

**Annex III – Terms of Reference for Cross-Functional Task Force
on Risk Management**

**Chief Executives Board
for Coordination**CEB/2018/HLCM/15
27 September 2018**HIGH-LEVEL COMMITTEE ON MANAGEMENT (HLCM)**Thirty-Sixth Session, 11-12 October 2018
UNESCO Headquarters, Paris**DRAFT TERMS OF REFERENCE
for
THE GROUP ON HLCM CROSS-FUNCTIONAL ENGAGEMENT ON
RISK MANAGEMENT****Background**

1. At its 35th session in April 2018, HLCM agreed on the need for a joint, cross-functional engagement towards system-wide harmonization of risk management practices, including information sharing on fraudulent behaviors of implementing partners; assessments of risk appetite and risk tolerance; incorporating acceptance of residual risk in organizational policies; implementing smarter upstream controls; examining the costs of controls as compared to the value of the potential loss they are intended to mitigate; and, development of common definitions of risk categories to enable a common approach to reporting risks.
2. As part of this work, the Committee requested the Finance and Budget Network to take the lead in developing a common approach to reporting fraud and presumptive fraud, as well as to review how risk analysis might be incorporated into the budgeting processes of UN system organizations.

Composition

3. The membership of the group is small in number to enable agility and rapid delivery. It is comprised of UN system organizations that represent different spheres of work undertaken by the UN system as a whole. The group will be co-chaired by WIPO and WFP. The Finance and Budget Network will be represented in the group by IAEA, UNDP, UNESCO, UNHCR and WIPO, as concluded at the 31st Meeting of the CEB Finance and Budget Network (CEB/2018/HLCM/FB/5). The group will interact and consult with UN RIAs to ensure benefit is derived from their input and contributions.

Objective

4. It is recognized that organizations are at different levels of maturity with respect to risk management and take different approaches to risk management. As such, a one size fits all approach would be undesirable, however significant benefit could be derived from the establishment of a system wide risk management reference model. Therefore, this group is tasked to focus on three areas that could potentially be addressed over two phases as follows:

Phase 1

- i) Establish a maturity model for UN entities, illustrating a potential realistic mid-term target state that takes into account commonalities and differences of organizations' size, structure and mandate. The model may serve firstly to benchmark the level of risk maturity in an organization through various dimensions and secondly, as a guide for agencies implementing risk management. Both would serve as a basis for communication on risk management with Governing and Oversight bodies.

Phase 2

- ii) Develop guidance on how a UN system organization may approach the establishment of key organizational risk management approaches, to include:
- a) Risk appetite and risk tolerance recognized by the Governing body;
 - b) Embedding risk management into performance/planning processes;
 - c) Integrating control systems with Enterprise Risk Management; and
 - d) Establishing an organizational structure that supports effective cross-functional risk management and clarifies roles and responsibilities, including a recommended approach to implementing the 3 lines of defence
- iii) Propose a sustainable and pragmatic mechanism for exchanging views/advice and accessing best and leading risk management practices (not restricted to the UN system) to ultimately include policy, process, tools and systems and structures.

Deliverables

5. The following documents are foreseen as deliverables:

Phase 1

- i) The definition of a multiple stage maturity model that exhibits the characteristics and features of an organization deemed to be in each defined stage of organizational risk management maturity. The model may include maturity dimensions of, for example, risk culture, process and integration, policy framework, governance and organizational structure, system and tools, and risk capabilities. The model may serve as both a benchmarking tool to provide consistent comparison of UN system organizations' risk

management maturity, and also as an implementation guide to advance risk management in the organization.

Phase 2

- ii) Pragmatic guidance for organizations intending to enhance their existing Risk Management Framework, to include considerations, limitations, benefits and drawbacks when developing key organizational risk management approaches. This guidance would initially focus on how a UN system organization may implement:
 - a) Risk appetite and risk tolerance;
 - b) The embedding of Enterprise Risk Management into performance/ planning processes;
 - c) The integration of the organization's internal control framework with Enterprise Risk Management; and
 - d) An organizational structure that recognizes the emerging and cross-functional nature of Enterprise Risk Management (e.g. program, finance, physical and information security, resilience, etc.) and embeds the three lines of defense model.
- iii) A proposal for a forum and/or sharing mechanism (e.g. platform/repository) that permits organizations to effectively exchange views and access best practices together with sample deliverables related to policy, process, systems and structures.

Timeline

- 6. The timeline for Phase 1 has been established at approximately 10-12 weeks, ideally to report progress back to the subsequent HLCM meeting.
- 7. If the benefits and interest from UN system organizations so dictates, Phase 2 and any subsequent phases may be planned.