



Office of Internal Audit Monthly Internal Control Tip

Assess the potential consequences of the risk(s) within your respective area(s) that could adversely affect the achievement of organizational, departmental, and /or agency goals.

Use the risks identified during the Risk Identification Process, described in the [May Monthly Internal Control Tip](#) to continue creating the Risk Profile described in the [June Monthly Internal Control Tip](#). July's monthly Internal Control Tip will expand on the assessment of the potential consequences of the risk(s). The following three step process will help you to assess potential consequences of the risk(s).

Step 1: Analyze the likelihood that the identified risk will take place.

As an aid to determining the probability or likelihood that a risk will take place it will help to review the history of the risk event happening, as well as evaluate the changing environment that may cause the event to take place. Determine if the risk's chance of happening is Low (not likely to happen), or High (likely to happen).

Step 2: Analyze the impact of what would happen if the identified risk were to take place.

Analyze the impact of the risk taking place based on the severity of the risk consequence. If the identified risk takes place will it bring Metro Government, a department, or an agency to a grinding halt? Will it cost Metro Government a significant amount of money or will it negatively affect Metro's reputation? Then rank the impact Low (insignificant impact) or High (significant impact).

Step 3: Final Ranking

Combine the likelihood/ probability and impact ranking using the Risk Impact/Likelihood Chart. The chart allows you to rank risks based on the rankings determined at step 1 and 2. The probability that a risk will occur is represented on one axis of the chart – and the impact of the risk on the other. You use these two measures to plot the risk on the chart. This will enable management to devise an action plan to tackle each risk based on significance. Those risks plotted in the upper right quadrant would be first priority.

