# RISK MANAGEMENT

Risk is defined as the chance of something happening that will have an impact on organisational objectives. It arises due to uncertainty about the future and can have financial, reputation and/or operational consequences.

Risks are normally expressed as “X occurs resulting in Y”. This is different to a hazard in that a hazard only details what might happen, not the consequences of it occurring.

Risk management is a systematic process that involves identifying risks, analysing risks, addressing risks and periodic monitoring and communication. Risk management does not eliminate all risk. The application of risk management thinking, principles and practices aims to help improve decision-making, set priorities for competing demands/resources, minimize the impact of adversity and loss, ensure regulatory compliance and support the achievement of objectives.

To enable risks to be effectively measured against each other, an organisation needs to develop its own risk appetite or tolerance. This means that it can decide what a low, medium and high risk consequence means to them. Obviously, the dollar cost that constitutes a high risk for a community organisation is very different to that of a multinational company.

You need to analyse what different events constitute different levels of risk for your organisation

|  |  |  |  |
| --- | --- | --- | --- |
| **Consequence**  **& Rating** | **Business activities** | **Human welfare** | **Financial** |
| Insignificant  1 | Usual scheduled interruptions. Unscheduled interruptions for less than ? hours | No injury | < $? |
| Minor  2 | Key activities disrupted for up to ? day | Minor injuries treated by first aid | $? -$? |
| Moderate  3 | Key activities disrupted for between ? and ? days | Injuries require minor medical treatment. | $? -$? |
| Major  4 | Key activities disrupted for between ? and ? days | Injuries requiring major medical treatment. | $? -$? |
| Catastrophic  5 | Key activities disrupted for over ? days | Loss of life. | > $? |

Once you have decided at what different events mean to you, you need to consider the likelihood of that event occurring. A typical likelihood table is outlined below:

|  |  |  |  |
| --- | --- | --- | --- |
| Likelihood | | | |
| Rating | Likelihood | Description | Quantification |
| 1 | Rare | The event may occur but only in exceptional circumstances. The event may occur but only in exceptional circumstances. | Once every 50 years or more |
| 2 | Unlikely | The event could occur in some circumstances. No past event history. | Once every 20 years |
| 3 | Possible | The event may occur some time. Some past warning signs or previous event history. | Once every 5 years |
| 4 | Likely | The event will probably occur. Some recurring past event history | Once a year |
| 5 | Almost Certain | The event is expected to occur in normal circumstances. There has been frequent past history. | Once every 6 months or more frequently |

By combining the consequence rating and the likelihood, rating, you are then in a position to determine the risk ranking, using the table below:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  | **Likelihood** |  |  |
| **Consequences** | 1 Rare | 2 Unlikely | 3 Possible | 4 Likely | 5 Almost certain |
| 5 Catastrophic | Medium | Very High | Extreme | Extreme | Extreme |
| 4 Major | Medium | High | Very High | Extreme | Extreme |
| 3 Moderate | Low | High | High | Very High | Extreme |
| 2 Minor | Low | Medium | Medium | High | Very High |
| 1 Insignificant | Low | Low | Low | Medium | Medium |

As previously stated, risks are normally expressed as “X occurs resulting in Y”.

Using the table below, you should:

1. List your risks;
2. Rate each risks consequence ranking;
3. Rate each risks likelihood ranking
4. Note the risk ranking without management strategies
5. Detail the risk management strategies you have in place / will have in place
6. Re-rate each risk

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| --- | --- | --- | --- | --- | --- | --- | --- |
| Risk | Risk (before controls in place) | | | Control Measures | Risk (after controls in place) | | |
| Impact | Likelihood | Risk Ranking | Impact | Likelihood | Risk Ranking |
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