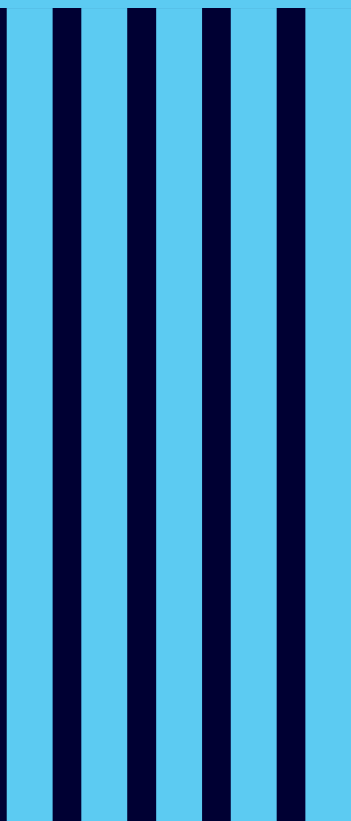




Australian Government
Australian Sports Commission

RISK MANAGEMENT PROCESS IMPLEMENTATION GUIDE

BASE LEVEL RISK MATURITY





CONTENTS

- 1. INTRODUCTION 3**
- 2. HOW TO USE THIS GUIDE 4**
- 3. RISK MANAGEMENT POLICY 4**
 - Why is it important? 4
 - What is it? 4
 - Where can I find the template Tool? 4
 - How should it be customised? 4
- 4. RISK APPETITE STATEMENT 5**
 - Why is it important? 5
 - What is it? 5
 - Where can I find the template Tool? 5
 - How should it be customised? 5
- 5. RISK MATRIX 7**
 - Why is it important? 7
 - What is it? 7
 - Where can I find the template Tool? 7
 - How should it be customised? 7
- 6. RISK REGISTER 9**
 - Why is it important? 9
 - What is it? 9
 - Where can I find the template Tool? 9
 - How should it be customised? 9
 - Identification 10
 - Analysis 10
 - Evaluation 10
 - Treatment 11
- 7. BOARD RISK REPORTING 12**
 - Why is it important? 12
 - What is it? 12
 - Where can I find the template Tool? 12
 - How should it be customised? 12



1. INTRODUCTION

The Australian Sports Commission (ASC) has developed a range of template documents (Tools) that can be used by sporting organisations at all levels to form a Risk Management Framework. The aim of delivering these Tools is to aid Australian sport build risk management capability and manage risk more effectively.

The Tools have been developed in consultation with a range of sporting organisations to ensure the Tools are each fit for purpose for use by organisations at all levels across the sector.

The Tools have been developed to have utility with all sporting organisations, regardless of their existing level of risk maturity and capability. However, it is intended that each organisation will adopt Tools commensurate with its existing 'risk maturity'.

Each organisation should determine its risk maturity by considering its capability and the risk profile for its sport (i.e., is it a sport that naturally has high risk attached to participation in the sport?). Sporting organisations operating at a base level of maturity may adopt fewer Tools to complete its Risk Management Framework. Sporting organisations operating at the emerging or mature level should adopt a more comprehensive range of Tools. Each organisation should regularly review its Risk Management Framework and adopt additional Tools relevant for its Framework as its maturity improves.

NSOs can contact the ASC for guidance on determining the appropriate set of Framework Tools to match the risk maturity level for their sport. The ASC can also facilitate risk management training and assist in the adaptation of Tools for each NSO's circumstances.

In addition, State and Territory Agencies of Sport and Recreation (STASRs) provide guidance and tools to assist State Sporting Organisations within their jurisdiction to implement risk management Tools within their organisations.

Sporting associations and clubs can also use the Tools detailed in this Framework User Guide to implement risk management Tools that are relevant and fit for purpose for their organisations.

The Tools consist of the following:

	Level of Maturity		
	Base	Emerging	Mature
Risk Management Policy	✓	✓	✓
Risk Appetite Statement	✓	✓	✓
Risk Matrix	✓	✓	✓
Risk Register	✓	✓	✓
Risk Management Framework Document		✓	✓
Annual Risk Management Work Plan		✓	✓
Issues and Breach Register		✓	✓
Regular Board and Management Risk Reporting	✓	✓	✓
Key Risk Indicator			✓
Control Testing			✓



2. HOW TO USE THIS GUIDE

This Guide provides practical guidance on how to customise and implement those Tools that have been prepared for sporting organisations **at the base level of risk maturity**.

For each of the Tools, the Guide provides information on:

- **Why** the Tool is important for a Sporting Organisation
- **What** the Tool does within the Risk Management Framework
- **How** the Tool should be customised, including relevant governance considerations relating to its endorsement and implementation

The Tools should be developed in the order set out in the Guide by or under the supervision of the person who has primary responsibility for the conduct of your sporting organisations risk management program.

The Tools should be reviewed regularly and endorsed as necessary by the Finance, Audit and Risk Committee (or equivalent) and/or Board.

Each organisation should seek professional advice regarding its Risk Management Framework and each Tool, where required.

3. RISK MANAGEMENT POLICY

WHY IS IT IMPORTANT?

The Risk Management Policy (Policy) communicates an organisation's commitment and general approach to risk management. It should also articulate an organisation's risk management objectives and how it will achieve those objectives.

WHAT IS IT?

The Policy should be a short (one-page) document that succinctly captures the essence of a sporting organisation's risk management philosophy, framework and activity. While it must represent an organisation's risk management reality, there is room in the document for aspirational commentary if that commentary is realistic and aligns with the relevant organisation's strategic plans.

WHERE CAN I FIND THE TEMPLATE TOOL?

A template Risk Management Policy for sporting organisations is available [here](#).

Sporting organisations should tailor the template Tool using the guidance below to ensure the risk management practices they adopt are relevant and fit for purpose for their organisation.

HOW SHOULD IT BE CUSTOMISED?

The Policy template should be customised in accordance with the template instructions to reflect how risk management occurs in each individual organisation.

The Policy should be signed off by the Chief Executive Officer (or equivalent).

It is also good practice for the Policy to be shared with the organisation's Finance, Audit and Risk Committee (or its equivalent) and Board for review and comment prior to CEO sign-off.



Once finalised and signed by the CEO, the Policy should be reviewed annually and can be:

- Uploaded to the organisation's website as a public statement of its commitment to sound risk management practices
- Displayed prominently in the organisation's office(s) so it stays front of mind for employees
- Included in employee and director induction packs as a key policy with which new starters should be familiar
- Formally distributed to interested stakeholders (including Member Associations and affiliates) to promote transparency and accountability regarding risk management

4. RISK APPETITE STATEMENT

WHY IS IT IMPORTANT?

A Risk Appetite Statement (**RAS**) clearly articulates the amount and type of risk an organisation is willing to take in pursuit of its strategic objectives. Specifically, it aims to articulate the Board's risk appetite to assist management in their daily roles, by establishing boundaries for sound decision-making and risk taking.

WHAT IS IT?

The RAS describes the types of risks (or broad risk categories) to which a sporting organisation will be exposed. These risk categories will typically be identifiable from the organisation's risk register. The proper identification and listing of these risk categories is critical as it is these risk categories against which risk appetite statements will be expressed. For each risk category identified in the RAS the organisation expresses the level of risk it is willing to take.

WHERE CAN I FIND THE TEMPLATE TOOL?

A template Risk Appetite Statement for sporting organisations is available [here](#).

Sporting organisations should tailor the template Tool using the guidance below to ensure the risk management practices they adopt are relevant and fit for purpose for their organisation.

HOW SHOULD IT BE CUSTOMISED?

The RAS template should be customised in accordance with the template instructions to reflect how risk management occurs in each individual organisation.

Sporting organisations should spend sufficient time ensuring that the listing of risk categories within the RAS is comprehensive and reflective of the risks to which the organisation will be exposed in the normal course of its operation.

To provide context to the RAS, organisations should then express their strategic objectives, including purpose, vision and values.

The RAS then introduces the rating scale against which the organisation's risk appetite is expressed. The scale provided is as follows and organisations are encouraged to review and customise the various descriptors if required:



Risk Appetite	Description	Rating
Zero tolerance	[Organisation] will avoid taking on any risk	Light Blue
Low	Organisational preference is to take caution and accept as little risk as reasonably possible (ALARP)	Green
		Light Green
Medium	[Organisation] takes a balanced view to risk taking	Yellow
		Orange
High	Willing to consider options having greater than normal inherent risk	Dark Orange
		Red
Extreme	[Organisation] willing to take on an aggressive level of risk taking	Dark Red
		Maroon

The next section (section 4) of the RAS template is where the organisation expresses its various risk appetites in relation to each of the broad risk categories it has identified as being relevant. A separate table is dedicated to each risk category and each table should be completed as follows:

- In the left column, sporting organisations should describe their approach to managing and accepting that particular category or type of risk. This description will often be through a combination of qualitative and quantitative commentary
- In the right column, sporting organisations should point the grey arrow to the colour that best reflects its appetite to that particular category of risk. This should be consistent with the quantitative and qualitative commentary in the left column

Sporting organisations should do this for each of the identified risk categories. For organisations at the lower end of risk maturity a common approach to completing risk appetite tables is:

- Directors and Executives are provided with a survey that asks them to rate their individual risk appetites against each of the identified risk categories
- Survey results are then analysed, highlighting the average or mean score against each risk category (and by Director and Executive role), any specific outliers and/or areas of divergence between the Executive and Board and, conversely, areas of agreement between the Executive and Board
- A workshop (involving the Executive and Board) is then held to reach consensus on areas of divergence and agree the key quantitative and qualitative themes for each risk category
- The statements are drafted by the Executive Management Team and submitted to the Board for review, discussion and endorsement

The RAS should be formally reviewed and approved on an annual basis as part of the organisations strategic planning process. Sequentially, the RAS should be approved by the Executive Management Team, then the Finance, Audit and Risk Committee (or equivalent) and finally by the Board.

The RAS should then be used in devising and delivering the organisation’s strategy.



5. RISK MATRIX

WHY IS IT IMPORTANT?

The Risk Matrix is typically used by an organisation to express the level of risk attributable to a particular event, considering the relationship between the likelihood of that event occurring and the gravity of the consequence of that event occurring. It can be used in formal risk assessments and risk workshops, or informally across the business when devising and implementing strategy and across a variety of operational scenarios.

WHAT IS IT?

The Risk Matrix Tool devised for sporting organisations uses a basic 5 x 5 matrix with the following likelihood and consequence descriptors:

Likelihood Ratings	Consequence Ratings
Almost Certain	Insignificant
Likely	Minor
Possible	Moderate
Unlikely	Major
Rare	Catastrophic

The Tool provides detailed example definitions for each likelihood and consequence descriptor.

Risks can be charted on the Risk Matrix after considering the likelihood of the risk against the consequence of the risk. Depending on the likelihood and consequence ratings, a risk could be rated as Low, Medium, High or Extreme.

WHERE CAN I FIND THE TEMPLATE TOOL?

A template Risk Matrix for sporting organisations is available [here](#).

Sporting organisations should tailor the template Tool using the guidance below to ensure the risk management practices they adopt are relevant and fit for purpose for their organisation.

HOW SHOULD IT BE CUSTOMISED?

The Risk Matrix template should be customised to reflect how risk management occurs in each individual organisation.

An organisation may wish to adapt within the **Risk Likelihood Ratings** the detailed descriptors provided in the template Tool.

However, it is recommended that sporting organisations devote most time to ensuring that the **Risk Consequence Ratings** and the descriptors attaching to them are accurate reflections of the type and magnitude of risk(s) the organisation is likely to face.



In the Risk Matrix template, Risk Consequence Ratings are expressed across the following five categories:

- Financial
- Reputational
- Corporate
- Legal and Compliance
- People

Each organisation should first review these categories to ensure they adequately account for the types of consequence the organisation may experience in the event of one or more risks materialising. Examples of additional categories that sporting organisations may wish to consider include:

- Operational
- Cultural
- Strategic
- Environmental
- Game Development/Community Participation

Once the consequence categories are agreed, organisations must ensure that the qualitative and quantitative descriptors attaching to each category align with the five Consequence Ratings provided.

As examples, in the Risk Matrix template:

- Risk 1 - A consequence of a **'single sport/tour related fatality of an organisation's personnel'** in the **'People'** consequence category would have a **'Catastrophic'** Risk Consequence Rating. Most organisations would rate the likelihood of this occurring as **'Rare'**.
- Risk 2 - By contrast, a consequence of the **'sanctioning of an athlete for low-level on-field misdemeanour'** in the **'Legal & Compliance'** category would have an **'Insignificant'** Risk Consequence Rating. Most Sporting organisations would rate the likelihood of this occurring as **'Almost Certain'**.

These risk events would therefore be categorised as High and Low risks, respectively, and would be represented on the Risk Matrix as follows:

		Consequence				
		1: Insignificant	2: Minor	3: Moderate	4: Major	5: Catastrophic
Likelihood	A: Almost Certain	Risk 2	Medium	High	Extreme	Extreme
	B: Likely	Low	Medium	High	High	Extreme
	C: Possible	Low	Medium	Medium	High	Extreme
	D: Unlikely	Low	Low	Medium	High	High
	E: Rare	Low	Low	Medium	Medium	Risk 1

Sporting organisations should workshop the descriptors and ratings with the senior executives/managers responsible for the various consequence categories and, once complete, review the overall descriptors and ratings across the full matrix to ensure consistency and relativity.

The customised Risk Matrix should be endorsed by the CEO and Senior Executive Team before then being submitted to the Finance, Audit and Risk Committee (or its equivalent) and Board for review and endorsement.



6. RISK REGISTER

WHY IS IT IMPORTANT?

Well-constructed Risk Registers set the foundation for a sporting organisation's risk management efforts. The Risk Management Framework, and a sporting organisation's risk management activities, must reflect the nature and scale of the organisation's risk profile. This will only be possible once the organisation's material risks have been identified, documented and properly assessed in a Risk Register.

WHAT IS IT?

A Risk Register documents the risks an organisation is exposed to as well as recording important information in relation to those risks.

The templates contain the following information:

Worksheet Content
Risk Register Contextual information on the Sporting organisations risks including identification, analysis, evaluation and treatment. Sporting organisations populate this worksheet as they work through the process of assessing risks.
Heat Map Risk Heat Maps (one for 'inherent' risk ratings and another for 'residual' risk ratings – see below) based on the Sporting organisations risk matrix. Sporting organisations can 'drag and drop' risk identifiers onto the respective Heat Maps to graphically represent the Sporting organisations risk profile. This becomes a useful reporting tool.
Risk Summary A summary reporting tool that combines self-populating content from the Risk Register worksheet, with the ability for the organisation to add free text and symbols to provide additional context to the organisation's risk landscape (including trend information). This becomes a useful reporting tool.

WHERE CAN I FIND THE TEMPLATE TOOL?

The basic Risk Register template for sporting organisations is available [here](#).

Sporting organisations should tailor the template Tool using the guidance below to ensure the risk management practices they adopt are relevant and fit for purpose for their organisation.

HOW SHOULD IT BE CUSTOMISED?

While Risk Registers come in many different forms, the Risk Register templates provided allow sporting organisations to step through the process of building risk information in a logical and intuitive manner, based on three key steps:

- Risk identification
- Risk analysis
- Risk evaluation



Once these steps are completed, sporting organisations should determine the appropriate risk treatment strategy(ies), which will also be captured in the Risk Register.

Each step is discussed in more detail below.

Identification

The first step in determining what constitutes a risk is for the organisation to ask itself two questions:

- What objectives or desired end-state are we working towards?
- What could potentially prevent, degrade or delay the achievement of these objectives or the desired end-state?

In answering these questions, an organisation should not limit its thinking to only those events that have been previously identified or experienced by the organisation or sector. Recent history shows it is prudent to think outside the box and look more broadly for things that may adversely impact on the achievement of objectives or a desired end-state.

Once sporting organisations have identified these risks, they need to document the 'trigger' for the risks. This becomes important when sporting organisations look to evaluate the effectiveness of current controls. Triggers are factors which may lead to, cause or trigger a risk. The trigger itself is not a risk, however, an action or event originating from this trigger can be the source of the resulting risk. They may or may not be under the control of the organisation.

As an example, the coronavirus pandemic was a trigger that crystallised the risk of interruption to sporting competitions and participation programs.

The impacts of the risk then need to be documented. This impact is the resulting effect or consequence on the business objective and may cover a broad range of consequence categories as reflected in the Risk Matrix. In determining impacts, be sure to not only focus on financial impacts.

The information from the identification process is captured in the red-shaded columns of the Risk Register. Consider and document as many 'material' risks as possible.

Analysis

The risk(s) must now be analysed in terms of the likelihood or probability of it occurring and the impact or consequence of it occurring in accordance with the organisation's Risk Matrix.

Sporting organisations must conduct this analysis on the presumption that there are NO CONTROLS or TREATMENTS in place. This is called an 'inherent' risk rating.

The information from the analysis process is captured in the orange-shaded columns of the Risk Register. When determining the appropriate consequence rating, sporting organisations should rate the risk according to the worst possible scenario.



Evaluation

Risks must now be evaluated, and the first step of this process is to list all of the current mitigating strategies and controls in place for that particular risk.

The collective effectiveness of these strategies and controls are then rated for effectiveness, using the scale provided in the templates of:

- >90% - nothing more to be done except review and monitor existing controls
- 80-90% - most things in place and working effectively, minor tweaking/enhancement required
- 60-80% - good progress has been made, but still some room for improvement
- 40-60% - foundation in place
- 20-40% - just getting started but much more to be done
- 0-20% - nothing in place

For the most part and in the early stages of a sporting organisation's risk journey, effectiveness rating will be based on informed judgement rather than scientific formula or objectivity. However, as the organisation's risk maturity increases, effectiveness ratings should become more objective with reference to its control testing program.

The risk is again analysed in terms of likelihood and consequence except, this time, the analysis is conducted based on the current mitigating strategies and controls being in place. These controls should have the effect of either reducing the likelihood, reducing the consequence or both. This is called a 'residual' risk rating.

The information from the evaluation process is captured in the aqua-shaded columns of the Risk Register, and again consequence ratings should be based on the worst possible scenario.

Treatment

Risk treatment involves selecting and implementing options to modify (accept, mitigate, transfer or avoid) the residual risk and, as a rule of thumb, if risk control effectiveness is deemed to be less than 80-90%, additional risk treatment should be considered.

Risk treatment options must be converted into treatment plans which clearly articulate who is responsible for implementation, completion timeframes, and expected outcomes.

Risk treatments and controls must be documented in accordance with the SMART acronym, meaning they must be specific, measurable, achievable, realistic and time-based.

The cost incurred in managing, treating or controlling a risk must be commensurate with the magnitude or gravity of that risk and the benefit derived from that treatment or control. Additionally, not all proposed treatments or controls may be feasible from a resourcing perspective. Accordingly, where there is conflict in resource allocation, risks and treatments will need to be compared and prioritised according to higher-level organisational objectives.

Risk Registers and the information in them should be periodically reviewed in formal meetings/risk workshops. Outside of these formal reviews they should be updated as new risks emerge, the Sporting organisations operating environment or context changes and/or when information relevant to a particular risk changes.

Information within sporting organisation's Risk Registers should be discussed at Executive Management Team, Finance, Audit and Risk Committee (or equivalent) and Board meetings on a regular basis.



7. BOARD RISK REPORTING

WHY IS IT IMPORTANT?

The Board and Management of all sporting organisations should receive regular Board and Management Risk Reports to allow them to properly discharge their duties. Regular Board and Management reporting helps to promote conversations around risk and drive accountability for risk-related activities and tasks.

Initially, these reports should describe and seek endorsement for the proposed program of work to develop the initial elements of the organisation's Risk Management Framework.

WHAT IS IT?

The template outlines examples of the type of reporting that a sporting organisation should implement in its regular Board and Management Risk Reports.

WHERE CAN I FIND THE TEMPLATE TOOL?

Template Board and Management Risk Reports for sporting organisations are available [here](#).

Sporting organisations should tailor the template Tool using the guidance below to ensure the risk management practices they adopt are relevant and fit for purpose for their organisation.

HOW SHOULD IT BE CUSTOMISED?

Each sporting organisation should look at the examples of risk reporting set out in the template and determine, in accordance with the template instructions, what forms of risk reporting it should implement.

As a matter of sound governance, once developed, the Tools that make up the Risk Management Framework should be provided to the Board for endorsement.

To report:

- key risks and relevant information related to those key risks
- movement [i.e., increase or decrease] in the rating of key risks
- details of late control/mitigation plans with plans for rectification

The Risk Register templates come with built-in semi-automated reporting capability. The reports are semi-automated in that most of the reporting content is automatically provided and updated with information coming out of the Risk Register worksheet, with sporting organisations also able to customise with free text certain sections of the Risk Register reporting forms.

As the risk maturity of the sporting organisation increases so too can the depth of the risk reporting. For example, for sporting organisations at the mature end of the risk capability scale, risk reports may focus on the results of control tests on top of the basic reports from the Risk Register templates.

In any case, a sporting organisation's risk reporting journey will evolve. The Executive Management Team should work with the Finance, Audit and Risk Committee (or equivalent) and Board to determine their respective reporting needs in the context of its own reporting capabilities.

Agreeing and adhering to a manageable and mutually beneficial risk reporting framework (and schedule) will be advantageous for all and mean that time can be spent on the things that matter – and not reporting for reporting's sake.



This document is from the Sport Governance Resource Library, which contains a suite of consistent governance resources aligned with the Sport Governance Principles and Sport Governance Standards. The library is a collaboration between the Australian Sports Commission and the state and territory agencies for sport and recreation, which are united in the pursuit of sport governance excellence.

Visit the **Sport Governance Resource Library** to learn more.





Australian Government
Australian Sports Commission

ausport.gov.au



Leverrier Street Bruce ACT 2617
PO Box 176 Belconnen ACT 2616
+61 2 6214 1111