# Risk Management Framework - Example Golf ClubSeptember 2015

## Introduction

### Objectives

A risk management review has been carried out with the board/committee and staff (if applicable) of Example Golf Club to:

* Summarise the major risks facing Example Golf Club;
* Rate and document these risks;
* Discuss and document, where appropriate the controls and procedures in place to manage these risks;
* Develop a risk management control procedure for board/committee members and staff (if applicable).

### Review Process

A five step process was adopted to undertake the review:

* Step 1 – Establish the context
* Step 2 – Identify the risks
* Step 3 – Analyse the risks
* Step 4 – Evaluate the risks
* Step 5 – Treat the risks

### Review Outcomes

A total of five risks were identified. All risks were individually ranked as either catastrophic, major, moderate or minor having regards to:

* the impact of an event type;
* the likelihood or frequency of such an event type occurring; and
* the effectiveness of the risk mitigation strategies and controls currently in place to manage such a risk event.

It is important to note that some risks are typically catastrophic or major, and may not be capable of being managed to relatively low levels. Nevertheless, it is important that such risks are well understood and monitored. Exposure to such risks then becomes calculated and consistent with a clearly articulated risk acceptance.

## Risk Identification

The following table summarises the risks that were identified by Example Golf Club after taking account the board/committee and staff’s (if applicable) evaluation of the effectiveness of the context in managing each risk.

Detailed risk records in Appendix A contain information on all risks identified, including the effectiveness of the controls currently in place to manage those risks.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Risk** | **Risk ID** | **Impact** | **Likelihood** | **Risk Rating** |
| Significant loss of revenue | GC01 | Major | Unlikely | Major |
| Lack of adequate insurances | GC02 | Moderate | Possible | Major |
| Failure of Health & Safety practices  | GC03 | Minor | Unlikely | Minor |
| Failure of Board/Committee to execute its responsibilities | GC04 | Minor | Unlikely | Minor |
| Failure to provide a club in demand | GC05 | Moderate | Possible | Major |

### Risk Priority

The diagram below depicts the risk priority (impact v likelihood) of each risk.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **5****Catastrophic** | **4****Major** | **3****Moderate** | **2****Minor** | **1****Negligible** |
| **5****Almost certain** |  |  |  |  |  |
| **4****Likely** |  |  |  |  |  |
| **3****Possible** |  | **GC05** | **GC02** |  |  |
| **2****Unlikely** |  | **GC01** |  | **GC03****GC04** |  |
| **1****Rare** |  |  |  |  |  |

|  |  |
| --- | --- |
| **Extreme** | Extreme risks that are likely to arise and have potentially serious consequences requiring urgent attention |
| **Major** | Major risks that are likely to arise and have potentially serious consequences requiring urgent attention or investigation |
| **Medium** | Medium risks that are likely to arise or have serious consequences requiring attention |
| **Minor**  | Minor risks and low consequences that may be managed by routine procedures |

## Summary

This review represents an assessment of risk at a point in time. Example Golf Club must conduct its activities in a changing environment due to the dynamics of both the strategic and organisational environments.

The risk profile enables the board/committee and staff (if applicable) to make conscious decisions about risk. The options available to the board/committee after a risk profile has been completed are:

* accept the level of risk as being acceptable considering the risk/control philosophy of the club, the adequacy of the current control environment and the cost of strengthening the control environment;
* terminate the activity;
* transfer the risk associated to the activity (usually through outsourcing or insurance); or
* reduce the potential consequences or likelihood by modifying/strengthening the control environment.

The value of this exercise is in the action plans and reporting put in place to ensure that control effectiveness is improved over an agreed period.

Action plans and timetable agreed during this review are noted in Appendix B. The board/committee should update the implementation of action plans during the year and implement a similar review in the future to support their strategic planning process and assess the degree of change in the club’s risk position.

## Appendix A – Detailed Risk Record

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| --- | --- |
| **Risk Issue: SIGNIFICANT LOSS OF REVENUE** | **Risk ID:** GC01 |
| **Potential Causes:*****Funding**** Failure to retain existing members
* Failure to attract new members
* Clubhouse destroyed
* Extended poor weather
* Increasing competition
* …..
 | **Potential Consequences:*****Funding**** Cut back on expenditure
* Reduction in member services
* Unsustainable financial performance
* Insolvent trading
* ….
 |
| **Control Environment Overview** |
| **Current Internal Environment Considerations** |
| **Positives:*****Funding**** Stable financial position
* Monthly review by board/committee of financial performance including cash flow, balance sheet and budget comparison
* Monthly review by Membership Committee of membership numbers
* Disaster recovery plan pertaining to destroyed clubhouse
* Annual independent financial audit
* Comprehensive annual budgeting process
* ….
 | **Negatives:*****Funding**** Increasing local-market competition
* Declining membership
* Rising Member expectations
* …
 |
|  | **Control Effectiveness Assessment:** Satisfactory |
| **Impact:** Major | **Likelihood:** Unlikely | **Risk Rating:** Major |

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| **Risk Issue: LACK OF ADEQUATE INSURANCES** | **Risk ID:** GC02 |
| **Potential Causes:*** Reduced insurances due to premium costs
* Poor advice from brokers leading to inadequate insurance
* Increasing propensity for legal action
* False disclosures in policies
* Lack of insurance review process
* ….
 | **Potential Consequences:*** Large legal costs and possible fines
* Financial failure
* ….
 |
| **Control Environment Overview** |
| **Current Internal Environment Considerations** |
| **Positives:*** Broker has widespread industry experience
* Benchmarking with other clubs as to insurance costs
* Insurances reviewed annually in conjunction with broker
* Strong financial management policies and procedures
* ….
 | **Negatives:*** Changing operating environment in regard to legal action
* Changing operating environment in regard to WHS and environmental concerns
* Changing operating environment in regard to governance
* ….
 |
|  | **Control Effectiveness Assessment:** Satisfactory |
| **Impact:** Moderate | **Likelihood:** Possible | **Risk Rating:** Major |

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| **Risk Issue: FAILURE OF WORK HEALTH SAFETY PRACTICES** | **Risk ID:** GC03 |
| **Potential Causes:*** A lack of WHS procedures for all potential risks – particularly in the area of; equipment, tools & machinery, food preparation and service, safe consumption of alcohol, chemical storage and application, hygiene, safety on the golf course regarding safe playing/working habits and vegetation management
* Lack of staff, volunteer & member education & consultation as to dangers and existing procedures
* Lack of staff & volunteer induction and education
* Lack of spot checks and monitoring
* Lack of near miss reporting to highlight emerging risk areas
* …
 | **Potential Consequences:*** Fatality or illness
* Legal action
* Higher insurance premiums
* …
 |
| **Control Environment Overview** |
| **Current Internal Environment Considerations** |
| **Positives:*** Approved policies and procedures
* Approved food safety plan
* Approved chemical store & treatment area
* Comprehensive insurances
* Trained volunteers/staff in food safety, responsible serving of alcohol, first aid, chemical usage, and safe operating procedures for dangerous machinery and equipment
* ...
 | **Negatives:*** Expensive compliance costs
* Limited staffing resources
* Increasing propensity towards legal action
* No current board/committee review/monitoring process
* No regular independent audit system in place
* …
 |
|  | **Control Effectiveness Assessment:** Satisfactory |
| **Impact:** Minor | **Likelihood:** Unlikely | **Risk Rating:** Minor |

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| **Risk Issue: FAILURE OF GENERAL BOARD/COMMITTEE TO EXECUTE ITS RESPONSIBILITIES** | **Risk ID:** GC04 |
| **Potential Causes:*** Inappropriate skill sets amongst Board/Committee
* Lack of awareness of legal responsibilities
* Failure to source independent expert advice when necessary
* No board/committee member code of conduct
* ….
 | **Potential Consequences:*** Legal action
* Financial mismanagement
* Fraud
* Loss of member confidence
* Insolvent trading
* …
 |
| **Control Environment Overview** |
| **Current Internal Environment Considerations** |
| **Positives:*** Diversified skill set amongst board/committee
* Annual independent audit
* Code of conduct in place
* Regular meetings of General Committee and Sub-Committees
* Officers Liability Insurance
* …
 | **Negatives:*** Voluntary Committee positions
* Increasingly regulated environment
* Increasingly difficult to attract qualified board/committee members
* …
 |
|  | **Control Effectiveness Assessment:** Satisfactory |
| **Impact:** Minor | **Likelihood:** Unlikely | **Risk Rating:** Minor |

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| **Risk Issue: FAILURE TO PROVIDE A CLUB IN DEMAND** | **Risk ID:** GC05 |
| **Potential Causes:*** Poor financial management
* Sub-standard golf course and facilities
* Increasing membership fees
* Lack of flexibility in membership
* Declining market participation
* ….
 | **Potential Consequences:*** Unsustainable financial performance
* Uncertain future
* Insolvent trading
* …
 |
| **Control Environment Overview** |
| **Current Internal Environment Considerations** |
| **Positives:*** Stable financial position
* Engaged and informed members
* Regular communication with members via newsletters, emails and website
* Active golf and social calendar
* Competitive price structure
* ….
 | **Negatives:*** Traditions not welcoming to new players
* Competition program too busy
* ….
 |
|  | **Control Effectiveness Assessment:** Satisfactory |
| **Impact:** Major | **Likelihood:** Possible | **Risk Rating:** Major |

## Appendix B – Action Plans and Timetable

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Risk ID** | **Risk** | **Action Plans** | **Responsibility** | **Due Date** |
| GC01 | Significant loss of revenue | …. | …. | … |
| GC02 | Lack of adequate insurances | …. | …. | … |
| GC01 | Failure of Health & Safety practices | …. | …. | … |
| GC01 | Failure of Board/Committee to execute its responsibilities | …. | …. | … |
| GC01 | Failure to provide a club in demand | …. | …. | … |