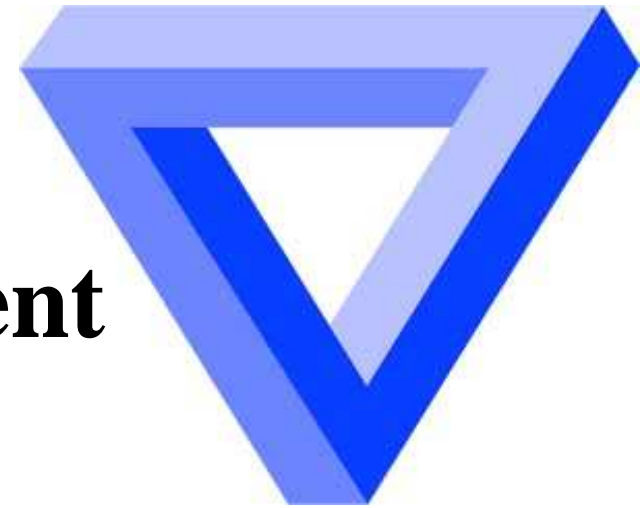




CONDUCTING A RISK ANALYSIS

**Australian College of
Commerce and Management**





Risk Assessment of Threats

Two factors determine RISK:

- 1. CONSEQUENCES of threat; and**
- 2. LIKELIHOOD of that occurring**



Consequences of Threats

Severe	<ul style="list-style-type: none">•Loss of Registration•Close Down•Bankruptcy
Serious	<ul style="list-style-type: none">•Significant Financial Loss that will take over a year to recover from
Significant	<ul style="list-style-type: none">•Financial Loss but no long term impact
Insignificant	<ul style="list-style-type: none">•Minor impact only



Determining Consequence Levels

Each business will have different \$ amounts that define the categories eg

- \$5000 may be insignificant to an existing business BUT
- \$5000 may be severe for a new small business



Likelihood of these Consequences from the Threat

Very Likely	Could happen any time
Likely	Could happen sometime
Unlikely	Could happen – but rarely
Very Unlikely	Could happen – but probably wont



Risk Assessment by Numbers

	Very Likely	Likely	Unlikely	Very Unlikely
Severe	1	1	2	3
Serious	1	2	3	4
Significant	2	3	4	5
Insignificant	3	4	5	6



Example 1. of Risk Assessment

For a business that has rated a loss of \$20 000 as being a severe event:

- 1. Consequences of a debtor not paying their \$30 000 invoice**
- 2. Likelihood that occurring**



Example of Risk Assessment

1. Consequences of a debtor not paying their \$30 000 invoice

= severe row

2. Likelihood that occurring ...

Evaluate the actual

circumstances – if don't know

assume the worse .. = very likely 8



Risk Assessment by Numbers

	Very Likely	Likely	Unlikely	Very Unlikely
Severe	1	1	2	3
Serious	1	2	3	4
Significant	2	3	4	5
Insignificant	3	4	5	6



Example 2. of Risk Assessment

For a business that has rated a loss of \$20 000 as being a significant event

1. Consequences of a debtor not paying their \$30 000 invoice

2. Likelihood that occurring



Example of Risk Assessment

1. Consequences of a debtor not paying their \$30 000 invoice

= significant row

2. Likelihood that occurring ...

Evaluate the actual

circumstances eg government

body therefore = very unlikely



Risk Assessment by Numbers

	Very Likely	Likely	Unlikely	Very Unlikely
Severe	1	1	2	3
Serious	1	2	3	4
Significant	2	3	4	5
Insignificant	3	4	5	6



Actioning that Risk Assessment

1 or 2 rating = ACTION NOW !!!

3 or 4 rating = get to or monitor

5 or 6 rating = when have time



Actioning that Risk Assessment

What “controls” can be put in place to lower either the consequences or likelihood

Eg – set maximum outstanding amounts for debtors; require progress payments; investigate further; require more information



Risk Assessment – Residual Risk

After you have implemented your control – re-assess the Risk

Re-rate and this number is the new Risk Rating (called residual rating)

Is it low enough ? No – look for more controls



Risk Assessment

Can be applied to every item on your SWOT

Higher rated risks must get priority action

Allows you to set the priorities given limited time and resources