



The risk ranking of projects: a methodology

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Abstract

Project risk management literature commonly describes the need to rank and prioritise risks in a project in order to focus the risk management effort on the higher risks. This approach can also be applied to the risk ranking of projects. This paper describes the use of a methodology for the risk ranking of projects undertaken by the Department of Contract and Management Services (CAMS) — a government agency in Western Australia (WA). © 2001 Elsevier Science Ltd and IPMA. All rights reserved.

Keywords: Project risk management; Risk analysis; Risk ranking

1. CAMS: introduction

The Department of Contract and Management Services (CAMS) is the agency that provides contracting services to Western Australian Government agencies. The mission of CAMS is “to enable Western Australian public sector agencies and the private sector to gain access to expert contract and management services for government business” [1]. A key role of CAMS is to manage contracts and procurement risks. The scope of projects dealt by CAMS in 1996/97 included the management of a capital works program of \$A221m and a building maintenance program of \$A94m; and calling 224 contracts for goods and services on behalf of agencies with a contract value of \$A123m [2].

2. CAMS and risk management: historical context

The risk management process created by CAMS and described herein is consistent with recommendations made in various Western Australian Government reports. During the late 1980s and early 1990s, public confidence in many Australian institutions had been severely eroded. There had been an increase in allegations of mismanagement, incompetence, improper behaviour, corporate fraud and public corruption. The

credibility of the public sector and its services, and much of the private sector, was at risk [3].

In June 1993, the WA Government published its “Report of the Independent Commission to Review Public Sector Finances — Agenda for Reform”, known as the “McCarrey Report” [4]. This observed that “there appear to be few internal control processes which embrace the perspective of risk management in ensuring objectives are achieved” (p. 159). Consequently, it recommended that formal risk assessment be introduced into the WA public sector.

In 1994, the Auditor General issued its First General Report that contained a wide range of comments on public sector risk management [5]. It recommended that the McCarrey recommendation to implement internal controls be urgently implemented. Furthermore, it recommended that government agencies assess risks associated with their activities and initiate risk management approaches to minimise identified risks. Finally, Treasurer’s Instruction 109 gazetted in July 1997 stated that public sector agencies should ensure that risk management policies, practices and procedures are in place [6].

3. Risk analysis

It is commonly submitted in the risk management literature that part of the project risk management process requires the analysis of identified risks in terms of their

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PROCESS RELATIONSHIP CHART

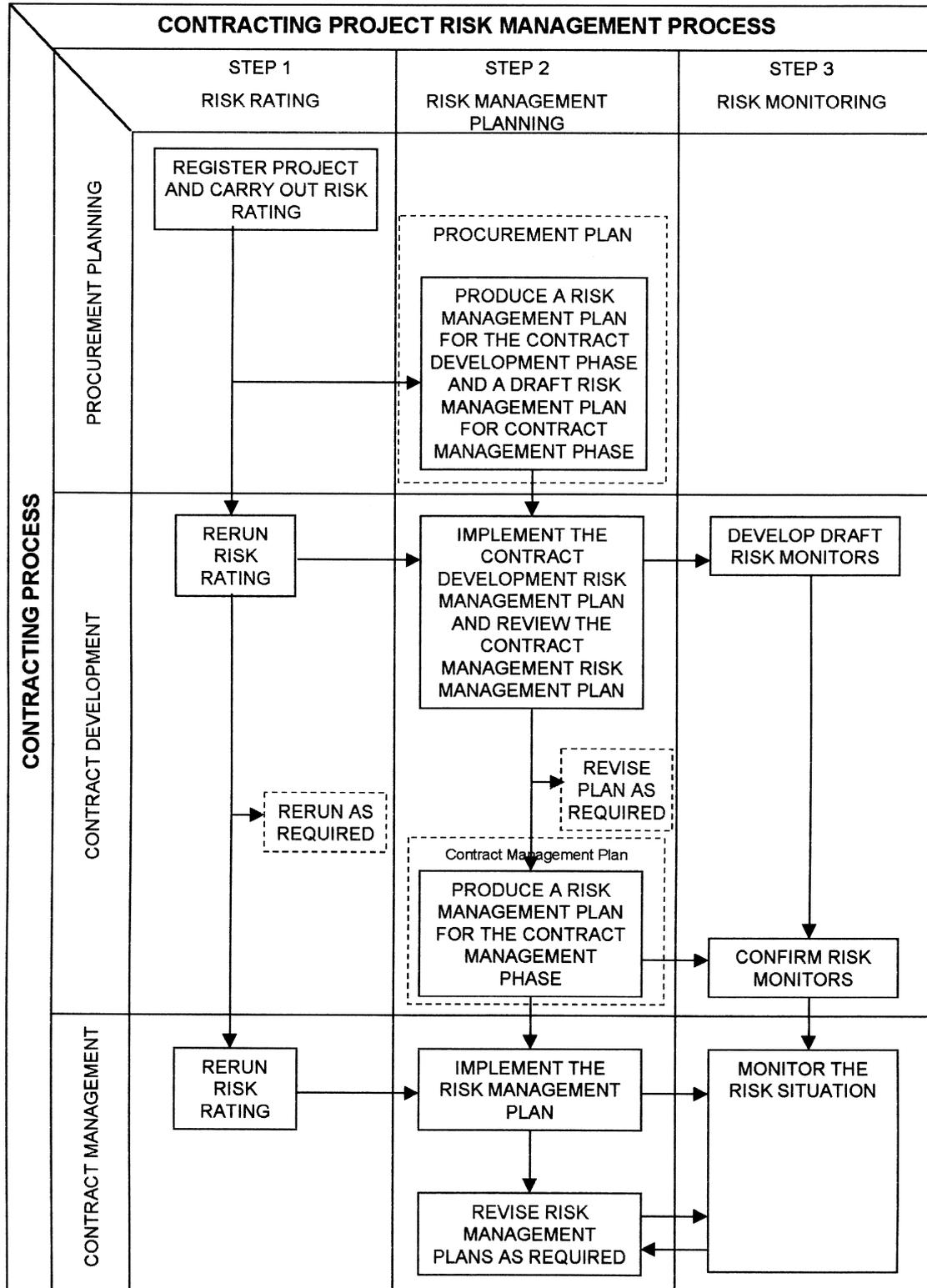


Fig. 1. Project risk rating: framework.

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