



Australian Government



Guide to Risk Management Frameworks

Risk management is vital to the arts – for fostering innovation, creativity, audience engagement and adaptability. It is also fundamental to the growth and long-term sustainability of arts and cultural organisations. This guide outlines common risk management practices and documents, with specific approaches for micro/small, medium and large arts organisations.

This guide may assist boards and board members of all arts organisations to engage in better practice and meet their legal obligations. All organisations should check relevant state, territory and federal legislation for any specific legal requirements.

Arts and cultural organisations with a strong approach to risk management use unique, tailored frameworks that reflect the specific needs of each organisation. This enhances organisational resilience when identified risks occur, as well as potentially minimising their overall impact.

Leadership and boards should work together to manage organisational risk. Below is a guide to the steps involved in developing and implementing a risk management framework, including the basics, as well as considerations for larger organisations that are looking to strengthen their risk practices.

Understanding risk

Risk management is a systematic approach to *identify, assess, treat and monitor risks* that could impact an organisation's objectives. It involves the following key steps:

1. **Risk identification:** Identify potential risks that may arise from internal or external sources. Examples include financial risks, operational risks, reputational risks, legal risks, and health and safety risks.
2. **Risk assessment:** Evaluate the likelihood and potential impact of an identified risk. This step helps prioritise risks based on their significance and determine the appropriate risk response.
3. **Risk response:** Develop strategies to manage identified risks. This may involve accepting, avoiding, mitigating, transferring or reducing the risks.
4. **Risk monitoring:** Regularly review and monitor the effectiveness of risk management strategies. Update the risk management framework as necessary.

Glossary of key terms

Crisis management: Proactive and reactive strategies to handle unexpected events or crises, including incident response planning, crisis communication and business continuity measures. (See further details below).

Treatment plans: Plans outlining specific actions and measures to manage or mitigate identified risks through strategies such as avoidance, reduction, transfer or acceptance. (See 'Treatment plan template' in 'Developing key risk management documents' above).

Risk appetite matrix: A matrix that establishes an organisation's level of risk tolerance and guides decision-making on risk management by categorising risks based on impact and likelihood. (See 'Risk appetite matrix' in 'Developing key risk management documents' above).

Risk registers: Structured documents that capture and maintain a comprehensive list of identified risks. (See 'Risk register' in 'Developing key risk management documents' above).

Risk assessment: Evaluating the likelihood and potential impact of identified risks to prioritise them and determine appropriate response strategies.

Developing key risk management documents

Key organisational risk documents that support risk management processes fall under four categories: risk registers, risk assessment and risk appetite matrices, and risk treatment plans. Below is a summary of the steps to develop each type of document.

Steps

to develop a risk register

1. **Identify risks:** Engage key stakeholders, including staff, board members and volunteers, to brainstorm and identify potential risks relevant to the activities or events of your organisation.
2. **Description and likelihood:** For each identified risk, provide a clear and concise description of the risk, including its potential causes and consequences. Assess the likelihood of each risk occurring on a scale, for example low, medium or high.
3. **Potential impact:** Evaluate the potential impact of each risk. Consider impacts on the organisation's objectives, finances, reputation, stakeholders, etc. Assess the impact on a scale, for example low, medium or high.
4. **Ownership and responsibility:** Assign ownership of each risk to the appropriate individual responsible for managing and monitoring the risk (for example, board, program lead, producer, production manager, operations team).

Steps

to develop a risk assessment matrix

1. **Likelihood and impact scale:** Develop a matrix with likelihood and impact scales, for example low, medium or high. The matrix should have these scales on the axes, creating a grid.
2. **Plot risks:** Plot each identified risk from the risk register on the matrix based on its likelihood and impact. This helps visualise and prioritise risks.
3. **Determine risk priority:** Prioritise risks based on their position in the matrix. Risks falling in the high likelihood and high impact quadrant should be addressed first, followed by those in other quadrants.

Steps

to develop a risk appetite matrix

1. **Define risk categories:** Categorise risks into different types, such as financial, artistic, operational, strategic, compliance-related, etc.
2. **Establish risk tolerance levels:** For each risk category, determine the acceptable levels of risk exposure. This can be done through discussions with board members and key stakeholders.
3. **Develop the matrix:** Create a matrix with risk categories on one axis and the risk tolerance levels on the other axis. The matrix should guide decision-making about the acceptance and management of risks.

Steps

to develop a treatment plan template

1. **Identify risk response strategies:** For each identified risk, brainstorm and determine appropriate risk response strategies. These can include risk avoidance, risk reduction, risk transfer or risk acceptance.
2. **Outline specific actions:** Develop a template with specific actions to implement each risk response strategy. Assign responsibilities and deadlines for each action.
3. **Monitor and review:** Include a section in the template for monitoring and reviewing the effectiveness of risk treatment plans. This ensures continuous improvement in risk management practices.

Collaboration between board and leadership

An organisation's board and executive leadership should work together to oversee risk management. Key risk aspects should be collaboratively established and managed.

1. **Understand the organisation's risk profile:** Board members and executive leaders should jointly review and analyse the risk register and risk assessment matrix to gain a comprehensive understanding of the organisation's risk profile. Regular discussions and updates between the board and executive will help ensure decision-makers understand and align with risk-related priorities.
2. **Set risk tolerance levels:** The board, in collaboration with executive leadership, should establish risk tolerance levels for various risk categories. These risk tolerance levels guide decision-making and help determine risk responses that align with the organisation's overall risk appetite.
3. **Make informed decisions:** Treatment plans outlining specific actions to manage or mitigate identified risks serve as actionable strategies for the organisation. The board and executive leadership should jointly review and approve these treatment plans. Informed choices about risk responses happen when the board and executive align in their understanding of risks and mitigation strategies.
4. **Monitor risk performance:** The board and executive should collaborate in monitoring key risk indicators and tracking the progress of risk treatment plans. Regular updates and reporting to the board help ensure transparency and accountability in managing risk.

Crisis management

In the event of risks manifesting, organisations should have effective crisis management strategies in place. Consider the following approaches:

- **Incident response plan:** Develop a plan outlining steps to be taken if a crisis or significant risk event occurs. This plan should include clear communication protocols, roles and responsibilities, and escalation procedures.
- **Crisis communication strategy:** Establish a strategy for communicating with stakeholders, including staff, artists, donors and the public or media, during a crisis. Depending on the size, type of crisis and availability of resources, this may involve consultation or third-party support for timely and accurate distribution of information.
- **Business continuity planning:** Prepare for potential disruptions by developing a business continuity plan. This plan outlines steps to help ensure critical functions continue throughout a potential critical event.

Do we need everything?

While risk management is necessary for all organisations, it will look very different across the arts and cultural sector. Key considerations for developing your organisation's risk management practice include the size of the organisation, the communities it engages with and the type of artistic or cultural activities or events involved.

- **Organisation size:** Smaller arts and cultural organisations might have a simplified risk management framework overseen by the executive together with the board, documented at board meetings. Larger organisations may have a dedicated risk committee with regular meetings and reporting procedures.
- **Engaging with communities:** Working with specific communities may require tailoring risk management strategies to address their unique needs and help create a safe, supportive and equitable environment. For example, an organisation that works with children requires specific risk management related to children's safeguarding, online safety, and physical and emotional wellbeing. See Creative Australia's [Protocols for Working With Children in Art](#) for guidance.
- **Art form:** Each type of artistic activity or event (whether it is produced, delivered or otherwise) may pose unique risks. Identifying these unique risks is essential for effective risk management in the organisation. For example, an organisation that delivers live performances will need risk management strategies for the unique safety considerations, technical requirements, audience management strategies or logistical planning related to the work.

Guidance for organisations by size

The following is guidance on what typical risk management practices and documents might be implemented for arts and cultural organisations across size and/or maturity.

Risk management for small and new organisations

- **Develop a simplified risk management framework:** Focus on creating a streamlined risk management process that is easy to understand and implement. Start by identifying the most critical areas of risk that are relevant to the organisation's activities.
- **Facilitate risk oversight by the executive and board together:** Facilitate regular meetings between executive leadership and the board to collectively discuss and review risk-related matters. Ensure open communication and active engagement from all members in the risk management process.
- **Document risk management at board meetings:** Prepare concise risk reports to be presented at board meetings, highlighting key risks and their potential impact on the organisation. Clearly outline risk mitigation strategies and the progress made to address identified risks.
- **Focus on basic risk identification, assessment and response:** Prioritise risks with potential to significantly impact the organisation's objectives and resources. Use simple risk assessment methods, such as identifying the potential threats or opportunities for risk, how they might occur, their likelihood and potential impacts.
- **Use external resources for guidance if internal resources are limited:** Leverage external resources, such as risk management guidelines from industry associations or government organisations, to supplement internal capabilities. If possible, consider engaging risk management consultants for specialised support in areas of high concern.

Risk management for medium organisations

- **Develop a more structured risk management framework:** Establish a formal risk management policy and procedure that outlines roles, responsibilities and processes for managing risks. Define risk management protocols and guidelines that align with the organisation's objectives.
- **Consider specific risks related to focus communities and art forms:** Engage with stakeholders and experts to identify unique risks associated with the organisation's focus communities and art forms. Tailor risk identification and assessment approaches to address the specific needs of different stakeholders.
- **Develop a comprehensive risk register to identify potential risks:** The board, executive management and key stakeholders should work together to capture a wide range of potential risks. As outlined above, a risk register can include descriptions, likelihood, potential impact and risk owners.
- **Develop a risk assessment matrix:** As outlined above, use a scoring system to prioritise risks based on likelihood and impact. Involve relevant stakeholders to ensure a comprehensive understanding of risks.
- **Develop a risk appetite matrix to guide decision-making on risk management:** As outlined above, collaboratively define risk tolerance levels for different risk categories with input from the board and executive leadership. Use the risk appetite matrix to align risk responses with the organisation's strategic goals and risk tolerance.
- **Develop a treatment plan template for managing and mitigating risks:** As outlined above, develop a template with specific actions, responsible parties, timelines and resource requirements for each risk treatment strategy. Ensure the treatment plan is regularly reviewed and updated based on changes in risk profiles.

- **Develop crisis management strategies, including an incident response plan and crisis communication strategy:**

Formulate an incident response plan that outlines steps to be taken in the event of a crisis or significant risk event. Develop a crisis communication strategy that ensures effective communication with stakeholders during a crisis, demonstrating transparency and swift action. (See 'Crisis management' above).

Risk management for large organisations

- **Meet your requirements:** Depending on the type of organisation, there will likely be minimum requirements around risk practices and reporting. For example, organisations supported through Creative Australia Multi-Year Investment or the National Performing Arts Partnership Framework have specific requirements.
- **Form a dedicated risk committee with regular meetings and reporting procedures:** Form a risk committee comprising board members, executive leadership, and subject matter experts to focus on risk oversight. Schedule regular risk committee meetings to review risk reports and discuss emerging risks.
- **Develop an in-depth risk management framework tailored to the organisation's unique needs:** Customise risk management processes to align with the organisation's objectives, structure and industry context. Conduct risk assessments and scenario analyses to gain deeper insights into potential risks.
- **Develop comprehensive risk management resources, including a risk register, assessment matrix, risk appetite matrix, and treatment plan template:** Create a centralised risk management source or repository that includes all relevant documents and resources. Housing these in one, accessible location aims to streamline data collection, analysis and reporting. (See 'Developing key risk management documents' above for more on these resources).

- **Develop robust crisis management strategies, including a business continuity plan:** Develop a comprehensive business continuity plan that outlines measures to ensure critical functions can continue during and after a crisis. Conduct regular drills to test the effectiveness of crisis response plans and identify areas for improvement. (See 'Crisis management' above).
- **Collaborate with external experts:** Engage external consultants and industry experts to conduct periodic risk assessments and provide independent insights. Stay up-to-date with industry best practices and emerging risks.

Resources

Resources for understanding risk

AICD: Risk Management

A guide to risk management, specific to not-for-profits including case studies.

Community Door: Risk Management Resources

A useful overview of risk management and processes (includes some Queensland-specific examples and legislation).

Resources for developing key risk documents

Volunteering NSW: Risk Management for Not-For-Profit Organisations

A comprehensive guide to risk management for not-for-profit organisations, covering key steps to developing a framework, examples, tools and templates.

Business Queensland: Identifying and Managing Business Risk

An overview of business risk management practices, including impacts and resources across risk categories (for example, environmental, reputational, technological, natural disasters, economic and financial).

Resources for crisis management

AICD: Practical Tools for Governing in a Crisis

Insights and learnings from boards with experience of governing through crisis.

Institute of Community Directors: Crisis Response Policy

An example policy for organisational crisis response including delegation of authority.