

Contract Risk Assessment Matrix

The “Contract Risk Assessment Matrix” is to be used to quantify the risk of the undertaking and whether a contract must be reviewed by Legal Services.

If you have any questions regarding any aspect of your contract when it is not mandatory to refer it to Legal Services, you may still seek specific advice from Legal Services about those matters.

“Contract Risk Assessment Matrix” User Guide

So, how do I use the Contract Risk Assessment Matrix?

You will need work out a “Risk Score” for each “Risk” listed in the Contract Risk Assessment Matrix.

A “Risk Score” for a “Risk” is generated by multiplying the applicable “Consequence Rating” with the applicable “Likelihood Rating” listed in the Contract Risk Assessment Matrix.

Therefore the Risk Score = Consequence Rating x Likelihood Rating.

Now what? What do I do with the Risk Scores?

If the Risk Score for a single Risk is 5 or above: your contract will require legal review.

If the Risk Score for every Risk is 4 or below: your contract will not require legal review.

To be clear: Each Risk will need to be evaluated *independently*. The Risks bear no relation to each other. There is no “sum total” score that you need to calculate by adding up the Risk Scores. If *one* Risk Score is 5 or above, your contract will require legal review.

ASSESSING WHETHER YOU CONTRACT NEEDS LEGAL REVIEW

		RISKS			
		Financial Impact. What is the worst case scenario financial impact on VU? (at a <i>minimum</i> , this will be the contract amount)	People	Reputation	Business/ Infrastructure
CONSEQUENCE RATING	Catastrophic 5	>\$1m impact	Possible fatality Intensive care hospital treatment Severe irreversible disability Long term hospitalisation	Long term reputation affected internationally & nationally Ongoing negative media coverage Industry abandons links to VU	Severe business interruption to a business unit or College greater 6 weeks
	Critical 4	>\$500k - \$1m impact	Long term injury Short term hospitalisation	Negative media coverage in state, national or international media Govt. agency question or enquiry	Major business interruption to a business unit or College between 4 - 6 weeks Loss of a genuine opportunity to commercialise VU generated IP
	Significant 3	>\$100k - \$500k impact	Minor injury requiring treatment with minor loss of time	Student body and/or community concern Industry review links to VU	Business interruption to a business unit or College between 2 - 4 weeks with a significant impact on service Final contract may not allow VU to achieve its necessary ends
	Disruptive 2	>\$25k - \$100k impact	Injury requiring first aid	Issues raised by local press Issue raised by more than directly affected students Industry concerns	Business interruption to a business unit or College between 1 - 2 weeks with a significant impact on service (despite any interim work-around)
	Minor 1	Up to \$25k impact	No injury.	Public awareness but little public concern Issue resolved promptly by management	Business interruption to a business unit or College up to 1 week with negligible impact on service

LIKELIHOOD RATING (how likely is the Risk to impact VU)	Not applicable or Rare (0-10%) 1	Unlikely (10-40%) 2	Possible (40-60%) 3	Likely (60-90%) 4	Almost Certain (90-100%) 5

Ok, let's use the Risk Matrix!

Risk Score for Financial Impact: (Consequence Rating) x (Likelihood Rating) = ____

Risk Score for People: (Consequence Rating) x (Likelihood Rating) = ____

Risk Score for Reputation: (Consequence Rating) x (Likelihood Rating) = ____

Risk Score for Business/Infrastructure: (Consequence Rating) x (Likelihood Rating) = ____

If the Risk Score for a single Risk is 5 or above: your contract will require legal review. If the Risk Score for each Risk is 4 or below: your contract will not require legal review.