LAPEx2 Decision

Agenda item 7

Author Secretariat

Management of Risk – consideration of implications of a change of status

# Summary

This paper provides LAP with a briefing on the IALA Risk Register to facilitate a discussion about the risks that may face IALA in moving toward a change of status to that of an international intergovernmental organisation. A copy of the current Register is at Annex A.

## Purpose of the paper

The purpose of this paper is to provide a broad scope of vision to enable participants to consider risks associated with the adoption of a change of status for IALA in the context of IALA’s current risk management structure.

## Related documents

Annex A – IALA Risk Register

# BAckground

At the request of Council LAP (LAP3) prepared a *List of IALA’s Main Activities and Associated Risks* in May 2007, noting that the risks were for the most part of a legal liability nature.

The document listed the mitigation in place against each risk; the level of risk in terms of low, medium or high; and any action required. The LAP submitted it to Council for noting. Thereafter, the document has been reviewed at each ordinary LAP meeting, updated as necessary and passed to Council for information.

LAP (LAP 11) has recently enhanced the Register, bringing it in line with internationally recognized standards including those of the Federation of European Risk Management Associates (FERMA).

Council has now requested that LAP specifically address the risks to the current organisation that may arise from a change of status to that of an international intergovernmental organisation, noting that IALA will not control that process.

# Discussion

## Risk Management

### Risk management is a central part of any organisation’s strategic management, whether it is in the private sector or public sector. It is the process whereby organisations methodically identify and address the risks attaching to their activities.

### Good corporate governance requires that organisations adopt a methodical approach to risk management which:

### . protects the interests of their stakeholders;

### . ensures that the Board of Directors (in IALA’s case the Council) discharges its duties to direct strategy and monitor performance of the organisation; and

### . ensures that management controls are in place and are performing adequately.

### The risks facing an organisation and its operations can result from factors both external and internal to the organisation. Risks are often categorised into types of risk such as strategic, financial, operational and hazard, as recommended by FERMA, and as is the case for the IALA Risk Register.

## IALA’s Risk Management

### The IALA risk management process follows a recognized approach as shown in the Risk Register at Annex A. The process:

### . describes each of the risks which have been identified, and its various aspects;

### . sets out the consequences for IALA of the risk being realized;

### . analyses and estimates the probability and impact of the risk being realized prior to any internal controls being applied, often described as ‘the raw risk’;

### . considers how the risk is currently mitigated;

### . re-assesses the risk in terms of probability and impact in the light of those internal controls being applied, the result of which is often described as the ‘residual risk’;

### . considers whether any additional controls are required to mitigate the risk further; and

### . assigns ownership or responsibility for each risk to an individual or body within the organisation. Accountability helps to ensure that ‘ownership’ of the risk is recognised and appropriate management resources are allocated accordingly.

### The IALA Risk Register measures both the probability of occurrence and impact against a set of risk criteria set out at the end of the register using a scale of *‘very high, high, medium, low and very low’,* both in terms of the raw risk and the residual risk. In addition, by the use of arrows in each case, the Register shows whether the level of risk is rising, falling or static.

### The results of this process show that IALA currently has few residual risks, which are greater than ‘low’ or ‘medium’.

## Risks associated with a change of status

### High level risks associated with the change of status of IALA have been reflected in the current IALA Risk Register. LAP will conduct a working group exercise to identify additional risks that should be noted, and attendees are asked to discuss this issue with their administrations to enable a broad discussion to take place.

# References

Nil.

# Action requested of LAP

LAPEx2 is requested to:

1. Consider the information contained in this paper when reviewing the current Risk Register at Annex A.
2. Develop an updated risk register that identifies risks related to a change of status for IALA and documents consequences and control treatments that could be applied to create acceptable residual risk for IALA.

**IALA’s current Risk Register - 14th September 2012**

(See separate document)