Risk Management Plan

<Project Title>

Risk Management Plan

This document has been derived from a template prepared by the Department of Premier and Cabinet, Tasmania. The structure is based on a number of methodologies as described in the Tasmanian Government Project Management Guidelines*.*

For further details, refer to *www.egovernment.tas.gov.au*

Table of Contents

1 Executive Summary

The purpose of this document is to provide a management framework to ensure that levels of risk and uncertainty are properly managed for the remainder of the project. As risk management is an ongoing process over the life of a project, the Risk Register must be considered a 'snap shot' of relevant risks at one point in time.

This document will achieve this by defining the following:

- *the process that will be/has been adopted by the Project to identify, analyse and evaluate risks during the remainder of the project;*
- *how risk mitigation strategies will be developed and deployed to reduce the likelihood and/or impact of risks;*
- *how often risks will be reviewed, the process for review and who will be involved;*
- *roles and responsibilities for risk management;*
- *how reporting on risk status, and changes to risk status, will be undertaken within the Project and to the Steering Committee;*
- *a complete Risk Register containing all risks identified for the Project, their current gradings and the identified risk mitigation strategies to reduce the likelihood and seriousness of each risk.*

2 Introduction

The purpose of risk management is to ensure levels of risk and uncertainty are identified and then properly managed in a structured way, so any potential threat to the delivery of outputs (level of resourcing, time, cost and quality) and the realisation of outcomes/benefits by the Business Owner(s) is appropriately managed to ensure the project is completed successfully.

The objectives of the risk management approach in the <Project Title> Project are to identify, assess and mitigate risks where possible and to continually monitor risks throughout the remainder of the project as other risks or threats emerge or a risk's impact or likelihood changes.

As risk management is an ongoing process over the life of a project, this Risk Management Plan and Risk Register must be considered a 'snap shot' of relevant risks at one point in time.

Where required, the process of risk identification, assessment and the development of countermeasures will involve consultation with the Steering Committee members, the <Project Title> Reference Group, other relevant stakeholders and Project team members.

3 Risk Assessment

3.1 Identification

Risk identification involves determining which risks or threats are likely to affect the project. It involves the identification of risks or threats that may lead to project outputs being delayed or reduced, outlays being advanced or increased and/or output quality (fitness for purpose) being reduced or compromised.

For most large/complex projects, a number of high level risks should have been identified during the project initiation stage – these should be used as the basis for a more thorough analysis of the risks facing the project.

One of the most difficult things is ensuring that all major risks are identified. A useful way of identifying relevant risks is defining causal categories under which risks might be identified. For example, corporate risks, business risks, project risks and infrastructure risks. These can be broken down even further into categories such as environmental, economic, political, human, etc. Another way is to categorise in terms of risks external to the project and those that are internal.

See the Project Management Risk Identification Tool for some useful prompts in identifying project risks. The Australian Standard for Risk Management AS/NZS 4360: 2004 Appendix D refers to generic sources of risk.

The wording or articulation of each risk should follow a simple two-step approach:

1. *Consider what might be a 'trigger' event or threat (eg. 'poor quality materials causes costs to rise') – several triggers may reveal the same inherent risk; then*

2. *Identify the risk - use a 'newspaper headline' style statement – short, sharp and snappy (eg. 'budget blow out') then describe the nature of the risk and the impact on the project if the risk is not mitigated or managed (eg. project delayed or abandoned, expenditure to date wasted, outcomes not realised, government embarrassed etc).*

Use the Risk Register (see Appendix A) to document the results.

For large or complex projects it can be beneficial to use an outside facilitator to conduct a number of meetings or brainstorming sessions involving (as a minimum) the Project Manager, Project Team members, Steering Committee members and external key stakeholders. Preparation may include an environmental scan, seeking views of key stakeholders etc.

For a small project, the Project Manager may develop the Risk Register perhaps with input from the Project Sponsor/Senior Manager and colleagues, or a small group of key stakeholders.

It is very easy to identify a range of risks that are outside the project and are actually risks to the business area during output delivery, transition or once operational mode has been established. These are not project risks and should not be included in the Project Risk Register, but referred to the relevant Business Owner. It may be appropriate to submit an Issues Paper to the Steering Committee recommending formal acceptance by the relevant Business Owner for ongoing monitoring and management of specific risks.

See the Project Management Fact Sheet: Developing a Risk Management Plan and the Risk Identification Tool for more information on how to undertake risk identification.

In this section specify:

- *what risk identification process has been undertaken (ie. brainstorm, facilitated session, scan by Project Manager etc);*
- *any categories used to assist in the identification or relevant risks;*
- *when the risk identification process occurred; and*
- *who was involved.*

3.2 Analysis and Evaluation

Once risks have been identified they must be analysed by determining how they might affect the success of the project. Generally the impact of a risk will realise one or any combination of the following consequences:

- *Project outcomes (benefits) are delayed or reduced;*
- *Project output quality is reduced;*
- *Timeframes are extended;*
- *Costs are increased.*

*Once analysed, risks should be evaluated to determine the **likelihood** of a risk or threat being realised and the **seriousness**, or impact, should the risk occur.*

***'Likelihood'** is a qualitative measure of probability to express the strength of our belief that the threat will emerge (generally ranked as Low (L), Medium (M) or High (H)).*

***'Seriousness'** is a qualitative measure of negative impact to convey the overall loss of value from a project if the threat emerges, based on the extent of the damage (generally ranked as Low (L), Medium (M), High (H) or Extreme).*

From this risks will be graded as A, B, C, D or N according to the following matrix:

Likelihood	**Seriousness**				
		Low	**Medium**	**High**	**EXTREME**
	Low	N	D	C	A
	Medium	D	C	B	A
	High	C	B	A	A

The ratings for likelihood and seriousness determine a current grading for each risk that in turn provides a measure of the project risk exposure at the time of the evaluation.

In this section specify:

- *How the identified risks could potentially impact on the project in terms of the four categories of consequence (eg. x have potential to delay or reduce project outcomes/reduce output quality etc);*
- *Summarise the distribution of risks according to the grading (number of 'A' Grade risks, 'B' Grade risks etc)*
- *List any 'A' Grade risks.*

4 Risk Mitigation

Mitigation of risks involves the identification of actions to reduce the likelihood that a threat will occur (preventative action) and/or reduce the impact of a threat that does occur (contingency action). This strategy also involves identifying the stage of the project when the action should be undertaken, either prior to the start of or during the project.

Risk mitigation strategies to reduce the chance that a risk will be realised and/or reduce the seriousness of a risk if it is realised have been developed. The following table is useful to determine how risks will be treated in terms of preparation and/or deployment of mitigation strategies during the life of the Project. Mitigation strategies are usually only prepared and/or deployed for Grades A through to C, however where an existing risk graded at D appears likely to be upgraded, mitigation strategies should be prepared.

Grade	Possible Action
A	Mitigation actions, to reduce the likelihood and seriousness, to be identified and implemented as soon as the project commences as a priority.
B	Mitigation actions, to reduce the likelihood and seriousness, to be identified and appropriate actions implemented during project execution.
C	Mitigation actions, to reduce the likelihood and seriousness, to be identified and costed for possible action if funds permit.
D	To be noted; no action is needed unless grading increases over time.
N	To be noted; no action is needed unless grading increases over time.

In this section specify:

- *The proportion of risk mitigation actions that are preventative (eg. 30%);*
- *The proportion of risk mitigation actions that are contingency (eg. 70%);*
- *Key stakeholders nominated as responsible for undertaking specific risk mitigation actions;*
- *Any major budgetary implications*

For any identified 'A' Grade risks specify:

- *What type of mitigation action is proposed (preventative or contingency);*
- *Who is responsible for undertaking the proposed action; and*
- *Any cost implications for the project Budget.*

5 Risk Monitoring

Risk Management is an iterative process that should be built into the management processes for any project. It must be closely linked with Issues Management, as untreated issues may become significant risks. If prevention strategies are being effective, some of the Grade A and B Risks should be able to be downgraded fairly soon into the project.

In this section specify

- *How frequently a review of the Risk and Issues Registers will be undertaken (eg. fortnightly, monthly);*
- *Who will be involved in the review of the Risk and Issues Registers (eg. the Project team);*
- *How often risks will be monitored to ensure that appropriate action is taken should the likelihood, or impact, of identified risks change and to ensure that any emerging risks are appropriately dealt with (eg. monthly);*
- *If the Risk Register will be maintained as a separate document or as part of the Risk Management Plan;*
- *How often the Steering Committee or Project Sponsor/Senior Manager will be provided with an updated Risk Register for consideration; and*
- *How often Risk status will be reported in the Project Status Reports to the Steering Committee/Project Sponsor/Senior Manager (usually only Grade A and B risks).*

6 Roles and Responsibilities

6.1 Steering Committee

Ultimate responsibility for ensuring appropriate risk management processes are applied rests with the Project Sponsor and Project Steering Committee, and they should be involved in the initial risk identification and analysis process. The Risk Management Plan and the Risk Register should provide the Project Sponsor and Project Steering Committee with clear statements of the project risks and the proposed risk management strategies to enable ongoing management and regular review.

The Steering Committee will review the Grade A and B project risks on a <*specify frequency, eg. monthly*> basis via updated information provided in the Project Status Reports and provide advice and direction to the Project Manager. The Steering Committee will also be provided with an updated Risk Register for consideration, as required, when additional threats emerge or the likelihood or potential impact of a previously identified risk changes.

6.2 Project Manager

The Project Manager will be responsible for:

- Development and implementation of a Project Risk Management Plan;

- Organisation of regular risk management sessions so that risks can be reviewed and new risks identified;

- Assessment of identified risks and developing strategies to manage those risks for each phase of the project, as they are identified;

- Ensure that risks given an A grading are closely monitored; and

- Providing regular Status Reports to the Steering Committee noting any 'A' Grade risks and specifying any changes to the risks identified during each phase of the project and the strategies adopted to manage them.

In large or complex projects, the Project Manager may choose to assign risk management activities to a separate Risk Manager, but they should still retain responsibility. It should be noted that large projects are a risk in themselves, and the need for the Project Manager to reassign this integral aspect of project management may be an indication that the project should be re-scoped, or divided into several sub-projects overseen by a Project Director.

6.3 Project Team

All members of the Project Team will be responsible for assisting the Project Manager in the risk management process. This includes the identification, analysis and evaluation of risks and continual monitoring through out the project life cycle.

APPENDIX A: <PROJECT TITLE> RISK REGISTER (AS AT DD/MM/YY)

Rating for Likelihood and Seriousness for each risk			
L	Rated as Low	E	Rated as Extreme (Used for Seriousness only)
M	Rated as Medium	NA	Not Assessed
H	Rated as High		

Grade: Combined effect of Likelihood/Seriousness					
	Seriousness				
Likelihood		low	medium	high	EXTREME
	low	N	D	C	A
	medium	D	C	B	A
	high	C	B	A	A

Recommended actions for grades of risk	
Grade	**Risk mitigation actions**
A	Mitigation actions, to reduce the likelihood and seriousness, to be identified and implemented as soon as the project commences as a priority.
B	Mitigation actions, to reduce the likelihood and seriousness, to be identified and appropriate actions implemented during project execution.
C	Mitigation actions, to reduce the likelihood and seriousness, to be identified and costed for possible action if funds permit.
D	To be noted - no action is needed unless grading increases over time.
N	To be noted - no action is needed unless grading increases over time.

Change to Grade since last assessment			
NEW	New risk	↓	Grading decreased
—	No change to Grade	↑	Grading increased

<Project Title> - Risk Register (as at dd/mm/yy)

Id	Description of Risk	Impact on Project (Identification of consequences[1])	L[2]	S[3]	G[4]	Change	Date of Review	Mitigation Actions (Preventative or Contingency)	Individual/ Group responsible for mitigation action(s)	Cost	Timeline for mitigation action(s)	WBS[5]
<n>	*<A "newspaper headline" style statement. Also identify relevant triggers that may cause the risk to be realised.>*	*<Describe the nature of the risk and the impact on the project if the risk is not mitigated or managed>*				*<Change in Grade since last review>*	*<Date of last review>*	*<Specify planned mitigation strategies:* • Preventative (implement immediately); • Contingency (implement if/when risk occurs).>	*<Specify who is responsible for undertaking each mitigation action(s)>*		*<Specify timeframe for mitigation action(s) to be completed by>*	
<n + 1>												

1 This can be useful in identifying appropriate mitigation actions.
2 Assessment of Likelihood.
3 Assessment of Seriousness.
4 Grade (combined effect of Likelihood/Seriousness).
5 Work Breakdown Structure – specify if the mitigation action has been included in the WBS or workplan.

1	*Steering Committee unavailable* *Triggers include:* • *Steering Committee meetings repeatedly rescheduled due to lack of availability;* • *Members do not attend despite prior confirmation of attendance.*	*Lack of availability will stall progress (ie. delayed decisions will defer output finalisation, extend project timelines and staff resources will be required for longer than anticipated)*	*H*	*H*	*A*	*NEW*	*15/02/06*	*Preventative:* • *Highlight strategic connection - link Project Objective to relevant Agency strategic objectives* • *Confirm 2006 meeting schedule in January* • *Confirm SC membership* • *Widen representation (include other Agencies)*	*Project Manager*	*NA*	*15/03/06*	*Y*
2	*Inadequate funding to complete the project* *Triggers include:* • *Funding is redirected;* • *Costs increase (poor quality materials/ inaccurate cost estimates)*	*Budget blow out means cost savings must be identified – ie. reduce output quality, extended timeframes, outcomes (benefits) will be delayed*	*M*	*M*	*B*	*No change*	*15/02/06*	*Contingency:* *Re-scope project, focusing on time and resourcing*	*Project Manager*	*TBC*	*TBC*	*N*

3	*Staff reject new procedures* *Triggers include* • *Staff don't participate in training (not prepared for new roles);* • *New procedures not applied (work-arounds still used).*	*Rejection means additional time and resources required to achieve successful implementation - ie. some outputs languish; more training is required (additional cost, time delays); potential for 'falling back into old ways' (more change mgt required); loss of credibility for project (perception of failure).*	*H*	*H*	*A*	*NEW*	*15/02/06*	*Preventative:* *Reinforcement of policy changes by management;* *Provide opportunity for staff feedback/input prior to policy/procedure finalisation;* *Develop Training Plan that allows for repeat attendance (perhaps 2 stage training?);* *Identify staff 'champions' to promote adoption of new procedures (buddy system);* *Circulate information to staff that* • *promotes how new procedures have improved processes (eg. 10 steps reduced to 4 steps etc);* • *proportion of staff that have successfully completed the training.* • *Identifies local 'buddies' for troubleshooting.*	*Sponsor* *Project Manager* *Consultant* *Project Manager* *Project Manager*	*NA* *NA* *$3,000* *NA* *NA*	*21/02/06* *21/02/06* *30/03/06* *30/03/06* *30/04/06*	*Y* *Y* *N* *N* *N*

Note: This example is in brief and more detail would be added as required. For example, in larger projects separate documentation might be developed for each major risk providing much more detail regarding mitigation strategies and costings.