

***Submission presented to the International Actuarial Association (IAA) in response to the Risk Oversight Task Force (ROTF) of the IAA's Audit and Finance Committee's survey of risks facing the IAA (2015)***

*[Italicized text reflects the instructions copied from the IAA consultation document]*

**Risk Descriptions/Assessment of a Risk**

*Please complete an assessment for each risk you include. You are asked to focus on the five most relevant risks to the IAA, however if you wish to include more than five risks that would be welcomed.*

*Also, please note the possibility, explained under Additional information and supporting documents, to provide documents you may already have to hand. This may be efficient as you may then refer to these documents in your responses below instead of reproducing extracts or summarising them.*

Risk 1: Failure to meet expectations of Full Member Associations (FMA's)

Risk 2: Failure to achieve convergence around International Standards of Actuarial Practice (ISAP)

Risk 3: Lack of influence with key audiences

Risk 4: Inadequate financial resources

Risk 5: Inability to act quickly enough

**Risks Categories**

*It is useful to focus discussion and responses, to categorise risk into major groups. The ROTF has specified a set of major risk categories to apply in its work. These risk categories are consistent with commonly used definitions used in a wide range of areas.*

***Strategic Risk:*** *This is the risk that the organisation may not meet its strategy or strategic objectives due to failed, inadequate or incomplete setting, evaluating, monitoring, executing and managing strategic and business planning. A key aspect to strategic risk management is the organisation's identification, development and management of its strategic assets.*

***Reputational Risk:*** *This is the risk that the organisation may not meet its objectives due to failed, inadequate or incomplete perceptions of its character, integrity or quality which are called into question by activities of the organisation or an individual seen as being representative of the organisation. The outcome is that behaviours or perceptions of external parties change adversely from those the organisation desires.*

**Operational Risk:** This is the risk that the organisation may not meet its objectives due to failed, inadequate or incomplete internal processes, people, systems, controls, or due to external events.

**Financial Risk:** This is the risk that the organisation may not meet its objectives due failed, inadequate or incomplete financing methods or outcomes.

**Risk Governance:** This is the risk that the organisation may not meet its objectives due to failed, inadequate or incomplete processes for the monitoring and reporting of risks and their management. It includes external compliance (legal, regulatory, tax, financial and so on) obligations, internal process documentation and compliance, and audit requirements and activities. It includes an organisation’s approach to its risk management and resilience to risk events reflecting its culture, attitudes and incentives as shown through behaviours. It also includes ‘implementation risk’, the risk of implementing tasks in a way that delivers outcomes that are not those intended and may not address user expectations or needs.

**Other Risk:** These are the risks that the organisation may not meet its objectives due to identified risks not included in other specific categories.

Risk 1: Strategic and Operational

Risk 2: Strategic and Reputational

Risk 3: Strategic and Reputational

Risk 4: Strategic and Financial

Risk 5: Strategic and Operational

### **Risk Characteristics**

A combination of the likelihood and consequences determines the Impact of a risk event. As the likelihood or impact of a risk event vary, the expected impact on an organisation of the risk event also vary, and so the risk management steps taken may consequently vary.

	<b>IAA Expected Inherent Likelihood</b>	<b>IAA Expected Inherent Consequence</b>	<b>Consequent Risk Impact</b>
<b>Risk 1</b>	Likely	Catastrophic	Extreme
<b>Risk 2</b>	Likely	Major	Very high
<b>Risk 3</b>	Likely	Major	Very high
<b>Risk 4</b>	Likely	Major	Very high
<b>Risk 5</b>	Likely	Major	Very high

### **Risk Mitigation Steps**

Please outline the risk mitigation steps you consider the IAA should put (or have) in place to achieve an appropriate level of risk mitigation and management. Please then suggest the appropriate resulting residual likelihood and residual consequences, and hence residual impact that the risk event would have on the IAA assuming the proposed risk mitigation steps were effectively implemented.

*For respondents with knowledge of IAA, please summarise the current risk mitigants in place and comment on whether are they sufficient in your view.*

*Risk mitigation may focus on reduce either or both the likelihood and the consequence of the risk event. Reflecting a choice of an acceptable impact of a risk event, survey respondents are asked to provide some further insight by proposing relevant levels of both likelihood and the consequence of risk events. That is, respondents are asked to provide input regarding the appropriate levels of residual likelihood, residual consequences and so residual impact of risks they identify as being important for the IAA to address.*

Risk 1: Articulate compelling vision of what the IAA will be

Risk 2: Involve key FMAs in development

Risk 3: Build IAA relationships both internationally and locally

Risk 4: Develop other sources of revenue

Risk 5: Streamline organization and processes

### **Risk Event Experience**

*Please indicate if you have experienced a risk event of this nature in the last 5 years, including some detail so the event, its causes and consequences, and any steps taken regarding updating risk management policy and processes that may have been taken as a consequence of the risk event.*

*Note that this includes both risk events of this type or of a similar nature that have occurred (either in your organisation or in your knowledge) and so called ‘near misses’. A near miss is a circumstance in which a risk event very nearly occurred, but for some reason did not (that is, the colloquial ‘lucky escape’ as it is usually to the relief of those the risk event would have impacted).*

Risk 1: Creation of splinter groups not in IAA, e.g., P&C group

Risk 2: ISAP1 in mature FMAs, may change with later ISAPs

Risk 3: Too early to tell

Risk 4: Limited support available from Secretariat

Risk 5: Limited progress on items between formal meetings

### **Other Comments**

*The ROTF would appreciate any additional comments you may contribute regarding this risk and its appropriate management by the IAA.*

Risk 1: Build on globalization, whole greater than sum of parts

Risk 2: Supports credibility with the International Accounting Standards Board, international regulators

Risk 3: Also builds relationships with local FMAs

Risk 4: Revisit fee structure to relate to ability to pay

Risk 5: Focus on decision-making authorities and procedures

## **Additional Comments**

*Please provide any further comments or suggestions you may have.*

Risk 1: Position IAA as collective asset needed for the future; effective management and mitigation would reduce net risk to medium-low

Risk 2: Need to ensure timely development; effective management and mitigation would reduce net risk to medium-low

Risk 3: Needs time from current and recent leaders in IAA; effective management and mitigation would reduce net risk to medium-low

Risk 4: Need to demonstrate value for money in periodic reports; effective management and mitigation would reduce net risk to medium-low

Risk 5: Governance review is key step; effective management and mitigation would reduce net risk to medium-low