Risk Assessment Survey and Risk Mapping Tool

WHAT IS THIS TOOL?

The Risk Assessment Survey and the Risk Map are tools used to identify, evaluate and prioritize a group of business risks which could significantly impact a company's or business unit's ability to accomplish its business strategies. The Risk Assessment Survey is used to identify and measure the significance and likelihood of business risks that occur within a function or specific process. Once the business risk is assessed, a Risk Map is used to plot the significance and likelihood of the business risk occurring. The map allows you to visualize risks in relation to each other, gauge their extent, and plan what type of controls should be implemented to mitigate the risks.

WHAT ARE ITS BENEFITS AND LIMITATIONS?

Benefits include:

- The survey and risk map link business risk significance and likelihood of occurrence in a clear, effective manner.
- Business risks are rated by overall impact on business strategies and thus, can be addressed accordingly.
- The survey can be utilized by multiple department managers and strategists to develop separate risk maps or one collective map.

HOW DOES IT WORK?

RISK ASSESSMENT SURVEY

Using the Arthur Andersen Business Risk Model, several business risks which could significantly impact a company's ability to accomplish its business strategies have been identified. This particular survey is given for purposes of example, ideally each company should identify the risks that are most relevant to their business and customize the survey accordingly.

Once the risk survey is prepared, rate each risk with 10 being the most significant (i.e. if this risk was not prevented or mitigated by proper controls, there could be a major impact on the company's ability to accomplish certain of its key strategies) and 1 being the least significant.

Rate the significance of each risk, without regard to the likelihood of occurrence. The rating should be based on the potential negative impact to the company if the situation or event occurred.

1. Only use each ranking number once.
2. After ranking the risk for significance, rank the likelihood that the risk will occur on a scale of 1 to 5, with 1 representing that the risk is unlikely occur and 5 that the risk is certain to occur.
3. At the end of the survey, in the space provided, list any additional significant business risks that have not been identified.

Both the significance and likelihood evaluation should be determined **without** regard to the processes and controls that the company has in place to manage these risks.

Risk Assessment Survey

Significance	Likelihood of Occurrence	Risk	Business Risk Definition
(Rate 1-10, with 10 as the most significant risk; only use each number once)	(Rate 1-5, with 5 as certain to occur and 1 not likely to occur)		
1. _____6______ (Example)	______2_____ (Example)	Regulatory/Industry Environment	1. The risk that changes in regulations and actions by regulators can result in increased competitive pressures and significantly affect the company's ability to efficiently conduct business.
2. ___________	___________	Business Interruption/Service Failure	2. The risk that the company's capability to continue critical operations and processes are dependent on availability of energy, information technologies, skilled labor and other resources. If certain of these critical resources were not available or if critical systems went down, the company would experience difficulty in continuing profitable operations.
3. ___________	___________	Compliance With Laws & Regulations	3. The risk that the company fails to conform with laws and regulations at the federal, state and local level.
4. ___________	___________	Customer Satisfaction/Reputation	4. The risk that the company's services and/or actions do not consistently meet or exceed customer expectations because of lack of focus on customer needs. Thus, the company may be perceived as a company that does not deal fairly with customers and may lose its ability to compete effectively in the marketplace.
5. ___________	___________	Environmental Compliance	5. The risk that the company is not in compliance with environmental regulations, such that the company has significant liabilities/exposures, including liabilities/exposures not currently identified.
6. ___________	___________	Employee Health & Safety	6. The risk that employee health and safety risks are significant due to lack of controls which exposes the company to potentially significant workers' compensation liabilities.
7. ___________	___________	Managing Change	7. The risk that company's leadership and employees are unable to implement process and product/service improvements quickly enough to keep pace with changes in the marketplace.
8. ___________	___________	Information Technology/Processing	8. The risk that the company does not have an effective information technology infrastructure (e.g., hardware, networks, software, people and processes) to effectively support the current and future needs of the business in an efficient, cost-effective and well-controlled fashion.

9.	___________	___________	Commodity Pricing/Contractual Commitments	9. The risk that fluctuations in prices of commodity-based materials or products (e.g., coal, oil, gas) may result in a shortfall from budgeted or projected earnings due to higher than expected costs and deterioration of the company's competitive position in its industry. In addition, the risk that the company does not have information that effectively tracks commodity contract commitments outstanding at a point in time, so that the financial implications of decisions to enter into incremental commitments or exit current commitments can be appropriately considered by decision makers.
10.	___________	___________	Measuring Operations Performance	10. The risk that performance measures do not provide a reliable indicator of business performance and are not aligned with the company's overall strategies.
11.	___________	___________	Financial Reporting	11. The risk that financial reports issued to existing and prospective investors and lenders include material misstatements or omit material facts, making them misleading.
12.	___________	___________	Taxation	12. The risk that significant transactions of the company have adverse tax consequences that could have been avoided had they been structured differently.
13.	___________	___________	Business Portfolio Strategy	13. The risk that the company will not maximize business performance by effectively prioritizing its products or balancing its businesses in a strategic context.
14.	___________	___________	Business Strategy Planning	14. The risk that the company's business strategies are not responsive to environmental change, driven by appropriate inputs or an effective planning process and are not communicated consistently and often throughout the organization.

Additional Risks:

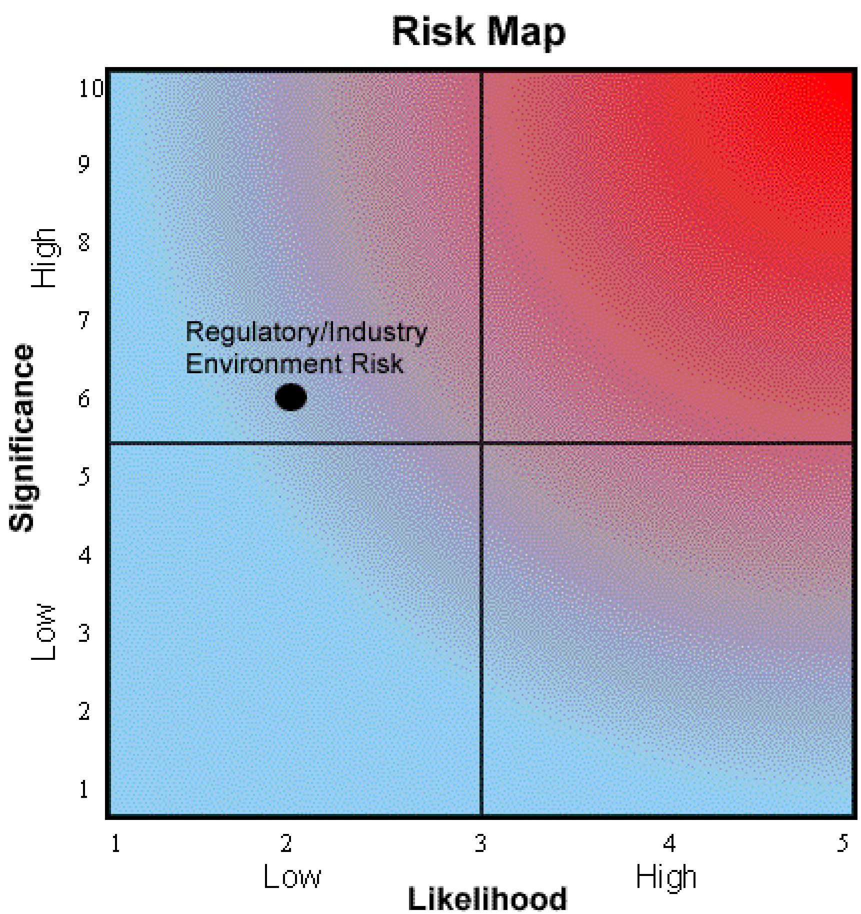
15.	___________	___________
16.	___________	___________

RISK ASSESSMENT MAP

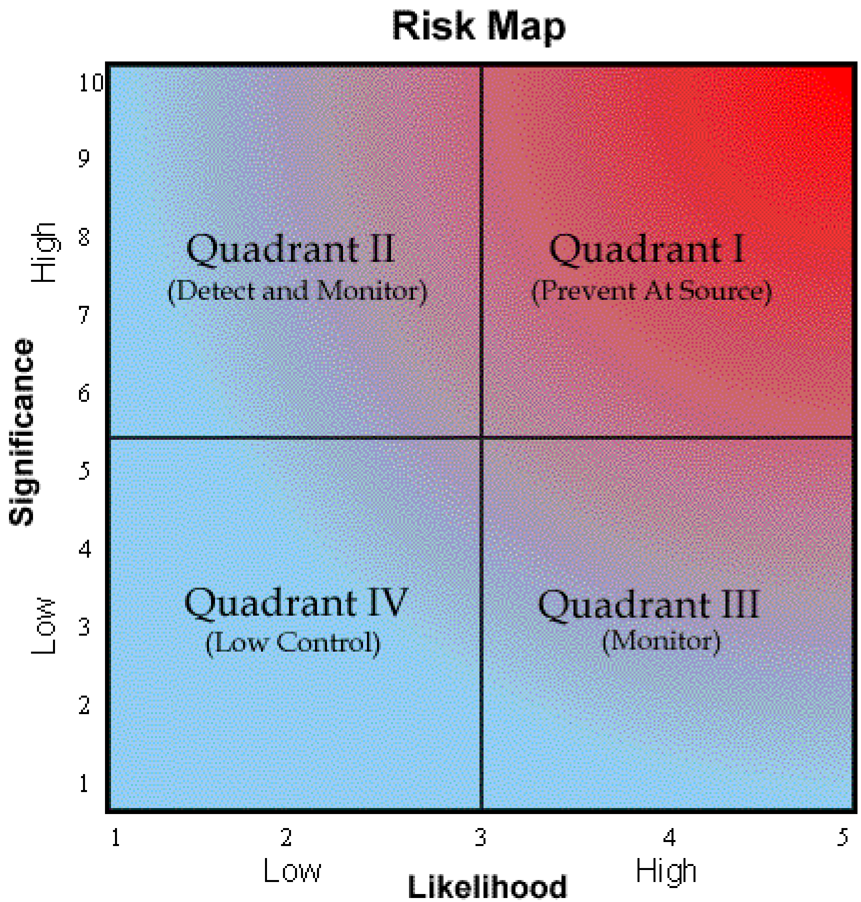
The Risk Map prioritizes each risk according to significance and likelihood and maps the risks into four quadrants. To map the risks into these quadrants, follow these steps:

1. For each risk, plot the significance on the vertical axis and the likelihood on the horizontal axis.

   For example…
   If you rated Question 1 (Regulatory/Industry Environment risk) as a Significance of 6 and a Likelihood of 2 you would plot it as follows on the risk map:



2. Once the top 10 risks are plotted, look at the quadrant where the risks are located. Position in the quadrant helps prioritize the risks and indicates the level of concern and attention which should be directed toward mitigating that risk given the potential impact on your company's ability to accomplish its business strategies.



The Risk Map locates each risk in the following four quadrants:

I. **"Prevent at Source" risks.**
Risks in this quadrant are classified as Primary Risks and are rated "high" priority. They are the critical risks that threaten the achievement of company objectives. These risks are both significant in consequence and likely to occur. They should be reduced or eliminated with preventative controls and should be subject to control evaluation and testing.

II. **"Detect and Monitor" risks.**
Risks in this quadrant are significant, but they are less likely to occur. To ensure that the risks remain low likelihood and are managed by the company appropriately, they need to monitored on a rotational basis. Detective controls should be put into place to ensure that these high significance risks will be detected before they occur. These risks are second priority after Primary Risks.

III. "Monitor" risks.

Risks in this quadrant are less significant, but have a higher likelihood of occurring. These risks should be monitored to ensure that they are being appropriately managed and that their significance has not changed due to changing business conditions.

IV. "Low Control" risks.

Risks in this quadrant are both unlikely to occur and not significant. They require minimal monitoring and control unless subsequent risk assessments show a substantial change, prompting a move to another risk category.

In the example, "Regulatory/Industry Environment Risk" falls into Quadrant II, suggesting that this risk should be **Detected and Monitored.** Although it is significant, it is somewhat unlikely to occur. Detective controls should be implemented and periodic audits used to monitor the effectiveness of controls.

The completed Risk Map should give you a basis for assessing risks and addressing each one in accordance with its potential impact on business strategy.