

Risk Management



Department
of Sport and
Recreation

What is Risk Management?

The Australian/New Zealand Standard for Risk Management (AS/NZS 4360) defines risk management as:

“The culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects”

What is Risk?

The Australian/New Zealand Standard for Risk Management (AS/NZS 4360) defines risk as:

“The chance of something happening that will have an impact upon objectives.

It is measured in terms of likelihood and consequences”

If you need help implementing this resource please contact your Sports Consultant at the Department of Sport and Recreation

Why do we need to manage risk?

- ✓ Good business and management practice
- ✓ It assists strategic planning
- ✓ Reduces unexpected and costly surprises
- ✓ More effective and efficient allocation of resources
- ✓ Better results from projects and programs
- ✓ Assists you to clearly define insurance needs
- ✓ Better information for decision making
- ✓ Compliance with regulatory requirements
- ✓ Assists in preparation for auditing
- ✓ Lessening risk encourages more people to participate in your activity
- ✓ Balancing opportunity and risk

When do we need to manage risks?

ALL THE TIME

Risk management is an ongoing process applied to all aspects of your operations. Any new project, event or initiative should have a risk assessment completed.

Risk management is a five step process

The five steps are:

- 1** Establishing the context
- 2** Identify risk
- 3** Assess Risks
- 4** Treat risks
- 5** Ongoing monitoring and review

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Risk Reduction

The Australian/New Zealand Standard for Risk Management (AS/NZS 4360) defines risk reduction as:

“A selective application of appropriate techniques and management principles to reduce either likelihood of an occurrence or its consequences or both.”

Risk Transfer

The Australian/New Zealand Standard for Risk Management (AS/NZS 4360) defines risk transfer as:

“Shifting responsibility or burden for loss to another party through legislation, contract, insurance or other means.”

Risk Acceptance

The Australian/New Zealand Standard for Risk Management (AS/NZS 4360) defines risk acceptance as:

“An informed decision to accept the consequences and the likelihood of particular risk.”

Establishing the context

- The scope of risk management within your organisation
- The aims and objectives of your own risk management program in relation to your organisation
- The Who, What, When, How and – With What resources?
- Determine criteria for treating risks
- Define the extent and comprehensiveness of the risk management activities
- Define the project or activity for which you are going to identify risks
- Define your risk assessment criteria table
- Define your risk acceptance criteria

Risk identification

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

Risk assessment

- *Likelihood* – used as a qualitative description of probability and frequency
- *Consequence* – the outcome of an event or situation expressed qualitatively or quantitatively, being a loss, injury, disadvantage or gain
- Look at the adequacy of existing controls
- How likely is it to occur?
- What are the consequences if it occurs?
- Multiply consequences by likelihood to give a Level of Risk
- Use the level of risk determined in the previous stage
- Decide which risks are to be treated or accepted

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Risk treatment and control

- Reduce the likelihood
- Reduce the consequences
- Transfer the risk
- Accept the risk
- Avoid the risk

Monitoring and review

- Risk reviews
- Claims performance reports
- Audits (internal and external) reporting
- Progress of the Risk Treatment Plan implementation

What areas need to be treated by process?

Identify key function areas as:

STRATEGIC

Those risks associated with the high level goals, objectives, strategies of the organisation and its divisions.

GOVERNANCE / OPERATIONAL

Those risks associated with the functions of the organisation performed on a daily basis. Finance, decision making, marketing and promotion and the administrative areas of your sport.

PROJECT / THE EVENT

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

In establishing the context of the risk review you will define the extent of the review, whether you want to limit it to certain aspects such as safety or public liability etc or conduct the review looking at the entire project/event.

Acknowledgements

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Likelihood TABLE D1

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

Consequences TABLE D2

Descriptor	Description
<i>Insignificant</i>	No injuries, low financial loss
<i>Minor</i>	First aid treatment, medium financial loss
<i>Moderate embarrassment</i>	Medical treatment required, high financial loss, lower level political
<i>Major embarrassment</i>	Extensive injuries, major financial loss, medium level political
<i>Catastrophic</i>	Death, huge financial loss, high level political embarrassment

Level of Risks TABLE D3

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

Legend

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

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Risk Management Template

PROJECT: Describe the activity / function / strategy	
THE RISK: What can happen? How it can happen?	
CONTROLS: What controls will be used in this activity? <input type="checkbox"/> Excellent <input type="checkbox"/> Adequate <input type="checkbox"/> Inadequate	
LIKELIHOOD: What is the likelihood of this event occurring? To rate, see Table D2	
CONSEQUENCES: What would be the consequences if the event occurred? To rate, see Table D2	
LEVEL OF RISK: What is the level of risk? To rate, see Table D2	

Action required:

Completed by:

Date:
