Risk Management Toolkit

A resource for arts organisations

July 2014

ⅲ Workbase

Contents

Q Theatre, Rangatira
Photographer, Nigel Roberts

"Risks are uncertain future events that could impact on the organisation's ability to achieve its objectives."

Getting on Board, A governance resource guide for arts organisations, prepared by Graeme Nahkies for Creative New Zealand, Revised Edition, 2014.

Introduction

Purpose

Creative New Zealand commissioned this Risk Management Toolkit (Toolkit) to help managers and administrators in New Zealand arts organisations to develop or improve their risk management practice.

Risk, uncertainty and change exist for every organisation. You can be better prepared and reduce the likelihood of harm to your organisation and community through risk management.

Background

This Toolkit is designed to be read alongside *Getting on Board: A governance resource guide for arts organisations*[1]. *Getting on Board* includes a strategic risk management framework for the boards of arts organisations. This Toolkit is to help managers and administrators to develop and implement a risk management framework as agreed by their Board. If you don't have a Board or a senior management team, this Toolkit can still be applied.

This Toolkit was developed as a result of a self-assessment survey of the arts sector that identified areas of high and low capability. It is a practical guide for the arts sector.

Definition of risk management

> *"Risks are uncertain future events that could impact on the organisation's ability to achieve its objectives."*[2]

This Toolkit and *Getting on Board* are aligned with Standards New Zealand's Risk Management Standard ISO 31000:2009, in which risk is defined as the 'effect of uncertainty on objectives'. Risk is the chance of something happening that will have an effect on your organisation, such as:

- your funding or financial results

- the successful completion of an event or project

- your goals, objectives or reputation

- your people including staff and volunteers or stakeholders (community, cultural groups, interest groups, sponsors, funders and Board).

Risk management is taking a planned approach to identify, analyse and manage risks in your organisation. This Toolkit gives you a range of processes and information to take a planned approach – described in the Toolkit as a Risk Management framework.

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[1] Section 9, pages 56 - 61, *Getting on Board, A governance resource guide for arts organisations*, prepared by Graeme Nahkies for Creative New Zealand, Revised Edition, 2014, Wellington.

[2] Page 56, *Getting on Board, A governance resource guide for arts organisations*.

The benefits of risk management

A risk management framework will help your organisation to identify its risks and to make plans to reduce potential negative impacts, and to improve the likelihood of beneficial outcomes.

Good risk management practices will:

- help your organisation identify and manage risks effectively

- reduce uncertainty by anticipating and preparing for possibilities and outcomes

- reduce the chance that something will go wrong and reduce the impact if it does go wrong

- improve the organisation's performance.

For example, applying good financial risk management practices will reduce the risk of losing money and improve the financial position of the organisation.

The five-stage risk management process

The Toolkit has a five-stage process to establish a risk management framework in your organisation.

Using the five stages you will be able to put in place a risk management framework which will have two key documents:

- Risk Management Policy - including responsibilities for monitoring and reporting on risks and updating the system.

- Risk Register and Management Plan - which records your risks and how you will manage them.

The five-stage process can be used to review your organisation's existing risk management processes. Parts of the five-stage process can also be used to identify and manage risks for specific events or projects.

Five-stage Process:

1	2	3	4	5
Create a Risk Management Policy	Understand your Risk Factors	Define Your Risks	Manage Your Risks	Monitor and Review
Document your organisation's risk management intentions, objectives and responsibilities.	Identify your internal and external stakeholders and how they influence and affect the achievement of your organisation's purpose.	Identify your risks and rate their probability and impact.	Decide how you will manage the risks, who will be responsible, and how the plan will be implemented.	Continue to manage your risks and review your risk management.

Stakeholder engagement and participation

Auckland Art Gallery Toi o Tāmaki
Creative Learning Centre, Family Drop-in (2014)

"By planning for unexpected events, you can be ready to respond if they arise."

Neil Semple, Christchurch Art Gallery, Te Puna o Waiwhetu

Planning and Preparation

Introduction

If you do not have a process to manage risk in your organisation you need to plan your approach. Spend time planning to make sure you have the right people involved in order to achieve the outcomes you seek.

There are a number of stages so you need to be clear who will lead and manage your process to create and implement risk management. This includes which stakeholders should be involved in the process, how you will get your stakeholders to participate and how your *Risk Management Policy* and your *Risk Register and Management Plan* will be approved and put into practice.

Who is responsible for risk management?

Boards are accountable for their organisations' performance so they need to ensure that their organisations have effective risk management. The Board could be thought of as the owner or sponsor of the project to establish risk management in your organisation. The Board sets the direction for its organisation's risk management and will approve the completed *Risk Management Policy* and the *Risk Register and Management Plan*. The Board also decides what risk management it will review, monitor and receive reports on, which can be recorded in the *Risk Management Policy.*

Chief Executives lead and implement their organisations' development and implementation of risk management including the framework, the *Risk Management Policy* and the *Risk Register and Management Plan.* The Chief Executive reports to the Board on the management of risks and the review of the framework.

Day-to-day management of risk is an organisation-wide responsibility.

Start your planning

You could treat the development of your risk management framework as a project, with a project leader and team members. Another approach is to create a Risk Committee to lead the process or you could make the project the responsibility of the Chief Executive reporting to the Board Chair.

Questions to help you plan:

- Who needs to be involved in the team developing your risk management?
- How will they be involved?
- When will they be involved?
- Who will lead the project?
- What information will the team need access to?

- What is the timeframe to complete the *Risk Management Policy* and the *Risk Register and Management Plan*?

- What communication and engagement with stakeholders is needed?

- At what stages do your *Risk Management Policy* and *Risk Register and Management Plan* need to be reviewed and by whom?

- When will the *Risk Management Policy* and the *Risk Register and Management Plan* be reviewed and signed off by the Board?

Involving the people in your organisation

Involving stakeholders in your risk management planning and thinking helps to create a risk management culture. Everyone in the organisation needs to be aware of their roles and responsibilities and the processes for managing risks.

Involve employees in the process of developing a risk management framework to help improve their understanding and preparedness to manage the risks they face every day.

Have a plan for how you will communicate with and engage employees, and how they can participate and provide feedback.

Treaty of Waitangi and recognising all New Zealanders

All arts organisations need to work with the culturally diverse communities they serve. Māori hold a unique position as tangata whenua in New Zealand. Creative New Zealand is committed to the Treaty of Waitangi, and the impact and relevance of a bi-cultural environment. Creative New Zealand also recognises the role of Pacific Island peoples and the cultural diversity of the people of New Zealand.

Questions to help your Board and managers consider the application of the Treaty of Waitangi:

- How are we working with local iwi and hapu?

- How do we involve Māori in governance roles?

- How are culture and tikanga (customs and practice) reflected appropriately in the work that we do?

- How do we make sure that our services and systems do not inadvertently disadvantage Māori?

- How do we make sure that Māori employees and others we work with are given equality of opportunity, and work in environments that feel safe and nurturing for them?

Questions to help you practically apply the Treaty of Waitangi in managing risk:

- How do we ensure that Māori stakeholders (employees, members, visitors) are culturally 'safe' and respected?

- How do we provide an environment which is welcoming and appropriate for Māori?

- Do we understand the impact of our activities on Māori?

- How do we ensure that Māori stakeholders contribute to our identification and management of risk?

- How do we train and support our people to know, recognise and use tikanga (customs and practices), and to correctly spell and pronounce people and place names in te reo Māori?

For more information about working with the Treaty of Waitangi see
http://workplacewellbeing.org.nz/mana-mahi-resource/workplace-wellbeing-guide-6-working-with-te-tiriti-o-waitangi/

Create a Risk Management Policy

Southern Sinfonia, *Bella Hristova* **Rehersal (2014)**
Photographer, Pieter du Plessis

"A Risk Management Policy makes risk clear for everyone in the organisation to understand."

Anna Gardner, Interim Director, Artspace (Aotearoa) Trust

Stage 1: Create a Risk Management Policy

Purpose

A *Risk Management Policy* is a record of your organisation's intentions, objectives and commitment to managing risk. The policy establishes the direction and informs and guides the way in which risks are managed.

A *Risk Management Policy* is a governance policy so the Board will be involved in its development, approval and ongoing review. The Chief Executive may involve managers, key operational employees and representatives of member or volunteer groups (as applicable) to obtain their input. This also helps grow understanding about risk and commitment to the *Risk Management Policy*.

> "On a regular (at least annual) basis a Board should examine the key risks facing the organisation. In terms of its stewardship role it must ensure that those risks that have the greatest impact on the organisation and the most probability of occurring are adequately covered by policy."
> Pg. 44 *Getting on Board: A governance resource guide for arts organisations*

What should be in your *Risk Management Policy*

A *Risk Management Policy* should contain information about:

- the organisation's intentions for managing organisational risks and event or project related risks

- the links between the organisation's objectives and policies and risk management

- compliance with legislation and regulations

- who will be responsible and accountable for aspects of risk management

- the performance measures for risk management

- when key activities, including reviews will be undertaken

- how risk management will be reported.

See Appendix A for a sample *Risk Management Policy*

Refer to Section Five: Policy Leadership in *Getting on Board: A governance resource guide for arts organisations*, Revised Edition

Understand your Risk Factors

Neil Dawson, *Spires*, Latimer Square, Christchurch (2014)
Photographer, Geof Wilson

"Building good relationships with stakeholders, staff and local business was crucial to the success of our event."

Marian McCurdy, Free Theatre Christchurch

Stage 2: Understand your Risk Factors

Purpose

In Stage 2, you need to review how your internal and external environment affects your organisation to become more aware of the underlying influences and causes of risks.

As you review your organisation's purpose and objectives and identify your internal and external stakeholders, you will identify how stakeholders and other factors have an influence on, and affect your organisation's achievement of its purpose.

Understand the underlying causes of risk

Risk is the result of a range of factors. Even though it is possible to immediately identify some common risks using idea generation processes such as brain storming and mind mapping, it is important to consider all risk factors and to build an understanding about the causes of risk. In this stage of the process there are tools and questions to make sure you consider the relationships, contributors and influences on your organisation that cause risk.

The process to identify and understand your risk factors can be done in a group (say between three and eight people). In a small organisation you may want to involve all internal stakeholders. In larger organisations a committee or the management team may be involved in identifying risk factors.

List your organisation's purpose, aims and objectives

Start by discussing your organisation's purpose and goals and what is necessary for your achievement of those. Your structure, membership, key activities and ways of operating also affect how your organisation achieves its purpose.

Look at documents you have that describe your organisation's purpose, objectives, goals and values. For example, strategic or business plans, annual reports, event plans or funding proposals.

Review those documents and involve your stakeholders as needed to write a list of your core purposes, objectives and activities.

Consider your relationship with stakeholders

Your stakeholders are all the internal and external people and organisations that are involved in, or influence your organisation's operation and achievement of objectives.

Your stakeholders influence your organisation's risks through the potential impact that any change in their contribution could have. For example, if the priorities of your main sponsor or funder change, you may face a financial risk. Being reliant on volunteers may be a risk if fewer people choose to volunteer.

Look at any analysis identifying your strengths, weaknesses, threats and opportunities (SWOT) that you have to inform this stage.

Add other stakeholders your organisation has to the list below.

Internal stakeholders:

- board members

- management team

- employees

- volunteers.

External stakeholders:

- audience, visitors and patrons

- advertisers, media and sponsors

- funders

- members

- public and community

- iwi

- contractors and suppliers

- local government (councils / territorial authorities)

- central government (ministers, crown agencies, SOE, regulators etc)

- similar or competing organisations

- emergency services.

The implications of external and internal stakeholders

Some relationships, such as with major funders, may be more important than others so consider the effect on the organisation if there was a significant change in any of the stakeholder contributions. The greater the influence the more important this factor or stakeholder is likely to be when you are identifying risks in the next stage.

Ask participants in the group to discuss how your stakeholders affect or influence your organisation's operation and achievement of objectives and what is the importance and possible consequence of the influence. The answers to some questions may involve research.

Give everyone in the group a copy of the *Stakeholder and Other Risk Factors* template.

Appendix B: *Stakeholder and Other Risk Factors* template

Use the questions below to identify risk factors in relation to each of your stakeholders. Write down your conclusions about each stakeholder and its influence on the *Stakeholder and Other Risk Factors* template.

Questions to help you identify risk factors:

- What relationships do you have that are necessary for your organisation to operate successfully?

- What relationship does the organisation have with those stakeholders, what do they contribute and how important are these?

- How do those stakeholders effect or influence your organisation's achievement of its purpose (or the achievement of an event or project)?

- What changes or trends may affect your stakeholders or your operation?

- What perceptions do your external stakeholders have about your organisation and your activities?

- What are your contractual relationships and obligations?

- What laws, regulations, rules or standards apply to your organisation?

To help you think about your legal responsibilities see Appendix D.

Appendix D: *Legal Responsibilities*

Reviewing common risk categories

To expand and confirm your list of risk factors you can also use the *Risk Categories and Factors* in Appendix C as a prompt to identify more risk factors. Read the list and discuss how the factors in each risk category might affect your organisation.

As you identify other risk factors add them to the *Stakeholder and Other Risk Factors* template.

Appendix C: *Risk Categories and Factors*

At the end of Stage 2 you will have a list of stakeholders and other factors and their importance to the organisation in relation to your achievement of your purpose and goals. This information is used in the next stage as you define your risks.

Define your Risks

Auckland Theatre Company, *Good Soul of Sichuan* **by Bertold Brecht (2014)**
Photographer, Chris Sisarich

"Good research is an essential part of your risk management."

Barbara Glaser, CEO, Auckland Philharmonic Orchestra

Stage 3: Define your Risks

Purpose

In Stage 3 you identify your organisation's risks and consider what might go wrong and the consequences if something does go wrong.

Identified risks are rated by considering the probability and impact. The probability is the likelihood that a risk will happen. The impact is the potential severity of the consequences if the risk does happen.

Rating the probability and impact of each risk, using the criteria provided, produces a rating for the level of risk. The risk ratings help you prioritise your risks. The identified consequences help you to decide where to focus your risk management and how you will manage the risks in Stage 4.

As you define your risks in this stage you will enter the information onto the *Risk Register and Management Plan* template. When this template is completed it becomes your *Risk Register and Management Plan.* This is your record of all risks and how they will be managed.

Identify and rate your risks

The process to identify and rate your risks can be done in a group (say between three and eight people). In a small organisation you may want to involve all internal stakeholders. In larger organisations a committee or the management team may identify and rate risks. When you have a draft, you can get feedback or confirmation from the Board or others as needed.

Ideally, get input from individuals with knowledge about particular risks. For example, your accountant, finance committee, or auditor can help you identify your financial risks.

Identify and record your organisation's risks

Give all participants in the group identifying and rating your risks a copy of the *Stakeholder and Other Risk Factors* template completed in Stage 2.

Ask participants to consider the risk factors on the template, one at a time. For each risk factor discuss the questions on the next page to identify what could go wrong.

As you do this make decisions about which factors are potential risks.

Write each risk on to the *Risk Register and Management Plan* template provided in Appendix F, in the column labelled *'Identified Risk'.*

Questions to help you identify risks:

- What could go wrong in relation to this risk factor?
- Has it happened before, and what did we learn?
- What is already in place?
- What could change in relation to each risk factor?
- What could harm people?
- What legal obligations could we be at risk of breaching?
- What might a change in central or local government mean?
- What might a natural event or disaster mean?
- What might affect our assets or systems?

For more questions to help you identify risks for events, see Appendix E: _Risk Identification Questions_

For each risk you identify ask:

- What would be the possible consequences to the organisation if the risk were to occur?

Write your conclusions about the possible consequences under the column heading – _'Potential consequences'_ on the _Risk Register and Management Plan_ template.

See Appendix F: _Risk Register and Management Plan_ template

Risk categories

There are a number of ways you can categorise your risks. Categorise your risks in the way that makes sense to your organisation.

Write the risk category for each risk onto the _Risk Register and Management Plan_ template under the column heading: _'Category'_.

Rate your organisation's risks

Risks are rated in this framework using criteria that assess probability and possible impact to determine a low, medium or high level of risk. Sometimes it isn't easy to be certain about these factors. If you decide later that something is probably going to happen more often, or have a different impact, you can go back and review your rating.

Use the following three steps to rate each risk you have identified and to calculate the risk level for that risk.

Step one: Score the probability

Consider the probability or likelihood that each risk you have identified may occur, using the criteria below to support consistency as you score probability. Record the level under the column heading – 'Probability' on your Risk Register and Management Plan template.

Criteria to score probability	Level
The risk is likely to occur. There is frequent exposure to the risk. There are external influences that make managing this risk ineffective.	High
The risk will possibly occur. There is an exposure to the risk. There are external influences that make managing this risk difficult.	Medium
The risk is unlikely to occur. There is a low exposure to the risk.	Low

Step two: Score the possible impact

Consider the possible impact that the risk would have if it did occur, using the criteria below to support consistency as you score impact.

Disregard any existing risk management you have in place for the risk. Score only on the possible impact of the risk to the organisation. Risks may also affect individuals or the community, but such impacts are not part of this assessment.

Record the level under the column heading – 'Impact' on your Risk Register and Management Plan.

Criteria to score impact	Level
The impact on the organisation is extremely serious. Disruption to organisation longer than short term. Requires intervention by the Board/CEO.	High
The impact on the organisation is serious. Disruption to organisation short term. Requires action by manager.	Medium
Little or no impact to the organisation. May require attention by manager.	Low

Step three: Calculate the risk level

Use the risk map below to determine the overall risk level for each risk. For example, a risk with a probability score of medium and an impact score of low achieves a risk level of low on the risk map.

Record the risk level under the column heading – *'Risk level'* on your *Risk Register and Management Plan* template.

Risk Map:

		Low	Medium	High
Probability	High	Medium	High	High
	Medium	Low	Medium	High
	Low	Low	Low	Medium
		Low	Medium	High
			Impact	

When you have rated all your risks and completed the left hand side of your *Risk Register and Management Plan* template, you can see the level of all your risks. You can prioritise the highest rated risks and can sort them in order of importance to your organisation.

In Stage 4 you will use this prioritised list of risks and the information about potential consequences to make decisions about how you will manage these risks.

Your Board and/or Chief Executive should review the information in your *Risk Register and Management Plan* before you continue to the next stage.

Manage your Risks

Silo Theatre, *Sunday Roast* **by Thomas Sainsbury (2014)**
Malmo Photography

"We've learnt the value of making sure we have the right insurance."

Marianne Hargreaves, Executive Director, WORD Christchurch Trust

Stage 4: Manage your Risks

Purpose

In Stage 4 you identify your options for managing your risks and complete your *Risk Register and Management Plan*. The ways you can manage risk are sometimes called controls. There are four options that can be used to manage a risk:

- avoid the risk

- reduce the risk

- share the risk

- accept the risk.

Only some of these options will work in managing a particular risk, and some risks are managed using several options in combination.

In this stage you also identify who will be responsible for implementing the decisions you make to manage or control your risks. This may include developing action plans to complete identified tasks.

The decisions that you make about how you will manage each risk is a reflection of your organisation's risk tolerance. The Board and your Chief Executive should review and sign-off the *Risk Register and Management Plan,* and approve any resources and costs to make the plan happen and for its ongoing monitoring and review.

Options for managing risks

First read the following sections about the four options for managing risk, so you understand your choices.

Avoid the risk

Avoiding a risk is considered when the consequence of a risk is too much for your organisation to accept, but you cannot easily reduce or share the risk. Avoiding might involve:

- not undertaking the activity that would create the risk

- engaging in an alternative activity

- removing the source of the risk.

If you decide to take action to avoid the risk, you need to consider what the potential consequences of that decision are for the organisation.

For example, an art gallery is given the opportunity to display the works of a controversial artist to the public as part of their annual fundraising which is the major source of income for the organisation. As part of reviewing the risk the organisation considers:

- Is the use of a controversial artist and taking artistic risks aligned with the organisation's purpose and objectives?

- What would be the potential financial impact if controversy or negative publicity meant that its main sponsor withdrew financial support?

- What would be the potential financial benefit if public attendance increased or declined due to publicity about the artist?

The gallery decides that the potential financial impact of the withdrawal of its main sponsor is far greater than any potential benefits. The gallery decides to display the works of a different artist even if that means reduced income from public attendance. If the organisation's objectives had included taking artistic risks and the sponsor supported that vision, the gallery may have decided to stay with the controversial artist.

Reduce the risk

Reducing risk is about decreasing the likelihood that something will happen, and/or reducing the impact that the risk would create if it were to happen.

Reducing risk may include developing policy and procedures, getting specialised advice, or arranging alternative suppliers. For example, developing procedures for volunteer management including recruitment, training and retention of volunteers will reduce the risks of high volunteer turnover and health and safety incidents.

Even with plans in place to reduce the likelihood that a risk will happen, it is still possible that an event or incident may happen. Your controls should also include a response plan or actions to reduce the impact if an event or incident occurs.

To reduce risks, find out about and utilise good practice for that activity in the arts sector. Talk with well established organisations and ask how they manage their risks.

> **See Appendix G: *Other Resources* for a list to help you find good practice resources for managing risks**

Share the risk

Sharing risk is done by letting someone else bear some of the risk for you by:

- using a third party to complete a specialist or difficult activity

- using insurance

- limiting your liability by using waivers and disclaimers.

If you share risks by using a third party you need to know that the other party is able to manage the risk. Any third party needs to be competent and suitably qualified.

Check that your insurer and your insurance policies are suitable and will cover your specific risks and that claims are likely to be paid out and will leave you in an acceptable position.

You cannot share legal or regulatory risks. Waivers and disclaimers cannot be used to avoid statutory obligations. Always seek legal advice when developing and intending to rely on waivers or disclaimers.

Accept the risk

If the level of risk is rated as low or is considered acceptable to the organisation, you can decide to accept the risks in their current form. There are not many situations where a prudent organisation would accept a risk that might have a significant impact.

For example, a theatre company established to promote and nurture new work, accepts the risk in producing a play by an unknown but talented playwright, whereas another theatre company would not[3].

There are some risks that your organisation will have no control over such as an economic downturn or a change of government. You can consider how you might reduce or share the impact.

Decide how you will manage risks

The process to decide how you will manage your risks can also be done in a group which should include the managers of the areas the risks affect.

Give each participant the *Risk Register and Management Plan* completed in Stage 3, which includes the rated risks.

Ask participants to discuss the ways you manage each risk now and the controls you already have in place. Make notes on your *Risk Register and Management Plan* about those existing controls.

Discuss and identify other options to manage each risk using the questions below.

As you discuss the options, also consider the benefits that the organisation or the stakeholders get from the activity that the risk relates to. Think about whether the options would create further risks or unintended consequences.

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[3] Page 58, *Getting on Board; A governance resource guide for arts organisations.*

Questions to assess risk management options:

- How adequate are our current ways of managing this risk?
- Is more than one option necessary to reduce the risk to an acceptable level?
- Does the option reduce the risk but also reduce our opportunities?
- How do the costs of an option weigh up against its benefits?
- Does the option fit with the values and expectations of stakeholders?
- Has the risk been reduced to an acceptable level? (Re-score the risk if you want.)

Write your decisions about how you will manage the risk into the column – '*How we manage this risk*' on your *Risk Register and Management Plan* as you complete your assessment of options.

Do your intended ways to manage the risk now make the risk level acceptable to the organisation?

To check if your identified options to manage a risk are suitable, re-rate the risk and calculate the risk level, assuming that the options are in place (using the steps in Stage 3 again).

If not, ask what else can you do that will further reduce the impact. Seek external advice or assistance if needed.

Complete the remaining columns on the *Risk Register and Management Plan*. In the column *'Who is responsible'* note the person who will ensure that the controls or actions to manage that risk will be carried out. Your risk management is dependent on the controls you identify being put in place and actioned. You may need to develop action plans and gain approval to complete activities or tasks to manage your prioritised risks.

Also discuss what monitoring, measurement, reporting, and review of your risk management is needed. Make recommendations about these to the Board for its decision.

Create an action plan

If this is your first time developing a *Risk Register and Management Plan,* there are likely to be further research and activities that are required to manage your identified risks. You might need to decide which actions you need to complete first, given resource, time or budget constraints and the level of the risks.

Activities to manage your risks may include developing or updating policies or procedures, reviewing insurance or other tasks to manage identified risks effectively. An action plan to complete activities or tasks should include:

- what the activities and tasks are
- what resources are required (including time or budget)
- who is responsible for completing the activities
- when the activity will be completed by
- what reporting will be done.

Approval and sign off

Because the Board is accountable for the organisation's performance the Board needs to review and sign off decisions about all risk treatments and controls, including the decision to accept some risks.

The Board and/or Chief Executive are likely to need to approve:

- The *Risk Register and Management Plan* including the proposed approaches to the management of risks.

- The resources and costs to complete the activities and tasks in the action plans.

- The ongoing reporting, monitoring, measurement and review of your risk management.

- The communication of the risk management.

Communicate the risk plan

Tell everyone in your organisation, and if applicable external stakeholders, how you will manage risks and if they need to be involved, what they need to do.

Questions to help you communicate about your risk register and management plan:

- Who needs to know what has been decided?

- Whose co-operation is required?

- Whose involvement could have an effect on management of risk?

- Who will you provide the information to and how will it be provided?

Monitor and Review

Whiti Ihimaera, The Banff Centre (2013)
Photographer, Rita Taylor

"We've found a traffic light system is highly effective for reporting to the Board."

Elisabeth Vaneveld, Executive Director, The Big Idea Charitable Trust

Stage 5: Monitor and Review

Purpose

Stage 5 covers how you monitor and review your development and completion of your risk management framework contained in the two key documents:

- *Risk Management Policy* (which includes responsibilities for monitoring and reporting on risk management).

- *Risk Register and Management Plan* (your risks and how you manage them).

Once your risk management framework is in place there is an ongoing need to monitor, report and review your management of risks regularly and after any incident.

Monitoring is how you continually check, supervise, and track the progress of an activity so you know whether it is happening as you expect. This checking is best done against agreed measures, objectives or an expected level of performance.

Reviewing your *Risk Management Policy* and your *Risk Register and Management Plan* should consider how fit-for-purpose they are (adequate, suitable and effective).

Effectiveness of the risk management framework includes how well your organisation keeps up with change and uncertainty in your environment, and how it manages the organisation's greatest risks and achieves its purpose and objectives.

Where monitoring and review is done by the Chief Executive, a committee or others in the organisation, the results should be reported to the Board.

Monitoring and review during the establishment of a risk management framework

As you are working through this Toolkit to develop your risk management framework, you should monitor and report your progress, at agreed times and against agreed milestones to the Board and/or the Chief Executive.

The Board and/or Chief Executive may wish to review and approve elements of the framework as it is developed to ensure that the end results and the documents produced (the *Risk Management Policy* and the *Risk Register and Management plan)* will meet expectations.

Reporting during the establishment of the framework would include getting feedback about the draft *Risk Management Policy* and the *Risk Register and Management Plan,* as well as advising about unexpected delays or difficulties.

For example, when you have completed Stage 3 you could seek management and Board review and agreement to the risks that have been identified, and again after Stage 4 to approve the proposed approaches to the management of risks.

The Board and/or Chief Executive are also likely to need to approve the time or money required to complete action plans, such as developing policies or procedures or other activities to manage some identified risks.

Ongoing monitoring and review of your management of risks

There are several reasons why you monitor and review your management of risks.

Monitoring tracks progress so you can report to the Board, management team, and possibly key external stakeholders about how the system is working. This enables the Board, which is accountable for the organisation's performance, to verify that risk is being managed appropriately. This includes the risk management framework being robust, fit for purpose and achieving the performance measures that were agreed (and are listed in your *Risk Management Policy).*

As the environment is continually changing, it is good practice to regularly review both the *Risk Management Policy* and the *Risk Register and Management Plan* to make sure they are still fit for purpose.

When there has been an incident involving a new or an identified risk, it is good practice to review the contributing causes of the incident and to also review your *Risk Register and Management Plan.*

Monitoring and reviewing your Risk Management Policy

The regular (desirably annual) review of the *Risk Management Policy* should be approved by the Board because this is a governance policy. It is good practice to involve and obtain input from the Chief Executive and possibly other stakeholders.

If there has been an incident not covered by the *Risk Management Policy*, or if other factors have changed, the policy should be updated.

Monitoring and reporting on your management of risk

Your *Risk Management Policy* should include the performance measures you will use to manage risk and who is responsible for aspects of risk management. Monitoring and reporting on your risk management should be based on these agreed performance measures.

Reviewing your Risk Register and Management Plan

The review of your *Risk Register and Management Plan* should be completed each year to re-evaluate all the risks that you face, taking into account the changes in your environment, stakeholders and other factors, as well as your plans and processes to manage risks. This would use the process in the Toolkit and involve some of the same stakeholders.

A review of an incident or event

When there is an incident or an event that did not go as planned or that exposes a new area of risk, it is important to review the causes. After the review you may need to complete activities to prevent the identified risk from happening again, and to update your *Risk Register and Management Plan.*

Appendices

Appendix A: Risk Management Policy [sample]

Purpose of this Policy

(Name of organisation) recognises that the nature of our activities and the environment in which we operate expose us to risk. Risks occur in many ways and have the potential to impact or harm our people, community, stakeholders, reputation, finances, operation and success of our organisation. We will effectively manage risk to ensure that our objectives, goals and purpose are achieved.

This Risk Management Policy provides the framework for how we manage our strategic and operational risks.

[*Optional – if you have got the Risk Management Standard and are aligning with it:* This policy aligns with the risk management processes in the New Zealand Standards ISO 31000:2009 Risk Management.]

We will engage with our stakeholders and use our knowledge and understanding to identify our risks.

We will determine the level of risk for our organisation by considering the probability and impact and our purposes and objectives. Risks will be ranked in order of importance.

We will create and maintain a *Risk Register and Management Plan*. The plan will identify how we manage risks.

Events and projects will be included in our risk management.

Roles and responsibilities

Ownership of risks and how they will be managed will be assigned to relevant people or groups within our organisation to provide assurance to the Board and our stakeholders.

The Board or a group nominated by the Board (e.g. an Audit and Risk Committee) will oversee and approve the organisation's risk management including the effectiveness of the *Risk Management Policy* and the *Risk Register and Management Plan*. A formal review will be completed every year /every two years.

The Chief Executive will review and report to the Board every six months about the management of risk and will include any additions to the *Risk Register and Management Plan*. The Chief Executive will report to the Board annually about how risk is communicated to stakeholders. The Chief Executive will report to the next meeting of the Board about incidents that occur, and risks to core events that are identified.

Communication and consultation

We will communicate and consult with our stakeholders (internal and external) on our approach to risk management.

Performance measures for risk management

- Risks and incidents are report to the Chief Executive by employees.

- Incidents are investigated and actions identified to manage the risk.

- Incident investigations results are advised to incident stakeholders and the Board (at the next board meeting).

- All event plans have an assessment of risks and a risk management plan appropriate to the event.

- The organisation remains compliant with all applicable legislation.

- We will survey stakeholders to evaluate their understanding about risk management and their participation in managing risk (every two years).

- Completion and reporting of reviews.

Signed: _____

 Chief Executive or Board Chair

(Date established)

(Date for review)

Appendix B: Stakeholder and other Risk Factors

Identify all the internal and external people, organisations and other factors that are involved in, influence, or contribute to your organisation's operation and achievement of objectives.

Who is the stakeholder and what do they do?	Are they internal or external to the organisation?	Why does it matter? *What is the relationship, contribution, or influence of this stakeholder or factor?*	Risk factor *What could go wrong? What would the impact be if the relationship or contribution changed or something went wrong?*
Community Network Alliance, provide funding and resources for not for profit organisations in the Southland region.	*External*	*Provide 50% of our funding for our community projects.*	*If the Alliance chose to reduce funding we could not deliver as many programmes to the community.* *If the Alliance chose to increase funding we would need to get more volunteers signed-up and trained in a short space of time.*
Our community volunteer group of 20 people.	*Internal*	*They deliver our programmes to the local community.*	*If the number of volunteers dropped below 10 we could not deliver programmes to the community.*

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Appendix C: Risk Categories and Factors

Category	Organisational area	Factors
Strategic	Governance *Effectiveness of the governing body and CEO*	• Skills and experience • Directing (setting goals) • Stewardship (monitoring performance and holding management to account) • Leadership • Committees (structure and performance)
	Planning *Achievement of goals and elements of strategy*	
	Stakeholder relationship management	• Sponsors • Funders • Government • Key stakeholders • Iwi
Management	Setting objectives, planning and budgeting, action planning	
	Developing policies and procedures	
	Performance monitoring and management	
	Financial management	• Funding • Accounting and auditing • Investment and fund management
	Staff and volunteer management	• Competency • Recruitment • Retention • Remuneration and reward • Training and development • Performance management • Succession planning
	Suppliers' contract management	• Purchasing • Contract management (suppliers, consultants)
	Asset management	• Purchasing, depreciation and disposal • Maintenance • Buildings, IT, information • Equipment
	Membership management	• Recruitment • Subscriptions • Retention • Satisfaction

Category	Organisational area	Factors
Operational	Event planning and management	• Good event management practice • Compliance with local and central government requirements and expectations • Liaison with local community, iwi and cultural interest groups
	Logistics management	• Transport • Equipment • People and communication • Money collection
	Liability, incident and injury risk management	• Environment • Property and equipment • People (participants, staff, members, volunteers)
Compliance	Legislative compliance	• Form of organisation and accountability requirements • Financial and taxation • Health, safety and wellbeing • Contracts (funding and suppliers) • Employment and equal opportunity rights • Human rights and privacy • Liquor and food hygiene • Environment
	Bylaw compliance	• Noise • Abatement • Works • Traffic Management
	Common law compliance	• Negligence • Nuisance • Defamation

Appendix D: Legal Responsibilities

Statutes and bylaws

There are statutes that arts organisations should be familiar with, and others that are applicable to particular activities. These are grouped in the following areas:

A. Organisation

All organisations need to be aware of the responsibilities and accountabilities for their form of organisation. For example:

- ncorporated societies - Incorporated Societies Act 1908

- trusts - Trustee Act 1956 and/or Charitable Trusts Act 1957

- companies - Companies Act 1993.

B. Criminal

The Crimes Act 1961 defines a range of crimes against public order (trespass etc.), the administration of law and justice, (theft, fraud, bribery, perjury, etc.), against morality and against people (manslaughter, criminal nuisance, injuring by an unlawful act, etc.).

C. Employment, volunteers and contracting

Organisations must be aware of their responsibilities under a variety of Acts relating to employment, volunteers and contracting young persons, including:

- Employment Relations Act 2000.

- Holidays Act 2003.

- Health and Safety in Employment Act 1992.

- Income Tax Act 1994.

- Tax Administration Act 1994.

- Injury Prevention, Rehabilitation and Compensation Act 2001.

- Minors' Contracts Act 1969.

D. Privacy and human rights

You should be aware of your responsibilities under the Privacy Act 1993 and Human Rights Act 1993. These Acts set out the principles to be applied when collecting information about individuals and the treatment of individuals.

E. Events and activities

- Organisations will have different exposures depending upon their activities:
- Fundraising activities will need an awareness of the Gambling Act 2003, Sale of Liquor Act 1989, and local bylaws for selling and producing food items.
- If your organisation is engaged in selling products or services, you need to be familiar with the Goods and Services Tax Act 1985, and the Fair Trading Act 1986.
- Organisations that organise events in public places will need to be aware of the local bylaws that apply.

Common Law

Common law is based in decisions made in court. This law allows organisations and individuals to sue each other for damages (compensation) for wrong-doing. These wrong-doings are normally associated with defamation, nuisance and negligence.

Defamation

Publishing or broadcasting untrue statements about another person which might have an adverse effect on that person's reputation or bring that person into hatred, ridicule or contempt.

Nuisance

Using land in a manner that would unreasonably affect the use of adjacent land by the owner or occupier of that land.

Negligence

Not taking reasonable steps to prevent a foreseeable harm to a person or property in a proximate relationship to you.

For example, if you organise an activity, you know that the activity will affect people who are part of the activity or people who just watch the activity. You need to consider carefully whether any person could be harmed as a result of the activity, about what could happen and how, and how to prevent it.

Assessing what will amount to reasonable steps depends on the circumstances of each activity, but it would encompass things like ensuring that you properly planned an activity, applied a Risk Management process, and effectively communicated the risk to those who might be in harm's way.

Contracts

Contracts are enforceable agreements. Good practice would be that the contract is in writing which makes clear the purpose, roles and responsibilities, terms and any payment. A contract can be for employment, volunteers and contractors, to engage a consultant for managing an event, a funding or sponsorship agreement, a lease etc.

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Appendix E: Risk Identification Questions

Event Management - General	Answer
Do you have the required permits?	
Will there be road closures for the event? Have you applied for a permit from the appropriate transport authority/local council and notified emergency services?	
Do you have a contact list for members/managers responsible for each area of the event?	
Do you have a checklist to make sure you have all documentation, such as the event plan, contracts, sponsorship letters, licences, permits, event programme, accounts and emergency plan?	
Do you have public liability insurance?	
Do you have event insurance to refund paid tickets if the event needs to be cancelled?	
Is property and equipment insured?	
Have you contacted all key stakeholders, such as local councils, police, ambulance service, food vendors and security?	
Do you have a contact list for all stakeholders?	
Have you prepared a site map of the event? Do all stakeholders have a copy?	
Have you organised an information centre for event patrons?	
Are your staff and volunteers adequately qualified or trained?	
Do you have signs on-site indicating where to find phones, toilets, water, first-aid posts, parking, security, lost and found, public transport, etc?	
Do you have signs on site indicating rules regarding smoking, alcohol, bag searches, etc?	
Do you have sufficient car parking – for cars, buses, taxis, emergency vehicles?	
Do you have a traffic management plan for the event?	
Do you have contingency plans for transport if the event finishes late, is cancelled or affected by wet weather?	
Do you have an emergency response plan?	
Do you have an evacuation plan?	
Do you have emergency tools on site, such as a fire axe and bolt-cutters?	
Do you have effective communication on site?	
Have you considered noise levels?	
Have you consulted with fire services to ensure you have all necessary firefighting equipment required by law?	

Will portable fire protection equipment be located throughout the venue?	
Have you considered the possibility of a total fire ban or fire danger period on the day of the event?	
Are hydrants or suitable water supply available to fire services?	
Do you have a security plan for the event?	
Have you hired a security firm?	
Have you decided to ban any items from the event (alcohol, etc)?	
Will you be conducting bag searches?	
Have you made arrangements for lost and stolen property or lost children?	
Do you have a first-aid post on site that is set up with lighting, power, running water and appropriate equipment?	
Do you have trained staff/volunteers or St Johns for the first-aid post?	
Have you arranged for the first-aid posts to be regularly serviced?	
Are you prepared for a medical emergency?	
Have you arranged waste management?	
Will alcohol be available at the event? If so, have you arranged for the appropriate licences/permits?	
Are you prepared for the effects of alcohol, such as dehydration, potential medical concerns or crowd disturbances?	
Do you have designated alcohol-free areas?	
Have you ensured alcohol is not available to under-age patrons?	
Will you be providing alcohol in plastic cups to lessen the risk of injuries?	
Do you have plans for infection control, including contact details for environmental health officers?	
Have you taken steps to stop the spread of infection, such as ensuring safe waste disposal and disposal of sharps?	
If food is being served at the event, do you have appropriate food handling procedures, including any necessary licenses/permits?	
Do you have enough toilets for the expected number of patrons?	
Are the toilets clean (provided with soap and hand-washing equipment, away from food areas, cleaned and re-stocked regularly, etc) and safe (well-lit, appropriate for wet weather, etc)?	
Are the toilets accessible for people with limited mobility?	
Will sunscreen be provided at the event?	
Do you have signage of safety messages such as sun-smart, appropriate use of alcohol and attitudes to drink-driving?	
Do patrons have access to public telephones?	

Does the venue have adequate lighting?	
Do you have emergency power and lighting?	
If you are erecting temporary structures, such as stages or marquees, do you have appropriate permits and are the structures secure?	
If you are using temporary seating, are the seats safe, and have you arranged for seats to be secured to the floor or each other to guard against injuries from falls or hostile crowds using them as weapons?	
Are entry and exit routes to the event clear and well sign-posted?	
How will exits be kept clear of obstructions?	
If portable gas cylinders will be used (in cooking, to inflate balloons, etc) will they be properly secured?	
If you are planning to use fireworks, has a permit been obtained?	
Will fireworks be operated by a qualified pyrotechnician?	
Will there be camping at the event? If so, do you have a designated safe camping area that avoids potential hazards (e.g. unsafe trees, floods, powerlines)?	
Does the camping area have facilities such as water, shelter, toilets and a first-aid station?	
Are any participants going to be doing anything dangerous (e.g. horse-riding, trampolining, rock-climbing)? Have you taken precautions to ensure their safety?	
Will there be rides? Are they safe?	
If you are having other people provide rides or attractions, are you confident they are qualified and reliable?	
If there are food stalls do they comply with health and hygiene standards?	
Have you arranged for a post-event debriefing to assess what worked and what didn't?	
Have you completed a full risk assessment of the site where the event will be held?	
How will you keep cash and credit card details secure?	

Event Management – Outdoor venues	Answer
Is the terrain safe (look for cliffs, gullies, reclaimed or unstable land)?	
Are there any water bodies nearby? Have steps been taken to ensure they cannot be accessed by patrons and safety equipment and staff are available?	
If a pool or natural water way is part of the event or nearby do you have staff with appropriate training in water safety?	
Are there any plants or wildlife in the area that could cause problems?	
Are there any potential technical hazards in the area, such as power lines?	
Is the area a potential fire risk?	
Is the area subject to flooding?	
Is the area subject to high winds?	
Is the area subject to extreme heat or extreme cold?	
Have you taken steps to ensure safety for pedestrians on or near major or minor roads or other transport areas such as airstrips or railway lines?	
Are there any chemicals or potentially dangerous materials stored on the site or nearby?	
Are buildings or structures on the site safe?	
Have you investigated the history of the site (to ensure, for example, that it has not been used as a toxic waste dump)?	
Is the venue accessible for emergency service vehicles (roads, ground surfaces, gates and parking)?	
Does the venue cater for people with limited mobility?	
Is the venue easy and safe to access by pedestrians?	
Do you have plans for wet weather?	
Are basic services, such as water, available on-site?	
Does the area have adequate shade?	

Public performance	Answer
Will any dangerous items (e.g. fire sticks) be used in the performance? Have you taken steps to ensure the safety of performers and the audience?	
Have you checked the stage or performance area is stable, clean, dry and free of obstructions?	
Is there a safe distance between performers and the audience?	
Have you taken steps to ensure crowd control?	
Will you be using PA equipment, microphones or speakers? Are they safe and properly installed?	
Are any electrical cables out of the way or safely secured?	
Are the cables or any power cords in good condition and tested and tagged?	
Do you have any necessary permits or permission from appropriate authorities?	
Is the performance part of a larger event or festival? Are you confident the organisers of the event are reputable and have taken the appropriate safety measures?	
Have you checked the area where the performance will be conducted, and where the audience will be, for potential hazards?	

Holding an exhibition	Answer
Are the premises appropriate for public exhibitions?	
Are the items on display secured to the wall or floor?	
Will there be supervision in the exhibition area at all times when members of the public are present?	
Are the exhibition items suitable for public display?	
Have your staff or volunteers received training in dealing with public complaints?	
Are items for sale? Do you have proper financial procedures?	
Are there barriers or rules preventing members of the public from touching exhibits? Or if you don't mind people touching exhibits, are they safe to touch?	
Do you have a first-aid kit on hand? Do you know how to use it?	
Do you have a list of emergency contact numbers? Is this where everyone can see it?	
Are trestle tables, easels, displays properly secured and unlikely to cause slip, trips or falls?	

Dance	Answer
Are instructors properly qualified?	
Are your premises or performance venue appropriate for dancing?	
Is the floor non-slip and clear of obstructions and loose objects?	
Do you have a first-aid kit on hand and trained personnel?	
Do you have a list of emergency contact numbers? Is this where everyone can see it?	
Are the dances appropriate for the age and skill level of participants?	
Do you ensure participants have removed jewellery, tied back long hair and secured any loose clothing where appropriate?	
If any children are participating, do you have parental or guardian permission for this?	
Are you aware of participants' medical history and conditions which could affect their participation (e.g. asthma, diabetes, ankle/neck injuries)?	
Are you prepared to deal with these conditions?	

Multi-cultural needs	Answer
Are there potential problems for people from non-English speaking backgrounds? Can important signs or notices understood by anyone likely to use your premises?	
Are language barriers likely to present problems on outings or activities outside your premises?	
Are your staff or volunteers aware of cultural needs and trained to deal with them?	
Have you addressed issues of cultural sensitivity involving your group's activities?	
Have children's needs been taken into account?	

Working with substances	Answer
Are toxic materials, such as paints, glues and varnishes, used in your activities? Are these materials stored in a safe place when not in use?	
Do you have rules for handling toxic materials?	
Do you have and use protective equipment when dealing with dangerous substances?	
Do you work in ceramics? Are you aware of the dangers associated with this art (e.g. inhaling clay dust) and from chemicals associated with it (e.g. many materials can liberate toxic fumes when they are fired)? Are there appropriate safety measures in place?	
Do you use a kiln? Is it vented and exhausted to the outdoors?	
Do you have protective eyewear for people looking into the kiln while it is firing?	
If you are using toxic paints or materials, is your work area properly ventilated?	
Do you use spray painting? Do you have rules for the use of spray paints and safety procedures (e.g. using a spray booth) to guard against the specific dangers associated with spray painting (e.g. cans are a fire hazard, sprayed mist can remain in the air for hours after use)?	
Is your work area set up – and do you know proper work practices - to prevent back, wrist and other injuries?	
Do you work with potentially dangerous equipment or tools (e.g. for woodworking)? Are staff, volunteers and participants properly trained in using the equipment?	
Is the equipment maintained to ensure it is in good condition?	
Do you supply and use protective equipment?	
Do you keep an up-to-date list of dangerous substances or chemicals on your premises? Do you know their effects?	

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Appendix F: Risk Register and Management Plan

Identified Risk	Category	Potential consequences	Probability H / M / L	Impact H / M / L	Risk Level H / M / L	How will we manage this risk?	Who is responsible?	When will it be done?	Date done?

[----------------------------------- Stage 3: Define your risks -----------------------------------] [------------------------- Stage 4: Manage your risks -------------------------]

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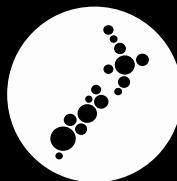
Appendix G: Other Resources

Category	Organisation	Website
Risk management	New Zealand Society for Risk Management	www.risksociety.org.nz
	Standards New Zealand	www.standards.co.nz
Legislation and legal compliance	NZ Legislation, Acts and Regulations Community Law Library	www.legislation.govt.nz www.communitylaw.org.nz/community-law-manual/
Health and safety and injury management	WorkSafe NZ	http://www.business.govt.nz/worksafe
	ACC (Accident Compensation Corporation)	www.acc.co.nz
	New Zealand Institute of Safety Management	www.nzism.co.nz
Employee management	MBIE (Ministry of Business Innovation and Employment)	www.mbie.govt.nz
Governance	Institute of Directors	www.iod.org.nz
	New Zealand Institute of Management	www.nzim.co.nz
	Companies Office	www.business.govt.nz/companies/
	Incorporated Societies Office	www.societies.govt.nz/
Event management	Ministry of Civil Defence and Emergency for safety planning guidelines	www.mcdem.govt.nz
	Transit New Zealand for traffic management	www.transit.govt.nz
	MBIE (Ministry of Business Innovation and Employment)	www.med.govt.nz/majorevents

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