

## NA-023 – RISK ASSESSMENT

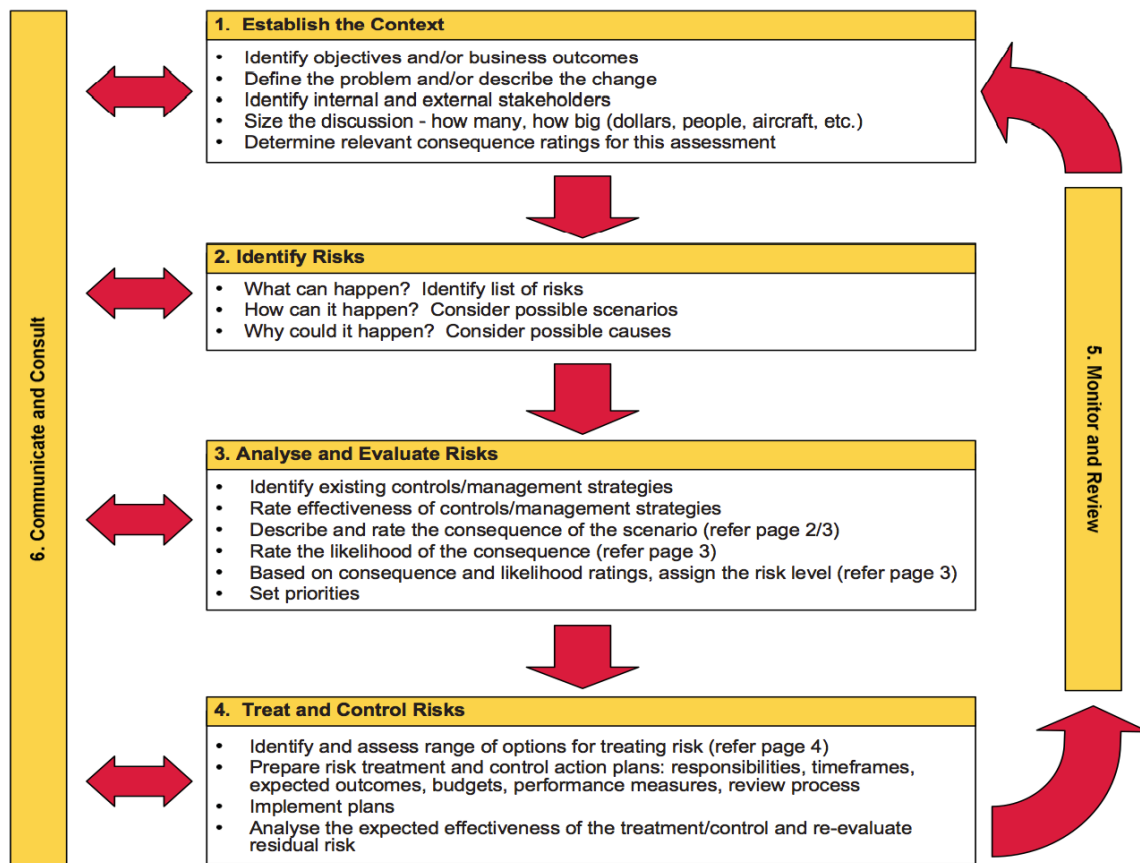
### 1. Introduction

A risk management process requires leadership from the executive and the backing of members. Establishing a risk management strategy is about ensuring the safety and resilience of the NANDTB, as well as those who conduct business with it.

The process for managing risk can be divided into the following tasks:

- Establishing the Context
- Identifying Risks
- Analysing Risks
- Evaluating Risks
- Dealing with Risks
- Communicate and Monitor

*“Risk is the potential for something to occur that will impact people and/or the achievement of desired objectives of the NANDTB”*



**Figure 1. Risk Management Flowchart**

### **(a) Establishing the context**

To ensure that all risks identified, the Board's objectives and capabilities as well as external factors such as a changing legal environment etc. must be taken into account. Answering the following questions should give the context in which the Board operates.

- What relationships does the Board have and how important are these?
- What laws, regulations, rules or standards apply to the Board?
- What are the aims and objectives of the Board?
- Who is involved with the Board - internally and externally?
- What are the Board's capabilities?
- What is the Board currently doing to manage risk, either formally or informally?
- Are there criteria for the Board that define what level of risk is acceptable?

### **(b) Identifying risks**

Identifying risks requires a broad approach and all risks should all be identified. The aim is to identify what is at risk and what the possible effects might be.

- What could go wrong?
- When, where, why and how might this occur?
- Who and what might be involved?
- What are the potential effects and who will be affected?
- What is the NANDTB doing about this now?

The Appendix 1 checklist of this procedure is used as a guide to identifying risks to the NANDTB.

### **(c) Analysing and rating risks**

Risk analysis and rating is an estimation, and considers the probable outcomes (i.e. harm to the Board, its members or its stakeholders) if the identified risk is not avoided or mitigated. *Caution is to be exercised to avoid overestimating the probable outcomes.*

The criteria for analysing risk are based on **Likelihood** and **Consequence** - i.e. what is the *realistic likelihood* of the risk occurring and what is the *realistic consequence* of that event?

The NANDTB risk rating matrix in Appendix A is used to rate the identified risks.

### **(d) Evaluating and prioritising risks**

After the risk is analyzed and rated, the Board determines whether the level of risk is acceptable or unacceptable. The Board's aims and objectives will guide ranking the risks, and the decision will be made by consensus at a Board meeting.

The evaluation of risk will enable priorities to be established that equate to an appropriate level of risk. The next step involves determining what action is appropriate to treat each risk.

### (e) Dealing with risks

The Board is to decide what will be done with the identified risks. The response to each risk should be appropriate to the level of the risk, and generally any cost of treatment should be commensurate with the potential benefits. Options include:

Accept the risk: If the risk is minor or the cost to avoid beyond your capacity to pay, and the reason for the risk is core to the Board's very existence, the risk may have to be accepted. Consequences must be considered.

Avoid the risk: Decide whether or not to proceed with an unacceptable risk or choose an alternative with acceptable risks that still meets the Board's aims.

Reduce the risk: Use alternative solutions that reduce risk. Because the Board's risks will not usually be physical ones, solutions such as procedures, policies or training will most likely be appropriate to reduce risk.

Transfer the risk: Risk transfer usually occurs through insurance. Is the risk insurable at an acceptable cost? Alternatives such as contracts, use of sub-contractors, personnel contracts and disclaimers may be used to transfer risk.

### (e) Communicate and monitor

A report for the Board is prepared after each risk management review. Each Board member, and CASA is to receive a copy. The report will note when the next review is to be completed, and the Secretary will schedule it in the Board's diary.

### ***Risk Assessment Amplification***

**Step 1:** Estimate the consequence of the event using Table 1, taking into account any current mitigation measures and assess the severity in terms of the worst possible realistic scenario.

Level	Severity / Consequence	Descriptor
5	Severe	Catastrophic (significant NANDTB shut down, large financial loss)
4	Major	Major (business interruption, high financial loss)
3	Moderate	Moderate (business interruption, soignificant financial loss)
2	Minor	Minor (disruption to normal operations, medium financial loss)
1	Negligible	Insignificant (no disruption to Board business, low financial loss)

**Table 1**      **Severity / consequence of the event**

**Step 2:** Estimate the likelihood of the risk occurring using Table2, taking into account any current mitigation measures.

Level	Likelihood	Descriptor
5	Almost Certain	Imminent – is expected to occur in most circumstances
4	Likely	Once in the next month, will probably occur in most circumstances
3	Possible	Once in the next 12 months, might occur at some time
2	Unlikely	Once in the next 1 – 5 years, could occur at some time
1	Rare	Once in the next 10 years – may occur only in exceptional circumstances

**Table 2 Likelihood of Occurrence**

**Step 3:** Using Table 3 estimate the organisation’s tolerance to the risk. Using the results obtained from the estimation of the consequences and likelihood.

			Consequence				
			1	2	3	4	5
			Negligible	Minor	Moderate	Major	Severe
Likelihood	5	Almost Certain	6	7	8	9	10
	4	Likely	5	6	7	8	9
	3	Possible	4	5	6	7	8
	2	Unlikely	3	4	5	6	7
	1	Rare	2	3	4	5	6

> 7	<b>Extreme Risk</b>	Immediate detailed treatment plan required
6 to 7	<b>High Risk</b>	Needs prompt Board attention and treatment plan as appropriate
4 to 5	<b>Medium Risk</b>	Executive level attention, reporting and monitoring as appropriate
< 4	<b>Low Risk</b>	Manage with Board procedures

**Table 3 The Risk Tolerability Matrix**