

Risk management for Tasmanian sport and recreation organisations

6. Risk management in practice



This Sport and Recreation Tasmanian (SRT) information sheet is one of 10 that when combined provide a resource designed to assist sport and recreation organisations (SROs) to improve their understanding and application of risk management. The information sheets included in the resource are as follows:

1. Overview and introduction to risk management
2. Developing a risk management culture
3. Applying risk management
4. Compliance and risk management
5. Insurance and risk management
6. Risk management in practice
7. Risk management policy template
8. Risk management plan template
9. Risk management audits
10. Risk management resources.

Information sheets one to five provide background information and theory and information sheets six to ten provide practical tools and templates. All sheets discuss risk management in accordance with the Australian Standard on Risk Management AS/NZS ISO 31000:2010 and the International Standard on Risk Management – Principles and Guidelines ISO/FDIS 31000:2009.

Risk management in practice

This information sheet outlines the risk management process and the importance of understanding the context, or 'risk environment', in which SROs operate.

It considers matters associated with identifying and assessing risks, then communicating, monitoring and reviewing the understanding of these risks with relevant stakeholders.

In addition, it provides two practical risk-management tools:

- a sample risk assessment calculator, that can be used to assess the likelihood and consequence of identified risks
- a sample risk register, that can be used to record risks, proposed treatment options, the responsible party and timeframes for implementation.

Introduction

Risk management relates to the minimisation of exposure to risks, associated with the way an SRO manages its participants, volunteers or staff, and its activities, assets, projects or services.

Risks associated with sport and recreation can be substantially reduced by good housekeeping, common sense and safe working and participation environments.

Good risk management relies on a systematic and planned approach to minimising risks and continuing compliance.

Equally, it relies on communication between stakeholders who are educated about the plan and its importance. It is crucial that all relevant people are committed to every stage of risk management.

A systematic approach to risk management requires the following steps.

1. Establishing the risk context.
2. Risk assessment – the identification, analysis and evaluation of risk.
3. Risk treatment – the design and implementation of a risk-elimination or reduction plan.
4. Consultation, monitoring and review.

The diagram below sets out an overview of the risk management process.

Establishing the risk context

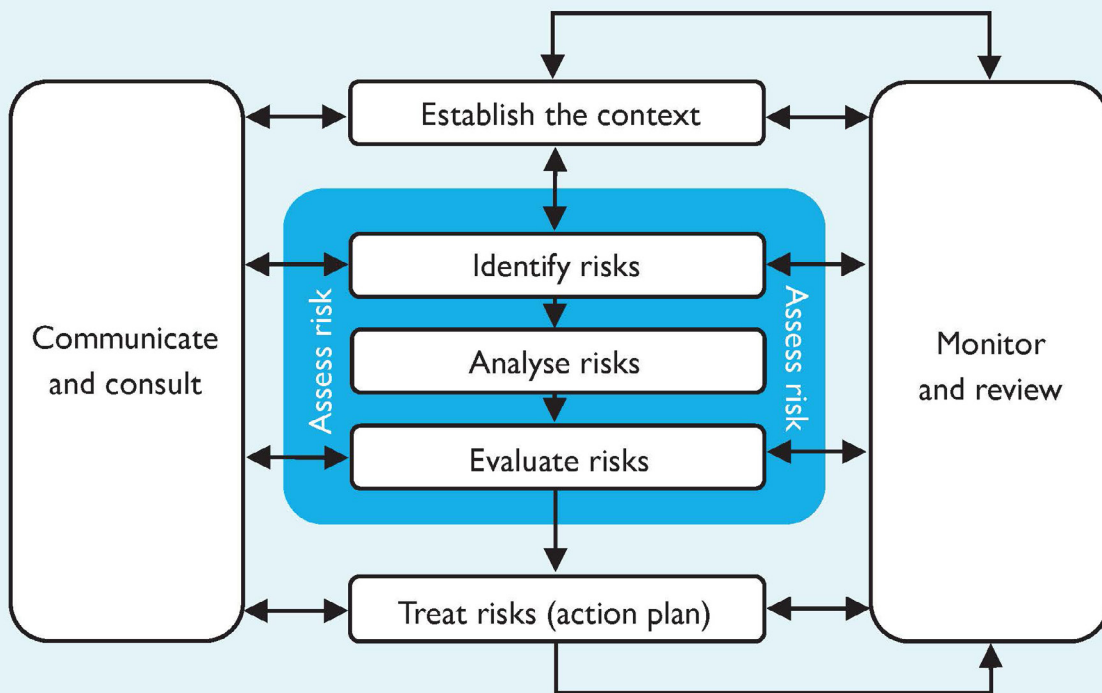
The identification, assessment and treatment of an SRO’s risk must occur within its risk context.

Establishing an SRO’s risk context involves deliberately gathering information about the SRO and how it operates, in order to identify its risk environment.

To understand and manage risk, it is important for SROs to fully understand their core business, including their objectives, structure, method of operation and membership, and the programs, activities, services and facilities they offer, as well as their relationship with or impact on others in the community.

Stakeholders are highly relevant to this process. Involving stakeholders increases an SRO’s capacity to employ awareness as a risk management tool. This awareness can only result from effective communication and consultation.

Figure 1. Risk-management overview



There are two parts to this risk context - the external context and the internal context.

- **The external context**

This is the external environment in which the SRO operates. It can include:

- the cultural, social, political, legal, regulatory, financial, technological, economic, natural and competitive environment
- key drivers and trends that have an impact on the objectives of the organisation
- relationships with, perceptions and values of external stakeholders.

Understanding this external context helps to ensure that the objectives and concerns of external stakeholders (many of which are beyond an SRO's control) are considered, when the SRO is identifying its risks.

- **The internal context**

The internal environment in which an SRO operates includes anything within the SRO that might influence how it will manage risk, such as:

- governance, organisational structure, roles and accountabilities
- policies, objectives and the strategies that are in place to achieve them
- its capabilities, in terms of resources and knowledge, including its finances, personnel, programs, services and facilities
- information systems and flows, and decision-making processes (both formal and informal)
- relationships with, perceptions and values of internal stakeholders, including the membership and staff (paid or volunteer)
- the SRO's culture
- the SRO's standards, guidelines and models
- the form and extent of contractual relationships.

Establishing its risk context helps an SRO understand the environment in which it operates and assists in determining which risk management processes should be applied and to which areas of the SRO. It also helps an SRO determine the levels of risk that may or may not be acceptable to it.

This should be done by fully considering the possible consequences of a risk event, the SRO's attitude towards and ability to implement a risk management process and to justify the resources required.

Agreed levels of risk need to be monitored and reviewed regularly, to ensure they remain acceptable and relevant. Those doing so need a sound knowledge of the SRO's operational and budget constraints and its ability to deal with any related legal requirements and potential financial or reputation losses.

Risk identification

The first step in risk assessment is to identify what risks exist (or may exist in the future).

It is important that people who are regularly involved in the SRO's activities are involved in identifying its risks or risk areas, and that they look beyond the familiar. Administrators, coaches, members, players and other key participants should all be consulted. There can be no substitute for practical experience in understanding why accidents occur or what presents a potential problem.

If the SRO's key personnel lack the required knowledge others should be consulted such as members of a similar SRO, a peak body, a medical person with expertise in the area, an administrator with expertise in the development of relevant policies and procedures, a risk manager, lawyer or insurance broker.



Identifying the areas of risk to be covered by an SRO's risk management policy requires a whole-of-organisation review, that considers various stakeholder perceptions, needs and more.

The process itself should also stimulate thoughts about risks that exist now or may in the future. This can involve a variety of approaches including:

- brainstorming, including how (causes) and why (scenarios)
- checklists and audit processes (refer to example audits in information sheet nine - Risk management audits)
- drawing on expertise from within the organisation, a similar organisation, local government or a state or national sporting body
- personal reports
- systems analysis.

There are certain general risks that may apply to any SRO, including:

- property loss through risks like fire or burglary
- loss of assets through legal action over injuries caused by negligence, breach of contract, breach of criminal law, trade practices and occupational health and safety breaches
- legal costs associated with legal actions
- loss of sponsorship opportunities, member and general public confidence in a sport due to adverse publicity
- loss of elite-level athletes through injury, which can cause further financial loss due to lost prize money, sponsorship or public interest.

Some such risks might be identified by a whole-of-organisation review but there are many other potential risks, some are listed in the table below.

Risk areas	Might include risks associated with
Strategic	Planning, scoping, resourcing and developing the SRO.
Safety	Ensuring the safety of products, services and programs for everyone involved, whether as a participant or within a workplace and public-safety context.
Environmental	The compatibility of the SRO's activities with environmental legislation and the protection of cultural assets.
Membership and/or participation	Sustaining and enhancing the membership/participation opportunities offered by the SRO.
Governance and administration	Maintaining and improving the SRO's financial viability, daily operational activities and use of resources (including people), to ensure the successful development and delivery of programs or services.
Image and reputation	Protecting and enhancing the reputation of the SRO among stakeholders and the community, which extends to the conduct of employees and others.
Facilities and assets	Ensuring they are in a safe, fit-for-purpose condition.
Human resources	Providing a safe and supportive working environment and taking all reasonable steps to protect all workers' and volunteers' health and safety.
Compliance	Complying with relevant legislation, regulations, standards, codes of practice and contractual or other statutory requirements, and the 'rules' such as policies, procedures or expectations set by the SRO itself.
Projects	Managing resources, technology and timeframes involved in projects associated with the SRO.
Security	Including the protection of information, intellectual property, premises, assets, people and technology.
Stakeholder management	Establishing and maintaining positive relationships with internal and external stakeholders.



Other specific issues to be considered when identifying an SRO's risks are:

- the age of participants - children are treated differently by the law and those who supervise children must take extra care for their safety
- a detailed history of any previous injuries
- placement of certain equipment - for example, in children's playgrounds, it is now generally understood that replacing a concrete surface with 'soft fall' that meets Australian Standard AS/NZS 4422:1996, reduces the risk of injury
- how operational procedures are conducted and whether there have been previous problems.

Risk analysis and evaluation

Identified risks must be analysed and evaluated, then a decision made to treat them or otherwise.

Each risk must be rated in such a way as to describe:

- the likelihood of the risk occurring
- the consequences of its impact on the SRO's objectives if the risk occurs
- the priority, or degree of urgency required to address the risk.

'Likelihood' relates to the chance of something happening or the potential for a risk to occur.

'Consequences' are measured in terms of a risk's effect on the SRO's objectives or the survival or operation of the SRO and its activities or assets.

Tables for rating the likelihood and the consequences of risks can be found overleaf.

Qualitative evaluation of risk can be imprecise, biased and inconsistent. It is best to introduce a quantitative element to describe the likelihood (for example 'considered a 100- year event') or consequences (for example 'a low financial loss - less than \$1 000') of a risk.

Having analysed each risk in terms of its likelihood and consequences SROs should evaluate each risk to determine the level of risk (for example extreme, high, moderate or low).

This prioritising of risks assists in deciding whether a risk is acceptable or otherwise and in determining what action or resourcing is warranted to manage the risks, where possible, and which require the most urgent attention.

A risk associated with an activity or piece of equipment that causes serious injury or loss is a high risk and would be deemed unacceptable and would require priority treatment.

A risk that is unlikely to damage an SRO's reputation and finances and can be managed by routine procedures is a low risk and might be deemed acceptable or require minimal treatment.

Prioritisation of risks will be influenced by the SRO's appetite for risk - what level of risk the SRO is prepared to accept for a particular activity, and by its ability to implement a risk management plan along with the availability of resources.

A table for rating the levels of risk used for prioritisation can be found on page 7.



Ratings of the likelihood of risks		
Level	Rating	Example descriptors
1	Rare	<ul style="list-style-type: none"> Event would only occur in exceptional circumstances. Unlikely even in the very long term. Considered a 100-year event.
2	Unlikely	<ul style="list-style-type: none"> Event not anticipated and distinct possibility it will not occur. Could occur within 'years to decades'. >5 per cent chance of the consequence occurring.
3	Possible	<ul style="list-style-type: none"> The event might occur at some time. Could occur within 'months to years'. >20 per cent chance of the consequence occurring.
4	Likely	<ul style="list-style-type: none"> Event has occurred previously and is likely to reoccur. Could occur within 'weeks to months'. >50 per cent chance of the consequence occurring.
5	Almost certain	<ul style="list-style-type: none"> Event is expected to occur. Could occur within 'days or weeks'. >90 per cent chance of the consequence occurring.

Ratings of the consequences of risk		
Level	Rating	Example descriptors
1	Insignificant	<ul style="list-style-type: none"> Negligible impact on SRO's operations or objectives Low financial loss - less than \$1 000. No injuries
2	Minor	<ul style="list-style-type: none"> Minimal impact on SRO's operations or the achievement of its objectives Medium financial loss - greater than \$1 000 and less than \$10 000 Injuries require basic first-aid treatment.
3	Moderate	<ul style="list-style-type: none"> Significant effect on SRO's operations - some objectives not met in full. High financial loss - greater than \$10 000 and less than \$50 000 Injuries require medical treatment.
4	Major	<ul style="list-style-type: none"> Major effect on SRO's operations - achievement of its objectives severely affected. Major financial loss - greater than \$50 000 and less than \$500 000. Injuries are extensive.
5	Catastrophic	<ul style="list-style-type: none"> Catastrophic effect on SRO's operations and its key objectives not met. Huge financial loss - greater than \$500 000. Injuries result in death.



Levels of risk	
Low	<ul style="list-style-type: none"> • Unlikely to threaten SRO's objectives, programs or assets. • Unlikely to damage the organisation's finances or reputation • Managed by routine procedures
Moderate	<ul style="list-style-type: none"> • Will potentially threaten SRO's objectives, programs or assets. • Will potentially damage the organisation's finances or reputation • Specific responsibility should be allocated.
High	<ul style="list-style-type: none"> • Likely to threaten SRO's objectives, programs or assets. • Likely to damage the organisation's finances or reputation. • Requires the attention of senior management.
Extreme	<ul style="list-style-type: none"> • Certain to threaten SRO's objectives, programs or assets. • Will damage the organisation's finances or reputation. • Immediate action required.

Commonly, a risk assessment matrix or 'risk-assessment calculator' which combines the measures of 'likelihood' and 'consequence' and includes descriptors that indicate the 'level of risk' is used to evaluate and prioritise risks.

A sample risk-assessment calculator is offered at the end of this information sheet.

The analysis and evaluation of a risk will rely on the knowledge, skill and experience of those involved and while the decision as to whether a risk is acceptable or unacceptable rests with the SRO it must always be made against the deliberate consideration and definition of the SRO's risk context.

SROs should document how they evaluate the likelihood and consequences of identified risks, the level or acceptability or otherwise of the risk, and the actions required or otherwise.

By establishing and documenting the levels of risk it is willing to accept, an SRO guards against bias and inconsistency in the evaluation of risks. Low or moderate risks might be acceptable or require minimal treatment, but risks that are high or extreme should be treated as a priority, using one or more of the treatment options.

Risk treatment is discussed below.

Designing a plan

Once a risk has been identified and assessed, SROs should develop a plan to work out what can be done to eliminate or reduce that risk.

When designing a plan, the issue of 'reasonableness' must be kept in mind, because some methods of reducing risks may be impractical or unreasonably expensive.

The time and resources applied to risk management must be proportionate to the risk. Lesser risks will require less time and resources, whereas higher risks require greater attention.

It can be a fine line to decide what is reasonable or not. It has been recognised by the courts that the only way to make some sports 100 per cent safe is to eliminate the sport itself. Of course, this is not reasonable. But if an item of playground equipment has proven to be particularly dangerous, and is going to be very expensive to replace, the best and most reasonable option may be to remove the dangerous item.

In developing a plan, it is recommended that the identified risks, proposed treatments, required resources, responsibilities and authorities of those involved, all be documented in a 'risk register'.

Refer to the sample risk register at the end of this information sheet.



Risk treatment

This stage in the risk management process is about identifying and testing strategies to manage risks which have been evaluated as unacceptable.

In no particular order, an SRO might use some of the following risk treatment options.

- Avoiding the risk, by consciously not entering into the activity, program or project that features that risk. For example, a yacht club might abandon an event because the wind exceeded an agreed-upon safe limit.
- Reducing the risk, by introducing a control. This might be engineering or administrative changes, or the use of personal protection equipment that reduces the likelihood and consequences of a risk to an acceptable level.
- Transferring responsibility for the risk from the SRO to others, including those participating in the activities being offered. This is generally done through some form of contract, such as a lease, disclaimer, release, waiver or indemnity agreement, or through warning signs. Any such contract must be properly drafted, otherwise it will not provide the protection the SRO seeks.
- Accepting or retaining the risk. If the likelihood of the risk is remote or the consequences low, it might be agreed to retain the risk which means that important activities might simply go ahead and that any treatment that compromises the objectives of related activities are avoided.
- Financing the risk essentially means to provide self-insurance. It creates a financial reserve to meet the costs of loss, if a risk is realised.

Ideally, all personnel involved in the risk-management process will work together to brainstorm a variety of risk-treatment strategies, and consider each one's effectiveness.

This might involve 'reality testing' some strategies, to determine what reasonable steps can be taken to reduce the risk's impact. One or more options might need to be employed to treat the same risk.

SROs should consider using engineering solutions designed to modify equipment or environments, before either administrative solutions, or the use of personal protective equipment that seeks to modify human behaviour. Again a mix of treatments might be employed.

For example, to reduce the likelihood and consequence of the risk of falls from a trampoline, an SRO might first sink the trampoline into the floor so the two surfaces are level (engineering). Secondly, they might adopt a rule that all trampoline use is to be supervised, provide a suitable first-aid kit and prepare an emergency-response plan (administrative). Finally, the SRO could install a safety harness system (personal protective equipment). As previously mentioned, the SRO will need to develop an action plan which describes what is needed to treat the risk, who has the responsibility for it, and what the timeframe for doing so is.

Monitoring and review

Keeping records and continually evaluating the risk management plan in the light of such records is crucial. Records should document any accidents, information on the effectiveness, currency and the relevance of risk management procedures.

Statistics on continuing injuries or accident occurrences should be used, to determine whether there are specific activities that require either increased precautions or supervision.

Documentation of safe practices and all stages of the risk management process, including regular maintenance inspection, can be relied upon in court proceedings as evidence that reasonable care was being taken.

A risk management plan cannot remain static. Risks can change according to changes in the law and the development of safe practices, techniques and technology. Constant evaluation and modification is required to take account of developing trends and the organisation's own experiences.



Communication and consultation

It is essential that all personnel and participants in the activities of an SRO are educated about the importance of the risk-management program and are consulted in its development, implementation and evaluation. For additional information, see the communication section in information sheet two: Developing a risk management culture.

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