

# CFAGOR1

## Determine the organisation's approach to risk



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### Overview

This Standard is about the governing body's responsibility for risk and risk management and how it discharges that responsibility. It is about determining the nature and extent of the risks involved in the organisation, formulating and approving the organisation's approach to them.

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### Performance criteria

*You must be able to:*

- P1 determine the governing body's strategic responsibility for risk taking
- P2 formulate the organisation's attitude and policy to risk
- P3 identify the key risks the organisation may face
- P4 agree the organisation's risk appetite and tolerance for key individual risks
- P5 articulate the types of key risks that are acceptable and those that are not
- P6 evaluate the risks for their potential positive and negative impact
- P7 establish how the organisation overall is exposed to risk
- P8 identify appropriate scoring systems showing that effective risk measurements are in place and how these link to the organisation's strategy
- P9 define the organisation's exposure to key risks and how this might change as a result of changes to strategy and the operating environment
- P10 determine the organisation's ability to reduce the impact of the key risks on the business that materialise
- P11 demonstrate an understanding of how different risks interact

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### Knowledge and understanding

*You need to know and understand:*

- K1 the concepts of risk, risk appetite, risk tolerance and capacity
- K2 the nature and extent of the risks that face the organisation and its component parts internally and externally
- K3 how to assess the relationship between risk strategy and the operating environment of the organisation, customers and markets
- K4 how to assess the extent and categories of risk and the degree of exposure faced by the organisation
- K5 how to assess the likelihood between different key risks concerned materialising
- K6 the organisation's risk management capability and ability to reduce the impact of the key risks on the business that do materialise
- K7 the principles of identifying, analysing, evaluating, measuring, transferring, modifying, monitoring and reducing relevant risks and defining consistent terminology
- K8 the governing body's strategic responsibilities for risk-taking by agreeing the organisation's risk appetite and tolerance, risk exposures and risks that have the potential to undermine the organisation's strategy.
- K9 the current regulatory framework that applies to your organisation and the concept of strategic responsibility as it relates to risk
- K10 how risk management operates and relates to internal control systems
- K11 the different approaches to risk management
- K12 how the organisation's key performance drivers are impacted by risk and how key risk indicators and key control indicators operate within the organisation
- K13 how to assess the accuracy of the risk data presented to the governing body and how to obtain assurances on data accuracy
- K14 how risk tolerance is integrated within the control culture of the organisation
- K15 if the organisation has sufficient and appropriate resources and systems in place to achieve the organisation's approach to risk

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**Links to other NOS** Refer to core Governance NOS (2011) suite.

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**Relevant occupations**

- 1000 Managers and Senior Officials
- 1112 Directors and chief executives of major organisations,
- 1114 Senior officials of special interest organisations
- 1131 Finance Managers and Chartered Secretaries
- 1135 Personnel, training and industrial relations managers
- 2000 Professional Occupations
- 2421 Chartered and certified accountants
- 2422 Management accountants
- 4000 Administrative and Secretarial Occupations
- 4214 Company Secretaries

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**Suite** Governance of Risk (2013)

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**Key words** Governing Body, Governance structure, Governing Body decision making, Governing Body meetings, Governing Body committees, Governance strategy, Governance and Leadership, Governing Body stakeholders, Governing Body role and responsibility, collective leadership, related party transactions