Assurance Review of Risk Management

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1. Introduction

1.1. Area subject to review

1. Risk management is the core underpinning process and system of any organisation. Risk management is management. It is also the process that structures the oversight of any organisation by its oversight body, through the establishment of a governance-level risk appetite.

2. In IFRC’s case, the Governing Board is charged with oversight of the Federation’s and Secretariat risk management system.

3. Per the Joint Inspection Unit of the UN:
   - Risk management framework is a set of components that provide the foundations and organizational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organization.\(^1\)

1.2. International Federation of the Red Cross and Red Crescent Societies (IFRC) context

4. IFRC has various elements and components of a risk management approach and system. In particular the Governing Board has a strategic risk register and has risk management as a standing agenda item. Elements of the Secretariat have risk assessments and risk processes, for example, the finance team uses a risk assessment to decide upon the aid modality through which to fund national societies. Some programmes have risk assessments, notably the Mozambique and Democratic Republic of Congo responses. IT programmes and projects generally have risk assessments with a project level risk assessment of the implementation of an enterprise resource planning (ERP) system.

5. Yet, for an organisation that is founded on taking risk, risk management is an underutilised tool. There is no second line risk management department, though our office, the OIAI, previously had a role, and included in its job title. At the time of drafting there is no systematised risk management system or management lead for risk management.

1.3. Rationale for the review

6. The purpose of this review is to assess the adequacy of the strategic risk framework. It has sought to compare IFRC’s risk management framework against other international organisation comparators and considers overall organisational risk maturity.
2. Scope of Review

7. The purpose of this review is to review the adequacy of the strategic risk framework. It will seek to compare IFRC’s risks management framework against other international organisation comparators and also consider overall organisational risk maturity using the Institute of Internal Auditors’ risk maturity framework model (see https://www.iia.org.uk) or another equivalent model.

8. Specific areas of review will include:

- Strategic risk system policies and structure.
- Ownership and management of the risk system.
- Governance and oversight of the risk system including the setting and oversight of risk appetite.
- Policies and frameworks of risk management.
- Training and supporting actions to enhance risk management.
- The link of specialist risks (IT, security, legal, reputational, integrity) and their link to general business risk.
- How risk is managed and deployed in programming and programmes.
- How national society (supplier) risk is considered.
- Risk reporting and management information.
3. Review Findings

3.1. Good practice identified

9. We identified the following examples of good practice:

- The Governing Board is clear on its role and responsibilities for risk and has taken a decision to receive a risk management briefing as a standing agenda item at its meetings.
- The Governing Board and General Assembly are briefed on key risk items and have a standing briefing from the Chair of the Audit and Risk Commission on key risks.
- Several major IFRC operations have had specific OIAI support to enhance their risk management response, for example, Mozambique and the Bahamas.
- IFRC’s largest and arguably riskiest programme (at the time of writing), the Turkey Emergency Social Safety Net (ESSN) programme, has specific risk assessment and programme level risk registers being developed.
- Some corporate areas of the Secretariat’s activities are underpinned by elements of formal risk assessments, most notably finance through the working with project partners approach, and IT through their Global Service Centre and ERP programme risk assessments.

3.2. Findings

Key issues and risks

10. The following higher risk issues / risks are identified from this review:

- **Scope of risk governance** – The Governing Board has yet to establish what risks it wishes to govern; whether it wishes to govern federal risks or secretariat risks. The supporting systems that flow from this decision need to be taken.
- **Risk ownership** – There is unclear risk ownership within the Secretariat, both for the risk management system itself and for risks within it. There is no second line, formal risk management function within the Secretariat to consolidate, align, develop and assure the quality of risk management.
- **Secretariat risk management system** – The Secretariat has not formalised its risk management system. Whilst there are risk management activities and some risk assessments across the Secretariat, these are not systemised, co-ordinated, quality assured or consistent.

Other risks / issues identified

11. The following other issues / risks have been identified during the course of our review:

- **Risk appetite** – A key prerequisite to move from risk assessment to risk management is the establishment of a risk appetite. IFRC has yet to develop a formal risk appetite statement or policy.
- **Risk standards** – There are no established IFRC standards and processes for risk management. Examples include the framework within which risk is assessed, terminology, and the mapping, calibration and reporting of risk.
- **Capability, capacity and training** – The Secretariat has highly qualified, experienced and professional staff across its various functions. There is however an absence of risk management as core competency of the organisation and a lack of formal risk management training and certification in risk management.
- **Variable risk management capacity** – The Secretariat cannot be characterised as having no risk management activity or processes. Across the various professional functions in the Secretariat,
3.3. **Summary IFRC management response**

12. The audit report puts a strong call for changing the culture of IFRC moving from a purely risk assessment approach towards a comprehensive risk management within the Secretariat. In management’s opinion, our focus needs to be at the level of the Secretariat where we have capacity to control and direct and not at the level of the entire Federation. However, as a Federation, our focus to embed risk management culture should start at the level of the Governing Board and relevant bodies. This will be the only way that Management decisions are fully understood and endorsed by the Governing Board.

13. Defining risk owners is needed to ensure a risk management approach through careful monitoring and engagement with different stakeholders within the Secretariat. COVID-19 could be the start of a process through the creation of a risk management position and later explore longer term presence for wider risk management.

14. Defining, together with the Governing Board, a clear risk appetite and differentiating between humanitarian and development work should also be critical for the support that IFRC management requires to performs its duties. But this also creates stronger levels of responsibilities to the National Societies and IFRC teams from country to global level. Heads of Offices should then create context-based risk appetite considering the capacities of National Societies, record of performance over the years and levels of qualifications, in order to make the IFRC more agile and more focus.