Risk Assessment Tool: A Simple Resource for Strategic Decision Making

Session: ERM001

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Learning Objectives

At the end of this session, you will:

• Understand how you can incorporate risk management into strategic decision-making within your organization at all levels
• Hone your understanding of the risk management process, and specifically the risk assessment process
• Employ an easy-to-use tool to identify, analyze and evaluate risks for strategic decision making
Understanding the Risk Management Process

- Risk has many different meanings and has been defined many different ways
- Categories of risk included in enterprise risk management (which varies by model):
  - Strategic
  - Operational
  - Financial
  - Hazard
  - Infrastructure
  - Reputational
  - Marketplace
  - Regulatory
  - Contractual
  - Tactical
- Both internal and external factors can give rise to risk
Understanding the Risk Management Process

- Risk: “the effect of uncertainty on objectives” or “the possibility that an event will occur and adversely affect the achievement of objectives” or “effect of uncertainty on the achievement of strategic, tactical, and operational objectives”
  - Can be positive, negative or a change/deviation from what was expected
  - It may describe an event, a change in circumstances or a consequence

- Risk Management: Coordinated activities to direct and control an organization with regard to risk

Understanding the Risk Management Process

- Risk Management Process: Systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analyzing, evaluating, treating, monitoring and reviewing risk.

Source: ISO 31000:2009
Understanding the Risk Management Process

Understanding the Risk Management Process

• Establishing the context
  • What do you need to take into account and what are your objectives?

• Risk Identification
  • What might happen? How, when and why?

• Risk Analysis
  • What will this mean for our objectives?

• Risk Evaluation
  • In what order should we prioritize the risks?

• Risk Treatment
  • How should we best deal with the risks?

Understanding the Risk Management Process

- **Communicate and consult**
  - Who are the stakeholders and what are their objectives?
  - Communicate and consult with stakeholders during all stages.

- **Monitor and review**
  - Have the risks and controls changed?
  - Plan how you’ll monitor and review, then monitor and review all aspects of the risk management process, record and report your results.

Understanding Your Organization

• Understand your organization and its objectives is key
  • Organizational structure, resources, commitment, risk appetite
  • Know the strategic objectives
  • Give precedence to assessing matters important to the organization’s mission and the accomplishment of its objectives

• Understand your role

Source: ANSI/ASIS/RIMS RA.1-2015
Risk Assessment Process

• There are different risk management frameworks and each outline how to perform the risk assessment process.

• Very simply, the risk assessment process is:
  • a process to **identify** potential risks, **analyze** what could happen if the risk occurred and its likelihood of actually happening, and **evaluate/prioritize** the risks in order to determine what you’re going to do with them.
Managing a Risk Assessment Program

• A risk assessment program establishes a framework for the risk assessment steps/process in the overall risk management process.

• The program should define the following about risk assessments:
  • Objectives and purpose
  • Scope
  • Duration and frequency
  • Responsibilities
  • Risk assessment criteria
  • Assessor competence
  • Resources
  • Confidentiality, safety and security issues
  • Methods to conduct
  • Communication
  • Monitoring
  • Documentation
  • Evaluation

Source: ANSI/ASIS/RIMS RA.1-2015
Managing a Risk Assessment Program

• What is the goal?
  • Review risk management controls in place
  • Ensure risks are aligned with organizational objectives
  • Identify opportunities for improvement

Source: ANSI/ASIS/RIMS RA.1-2015
Managing a Risk Assessment Program

• Define Scope of Risk Assessment Program
  • Helps to achieve the risk assessment objectives
  • Will define processes, stakeholders, activities
  • Will have a direct effect on resource and time requirements
  • Need to consider organization: size, complexity, needs
  • Other considerations: prior risk assessments, emerging risks, business opportunities, stakeholder reports/concerns, supply chain

Source: ANSI/ASIS/RIMS RA.1-2015
Managing a Risk Assessment Program

• **Individual Risk Assessments**
  • Risk assessment program may consist of one or more risk assessments
  • Objectives, scope, and criteria of the individual risk assessments should be consistent with the overall objectives of the risk assessment program
  • Objectives, scope, and criteria should be clearly defined and documented

• **The Risk Assessment Tool is a simple resource that can guide one through individual risk assessments.**
  • Can be used for organizational risk assessments, department risk assessments, as well as events and activities

ANSI/ASIS/RIMS RA.1-2015
# Risk Assessment Tool

## Risk Assessment Worksheet

<table>
<thead>
<tr>
<th>What is the risk?*</th>
<th>Describe the identified risk</th>
<th>How is risk currently managed?**</th>
<th>Comment/Concerns</th>
<th>Impact</th>
<th>Likelihood</th>
<th>Risk Calculation</th>
<th>else to reduce or control the risk?</th>
<th>Responsible Person(s)/Job Title</th>
<th>Target Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Example: Serving food</td>
<td>Preparing and serving food to 100 people during event (food is not being prepared or served by vendor)</td>
<td>Students are required to wash their hands before handling food.</td>
<td>- On-site refrigerator for proper food storage</td>
<td>Moderate</td>
<td>Low-Medium</td>
<td>[3] [2] [8]</td>
<td>Print signage that warns of food allergens and places in front of food station.</td>
<td>John Smith</td>
<td>12/31/24</td>
</tr>
</tbody>
</table>

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*Risk may include injuries, damage to reputation, property damage, accidents, alcohol use, serving food.

**Methods to manage risk may include: insurance, written signage, training employees, policies and procedures, taking
Risk Assessment Tool

• **How does it work:**
  • Identify the risk and briefly describe it
  • Indicate how it currently being managed and any concerns
  • Analyze – what is the impact and likelihood of this happening
    • Impact: 5 point scale ranging from Insignificant to Catastrophic
    • Likelihood: 5 point scale ranging from Low to High
  • Evaluate – determine which risks need further action
    • Accept, avoid, transfer, mitigate
  • Assign – who is going to take action and what timeframe
Risk Assessment Tool

- **Heat Map**
  - The risk score from each identified risk will populate on the Heat Map.
  - The risks in the top right quadrant of the Heat Map are the highest priority
# Risk Assessment Tool

- **Risk Register**

<table>
<thead>
<tr>
<th>Identified Risk</th>
<th>Actions to take to reduce risk</th>
<th>Responsible Person/Job</th>
<th>Updated/Status</th>
<th>Actual Completion Date</th>
<th>Impact</th>
<th>Likelihood</th>
<th>Risk Calculation Comparison</th>
<th>Risk Score Key</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
<td>Risk Score (Original)</td>
<td>Low Risk</td>
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<td>Risk Score (Now)</td>
<td>Moderate Risk</td>
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</table>

*Risk Score Key:*
- Low Risk
- Moderate Risk
- High Risk
Risk Assessment Tool

• **How does it work:**
  • Pulls over the identified risks, actions to be taken and person responsible
  • Allows person responsible to track updates and status, and the final completion date of when all actions have been taken
  • Re-analyze—what is the impact and likelihood of this happening with additional risk controls in place
  • Shows a comparison of the scores given in the first risk assessment and in the second risk assessment
Risk Assessment Tool

Instructions for Use

As you identify risks within your department, in an activity or event, or in a contract, the Risk Assessment Tool will help you assess and prioritize risks based on the impact and the likelihood of the risk occurring. The tool is based in Microsoft Excel, see the next page for tips to ensure the tool displays the information correctly. There are three tabs to this tool: Risk Assessment, Heat Map and Risk Register.

Risk Assessment
1. Enter the purpose, your department/unit information, the administrative structure to which your department/unit reports, your name, date, and date for your next risk assessment.
2. Identify all reported and external risks identified, then prioritize using yourself: who could go wrong that would impact your ability to meet your objectives?
3. Briefly describe the risk you have identified.
4. List the ways in which the risk is currently managed.
5. Enter any comments or concerns with how the risk is currently managed.
6. Evaluate the IMPACT of the identified risk (see next page for Definitions).
7. Evaluate the LIKELIHOOD of the identified risk (see next page for Definitions).
8. A risk calculation will provide your risk score, which will be plotted on the Heat Map.

IMPACT

High—Significant impact on operations, reputation, or financial condition; no safety or health hazards present.

Medium—Minimal impact on operations, reputation, or financial condition; minimal safety or health hazards present.

Low—Negligible effect or impact on operations, reputation, or financial condition; no safety or health hazards present.

Likelihood

Use—Nearly unlikely to happen in the near future and no immediate action is needed.

Low—Low—Moderately unlikely to happen in the near future and minimal action is needed.

Medium—Likely to occur and actions should be taken to reduce or control the risk.

High—High—More likely to occur and management or organizational steps should be taken to mitigate the risk.

The Heat Map will auto-populate based on the evaluation for IMPACT and LIKELIHOOD for each risk. The risks of highest priority are in the top right quadrant of the heat map (Orange to Red).

Risk Register

The Risk Register will auto-populate with the information from the Risk Assessment Tool. This document is a summary chart of your identified risks, the actions to be taken and who is responsible for implementation. You will use the risk register to track the risks, updates and the actual completion date. Once the action has been implemented, you will re-evaluate the IMPACT and LIKELIHOOD. The risk calculator will provide you with a new risk score. The original risk score is also listed for comparison purposes to show how implementing the risk management strategy affects your risk score. The risk scores are color coded with red indicating a high risk.

Tips for using this Tool
- When you open the tool, you may be prompted with warning to enable or disable a “macro.” To fully utilize the tool, enable the macro.

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Individual Risk Assessment

Examples

• Example: International Travel
• Potential Risks:
  • Transportation
  • Safety and Security
  • Export Controls
  • Emergency Preparedness
  • Housing
Individual Risk Assessment Examples

• Let’s take one risk through the tool: Example

<table>
<thead>
<tr>
<th>Identify Risk</th>
<th>• Transportation, specifically in-country travel outside U.S.</th>
</tr>
</thead>
</table>
| Currently Managed | • Bringing U.S. driver’s license  
| | • Studied local driving laws  
| | • Rented from a reputable rental car agency |
| Comments/Concerns | • One individual employee is the sole traveler, has experience driving in this country  
| | • Didn’t purchase loss damage waiver or liability insurance  
| | • Might consider utilizing transportation vendor |
| Analyze | • Moderate Impact (3)  
| | • Medium-High Likelihood (4) |
| Evaluate | • Medium-high priority – action needed to address risk |
| Action/Treatment | • Purchase loss damage waiver and liability insurance |
| Assign | • Traveler to purchase prior to leaving U.S. |

Risk Score: 12
Individual Risk Assessment Examples

- Example: Events
- Potential Risks:
  - Food Service
  - Activities
  - Crowd Control
  - Emergency Preparedness
  - Contracts/Agreements
  - Safety of participants
  - Liability
Individual Risk Assessment Examples

- Let's take one risk through the tool: Example

<table>
<thead>
<tr>
<th>Identify Risk</th>
<th>Food Service, serving food to 100+</th>
</tr>
</thead>
</table>
| Currently Managed | Agreement with the food vendor  
                  | Obtain a certificate of insurance, with additional insured status |
| Comments/Concerns | Potential concerns related to food allergies |
| Analyze | Moderate Impact (3)  
          | Low-Medium Likelihood (2)  
          | Risk Score: 6 |
| Evaluate | Actions taken so far are good, but will implement extra risk controls to address potential food allergies |
| Action/Treatment | Vendor to place signage in front of food identifying the food contents (vegetarian, gluten-free, shellfish, peanuts) |
| Assign | Event planner will follow up with food vendor by 4/8/2016 |
Summary

To conclude:

- Having an understanding of the overall risk management process, as well as your organization, can facilitate the integration of risk management into all levels to support strategic decision-making within your organization.

- The risk assessment tool is a simple resource that can be used to identify, analyze, and evaluate risks in the risk assessment process.
Questions and Answers