enterprise risk management,[7] the Joint Inspection Unit emphasized the need for legislative/governing bodies to, at a minimum, be aware of key strategic and other significant risks and how they are being addressed, and recommended that substantive coverage of risk, appropriate for the mandate, field network and risk exposure of the organization, be included in Board meetings, at least annually.

33. Globally recognized best practice and standards[8] also suggest that risk oversight for Boards may include establishing a mutual understanding of risk appetite,[9] verifying that effective risk management processes have been established and being informed of the most significant risks to achieving the mission and strategic goals of

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[5] The Chief Risk Officer has joined some of these committees as a standing member.

[6] Hunte, Report of the Joint Inspection Unit, Review of the governance and oversight functions of the Executive Boards of UNDP/UNFPA/UNOPS, UNICEF and UN-Women.

[7] Kamioka K. and E. A. Cronin, Enterprise risk management: approaches and uses in United Nations system organizations, Report of the Joint Inspection Unit, JIU/REP/2020/5, United Nations, Geneva, 2020.

[8] As described in Committee of Sponsoring Organizations of the Treadway Commission, *COSO Enterprise Risk Management – Integrating with Strategy and Performance*, COSO, 2017 (a globally recognized risk management standard), and Institute of Directors in Southern Africa, *King III Report on Corporate Governance*, Sandton, 2009 (a globally recognized corporate governance standard).

[9] Risk appetite is the amount of broad-based risk that an organization is willing to accept in pursuit of its objectives. A high risk appetite signals a willingness to accept more risk to achieve certain end goals or benefits with the belief that if risks were to crystallize, the downside (risk) would be moderate or acceptable in light of the benefits (reward) that would accrue.

the organization. The organization's executive management retains the responsibility to design, implement and monitor the risk management approach.

34.   In accordance with Executive Board decision 2024/3, which requested UNICEF to include a recurring for decision agenda item on risk management, starting in 2025, UNICEF proposes to use these annual risk updates to support the Executive Board in its risk oversight duties. These updates can inform the Executive Board of existing risk management arrangements and continuous improvement and progress against the new vision and implementation plan, as described above. Once the enterprise-wide top risks have been established following the strategic risk assessment, an annual risk report can discuss the most critical risks that could potentially have an impact on the ability of UNICEF to achieve its mission and strategic goals in the future. The risk report can provide an analysis of macro trends affecting the UNICEF overall risk profile, an overview of key changes in top risks compared to the previous year, and an overview of how current levels of risk compare to the UNICEF risk appetite. Where applicable, links can be made with findings from audits, evaluations and other reviews if they provide insights or assurance on the effectiveness of existing mitigation measures, or identify new risks.

35.   UNICEF welcomes a discussion with the Executive Board on the most appropriate timing and substance of the annual risk updates. UNICEF notes that presentation at the Board's annual session would best align with UNICEF internal workplanning processes, including the identification of risks associated with the workplans of the country and regional offices and headquarters divisions.

V.   Draft decision

The Executive Board

Takes note of the vision and implementation strategy for an evolved enterprise risk management framework and welcomes the presentation by UNICEF of an annual report on top risks and risk management, starting in 2025.

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