

Simple risk analysis tool – 2008 public version

Disclaimer

Risk Management Limited cannot accept any responsibility for the use of this methodology without having first worked through the relevance of the technique or the descriptions of the likelihood, consequence and severity scales. It is also necessary to review the other descriptions to ensure they are relevant to your context.

Note that this version does not fully conform with the guidance in AS/NZS 4360: 2004 *Risk Management* or HB 436 *Risk Management Guidelines*, both published by Standards New Zealand. Note especially that if you are dealing with life or occupational health and safety risks you should adapt the matrix to your risks.

If you use this form, it is deemed that you agreed to and understood these comments.

How to use the risk analysis tool

The following simple risk analysis tool is “quick and dirty” but can be used for a wide range of risks. For best results, it needs to be calibrated to the consequences that matter for the user organisation. See HB 436 *Risk Management Guidelines* published by Standards New Zealand for further information.

Using Table 1, write down the area that this risk comes from and the objectives it could impact on. Name the risk.

Analyse the risk as if there were no controls; think of the worst consequence first and then the likelihood that the given consequence will occur.

Repeat the analysis taking into account the controls that are already in place:

- make a note of the controls and their level of effectiveness
- think of the worst consequence first and then the likelihood that the given consequence will occur.

Record your findings.

Is this level of risk acceptable?

Hints:

- if a risk is acceptable, the difference in the level of risk with “no controls” and “with controls” will show how much you need to monitor the controls
- in a large organisation, monitoring may be done by internal audit.

If the risk is not acceptable, repeat the analysis with options for treating or reducing the risk.

Would this level of risk acceptable?

- If acceptable, record your findings.
- If not acceptable, ask why this activity, etc needs to be carried out.

If it is very important that the activity is done but the risk is not acceptable get specialist help before proceeding.

Record your findings. Keep your records safe.

Table 1. Risk analysis tool and record sheet

Which risk area does this risk come from? Which business objective(s) does this it impact on?						
Name and description of the risk						
Consequence and likelihood of absolute risk (with no controls) ?	<i>Almost certain</i>	Medium	High	High	Extreme	Extreme
Consequence and likelihood of controlled risk (with controls) ?	<i>Possible</i>	Medium	Medium	High	High	Extreme
Notes:	<i>Unlikely</i>	Low	Medium	High	High	High
	<i>Rare</i>	Low	Low	Medium	Medium	High
	<i>Almost incredible</i>	Low	Low	Medium	Medium	High
		<i>Negligible</i>	<i>Minor</i>	<i>Moderate</i>	<i>Major</i>	<i>Severe</i>
Name any controls that are already in place and comment on their effectiveness The effectiveness of controls may be Most satisfactory or Satisfactory or Warrants attention or Unsatisfactory or Most unsatisfactory	Name of control					Effectiveness MS/S/WA/U/MU
	1					
	2					
	3					
	4					
	5					
If any controls are less than <i>Satisfactory</i> , why?						
Is this level of risk acceptable? Circle one.	Yes	No	Any health and safety risk that is above low is probably not acceptable but business risks above low may be acceptable.			
If the answer is No , write down below what you will do about this and enter the risk consequence, likelihood and severity in the matrix above						
Develop an action plan for the treatment that includes proposed actions (risk elimination , reduction of risk likelihood , risk isolation or reduction of risk consequence) and the resource requirements, responsibilities, timing, reporting & monitoring required. Give names of colleagues who are responsible for the treatment. If a project, give the name of the project. Give target completion dates.	Name of action or project					Target completion date
	1					
	2					
	3					
	4					
Reporting and acceptance requirements for the current risk (i.e., <u>with</u> controls) are as shown. Circle relevant level to report to.	Board	CEO	Senior manager	Team leader		