

A Guide to Risk Management

Sport and recreation organisations can be exposed to a wide range of risks depending on the activities in which they are involved. Some will have a minimal impact and can be managed easily; others may threaten the longevity of an organisation.

Understanding the principles and processes for effective risk management will help organisations make the decisions necessary to ensure the best possible outcome for the business.

Different governance and administrative structures, and varying activities means every organisation must develop a risk management strategy, policy and procedures to suit their specific needs.

Whilst no single risk management model fits every organisation, WA Sports Federation has developed this guide for sport and recreation organisations to offer an example of a step-by-step process for managing risk. This guide reflects the risk management concepts being used in business practice in both the public and private sectors in Australia. It is based upon the Australian/New Zealand Standard for Risk Management (AS/NZS 4360), recognised internationally as industry best practice in risk management.

What is risk?

Risk can be defined as the chance of something happening that will have an impact on objectives. It is measured in terms of likelihood and consequences.

What is risk management?

Risk management is the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects. Risk management is an integral part of business governance and involves:

- minimising those things that may negatively impact an organisation; and
- identifying and harnessing those things that will help to achieve an organisation's goals and objectives

Why do we need to manage risk?

Identifying potential risk and creating a risk management framework for your organisation can have a number of subsequent benefits including:

- good business and management practices
- assistance with strategic planning
- reducing unexpected and costly surprises
- more effective and efficient allocation of resources
- helping to clearly define insurance needs
- compliance with regulatory requirements

The Risk Management Process

The risk management process consists of a series of steps that, when undertaken in sequence, enable continual improvement in decision making. The six main steps are summarised below. A list of resources are provided at the end of this Guide to provide you with more detailed information including templates and guidelines to assist you to follow the risk management process and implement your risk management framework.

1. Establish the context

Before commencing the risk management process, the organisation must make a commitment to the development and implementation of a risk management framework. When considering risk management, it is important to first establish some boundaries within which the risk management process will apply. Consider your organisation's goals, objectives and strategies. Risk management should be integral to the ongoing management of an organisation and should be an integral part of planning at a strategic and operational level.

2. Identify risks

The aim of risk identification is to identify possible risks that may affect, either negatively or positively, the objectives of the organisation. Identify what, why, where, when and how events can have an impact. To make this task easier, consider different risk categories such as financial, equipment, organisational, security, legal and regulatory compliance, reputation, operational, safety, strategic and technology risks.

3. Analyse risks

The risk analysis process will assist in determining which risks have a greater consequence or impact than others. This will assist in providing a better understanding of the possible impact of the risk, or the likelihood of it occurring, in order to make a decision about how to manage the risk.

4. Evaluate risks

Risk evaluation involves comparing the level of risk found during the analysis process with previously established risk criteria (refer to step 1), and deciding whether these risks require treatment or management. The result of a risk evaluation is a prioritised list of risks that require further action.

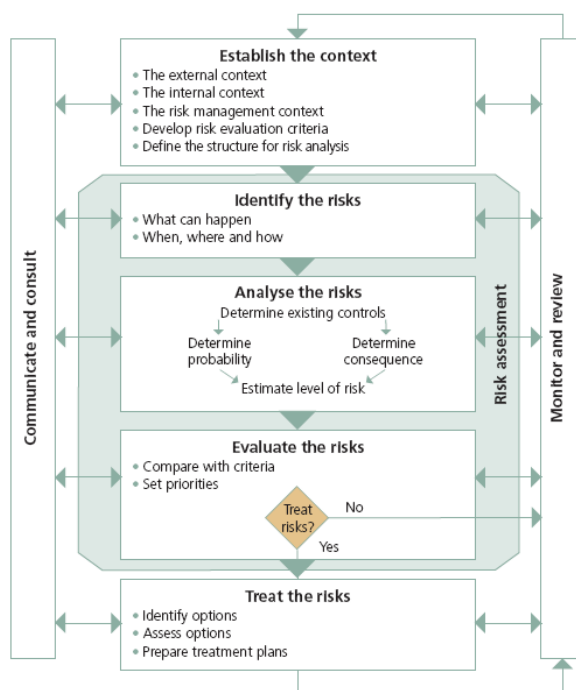
5. Treat Risks

Risk treatment requires considering options for treating risks. It involves identifying options for treating or controlling risks, in order to either reduce or eliminate negative consequences, or to reduce the likelihood of an adverse occurrence. Risk treatment should also aim to enhance positive outcomes.

6. Monitor and Review

Monitoring and reviewing is an essential and integral step in the risk management process. Organisations must monitor risks and review the effectiveness of the treatment plans, strategies and management system that have been set up to effectively manage risk. Risks need to be monitored periodically to ensure changing circumstances do not alter the risk priorities. The effectiveness of the risk management process and risk treatment measures will be monitored and reviewed to take account of changing circumstances.

The figure below illustrates the components of each step of the risk management process and illustrates the cyclical nature of the process (source: AS/NZS 4360:2004)



WHERE TO FROM HERE?

Now you have made a commitment to implementing best practice risk management strategies to support and enhance your operations, what do you need to do now? The following resources are a great starting point to provide you with more detailed information about risk management and to guide you through the process:

- Insurance Commission of WA (RiskCover)**
 The following website has been established for not-for-profit organisations to obtain further risk management information
www.icwa.wa.gov.au/cif/cif_riskmanagement.shtml
- Department of Sport and Recreation (DSR)**
Can You Risk It? An introduction to risk management for community organisations. The information contained in this guide is designed to compliment the resource available from the Insurance Commission of WA, and can be downloaded from the DSR website www.dsr.wa.gov.au.
Risky Business—A Club Guide to Risk Management is a resource available from DSR for smaller organisations and clubs.
- Australian Sports Commission**
Governance Principles – A good practice guide for sporting organisations
www.ausport.gov.au
- SAI Global (Standards Australia)**
 Australian/New Zealand Standard for Risk Management (AS/NZS 4360)
www.standards.com.au

Disclaimer: The information in this document is intended as general information only. It is not intended to be legal advice and should not be relied upon as such. Particular questions that relate to your organisation should be directed to a legal advisor.