Summary Risk Assessment Handout

(Date of creation: 29 October 2011)

a. Non Formal Risk Category System

How does it work?

In situations where there is little formal/quantitative knowledge, or where the participants would not be confident using more sophisticated techniques (which is often the case for many community consultation processes), the use of a simple three level prioritisation process can be the most appropriate and effective method to use.

The risk associated with each issue is assigned to one of three categories – High, Medium or Low. If it is essentially insignificant or impossible, then just say so and don't include it in the final list

Low – Either the level of impact on the objective is expected to be low, or the chances of a major impact are extremely small. So you are highly likely to achieve your objective even without direct management action being applied.

Medium – It is currently at an acceptable level but unless direct actions are undertaken then the objectives will not continue to be met to a satisfactory level; or the reason the objectives are currently being met is because there are direct management actions currently operating these need to be maintained.

High – The issue is already at a point where severe problems are known to be occurring or this is very likely to happen in the near future. If there is already management it is not working to a sufficient level. Objectives will not be met unless additional actions are undertaken

Table 1. Risk Levels, Categories, Scores and Outcomes

Risk Level	Risk Categories	Risk Scores (CXL)	Likely Management Response	Likely Reporting Requirements
Negligible	1	1-2	None	Brief Justification
Low		3-4	No Specific Management	Full Justification needed
Medium	2	6-8	Specific Management/Monitoring Needed	Full Performance Report
High	3	9-16	Increased management activities needed	Full Performance Report

b. Formal Risk Assessment

Risk
=
potential that a chosen action or activity
(including the choice of inaction)
will lead to a loss (an undesirable outcome).

Risk assessment ascertains
how big this potential is:

RISK VALUE =
consequence (impact) * likelihood

The table below outlines what can be used to describe how the levels of impact can be divided into different levels of consequence. An important aspect to note is that the Consequence Levels are based on what is acceptable to meet as an objective, not some linear or other standard division of the degree of impact.

Consequence Level	Description
1. Minor	Minimal 'impacts' that are highly acceptable and no impact on meeting objective
2. Moderate	Maximum acceptable level of 'impact' and still meeting objective
3. Major	Above acceptable limit. Wide and long-term negative impacts and the objective is not being met
4. Extreme	Well above acceptable limit. Very serious, likely to require long restoration time to undo with the objective not being met by a considerable margin

Likelihood Definitions – these are usually defined for the likelihood of a particular consequence level actually occurring within whatever is the assessment period

Likelihood Level	Description
1. remote	The consequence has never been heard of in these circumstances, but it is not impossible within the time frame - < 2%
2. unlikely	The consequence is not expected to occur in the timeframe but it has been known to occur elsewhere under special circumstances (2 – 10%)
3. possible	The consequence level may occur but this is still not likely in the time frame. (10-40%)
4. likely	The particular consequence level is expected to occur in the timeframe (> 40%)

Risk Matrix – numbers in cells indicate risk value, the colours/shades indicate risk rankings (see Table 1 for descriptions)

		Consequence Level			
		Minor	Moderate	Major	Extreme
Likelihood		1	2	3	4
Remote	1	1	2	3	4
Unlikely	2	2	4	6	8
Possible	3	3	6	9	12
Likely	4	4	8	12	16

In making the decisions about which are the most appropriate combinations of consequence and likelihood, the assessors should try and estimate the scale of impact that is currently occurring (or will occur) compared with what would be needed to generate a certain level of consequence or outcome. If more than one combination of consequence and likelihood is considered plausible, the combination with the highest risk score (values are between 1-16) should be chosen.