

# Brainstorming on risk management

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Purpose: Raise several principles and policy questions upon which System Council input is sought to assist in the framing of the appropriate risk management framework of the CGIAR System – building on what’s already in place.

Prepared by: System Management Office

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Sc4-06B

# Background

## - Provisions of the Charter and Framework

- **System Council to approve a ‘*risk management framework of the CGIAR System*’,** with System-level escalation procedures, based on a proposal from the SMB, [*Framework - Article 6.1(l)*]
  - **System Management Board to approve the TOR and means for fulfilling the *Internal Audit Function*\*** arrangements considering System Council inputs, and the arrangements of Centers, [*Charter, Article 8.1(i)*]
  - **Both Council and Board: Each to form an Audit and Risk Committee** (noting that membership criteria and proposed mandates differ), [*Framework - Article 8.2(a), Charter - Article 9.11(a)*]
- *‘Internal Audit Function’ definition - means the arrangements agreed between the System Council and SMB to provide independent and objective assurance and advisory services to the System Council and SMB.*
  - *No prescription what those “Internal Audit Function” arrangements are: Rather, what outcomes they must deliver – namely “provide assurance and advisory services”*

# Principles guiding System Management Board December 2016



**Accepting that risk is an every day part of CGIAR System activities, the Board highlighted the following as three guiding principles**

- 1. Significant risks should be identified and monitored**, enabling management within the respective entities (and across them for system-wide risks) to take informed decisions and take timely action.
- 2. Strategic opportunities should be maximized** (not avoided), based on policies, guidelines and practices that give confidence that risks will be managed/mitigated as required.
- 3. Objectives should be achieved:** In the CGIAR context, this means delivering on 3 strategic goals in the 2016–2030 Strategy and Results Framework.

## What type of risk management “framework”?

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### SMB Proposal:

- ‘Framework’ should be **principles** not rules-based
- Setting a **philosophy and process** for deciding who handles which risks and how
- **Build on what already exists at the Centers and Funders too:** do not start new

## SMB aspirations for that framework?

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- 1. Agreed and prioritized risk universe of the ‘top’ risks**
  - Relevant to the ‘extended organization’ nature of CGIAR
  - Including clear risk categories and definitions
  - With agreement on ‘risk appetite’ for each system risk
  - Including assessment of risk drivers & consequences
- 2. Clear risk monitoring owners**
  - Risk being owned and managed by right body
  - Proactive risk communications & escalations plan
  - Routine consideration if have the right risks
- 3. Centers sharing best practices on risk – and adopting as seen useful common approaches**

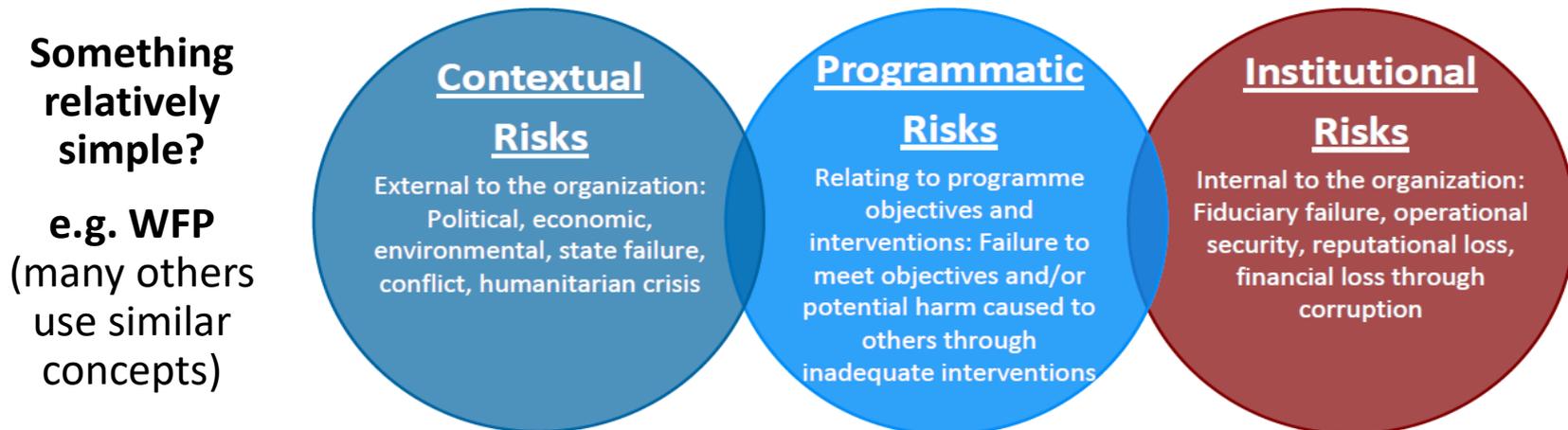
## 1. Agreed prioritized 'top' System-wide risks?

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- **Centers started some early brainstorming in Q1 2017**
- **Highly beneficial to seek System Council's own impressions**
- **Will help to shape:**
  - i. Detailed statement of each key risk
  - ii. Risk overview – the factors that contribute to that risk
  - iii. Risk owner – who is best placed to own and monitor
  - iv. The appropriate risk response across an agreed spectrum
  - v. As relevant – risk mitigation strategic actions



# Which categorization of risks resonates?

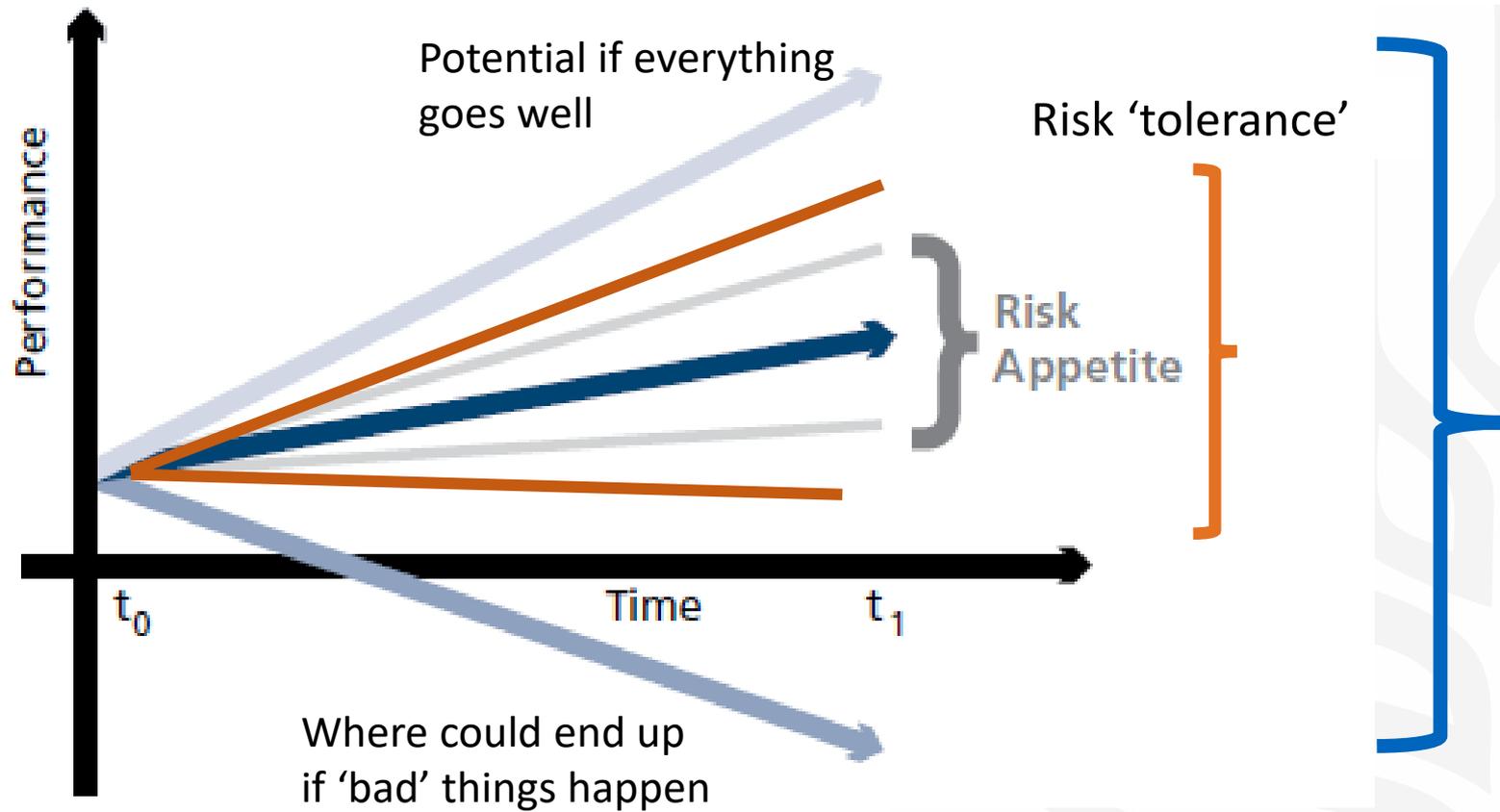


- Something intermediate?**  
Suggestion from General Assembly
- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• Governance</li> <li>• Science</li> <li>• Security</li> </ul> | <ul style="list-style-type: none"> <li>• Finance</li> <li>• Communications</li> <li>• Partnerships</li> </ul> |
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**Something else?** Any funder models that resonate?

# Then on to defining tolerance & appetite for 'top' risks

Risk 'universe'



*Courtesy of Institute of Risk Management,  
Risk Appetite and Tolerance Executive Summary*

# Thinking of terminology that resonates most

## SMB proposal will include thinking on common terminology

### Categories of Risk Appetite

CGIAR Center example	UK Public Sector
Zero	Averse
Low	Cautious
Modest	Moderate
Moderate	Open
High	Hungry

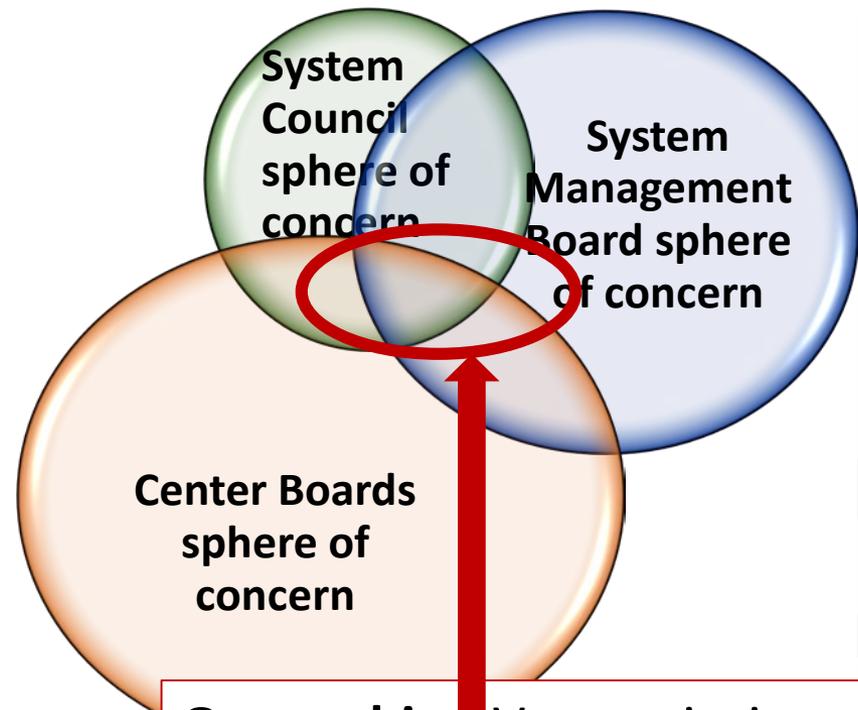
### Types of Risk Response

UN agency example	Other models
Acceptance	Exploit
Control	Accept
Avoidance	Reduce
Transfer	Transfer
	Ignore
	Avoid

## 2. Clear risk monitoring owners

### SMB working proposition on CGIAR System risks:

- **Of the universe of priority risks**: Some are most relevantly overseen by Center Boards or System Management Board or System Council
- **Others are so important** that many entities will consider the risk, but perhaps from different perspectives



**Ownership** | Vast majority are/should be responsibility of Center Boards **but also a number of common risks**

### 3. Centers thinking on best practices

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- **Build already on what works well**
- Rely to the extent possible on existing assurances practices:
  - e.g - all have Internal Audit and External Audit providers
  - all have internal within-Center escalation practices

#### **Two new areas agreed in Q1 2017 Audit Chairs' meeting to explore to underpin the principles-based risk management framework**

1. Testing 'combined assurance' as a model to demonstrate existing capacity – and find efficiencies
2. Agree to work towards a shared perception on 'risk maturity' and to move to an agreed standard over time

# Focusing on risk maturity

Level of Maturity	Framework	Commitment	Ownership	Processes	Communication & Training	Measurement	HR Support	Oversight	
<b>Ad hoc</b>	No structured approach	Risk management seen as unnecessary expense	No interest in using risk management	No tracking of risk management	No formal risk management training	No risk assessment performed	No HR support	No standard reporting	← Necessary elements for effective risk management
<b>Initial</b>	Policy/process defined	Rules-based approach	Partially defined roles	Risk management champion drives implementation	Risk management materials circulated	One-off requirements announced	New staff trained	Monitored by exception	
<b>Repeatable</b>	Practical guidance provided	Proactive approach	Clearly defined roles	Managers drive implementation	Co-ordinated training provided	Repeat measurements reported	Risk management integrated into all training	Business units monitor own risks	← Suggested as <b>adequate</b> re balance of cost & benefit
<b>Managed</b>	Managers confirm compliance	Risk management embedded	Center of excellence model	Business units drive implementation	Business units drive tailored training	Risks measured consistently	Risk management ability impacts hire/promote decisions	Single view of risk across organization	← Suggested as <b>optimal</b> when balancing cost & benefit
<b>Excellence</b>	Risk management central to decision making	Risk management used for strategic advantage	Managers pursue risk unconsciously	Board and CEO drive risk agenda	Training focuses on best practice	Risk-adjusted performance measures used	Risk management seamlessly integrated into HR	Business driven with key risk indicators	← Feasible but <b>with significant effort &amp; funding</b>

# Center perceptions on risk maturity

*n=52\**

Suggested **Adequate** balance between cost/benefit

Suggested **Optimal** balance between cost/benefit

Level of Maturity	Framework	Commitment	Ownership	Processes	Communication & Training	Measurement	HR Support	Oversight
Ad hoc	2	2	1	3	8	4	7	3
Initial	11	8	14	11	10	10	10	6
Repeatable	6	15	8	13	17	16	12	12
Managed	24	20	24	16	11	17	15	16
Excellence	7	6	3	7	3	3	4	12

# Process Overview



## Key Activities

- Develop a 'risk register' of potential 'top' risks
- Develop a categorization for risks and explore preliminary risk tolerance within them
- Selected System Council members invited to serve as an ad-hoc sounding board
- TOR for System Council's Audit & Risk Committee
- Membership of SC's Audit & Risk Committee
- Internal Audit Function defined and approved by SMB after consultation with the System Council
- Take the draft framework to the SMB September 2017 meeting
- November 2017 SC5 Meeting – get consensus on Risk Management Framework
- Identify road map for rollout
- Routinely (annually?) reflect on risk appetite and tolerance in changing geopolitical context