

## Section 12 Risk Assessment & Mitigation Plan

IFAC operates in an extremely complex and rapidly changing global environment. To accomplish its mission, IFAC must pursue opportunities and provide services which may pose significant external and/or internal degrees of risk. Accordingly, IFAC's policy is to apply an enterprise risk management (ERM) framework with clear roles and responsibilities in the identification and management of risk, and to ensure that effective management of risk is an enterprise core competency.

The 2009-2012 Strategic Planning process included a formal analysis of the risks facing IFAC and the profession, and the development of plans to mitigate significant risks. The Planning and Finance Committee (PFC), on behalf of the Board, applied IFAC's enterprise risk management framework in conjunction with its responsibilities for the strategic planning process.

The approach to formally address risks included the following elements:

- Chief Risk Officer (CRO) – Appointed the Director of Operations as CRO; defined role and responsibilities for the CRO.
- Risk Identification and Assessment – Assessed risks facing the profession and the organization.
- Risk Policy – Defined the IFAC policy regarding risk, including risk tolerance; described elements of the risk management framework.
- Risk Management – Integrated risk management fully into the strategic planning process.
- Risk Mitigation – Incorporated selected risk mitigation efforts in the annual work plans of IFAC staff members and Committees.
- Measure and Report – Identified measure, report and manage risk mitigation activities with associated strategic planning and management initiatives.

Additional details of the 2009 risk management integration into the strategic planning process include:

### **Risk identification and assessment**

The PFC reviewed the environment facing the profession – as well as IFAC's role in that environment – and defined a set of thirty one risks facing IFAC. For each risk identified, on a best judgment consensus basis, Likelihood and Consequences were assessed. The Likelihood rating addressed the following question: If unaddressed, what is the likelihood that this risk will occur – High, Medium or Low? Consequences were similarly assessed: What are the consequences on IFAC and the profession if this risk were to occur – High, Medium or Low?

### **Risk Policy**

The PFC updated the risk policy statement for Board review and approval. The risk policy defines IFAC's approach to risk management in the organization, and sets specific direction as to how risks will be evaluated and mitigated. The IFAC Risk Policy document is available and can be read in its entirety on the Member Body Intranet.

### **Risk Management**

Each of the risks identified was reassessed through the filter of a risk map, which mapped likelihood and consequence ratings, combined with the definition of the organization's risk tolerance:

<b>Zero Risk Tolerance</b>	In relation to the IFAC value of <i>integrity</i> , the Board has zero risk tolerance and is unwilling to accept risks under any circumstances that even remotely compromise this core value.
<b>Low Risk Tolerance</b>	Risks assessed as <i>High Likelihood/High Consequence</i> are highlighted in this category and require, in all circumstances, risk mitigation assignment by the PFC to appropriate staff and/or committees, action plans, tracking and reporting to the Board. The expected result of mitigation efforts is to reduce either the likelihood or the consequences of risks initially assessed to be in this category.
<b>Moderate Risk Tolerance</b>	IFAC is willing to accept risks in certain circumstances that may, for example, result in loss of membership, incidents of regulatory or government conflict, etc. Risks assessed as <i>High Likelihood/Medium Consequence</i> , <i>Medium Likelihood/High Consequence</i> , or <i>Low Likelihood/ High Consequence</i> are included in this category. Such risks shall selectively receive mitigation assignment by the PFC, but all will be tracked and reported to the Board
<b>High Risk Tolerance</b>	Risks assessed by the PFC to be in this category will be monitored by the Chief Risk Officer and reviewed, and re-assessed annually with the PFC.

### Risk Mitigation

All Low and Moderate Tolerance risks are continuously reassessed based on changes to the external environment and the internal IFAC operations and resulting pressures. Each risk remaining in this category is assigned as appropriate to a staff member or committee, with explicit direction for mitigation (for example, take steps as a part of the 2009 Operational Plan to lower the likelihood or consequence of this risk to a lower level).

Additionally, the PFC reviewed other environmental risks and determined which also deserved attention despite not falling into the Low or Moderate Tolerance category.

### Measure & Track

Management will monitor and report periodically to the PFC and Board regarding IFAC's risk management.

### Communication

The Chief Risk Officer will periodically initiate communications concerning risk issues to IFAC member bodies. This will include provision of information as well as solicitation of input regarding risks to the IFAC mission and/or organization.

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