The Risk Assessment Process







Firm risk assessment process



Establish quality objectives

Identify and assess quality risks

Design and implement responses



Continual cycle of Quality





Identification of risks

Sources of information

- > Results of firm's monitoring and remediation process (own processes)
- ➤ Information from network or service providers
- > Results of monitoring activities from network and/or regulator (external)
- ➤ Complaints and allegations
- > Regulatory actions and litigation
- ➤ Risk register
- ➤ Sub sectors with specific risks



Firm is required to understand...

01

The complexity and operating characteristics of the firm

02

The strategic and operational decisions and actions, business processes and business model of the firm

03

The characteristics and management style of leadership

04

The resources of the firm, including the resources provided by service providers

05

Law, regulation, professional standards and the environment in which the firm operates

06

The nature and extent of the network requirements and network services

07

The types of engagements performed by the firm and the reports to be issued

08

The types of entities for which engagements are undertaken



Risk assessment

Identify quality risks and assess

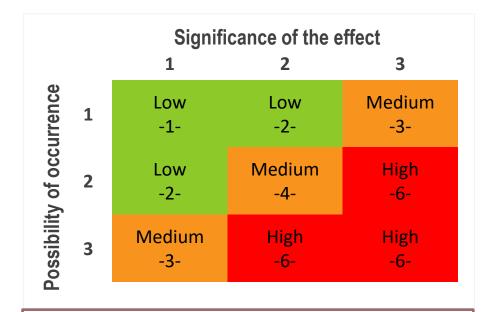
(to assist in designing and implementing responses)

Considerations

- Possibility of occurrence (not taking any internal controls into account)
- Significance of the impact should the risk occur

Important

Risks should be assessed as inherent, without taking into account any controls or processes already in place in the firm.



Possibility x Significance = Risk rating



Risk response

Responding to risks

- Low risk
 No response needed
- Medium risk

 Judgement needed to determine if response is needed
- High risk → Specific response needed



Panel discussion

