



Department of
Local Government, Sport
and Cultural Industries

13

Risky business

– a club guide to risk management



The AS/NZS ISO 31000:2009 (ISO 73:2009) define Risk Management (RM) as “coordinated activities to direct and control an organisation with regard to risk”.

Put simply, risk management is the process by which a club manages the real and perceived risks it faces in the running of the club.

What is risk?

The Australian/New Zealand Standard for Risk Management (AS/NZS ISO 31000:2009) defines risk as “the effect of uncertainty on objectives”. Basically, this means all objectives of any club are subject to uncertainty.

Risk management for a club?

Australian sport and recreation organisations face an increasing risk of litigation, and many organisations are recognising the need to provide protection for their volunteers, members and participants.

The Western Australian Government has recognised this and passed legislation to limit the exposure to liability (in certain circumstances) for volunteers within the sports club system. The *Volunteers and Food and Other Donors (Protection from Liability) Act 2002*, the *Civil Liability Act 2002* and the *Civil Liability Amendment Act 2003* provide this protection.

Identifying potential risk and creating a risk management policy for your club, group or event can have a number of subsequent benefits. These can include:

- Good business and management practice
- Assistance with strategic planning
- Reducing unexpected and costly surprises
- More effective and efficient allocation of resources.

Clubs need to consciously deal with risks by both transferring the financial risks to a third party through insurance, and adopting strategies and behaviours that reduce risks.

Clubs need to accept that there is risk in sport and therefore must develop a simple risk management plan with involvement from their most significant stakeholders – their members.

Members may also have skills and knowledge on risk management from their workplace and other clubs involvement, and may be able to assist in the development of this plan.

Why does a club need to manage risk?

- Helps the club to clearly define insurance needs
- Compliance with regulatory requirements
- Assists in preparation for auditing
- Lessening the risk may encourage more people to participate in the clubs activity
- Better results from projects and programs
- Better information for decision-making
- Balancing opportunity and risk
- Ensuring the safety of their members and others within the club operations
 - This includes things like regular equipment checks to check if they're fit for purpose.

When does a club need to manage risks?

All the time.

Risk management is an ongoing process applied to all aspects of the clubs operations. Any new project, event or competition should have a risk assessment completed. Risk management is a five-step process.

1. Establish the context
2. Identify risks
3. Assess risks
4. Treat risks (the club may already have many treatments in place). The club also needs to identify any new ways of doing things that reduces the likelihood of something happening and the impact.
5. Ongoing monitoring and review.

1. Establishing the context

- The scope of risk management within your club
- The aims and objectives of your own risk management program in relation to your club
- The Who, What, When, How and, of course, with what resources?
- Determine criteria for treating risks
- Define the extent and comprehensiveness of the risk management activities
- Define the project or activity for which the club is going to identify risks
- Define your risk assessment criteria table
- Define your risk acceptance criteria.

2. Risk Identification

Potential risks can be identified through various methods such as:

- Experience and records
- Brainstorming
- Personal reports
- Audit and other recommendations
- What can happen? List events that might happen
- How and why it can happen – list the possible causes and scenarios.

3. Risk assessment

To assess the likelihood of potential risks:

- Likelihood – used as a description of probability and frequency
- Consequence – the outcome of an event or situation could be a loss, injury, disadvantage or gain
- Look at the adequacy of existing risk management strategies
- How likely is an identified risk to occur?
- What are the consequences if it occurs?
- Decide which risks are to be treated or accepted

- The risk management strategy grid and risk assessment and acceptance table on pages 4 and 6 may help you to determine the likelihood, possible consequences and levels of potential risks.

4. Risk treatment and control

How to treat and control potential risks:

- Reduce the likelihood
- Reduce the consequences
- Transfer the risk i.e. use of insurance
- Accept the risk
- Avoid the risk.

The risk management template and risk management action plan on pages 6 and 7 may help you to develop a risk management action plan for your club.

5. Monitoring and review

Potential risks can be dealt with by the club regularly and consistently:

- Carrying out regular reviews of the risk management plan
- Audits (internal and external) reporting
- Progress of the Risk Treatment Plan implementation.

What areas need to be treated by process?

Identify key function areas as:

Strategic

Risks associated with the high-level goals, objectives and strategies of the club and its plans. These strategic risks are most relevant to associations or large clubs.

Governance/operational

Risks associated with the functions of the club performed on a daily basis such as finance, decision-making, marketing and promotion and the administrative areas of your club/group.

Project/event

The risks associated with a specific project, event or competition including all phases of the event such as safety, public liability, property loss/damage and competition/competitor services.

In establishing the context of the risk review:

- define the extent of the review
- whether the club wants to limit it to certain aspects such as safety or public liability
- conducting the review looking at the entire project, event or competition.

Risk management strategy grid



Risk management template

Project:

What can happen? How it can happen?

E.g. Inadequate financial management processes and the club becomes insolvent.

Controls:

What controls will be used in this activity?

E.g. Monthly financial statements provided.

- Excellent
- Adequate
- Inadequate

Likelihood:

What is the likelihood of this event occurring?

To rate, see Table D1 (over page).

- Almost certain
- Likely
- Moderate
- Unlikely
- Rare

Consequences:

What would be the consequences if the event occurred? To rate, see Table D2 (over page).

E.g. High financial loss.

Level of risk:

What is the level of risk? To rate, see Table D3.

E.g. significant risk.

Senior management action needed.

- Almost certain
- Likely
- Moderate
- Unlikely
- Rare

Risk assessment and acceptance table

D1 Likelihood: What is the likelihood of potential risk occurring?

Descriptor	Description
Rare	The event may only occur in exceptional circumstances.
Unlikely	The event could occur at some time.
Moderate	The event will probably occur at some time.
Likely	The event will probably occur in most circumstances
Almost certain	The event is expected to occur in most circumstances

D2 Consequences: What is the outcome of an event or situation?

Descriptor	Description
Insignificant	No injuries, low financial loss.
Minor	First aid treatment, medium financial loss.
Moderate	Medical treatment required, high financial loss.
Major	Extensive injuries, major financial loss.
Catastrophic	Death, huge financial loss.

D3 Level of risks

Likelihood	Consequences				
	Insignificant	Minor	Moderate	Major	Catastrophic
Rare	L	L	M	S	S
Unlikely	L	L	M	S	H
Moderate	L	M	S	H	H
Likely	M	S	S	H	H
Almost certain	M	S	H	H	H

Legend

H	High Risk	Detailed research and management plan
S	Significant Risk	Senior management action needed
M	Medium Risk	Management responsibility must be specified
L	Low Risk	Manage by routine procedures

Risk management action plan**Actions**

Tasks to reduce your club's risk

When?

Set some dates

Who will do these tasks?

Comments
