World Health Organization

EXECUTIVE BOARD **EB133/10**
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Corporate risk register

Organization-wide strategic risk management in WHO

Report by the Secretariat

1. This report is submitted in response to the request by the Executive Board for regular updates on risk management.

SCOPE AND PURPOSE

The need for an Organization-wide framework and top-level risk register

2. Risk management is a means of identifying, assessing, prioritizing and controlling risks across an organization, with a coordinated and cost-effective application of resources to minimize, monitor, and control the probability and/or impact of adverse events or to maximize the realization of opportunities. Risk management is not new in WHO, but attempts to formalize it across the Organization have only been undertaken relatively recently. Some progress has been made since 2009, when different offices and units started developing risk management frameworks.[1] However, there is a need to make further progress towards a common, Organization-wide framework and the harmonization of risk management practices, and to consolidate the existing cluster or regional office risk registers into an Organization-wide, top-level risk register. A preliminary draft of such a framework and register is contained in the annex to the present report.

A risk management culture

3. Risk management is a cultural and behavioural issue and requires substantial effort and investment in advocacy, communication and on-the-job training. It requires changes in managers' attitudes and practices; effective changes in organizational culture stem from the attitudes and practices of senior staff. Facilitating this process will be an important part of the work of the new Compliance, Risk Management and Ethics unit.[2]

[1] For example, in 2009, the General Management cluster initiated the development of a risk management framework that focused mainly on general management, and the Pan American Health Organization has also developed a well-established risk management system.

[2] This unit is currently being created in the Office of the Director-General, and a director and compliance and risk management officer hired. This unit will lead the process of drawing up a detailed inventory of all existing risk management practices in WHO. The permanent framework will draw lessons from existing risk management frameworks within WHO and will also need to include the tools to be used in regular, systematic, Organization-wide, bottom-up registration and prioritization of risks, the steps to be taken towards the institutionalization of risk management (linked to other existing management tools), as well as determining further requirements such as the training of staff.

ELEMENTS OF AN ORGANIZATION-WIDE RISK MANAGEMENT FRAMEWORK

4. The main elements of the proposed risk management framework are:

A. Identification and categorization of risks

B. Risk assessment and prioritization

C. Mitigation

D. Implementation of risk mitigation

E. Monitoring and review of the risks.

A. Identification and categorization of risks

Definition of risk

5. In WHO a risk is understood to be an expression of the likelihood and impact of an event that would affect the Organization's ability to achieve its objectives. If it occurs, the event may have a positive (opportunity) or negative (threat) impact on the achievement of the Organization's political, strategic and operational objectives.

Recent examples

6. The importance of structured management of Organizational risks may be illustrated by examples from the recent past.

- Although WHO managed the H1N1 pandemic well, as the Review Committee on the Functioning of the International Health Regulations (2005) concluded, the Organization underestimated the risks posed to its reputation by the allegations of collusion with industry, and did not react quickly enough when they were first raised on social media sites. This perceived damage to the reputation of WHO was a threat not only to the units involved, but to WHO as a whole.

- WHO was severely affected by the sudden exchange rate changes that occurred during the financial crisis in 2011, and which had financial, staffing and programmatic impacts.

- The sudden death in 2006 of then Director-General, Dr LEE Jong-wook, caught the Organization unprepared and led to a short crisis during the Fifty-ninth World Health Assembly before an acting Director-General could be designated.

7. The purpose of Organization-wide risk management is to enable WHO to be better prepared for the potential realization of risks, following an analysis of the impact and management of those risks. For example, awareness of the potential risk to WHO's reputation caused by allegations of collusion with industry might have helped to guide communications beforehand. An analysis of the risks posed to WHO offices by natural disasters such as floods or earthquakes, as well as political events, would permit measures to be taken to manage the most likely of those risks.

Participation in risk identification across the different levels of the Organization

8. An escalation process is required by which each level of the Organization identifies, evaluates and then prioritizes the risks it faces, and then reports the major risks to the next level up in the Organization. Thus individual risks will need to be identified for each office and unit in WHO and the major risks reported to the next level up, e.g. department level, where they are reviewed and complemented with the identification and analysis of specific risks at that level. Departments and country offices will prioritize the risks they face and report the main risks to the cluster or regional office, respectively. The same process will then take place – critical review of the reported risks, prioritization, and complementing with risks specific to the cluster or regional office – and the major risks reported at Organization-wide level. This escalation process must involve top-level, in-depth analysis of risks that might not be identified at the level below, but which often represent the most critical risks for the Organization as a whole.

Risk categorization

9. Currently, different parts of WHO use different categories of risk. An Organization-wide risk management framework will require a common understanding of the categories of risk. The following categorization is proposed, which should cover the needs of country offices, regional offices, technical clusters, management and administration, and enable an Organization-wide view to be taken of major risks:

- technical/public health
- financial
- systems and structures
- political/governance
- reputational.

10. These categories are not mutually exclusive. For example, any major damage to reputation is also likely to become a financial risk because of the loss of donor confidence; a technical error involving an incorrect appreciation of a global health risk might also lead to reputational damage.

B. Risk assessment and prioritization

11. This element consists of a detailed classification, analysis of the likely impact and likelihood of occurrence of a risk. In order to enable comparison and consolidation of the different risk registers in WHO, a common structure will be needed.

12. Based on the structures currently used, the following structure for the risk register is proposed:

		Risk identification			Risk assessment			
Unit	Risk category	Risk name	Description	Risk owner	Impact score	Probability score	Mitigation	Escalation

13. It is proposed that impact and probability be scored as follows:

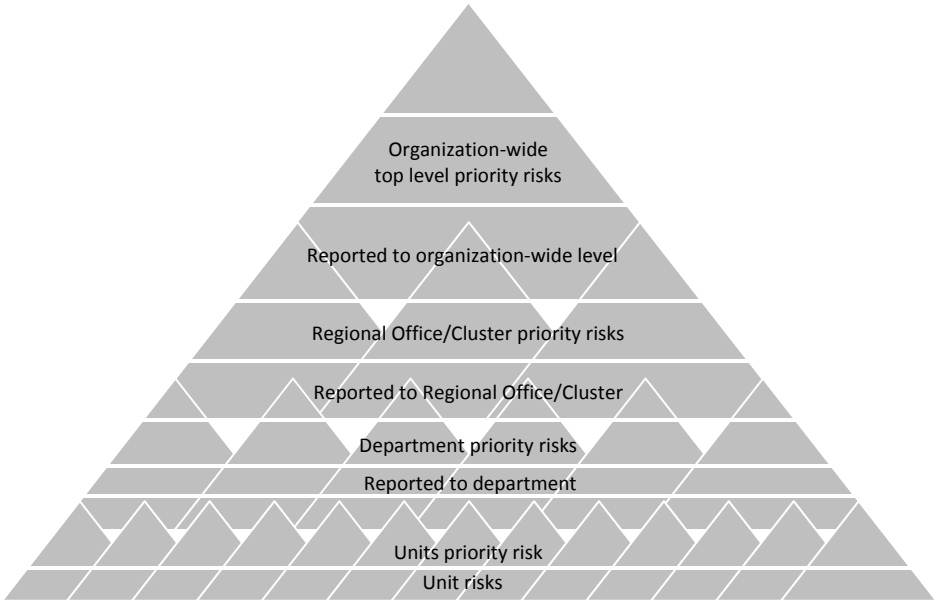
Score	Impact	Probability
5	Critical	Expected >90%
4	Severe	Highly likely <90%
3	Moderate	Likely <60%
2	Minor	Not likely <30%
1	Negligible	Slight <10%

14. The first Organization-wide inventory of risks will provide guidance on the criteria to be used for prioritization, such as the combined weight of the impact and probability scores.

An Organization-wide risk register

15. An Organization-wide risk register would consist of the escalation steps of the risk registers at the different levels. The annex of the present document identifies a preliminary top-level risk register, which would have to be reviewed on the basis of guidance provided by the Independent Expert Oversight Advisory Committee and the Executive Board and after the first bottom-up risk evaluation process. The process will be described in detail by the new Compliance, Risk Management and Ethics unit, based on the following broad assumptions:

- Organization-wide risks will be approved by the Global Policy Group and reported to the governing bodies;
- the register will be built from the bottom up, but will require at each level an analysis of the specific risks of that level (top-down approach);
- the Organization-wide risk register will be continuously monitored and managed, and reviewed annually;
- the process will build on existing elements, such as the terms of reference of the risk owners, and guidance will be provided for the distinction of a relevant risk triggered by an event to be registered from common uncertainties inherent to daily management that do not need to be registered;
- risk management will be integrated into existing management processes such as planning, budgeting and performance management and evaluation;
- the risk register as well as the management of events will be built and managed through an escalation from unit/country office/team level, to budget centre/department level, to regional office/cluster level, to Organization-wide level, as illustrated by the following diagram:



C. Mitigation

16. The mitigation options described below should be considered for each risk.

- **Tolerate:** accept the risk by keeping activities unchanged. This option may be applied when exposure is tolerable, control is impossible or the cost of control exceeds potential benefit. It may be supplemented by contingency planning for handling the potential impact. The question of whether a particular risk can be tolerated is a key management decision.

- **Treat:** adjust (add or revise) relevant activities.

- **Transfer:** share the risk by involving stakeholders. Transferring risk works especially well for financial risks or risks to assets, and includes taking conventional insurance or paying a third party to take the risk. This option is not possible for reputational risks. The relationship with the third party needs to be carefully managed.

- **Terminate:** avoid or cancel the activities that give rise to the risk, especially when the cost/benefit relationship is in jeopardy.

D. Implementation of risk mitigation

17. Mitigation strategies would be translated into mitigation activities with timelines. For those areas and items for which the risk owner recommends the option “treat”, i.e. mitigate the risk, actions would be taken to reduce the probability of the risk occurring or to reduce the impact of the risk. Mitigation measures would also be linked to the best use of resources. When developing the system further, decisions would have to be taken on where these resources should come from. Management of corporate risks would need to be funded by the Organization.

E. Monitoring and reviewing the risk

18. After the establishment of an initial detailed risk register, each risk will have to be regularly monitored, which will include noting the following:

- any change in the assessment of the risk;
- any suggested changes to the risk mitigation strategy;
- progress made with regard to the detailed plan of action so far.

ACTION BY THE EXECUTIVE BOARD

19. The Executive Board is invited to provide further guidance.

ANNEX

PRELIMINARY REGISTER OF TOP LEVEL ORGANIZATION-WIDE RISKS

This initial Organization-wide list of risks contains only the top-level risks. Future versions of this register will be the top level of a much broader Organization-wide pyramid of risks.

Technical/public health

- Incorrect assessment of a global health risk
- Overreaction or lack of sufficient reaction in an emergency
- Business continuity in a severe pandemic
- Distrust in WHO's capacity to address a major global health challenge
- Dissemination of guidelines or other technical information that are not evidence-based or that lack scientific and/or technical accuracy

Financial

- Withdrawing or defaulting of major donors
- Foreign exchange currency risk and staff financing risks
- Risks associated with long-term liabilities
- Failure to implement new financing model

Staff, systems and structures

- Loss of essential infrastructure (e.g. Global Service Centre, Strategic Health Operations Centre, information technology, building collapse, terror attack)
- Loss of staff productivity
- Hacking or altering of WHO data

Political/governance

- Major governing body deadlock or divisive vote
- Failure to implement WHO governance reform
- Political or economic turmoil at major office location
- Lack of Organization-wide coherence

Reputational

- Undue external influence on WHO priorities and activities
- Fraud or corruption in the Organization
- Failure to deliver expected results

This preliminary risk register will form the basis for more detailed description and mitigation planning by the risk owners and will be revised in the process of establishing the first systematic Organization-wide risk inventory, a task to be coordinated by the new Compliance and Risk Management unit.

Unit	Risk category	Risk identification		Risk owner ("risk manager")	Risk assessment		Mitigation (preliminary illustrative points)	Escalation
		Risk name	Description		Impact score	Probability score		
	Technical/ public health	Incorrect assessment of a global health risk		Assistant Directors-General	4	2	Tolerate, continuous scrutiny of technical quality and observation of scientific literature and social media	Top level
	Technical/ public health	Overreaction or insufficient reaction in an emergency		Assistant Directors-General of the Polio, Emergencies and Country Collaboration Cluster, and Health Security and the Environment Cluster	4	1	Mitigate by full implementation of the International Health Regulations (2005) and improved conflict of interest management	Top level
	Technical/ public health	Business continuity in a severe pandemic		Assistant Director-General of the Health Security and the Environment Cluster	5	1	Mitigate by business continuity planning	Top level
	Technical/ public health	Distrust in WHO's capacity to address a major global health challenge		Regional directors and Assistant Directors-General	4	1	Mitigate by WHO reform	Top level
	Technical/ public health	Promotion of inaccurate technical information to Member States and the public		Regional directors and Assistant Directors-General	4	2	For data mitigate by HIS central clearance of health information	Top level
	Technical/ public health	Dissemination of guidelines or other technical information which are not evidence based or lack scientific and technical accuracy		Regional directors and Assistant Directors-General	4	2	Mitigate by guideline review committee and WHO reform	Top level
	Financial	Withdrawing or defaulting of major donors		Assistant Director-General of the General Management cluster	4	3	Mitigate in the short term by monthly reporting and in the medium term by new financing model	Top level

Unit	Risk category	Risk identification		Risk owner ("risk manager")	Risk assessment		Mitigation (preliminary illustrative points)	Escalation
		Risk name	Description		Impact score	Probability score		
	Financial	Global financial crisis		Office of the Director-General, and Assistant Director-General of the General Management cluster	4	2	Mitigate by new financing model and zero growth in budget	Top level
	Financial	Foreign exchange currency risk		Comptroller	3	2	Mitigate by hedging and by proposal to split currency of assessment	Top level
	Financial	Staff financing risks		Comptroller	3	3	Mitigated through improved HR planning and new financing model	Top level
	Financial	Risks associated with long-term liabilities		Comptroller	3	3	Mitigate by annual actuarial assessment for all future staff liabilities	Top level
	Financial	Failure to implement new financing model		Office of the Director-General, and Assistant Director-General of the General Management cluster	4	Single occurrence	Mitigate through reform	Top level
	Systems and structures	Loss of essential infrastructure		Assistant Director-General of the General Management cluster	4	2	Mitigate through business continuity plans	Top level
	Systems and structures	Loss of staff productivity		Assistant Director-General of the General Management cluster	4	2	Mitigate by changes in staffing model and dialogue with staff association	Top level
	Systems and structures	Hacking/altering of WHO data		Assistant Director-General of the General Management cluster	4	2	Mitigate by IT security plans	Top level
	Political/ governance	Major governing body deadlock or divisive vote		Office of the Director-General/Member States	4	1	Mitigate by improved preparation of Secretariat and Member States for governing bodies meetings	Top level
	Political/ governance	Failure to implement WHO governance reform		Office of the Director-General/Member States	4	2	Mitigate by reform implementation plan	Top level
	Political/ governance	Political/economic turmoil at major office location		Regional directors and Assistant Directors-General	3	3	Mitigation plans to be updated	Top level

Unit	Risk category	Risk identification		Risk owner ("risk manager")	Risk assessment		Mitigation (preliminary illustrative points)	Escalation
		Risk name	Description		Impact score	Probability score		
	Political/ governance	Lack of Organization-wide coherence		Regional directors and Assistant Directors-General	4	2	Mitigate through reform, in particular harmonization of governing bodies and clarification of the role of the three levels of the Organization	Top level
	Reputational	Undue external influence on WHO priorities and activities		Regional directors and Assistant Directors-General	4	2	Treat by improved management of conflicts of interest and tolerating residual risk	Top level
	Reputational	Fraud or corruption in the Organization		Comptroller	4	2	Mitigate by strengthening internal control framework and tolerating residual risk	Top level
	Reputational	Failure to deliver on its results		Regional directors and Assistant Directors-General	5	1	Mitigate by WHO reform	Top level