

## Sample risk matrix

<b>LIKELIHOOD</b>	<b>Almost certain</b> The consequence is expected to occur in most circumstances, eg 80% + chance of occurring in the next 12 months.					
	<b>Likely</b> The consequence has a reasonably high chance of occurring in many circumstances, eg 60% - 80% chance of occurring in the next 12 months.					
	<b>Possible</b> The consequence could conceivably occur in some circumstances, eg 30% - 60% chance of occurring in the next 12 months.					
	<b>Unlikely</b> The consequence is unlikely to occur in most circumstances, eg 1% - 30% chance of occurring in the next 12 months.					
	<b>Rare</b> The consequence would occur only in exceptional circumstances, eg less than 1% chance of occurring in the next 12 months.					
		<b>Insignificant</b> Operational impact easily handled through normal internal control processes.	<b>Minor</b> Some disruption possible; able to be managed with management input.	<b>Moderate</b> Significant disruption possible; managed with additional management input and resources.	<b>Major</b> Business operations severely damaged or disrupted; requires extraordinary management input and resources.	<b>Extreme</b> Disaster; extreme impact on staff, plant, and/or operations.
<b>CONSEQUENCE</b>						

### Risk escalation/decision-making

<b>Low</b> Risk managed through routine management/internal control procedures.	<b>Moderate</b> Risk to be reported to relevant manager; may require additional risk treatment actions.	<b>High</b> Risk to be reported to chief executive and senior management team to approve and monitor risk treatment actions.	<b>Critical</b> Risk to be reported to the board to approve and monitor risk treatment actions.
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## Examples of risk

### Business:

- wrong business strategy
- competitive pressure on price/market share
- general economic problems
- regional economic problems
- political risks
- obsolescence of technology
- substitute products
- adverse government policy
- decline of industry sector
- takeover target
- inability to raise further capital
- unsuccessful acquisition
- failure to innovate.

### Financial:

- liquidity risk
- market risk
- going concern problems
- overtrading
- credit risk
- interest rate risk
- currency risk
- high cost of capital
- misuse of financial resources
- occurrence of types of fraud to which the company is susceptible
- misstatement risk related to published financial information
- breakdown of accounting system
- unrecorded liabilities
- unreliable accounting records
- importation of viruses into IT systems
- penetration and attack of IT systems by hackers
- decisions based on incomplete or faulty information
- too much data and not enough analysis
- unfulfilled promises to investors.

### Compliance:

- breach of:
  - o Companies Act requirements
  - o Financial Reporting Act requirements
  - o stock exchange listing rules in New Zealand and elsewhere
  - o Commerce Act
  - o other laws and regulations

- litigation risks
- GST problems
- tax penalties
- health and safety risks
- environmental problems (not just in New Zealand but possibly in all jurisdictions in which the company operates).

### Operational and other:

- business processes not aligned to strategic goals
- failure of major change initiatives
- loss of entrepreneurial flair
- shortage of raw materials
- shortage of skills
- physical disasters (including fire and earthquake)
- failure to create and exploit intangible assets
- loss of intangible assets
- breach of confidentiality
- loss of physical assets
- lack of business continuity
- succession problems
- loss of key personnel
- inability to reduce cost base
- imposition by major customers of harsh contractual obligations
- over-reliance on single or key suppliers or customers
- failure of new products or services
- poor service levels
- failure to satisfy customers
- quality problems
- lack of orders
- failure of major project
- loss of key contracts
- inability to make use of the internet
- failure of outsource provider to deliver
- industrial action
- failure of technology-related projects
- lack of employee motivation or efficiency
- inability to implement change
- inefficient/ineffective processing of documents
- poor brand management
- product liability
- inefficient/ineffective management process
- business probity issues
- other issues giving rise to reputational problems
- missed business opportunities.