

## Threat Criteria for Likelihood and Impact

During this phase, we consider the causes and sources of the risk, its positive and negative impacts, the likelihood that those impacts can occur, and the speed at which the risk is approaching. The criteria below have been provided to establish a reference point for analysis. The criteria provided are used for a standard qualitative analysis, but may not be appropriate in all circumstances. For each score, a description has been provided to show the correspondence between a rating and a perceived impact, likelihood, or velocity.

### Likelihood Criteria

Score	Risk Type Threat (T)	Value	Description
1	T	Remote	The chance of the future event or events occurring is slight.
2	T	Unlikely	The event could possibly occur, but is unlikely at this time.
3	T	Possible	The event could occur under specific conditions and some of those conditions are currently evidenced.
4	T	Likely	The event is most likely to occur in most circumstances.
5	T	Expected	The event is expected to occur in most circumstances or is happening now.

### Impact Criteria

Score	Risk Type Threat (T)	Value	Description
1	T	Insignificant	Minimal or no measurable operational impact. Leads to immaterial audit findings.
2	T	Minor	Minor financial loss, small budget variance. Minor embarrassment, but no harm to image or reputation. Minor operational impact, business not interrupted. Minor compliance infractions.
3	T	Moderate	Significant financial loss and variance to budget. Moderate embarrassment impacting short term effectiveness. Moderate operational impact, business not interrupted. Significant compliance infraction.
4	T	Major	Very significant financial loss, major budget variance. Major embarrassment leading to significant impact on effectiveness. Unacceptable operational impact, short term business interruption. Reportable compliance infraction
5	T	Critical	Large unacceptable financial loss, severe budget variance. Very significant harm to image with substantial impact on effectiveness. Large and unacceptable operational impact, long term business interruption. Material compliance infraction.

## Opportunity Criteria for Likelihood and Impact

During this phase, we consider the causes and sources of the risk, its positive and negative impacts, the likelihood that those impacts can occur, and the speed at which the risk is approaching. The criteria below have been provided to establish a reference point for analysis. The criteria provided are used for a standard qualitative analysis, but may not be appropriate in all circumstances. For each score, a description has been provided to show the correspondence between a rating and a perceived impact, likelihood, or velocity.

### Likelihood Criteria

Score	Risk Type Opportunity (O)	Value	Description
1	O	Remote	The chance of realizing the event or events is slight.
2	O	Unlikely	The opportunity could be realized, but is unlikely at this time.
3	O	Possible	The event could be realized under specific conditions and some of those conditions are currently evidenced.
4	O	Likely	The event is likely to be realized in most circumstances.
5	O	Expected	The event is expected to be realized in most circumstances or is happening now.

### Impact Criteria

Score	Risk Type Opportunity (O)	Value	Description
1	O	Insignificant	Minimal or no measurable operational impact. Can be realized with routine activities. Leads to immaterial enhancements.
2	O	Minor	Minor financial gain, small budget savings. Minor improvement in image or reputation. Minor operational impacts, improvement in business operations, or reduction of exposure to non-compliance.
3	O	Moderate	Significant financial gain or budget savings. Moderate improvement in image or reputation. Moderate operational impacts, improvements in business operations, or reduction of exposure to non-compliance.
4	O	Major	Very significant financial gain or budget savings. Very significant improvement in image or reputation. Very significant operational impacts, improvements in business operations, or reduction of exposure to non-compliance.
5	O	Transformative	Large financial gain or budget savings. Large improvement in image or reputation. Large operational impacts, improvements in business operations, or reduction of exposure to non-compliance.

## Threat and Opportunity Criteria for Velocity

During this phase, we consider the causes and sources of the risk, its positive and negative impacts, the likelihood that those impacts can occur, and the speed at which the risk is approaching. The criteria below have been provided to establish a reference point for analysis. The criteria provided are used for a standard qualitative analysis, but may not be appropriate in all circumstances. For each score, a description has been provided to show the correspondence between a rating and a perceived impact, likelihood, or velocity.

### Velocity Criteria

Score	Risk Type Threat (T)	Risk Type Opportunity (O)	Value	Description
1	T	O	Slow	If it occurs, the event is expected to occur—or response actions need to be taken—in greater than a year.
2	T	O	Gradual	If it occurs, the event is expected to occur—or response actions need to be taken—within the next year.
3	T	O	Moderate	If it occurs, the event is expected to occur—or response actions need to be taken—within the next six months.
4	T	O	Rapid	If it occurs, the event is expected to occur—or response actions need to be taken—within the next thirty days.
5	T	O	Imminent	If it occurs, the event is expected to occur—or response actions need to be taken—at any moment.

## Risk Response Strategies

For Opportunities	For Threats
<b>Exploit:</b> Eliminate factors to ensure the opportunity happens. Often used for high impact high likelihood opportunities.	<b>Avoid:</b> Remove the cause of the risk, or complete the project in an alternative way that avoids the risk completely.
<b>Share:</b> Share the risk ownership with a third party that is capable of realizing the opportunity. When the benefits of the opportunity are realized you and the third party share them.	<b>Transfer:</b> Transfer the risk management and liability to a third party. This usually involves paying a premium, example: insurance.
<b>Enhance:</b> Modify the response taken to increase either the likelihood and or impact of the opportunity.	<b>Mitigate:</b> Reduce either the likelihood and or impact of the risk. Early action is taken to get the risk rating into the tolerable range.
<b>Monitor:</b> This response is used when the other responses are not practical or possible. A contingency plan can be created to address the risk and monitor the context should changes occur.	

### Questions to help refine risk responses:

- Are you confident with your knowledge of the risk and its root causes?
- Could the risk statement be addressing a symptom of a deeper risk that has yet to be identified?
- What elements should you try to control?
- Where might we reasonably expect policies and actions to achieve a desired effect?
- Where might they cause problems you can anticipate and don't want?
- Is "monitor" a viable response for a risk? Should you err on the side of caution by taking the role of observer to let events develop without intervention and possibly work themselves out?
- Have you purposefully considered multiple options prior to selecting your "right answer"?
- Response strategies could affect other aspects of business and have external consequences and often set precedents and expectations.
- Have you assessed possible external consequences that a risk response strategy might have?