



## The International Federation of Accountants (IFAC), Risk Management and ISO 31000

Interview conducted for [isotc262.org](http://isotc262.org) by  
Dr. Frank Herdmann with

### Vincent Tophoff, liaison representative of IFAC with TC 262

Vincent H. Tophoff is a senior technical manager at the Professional Accountants in Business Committee of the International Federation of Accountants (IFAC). Before that Vincent was partner of a consulting firm in Utrecht, The Netherlands. In addition, he was senior lecturer at the Vrije University in Amsterdam, The Netherlands. He is a member of the Dutch institute of registered accountants. Vincent has developed many IFAC publications in the areas of governance, risk management, internal control, organizational accounting & reporting, and sustainability.

**isotc262.org:** *Vincent you were the liaison representative of the International Federation of Accountants (IFAC) at the ISO/TC 262 meeting in October 2016 in Amman. Can you briefly introduce IFAC please?*

**Vincent:** IFAC is the global organization for the accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies. IFAC is comprised of over 175 members and associates in more than 130 countries and jurisdictions, representing almost 3 million accountants in public practice, education, government service, industry, and commerce. See our website, [www.ifac.org](http://www.ifac.org), for more information.

**isotc262.org:** *What is the impact of risk management and in particular ISO 31000 as seen by IFAC?*

**Vincent:** With the increased volatility in the modern business environment and the financial and economic crises, the effective management of risk in organizations—including good internal control—has taken on even greater importance. Effective risk management facilitates the achievement of an organization's objectives, while complying with legal, regulatory, and societal expectations, and enables the organization to better respond and adapt to surprises and disruptions.

Integrating effective management of risk across all of an organization's decision making processes and subsequent execution will help ensure that its objectives are achieved and maximum value is created for all stakeholders. Various risk management standards, frameworks, or guidelines, such as ISO 31000, can support organizations in this process.

isotc262.org: *Can you compare as seen by IFAC – very briefly – ISO 31000 and the COSO ERM framework which are currently both under review?*

**Vincent:** IFAC supports both the ISO 31000 risk management standard and the COSO ERM Framework, as both standards support organizations in furthering their risk management arrangements.

Many organizations, not only multinationals, use both guidelines at the same time. Further international alignment of the underlying terms and concepts—at a minimum, reconciling contradictory or conflicting recommendations—would facilitate their continuous improvement efforts, reduce costs, and allow for the comparison of these arrangements across borders and, thus, increase stakeholder confidence. As the COSO ERM Framework is currently also under revision, we urge both COSO and ISO to actively engage with each other to identify and resolve all significant issues that might rise.

However, despite the existence of sound risk management guidelines, it is often the application of such guidelines that fails or could be further improved in many organizations. Our [IFAC guidance](#) is complementary to already existing guidelines and is based on those risk management issues that are frequently applied incorrectly.

isotc262.org: *Who are the key stakeholders of risk management as seen by IFAC?*

**Vincent:** As an organization's risk is inextricably connected to its objectives, the responsibility for managing risk cannot lie with anyone other than the person who is responsible for setting and achieving those objectives. Good risk management is the responsibility of everyone in an organization.

isotc262.org: *IFAC has published a thought paper on Managing Risk as an Integral Part of Managing an Organization. What are the biggest obstacles for integrating risk management in all organizational activities for managers in your judgment?*

**Vincent:** Most people in an organization are primarily focused on doing their job well. And this is how it should be, as the main objective of an organization is *not* to manage risk *nor* to have controls, but to ensure that it makes the best decisions and achieves its objectives. If employees were obliged to implement a risk management system around their activities it would merely be seen as a distraction. Establishing an explicit connection between how risk affects their jobs and their objectives, however, makes them more inclined to manage the related risk as well.

Unfortunately, most standards, frameworks, and guidelines still treat risk management as a separate process or a non-integrated, stand-alone function, rather than as an integral part of managing an organization. IFAC's thought paper, [\*From Bolt-on to Built-in: Managing Risk as an Integral Part of Managing an Organization\*](#), demonstrates the benefits of properly integrating the management of risk and provides guiding principles and a practical example on how such integration can be achieved.

**isotc262.org:** *ISO 31000 quickly became one of the bestselling and most well recognized standards in ISO. What do you think about the future of the standard and how will it change to adapt to new challenges?*

**Vincent:** ISO 31000 will continue to be a very useful guideline for organizations to evaluate and improve their risk management arrangements. Hopefully there will come a time that we all accept that good risk management is the same as good management.

**isotc262.org:** *What message do you want to give to the risk management community?*

**Vincent:** In the risk management community we all know that effective risk management facilitates achieving an organization's objectives. Now it is upon us to truly convince other stakeholders of its value. The best way to do so is to demonstrate how effective management of risk supports them in their job and in achieving their objectives.

**isotc262.org:** *What advice can you give to interested parties in the IFAC membership who want to offer their input to the work of ISO/TC 262 and who should they address?*

**Vincent:** The IFAC [\*Professional Accountants in Business Committee\*](#) specifically focuses on topic areas that include governance and ethics; sustainability and corporate responsibility; and risk management and control. It also provides professional input from the global accountancy profession in the revision process of ISO 31000. Interested parties can contact IFAC and myself via [VincentTophoff@IFAC.org](mailto:VincentTophoff@IFAC.org).

**isotc262.org:** **Thank you very much!**

**Vincent:** Thank *you*, Frank, for introducing all those volunteers who, together, try to further improve this important standard. Without their support the management of risk would have been a much riskier business!