



Risk Management Process

Managing Risk - Online

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Managing Risk - Online

Table of Contents

GUIDE	1
1 RISK PROCESS	2
1.1 OVERVIEW	2
1.2 RAISE RISK	4
1.3 REGISTER RISK	4
1.4 ASSIGN RISK ACTIONS	4
1.5 IMPLEMENT RISK ACTIONS	4
2 RISK ROLES	5
2.1 RISK ORIGINATOR	5
2.2 BUSINESS PROCESS MANAGER	5
2.3 BUSINESS REVIEW GROUP (RISK COMMITTEE)	5
2.4 BUSINESS TEAM/RISK OWNERS	5
3 RISK DOCUMENTS AND TOOLS	6
3.1 RISK REGISTER	6
3.2 RISK FORM	6

Managing Risk - Online

Guide

What is a Risk Management Process?

A Risk Management Process is a method by which risks to the enterprise (e.g. business plan, business operations, assets, humans, environment, resources etc.) are formally identified, quantified and managed. The process entails completing a number of actions to reduce the likelihood of occurrence and the severity of impact of each risk.

A Risk Management Process is used to ensure that every risk is formally:

- *Identified*
- *Quantified*
- *Monitored*
- *Avoided, transferred or mitigated.*

When to use a Risk Management Process

Although the Risk Management Process is undertaken at all times during a business lifecycle, business and operational risks may be identified at any stage of any lifecycle of any business process. In theory, any risk identified will need to be formally managed as part of the Risk Management Process. Without a formal Risk Management Process in place the objective of achieving business objectives and strategic goals may be compromised.

The Risk Management Process is terminated only when the business is terminated.

1 Risk Process

1.1 Overview

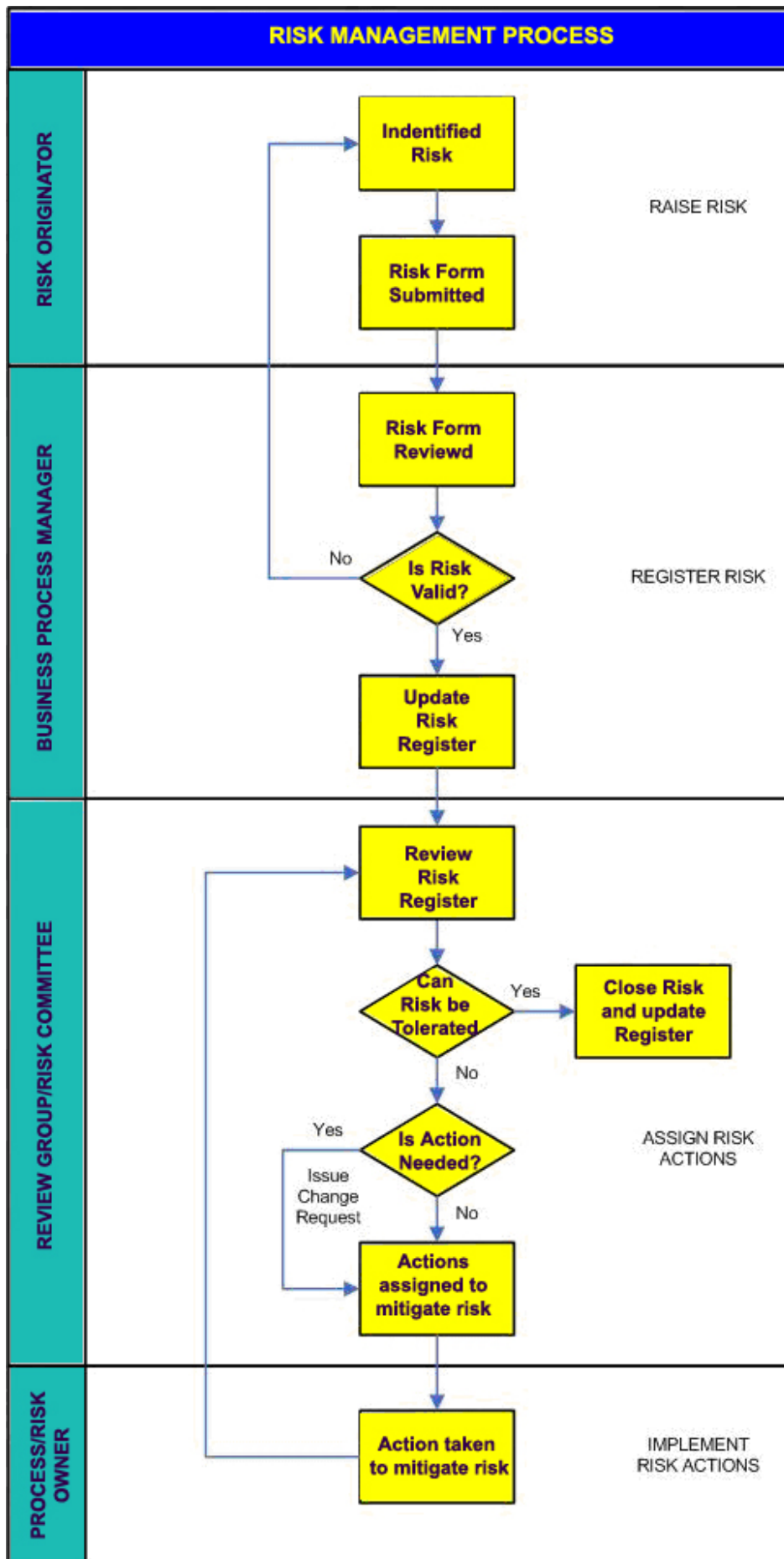
The Risk Management Process is undertaken to ensure that each risk identified within the business environment is documented, escalated and mitigated as appropriate. Risks are defined as 'any event which is likely to affect (positive and/or negative) the ability of the business to achieve its defined objectives, influence the business processes and operations, impact on the environment or impact on the business's assets and resources.

Risk Management will be undertaken through the implementation of five key processes:

- The identification of business risks
- The logging and prioritizing of business risks
- The identification of risk mitigating actions
- The assignment and monitoring of risk mitigating actions
- The closure of business risks.

The following diagram provides an overview of the risk processes and procedures to be undertaken to effectively manage business-related risks. *Risk Roles* have also been identified."

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1.2 Raise Risk

This process provides the ability for any member of the business team to raise a business-related risk. The following procedures are undertaken:

- Risk Originator identifies a risk applicable to a particular aspect of the business.
- Risk Originator completes a Risk Form and distributes the form to the Business Process Manager.

1.3 Register Risk

The Business Process Manager reviews all risks raised and determines whether or not each risk identified is applicable to the business. This decision will be primarily based upon whether or not the risk impacts on the:

- Deliverables specified in the Strategic Business Plan
- Quality targets specified in the Quality Plan
- Delivery targets specified in the Business Plan
- Resource targets specified in the Resource Plan
- Financial targets specified in the Financial Plan etc.

If the risk is considered by the Business Manager to be related to the business, then a formal risk is raised in the Risk Register and a Risk ID assigned. The Business Manager will assign the level of 'impact' and 'likelihood' based upon the risk's severity.

1.4 Assign Risk Actions

The Business Review Group (Risk Committee) then completes a formal review (evaluation) of each risk listed in the Risk Register and decide (based upon the risk 'impact' and 'likelihood') whether or not to:

- Close the risk in the Risk Register if there are no outstanding risk actions and the risk is no longer likely to impact on the business or the risk will be tolerated.
- Raise a change request if a change to the business processes are required to mitigate the risk
- Assign risk actions to mitigate the risk.

1.5 Implement Risk Actions

The risk mitigating actions assigned by the Business Review Group are then implemented. These may include:

- Scheduling each action for implementation
- Implementing each action scheduled
- Reviewing the success of each action implemented
- Communicating the success of each action implemented
- Conduct self-assessments on the effectiveness of the implemented actions.

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2 Risk Roles

Define the roles and responsibilities for all human resources (both internal and external to the business) involved with the identification, review and mitigation of risks within the business. An example follows:

2.1 Risk Originator

The Risk Originator identifies the risk and formally communicates the risk to the Business Process Manager. The Risk Originator is responsible for:

- Identifying the risk within the business
- Documenting the risk (by completing a Risk Form)
- Submitting the Risk Form to the Business Process Manager for review.

2.2 Business Process Manager

The Business Process Manager receives each Risk Form and records and monitors the progress of all risks within the business process. The Business Process Manager is responsible for:

- Receiving all Risk Forms and identifying whether the risk is appropriate to the business
- Recording all risks in the Risk Register
- Presenting all risks to the Business Review Group (Risk Committee)
- Communicating all decisions made by the Business Review Group
- Monitoring the progress of all risk mitigating actions assigned.

2.3 Business Review Group (Risk Committee)

The Business Review Group confirms the Risk 'likelihood' and 'impact' and assign risk mitigating actions where appropriate. The Business Review Group is responsible for:

- The regular review of all risks recorded in the Risk Register
- Identifying change requests required to mitigate risks raised
- Allocating risk mitigating actions
- Closing risks which are no longer likely to impact on the business or to be tolerated
- Escalate High Risks to Senior/Executive Management.

2.4 Business Team/Risk Owners

The Business Team undertakes all risk mitigating actions delegated by the Business Review Group.

3 Risk Documents and Tools

Wherever possible businesses should implement proper Risk Management Systems that can be used to determine trends and statistics. In addition, the software tools should provide for Risk Monitoring and Review.

3.1 Risk Register

The 'Risk Register' is the log / database where all risks are registered and tracked through to closure. The Risk Register should be kept electronically through the usage of a Risk Management System. (*See the attached Risk Register document as an example*)

3.2 Risk Form

The 'Risk Form' is used to identify and describe a risk to the business. Business staff/members should be enabled to complete the Risk Form electronically through the usage of a Risk Management System. (*See attached Risk Form document as an example*)