

CFAGOR4

Identify and assess the risks inherent in the organisation's business model



Overview

This Standard is about 'horizon scanning' and the governing body's role in ensuring that there is an on-going process for identifying, evaluating and managing the significant risks faced by the organisation. It is about identifying and assessing the key risks that are capable of undermining the long term viability of the organisation.

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Performance criteria

- You must be able to:*
- P1 identify the organisation's key material individual internal and external risks
 - P2 quantify, where possible, the range of internal and external risks and explore the possibility of mitigation
 - P3 identify the key risks that are capable of undermining the strategy or long-term viability of the organisation or damaging its reputation
 - P4 assess the probability and impact of individual risks and how they might combine in undermining the strategy or long-term viability of the organisation or damaging its reputation
 - P5 demonstrate awareness of new and changing risks in the operational context
 - P6 regularly review and assess the organisation's key material risks [to ensure the governing body is monitoring the right risks]

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Knowledge and understanding

You need to know and understand:

- K1 the principles of how to measure, manage, evaluate and mitigate key risks both external and internal
- K2 how to review and assure the effectiveness of risk management processes within the governing body's areas of responsibility
- K3 the principles of identifying, analysing, evaluating, transferring, modifying and reducing risks, including low probability, high impact events ('black swans'), and interacting and correlating risks
- K4 when and how to challenge strategic proposals, key risk policies and major operational issues
- K5 when the use of specialist input is appropriate
- K6 how to ensure effective oversight of the key risks with the potential to undermine the strategy and long term viability of the organisation
- K7 the importance of determining when assurance and verification of compliance is necessary within the organisation's risk management strategy
- K8 when and how to review breaches of risk management and the importance of timely intervention
- K9 how the organisation's performance drivers are impacted by risk
- K10 how key risk indicators and key control indicators relate to the overall success to the organisation
- K11 the concept of horizon scanning to ensure all current risks are captured such as political, economic, sociological, technological, legal and environmental

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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
