

## STANDARD APPROACH TO DEVELOPING A RISK MANAGEMENT POLICY

The main elements of the risk management development process would be the following:

- (a) *Communicate and consult*  
Communicate and consult with internal and external stakeholders as appropriate at each stage of the risk management process and concerning the process as a whole.
- (b) *Establish the context*  
Establish the external, internal and risk management context in which the rest of the process will take place. Criteria against which risk will be evaluated should be established and the structure of the analysis defined.
- (c) *Identify risks*  
Identify where, when, why and how events could prevent, degrade, delay or enhance the achievement of the objectives.
- (d) *Analyse risks*  
Identify and evaluate existing controls. Determine consequences and likelihood and hence the level of risk. This analysis should consider the range of potential consequences and how these could occur.
- (e) *Evaluate risks*  
Compare estimated levels of risk against the pre-established criteria and consider the balance between potential benefits and adverse outcomes. This enables decisions to be made about the extent and nature of treatment<sup>6</sup>s required and about priorities.
- (f) *Treat risks*  
Develop and implement specific cost-effective strategies and action plans for increasing potential benefits and reducing potential costs.
- (g) *Monitor and review*  
It is necessary to monitor the effectiveness of all steps of the risk management process. This is important for continuous improvement.

Risks and the effectiveness of treatment measures need to be monitored to ensure changing circumstances do not alter priorities.

Risk management can be applied at many levels in an organisation. It can be applied at a strategic level and at tactical and operational levels. It may be applied to specific projects, to assist with specific decisions or to manage specific recognised risk areas.

For each stage of the process records should be kept to enable decisions to be understood as part of a process of continual improvement.