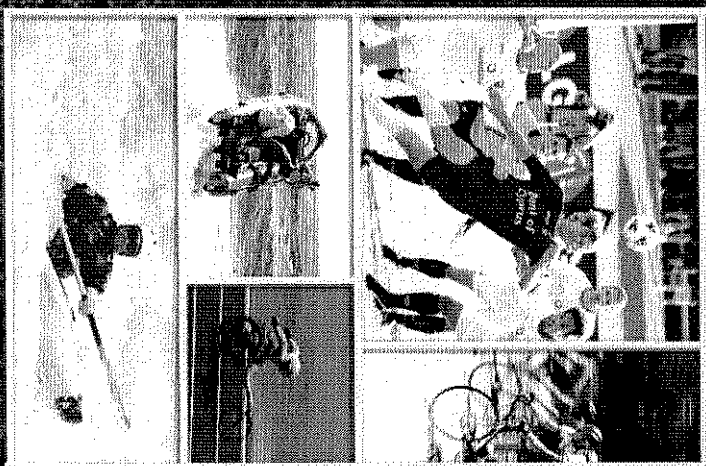


HB 246—2004

# GUIDELINES FOR MANAGING RISK IN SPORT AND RECREATION



★ STANDARDS  
AUSTRALIA

HB 246—2004

Appendix A

Handbook

**Guidelines for Managing Risk in Sport  
and Recreation**

Originated as HB 246—2002.  
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# Preface

The Standards Australia/Standards New Zealand Joint Technical Committee on Risk Management, with the endorsement of the Standing Committee on Sport and Recreation (SCORS), to supersede HB 246—2002. The objective of this revision was to align with the 2004 edition of with AS/NZS 4360, *Risk management*, to enable better understanding and application of risk management within the sport and recreation industry.

The purpose of this Guideline is—

- to provide a nationally accepted framework to guide the management of risk;
- to provide a common platform to support strategies and resources that address risk management issues; and
- to provide an understanding of the risk management principles and process, and their application.

## The sport and recreation industry

The sport and recreation industry makes a significant contribution to the economic and social well-being of the country, contributing billions of dollars to the economy, employing tens of thousands of people, and providing an ethos and lifestyle that are synonymous with Australia.

The sport and recreation industry is generally considered to comprise five sectors: sport, outdoor recreation, community recreation, fitness, and racing. The industry is diverse, and represents a significant challenge for the preparation of any document with industry-wide application.

## Who is the guideline for?

The guideline has been prepared mainly for those responsible for the development and implementation of risk management strategies and programs in larger organisations, and those providing management advice to individuals and smaller organisations.

It is not prescriptive, rather it provides definitions, process, and philosophy to equip the reader with sufficient understanding, so that, combined with their knowledge, skill and experience in their activity, risk management is applied to best effect.

## What outcomes are sought?

The primary outcome sought from this guideline is a safer operating environment for everyone involved in the industry. Safer in terms of reduced exposure to injury, litigation, discrimination, vilification, failure, loss, or damage; and correspondingly better in terms of increased participation, more viable organisations, and more assured and confident managers.

Given the diversity of the industry and the nature of risk, this guideline cannot provide all the answers, but it will provide a sound foundation for better risk management.

## Terminology

Terminology varies from sector to sector in the sport and recreation industry, particularly in respect of the roles people fulfil. Throughout this guide, terms have been used in a broad sense, e.g. 'coach', 'leader', etc. Relevant terms from AS/NZS 4360:2004 and the NSW Department of Sport and Recreation 'Risk Management' Resource have been adopted, as follows:

### Risk

the chance of something happening that will have an impact on objectives

NOTE 1: A risk is often specified in terms of an event or circumstance and the consequences that may flow from it.

NOTE 2: Risk is measured in terms of a combination of the consequences of an event and their likelihoods.

NOTE 3: Risk may have a positive or negative impact.

NOTE 4: See ISO/IEC Guide 51, *Safety aspects—Guidelines for their inclusions in standards* for issues related to safety.

### Risk management

the culture, processes and structures that are directed towards realising potential opportunities whilst managing adverse effects

### Risk assessment

assessing an identified risk is a three-step process involving, first, identification of potential hazards and events, then analysis to determine the level of risk, and evaluation to decide whether it is acceptable or unacceptable (see 2.1)

### Likelihood

Used as a general description of probability or frequency

### Consequences

NOTE: Can be expressed qualitatively or quantitatively, outcome or impact of an event

NOTE 1: There can be more than one consequence from one event.

NOTE 2: Consequences can range from positive to negative.

NOTE 3: Consequences can be expressed qualitatively or quantitatively.

NOTE 4: Consequences are considered in relation to the achievement of objectives.

### Organisation

a body, association, company, firm, enterprise, or other legal entity, whether incorporated or not, public or private, that has its own function(s) and administration

### Governance

the system by which entities are directed and controlled

### Board

the body comprised of the Directors and includes committees of management

<b>Director</b>	a person charged with the management (in a governance sense) of the organisation NOTE: Directors' could include committee members.
<b>Volunteers</b>	representatives from the community who freely choose to give their time, skills and experience to support their sport or recreation activities
<b>Coach</b>	a person who could be a fitness instructor, outdoor recreation guide, group leader, mentor or team coach
<b>Official</b>	a person who could be a director, manager, umpire, referee, judge, steward or team manager
<b>Duty of care</b>	responsibility to refrain from causing other persons injury or loss
<b>Fiduciary</b>	the relationship of one person to another, where the former is bound to exercise rights and powers in good faith for the benefit of the latter
<b>Stakeholders</b>	those people and organisations who may affect, be affected by, or perceive themselves to be affected by, a decision or activity
<b>Insurance</b>	a contract whereby the insurer agrees, for payment of a premium by the insured, to indemnify the insured against loss resulting to him on the happening of certain events. The policy is the document which contains the insurance contract
<b>Liability</b>	subject to a legal obligation, or the obligation itself. A person who commits a wrong or breaks a contract or trust is said to be liable or responsible for it

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# 1 Introduction—Risk in the sport and recreation context

## 1.1 Overview

Sport and recreation have changed rapidly in recent years. What we do in our spare time is now recognised as a major industry sector – business, sport and recreation are inextricably linked.

There has been a shift away from traditional sport, with the emergence of many non-traditional sports and recreational activities. There are now many more opportunities for business and employment, as well as participation in sport and recreation.

A companion of opportunity is usually risk. Changes in our society and in sport and recreation have provided opportunity, and also increased exposure to risk that must be understood and managed.

Risk will always be part of our existence and is certainly an integral part of sport and recreation. Most sport and recreation activities where strength, speed or skill is involved will increase the level of risk to participants. Generally, participants willingly accept this increased risk to gain the rewards derived from participating or winning.

Although there are these inherent physical risks that will remain as long as the activity is pursued, there are often other risks, such as business risks, which can be reduced or avoided with good risk management.

As individuals and as a society we continually manage risk – sometimes consciously, often without realising it, but rarely systematically. The management of risk was once prompted by self-preservation, or a moral duty of care for others. Legal and economic imperatives now provide a more powerful incentive.

The systematic management of risk has been refined as a modern management tool to cope with a more complex business environment, increased community expectations, and an increasingly litigious society.

A good deal of risk management is common sense. The complexity for sport and recreation lies in the diversity of organisations and

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activities to which it may be applied, and the human factors associated with interpretation and implementation.

Critical to good risk management is that all involved understand the environment in which they operate, both in terms of the likelihood and consequences of loss, as well as the opportunities for potential gain presented to them.

Within the sport and recreation industry many of the people to whom this responsibility falls are volunteers, and much depends on their knowledge, skill, experience, vigilance, and diligence.

The sport and recreation industry in Australia is a diverse and complex business sector administered primarily by a vibrant and responsive community-based service delivery system of volunteers. About 1.5 million volunteers contribute in excess of 165 million hours to running sport and recreation clubs and organisations each year (source: *Australian Sports Commission Active Australia – Volunteer Management Program*).

The sport and recreation volunteer may be a chairman, secretary, treasurer, or committee member, a coach or instructor, an official, referee, or judge. Volunteers may be involved in a range of activities such as caring for equipment, fundraising, publicity, record keeping, catering, crowd control, ground preparation, first aid, or organising social functions.

Sport and recreation volunteers come from all walks of life, and bring much that is useful in the good management of risk to their organisations. Whilst the capability of volunteers should never be underestimated, it must be recognised that there are limitations that present challenges for risk management.

Whilst the volunteer base is acknowledged it is also recognised that the sport and recreation industry has a significant business component with a growing employee base, and contributes billions of dollars to the economy each year.

The mix of volunteers and business in the sport and recreation industry form a unique context in which risk must be managed.

## 1.2 The benefits of good risk management

Organisations with good risk management can expect many benefits. These may include:

- Better overall performance and improved viability of the organisation.
- Reduced likelihood of costly or undesirable 'surprises'.
- Safer operating environment for participants.
- Improved quality of experience for everyone involved in the organisation.
- Improved public perception of risks and the 'caring' of the organisation.
- A sounder legal and administrative structure, and regulatory functions.

## 1.3 What is risk?

- Increased potential to attract sponsorship.
- Improved ability to source insurance.

The Australian Standard, AS/NZS 4360:2004, *Risk management*, defines risk as:

*'The chance of something happening that will have an impact on objectives.'*

It is measured in terms of consequences and likelihood.

Exposure to risk is inherent in everything we do, and perfect safety unattainable, whether we are riding a bicycle, managing a project, determining priorities, purchasing new equipment or deciding not to take any action at all.

The level of risk is the combination of the likelihood of a risk occurring, and the consequences if it does occur. Action taken to manage or treat the risk, and therefore change the level of risk, needs to address the likelihood of an event occurring, or the consequences if it does occur, or both.

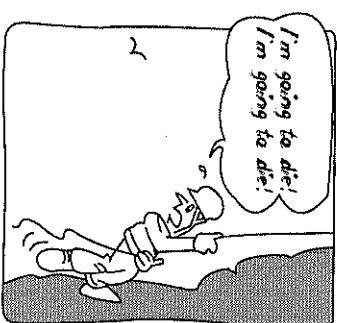
## 1.4 Perceptions of risk

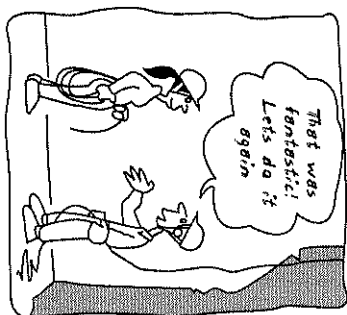
Depending on experience, cultural perspective, knowledge and skills, we perceive and define risk differently. What one person regards as risk, another may not. To this extent at least, risk is defined by individual perception.

We introduce further complexity as to how we perceive risk, and the level of risk that we accept, by the fact that we are not consistent in our decisions. For example, we accept the risk of driving a car but may choose not to fly in light aircraft because of the perceived risk, when fatality statistics indicate the risk associated with air travel is much lower than that for driving a car.

Risk is commonly perceived as a negative concept, but risk exposure can have positive outcomes. With risk comes opportunity, benefits, and reward. We must accept a certain level of risk to gain the enjoyment or satisfaction derived from participation or winning. A balance must be struck. The level of risk accepted is determined by the individual and influenced by their tendency toward recklessness or prudence.

In many outdoor recreation pursuits there are great rewards attached to risk exposure. There is however a significant difference between real and perceived risk.





Those with little knowledge of rock climbing immediately perceive it as a dangerous activity. In fact, through the use of specialist climbing equipment to protect against falls, and the appropriate application of their skill and awareness of objective hazards, experienced rock climbers can reduce the real risk to make the activity much safer than many may think it to be.

Awareness is often our most valuable defence against risk; distraction our greatest enemy.

Risk reduction will result in a corresponding increase in safety. We can talk in terms of risk or safety and say the same thing.

For example, one chance in 100 of injury or 99% safe are the same, but one sounds much better than the other.

Risk reduction or safety improvement nearly always costs money. Another balance must be struck. It is obviously foolish to spend vast sums of money on a negligible reduction in risk, or to strive for unrealistically low levels of risk.

We must also understand the great diversity of risk. Some risks are frequent, some foreseeable, others rare, or unforeseeable. In this respect history is our greatest teacher. Those with knowledge and experience of past events will usually be better prepared to manage risk.

In the end, we must appreciate that there is no easy solution to determining acceptable risk. Inevitably, decisions will have to be made based on the best information and knowledge available at a particular point in time.

## 1.5 What risks do sport and recreation organisations face?

Injuries to participants and spectators, legal liabilities of instructors, administrators, directors and organisations, loss of access to lands, and the potential loss of financial support from government and sponsors are real examples of risk for the sport and recreation industry.

These are potential risks regardless of whether an organisation is administered fully by volunteers and has an annual turnover of less than \$20,000, or employs paid staff and has an annual turnover in the hundreds of thousands or millions.

Sport and recreation organisations can be exposed to a wide range of risks, depending on the activities in which they are involved. All

too often, we only think of and respond to the more obvious risks, such as those that may cause injury to participants. These obvious risks may well account for most of an organisation's risk exposure, but this does not mean that some of the less obvious risks cannot be just as or more costly.

Increasingly, organisations must consider a more complex range of risks such as those arising from legal and commercial relationships, adverse natural events, those that may result in financial losses, and even those that may cause loss of reputation or bad publicity.

The risks an organisation is exposed to will depend upon many factors, but generally the larger the organisation, and the more activities it is involved in, the more risks it will face.

In the context of the administration of sport and recreation activities, some examples of risk include:

- Lack of awareness on the part of Directors as to the financial status of the organisation.
- Failure to recognise and take advantage of an opportunity to build club membership.
- Failure of a fundraising activity to generate a profit.
- Failure to deliver on obligations to sponsors and subsequent loss of sponsorship.
- Unfavourable publicity resulting from a club activity.
- Injury to players or spectators.
- Failure to match activities with the skill level and ability of participants.
- Failure to abide by the constitution of the organisation.
- Failure of a timing system at a race and subsequent inability to post results.
- Failure to provide safe systems of work for volunteers.
- A breach of legislation that applies to activities such as employment, fundraising, canteen operation, merchandising etc.

## 1.6 What is meant by managing risk?

Risk management is the systematic application of management policies, procedures and practices to the task of identifying, analysing, evaluating, treating and monitoring risk.

The need to manage risk systematically applies to all sport and recreation organisations, and to all those activities for which the organisation is responsible. This should be recognised by all managers, staff and committee members as being of fundamental importance.

While it is not possible to have a totally risk-free environment, it is possible to manage risk. In other words, avoiding, reducing, transferring, retaining or accepting identified risks.

Whilst we may accept the vagaries of intuitive risk management as individuals, organisations and those with a legal responsibility for others cannot. Risk management for the latter requires a systematic approach. The alternative is risky management, or making decisions that are not based on a careful consideration of the facts and the risks involved.

Risky management is not acceptable in managing or conducting sport and recreation activities. However, in some situations, deciding not to take opportunities (risk) and not to introduce new approaches may prevent the organisation from adapting to changes such as client attitudes and lifestyles. Risk management provides a way of realising such opportunities without exposing an organisation to unnecessary risk.

Good risk management requires:

- *forward thinking* (anticipating risks and preparing for them);
- *responsible thinking* (risk management rather than risky management);
- *lateral thinking* (searching for new and better solutions);
- *rigorous thinking* (being systematic in the application of risk management principles); and
- *balanced thinking* (recognising the balances that must be struck in decision making).

Remember that good risk management is about the deliberate application of the risk management process. Whilst there will always be the need for a quick appreciation of a situation, and the application of measures to mitigate the risk, quick fixes with insufficient consideration of the context and treatment options should generally be avoided.

## 1.7 Who is responsible for managing risks?

Whilst everyone has a responsibility for managing risk, it must be appreciated that this responsibility varies depending on your position within an organisation, the associated duties, your knowledge, and your relationship with others.

Those that hold official positions should ensure that they are fully aware of their duties and accountabilities, and operate within the parameters set. Good corporate governance is paramount to effective risk management.

The development of duty statements, policies, and operating guidelines can help ensure that there is a clear understanding as to the extent of accountability and responsibility accepted with particular positions.

## 1.8 Corporate governance

Corporate governance is the system by which an organisation is directed and controlled. Corporate governance activities are

represented as four principal components: direction, executive action, supervision and accountability.

Effective governance is an essential component of any successful organisation. The theory and principles that underpin 'good governance' and sound risk management are just as applicable to regional associations, leagues and clubs as they are to national and state sport and recreation organisations, or to business organisations.

In the sport and recreation environment, corporate governance can be described as the process by which an organisation is made responsive to the rights and wishes of its members and stakeholders. Importantly, corporate governance needs to be distinguished from management. Management is concerned with the day to day operations of an organisation, whilst governance focuses on the systems and structures by which an organisation is directed and controlled.

The corporate governance of a sport or recreation organisation may be affected by a range of factors, including its size, the nature of its business, its financial position, and the distribution of work between management and the board.

Good corporate governance and risk management will provide some protection for members of committees and boards in the event of adverse outcomes, by making easier the demonstration of diligence in respect to matters of administration, including risk management.

No sport or recreation body can afford to ignore the principles of 'best practice' corporate governance, if they are serious about the future of their organisation.

# 2 The Risk Management Process

## 2.1 Introduction

The management of risk should be an integral part of the management process. The generic process for managing risk, as shown in Figure 1, can be applied at all levels of a sport and recreation organisation.

However, the approach taken will vary between organisations, between programs, and with the type of activity. In other words, the application of the risk management process will depend upon the context in which it is used.

In summary, the risk management process involves the following logical steps:

- (a) *Communicate and consult*  
Communicate and consult with external and internal stakeholders as appropriate at each stage of the risk management process and concerning the process as a whole.
- (b) *Establish the context*  
Establish the external (e.g. social standards) and internal (e.g. goals, relationships, activities and capabilities), and risk management context in which the rest of the process will take place. Criteria against which risk will be evaluated should be established and the structure of the analysis defined.
- (c) *Identify risks*  
Identify what, why, where, when and how events could prevent, degrade, delay or enhance the achievement of the objectives of the organisation and its people.
- (d) *Analyse risks*  
Identify and evaluate existing controls. Determine consequences and likelihood and hence the level of risk. This analysis should consider the range of potential consequences and how these could occur.

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- (e) **Evaluate risks**  
Compare estimated levels of risk against the pre-established criteria and consider the balance between potential benefits and adverse outcomes. This enables decisions to be made about the extent and nature of treatments required and about priorities.
- (f) **Treat risks**  
Develop and implement specific cost-effective strategies and action plans for increasing potential benefits and reducing potential costs.
- (g) **Monitor and review**  
It is necessary to monitor the effectiveness of all steps of the risk management process. This is important for continuous improvement.  
Risks and the effectiveness of treatment measures need to be monitored to ensure changing circumstances do not alter priorities.

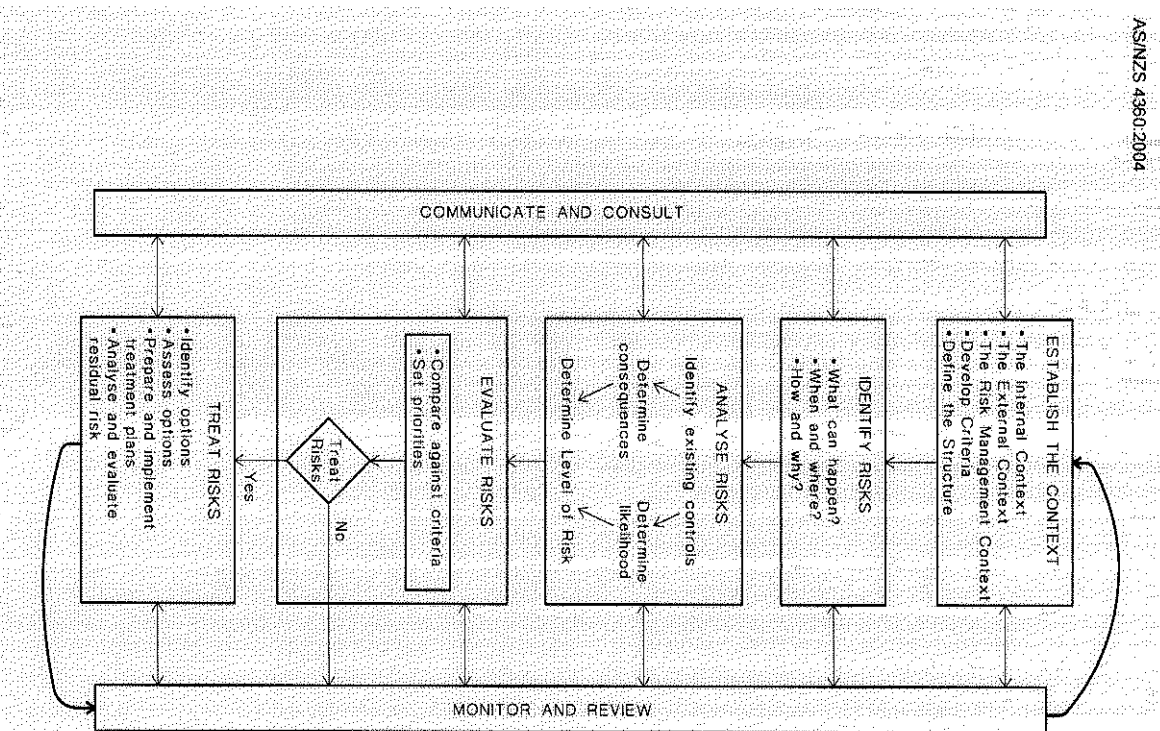


FIGURE 1 RISK MANAGEMENT PROCESS – IN DETAIL

## 2.2 Step 1—Communicate and consult

Effective communication and consultation are important to ensure that those responsible for the risk management process and treatment, and all affected stakeholders, are aware of and understand the need for and the basis on which particular risk management decisions are made and why particular actions are required.

Sound two-way communication is critical at all stages of the risk management process. Without this it will be difficult to gather the best possible information to identify and assess the risk, and determine the best option to effectively treat the risk.

Systems should be developed to ensure good communication between different levels of the organisation, but also amongst people on any particular level. Some mechanisms should be formalised to ensure they occur. An integral part of board or committee meetings should be reports from individuals on progress with the management of risk.

Never take communication for granted. It is not something that just happens. It must be worked on and everyone has a responsibility to make it work.

Choose your medium carefully, to ensure that the message is understood and feedback is obtained. Where appropriate, support all verbal instruction with written communication, and vice versa! Briefings, meetings, and workshops are all useful in communicating risk management.

## 2.3 Step 2—Establish the context

Before we can sensibly deal with risk, we must first understand the context in which it exists. This is particularly critical to our rational evaluation of risk in terms of what may, or may not be acceptable.

Rather than assume an understanding of the context in which risk exists, it is wise to deliberately establish the context by defining the relationship between the organisation and its environment (or external context), so that the parameters for dealing with risk are clear.

The context may be established by considering:

- The *external context*, i.e. the *environment* within which the organisation operates; and
- The *internal context*, i.e. the organisation itself, its objectives, core activity and operations.

### External context

External influences are those that prevail in the wider environment, and are generally beyond an organisation's control. These influences are broadly based on community attitudes, tolerance, and demands that are constantly shifting. The trends in our society, particularly in legal and economic terms, create the 'big picture' context in which risk should be viewed. Some of the trends to consider in establishing this context are:

- Sport and recreation is now a significant business sector. Sport and recreation organisations and their allied businesses and interests cannot ignore the vast regime of commercial, marketing, industrial, taxation and corporate laws that now prevail. The complexity of the task has increased for administrators of modern sport and leisure activities that are subject to the same legal regulation and require the same legal arrangements that are standard in the business world.
- The increasing complexity of today's world means that sport and recreation volunteers require a higher level of expertise and training, and are harder to recruit and keep.
- There is a greater public awareness of legal rights. There is also a greater tendency for people to accept less responsibility for their own actions and seek to blame others for their misfortune. These factors have increased the exposure of sport and recreation organisations to litigation.
- The diminishing 'halo effect' for non-profit organisations. Community service organisations, in the past, had some immunity from adverse actions, but it would be most unwise now for any group to rely on this effect for protection.
- The law is increasingly being applied to sport. Competitors hitting out in the heat of the moment are now as likely to find themselves in court answering assault charges as in front of their sports tribunal. The law is also being called upon more to arbitrate in disputes between competitors and sport administrators, clubs and tribunals.
- Organisations are more assertive in guarding their 'intellectual property', such as copyright material, know-how, business names, advertising slogans, logos, and images such as photographs or videos of contracted sports identities.
- A tightening economy has resulted in a greater commercial focus and wider application of the 'user pays' principle. With this has come increased expectations of service provided.
- There is more competition for sponsorship, and business has greater expectations of returns.
- With more opportunities to participate in a wider range of activities, organisations are being introduced to the realities of a competitive market place.
- There is an increasing number of casual participants who want the opportunity to participate, but do not wish to make any long-term commitment to the activity or organisation.

**The internal context – the organisation, its core activity and operations**

Understanding the organisation—its core activity, structure, membership, goals, activities and method of operation—is also important in establishing the internal context in which we should view risk.

*Consider the questions below.*

**What is the organisation's core activity?**

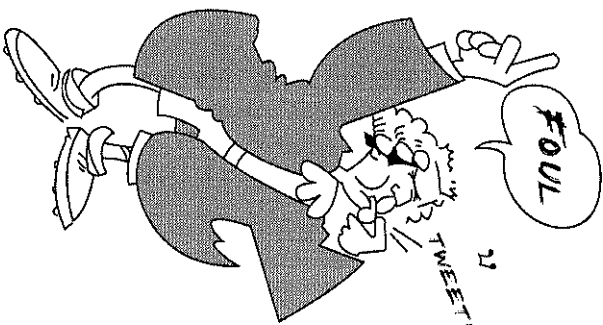
There are obviously more hazards associated with some activities than others. Most would agree that there are significant potential physical hazards associated with mountaineering, and fewer physical hazards associated with bushwalking. An awareness of the hazards associated with an activity, and an appreciation of the level of risk that most participants accept willingly, is essential to enable us to rationalise our risk management and not strive for risk control beyond the expectations of participants.

**What statutory requirements must the organisation meet?**

A breach of legislation usually indicates a failure to manage risk appropriately. The legislation that applies will depend upon the activities in which the organisation is involved. Is the organisation incorporated? Does it employ people or contract services? Does the organisation sell merchandise or operate a bar? Does the organisation engage in fundraising or lotteries? Is it registered for GST? 'Yes' is the likely answer to at least one of these questions for every sport and recreation organisation. Therefore, legislation applies that must be complied with. The statutory framework can be very complex and thus it is recommended that specialist legal advice be sought when examining this area.

NOTE: Most legislation is accessible via the internet on <http://www.austlii.edu.au/>

See the boxed text titled 'Sport, Recreation and the Law' for more information.



**Sport, Recreation, and the Law**

In the risk management context, the law may be seen as designed to ensure fairness in administrative decision-making, equality of access to leisure and sport activities for all Australians, safety, and good commercial practice generally in the administration of sporting bodies and sports events.

The 'law' of which we speak derives from:

**Legislation (statutes and by-laws created in Federal and State Parliaments)**

The laws that apply, state or federal, depend upon the subject matter involved. State legislation, for example, impacts on employment practices, occupational health, safety and welfare, and equal opportunity. Federal legislation is responsible for such things as taxation and trade practices laws. Over-lapping state and federal legislation, such as employment law, governs some areas. Legislation provides an important benchmark in determining whether an individual or organisation has exercised behaviour acceptable to the community, or in other words, a reasonable standard and duty of care.

**Common law (judges' decisions in courts)**

Judges base their decisions either on precedents developed from situations that are not governed by legislation, or on interpretations of statutes. Common law principles apply to, for example, occupier's liability, negligence and most contractual disputes. The law insists that certain people owe a duty to be careful to, and to take responsibility for, those to whom they owe a legal 'duty of care'.

A common law action (litigation) may follow if the activities of an organisation, or one of its members, result in loss or damage to a third party. Should it be demonstrated in court that it was negligent, or failed to discharge a reasonable duty of care, then the organisation will probably be liable to compensate for the loss or damage.

**Regulation and by-laws**

In addition, there is a vast wealth of law contained in administrative regulations drawn up to assist the practicalities of the implementation of legislation. Delegated legislative powers, such as local council by-laws, can also affect decision-making.

**International law and sports administration**

Finally, in some cases, there could be an international element as well, involving justice systems not based upon the Australian legal system, or the British legal tradition upon which it is based. The sources of legal regulation are thus very wide indeed.

**Specialist legal advice should always be sought by organisations when examining the application of the law to their organisation and its activities.**

**What standards apply to the organisation's operations?**

Standards, such as national uniform rules, codes of practice, common practice, national policy, affiliation requirements, and accreditation systems, provide a benchmark for determining duty of care and a reasonable standard of care.

**What critical relationships does the organisation have?**

It is important for organisations to recognise the relationships they have established with other parties that are necessary for them to operate. Examples include councils who provide the facilities that are used, land managers on whose land the activity is enjoyed, an association that creates the competition roster, and sponsors.

**What are the goals of the organisation?**

Consider a sailing club. Its goals will usually be wider than simply sailing, and may include managing a slipway, providing entertainment and making a profit. The management of risk must be careful not to compromise the organisation's ability to achieve its goals.

**Who is involved with the organisation?**

The roles and expectations of participants, committee members, directors, employees, sponsors, spectators, coaches, families of participants, affiliated clubs and associations must all be considered. A sample list of stakeholders is shown in Appendix A.

**What are the capabilities of the organisation?**

Strategies to treat risk must be kept in context with the organisation's ability to provide the necessary human, physical, and financial resources. Whilst the volunteer base of many organisations provides a considerable body of expertise, there will usually be advice or services that must be sourced from outside, which inevitably comes at a cost.

**What strategies already exist for managing risk?**

Risk has always been managed in sport and recreation. Most organisations already have policies, rules, and procedures that must be recognised and considered in the risk management process.

**Defining criteria for thresholds of tolerable risk**

The context effectively determines the level of risk that an organisation should tolerate. Criteria can be established to help define what the threshold for tolerable risk is in specific areas such as financial loss, injury etc. This process helps to guard against bias and inconsistency in the evaluation of risks. Further information on establishing criteria is provided in Step 3.

**Documentation of this step**

Documentation should be maintained to demonstrate that all relevant factors, internal and external, have been considered, if embarking on a comprehensive analysis of an organisation's risk exposures. Documentation should identify the scope, factors considered, and major risk acceptance criteria.

Simply noting the criteria established may suffice for less ambitious undertakings.

**2.4 Step 3—Identify risks**

Risk identification involves examining all sources of risk. It requires a mix of knowledge, experience and lateral thinking.

Each sport and recreation organisation will have a unique set of risks to contemplate—unique because of differing activities, memberships, locations, environment and relationships. Risk identification requires you to determine:

- What things can happen, where and when?
- How and why can they happen?
- What is the likelihood of them happening.
- What will be the consequences if they do happen?

There is no right or wrong way of identifying risk, and no definitive end product, because of the dynamic nature of risk. Usually, it will be a combination of methods that achieves the best result – the use of existing information, policy, guidelines, rules, checklists, audits and, most importantly, people.

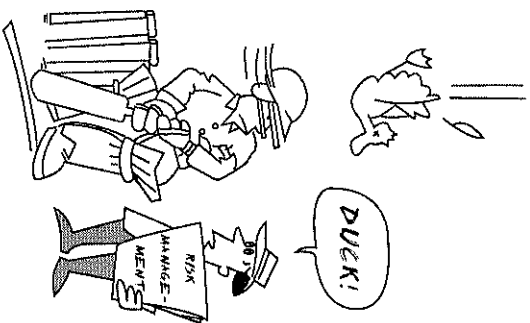
Those people with a sound understanding and long experience in the activity or organisation are often best placed to identify the risks. This is particularly so in sport and recreation, where more objective data and identification tools often do not exist. Methods such as brainstorming can be very effective in gathering information from diverse groups of people.

Tools such as checklists can be of great assistance if used as a guide, and especially if they have been designed for your particular activity or organisation. But, although useful, they are not in themselves a solution.

A risk usually comprises three parts:

- A source.
- Something at risk.
- An effect.

Identifying a risk is about combining these three elements.



For example, identifying 'fire' as a risk provides insufficient information to enable evaluation or treatment. But, if we define the risk as—"There is a risk that a heater left on will start a fire and cause damage to the clubhouse—we can progress.

It is important to clearly define each risk to which the organisation is exposed, to support the risk management process. Consider the example of a membership database.

**Possible source of risk**

- Poor security (of membership database and skill register).
- What is at risk?**
- People (all members and directors of the organisation).
  - Assets (member information, participation base, finances of the organisation).
  - Intangibles (the reputation of the database manager and the organisation, the goodwill of members and supporters).

**What will the effect be?**

- Damage (to the reputation of the database manager and organisation, to the capacity of the organisation to attract new members, the ability of the organisation to communicate with its members).
- Loss (of members, of member goodwill, financial loss through breaching legislation relating to Privacy Laws and subsequent legal costs and fines).

**Three of the risks defined could be:**

- There is a risk that poor security of member information will result in misuse of the information and subsequent loss of members.
- There is a risk that poor security of member information will result in loss of the information and inability to communicate with members.
- There is a risk that poor security of member information will breach privacy laws and result in a financial loss to the organisation through legal costs and fines.

Further questioning will help evaluation and consideration of treatment. For example:

- When, where, why and how might this occur?
- Who and what might be involved?
- What are the immediate and long-term effects?
- What controls currently exist to mitigate this risk?

Some consideration of the factors that may increase or decrease the likelihood of an event such as those mentioned above is inevitable in the identification process. It is important to note these points for consideration in the assessment and treatment of risk.

All risks should be documented in a format that allows evaluation and treatment to be noted. This provides a useful reference and demonstrates sound management. An exception to this could be those risks considered to be so remote or far-fetched as to warrant no further attention (for example, being struck by a meteorite).

Risk identification can be helped by:

- The participation of key stakeholders (internal and external)
- Drawing on expertise from within the organisation.

- Asking the State or national body for information.
  - Drawing on expertise from outside the organisation, such as State Government departments of sport and recreation, local government, or organisations similar to your own.
  - Using relevant checklists and audit processes
- The table below provides a list of generic sources of risk and the assets at risk, as a general guide for sport and recreation organisations.

Sources of risk	Assets at risk
<b>Relationships:</b> Commercial Legal Financial Political Ethical Professional services	<b>People:</b> Players Management Officials/referees Spectators Sponsors Public
<b>Human Factors:</b> Health Human error Negligence Anti-social behaviour Criminal activity	<b>Assets:</b> Buildings Grounds/surfaces Vehicles Equipment Information Chateaux Money
<b>Natural events:</b> Fire Climatic conditions Vermin/insects Earthquake	<b>Environment:</b> River/water supplies Air quality Land systems
<b>Equipment technology:</b> Malfunction Misuse	<b>Intangibles:</b> Good will Reputation
<b>The activity itself:</b> Physical factors Methods of play	

## 2.5 Step 4—Analyse risks

Analysis is based on possible consequences and likelihoods. The level of a risk can be expressed as a combination of how it may impact upon the organisation and what it is trying to achieve (consequences), and the likelihood of those consequences occurring.

It is important to consider the consequences and the likelihood in context with the activity, the organisation, and any existing controls or other factors that may modify the consequences or likelihood.

The methods generally used to determine the level of risk are *quantitative* and *qualitative*.

**Quantitative** analysis applies a numerical value rather than a descriptive word to the level of risk and is dependant upon the availability of accurate data quantifying probability, frequency, and exposure. An example is accident/injury statistics.

**Semi-quantitative** analysis endeavours to combine the qualitative and quantitative approaches by replacing descriptive words with numbers.

**Qualitative** analysis is the easiest and most commonly used method where knowledge, experience, and anecdotal evidence produce intuitive decisions about the probable level of risk. This method has some obvious limitations, including a risk of subjectivity (see 1.4). However, it is useful to indicate which risks may be disregarded, those that require further attention, management priorities, or the need to seek specialist advice.

For many community organisations, this will be the most appropriate method.

Qualitative analysis can be assisted through the use of terms such as those in the tables in Appendix B.

## 2.6 Step 5—Evaluate risks

This step is about deciding whether the level of risk is tolerable or not, within the context established in Step 2.

Careful consideration of the context is essential, with particular regard to:

- The controls already in place to manage the risk.
  - The cost of managing the risk or of leaving it untreated.
  - The benefits and opportunities presented by the risk.
  - The degree of risk borne by other stakeholders (e.g. insurance).
- Evaluation is likely to be mostly **qualitative**, which could introduce a degree of bias and inconsistency. To counter this, basic criteria can be established as part of establishing the context:

A simple way to approach this is to define what is unacceptable in terms of consequences and likelihood or frequency.

For example, the following consequences may be unacceptable:

- Injuries resulting in inability to play or work for more than 1 day.
  - Financial loss exceeding \$500 for one occurrence.
  - Any adverse publicity.
  - Any legal action against the organisation.
- In terms of **likelihood**, the following may be unacceptable:
- Frequent minor injuries.
  - Events which frequently interrupt the organisation's activities.
  - Frequent small financial losses.

Although defining simple criteria can reduce some of the imprecision of qualitative evaluation, ultimately the decision as to whether a risk is tolerable or unacceptable rests with those responsible for the evaluation. The answer also depends on their knowledge and experience for its integrity and credibility.

The assessment of a risk will enable priorities to be established that correspond to the level of risk indicated. Those accountable for management in the area of the risk must then determine what action is appropriate to treat each risk.

### Documentation of this step

Documentation of this step should include, as a minimum, an explanation of the method used, assumptions, criteria and the definitions of the terms used to analyse the likelihood and consequences of each risk.

The level ascertained should be recorded for each risk, noting whether this takes into account any existing controls to treat the risk.

The tolerability or otherwise of the risk must be noted as part of the process.

## 2.7 Step 6—Treat risks

Risk treatment is the term used to describe the activities involved in dealing with an identified risk that has been evaluated to be unacceptable.

This step is about considering the options for treatment and selecting one, or a combination, to achieve the desired outcome.

Treatment should be proportionate to the significance of the risk, and the cost of treatment commensurate with the potential benefits.

Treatment options may include:

- Accepting the risk.
- Avoiding the risk.
- Reducing the risk.
- Sharing the risk.
- Retaining the risk.
- Financing the risk.

**Accepting the risk** is an option if the likelihood and consequences of the risk are consistent with the criteria defined in the process of establishing context. For example, most people would consider frequent minor injuries in contact sport as 'just part of the game'. In this context, frequent minor injuries to players may be considered tolerable. Of course, much debate may occur as to the definition of 'frequent' and 'minor injury'.

**Avoiding the risk** is about deciding either not to proceed with the activity that contains an unacceptable risk, or choosing an alternative with tolerable risks that meets the aims of the organisation. For example, a golf club wishing to raise funds may decide that a '\$10,000 hole-in-one' competition exposes the organisation to unacceptable financial risk, and choose to run an alternative fund raising activity with less risk attached.

**Reducing the likelihood or consequences of the risk**, or both, is a commonly employed option in sport and recreation.

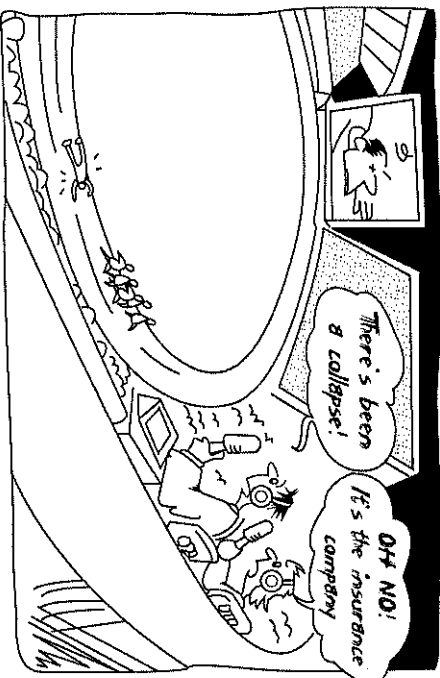
Normally there are various measures that contribute to the reduction of a risk to a tolerable level. For example, the risk of a hockey player being hit in the mouth by a ball and losing teeth is reduced by synthetic surfaces that provide consistent bounce, the rules of the game that restrict lifting the ball off the surface, and the use of mouthguards.

The above example highlights a simple hierarchy, developed for industrial safety applications, that can be used to guide the order of risk reduction measures. Start with engineering solutions (solutions not reliant on human behaviour); then consider administrative solutions such as rules, policies, training, emergency planning; and finally look at personal protective equipment such as mouthguards, pads, eyewear etc.

**Sharing the risk**, in full or part, generally occurs through written agreements or notices. An insurance contract is perhaps the most common form of risk sharing (see the boxed text titled 'insurance' for more information), but others include leases, personnel contracts, disclaimers, tickets, and warning signs.

Disclaimers or similar forms are now common. Principally, such forms serve to highlight the risks to which the participant is exposed and gain acceptance of those risks from the participant. Disclaimers can not absolve all legal liability, but if clear and specific may reduce the liability.

'Risk sharing' does not necessarily reduce the risk to individuals and entities. If not identified correctly, or shared inappropriately, risks may be increased. Where shared in whole or in part, the organisation sharing the risk has acquired a new risk, i.e. that of the body with which it is sharing the risk will not manage the risk effectively. See the boxed text titled 'insurance' for more information.



### Insurance

In the risk management context, insurance is intended to provide a financial safety net when other risk management strategies fail. Almost any risk can be insured, although for some risks the price may be so high that insurance is not affordable. The insurance required by sport and recreation organisations will depend on the risks they are subject to and whether insurance is available and appropriate.

The nature of insurance cover will depend on the contract of insurance with the insurer. The contract of insurance (policy) must be examined in detail in order to determine the level and nature of cover.

In general, the types of policies (and what they generally cover) that may be applicable for sporting and recreation organisations are:

- **Public Liability Insurance** to protect against claims made by a third party for injury or property damage arising out of the negligence of the organisation.
- **Professional Indemnity** covers individuals for legal liability when there has been error, omission or neglect by them in carrying out of their professional duties.
- **Directors and Officers Liability Insurance** is designed for board and committee members who can be sued by their own organisations for acts of negligence.
- **Personal Accident Insurance** provides protection against loss of income if a player, official or the like is unable to work through sickness or accident.
- **Worker's Compensation** covers expenses such as wages and medical bills if a person is injured at work.
- **Property Insurance** generally covers the contents of the building occupied by an organisation for events such as theft, fire, accidental damage etc.
- **Fidelity Insurance** provides protection to organisations against defalcations by their employees.
- **Building Insurance** covers buildings, such as club premises owned by an organisation, against events such as fire, storm, vandalism etc.
- **Travel Insurance** generally provides cover to a sporting or recreation organisation against risks arising during travel.

**Sporting and recreation organisations should:**

- Consult an insurance broker that has experience in dealing with sporting and recreation organisations.
- Advise their insurance broker in writing of what their insurance requirements are.
- Consider tendering their insurance requirements, particularly if insurance is a major expense of the organisation.
- Read the policy to ensure it covers the risks outlined to the broker. When reviewing the policy, keep in mind that the policy will be based on the underwriter's standard policy of insurance, and that any amendments to the policy will be noted by way of endorsements to the policy. The schedule will outline the essential provisions of cover (which must be read with the other policy conditions).
- Advise their insurance broker in writing of any potential claims before, during and upon renewal of the policy.

- Clearly communicate the cover afforded to members or affiliates, and the claims procedure.

Adapted from the NSW Department of Sport and Recreation Risk Management 'It's Your Business' Resource



**Retaining** the risk is knowing that risk treatment is not about risk elimination, rather it is about acknowledging that risk is an important element for many sport and recreation activities, and some must be retained to preserve the inherent attractions of the activity. In retaining risk it is important to ensure that the level of risk retained is not greater than that generally tolerated.

**Financing** the risk means funding the financial consequences of risk such as establishing a special fund to cover any losses that may be incurred (usually not a viable option for small, community-based or volunteer organisations), and funding costs related to implementing risk treatment.

**Key questions in treating risk**

- What measures already exist for the treatment of risk?
- Are these measures as effective as intended?
- Who is best placed to implement risk treatment measures?
- Is expertise required to guide the development of treatment options?
- What resources are required for implementation?
- What is the feasibility of treatment – i.e. cost versus benefit?

**Documentation of this step**

- Planning the implementation of risk treatment is important. It defines:
  - What is to be done.
  - Who is responsible.
  - When completion is expected.
  - When a review should be effected.
  - What resources are required.
- A plan, although not the only way, is the clearest way of communicating risk treatment within the organisation (see Section 3).
- The role of effective communication must never be underestimated in risk management.

## 2.8 Step 7—Monitor and review

The principles of risk management are quite general in nature, but their application depends upon the context and changing environment.

Change will occur inevitably, either within or outside the organisation, and few risks remain static. The variables are the degree and the pace of change.

The process of monitoring and review ensures that risk management systems, plans and strategies continue to be effective in the light of changes that occur, that they can account for new or emerging risks, and that they remain a vital part of the organisation's operational processes.

**Monitoring** means ongoing assessment of the effectiveness of measures that have been put in place to treat risks. Any indication that these measures are not being effective is reason for immediate attention to remedy the situation. Risks need to be monitored regularly to ensure changing circumstances do not alter the risk priorities.

**Review** is more a periodic process to consciously find out if systems, processes, and measures are implemented and if they are effective. These reviews should be scheduled as a matter of good practice, and the timing should suit the structure and operation of the organisation.

Programs and processes change, as can the political, social and legal environment, and the goals of an organisation. The risk context needs to be re-examined to ensure the ways in which risks are managed remain valid. Monitoring the context will assist with identifying trends, trouble spots and other changes with implications for the organisation.

An example of a review schedule is provided in the table below. It sets out a typical Strategic Planning and Risk Management Monitoring and Review timetable for sporting and recreation organisations. (Table provided courtesy of the NSW Department of Sport and Recreation.)

Strategic Business Planning	Update	Total Review	Responsibility
Values, Vision, Mission	Six Monthly	Annually	Board/Committees/Management
Environmental analysis	Six Monthly	Annually	Board/Committees/Management
Strategy formulation (including risk management)	Six Monthly	Annually	Board/Committees/Management
Targets	Monthly	Quarterly & Annually	Board/Committees/Management
Financial plans	Monthly	Annually	Board/Committees/Management
Resource requirements & action planning	Weekly, Daily	Monthly	Board/Committees/Management

The following methods can be used as part of monitoring and review:

- Internal check program.
  - Internal audit (see the boxed text titled 'Audits' for more information).
  - External audit—Independent audit.
  - External scrutiny—Council Committees, Appeal Tribunals, Courts, Commissions of Inquiry.
  - Physical inspections.
  - Program evaluation.
  - Reviews of organisational policies, strategies and processes.
- See the boxed text titled 'Audits' for more information.

## Audits

### What is an audit?

An audit is:

- A systematic and critical examination of the key risk areas in an organisation.
- A diagnostic tool for disclosing an organisation's strengths, weaknesses and main areas of vulnerability to risk.

Progressive organisations, within a culture of continuous improvement, use audits as a tool to evaluate their performance, and to guide their direction in risk management.

### What can an audit tell us?

- It provides an assessment of the current state risks/safety management in an organisation.
- It identifies broad areas of concern for risk and safety.
- It can show whether the systems in place to manage risks are working.
- By identifying weaknesses, and the main areas of vulnerability to risk, it prompts thinking on remedies and priorities.
- It brings to attention areas that perhaps have not previously been considered, but are important to improving risk or safety management.

### What are the benefits of an audit?

- It provides a positive approach to evaluating performance in risk management.
- It assists the risk management process by guiding the identification of risks.
- It is a clear demonstration of an organisation's commitment to risk management.
- It can provide a benchmark for reporting performance in risk management.
- It can assist an organisation to develop a better understanding of roles and responsibilities in risk management.

### How does the process work?

Audits can be implemented using a variety of systems and techniques. External auditors can be used or systems adopted that are designed on 'do it yourself' basis. Irrespective of the system and technique used, remember that an audit simply identifies a risk. The risk management process must then be completed with an assessment and treatment of the risk.

# 3

## Implementing risk management

Risk management is about more than implementing a process at a specific point in time for a particular project or activity. The philosophy of risk management must be integrated into the culture of the organisation and evident in all aspects, if all risks are to be well managed.

It is important that sport and recreation organisations manage all risks to ensure the best possible outcomes for the organisation.

### 3.1 Establishing a philosophy and creating the right culture

The philosophy of an organisation with respect to risk management can be defined through a risk management policy. This simple document should extend to no more than one page and capture the expectations, commitment, and responsibilities within the organisation to risk management. An example of such a policy statement is provided as Appendix C.

Given that such a policy should influence every decision made by the organisation, its content should be very carefully thought through, with due regard to its implications both present and future. Such a policy, once adopted, should be dated and then periodically reviewed.

The risk management philosophy of an organisation will be reflected in the culture of the organisation—what members do, when they do it, and how they do it.

Whilst a risk management policy may be a tool for communicating the philosophy, a good culture for risk management should also be encouraged by:

- Leading by example in responding to risk.
- Responding promptly to any concerns.
- Trusting and empowering volunteers and paid staff to manage risks at all levels.

- Education and training.
- Ensuring the right values are instilled in young people.
- Acknowledging, rewarding and publicising good risk management.
- Encouraging learning from untoward or unexpected results, both positive and negative.

### 3.2 Integrating risk management into planning at all levels

Any planning activity represents a chance to implement or evaluate risk management. Strategic or business planning, operational planning, and the planning of programs, activities, and events should all have risk management firmly embedded within them.

Whilst many plans account for risk to some degree, the application of a more systematic approach will ensure the organisation gets the best result.

Attention to risk management in strategic planning processes is particularly important to ensure that effort is not duplicated and that those at all levels in the organisation are supported in any risk management processes.

Separate risk management plans are also useful to provide specific focus if required. A risk management plan should include:

- A description of the context and arrangements for corporate governance.
- Details of the strategic objectives of the risk management plan.
- The list of risks identified.
- An assessment of the risks, and an allocation of priorities to each risk.
- Strategies/actions to treat risks assessed to be unacceptable.
- Monitoring processes and review procedures.

### 3.3 Documentation

Administrative measures to manage risk rely on good documentation and communication. Documented administrative measures may take a range of formats, including policies, guidelines, codes of practice, and rules. Policy decisions may also appear in the form of minuted resolutions.

Policies provide a common framework in which members can operate so that, although they may be working in different places in different circumstances, they will achieve similar outcomes, i.e. those outcomes that the organisation desires, such as safe participation. Policies and guidelines allow the capture of knowledge and experience so that mistakes can be avoided.

### 3.4 Education and training

Examples of risk management policies include those dealing with member protection, junior sport, infectious diseases, and so on. Examples of guidelines include those for the use of equipment, the running of a training program, the preparation for an overseas trip, the organisation of an event and so on.

All policies and guidelines should be maintained in one place in a logical format. This should be the master file. Each document should be clearly dated, and old policies discarded as soon as a revision occurs, to ensure confusion does not occur. It is also important, for monitoring and accountability, to maintain documentation about specific discussions or instructions relating to risk management, whether such records are in the form of meeting notes, or a diary entry relating to a phone conversation.

Education and training deserve specific attention given their importance in creating awareness, adjusting attitudes, and changing behaviour.

A continuous learning culture should be supported by the organisation. Conduct a skills audit to find out what members' education and training needs are. Encourage members to undertake training for specific roles by providing incentives or rewards. Seek out opportunities that may benefit those in the organisation. Appoint a person to look after the training needs of your members.

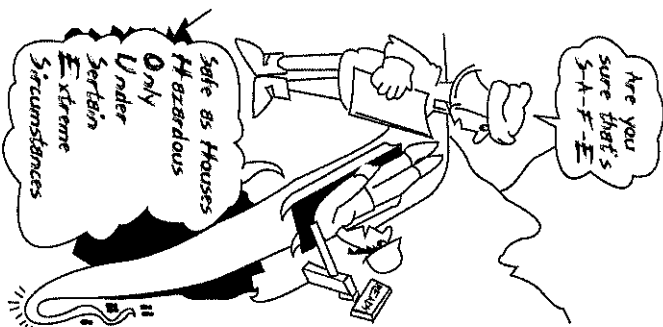
### 3.5 Adopt appropriate tools to assist risk management

Tools can be regarded as things that make a task easier. In a risk management sense, tools such as audits, checklists, templates, and schedules can ensure risk management measures are implemented efficiently and consistently.

Systems, such as the acronym SAFE, are also useful to encourage particular behaviours:

- Spot the risk
- Assess the risk
- Fix the problem
- Evaluate results

The risk management process itself can also be regarded as a tool.



### 3.6 Applying the risk management process

The risk management process is a versatile management tool that can be applied in varying degrees. It can be applied comprehensively to identify, assess, and treat all the risks to which an organisation may be exposed or, it can simply be applied to a particular activity, process, or risk.

### 3.7 Monitoring and review

Just as monitoring and review is an essential and integral step in the process for managing risk, it is also one of the most important for an organisation's overall approach to implementing risk management. Further information on monitoring and review is provided in 2.8.

### 3.8 Conclusion

Key messages in implementing risk management are:

- Action taken to manage risks should be integrated with (not be separate from) existing planning and operational processes.
- Effective risk management depends on good quality information.
- Everyone is accountable and responsible for managing the risks in their activity.
- Legislative requirements and the political, social and economic environment need to be taken into account when managing risks.
- People should be encouraged and supported by their leaders to manage risks.
- There are risks to be managed in all work and activities.
- This Guideline is aligned with the Risk Management Standard, AS/NZS 4360:2004, and provides a framework or systematic approach for tackling risk.

These key messages stress that:

- Risk management is everyone's business.
- Risk management is part of business as usual.
- The process for managing risk is logical and systematic and should become a habit.
- In implementing risk management, it is wise to remember that no one person is likely to have all the answers. Seek specialist advice, particularly in matters of the law and insurance, and don't forget the resources that exist within the organisation.

The knowledge and experience of members can sometimes offer all the expertise required to determine the best solution. Know your people—they are the best resource you have.

# A Examples of typical stakeholders for sporting organisations

Group	Stakeholders
Federal Government	Minister Australian Sports Commission Australian Sports and Drug Agency SCORS
State Government	Minister Department of Sport and Recreation Sports Advisory Committee Sports Advisory Sub-Committee
Local Government	Councils/Shires Local Sports Councils
Sports Community	National sporting and recreational bodies State sports bodies Regional sports bodies Local clubs and sports bodies Umpires associations Supporters organisations Academies (national, State and regional) Schools, colleges and universities Spectators
Sports Organisations	Boards Staff Volunteers Athletes Coaches Officials Facilities
Industry	Sport and recreation equipment suppliers, retailers, sales, marketing Equipment maintainers Consultants (e.g. marking and insurance consultants) Facilities/venue construction Facilities/venue maintenance and infrastructure services Facilities/venues management (including equipment management) Security management Catering management Ticket sales Venue cleaners Owners and shareholders (facilities, teams) Sponsors Media

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Group	Stakeholders
Medical	Australian Sports Medicine Federation Sports medicine suppliers Sports medical doctors, physiotherapists and advisers Professional massage industry
Others	Tourism and associated stakeholders such as accommodation and tourist transport and guides

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# B

Examples of terms used to describe likelihood, consequences, and level of risk

Example 1 Likelihood

Descriptor	Description	Indicative Frequency (expected to occur)
Almost certain	The event will occur on an annual basis	Once a year or more frequently
Likely	The event has occurred several times or more in your career	Once every three years
Possible	The event might occur once in your career	Once every ten years
Unlikely	The event does occur somewhere from time to time	Once every 30 years
Rare	Heard of something like the occurring elsewhere	Once every 100 years
Very rare	Have never heard of this happening	One in 300 years
Almost incredible	Theoretically possible but not expected to occur	One in 1000 years

Example 2 A simple likelihood scale

Descriptor	Description	Alternative Descriptor
Probable	Can be expected to occur during the project	Good odds
Possible	Not expected to occur during the project	Low to even odds
Improbable	Conceivable but highly unlikely to occur during the project	Poor odds

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Example 1 Consequences

Extreme	The consequences would threaten the survival of not only the program or activity, but also the organization, causing major problems for participants
Very High	The consequences would threaten the survival or continued effective function of the program or activity, or require the intervention of top-level management.
Medium	The consequences would not threaten the program, but would mean that the administration of the program or activity could be subject to significant review or changed ways of operating.
Low	The consequences would threaten the efficiency or effectiveness of some aspects of the program, but would be dealt with internally.
Negligible	The consequences are dealt with by routine operators.

Example 2 Consequences

Severity level	Consequences Types					
	Profit reduction	Health and safety	Natural environment	Social/cultural heritage	Community/government reputation/ media	Legal
V	US\$10M–US\$100M	Multiple fatalities, or significant irreversible effects to >50 persons	Very serious, long-term environmental impairment of ecosystem functions			Significant prosecution and fines Very serious litigation including class actions
IV	US\$1M–US\$10M	Single fatality and/or severe irreversible disability (>30%) to one or more persons	Serious medium term environmental effects	On-going serious social issues. Significant damage to structures/systems of cultural significance	Serious public or media outcry (international coverage)	Major breach of regulation Major litigation
III	US\$100 000–US\$1M	Moderate irreversible disability or impairment (<30%) to one or more persons	Moderate, short-term effects but not affecting ecosystem functions	On-going social issues. Permanent damage to items of cultural significance	Significant adverse national media/public/NGO attention	Serious breach of regulation with investigation or report to authority with prosecution and/or moderate fine possible
II	US\$10 000–US\$100 000	Objective but reversible disability requiring hospitalization			Attention from media and/or heightened concern by local community. Criticism by NGOs	Minor legal issues, non-compliances and breaches or regulation
I	<US\$10 000	No medical treatment required	Minor effects on biological or physical environment	Minor medium-term social impacts on local population. Mostly repairable	Minor adverse local public or medical attention or complaints	

Example 1 Simple risk level matrix

Likelihood	Consequences		
	Major	Moderate	Minor
Likely	Red	Red	Amber
Possible	Red	Amber	Green
Unlikely	Amber	Green	Green

Risk Treatment Key

Red	Immediate action
Amber	Heightened action
Green	Business as usual

Example 2 A matrix for determining the level of risk

Likelihood Label	Consequences Label				
	I	II	III	IV	V
A	Medium	High	High	Very high	Severe
B	Medium	Medium	High	High	Very high
C	Low	Medium	High	High	Very high
D	Low	Low	Medium	Medium	High
E	Low	Low	Medium	Medium	High

NOTE: The relationship between each consequence and likelihood will differ for each application: the level of risk assigned to each cell needs to reflect this.

**Level of risk key**

Severe risk	Almost certain to threaten the survival of the program, its administration and the organisation either financially or politically.
Very high risk	Likely to threaten the survival or continued effective function of the program or the organisation financially or politically.
High risk	Likely to cause some damage, disruption, or breach of controls.
Medium risk	Unlikely to be a threat to the efficiency and effectiveness of the program.
Low risk	Unlikely to threaten some aspects of the program.

# C

## Example of a risk management policy statement

### Risk management policy

Our policy is to use world's best practice in risk management, to support and enhance activities in all areas of our organisation, and to ensure that risk management is an integral part of all our decision-making processes.

We will use a structured risk management program to minimise reasonably foreseeable disruption to operations, harm to people and damage to the environment and property. We will identify and take advantage of opportunities as well as minimising adverse effects.

We will train our people to implement risk management effectively. We will strive to continually improve our risk management practices.

**Process** A risk management procedure has been established, based on the Australian Standard AS/NZS 4360:2004. It should be used for guidance by everyone involved with the application of risk management.

The Management Committee will facilitate the development of a common risk management approach across areas of our business by—

- implementing the risk management program;
- sharing information with broad applicability across all areas; and
- reporting on the progress of implementing the risk management program.

**Monitoring and Review** The Board will monitor and review the implementation of the risk management program.

**Responsibilities** The Managing Director is accountable to the Board for the implementation of the risk management process and ultimately responsible for the management of risks in the business.

All personnel are responsible for managing risks in their areas. Administrators will have a different view of risk to that of a player or referee, but each has an important personal responsibility to ensure that risks within their control are managed according to the rules of the game and the standards expected.

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Everyone has responsibility for risk management.

Signature (President) .....

Signature (CEO) .....

For further information on this policy and the risk management procedures,

Contact: ....., telephone .....

If in doubt, ASK SOMEONE!

