

RISK ASSESSMENT

Evaluating Risks previously identified during SWOT and PESTLE analysis (Use in conjunction with “Risk Control Guidance Note”).

Risk is evaluated by taking into account the **Likelihood** of an event occurring and multiplying this against the **Consequence/Severity** of the event if it did occur.

The Risk Matrix

The risk matrix is used to calculate the risk level, score or rating.

L I K E L I H O O D	Very Likely (5)	5	10	15	20	25
	Likely (4)	4	8	12	16	20
	Moderate (3)	3	6	9	12	15
	Unlikely (2)	2	4	6	8	10
	Rare (1)	1	2	3	4	5
		Insignificant (1)	Minor (2)	Significant (3)	Major (4)	Sever (5)
	(Consequence)/Severity					

Likelihood

- Take into account the event or circumstance you have identified through SWOT/PESTLE analysis
- Take into account controls you have (currently) in place that can influence the likelihood of the event or circumstance.

Severity

- Consider the probably outcome of the event or circumstance identified and how this may impact on your business.

Risk Level/Score/Rating

- This is the remaining risk after current controls have been taken into account.
- This is calculated by multiplying the likelihood and severity factors.

Risk Rating Low	1 - 8	
Risk Rating Medium	9 - 15	
Risk Rating High	16 - 25	

Prioritising Risks

- When managing risks you should identify those risks that are most significant to your business (the higher the risk rating the higher the risk).
- Those with the highest risks should be considered for action first, therefore creating a list of priorities.

Here's an example of a risk identified during a SWOT/PESTLE analysis:

Risk Identified	Likelihood (L)					X	Consequence (C)					Risk (R) Score	Comments and Actions
	1	2	3	4	5		1	2	3	4	5		
Customers paying late disrupting cash flow	4					X	4					16	Significant risk identified due to increase in number of clients paying late which results in unpredictable cash flow.