

CFAGOR2

Set and instil the right culture throughout the organisation



Overview

This Standard is about the governing body's role in establishing an appropriate culture within the organisation to manage risk effectively. It is about effective decision making, promoting transparency, integrity and ethical behaviour and ensuring clear lines of accountability.

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Performance criteria

You must be able to:

- P1 formulate and set the organisation's risk culture
- P2 promote transparency and clear lines of accountability throughout the organisation to encourage effective risk management
- P3 ensure that risk management is integrated into the governing body's own decision making processes
- P4 promote a culture which emphasises integrity and ethical behaviour
- P5 embed risk management and internal control systems in all aspects of the organisation's activities
- P6 ensure that incentives are fully aligned with the strategy and risk appetite or tolerance to reinforce the organisation's risk culture
- P7 define the structures and frameworks that are appropriate for the organisation
- P8 define the approach to disclosure and transparency

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Knowledge and understanding

You need to know and understand:

- K1 the definition and meaning of risk culture including which types of risks are consistent with the culture and those that are not
- K2 the organisation's attitude to risk appetite and tolerance
- K3 how the governing body's own decision making processes take risk considerations and wider stakeholder issues into account
- K4 how to embed and integrate transparent behaviours into risk management and internal control processes throughout the organisation, including whistleblowing
- K5 the importance of clear lines of accountability
- K6 the importance of diverse perspectives and when the use of specialist input is appropriate
- K7 how to promote a culture which emphasises integrity and ethical behaviour and ensuring effective leadership by clear and consistent communications and leading by example
- K8 how the behavioural aspects of incentives operate on the organisation's risk management and internal control framework and that risk decisions are taken with full consideration of the impact of incentives
- K9 how to create appropriate structures and frameworks and delegated authorities to reinforce the organisation's approach to risk
- K10 that managers making decisions understand the degree to which they can expose the organisation to risk
- K11 that the organisation has sufficient and appropriate resources, systems and competences are allocated to risk across the organisation
- K12 that risk management is distinct from risk oversight
- K13 that risk events and 'near misses' should be dealt with openly and consistently in alignment with the agreed culture providing disclosure in the event of bad news

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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

Suite Governance of Risk (2013)

Key words Governing Body, Governance structure