

## CFAGOR3

# Establish and maintain transparent and formal structures and policies in relation to risk and internal controls



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### Overview

This Standard is about the governing body's role in setting a formal framework for risk management and internal control systems. It is about formulating, reviewing and updating the documents which set out the authorities delegated to various structures and managers. It is about clearly defining roles and responsibilities and having clear lines of delegation. It is about ensuring that managers making decisions understand the degree to which they can expose the organisation to risk.

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### Performance criteria

- You must be able to:*
- P1 oversee and define the organisation's risk appetite, risk management and internal control structures and processes
  - P2 adopt the most appropriate schedule of matters reserved to the governing body and the scheme of delegation of governing body responsibilities to its structures and individuals
  - P3 define the roles of its structures and individuals regarding the risk acceptance and oversight of the risk and management processes
  - P4 delegate or retain the responsibilities for reviewing internal controls and the process of risk management
  - P5 ensure clarity exists between the roles and responsibility between the audit and the risk structures
  - P6 ensure that the governing body's attitude to risk is reflected and applied in the structure of the organisation
  - P7 oversee the organisation's procedures and practices to ensure that they support the governing body's formal structures and policies
  - P8 review and monitor formal structures and policies from time to time and on a regular basis and ensure that any breaches of risk management are reviewed on a timely basis

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#### Knowledge and understanding

*You need to know and understand:*

- K1 how risk management and internal control structures operate both within the organisation and externally
- K2 how to build a culture within the organisation that respects risk
- K3 how to assess the range of options and choices of risk management frameworks that are available, including the respective roles of line management, risk management and audit ('three lines of defence')
- K4 how to assess when the use of specialist input is appropriate
- K5 how to assess the capabilities and competences existing within the organisation
- K6 how to assess when additional resources are required
- K7 how the allocation of authority to structures and individuals will operate and how they are evidenced
- K8 how the feedback is received by way of management information and reports from executive management
- K9 how to allocate responsibility to structures and individuals and evidence that delegation of authority
- K10 how to formulate appropriate terms of reference for individuals and structures of the governing body and to evidence that delegation of authority and clearly communicate it throughout the organisation
- K11 how to revise and monitor the formal structures and policies on a regular basis and how to measure performance of the formal structures and policies
- K12 how to learn from any breaches in risk management and whistleblowing policies and to update policies and procedures accordingly
- K13 how to identify clear objectives for structures and individuals and to demonstrate how those objectives have been satisfied
- K14 how risk management is distinct from risk oversight and that risk management is the responsibility of the organisation's management team which should be clearly articulated in the organisation's governance framework

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

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**Originating organisation** Skills CFA

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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