

## Appendix I – ICOP Risk Assessment Methodology

### Definitions:

Risk	The possibility of an event occurring that will have an impact on the achievement of business objectives. Risk is measured in terms of impact and likelihood.
Inherent Risk	A risk that exists in the absence of controls.
Residual Risk	The risk remaining after management takes action to reduce the impact and likelihood of an adverse event, including control activities in responding to a risk.
Likelihood	The probability that the underlying risk event will occur.
Impact	The significance or magnitude of a risk event assuming that it has occurred.

### Risk Factors:

#### Factors that affect **Likelihood**:

- The degree of complexity and automation
- The maturity of the department and/or processes
- The effect of external factors and/or interdependencies on other departments/processes
- The degree of judgment and estimates used
- Whether there is a history of issues or errors
- The frequency of transactions within a process
- The nature of the department and/or processes
- The speed to onset of a risk event occurring

#### Factors that affect **Impact**:

- Corporate reputation
- Financial implications at the Corporate Level (materiality)
- Regulatory/Compliance effect
- The degree of Management involvement and effort
- Stakeholder expectations and the degree to which stakeholder confidence has been lost

#### How to Measure Likelihood:

No	Description	Definition
1	Rare	May occur in exceptional circumstances. Frequency: No incidents in the past 15 years. Probability: Less than 5% chance of occurrence.
2	Unlikely	Could occur at some time, especially if circumstances change. Frequency: One incident in the past 5-15 years. Probability: 5% - 34% chance of occurrence.
3	Possible	Might occur under current circumstances. Frequency: One incident in the past 5 years. Probability: 35% - 64% chance of occurrence.
4	Likely	Will probably occur at some time under current circumstances. Frequency: Multiple or recurring incidents in the past 5 years. Probability: 65% - 89% chance of occurrence.
5	Almost Certain	Expected to occur in most cases unless circumstances change. Frequency: Multiple or recurring incidents in the past year. Probability: 90% or greater chance of occurrence.

#### How to Measure Impact:

No	Category	Reputational	Financial	Regulatory	Operational
1	Negligible Impact	Minor Local Coverage, remedied	Less than 10K	Not Reportable	No Impact
2	Minor Impact	Minor local coverage, not remedied	\$10k to 50K	Reportable, no follow up	Minimal disruption
3	Notable Impact	Short term local or regional coverage	50K to 100K	Reportable, immediate correction	Threat to local business & environment, no evacuation, reversible
4	Substantial Impact	Mid term local or regional coverage, short term national coverage	100K to 150K	Reportable, major project to correct	Threat to large business & environment, short term evaluation, long term
5	Threatens the success of the program	Significant long term local, or regional or national coverage	Greater than 150K	Prosecution, fines, litigation, incarceration	Business disruption & environmental damage, long term evaluation, permanent