HPSS GUIDANCE ON ANALYSIS OF RISK / RISK RATING MATRIX

Introduction

The Australia / New Zealand Model (AS/NZS 4360: 1999) provides a template for the analysis of risk. Essentially, it helps any organisation (within the context of its mission statement and objectives) to determine the *likelihood* that any adverse situation may occur and the *consequences* (or impact) for the organisation should it occur. This is often termed as defining the principal *risks* for an organisation. Once this definition has been made, risks can be ranked in order of priority - the idea is to separate the minor risks from the major ones and make informed choices about the risk priorities for your particular organisation. In order to do this an analysis tool is required - "A Risk Rating Matrix". An example of such a matrix is set out below.

This is not intended to be a definitive tool – each organisation must decide for itself the methodology that works best for its needs. There is merit, however, in adhering to a common set of principles. The example shown here has been developed using HPSS expertise across Northern Ireland and is endorsed by the Department. For further advice on risk analysis, contact the HPSS Regional Governance and Risk Management Adviser, Heather Shepherd.

Step 1 - Decide the context for risk

It is very important that in embarking on this process for your organisation that you know the context for this analysis. It must be carried out in the light of organisational objectives / directorate objectives / departmental objectives. Organisations must ask themselves: Which potential adverse situations will be most important to the organisation? Which will have less significance?

Are you analysing risk in the context of your whole organisation?

Are you limiting the analysis to one part of the organisation?

Where do the boundaries lie – which risks will fall outside your analysis?

Step 2 – Identify Risks

All types of risks should be identified (e.g. clinical and social care, financial, organisational, historical or potential) whether or not they are under the control of the organisation. The best way for this to be carried out is through the use of the existing departments, directorates, teams in your organisation, (because this is how your organisation conducts its business normally). The idea is that risk is identified throughout the organisation and is managed at various levels with only the *organisation-wide significant risks* appearing at the *corporate* level.

- Create a list of risks.
- What adverse situations could occur?
- How and why could they happen?

Step 3 – Begin Analysis

Start to analyse the list of risks. For analysis to work effectively it is preferable to use a systematic method. Most organisations use a RISK RATING MATRIX. It is important that this matrix is standardised for the organisation. It is also useful if comparisons are being made across organisations that the matrix is as far as possible a standard type. However, the matrix must be suitable for the practical context in which it is being used – definitions of *likelihood* and *consequences* must be meaningful in their organisational setting.

Step 4 – Risk Rating Matrix

The following is a sample matrix - What is the *likelihood* of an adverse event occurring given the current level of controls already in place? (Use Risk Likelihood Table) - then assess the *consequence* of this event should it occur (Use Risk Consequence Table).

TABLE A - RISK LIKELIHOOD ASSESSMENT

	PROBABILITY	DESCRIPTION
ALMOST CERTAIN	**1 in 10 chance**	**LIKELY TO OCCUR**
LIKELY	**1 in 100 chance**	**WILL PROBABLY OCCUR**
POSSIBLE	**1 in 1000 chance**	**MAY OCCUR OCCASIONALLY**
UNLIKELY	**1 in 10,000 chance**	**DO NOT EXPECT TO HAPPEN**
RARE	**1 in 100,000 chance**	**DO NOT BELIEVE WILL EVER HAPPEN**

TABLE B - RISK CONSEQUENCE ASSESSMENT

Category / Level Of Impact	Personal Impact on Patient/Client Staff/Visitor/ Contractor	Quality / System Failure	Public confidence and reputation	Complaint Or Claim	Financial loss
Insignificant	Minor incident. First aid administered.	Negligible service deficit Minor non-compliance No impact on public health or social care. Minimal disruption to routine organisation activity No long term consequences	Issue of no public/political concern.	Legal Challenge Minor out-of-court settlement	Less than 5K
Minor	Incident requiring medical treatment. < 3 day absence. Emotional distress.	Single failure to meet internal standards or follow protocol. No impact on public health or social care Impact on organisation rapidly absorbed No long term consequences	Local press interest. Local public/political concern.	Civil action – no Defence Improvement notice	£5K -£50K
Moderate	Hospital Admission >/= 3 day absence Semi-permanent injury / emotional trauma.	Repeated failures to meet internal standards or follow protocols Minimal impact on public health and social care Impact on organisation absorbed with significant level of intervention Minimal long term consequences	Limited damage to reputation Extended local press interest/regional press interest. Regional public/political concern.	Class action Criminal prosecution Prohibition Notice	£50K-£250K
Major	Fatality. Permanent disability / emotional injury	Failure to meet national/professional standards. Significant impact on public health and social care. Impact on organisation absorbed with some formal intervention by other organisations Significant long term consequences	Loss of credibility and confidence in organisation. National press interest. Independent external enquiry. Significant public/political concern.	Criminal prosecution – no defence Executive officer dismissed	£250K – £1.0M
Catastrophic	Multiple fatalities. Multiple permanent disabilities / emotional injuries.	Gross failure to meet professional/ national standards Major impact on public health and social care Impact on organisation absorbed with significant formal intervention by other organisations. Major long term consequences.	Full Public Enquiry. PAC Hearing Major public/political concern.	Criminal prosecution – no defence Executive officer fined or imprisoned	More than £1.0M

RISK RATING MATRIX

LIKELIHOOD	CONSEQUENCE				
	Insignificant	Minor	Moderate	Major	Catastrophic
Almost Certain	Low	Significant	High	High	High
Likely	Low	Significant	Significant	High	High
Possible	Low	Low	Significant	High	High
Unlikely	Very Low	Low	Significant	Significant	Significant
Rare	Very Low	Very Low	Low	Low	Significant

ACTION LEVELS

Once the level of risk has been assessed an appropriate "action level" should be established within the organisation.

TABLE C – RISK ACTION LEVEL

Risk Level	Action Level
Very Low	Department / Unit or Team
Low	Department / Unit
Significant	Directorate
High	Senior Management Team / Board