Risk Management

- 1. What is a Risk?
  - A future event or change in circumstances that, if it occurs, will have either a positive or a negative impact on the attainment of your objectives
- 2. Risk Management Process
  - 1. Knowing your objectives and the context in which you need to manage risk
    - What are we trying to achieve?
  - 2. Identifying uncertainties, both positive and negative
    - What could affect us in seeking to achieve this?
  - 3. Prioritising the relevant uncertainties in terms of likelihood and impact
    - Which of those factors are most important?
  - 4. Treating risks by responding to those that matter
    - What could we do? Have we done what is appropriate?
  - 5. Monitoring results and adjusting risk assessments and treatments as required
    - Did it work? Do we need to adapt? What did we learn?
- 3. Objectives and Risk Criteria
  - 1. Commence by establishing a clear objective or set of objectives
    - Unless you have a clear understanding of what objectives you are trying to achieve, you cannot filter the huge range of uncertainties that exist down to those that really matter to your success
  - 2. Understand both the internal and external environment
    - You typically have significant control over the internal environment
    - You typically don't have signficant control over the external environment
  - 3. Understand your:
    - 1. Appetite for risk
    - 2. Risk attitude
    - 3. Capacity to bear risk in a specific situation and in aggregate
    - 4. Residual risk exposure
  - 4. Set risk criteria by understanding:
    - The nature and type of uncertainties that can affect the outcomes and objectives
    - How consequences and their likelihood of occurrence will be defined and measured
    - How the level of risk is to be determined
- 4. Risk Identification
  - Do not confuse causes, risks and effects
    - Cause
      - Something that's true today, an existing condition/fact
    - Risk
      - An uncertainty that matters and might or might not happen
    - Effect
      - Why it matters to our objective, the impact of the event occurring
  - Find uncertainties that matter and focus on treating the risk rather than:
    - An existing condition or fact that can be difficult or impossible to change
    - The effects of an event after it has already occurred
  - Frame your risks in a form that sets out and ties the cause, risk and effect together. Ask the following questions:
    - 1. What do we know?
    - 2. What uncertainty has arisen?
    - 3. Why does it matter to our objectives?
  - Record your risk in a risk register
- 5. Prioritising
  - 1. Allocate resources to risk based on priority until you establish an acceptable level of residual risk. Consider the:
    - Likelihood of events and the associated consequences
    - Nature and magnitude of consequences
    - Complexity and connectivity of events
    - Effectiveness of existing controls
    - Assumptions, sensitivity and confidence levels associated with the events
  - 2. Analyse the various risks, compare them to the risk criteria and plan a suitable response based on the level of:
    - Uncertainty – the likelihood of the event occurring
    - Impact – the magnitude of the consequences if it does occur
    - Complexity and connectedness
    - Effectiveness of existing controls
    - Assumptions, sensitivity and confidence associated with the event that gives rise to the risk
- 6. Risk Treatment
  - 1. Formulate risk treatment options
  - 2. Select and implement the most appropriate response for managing the risks identified
  - 3. The key risk treatment strategies are:
    - Opportunities (positive risk)
      - Eliminating uncertainty
        - By exploiting the opportunity
      - Allocating ownership
        - By sharing ownership of the opportunity with someone else who can help you exploit it
      - Modifying exposure
        - By enhancing the opportunity
      - Include in baseline
        - Doing nothing and accepting the opportunity as it is
    - Threats (negative risk)
      - Eliminating uncertainty
        - By avoiding the threat
      - Allocating ownership
        - By transferring ownership of the threat to someone else
      - Modifying exposure
        - By treating and reducing its likelihood or impact
      - Include in baseline
        - Doing nothing and accepting the threat as it is
- 7. Monitoring
  - 1. Assessing the effectiveness of the treatments implemented
  - 2. Evaluating whether the remaining risk is acceptable
  - 3. Embarking on further treatment if the remaining risk is unacceptable