

# Describing the consequences and likelihood of a risk



When you analyse the consequences of a potential event, or the likelihood of it happening, you’ll need to describe both in a way—and with enough detail—to help you make decisions about how to control the risk of the event occurring, or prepare for it if it does. This may mean that you need to question your own descriptions. Are they informative? Precise? Do they guide action? Do I need to find out more with desktop or other research in order to describe it more accurately or less vaguely?

We encourage you to dig deep with this description. It will help you to not only analyse the risk but also communicate it to others who will be involved in managing it in some way.

The following tables give examples of how you might *describe* the consequences and likelihood of a potential risk—which, for the purposes of this exercise, we have not identified. The tables also show how you might rate those descriptions on a scale. This rating is needed for the next step in risk assessment: evaluation.  
Note that they’re examples only.

## Consequence descriptors

**These are examples only**. Use these examples to help you define your organisation’s own descriptors.

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| --- | --- | --- | --- | --- | --- | --- | --- |
| **Consequence** | | **Financial** | **People** | **Reputation** | **Service** | **Legal and regulatory** | **Management** |
| **Tier 5** | **Severe** | >$3m | One or more fatalities or permanent disability to one or more people  Resignations of large numbers of key management level staff with key skills, knowledge and expertise  We don’t have the staff capabilities to pursue our corporate objectives | National media coverage; Significant impact on funding for several years; long-term loss of clients | Total cessation of multiple services for many months | Major systemic and protracted regulatory breach with punitive fine and possible independent investigation.  Litigation costing over $[X] | Restructuring of organisation with loss of many senior managers |

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| **Consequence** | | **Financial** | **People** | **Reputation** | **Service** | **Legal and regulatory** | **Management** |
| **Tier 4** | **Major** | $1m - $3m | Extensive injury or impairment to one or more persons  Many resignations of key staff and loss of key skills, knowledge and expertise.  Some key gaps exist in our staff capabilities. | State media coverage; CEO departs affecting funding or causing loss of clients for many months | Disruption of multiple services for several months | One-off regulatory breach with punitive fine and possible independent investigation.  Remediation will be difficult and costly.  Litigation costing up to $[X] | Significant disruption that will require considerable senior management time over several weeks |
| **Tier 3** | **Moderate** | $300k - $999k | Short term disability to one or more persons  Some turnover of key staff and loss of key skills, knowledge and expertise | Local media coverage over several days; senior managers depart; noticeable loss of clients for many months | Total cessation of one service for a few months | Reportable regulatory breach.  Remediation will incur some costs but is straight-forward.  Independent investigation and possible moderate fine, and litigation costing up to $[X] | Disruption that will require senior management time over several weeks |
| **Tier 2** | **Minor** | $10k - $299k | Significant medical treatment; lost injury time <2 weeks  Some staff turnover with minor loss of skills, knowledge and expertise | Local media coverage, and complaint to management | Some service disruption in the area | Non-reportable regulatory breach; small fine or legal costs; minor litigation | Will require some senior management time over many days |
| **Tier 1** | **Insignificant** | <$10k | First aid or minor medical treatment  No staff turnover | No media coverage; complaint to employee | Minimal disruption | Disruptive legal issue that causes inefficiency but isn’t a breach. | Will require some management attention over several days |

Likelihood descriptors

**These are examples only**. Use these examples to help you define your organisation’s own descriptors.

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|  | **Likelihood** | **What do we know about the possible event and its associated consequences?** |
| **Tier 5** | Almost certain | We expect the event and consequences to occur. We’ve experienced situations like this before. Conditions are changing making it just a matter of time if we don’t act. |
| **Tier 4** | Likely | We think there’s a good chance we’ll experience this event and consequences. We’ve come across similar situations in our organisation or seen it elsewhere. Conditions are changing making it likely to occur. |
| **Tier 3** | Possible | The event and consequences might occur if we’re not careful. We’ve come across similar situations in our industry over the years. With the changes happening right now, the situation could occur. |
| **Tier 2** | Unlikely | We think the event and consequences might occur, but it’d be a bit of a surprise. We’ve not really come across similar situations. |
| **Tier 1** | Rare | The event and consequences could happen, but probably never will. |