

Risk criteria examples



Purpose and Outcomes

The [risk criteria examples](#) provide considerations and options for the assessment of the following elements:

- Control effectiveness
- Consequence descriptors
- Likelihood descriptors
- Risk rating
- Escalation and response for risk rating

Using this document you can create your own risk management criteria

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Considerations and Support

Consideration	Questions to ask	Options/examples
Control effectiveness	What title do we want to give to our control effectiveness types? How would we define each of the controls identified? Who are the control owners? How will we measure effectiveness of the control?	See the control effectiveness example in Design, implement and evaluate controls guidance
Consequence descriptors	How many tiers do we require? What are the most relevant labels? What are the most relevant rating descriptions for each tier and label?	Four, five or most useful number? Insignificant, Minor, Moderate, Major, Severe See Consequence descriptor example
Likelihood descriptors	How many tiers do we require? What are the most relevant labels? What are the most relevant rating descriptions for each tier and label?	Four, five or most useful number? Almost certain, Likely, Possible, Unlikely, Rare See Likelihood descriptor example
Risk rating	What are the relevant labels for each of the intersecting likelihoods / consequences tiers?	See Risk Rating example
Escalation and response for risk rating	What is your risk assessment escalation level for each of our identified risk ratings? What is your risk treatment response for each of our identified risk ratings?	See Escalation and response for risk rating example

Control effectiveness - Example

Note: these are examples only, your organisation's control titles and descriptors need to be used. For more information on control effectiveness, check out our [Guide](#).

Example of a five-level scale

Control effectiveness	Description
Fully effective	Nothing more to be done except review and monitor the existing controls. Controls are well designed for the risk and address the root causes. Management believes they are effective and reliable at all times.
Substantially effective	Most controls are designed correctly and are in place and effective. Some more work to be done to improve operating effectiveness, or management has doubts about operational effectiveness and reliability.
Partially effective	While the design of controls may be largely correct in that they treat most of the root causes of the risk, they are not currently very effective. Or, some of the controls do not seem correctly designed in that they do not treat root causes. Those that are correctly designed are operating effectively.
Largely ineffective	Significant control gaps. Either controls do not treat root causes or they do not operate at all effectively.
None or totally ineffective	Virtually no credible control. Management has no confidence that any degree of control is being achieved due to poor control design or very limited operational effectiveness.

Example of a three-level scale

Control effectiveness	Description
Effective	Controls eliminate or remove the source/root cause of the risk. Or, controls are well documented, consistently implemented and reliable in addressing the source/root cause of risk. High degree of confidence from management in the protection provided by the controls.
Partially effective	Controls are in place but may be partially documented or communicated, or inconsistently applied or infrequently tested. Weaknesses in the controls are minor or moderate and tend to reflect opportunities for improvement, rather than serious deficiencies in systems or practices.
Ineffective	Controls are not documented or communicated, or are inconsistently implemented in practice. The controls are not operating as intended and risk is not being managed. Controls are not in place to address the root cause/source of risk.

Consequence Descriptors - Example

Note: these are examples only, your organisation's descriptors need to be used.

Consequence		Financial	People	Reputation	Operational disruption	Legal & compliance	Natural environment
Tier 5	Severe	Direct loss or opportunity cost of more than \$5M Increase in budget more than 20%	One or more fatalities or severe irreversible disability to one or more people Resignations of large numbers of key management level staff with key skills, knowledge and expertise Staff are not up skilled to meet corporate objectives and key strategic priorities	Greater than 50% of media stories are negative for a period of up to 30 days or more; Significant impact on funding for several years; long-term loss of clients	Full service or business performance disruption > 1 weeks, partial disruption (months)	Major litigation costing \$>5m; Investigation by regulatory body resulting in long term interruption of operations	Major release of toxic waste resulting in long term damage to the environment; Significant damage to natural areas and ecosystem health; Extensive decline in support to community for living sustainably
Tier 4	Major	Direct loss or opportunity cost of \$1M to \$5M Increase in budget of 15% to 20%	Extensive injury or impairment to one or more persons Many resignations of key staff and loss of key skills, knowledge and expertise. Staff not upskilled to meet Business Plan priorities and commitments.	Greater than 50% of media stories are negative for a period of up to 30 days ; CEO departs affecting funding or causing loss of clients for many months	Full service or business performance disruption 2–7 days, sustained partial disruption (weeks)	Major breach of regulation with punitive fine, and significant litigation involving many weeks of senior management time and up to \$3m legal costs	Major release of toxins/water resulting in high compensation or reconstruction costs; Decline in support to community for living sustainably
Tier 3	Moderate	Direct loss or opportunity \$250K to \$1M Increase in budget of 5% to 15%	Short term disability to one or more persons Some turnover of key staff and loss of key skills, knowledge and expertise	20-50% of media stories are negative for a period of up to 14 days ; senior managers depart; noticeable loss of clients for many months	Full service or business performance disruption <2 days, consistent partial disruption (weeks)	Breach of regulation with investigation by authority and possible moderate fine, and litigation and legal costs up to \$999k	Significant release of pollutants; Residual pollution requiring clean-up work
Tier 2	Minor	Direct loss or opportunity \$100K to \$250K Increase in budget of 2% to 5%	Significant medical treatment; lost injury time <2 weeks Some staff turnover with minor loss of skills, knowledge and expertise	10-20% of media stories are negative for a period of up to 7 day; complaint to management	Part service or business performance disruption 1 day, limited partial disruption (days)	Breach of regulations; major fine or legal costs; minor litigation	Required to inform EPA; Contained temporary pollution
Tier 1	Insignificant	Direct loss or opportunity cost of less than \$100K Increase in budget by less than 2%.	First aid or minor medical treatment No staff turnover	Less than 10% of media stories are negative for a period of up to 7 days; complaint to employee	Intermittent part service or business performance disruption, isolated partial disruption (days/hours)	Minor legal issues or breach of regulations	Brief, non-hazardous temporary pollution; No environmental damage

Likelihood Descriptors - Example

Note: these are examples only, your organisation's descriptors need to be used.

Likelihood		The event with its associated consequence
Tier 5	Almost certain	All of the controls associated with the risk are extremely weak and/or non-existent. Without control improvement there is almost no doubt whatsoever that the risk will eventuate
Tier 4	Likely	The majority of the controls associated with the risk are weak. Without control improvement it is more likely than not that the risk will eventuate.
Tier 3	Possible	There are some controls that need improvement, however, if there is no improvement there is no guarantee the risk will eventuate.
Tier 2	Unlikely	The majority of controls are strong with few control gaps. The strength of this control environment means that it is likely that the risk eventuating would be caused by external factors not known to the organisation.
Tier 1	Rare	All controls are strong with no control gaps. The strength of this control environment means that, if this risk eventuates, it is most likely as a result of external circumstances outside of our control.

Risk Rating Matrices - Examples

Note: these are examples only, your organisation's labels need to be used.

4 x 4 example		Consequence			
		1 Minor	2 Moderate	3 Major	4 Extreme
Likelihood	4 Almost certain	4	8	12	18
	3 Likely	3	6	9	12
	2 Possible	2	4	6	8
	1 Unlikely	1	2	3	4

Overall Rating	1-4	6-8	9+
	Moderate	High	Very High

5 x 5 example		Consequence				
Likelihood		Insignificant	Minor	Moderate	Major	Severe
	Almost Certain	Low	Medium	High	Extreme	Extreme
	Likely	Low	Medium	High	High	Extreme
	Possible	Insignificant	Low	Medium	High	High
	Unlikely	Insignificant	Low	Low	Medium	Medium
	Rare	Insignificant	Insignificant	Insignificant	Low	Low

Escalation and Response for Risk Rating - Examples

Note: these are examples only, your organisation's values need to be used.

4 x 4 example

Levels	Risk escalation	Response (Actions)
Extreme	Risk and Audit Committee / Board	Refer to: <ul style="list-style-type: none"> • Risk Appetite Statement (if one exists) • Risk Management Policy • Delegations Instrument
High	Risk and Audit Committee / Board (or) Executive group	
Medium	Executive group	
Low	Business Unit / Program	

5 x 5 example

Levels	Risk escalation and response
Extreme	Extreme rated risks require immediate action by the Executive Leadership Team and briefing to the Board
High	High rated risks are managed senior management and the Executive Leadership Team by monitored by the Audit and Risk Committee regular reporting.
Medium	Medium rated risks are managed by senior management and monitored by the Executive Leadership Team
Low	Low rated risks are tolerated and managed by routine procedures
Insignificant	Insignificant rated risks are accepted and require no action, monitor