

How to Perform Operational Risk Assessments

A. Purpose of this risk assessment

The Office of Audit & Risk Assessment assists Western Sydney University (WSU) units and projects in establishing or updating their operational risk registers (Register). This risk assessment exercise can help identify high or other significant risk areas of the units or projects as well as any University's key operations that could impede the functioning of the business units and projects or endanger the achievement of overall strategic objectives of the University or the business unit objectives. We focus on those risks that impact the operational units' or projects' business and strategic objectives derived from the University's "SUSTAINING SUCCESS 2021 - 2026" Strategic Framework.

The Register is designed to obtain your input with minimum effort to conduct a risk self-assessment for your unit or project. The summarised results may supplement the risk assessment workshops or individual discussions in the later stages. If there are confidential matters that you wish to raise and you do not wish to record them in the Register, then please communicate directly with Aman Chand, Office of Audit & Risk Assessment (mobile 0404-010-116 or at aman.chand@westernsydney.edu.au).

B. How to complete the Operational Risk Register?

Fill in the WSU Operational Risk Register in accordance with this guideline and the examples provided. If you are unsure how to respond to a question, please contact the Office of Audit and Risk Assessment.

C. Risk Assessment

1. Identifying business objectives and risks

Question 1: If we think of risk as a future event or development that could stop or impede your unit or project from achieving its objectives, what are these matters that concern you the most and what are the possible consequences or impacts if these events occur to your unit or project and the University?

When formulating your response (*put your responses into columns B to H of the Register (Excel worksheet) accordingly*) to this question, you may wish to consider the following:

B	C	D	E	F	G	H
Business Unit Objective(s)	Operational Risk No.	Date Identified	Operational Risk Name (Short Description)	Risk Description (Detailed Description)	Risk Category	Impact or Consequences

- The **objectives** of your **unit's operational plan** that have been or will be impacted by the risks raised (*list the associated objectives in column B*)
- Any events or uncertainties that may impact your unit or project from achieving its objectives (*Describe the risk in column F, put a short title of this risk in column E and the consequences or impact of the risk on your unit or project in column H*)
- The classification of risks into broad categories (i.e. grouping risks into their risk source in column G) such as:

Political circumstances	Infrastructure (facilities and utilities)	Academic (research activities)
Reputation (international/local)	Legal relationships and contractual risks	Academic (course load/ logistics- program delivery)
Technology and information management	Environmental (WH&S, pollution etc)	Academic (course curriculum/ quality assurance)
Organisational (management controls & culture)	Legislation and public policy	International (overseas programs & activities)
Behaviour (risk perceptions & responses, corrupt conduct, criminal activities of individuals etc.)	Financial and commercial risks	Others

If you think the risk identified does not fall into these categories, please state the new category in the "others" option from the list and type the new category in the "Description of Risk (D)" column.

2. Assessing risk

Question 2: What do you think the level of risk is for each risk issue identified?

When assessing risk, it is useful to think of risk in terms of the likelihood (probability) of an event occurring and the impact (consequence) that event will have on your unit or project (refer Likelihood and Impact Rating Scale tag of the Register)

People usually express "assessed risk" as **high, moderate or low**.

For examples:

- The likelihood of losing all government funding for the University is **unlikely** (rating= 2) but the impact on income would be **catastrophic** (rating= 5). Assessed overall risk might therefore be **"moderate"** (overall rating=10, please refer to the scale provided).
- The likelihood of negative impact to the University's reputation of closing down its off shore programs is a **likely** risk (rating= 4) and the impact on reputation **major** (rating=4). Assessed overall risk might therefore be **"high"** (overall rating= 16).

Inherent Risk Assessment (for column I to L)

I	J	K	L
Likeli- hood	Impact	Multi- plier	Inherent Risk Rating
3	4	12	Moderate
5	5	25	Critical
2	2	4	Low

The **inherent risk** level for the risk issues raised in column F is assessed without considering existing controls (i.e. management strategies, checks & balances, policies & procedures, etc.). Only the inherent risk (i.e. natural risk inherent in a process or activity without any application of controls to reduce likelihood and impact) of the issue is assessed using the risk rating scale provided.

Likelihood X Impact = Assessed Risk (Inherent Risk Rating)

For each of the risk issues you identified in Question 1, please consider the **likelihood (probability)** and the **impact (consequence)** that each risk issue could have on your unit or project (before considering the existing controls in place) and record the "assessed risk level" on the Register (*column I & J*) accordingly by using the rating scale 1 – 5 for your assessment. The corresponding inherent risk level will automatically be calculated on the Register.

Residual Risk Assessment (for columns M to Q)

M	N	O	P	Q
Key Controls in place to mitigate the risks (Actual Current Controls and not proposed controls)	Likeli- hood 2	Impact 2	Multi- plier 2	Residual Risk Rating
	5	1	5	Moderate
	4	4	16	High
	2	1	2	Very low

After you have assessed the inherent risk level, state briefly (*in column M*) if any strategies/controls are already in place to mitigate the corresponding risks, you then assess the risk issues again by considering the existing controls' effectiveness to arrive at their residual risk level using the scale given.

Likelihood X Impact = Assessed Risk (Residual Risk Rating)

Revise the **likelihood (probability)** and the **impact (consequence)** by taking into account the existing controls in place and record the "assessed risk level" on the Register (*columns N & O*) accordingly by using the rating scale 1 – 5 for your assessment. The corresponding overall residual risk level will automatically be calculated on the Register.

3. Managing risk

Question 3: What can we do about the risks identified?

The **Operational Risk Register** allows management staff to manage and monitor the known risks recorded. Suppose individual risk identified and consolidated in the Register has a residual risk level (assessed in column Q) that is still unacceptable or can be further mitigated. In that case, additional mitigation actions and control strategies can be proposed and implemented to mitigate the risk (*Refer to columns R to U*).

R	S	T	U
Additional Mitigation Controls or Actions Required to reduce the Residual Risk to the Desired Level	Due Date for Mitigation	Action Owner	Accountable Executive
	Actions		

- Risk can be managed in a variety of ways. For example, it can be avoided altogether by ceasing to engage in an activity.
- Risk can also be **transferred to or shared with** somebody else, i.e. through an insurance policy or service contract.
- Most organisations also try to limit or **control** risk (i.e. via checks and balances over financial transactions or governance processes – management oversight, policies and procedures) to reduce its likelihood and impact on their operations.

For the risks you identified in Question 1, could you please indicate in the Register what additional management strategies and actions are planned or proposed to be put into place (*column R*) to address these risks (if any) and suggest who should be responsible for implementing these strategies and actions (*column T*) as well as *who is the accountable executive (column U)* accordingly.

Please do not spend much time preparing a detailed response to this question – a broad outline/ brief description of how risk is being managed for each issue will be sufficient at this stage.

4. Post Mitigation Risk Assessment

Question 4

After the additional mitigation actions and control strategies have been implemented and completed, what is the final residual risk rating?

We must evaluate the effectiveness of the additional management strategies and mitigation actions applied to risks to ensure that risk issues have been satisfactorily addressed and managed (refer to columns V to Y). **We should also consider escalating particular risks to a higher authority if additional treatments have failed to bring the risk rating down to an acceptable or comfortable level.**

V	W	X	Y	Z
Likeli- hood 3 ▼	Impact 3 ▼	Multi-plier 3 ▼	Residual Risk Rating: ▼	Comments and status update on the mitigation actions ▼
5	1	5	Moderate	
2	2	4	Low	
1	1	1	Very low	

Likelihood X Impact = Assessed Risk (Post Mitigation Residual Risk Rating)

Update the **likelihood (probability)** and the **impact (consequence)** after the proposed additional treatment actions or strategies have been performed and completed. Record the "assessed risk level" on the Register (columns V & W) accordingly by using the rating scale 1 – 5 (refer to the Likelihood and Impact Rating Scale tag) for your assessment. The corresponding post-mitigation residual risk level will automatically be calculated on the Register.

You may monitor the progress of the mitigation actions regularly (please provide updates and comments on column Z) to ensure the treatment strategy has been properly carried out as planned and all stakeholders are informed of the current status of the risk.

----- **End** -----