STANDARDS Australia

HB 246:2010

Guidelines for managing risk in sport and recreation organizations

handbook

HB

STANDARDS NEW ZEALAND
PAEREWA AOTEAROA

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Cover photo

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Stewart Boswell and Cameron Pilley Australia's No. 2 and No.3 Squash players in action. Image courtesy of Squash Australia

Promising young middle-distance athlete Trychelle Kingdom. Image courtesy of David Tarbotton

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Handbook

Guidelines for managing risk in sport and recreation organizations

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PREFACE

The Standards Australia/Standards New Zealand Joint Technical Committee, Risk Management, has prepared this Handbook in accordance with AS/NZS ISO 31000:2009, *Risk Management—Principles and guidelines*, to enable better understanding and application of effective risk management within the sport and recreation sector. It supersedes HB 246—2004, *Guidelines for managing risk in sport and recreation*.

The purpose of this Handbook is to assist sport and recreation organizations understand the concept of 'risk' and the principles, process and underlying framework that is needed to manage risk effectively and thereby help achieve the organization's objectives.

Sport and recreation

Sport and recreation makes a significant contribution to the economic and social wellbeing of our society, contributing billions of dollars to the economy, employing tens of thousands of people, and providing an ethos and lifestyle that are synonymous with Australia and New Zealand.

The sector is generally considered to comprise organizations operating in five fields; sport, outdoor recreation, community recreation, fitness and horse racing. It includes both government and non-government organizations. Although diverse in its discussion of activities, the common characteristics of the sector make this Handbook generally applicable.

NOTE: The term 'organization' includes any formally constituted entity within the sector including national, state and regional associations, clubs, facility operators, educational institutions involved in sport and recreation and businesses conducting sporting or recreational activities.

Although all organizations are subject to a wide range of laws, some parts of the sector are regulated by specific legislation.

Who should use this handbook?

This Handbook has been prepared mainly for those responsible and or accountable for ensuring that risk is managed effectively in their organization. For larger organizations, it will also be of assistance to those specialist staff responsible for developing, mentoring and overseeing the deployment of risk management processes and practices across their own organization and/or those other organizations which their organization provides support.

Although all organizations wanting to manage risk effectively will need to ensure their management framework will support their risk management activity, and will need to approach their risk management efforts in a way that reflects the principles that are explained in the Standard, AS/NZS ISO 31000:2009 and will need to diligently apply the risk management process as outlined, small organizations will often be able to develop simplified approaches closely customized to their situation, without compromising quality.

NOTE: Each of the Federal and State government bodies concerned with sport and recreation in Australia has done this.

National or state/regional organizations can help their local constituent organizations by providing them with customized risk management tools that will ensure that risks will be properly detected and understood, and where necessary treated, but minimize the amount of time needed by local officials to do so.

Similarly, national and state/regional organizations should develop processes to assist constituent local organizations with the transition of present risk management approaches to align with this new Handbook.

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S E C T I O N 1 I N T R O D U C T I O N

1.1 OVERVIEW

Many Australians and New Zealanders value sport and recreation, both as participants and as spectators. Our passion for sport and recreation is driven from each nation's grass roots and, in turn, the sport and recreation sector provides key social forums for participants and their families.

Sport and recreation also drives and supports the commercial, educational and community infrastructure that is needed by way of venues, equipment, clothing, media coverage, and a wide range of career specialists. The importance of sport and recreation to our nation's health is increasingly recognized.

Achieving these diverse goals, and doing so efficiently, requires effective management of the associated risks.

1.2 WHAT IS RISK?

Risk is associated with everything that sport and recreation organizations do and with every decision they take. It comes about because organizations have to pursue their particular objectives in an environment, both within and external to the organization, which has uncertainties.

Risk is defined in AS/NZS ISO 31000:2009 as the 'effect of uncertainty on objectives' together with the following explanatory notes.

NOTES:

1 An effect is a deviation from the expected—positive and/or negative.

2 Objectives can have different aspects (such as financial, health and safety, and environmental goals) and can apply at different levels (such as strategic, organization-wide, project, product, and process).

3 Risk is often characterized by reference to potential events and consequences, or a combination of these.

4 Risk is often expressed in terms of a combination of the consequences of an event (including changes in circumstances) and the associated likelihood of occurrence.

5 Uncertainty is the state, even partial, of deficiency of information related to, understanding or knowledge of an event, its consequence, or likelihood'.

Risk is neither 'good' nor 'bad'. To completely eliminate some risks could mean that it was no longer possible to achieve the objective. For example, when a team travels to a competition venue, it is exposed to risks relating to the mechanical reliability of the vehicle, the skills of the driver (two examples of the 'internal' uncertainties) and the behaviour of other vehicles and their drivers along the journey ('external' uncertainties).

It can be imagined that while more could be done to minimize the internal uncertainties than to minimize the external uncertainties, to totally eliminate risk would make it impossible to travel. So, by accepting some 'level of risk' it becomes possible to achieve the objectives.

The level of risk is defined by AS/NZS ISO 31000:2009 as the 'magnitude of a risk or a combination of risks expressed in terms of the combination of consequences and their likelihood'. 'Consequences' are the outcomes of events affecting objectives.

The level of risk can often be modified (increased or reduced) through actions which will either modify the consequences or modify the likelihood that those consequences will be experienced, or both.

Organizations typically have numerous objectives, including, for example—

- enjoyment, safety and affordability for participants, coaches, officials, spectators and volunteers;
- sustaining and increasing membership;
- sustaining and improving sporting or recreational success;
- sustaining and improving financial viability;
- compliance with the law, regulations, policies or rules and standards of behaviour;
- discharging duties of care; or
- maintaining a positive public image and reputation with stakeholders, regulators, sponsors and media.

In setting their own objectives, many organizations must also take responsibility for contributing to the achievement of the objectives of their individual members, for example—

- achievement of personal goals;
- self-esteem;
- social interaction;
- peer group acceptance and approval;
- staying healthy and improving one's level of fitness and health;
- stress release and relaxation;
- family involvement; and
- the overall improvement in one's quality of life.

These and possibly other objectives are pursued in the context of the environment inside (internal) and outside (external) the organization which are characterized by such matters as—

- Internally
  - ♦ The organization's legal framework.
  - ♦ Finances.
  - ♦ Membership.
  - ♦ Organizational structure.
  - ♦ Staff (paid or volunteer).
  - ♦ Facilities.
- Externally
  - ♦ Legislation.
  - ♦ Other (competing) organizations.
  - ♦ Government policies and funding.
  - ♦ Population dynamics.

There is therefore a great diversity of risk. Some risks will be apparent (particularly if they involve consequences of a type previously experienced and/or there is data available regarding the likelihood of such consequences). Others will be revealed only through systematic and competent risk assessment.

The question of which risks to accept, and which to modify, depends on the risk appetite of the organization or individual. In setting its 'risk criteria', the organization needs to reflect its values, objectives and resources, taking into account the views of stakeholders.

1.3 WHAT IS MEANT BY MANAGING RISK?

Managing risk means recognizing and understanding one's risks and modifying them if they are not within the organization's appetite.

Risk management is the description given to the 'coordinated activities to direct and control an organization with regard to risk' (AS/NZS ISO 31000:2009).

To some degree, all organizations continually manage risk—sometimes consciously, often without realizing it, but rarely systematically. The issue is not whether the organization manages its risks but how well it does so. An organization or individual will have managed risk effectively if its risk management arrangements ensure it has a correct, comprehensive and current understanding of its risks, and the risks are within its risk criteria or appetite.

The risk management approaches set out in AS/NZS ISO 31000:2009 enable a systematic approach consistent with modern management practice and good governance. As such they allow organizations to protect their objectives in the context of a more complex business environment, increasing stakeholder expectations, and, in Australia particularly an already very litigious society. They also provide confidence to directors and managers that they are fulfilling their obligations and duties of care.

Unless the organization's risk management methods are systematic, there can be no assurance that risk will be managed effectively or that responsibilities for prudent governance will have been discharged.

The following attributes are indicative of a systematic approach to risk management:

- *Continual improvement*—An emphasis on continual improvement, through the setting of organizational performance goals, measurement, review and the subsequent modification of processes, systems, resources, capability and skills.
- *Full accountability*—A fully defined and fully accepted accountability for risk, controls and risk treatment tasks.
- *Application to decision-making*—Explicit consideration of risk and the application of risk management to some appropriate degree, in all decision-making.
- *Continual communications*—Continual communications with external and internal stakeholders, including comprehensive and frequent reporting of risk management performance, as part of good governance.
- *Integration with governance structure*—Risk management is viewed as central to the organization's management processes and with the governance structure and processes based on the management of risk.

  NOTE: A more detailed explanation of the above points can be seen at Annex A of the Standard which also describes behaviours which are indicators of each attribute.

Even though objectives may remain reasonably static, the internal and external environment is constantly changing. Therefore risk management activity must be dynamic and capable of both detecting and dealing with both rapid and more subtle or gradual change over time. Where such change is reasonably foreseeable (for example, changes in Government funding policy as a result of changes in Government) the risk management plan should include actively monitoring such issues and implementing immediate assessment of the resulting risks – using, for example, standard templates.

1.4 BENEFITS OF EFFECTIVE RISK MANAGEMENT

Organizations with good risk management can expect many performance-enhancing benefits, simply because they are more likely to achieve their objectives and do so more efficiently.

Benefits typically include the following:

- More effective management of assets, events, programs and activities.
- A safer environment for participants, officials, spectators and volunteers.
- Broader thinking about business objectives and outcomes.
- A greater ability to meet the needs of members and other stakeholders.
- Flow-on benefits through the systematic identification of and remedy of organizational deficiencies.
- Improved communication, both internally and externally.
- Improved participation via inclusive consultation.
- Compliance with the law, regulations and other legal or policy obligations.
- Lower costs and more budget certainty.
- Enhanced image and reputation leading to—
  - ♦ increased interest in your sport or recreational activities and your organization;
  - ♦ greater participation;
  - ♦ increased support from volunteers;
  - ♦ more, and more certain financial support;
  - ♦ better sporting or recreational outcomes;
  - ♦ higher morale, more commitment and accountability;
  - ♦ a better managed organization able to support Government objectives; and
  - ♦ higher quality experiences for participants.

1.5 DISTINCTIVE CHARACTERISTICS OF THE SPORT AND RECREATION SECTOR

While the principles of risk management apply irrespective of the type of organization, the Australian and New Zealand sport and recreation sector have distinctive characteristics that both generate particular types of risk and influence options for dealing with risks. These characteristics include the following:

- A heavy reliance by most organizations on volunteers (see also Clause 1.6).
- A combination of regulations and voluntary codes within which organizations are required, or often expected to operate.

  NOTE: Appendix C gives more information about the regulatory environment.

- Parental delegation of responsibility for the welfare and wellbeing of young people to the sport and recreational organization, with associated acute duties of care.
- Strong inter-dependencies between the objectives of sport and recreation organizations and those of local government in the planning, development and provision of sport and recreational facilities and ensuring that the changing sport and recreational needs of local communities are met.

  NOTE: Appendix D provides more discussion on the role of local government.
- Many sporting organizations have a hierarchical National, State (or regional) and local or club structure,. providing both opportunities for efficiencies and potential constraints on freedom to operate.
- A mix of both competitive and social interaction needs, which provide much of the intrinsic enjoyment of participating in the sport or recreational activity.
- A diverse scale of organizations ranging from those with multi-million dollar annual budgets and numerous professional personnel to small not-for-profit organizations in which volunteers operate from private homes.
- Uncertain funding, often from multiple sources with frequent and substantial reliance on grants and sponsorship plus a general need to minimize participation costs. Obligations imposed by funders including greater transparency and efficiency in the use of public funds
- A diverse range of activities (physical and non-physical) and operating environments (indoors and outdoors; familiar and unfamiliar terrain and environments).
- Training and coaching.
- Participatory by nature and can involve both professional and amateur participants.
- Competitiveness in some sporting activities affects individual objectives (e.g. the desire to win).
- Interface between facility owners and specialist event organizers.

1.6 VOLUNTEERS IN SPORT AND RECREATION

All people responsible for managing risks effectively, need the requisite skills and knowledge. While an organization can incorporate such training in the routine activities of paid staff, a different approach is likely to be needed for volunteers.

Some strategies for delivering training to volunteers include:

- Help the volunteer recognize that achieving their own personal objectives for participation in the sport/recreational activity, is actually dependent on effective risk management.
- Ensure the risk management duties are not cumbersome or laden with jargon and are structured to minimize demands on volunteer time – invite suggestions and ideas from the volunteers as to how to make it easier for them to achieve what is required.
- Deliver training in an efficient and highly relevant way, closely related to their actual role—obtain feedback and make improvements where necessary.

Publications of the Australian Sports Commission* offer guidance as to how to address the legitimate concerns of volunteers and barriers to participation.

* ASC publications include '*Managing Event Volunteers*', '*Volunteers Management: A Guide to Good Practice* and '*Volunteer Management Policies*'.

Many volunteers will bring risk management skills with them from their other activities or job but the organization still needs to set out its expectations, required methods and provide assistance and guidance where necessary. It should draw on the experience that the volunteer brings, and take care to avoid an assumption that paid staff will be better at managing risk than volunteer personnel.

SECTION 2 AN EFFECTIVE FRAMEWORK FOR MANAGING RISK

2.1 INTRODUCTION

2.1.1 General

The success of risk management activity will depend on the features of the organizations governance and management framework which underpins it.

Ineffective risk management can inevitably be linked to—

- unclear or contradictory expectations from 'the top';
- lack of capability (skills, resources);
- poor relationship with stakeholders;
- failure to build in the necessary risk management practices to the day-to-day activities and accountabilities of the management team; and
- no commitment to continually learn and improve.

Effective risk management is the opposite.

This Section describes the components of the organizational governance and management framework that will determine how effectively risk is managed. The relationships of the elements are shown in Figure 2.1 but the main point to realize is that it is the quality and adequacy of these elements which will determine risk management success.

For example, if the 'risk management signals' from the top of the organization—spoken or unspoken—convey indifference, then that will be translated down the line; similarly if people who have a risk management role are not trained properly, and are not rewarded according to their performance, then it is unlikely that risks will be managed well.

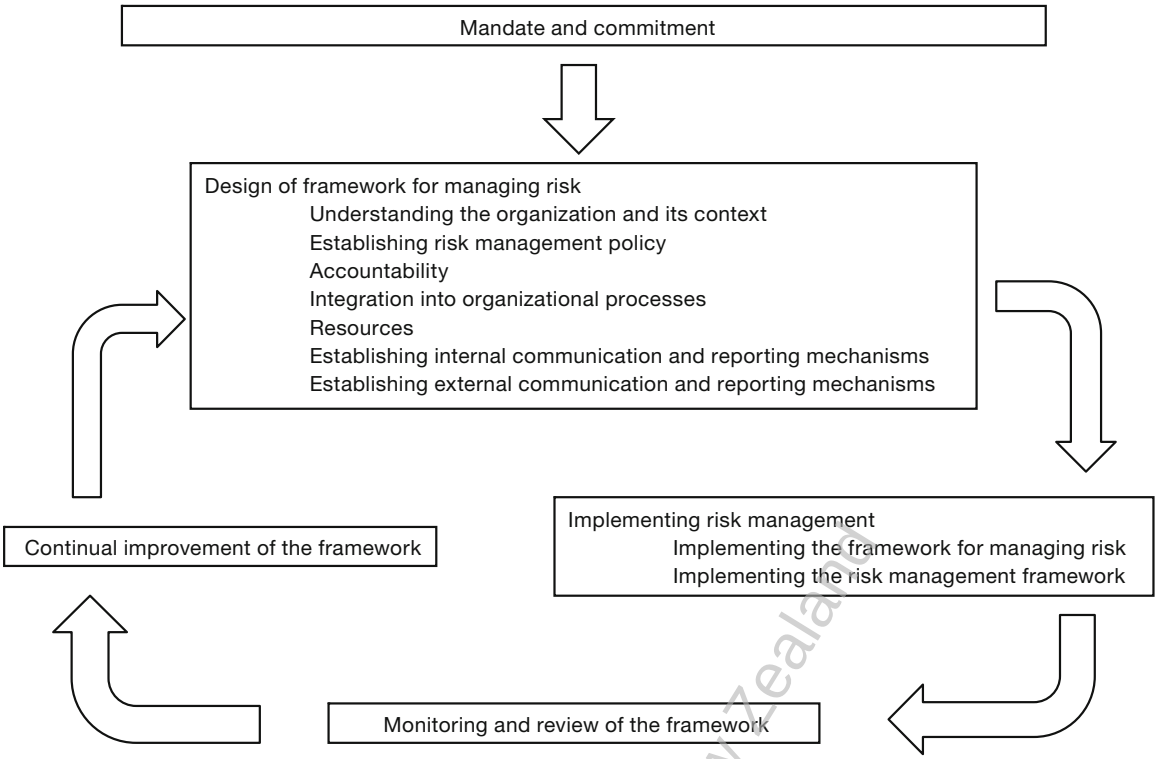

FIGURE 2.1 RELATIONSHIP BETWEEN THE COMPONENTS OF THE FRAMEWORK FOR MANAGING RISK (AS/NZS ISO 31000:2009)

Although expressed quite formally, each of the components in Figure 2.1 is applicable to organizations large or small and whether 'for profit' or 'not-for-profit'.

2.1.2 Mandate and commitment

Risk management success will reflect the expectations of those at the top (e.g. the Board and Chief Executive Officer) but, as these are perceived by the rest of the organization. It is therefore critical that the Board and, more particularly, the CEO are mindful of the signals they send (both formally and informally) as these express the mandate and commitment. Leadership shapes the culture and the culture will either encourage or discourage effective risk management.

Effective risk management requires a sustained effort which permeates the organization's philosophy, goals and accepted practices and is reflected in strategic and rigorous planning.

Accordingly, management should:

- Articulate a policy about risk management.
- Determine risk management performance indicators that align with organizational performance indicators.
- Ensure alignment of risk management objectives with the objectives and strategies of the organization.
- Assign management accountabilities and responsibilities at appropriate levels within the organization.
- Ensure that the necessary resources are allocated to risk management.
- Communicate the benefits of effective risk management to all stakeholders.
- Ensure that the frameworks for managing risk are kept current.

2.1.3 Design of framework for managing risk

2.1.3.1 *General*

Existing governance and management practices will include elements of risk management—at least for some types of risk.

The organization should critically review and assess these existing elements against Clauses 2.1.3.2 to 2.1.3.5.

2.1.3.2 *Understanding of the organization and its context*

It is necessary to understand the organization's objectives and the external and internal environment in which those objectives are pursued as these will influence the design of the framework needed to manage risk effectively. For example, if the organization is subject to strong regulatory control, the training systems will need to ensure that those obligations are understood and the budget may need to make provision for legal advice.

Evaluating the organization's external context may include, but is not limited to—

- the social and cultural, political, legal, regulatory, financial, technological, economic, natural and competitive environment, whether international, national, regional or local;
- key drivers and trends having impact on the objectives of the organization; and
- relationships with, and perception and values of, external stakeholders.

Evaluating the organization's internal context may include, but is not limited to—

- governance, organizational structure, roles and accountabilities;
- policies, objectives, and the strategies that are in place to achieve them;
- capabilities, understood in terms of resources and knowledge (e.g. capital, time, people, processes, systems and technologies);
- information systems, information flows and decision-making processes (both formal and informal);
- relationships with, and perception and values of, internal stakeholders;
- the organization's culture;
- standards, guidelines, and models adopted by the organization; and
- the form and extent of contractual relationships.

2.1.3.3 *Establishing a Risk Management Policy*

A risk management policy is the statement by which the board sets its requirements. This brief high-level document should therefore clarify the organization's objectives for and commitment to risk management, and address—

- the organization's rationale for managing risk;
- links between the organization's objectives and policies and the risk management policy;
- accountabilities and responsibilities for managing risk;
- the way in which conflicting interests are dealt with;
- commitment to make the necessary resources available to assist those accountable and responsible for managing risk;
- the way in which risk management performance will be measured and reported; and

- commitment to review and improve the risk management policy and framework periodically and in response to an event or change in circumstances.

The risk management policy should be communicated both within the organization and to relevant stakeholders (for example, organizations being asked for funding support). An example of such a policy is provided in Table 2.1.

TABLE 2.1

EXAMPLE RISK POLICY STATEMENT

Risk Management Policy	
Background	Because we must pursue our objectives against the changing uncertainties of our internal and external operating environment, there is risk associated with all that we plan and do. We need to be willing to accept risks in order to pursue opportunities but we can ensure we understand the risks we create when we make decisions and we can treat those risks so they are no larger or smaller than our risk appetite.
Policy	We will acknowledge that there is risk in all that we do. Accordingly, at all levels of our organization and as part of what we routinely do, we will apply the risk management practices described in AS/NZS ISO 31000 to ensure that at all times we have a correct, current and comprehensive understanding of our risks and that we adjust those risks to match our risk appetite in order to help achieve our objectives. We will ensure we have the resources and organizational arrangements to make this possible and we will establish an assurance program to confirm that this has been achieved.
Responsibilities	The Board is responsible for the risk management policy, for establishing the organization's risk appetite, for ensuring it can be implemented and [assisted by its {risk} committee] for monitoring very high risks, the correct functioning of critical risk controls and the effective implementation of the policy. The CEO is accountable to the Board for implementing this policy in a consistent manner across the organization and as part of all forms of planning and decision making and will report progress regularly to the Board. Without changing this general accountability, the CEO may delegate specific responsibilities and accountabilities regarding risk management but shall monitor the risk management performance of those concerned. All personnel shall fulfil their specific risk management functions.
Stakeholders	We recognize the legitimate interests, knowledge and experience of our internal and external stakeholders and will regularly communicate and consult with them.
Monitoring and review	We recognize that the internal and external environment in which we operate is constantly changing. Accordingly, we will continually monitor and review all aspects of our risk management arrangements.
Further information	For further information on this policy and the risk management procedures, contact: ***, telephone *** If in doubt, ASK SOMEONE!

2.1.3.4 *Accountability*

The organization should ensure that there is accountability, authority and appropriate competence for managing risk, including implementing and maintaining the risk management process and ensuring the adequacy, effectiveness and efficiency of any controls. This can be facilitated by—

- identifying risk owners that have the accountability and authority to manage risks;
- identifying who is accountable for the development, implementation and maintenance of the framework for managing risk;
- identifying other responsibilities of people at all levels in the organization for the risk management process; and
- establishing performance measurement and external and/or internal reporting and escalation processes; and
- ensuring appropriate levels of recognition.

2.1.3.5 *Responsibilities of Board Members in managing risks*

It is the responsibility of Board Members to govern an organization in a way that fulfils their fiduciary duties (a duty of trust and loyalty similar to that of a doctor/patient or teacher/student) to act honestly, in good faith, and in the best interests of the organization as a whole as well as conforming to other legal obligations. Board members have a duty to act with care and diligence. In relation to managing risks, this means that Board members must—

- set the policy and the risk criteria for the organization;
- ensure adequate resources are allocated for the management of risk; and
- monitor high risks and critical controls;
- ensure the assurance program is risk-based.

In the end, the organization's risk management performance will reflect the quality of the Board's actions in respect to these activities.

2.1.4 Integration into organizational processes

2.1.4.1 *General*

Risk management should be embedded in all the organization's practices and business processes so that it is relevant, effective and efficient. The risk management process should become part of and not separate from those organizational processes. In particular, risk management should be built around a common language and embedded into the policy development, business and strategic planning and change management processes. This integration will be assisted if common terminology is used across the organization when talking about risk (e.g. ISO Guide 73:2009, *Risk Management: Vocabulary*).

There should be an organization-wide risk management plan to ensure that the risk management policy is implemented and that risk management is embedded in all the organization's practices and processes. The risk management plan can be integrated into other organizational plans, such as the strategic plan.

2.1.4.2 *Resources*

The organization should allocate appropriate resources for risk management. Consideration should be given to the following:

- People, skills, experience and competence.
- Resources needed for each step of the risk management process.
- The organization's processes, methods and tools to be used for managing risk.
- Documented processes and procedures.
- Information and knowledge management systems.
- Training programs.

2.1.4.3 *Establishing internal communication and reporting mechanisms*

The organization should establish internal communication and reporting mechanisms in order to support and encourage accountability and ownership of risk. These mechanisms should ensure that:

- Key components of the risk management framework, and any subsequent modifications, are communicated appropriately.
- There is adequate internal reporting on the framework, its effectiveness and the outcomes.
- Relevant information derived from the application of risk management is available at appropriate levels and times.
- There are processes for consultation with internal stakeholders.

These mechanisms should, where appropriate, include processes to consolidate risk information from a variety of sources within the organization, taking into account the sensitivity of the information.

2.1.4.4 *Establishing external communication and reporting mechanisms*

The organization should also develop and implement a plan for communicating with external stakeholders. This should involve—

- Engaging appropriate external stakeholders and ensuring an effective exchange of information.
- External reporting to comply with legal, regulatory, and governance requirements.
- Providing feedback and reporting on communication and consultation.
- Using communication to build confidence in the organization.
- Communicating with stakeholders in the event of a crisis or contingency.

These mechanisms should, where appropriate, include processes to consolidate risk information from a variety of sources, and may need to consider the sensitivity of the information.

2.1.5 Implementing risk management

2.1.5.1 *Implementing the framework for managing risk*

In implementing their framework for managing risk, the organization should:

- Define an appropriate timing and strategy for implementing (or updating) the framework.
- Apply the risk management policy and process to the organizational processes.
- Comply with legal and regulatory requirements.
- Ensure that decision-making, including the development and setting of objectives, is aligned with the outcomes of risk management processes.
- Hold information and training sessions.
- Communicate and consult with stakeholders to ensure that the risk management framework remains appropriate.

Where a framework for managing risk already exists, it may be worthwhile undertaking a review (gap analysis) to ascertain whether the practices and processes that underpin the framework are consistent with AS/NZS ISO 31000:2009 and reflect context and management needs of the organization.

The review should deliver a structured assessment of:

- The risk management policy.
- The maturity, characteristics and effectiveness of existing business and risk management culture and systems.
- The degree of integration and consistency of risk management across the organization and across different types of risks.
- The processes and systems that should be modified or extended.
- Constraints that might limit the introduction of systematic risk management.
- Legislative or compliance requirements.
- Resource constraints.

The information gathered from the review will demonstrate the ability of the existing risk management framework to support effective management of the organization's risks, and changes that need to be implemented to bring the existing framework into line with AS/NZS ISO 31000:2009.

The process of undertaking a gap analysis and moving towards planning the implementation of best practice risk management consistent with AS/NZS ISO 31000:2009 is illustrated in the 'Y Model Process' of Figure 2.2.

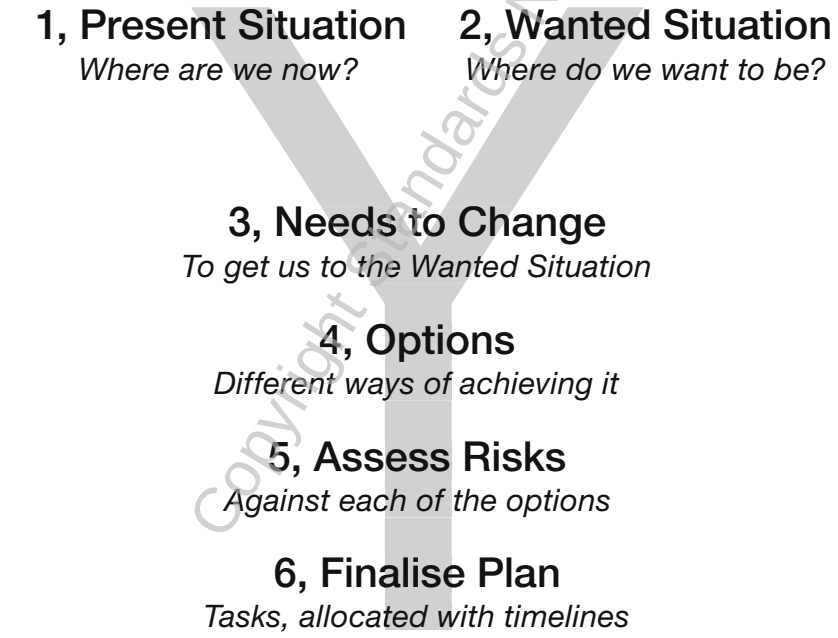

FIGURE 2.2 Y MODEL

Whether it is an entirely new framework that is being implemented or making changes to the existing framework, people react to change in different ways—from enthusiastic endorsement, to anxiety or even rejection. New procedures may not, initially anyway, achieve the desired effect.

Implementing change, i.e. moving from one state to another, therefore also introduces risk. This includes transition risks (such as resistance to change, introducing new and possibly unproven practices and disruption of normal practice during the change process) as well as the risks associated with the 'end state' (for example that the framework might not perform as intended).

Therefore, when the change plan is being developed (for example, using the Y Model in Figure 2.2) these risks need to be assessed and, if they exceed the risk appetite, be treated appropriately. Generally, communication and consultation (see Section 4) is a powerful tool for treating these risks, as it both helps to generate 'buy in' but also taps into and makes use of people's experience.

Figure 2.3 demonstrates how a risk management framework might be implemented throughout the hierarchical structure of a sport or recreational organization at each level. Policy, guidance, risk assessment tools and model risk controls are provided from the national level and flow downward and feedback, incident, risk treatment implementation and control effectiveness reporting, flow upward to the national body.

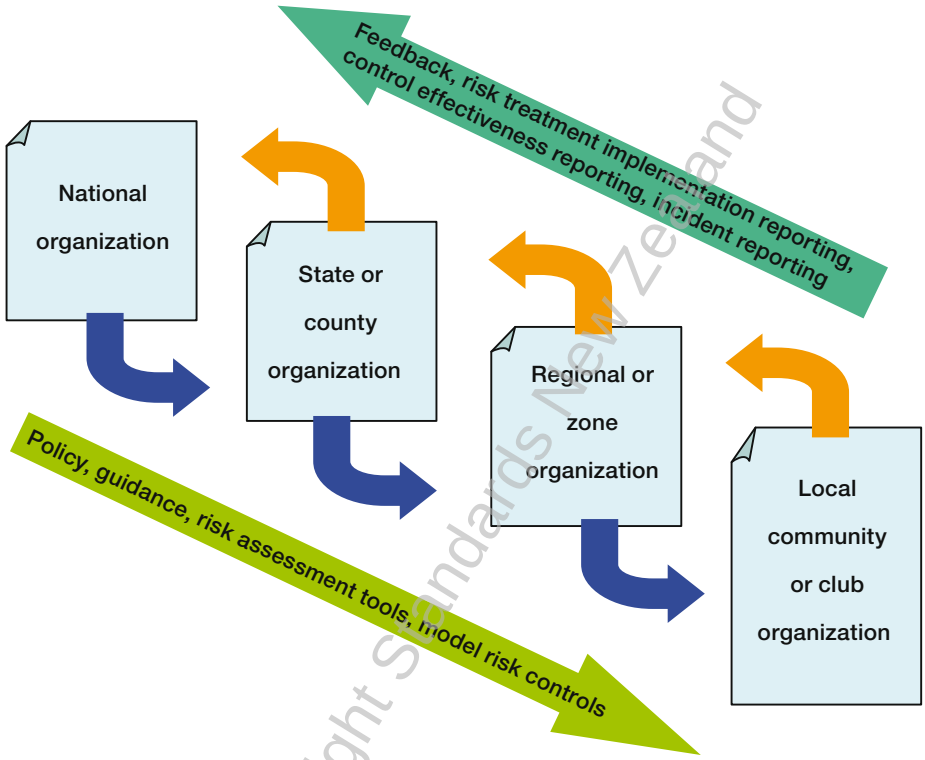

FIGURE 2.3 IMPLEMENTATION AT ALL LEVELS OF OPERATION

2.1.5.2 *Implementing the risk management process*

Risk management should be implemented by ensuring that the risk management process outlined in Section 3 and described in more detail in Sections 4 to 12 is applied at all relevant levels and functions of the organization as part of their practices and business processes.

The risk management process should be:

- An integral part of management.
- Embedded in the culture and practices.
- Tailored to the business processes of the organization.

2.1.6 Monitoring and review of the framework

To ensure that risk management is effective and continues to support organizational performance, the organization should:

- Establish performance measures.

- Periodically measure progress against, and deviation from the risk management framework, policy, and plan are still appropriate given the organization's internal and external context.
- Report on risks, progress with the risk management plan and ensure how well the risk management policy is being followed.
- Review the effectiveness of the risk management framework.

The form and target of monitoring and review activities should look at both 'inputs' (i.e. is risk management activity happening as intended?) and 'outcomes' (i.e. is what actually happened acceptable?). It should also monitor changes in context (e.g. new legislation, new participants, new knowledge gained through research, new Government legislation or policy, new stakeholders) so that consideration can be given as to whether the present risk management framework will be adequate for the immediate future.

2.1.7 Continual improvement of the framework

Ongoing monitoring and review of both the framework and the overall success of the risk management program will reveal opportunities to continuously improve the risk management framework.

For example, it may reveal that mixed messages about risk management are being perceived across the organization, or that the present commitment and direction of training is inadequate or wrongly targeted, or that volunteers are not getting the support they need to fulfil their risk management functions, or that the present efforts to communicate with internal and external stakeholders is not successful.

Conversely, monitoring and review (see Section 11) will also show where the present framework is enabling success and thereby help confirm the validity of present strategies and investment.

There is little point in collecting information (whether as a result of routine reporting, mandatory notifications, structured reviews or routine auditing) if this data is not carefully considered. Such analysis will reveal opportunities for both endorsement of successful current practice, and continuous improvement and provide a valued input to review of the overall risk management plan.

2.2 SUMMARY: RISK MANAGEMENT FRAMEWORK—KEY CONCEPTS

Managing risk effectively makes it more likely that both the organization and the individuals that it serves, will achieve their objectives and do so in a more efficient manner.

This won't be achieved through piecemeal action. The organization will need to organize itself so that there is a clear understanding of:

- What is to be achieved.
- How it is to be achieved.
- Who is responsible for achieving it.

It will also need to commit sufficient resources to ensure it has the tools and skills to recognize the risks that arise from all decisions and that there is effective communication with its stakeholders.

These arrangements constitute the risk management 'framework'.

Because things constantly change (people, the internal and external environment, technology) the adequacy of the framework needs to be kept under constant review and improved wherever possible.

Risk management efforts should be as efficient as possible, particularly where they rely upon the time and efforts of volunteers. Every effort should be made to avoid the framework introducing unnecessary bureaucracy. By consulting those affected, it is usually possible to avoid this without compromising on quality.

The organization will know its risk management framework is working well if it is perceived to be adding value rather than obligation and supporting those with risk management responsibilities and ultimately, if it can say 'YES' to two 'tests':

1 Do we have a current, complete and correct understanding of our risks?

2 Are our risks no bigger (or smaller) than our risk appetite?

SECTION 3 AN OVERVIEW OF THE RISK MANAGEMENT PROCESS

This Section gives a brief overview of the process which has been found, over 15 years of experience in Australia and New Zealand, to work most successfully to understand, and where necessary, treat risks. From 2009, the process has been adopted internationally and now forms part of the International Standard on Risk Management, known locally as AS/NZS ISO 31000:2009. The process is illustrated in Table 3.1 and involves five logically sequenced stages supported by four other activities (arranged in two groups) which are applicable to each stage:

TABLE 3.1

AS/NZS ISO 31000:2009 LOGICALLY SEQUENCED STAGES AND SUPPORTING ACTIVITIES

Process stages	Supporting activities
Establish the context Identify the organization's objectives; understand the external, internal and environment in which the organization will pursue its objectives; identify its internal and external stakeholders; decide on its criteria against which risk will be evaluated; and clarify the purpose of the particular risk management activity to which the process is being applied.	
Identify risks Identify where, when and how the overlay of the objectives and the uncertainties of the internal and external context could give rise to events that could prevent, delay or enhance the achievement of objectives.	*Communication and consultation* Communicate and consult with internal and external stakeholders as appropriate at each stage of the risk management process and about the process as a whole.
Analyse risks Understand the risks more fully. What controls currently modify the risk and how effective are they? What is the scale of the consequences of the risk (expressed in terms of effect on the objectives) and how likely are those consequences to be experienced?	*Monitoring 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 effectiveness of treatment measures need to be monitored to ensure changing circumstances do not alter priorities
Evaluate risks Compare the estimated levels of risk against the pre-established criteria and consider whether some form of treatment of the risk is needed.	
Treat risks For those risks which are evaluated as being too large or too small, develop and implement cost-effective actions to modify the risk, prioritise these if it is not possible to do all of them immediately, develop an implementation plan, and assess the risks created by each treatment and its implementation. Modify as necessary.	

The iterative process of the AS/NZS ISO 31000:2009 risk management process is shown in Figure 3.1 and demonstrates the relationships of the elements described in Table 3.1. The process is discussed in more detail in Sections 4 to 11 of this Handbook.

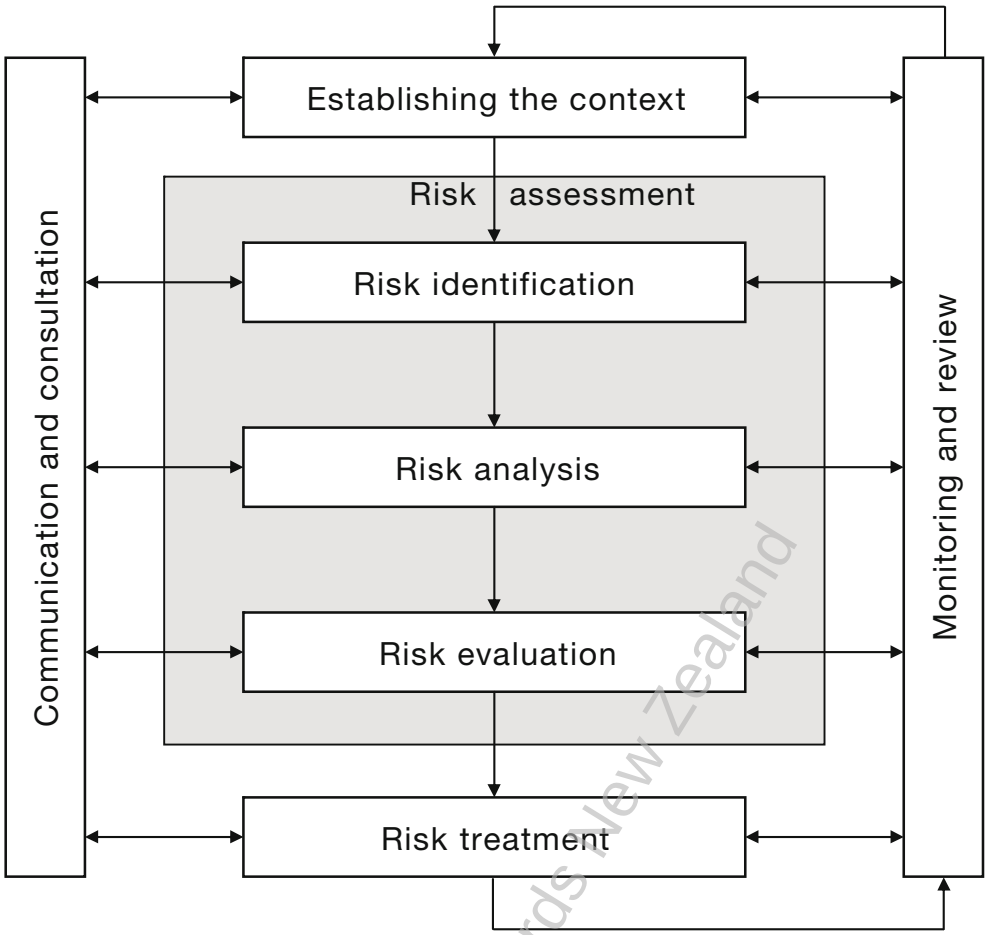

FIGURE 3.1 THE AS/NZS ISO 31000:2009 RISK MANAGEMENT PROCESS

Risks come about as a result of the overlay of the plans and decisions made at all levels of the organization and the uncertainties of the external and internal environment. However, the largest risks are not necessarily those that are created at the highest level. For example, it was decisions made by individuals relating to personal behaviour that some major rugby league organizations came to realize created some of their largest reputational and financial risks.

Consequently, risk management processes and risk management competency are needed at all levels and all stages of the organization.

Typically, the planning processes of organizations cascade down as illustrated in Figure 3.1. The strategic plan leads to a range of business plans which either support, or cascade to, other plans. Risk assessment should also occur in the same sequence to ensure that those involved at each planning level have the ability to treat risks which are too great.

This sequential approach has the added advantage in organizations which must rely more heavily on volunteer support at the more operational (i.e. local) levels, to reduce the risk management effort required on those volunteers. All that should be required at the local level is to assess and if necessary treat those risks generated by the organization's goals, the local context and local decision-making provided that those decisions are consistent with risk management decisions taken further up the organization.

FIGURE 3.2 RISK MANAGEMENT AT ALL LEVELS

Risk management activities should be sufficiently traceable and documented to:

- Allow information and analysis to be re-used in future and at other levels of the organization.
- Allow it to be later demonstrated that there was prudent consideration of risk.
- Meet any regulatory and commercial obligations.

However, to avoid record keeping becoming either too onerous or of insufficient practical value, care is needed in planning the purpose and method of record keeping to carefully consider:

- Which information to record.
- How to capture and store that information.
- Who might legitimately need the information in future and how they can access it.
- How to protect sensitive information.
- How to provide the necessary training.
- How to protect the information against accidental loss.

SECTION 4 COMMUNICATION AND CONSULTATION

4.1 INTRODUCTION

Those responsible for assessing risks, or for selecting or implementing risk treatments, need to involve other people, particularly 'stakeholders' (refer to Clauses 5.2.4 and 5.2.5 for definitions of stakeholders and analysis of their interests) to:

- Access knowledge (including stakeholder views).
- Fulfil obligations of transparency (for example, public bodies are generally expected to act in a transparent way. and staff of an organization who perceive they were involved in decisions that affect them, tend to perform better).
- Explain what is required of others involved in implementation.

4.2 CONCEPTS, DEFINITION AND DESIRABLE CHARACTERISTICS

This involvement of others requires both communication and consultation which are best thought of as continual and iterative processes to provide, share or obtain information and to engage in dialogue with internal and external stakeholders regarding the management of risk.

To achieve their purpose, communication and consultation must be done well and should facilitate truthful, relevant, accurate and understandable exchanges of information, taking into account confidential and personal integrity aspects. But, just as failure to communicate and consult can undermine trust, so too can communication and consultation done poorly, irregularly, disrespectfully or unethically.

4.2.1 Communication

An organization can only be sure that communication has been effective if it receives feedback that the 'message' has been not only heard, but understood in the same way that it was intended. Although people may communicate in the same language, the perception in the mind of the person receiving the message may be quite different to that of the person sending it. This is because people come from varying backgrounds and experiences, can have different levels of knowledge or understanding and sometimes have different cultures.

These factors make it preferable, wherever practical, that communication includes dialogue although for reasons of clarity or putting things on the record, information should also be available in writing.

If face-to-face communication is not possible, for example where information is emailed or handed out in written form, it can be helpful to provide a contact detail for the recipients to seek clarifications should that be required (for example: 'For further information or clarification contact …….'). Where mass communication is being attempted (for example to generate awareness of a safety message or to help change attitudes) 'before and after' surveys of a sample of the target audience can test how well the information has been communicated.

Whichever communication method or medium is used, several things need to be taken into account—

- Audience attributes (for example, ability to understand the material).
- Audience engagement (for example, will the communication be welcomed or resented).
- Audience participation (for example: If at a meeting, how will this be allowed for?).

- Characteristics of the medium being used (for example: If the communications are written, is the writing easy to read and the meaning clear? is the information well organized?)
- Perceptions and values of the individual parties involved (perceptions play an important part in both the understanding an individual has of a risk and their tolerance of that risk. Perceptions may reflect the individuals beliefs, experiences or even misunderstanding).
- Information quality (for example: Have 'facts' been checked? Are graphs on a screen easily understood?).

Useful additional information about communication and consultation in risk management can be obtained from HB 327:2010, *Communicating and consulting about risk* (available from Standards NZ and SAI Global).

4.2.2 Consultation

Consultation involves seeking the views of others as an input to decision-making. It—

- is a process, not an outcome;
- impacts on a decision through influence and reason rather than power; and
- concerns inputs to decision-making, not necessarily joint decision-making.

Consultation will only be effective if those being consulted (or who believe they were entitled to be consulted) are:

- Provided with sufficient background information to allow them to understand the context of the inquiry and how their views will be considered.
- Given reasonable time and opportunity to provide the information or make their views known.
- Treated respectfully – particularly where their views are being expressed orally with others present (for example, at a consultation meeting).
- Able to see that their views were received and given proper consideration.
- Where appropriate, have their privacy respected.

It can be useful to use an independent facilitator to conduct formal consultation, particularly where those being consulted may be suspicious of the process.

4.2.3 Sensitivities

It may not always be possible to communicate or consult about matters that are of commercial or personal sensitivity. The decision not to do so however is an important decision and the reasons for it should be recorded.

Any assurances given regarding both privacy and protection of the opinions or information should be strictly respected.

4.3 COMMUNICATION AS A RISK TREATMENT

Communication can be a form of risk treatment – for example, using signage or information in newsletters to warn of hazards, providing briefings to encourage safe behaviours. The same considerations as described above apply to communications for this purpose.

SECTION 5 ESTABLISHING THE CONTEXT

5.1 OVERVIEW

Establishing the context defines the basic parameters through which risk arises and forms the groundwork for the rest of the risk management process.

Establishing the context is concerned with:

- Understanding the organization's objectives.
- Recognizing the features of the environment both inside and outside the organization which can give rise to uncertainty as the organization pursues its objectives.
- Identify stakeholders (internal and external).
- Establishing the organization's 'risk criteria' against which, later in the process, it will evaluate the acceptability of the risks that have been identified and analysed.

The final element of establishing the context in any particular instance is to clarify the purpose and scope of the particular risk management process, including its intended end-use, as this will determine the approach and the resources that will be needed to undertake subsequent steps in the risk management process. For example, a risk assessment of a proposed activity that will involve interface with the public will require a different approach to risk assessment to that for a new administration procedure or IT system.

Each of these issues, i.e. the organizational objectives, the features of the internal and external environment that will be relevant to achieving the objective, the stakeholders, the organization's risk criteria, and the specific purpose of the risk management activity should be recorded concisely in a Statement of Context (refer to Clause 5.5)

5.2 OBJECTIVES AND THE ENVIRONMENT IN WHICH THEY ARE PURSUED

5.2.1 The relevance of objectives

Risk is defined as the 'effect of uncertainty on objectives' and comes about because organizations have to pursue their objectives against the background of their internal and external environment. Whereas an organization has complete control over its objectives, it cannot control all aspects of its operating environment and so is exposed to uncertainty. 'Consequences' and their likelihood are always expressed in terms of objectives (refer to Clause 5.4.2 and Table 5.3).

5.2.2 Expressing objectives

Articulating the organization's objectives is therefore the starting point for all risk management activities and lies at the heart of setting the context for risk management activities.

Objectives can be expressed in many ways and can include or be based on success criteria used for measuring their achievement.

When writing down the objectives, also consider the organization's legal character including (for statutory organizations particularly) any empowering legislation, and the organization's constitution and by-laws. Objectives may appear informally expressed documents such as the strategic plan, annual business plan and budget, or in statements included in annual reports to members or shareholders. Expressions of intent in money raising prospectuses and any other documents which express the organization's intentions and its purpose may be legitimately relied upon by others as an expression of the organization's objectives.

For a sport and recreational organization, objectives may be formed around the following key aspects:

- Sustaining or improving the quality and consistency in the delivery of activities.
- Sustaining or improving safety for participants, coaches, officials, spectators and volunteers.
- Sustaining and increasing membership and participation.
- Sustaining and improving financial viability.
- Protecting or improving public image and reputation with stakeholders, regulators, sponsors and media.
- Sustaining or improving success in interstate or international competitions for some sporting organizations.
- Sustaining or improving the application of good corporate governance principles including compliance with regulatory requirements.

5.2.3 Identifying the internal and external environment

The internal context comprises those features of the organization (including its people) which determine how the organization can and does go about pursuing its objectives. Such features include, but are not limited to:

- Governance, organizational structure, roles and accountabilities.
- Assets including intangible assets such as know-how, other intellectual property, images and other forms of recording
- Policies, objectives, and the strategies that are in place to achieve them.
- Capabilities, understood in terms of resources and knowledge (e.g. capital, time, people, processes, systems and technologies).
- Basis of engagement of people (e.g. volunteer or paid)
- The relationships with and perceptions and values of internal stakeholders.
- Characteristics of the organization's culture.
- Information systems, information flows and decision-making processes (both formal and informal).
- Standards, guidelines and models adopted by the organization.

The external environment consists of the constraints, opportunities and influences outside the organization which impact on the organization's pursuit of its objectives, and of the nature and characteristics of the organization's relationships with other parties. Many of these factors are undergoing substantial change from traditional values or practices.

These external factors include but are not limited to:

- Relevant laws*.
- Relationships with (including contracts and other agreements), perceptions and values of external stakeholders.
- Regulatory codes of behaviour including sanctions adopted by national organizations with associated arbitration and appeal tribunals.

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* Although there can be small differences in the laws applied by various national, state and local governments there is a fundamental difference between Australia and New Zealand concerning legal liability for personal injury. New Zealand has a no-fault system of funding of injury-related costs. The legislative environment within which sport and recreational organizations operate in Australia and New Zealand, is discussed further in Appendix C.

- Media interest and resources.
- An increasing trend towards use of legal remedies against sport and recreation organizations by disaffected individuals.
- More stringent application of laws (such as health, safety and privacy) to sport and recreation activity (refer Appendix C).
- Requirements of insurers—particularly those insuring legal liability.
- Availability of sponsorship and the expectation of sponsors.
- An increasing trend towards charging for use of public facilities and venues.
- Environmental and other constraints imposed on activities on or use of rural land.
- Relevant government policies and government funding.
- Public perceptions regarding the value or importance of the activity.
- Public and community trust.
- Competitive environment, whether international, national, regional or local.
- A wider range of recreational and sporting opportunities competing for participants.
- Increasing demand for casual participation.
- Key drivers and trends having impact on the objectives of the organization.

Strategic planning documents such as a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis may help to reveal internal and external environmental factors, as they focus on relevant aspects of the external environment (i.e. demographic, economic, technological, political, legal, social, and cultural factors) as well as the internal environment..

5.2.4 Stakeholders

Stakeholders are those persons or organizations both within and outside the organization that can affect, be affected by, or perceive themselves to be affected by a decision or activity. It is sometimes said therefore, that stakeholders choose themselves.

Stakeholders need to be kept informed about relevant aspects of the risk management process and asked about their views (refer to Clause 4.2 for relevant methods). Involving stakeholders in an effective manner builds acceptance and can generate constructive solutions, however, the reverse is also true.

Identifying stakeholders is a part of describing the internal and external environment. One way of doing so is to list the groups of people both inside and outside the organization with whom the organization interacts and then, in each group, identify individual stakeholders.

TABLE 5.1

EXAMPLE LIST OF STAKEHOLDER GROUPS IN SPORT AND RECREATION

Participants	Service providers	Facility providers	Funding providers	Standards setters
Adults	Staff including administrators, coaches, officials and volunteers	Local government	Government agencies	Peak bodies (both national and state)
Parents	External training organizations	Private providers	Licensed clubs	Policy makers
Children	National, state or regional academies	Schools and tertiary educational institutions	Private enterprise	Media
Families	Sports medicine and equipment providers	Licensed clubs	Community organizations	Sports achievers
Members	Business support services	Youth clubs	Groups formed to fund specific sporting groups	Health and wellbeing organizations
		Fitness industry	Benefactors	Medical profession
		State or local government agencies		Social researchers
		Sports clubs		Tourism industry

5.2.5 Analysing stakeholder interests

While communication is used to ensure that stakeholders are informed and 'in the loop', consultation is used to understand the needs, perceptions and concerns of relevant stakeholders so that these can be considered explicitly in the rest of the risk management process.

The results of such stakeholder analysis may be recorded in a worksheet such as the (limited) example in Table 5.2, customized to the specific stakeholder and risk management activity.

TABLE 5.2

EXAMPLE OF A STAKEHOLDER ANALYSIS

Stakeholder	Objectives/perceptions/concerns
Sporting and recreational equipment suppliers and retailers, sales, marketing	Obtain design input from users Promote and sell their products Promote sport and recreation activities using their products Obtain performance feedback Their commercial reputation and brand won't be damaged by association with the organization Fashion design fickleness of sector participants Unforseen or unannounced changes in equipment specifications
Private facilities and venue owners	Facility or venue is profitable Facility or venue is fit for purpose Promote the sport or recreation organization planned activities or events Safety and security of users Liability claims, should any arise, are covered by appropriate insurance policies Facility or venue is not damaged by users
Local Government and other publicly owned venues (e.g. schools)	Encourage community participation Facility or venue is fit for purpose Safe and secure venues Minimize liability to users and risk financing costs Promote affordable usage Preserve assets but minimize maintenance costs Attracting business to the local community Avoid community nuisance Facility or venue is not damaged by users

5.3 DEFINING THE SCOPE OF THE RISK MANAGEMENT ACTIVITIES

The scope, depth and breadth of each particular risk management activity to be carried out, including specific exclusions and inclusions, need to be considered. This will help select the appropriate people, develop an appropriate form of communication and consultation and will help the people involved in the assessment of the risk to understand what is required of them. That way, time is not wasted on irrelevant aspects.

Specific issues that may also be discussed include the following:

- The roles and responsibilities of various parts of the organization participating in the risk management activity.
- Whether special resources may be required.
- Relationships between the project or activity and other projects or parts of the organization.

5.4 DEFINING RISK CRITERIA

5.4.1 General

Risk criteria are the *Terms of reference against which the significance of a risk is evaluated*. They are based on the organization's objectives and the internal and external environment and in some respects, therefore, will be derived from standards, laws, policies and other requirements.

A range of criteria will be needed covering areas such as financial performance, reputation, personal wellbeing and competitive success (or whatever else forms part of the organization's objectives). This helps to guard against bias and inconsistency in the evaluation of risks. Criteria should be consistent with the organization's risk management policy (refer Clause 2.1.3.3), be defined at the beginning of any risk management process and be continually reviewed.

In determining how to express risk criteria, consideration should be given to the following:

- The nature and types of causes and consequences that can occur and how they will be measured.
- How the likelihood of the consequences will be expressed.
- The timeframe(s) of the likelihood and/or consequence(s).
- How the level of risk is to be determined.
- The views (including perceptions) of stakeholders.
- The level at which risk becomes acceptable or tolerable.
- Whether combinations of multiple risks should be taken into account and, if so, how and which combinations should be considered.

It is not essential that all facets of the criteria be defined at this point; these can be returned to later after all of the types of risk have been revealed through the risk identification process. Initially though, the major issues should be highlighted.

Criteria may be affected by the perception of stakeholders and by legal or regulatory requirements.

5.4.2 Consequence criteria

The objectives of an organization (and therefore relevant stakeholders) are a good guide to critical performance measures which in turn will both define the way risks are expressed and provide specific consequence criteria.

These specific criteria are used to develop impact scales against which the consequence of risks will be assessed during the analysis step of the risk management process.

Table 5.3 provides an example set of consequence criteria, which relates to the example list of objectives shown at the end of Clause 5.2.3. An example of how these criteria can be further developed into a set of scales to measure the level of consequence is provided in Table 8.2.

TABLE 5.3

TYPES OF CONSEQUENCE CRITERIA AND RELATED OBJECTIVES

Criterion	Objectives/performance measurement
Activity delivery	Sustaining or improving the quality and consistency in the delivery of activities.
Safety	Participants, coaches, officials, spectators and volunteers are not injured.
Membership	Sustaining and increasing membership and participation.
Financial viability	Sustaining and improving financial viability.
Image and reputation	Protecting or improving public image and reputation with stakeholders, regulators, sponsors and media.
Sporting success	Sustaining or improving success in interstate or international competitions.
Corporate governance	Sustaining or improving the application of good corporate governance principles including compliance with regulatory requirements.

5.5 DOCUMENTING THE CONTEXT

All aspects of the Context should be documented, preferably in a concise *statement of context* which can be attached to the organization's register of risks, and it should be dated. If, subsequently, any of the elements of the context change, then almost certainly risks will change as might the effectiveness of existing controls.

Documentation of the context should identify:

- The organization's objectives (and success measures).
- Important factors within the internal and external environment which can create uncertainty.
- Stakeholders (both inside and outside the organization).
- The risk criteria.

It may also be appropriate to keep a record of any particular documents or minutes of meetings that were important in developing the context.

Finally, the context statement for any particular risk management activity should include the scope and intended end use of that activity.

SECTION 6 RISK ASSESSMENT

6.1 GENERAL

Risk assessment is the overall process of risk identification, risk analysis and risk evaluation, which are discussed in more detail in Sections 7, 8 and 9.

6.2 COMPONENTS OF A RISK

Risk arises as a result of the overlay of the uncertainties of the internal and external environment on the organization's objectives. A risk is therefore associated with the following:

(a) The organization's **objectives**.

(b) The **internal and external environments** in which it pursues its objectives and their uncertainties. Something that will either definitely affect objectives or definitely not affect objectives, does not introduce risk.

(c) A **source** of risk (whether or not the source is under the control of the organization) which alone or in combination has the intrinsic potential to give rise to risk. For example, the variability of weather. Identification should include risks even though the source or underlying cause may not be clear or evident.

(d) An **event or incident**—Something that could or might occur (for example, a weather change) or a change of a particular set of circumstances (for example, a revised government policy on funding), or some measure or observation reaching a particular trigger level (for example, instances of a particular type of injury). An event can comprise one or more occurrences, and can have several causes. It can also consist of something *not* happening.

(e) Potential for a **consequence**, i.e. the possible outcome of an event which would affect objectives whether in a positive or negative manner. For example, sudden bad weather may cause hypothermia for those caught outdoors with inadequate clothing and thereby adversely affect the objective of safe enjoyment of the activity. Consequences can be expressed qualitatively or quantitatively. The initial consequences may escalate through knock-on (or 'cascade') effects (for example criminal behaviour by a team member may cause reputational damage to the team and resulting loss of sponsorship), and cumulative effects (e.g. loss of sponsorship causes cut back in representative team travel, which in turn reduces the team's exposure to good quality competition, thus making it less competitive with other teams).

(f) **Controls** and their level of effectiveness e.g. staff selection processes including background checking; IT virus protection systems; particular policies or rules; security measures; training, education and awareness; market research and surveillance.

(g) **Uncertainty** as to whether a risk source will arise, an event occur, a control will operate as intended, or consequences (of any particular scale) will result.

(h) **When** and how often events which could lead to consequences could occur.

6.3 TECHNIQUES OR APPROACHES TO ASSESSING RISKS

There are a wide range of techniques which can assist in various parts of the risk assessment process*. Some of the more simplistic, but often very effective techniques include:

- Brainstorming.
- Development of flow charts of the activity.
- Fault trees and event trees.
- Development of bowtie diagrams.
- Analysis of relevant data relating to past experience either within the organization or the sector in general.
- Checklists.
- Interviews and focus group discussions.
- Scenario analyses.
- Surveys and questionnaires.

Team-based **brainstorming** is where groups of people from a cross-section of the organization bring a variety of experiences and skills together in a facilitated workshop environment to toss around ideas and identify a comprehensive list of risks. The use of key elements to structure the workshop is a key ingredient to the success of this approach (see Clause 7.2.2).

Development of a **flow chart** of the organization's operations or a particular activity reveals the components and the sequences of the activity and the related inputs and outputs at each step from internal and external infrastructure on which the activity depends (see Figure 6.1). The flow chart reveals the relative importance of each component and allows the uncertainty, and therefore risk sources around each to be considered.

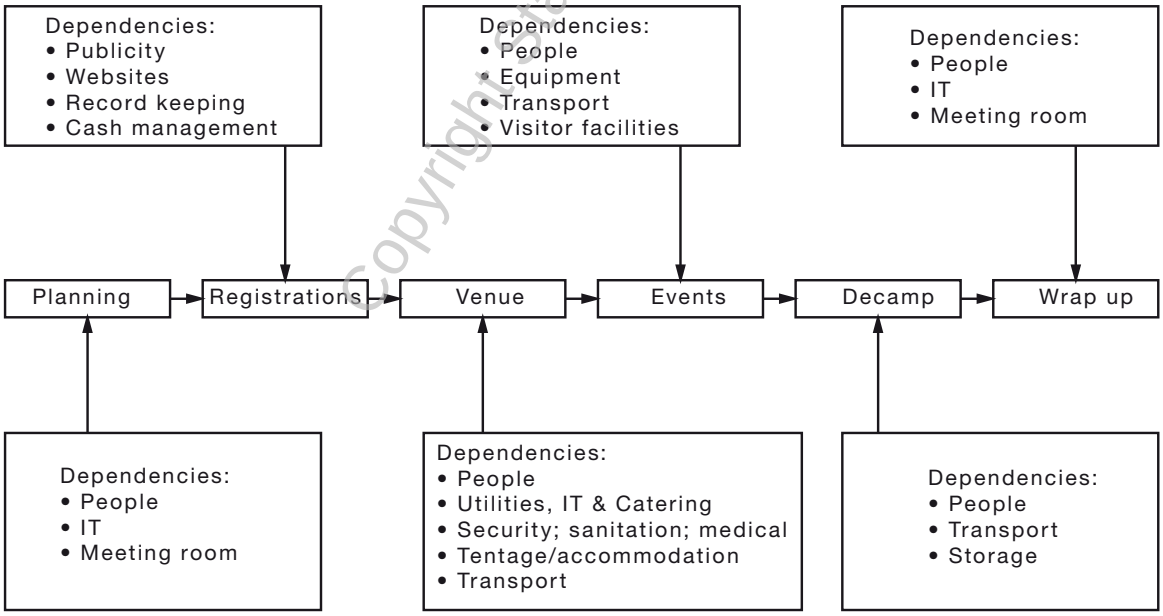

FIGURE 6.1 EXAMPLE OF FLOW CHART FOR CONDUCT OF A JAMBOREE

* A useful description of over 30 risk assessment techniques with examples of their application can be found in ISO/IEC 31010:2009, *Risk management—Risk assessment techniques*, a companion Standard to AS/NZS ISO 31000 which is available from SAI Global and Standards New Zealand.

Fault trees are a type of flow chart that starts with the undesired event (top event) and determines all the paths through which it could occur. These are shown graphically in a logical tree diagram. It may be possible to assign an assessed likelihood to each element of each branch of the tree and so derive a likelihood of the top event. It can therefore be used to test the effect of adding or changing the effectiveness of an individual control. (See Figure 6.2 for an example of a fault tree analysis).

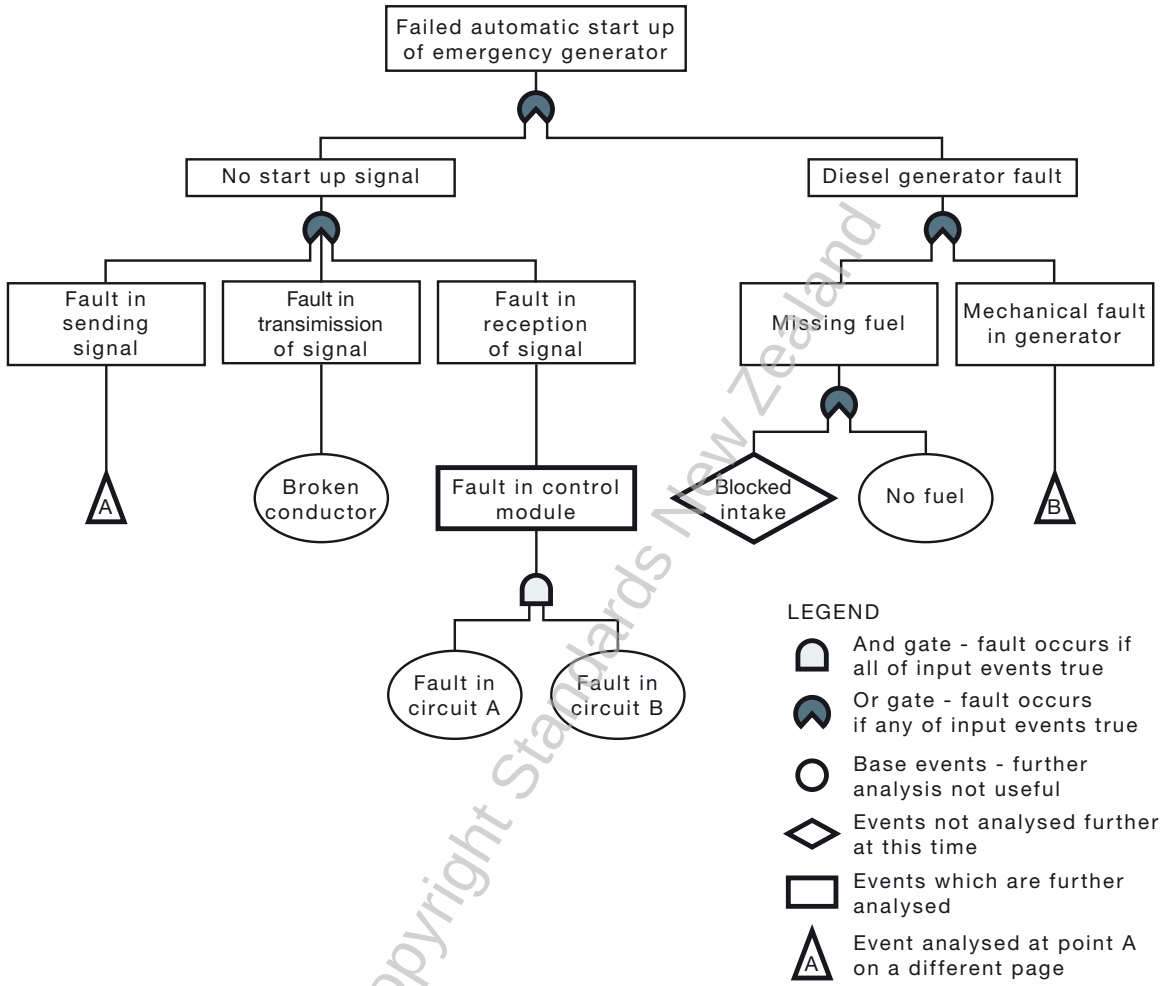

FIGURE 6.2 EXAMPLE OF A FAULT TREE ANALYSIS FROM IEC 60300-3-9

Bowtie diagrams (see Figure 6.3) can be created to reveal the path(s) through which an event with consequences can occur (left side of the bow tie) and (on the right side) the range of consequences which could result. The bowtie is useful for analysing the specific effect of individual controls, and the extent to which there is dependency on a single control or whether there is control redundancy. It can also reveal knock-on 'cascaded' effects.

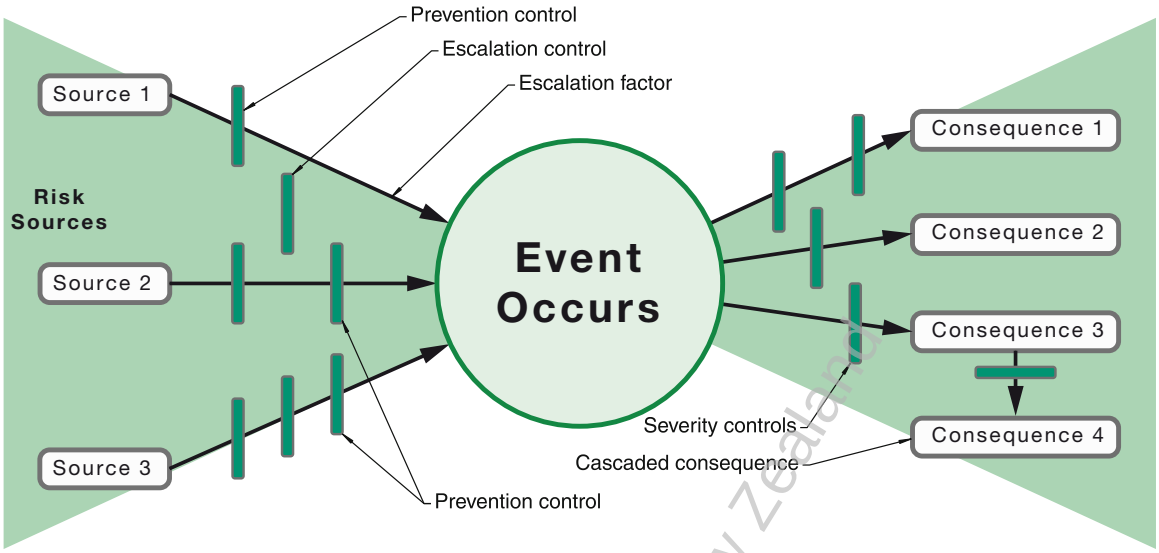

FIGURE 6.3 BOWTIE DIAGRAM

Analysis of local or overseas experience and data can be useful to expose risks in projects or activities of a similar nature, better understand the form and sequence of consequences and the frequency of both events and consequences. The absence of such data does not, however, guarantee that there is no risk.

Checklists are useful to identify risk sources or controls in standard situations (e.g. arrangements for conduct of a regular form of event) and help ensure that no known issues are left out. A limitation is that they may not detect the unexpected and so the results of applying the checklist can create false confidence that all risks have been detected and that the controls are in fact adequate. Adding a short 'scene setting' explanation as to the purpose of the checklist provides context e.g. *The purpose of this checklist is help ensure next week's event is conducted successfully and safely for all concerned—spectators and participants* and an open question at the end that invites the respondents to think beyond the questionnaire, can help remove some of the limitations of a checklist. Asking the respondent to sign and date the completed checklist underlines their accountability and records the point in time at which it occurred so that if there were any subsequent changes in context, it could be revisited.

Where it is not possible to bring essential stakeholders together for a combined brainstorming workshop, **interviews and focus group discussions or surveys and questionnaires** can be productive alternatives. However, these take more time to organize/structure and will need to be conducted over a period of weeks, compared to a single day for a brainstorming workshop. These techniques can also have some of the limitations of checklists in relation to 'unknown unknowns' but similar countermeasures to those described for checklists can help overcome them.

For less clearly defined situations, such as the identification of strategic risks, processes with a more general structure such as 'what if' and **scenario analysis** can be used.

The approach used will depend on the nature of the activities under review, types of risks, the organizational context and the purpose of the risk management study.

6.4 CHOOSE RISK ASSESSMENT PARTICIPANTS CAREFULLY

The participants for a risk assessment exercise should be chosen from a cross-section of relevant areas from within the organization and its stakeholders. This may require people external to the organization being included. Examples of people who might be involved in risk assessments are:

- Members of the organization's board.
- CEO and other senior organization managers (if applicable).
- Specialist staff or participants such as senior coaches and officials, or major facility providers.
- Senior representatives from State affiliated bodies.
- Participants in the event or activity being examined.
- Representatives of key stakeholders.

6.5 SOURCES OF INFORMATION

Good quality information is important when assessing risks. Information relating to past experiences can be very useful in the risk assessment process as long as it is not relied upon too heavily as a predictor of the future. Some examples of data relating to past experience include the following:

- Incident records.
- Insurance claims.
- Operational data.
- Post-event reports.
- Results and reports from audits, inspections, and site visits.
- Historical records, incident databases and analysis of failures and previous risk registers if they exist.

New information may be derived through obtaining the views of others (as described in some detail above) including via the following:

- Surveys and questionnaires.
- Checklists.
- Personal experience or past organizational experience.
- Expert advice.
- Results of structured interviews.
- Focus group discussions.

In such approaches care is needed to ensure that the meaning of the question is not ambiguous and does not carry any bias—intended or otherwise. It may also be necessary to collect information about the person being asked (for example age group, gender, type of participant, years of experience, familiarity with the topic) in order to help subsequent analysis of the data. Identifying risks also requires imaginative thinking without being unduly fanciful.

There must be sufficient technical knowledge available to those conducting risk assessments to ensure a full understanding. A team approach allows for the pooling of experience and can help build commitment and ownership of the eventual decisions that are taken, but to ensure good progress and avoid capture by any one participant or group of participants, an experienced facilitator is needed. Adding experts to the team can help but experts should not necessarily dominate the group.

SECTION 7 RISK IDENTIFICATION

7.1 OVERVIEW

The aim of risk identification is to generate a comprehensive list of sources of risks, areas of impacts, events (including changes in circumstances) and their potential consequences (expressed in terms of each of the objectives identified in the context). The list needs to be comprehensive, and include the consequences of not pursuing an activity.

Identified risks should be described in terms of the chance that achievement of the (particular) objective will be affected by (the consequence) arising from (the event). Readily understood words should be used. Refer Table 7.1 for examples.

TABLE 7.1

EXAMPLE RISK DESCRIPTIONS

1.	The chance that a major fishing competition would need to be postponed or cancelled due to pollution of the river system as a result of an accidental chemical spill in a nearby factory, with resulting disappointment for anglers and financial loss for the club.
2.	The chance of injury to nearby competitors or officials if the protective net around the hammer throwing cage fails due to poor design when a hammer throw goes awry.
3.	The chance that venue attendances decline due to persistent complaints as a result of poor maintenance and sanitation.
4.	The chance of club or code membership reducing due to continuing adverse publicity arising from positive drug testing incidents being traced to a progressive decline in club standards following a change in CEO.
5.	The chance that competitive performance goals will not be achieved, as a result of reduced income causing cut-backs in training, due to a change in government funding policy.

7.2 IDENTIFICATION PROCESS

7.2.1 Preparation

To develop a comprehensive list of risks—

- Start with the statement of the context (which will document the objectives, the internal and external environment, the stakeholders and the risk criteria), (refer to Clause 5.)
- Select an appropriate risk assessment technique (such as high level flow charting) to reveal how the organization undertakes its activities.
- Identify the ‘key elements’ of the organization’s activities.

7.2.2 The organization’s ‘key elements’

It is less likely that risks will be overlooked if the organization is considered in bite size pieces (i.e. ‘key elements’) rather than simply considering it as a whole (although after examining the pieces, ‘the whole’ should also be considered).

Key elements can be a set of topics related to each of the organization’s various activities. Each topic is somewhat narrower than each activity as a whole, allowing those performing the identification to focus their thoughts on each in turn and go into more depth than they would if they tried to deal with everything at once.

Development of key elements will also help show whether there are any areas of special expertise needed to understand particular elements can be included in the risk identification team when it deals with that element.

A well-designed set of key elements will stimulate creative thought, and ensure that all the important issues are put before those responsible for identifying risks. When a brainstorming meeting is used to identify risks, the key elements can also form the agenda and the basis of the timetable for that meeting.

An example set of key elements is shown in Table 7.2.

TABLE 7.2

EXAMPLE SET OF KEY ELEMENTS OR CATEGORIES

Activity	Key elements
Governance	Policies, assurance
Management activities	Types of plans and the planning process, delegations, contracting, financial control, decision-making, reporting, monitoring.
Human resources	Recruitment, training, direction, performance review.
Financial and marketing activities	Budget, receipts and payments, banking, sponsorship, grants and other funding sources, accounting, reporting, monitoring/controls, insurance.
Regulatory	Consents, controls, mandatory reporting, statutory requirements, organization constitution and by-laws.
Reporting/accountability requirements	Statutory reporting, reporting to members, financial (budget and asset) reporting, auditing requirements, ad hoc reports.
Operational activities and controls	Venues, events, equipment, training, publicity, infrastructure, record keeping, transport, accommodation
Technology and technical issues	IT, sport/recreation equipment, testing, maintenance, selection and evaluation.
Security	Facilities, equipment, officials and competitors, major events, information, cash management, reference checks, child protection.
Education and training	Coaches', officials' and other volunteers' education and training.
Processes and procedures	Standard and procedure setting management of correspondence, delineation of responsibilities, delegations and authorizations, knowledge and experience gaps.
Interfaces and communication	Memoranda of arrangements/understandings with other sporting organizations, state affiliated bodies or government agencies, formal sponsorship arrangements, face-to-face meetings, marketing capabilities/functions, correspondence and mode of delivery, geographic location, annual general meetings and conferences, web-page effectiveness, developing relationships.
Individual activities	Organization corporate requirements/activities/support including IT support and access to software support, planning activities, organization personnel training and development activities.
Commercial and legal relationships	Insurance, public, professional and product liability, warranties, indemnities, liquidated damages, applicable law, excusable delay.
Political	Government stability, government policies, community support.
Natural events	Fire, earthquake, cyclone and flood.

The identification process then, having regard to the context statement, asks the following questions about each of the key elements:

- What are sources of risk?
- What might happen, how might it happen and when and where could it happen (i.e. events) that could—

- ♦ increase or decrease the effective achievement of objectives;
- ♦ make the achievement of the objectives more or less efficient (financial, people, time);
- ♦ influence stakeholder actions that could influence the achievement of objectives; or
- ♦ produce additional benefits?

- What would the effect on objectives be?
- Which groups of people within and outside the organization might be involved or impacted?

After reviewing each element, the following general questions should be considered:

- What is the reliability of the information?
- How confident are we that the list of risks is comprehensive?
- Is there a need for additional research into specific risks?
- Are the objectives and scope covered adequately?
- Have the right people been involved in the risk identification process?

7.3 DOCUMENTATION OF THIS STEP

Documentation of this step should include:

- The approach or method used.
- The scope covered by the identification.
- The participants in the risk identification and information sources consulted.
- A register of the risks that have been identified (see Clause 12.2).

SECTION 8 ANALYSE THE RISKS

8.1 INTRODUCTION

Risk analysis is used to gain a greater understanding of a risk and consequently provides an input to the evaluation of the risk and whether or not it needs to be treated. It also assists in the selection of risk treatments, once the evaluation determines that treatment is required, especially where choices must be made and options involve different types and levels of risk. It can be undertaken with varying degrees of detail depending upon the purpose of the analysis, the nature of the risks and the amount and quality of available information

Risk analysis involves consideration of the causes and sources of risk, their positive and negative consequences, and the likelihood those consequences can occur. An event can have multiple consequences and can affect multiple objectives. Consequences can arise from the cumulative effect of numerous apparently minor events. Factors that affect consequences and their likelihood should be identified in the analysis.

Many risks, arising from the same type of event, can have a range of consequences and associated likelihoods. For example, a processing error which led to personal records being incorrectly cross-referenced might result in only wasted time and annoyance (a 'problem') while files were checked or corrected. However, if further controls failed, it could breach privacy legislation through the unauthorized release of personal information and if prosecution or loss of trust resulted, be 'catastrophic'.

It will be common to find that the likelihood of severe consequences will be much lower than that for minor consequences. This is illustrated in Figure 8.1. One reason for this is that for very severe consequences to occur, it may require failure of more than one control.

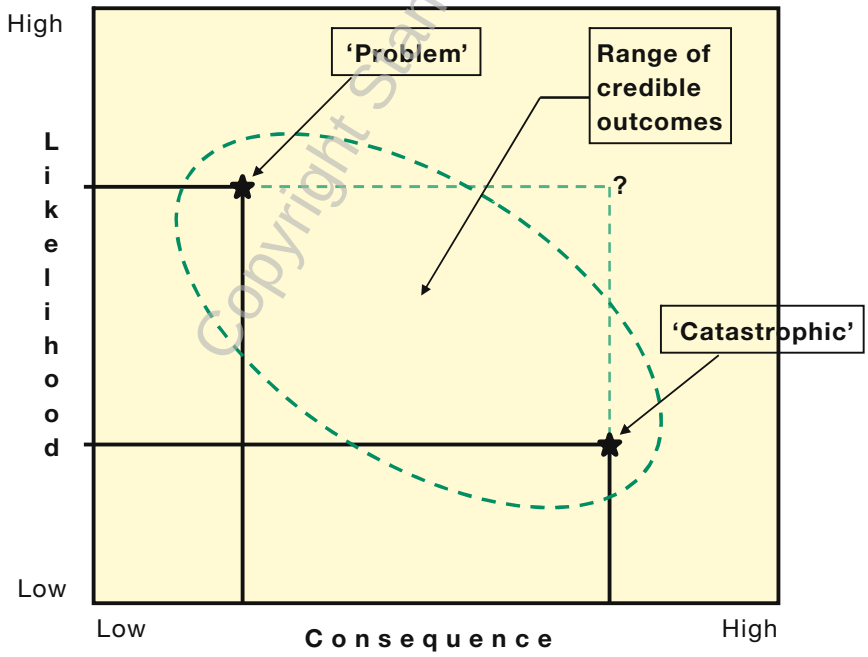

FIGURE 8.1 ILLUSTRATION OF RANGES OF CONSEQUENCES AND LIKELIHOODS

When analysing risks, existing controls should be taken into account – not only in the sense of whether or not they exist but also in terms of their likely effectiveness and reliability, whether there are single or multiple controls and the effects of control failure on the level of risk. The bowtie method of analysis (Figure 6.3) is one way of gaining an understanding of how controls operate.

Consequences and their likelihood can be investigated by modelling the outcomes of an event or set of events, or by extrapolation from experimental studies or available data. Consequence can be expressed in terms of tangible and intangible impacts.

The way in which consequences and likelihood are expressed and the way in which they are combined to determine a level of risk will have been decided when the risk criteria were determined (refer Section 5) but may need to be revisited if the analysis reveals new types of risk. More than one numerical value or descriptor may be required for different times, places, groups or situations.

The underlying information on which the analysis is based may need to be recorded to assist decision makers and support conclusions drawn. In any event, the analysis should reveal the level of confidence in its results and its sensitivity to assumptions. Such assumptions or limitations should be communicated whenever the analysis is presented and taken into account in subsequent decision-making.

8.2 TYPES OF ANALYSIS

8.2.1 General

Risk analysis can be qualitative, semi-quantitative or quantitative or a combination of these, depending on the circumstances. In each case estimates of the consequences must be combined with estimates of the likelihood of those consequences being experienced in order to develop a level of risk.

Levels of risk should be expressed in the most suitable terms for that type of risk (which should have been considered at the time the risk criteria are being developed) and in a form that aids risk evaluation.

In some instances, the magnitude of a risk can be expressed as a probability distribution over a range of consequences.

Table 8.1 provides a likelihood scale with five levels of likelihood expressed qualitatively, semi-quantitatively and quantitatively. Organizations must tailor this scale to the specific requirements of the analysis required while adhering to the general guidance provided here.

TABLE 8.1

EXAMPLE LIKELIHOOD SCALE

Likelihood rating	Criteria
Almost certain	Consequence could occur within ‘days or weeks’; or is expected to occur in most circumstances (>90% chance of the consequence occurring)
Likely	Consequence could occur within ‘weeks to months’; or will probably occur in most circumstances (>50% chance of the consequence occurring)
Possible	Consequence could occur within ‘months to years’; or may occur but distinct possibility it will not (>20% chance of the consequence occurring)
Unlikely	Consequence could occur within ‘years to decades’; or may occur but not anticipated (>5% chance of the consequence occurring)
Rare	Consequence is considered a 100 year event; or only would occur in exceptional circumstances; or exceptionally unlikely even in the very long-term

8.2.2 Qualitative

8.2.2.1 *General*

Qualitative analysis is the easiest and most commonly used method—particularly where knowledge, experience, and non-quantitative evidence do not support other methods.

It uses descriptions rather than numbers to express size (using terms such as those shown in Table 8.1, Table 8.2, and Table 8.3). However if applied consistently this can allow risks to be evaluated and treatments to be chosen. There should be a clear explanation of all the terms employed and the basis for all criteria should be recorded.

Qualitative analysis may be used as an initial screening tool prior to further more detailed analysis but can also help eliminate particular risks from requiring more detailed study.

8.2.2.2 *Consequence and likelihood tables*

Table 8.2 is a simplistic 5-level scale of consequence that that might be used at either strategic or operational level.

TABLE 8.2

SIMPLISTIC CONSEQUENCE SCALE

Rating	Consequence to be applied to criteria that characterize the organization's objectives
Catastrophic	Key criteria not met
Major	The achievement of criteria severely affected
Moderate	Some achievement criteria not met in full
Minor	Limited affect on the achievement of criteria
Negligible	Minor impact on achievement of criteria

This scale should be customized according to the organization's particular criteria, as shown, for example in Table 8.3. Note the first column of Table 8.3 brings together the risk criteria identified by Table 5.3. The criteria columns of the table have been only partly completed to demonstrate the concept. Organizations will need to develop their own tables based on their own risk criteria.

TABLE 8.3

DEVELOPMENT OF EXPANDED MULTI-CRITERIA CONSEQUENCE SCALES (EXAMPLES ONLY)

Consequence	Criteria					
	Organizational impact	**Activity delivery**	**Safety**	**Membership**	**Financial viability**	**Image and reputation**
Catastrophic	Occurrence(s) will have catastrophic impact on the organization's objectives and sustainability	Delivery ceases for either a period of such duration or the combined effect of an accumulation of lesser disruptions amounts to total operational failure.	Deaths occur	Membership numbers collapse	Organization unable to meet financial obligations or attract sufficient funding to permit it to achieve its principal objectives.	Widespread and major loss of confidence by stakeholders in the core values of the organization
Major	Occurrence(s) will have major impact on the organization's objectives and sustainability					Occurrence(s) will have major impact on the image and reputation of the sporting/ recreational organization. A large number of important sponsors will not want to be associated with the organization. Government Agency may investigate management of the organization. Some Board members will be forced to resign over incident.
Moderate	Occurrence(s) will have serious impact on the organization's solvency. Organization will significantly reduce its activities			Significant negative effect on membership renewals		
Minor	Occurrence(s) will have some impact on the organization's solvency. Organization will have to reduce a number of its activities or funding initiatives.					
Negligible	Occurrence(s) will have little impact on the organization's solvency. Organization may have to make minor adjustments to its activities or funding initiatives.	No operational impact		No meaningful effect on membership		Occurrence(s) will have little impact on the image and reputation of the sporting/ recreational organization

For many community organizations qualitative analysis will be sufficient. The simple word descriptors can be brought together in a matrix in order to graphically portray the level of risk. This is illustrated in Table 8.4, by selecting the assessed consequence rating and following the column down until aligned with the assessed likelihood rating to derive a level of risk rating.

TABLE 8.4

EXAMPLE QUALITATIVE ANALYSIS MATRIX

Likelihood rating	Consequence rating				
	Negligible	Minor	Moderate	Major	Catastrophic
Almost certain	Medium	Medium	High	Extreme	Extreme
Likely	Medium	Medium	Medium	High	Extreme
Possible	Low	Medium	Medium	High	High
Unlikely	Low	Low	Medium	Medium	High
Rare	Low	Low	Low	Medium	Medium

One of the useful features of such a matrix is to remind organizations that the level of risk is not just determined by the consequence. The cumulative effect of frequent lower consequence events may, depending on the organization's risk criteria, present quite high risk. Indeed, more organizations fail due to persistent yet unspectacular attrition events than fail from so-called catastrophic events. Both can have catastrophic effects on the organization's objectives and result in either failure or major shortfall in performance. Risk analysis should reveal both types of risk and, quite possibly, the need for different types of controls.

8.2.2.3 *Example qualitative risk analysis*

Table 8.5 shows the type of table that can be used to undertake a qualitative analysis of a particular risk, using one of the examples of risks listed earlier in Table 7.1 (first column). The existing controls which modify the related consequence and likelihood are shown in the second column. Using a fully developed and tailored Table 8.3, (and considering the effectiveness of the controls in place) we might assess a plausible consequence as being major and the likelihood of experiencing those consequences (Table 8.1) of a major consequence as being possible. Using Table 8.4, we can see that the combination of a 'major' consequence with a 'possible' likelihood provides an assessed 'high' level of risk.

TABLE 8.5

EXAMPLE QUALITATIVE RISK ANALYSIS

Risk description	Controls	Consequences	Likelihood	Assessed level
The chance that a major fishing competition would need to be postponed or cancelled due to pollution of the river system as a result of an accidental chemical spill in a nearby factory, with resulting disappointment for anglers and financial loss for the club.	Consequence controls: • Factory's procedures. • Public emergency response plans and capabilities. • Event cancellation insurance. Likelihood controls: • Pollution control legislation. Regulator patrols and monitoring. • Stakeholder communications. with factory regarding timing of event.	Major	Possible	High

8.2.3 Semi-quantitative and quantitative analysis

Semi-quantitative methods use numerical rating scales for consequence and likelihood, which are combined to produce a level of risk using a formula. Scales may be linear or logarithmic, or have some other relationship; formulae used can also vary. It is important not to interpret the results to a finer level of precision than is actually contained in the initial descriptive rankings. Numbers should not be used to give an appearance of a level of precision which does not exist.

The level of risk can be calculated using a quantitative method in situations where the consequences and likelihood of the risk being experienced can be estimated using practical values with the resulting level of risk being expressed in specific units.

Full quantitative analysis may not always be possible or desirable due to insufficient information about the system or activity being analysed, lack of data, influence of human factors, etc. or because the effort of quantitative analysis is not warranted or required. Under such circumstances, a comparative semi-quantitative or qualitative ranking of risks by specialists, knowledgeable in their respective field, may still be effective.

NOTE: Further reading on quantitative analysis for major sporting and recreational events is provided in Appendix A.

8.3 MEASUREMENT AND SCALES

Whatever type of analysis is used, some form of measurement of consequence and likelihood is necessary. The choice of the type of scale used to carry out this measurement is largely dependent upon the nature and range of the consequence and the level of knowledge and variability of the probability. It is essential that having chosen suitable types of scales, the limitations and freedoms offered by each type be fully understood.

Measurement scales can be characterized as Nominal, Ordinal, Interval or Ratio. The nature and limitation of each of these scales is described in Table 8.6.

TABLE 8.6

TYPES OF MEASUREMENT SCALES

Type of scale	Description	Limitations/freedoms	Risk example	Conceptual explanation
Nominal	Assigns data into categories	No mathematical operation can be performed	Lists or classifications of wildlife, cultural patterns, land use, etc.	Heat, colour, texture
Ordinal	Comparative scales. Can be judged as more, or less than. . . .	Not measures of absolute magnitude, only relative. Summation is arbitrary in absence of zero points	Rankings such as High, Medium, Low or 1, 2, 3, 4, 5 where numerical value does not relate to value or quantity	Cold, warm, hot
Interval	Quantitative intervals between units of measurement are constant (10 exceeds 9 as 2 exceeds 1)	Can integrate, add/subtract or divide/multiply by a constant only Amalgamation possible only if defined equal points on all scales (e.g. A deficit of 2 is not twice 1 since redefining the zero point could transform value 2 to 5 and value 1 to 4	A scale such as 1, 2, 3 . . .9, 10 where numerical value has some meaning but zero point is arbitrary	10° of temperature 20° of temperature 30° of temperature (but set point [0°] not defined)
Ratio	Quantitative. Similar to interval scale but with set or non-arbitrary set point.	Measures magnitude not significance. Can be mathematically combined provided units are same or suitable conversion applied	A measure of effect where zero point is set as no effect (e.g. a scale such as 'no loss', $1 loss', '$2 loss', etc	10°C, 100°C (set point = 0°C = freezing point)

8.4 DOCUMENTATION OF THE RISK ANALYSIS

Documentation of the risk analysis should include:

- Key assumptions and limitations.
- Sources of information used.
- Explanation of the analysis method and the definitions of the terms used to specify the consequence and likelihood of each risk.
- Existing controls and their effectiveness.
- Description and severity of consequences.
- The likelihood of these specific occurrences.
- Resulting level of risk.
- The effect of uncertainty.

Detailed documentation may not be required for low risks. However, a record should be kept of the rationale for initial screening of low risks. Documentation of risk analysis is often included in the risk register (see Section 12).

SECTION 9 EVALUATE THE RISKS

9.1 OVERVIEW

The purpose of risk evaluation is to assist in making decisions about which risks need treatment and the priority for treatment implementation, based on the outcomes of the risk analysis.

Risk evaluation involves comparing the level of risk as determined by the risk analysis with risk criteria established when the context was considered. It therefore reflects the organization's risk attitude. Based on this comparison, the need for treatment can be considered. The process is illustrated in Table 9.1 using the earlier hypothetical risk in relation to a major fishing competition.

TABLE 9.1

ILLUSTRATION OF THE RISK EVALUATION PROCESS

Risk description	Consequences (type and severity)	Likelihood of consequence	Assessed level of risk	Criteria	Treat? Priority/do not treat
The chance that a major fishing competition would need to be postponed or cancelled due to pollution of the river system as a result of an accidental chemical spill in a nearby factory with resulting disappointment for anglers and financial loss for the club.	Financial risk—major Enjoyment risk—moderate	Both—possible	Financial—high Enjoyment—medium	Treat risk > 'low'	Treat— Financial—Priority 1 Enjoyment—Priority 2 Note: Aspects of treatment of one risk (e.g. alerting the factory to the competition) will also treat the other and may mean, after further evaluation, that further treatment of the other risk is not warranted.

Decisions should take account of the wider context and include consideration of the tolerance of the risks borne by parties other than those that benefit from the risk. Decisions should have regard to legal, regulatory and other requirements which the organization must meet.

In some circumstances, the risk evaluation can lead to a decision to undertake further analysis. The risk evaluation can also lead to a decision not to treat the risk in any way other than maintaining existing controls.

9.2 RISK TOLERANCE

Evaluation involves determining what risks are tolerable to the organization, having regard to the organization's attitude to risk. 'Risk tolerance' means the organization's or stakeholders' readiness to bear the risk, after risk treatment in order to achieve its objectives. Risk tolerance can be influenced by legal or regulatory requirements.

However, for those risks which are close to the boundary of what is tolerable, deciding which risks warrant treatment may not be quite as straightforward as there are generally uncertainties in both the risk assessment and the risk criteria.

A useful approach is to separate risks into a number of bands:

- An upper band where adverse risks are intolerable, whatever benefits the activity may bring, and so risk treatment is essential whatever its cost.
- A middle band (or 'grey area') where costs and benefits of treatment are taken into account and opportunities balanced against the potential for adverse consequences.
- A lower band where the consequences of risk, both positive and negative, are negligible or so small that risk treatment or any further investigation is not needed.

Such an approach is used in the risk evaluation concept known as ALARP (meaning risk should be 'as low as reasonably practicable') as illustrated in Figure 9.1. The ALARP concept is increasingly applied to safety-related risks but is also a useful practical approach to most types of risk.

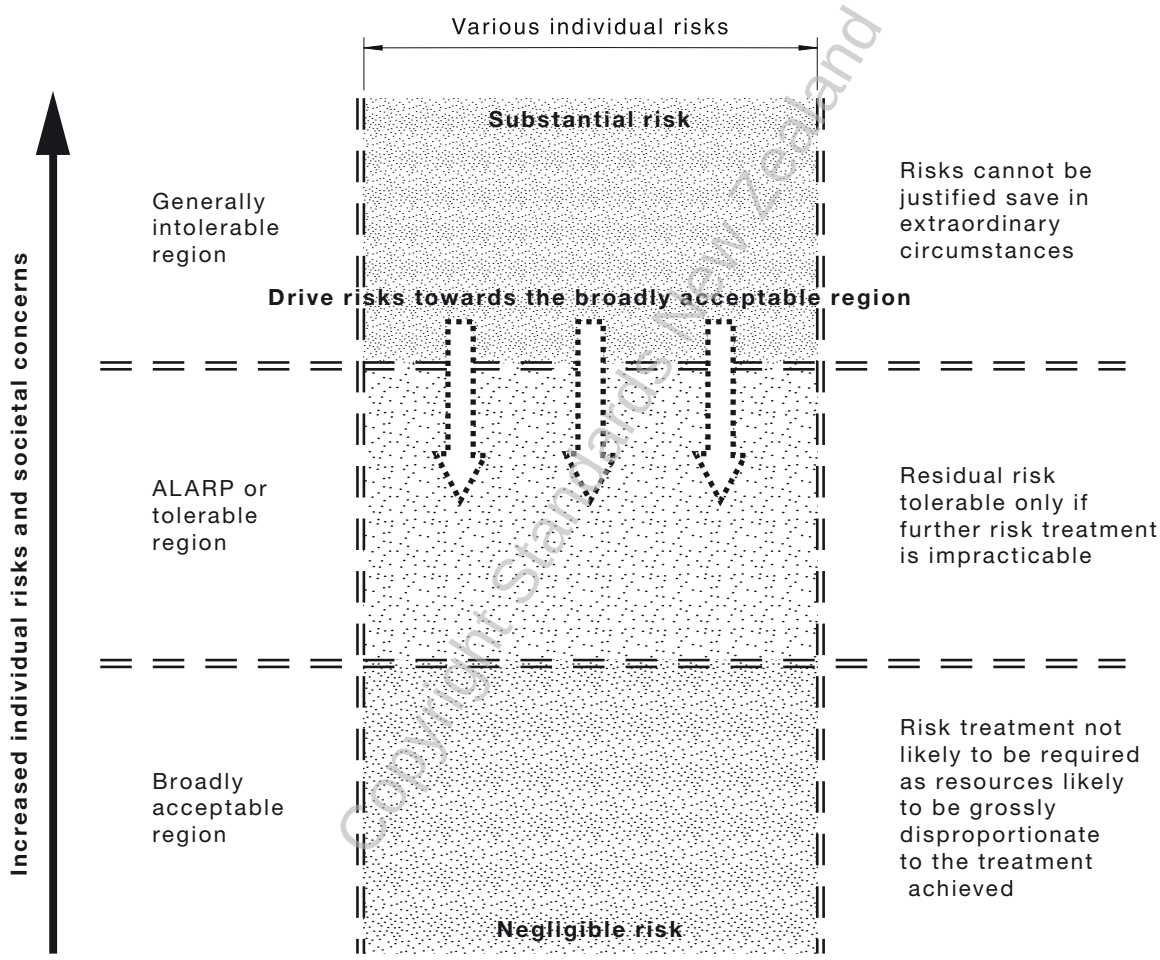

FIGURE 9.1 THE ALARP PRINCIPLE

One disadvantage of the ALARP concept is the implication that it is always preferable that risks are reduced. As noted however, this can cause an organization to forgo opportunities or incur greater costs or accept greater restriction than is warranted by the risk. Applied logically, the ALARP concept can also point to opportunities (associated with risks in the lower zone) to seek, implement or accept some increase in risk.

One example of this is in the design of risk treatments which involve a certain frequency of checking or testing. If historical data either within or from outside the organization indicates that the thing being tested is particularly stable, high frequency testing will not be warranted. This allows the resources needed to be applied to something else.

9.3 DOCUMENTATION OF THIS STEP

It will generally be sufficient to record the results of the evaluation on the register of risks but it may be necessary to record reasons for risks near the margins of the central ‘zone’ of the ALARP model.

SECTION 10 RISK TREATMENT

10.1 OVERVIEW

Risk treatment is the process to modify risk. It involves selecting one or more options for modifying risks, and implementing them. Once implemented, treatments provide either new controls or modify existing controls.

A mix of risk treatment options may be appropriate. In general terms, options will have the effect of:

- Avoiding the risk by deciding not to start or continue with the activity that gives rise to the risk.
- Taking or increasing the risk in order to pursue an opportunity.
- Removing the risk source.
- Changing the consequences of an event.
- Changing the likelihood.
- Sharing the risk with another party or parties (including via contracts and risk financing).
- Retaining the risk by informed decision.

Each of these types of risk treatment is discussed in greater detail in Clause 10.4.

10.2 SELECTING RISK TREATMENTS

Selecting risk treatments involves a cyclical process of:

- Assessing a risk treatment (including whether it is the most cost beneficial or practical option).
- Deciding whether this would make residual risk levels tolerable.
- If not tolerable, generating a new risk treatment.
- Assessing the effectiveness of that treatment.

Selecting the most appropriate risk treatment option therefore involves balancing the costs and efforts of implementation against the benefits derived, with regard to legal, regulatory, and other requirements such as social responsibility and the protection of the natural environment.

After assessing the costs and benefits of available risk treatments, it may be necessary to return to the evaluation step if, for example, the cost is high, the modification of risk is small and the risk is close to the boundary of the 'broadly acceptable' region (refer Figure 9.1). Conduct of cost benefit analysis is discussed in more detail in Clause 10.5.

Depending upon the organization's risk criteria, some risk treatments may be warranted even if they are not justifiable on economic grounds, e.g. severe (high negative consequence) but rare (low likelihood) risks.

Most risk treatments have inherent uncertainty as to effect or reliability. As a general rule, it is therefore unwise to rely wholly on a single risk treatment and instead to use a number of treatment options applied either individually or in combination.

When selecting risk treatment options, the organization should consider the values and perceptions of stakeholders. In most cases, it will be beneficial to communicate with and consult those stakeholders who will either be involved in or affected by the implementation of the treatment (for example, those doing the work and neighbours to a property in which a new security fence is to be built) or will be affected by (or perceive themselves affected by) the completed treatment. Though equally effective, some risk treatments can be more acceptable to some stakeholders than to others.

Risk treatment itself can introduce risks both during implementation and in the end-state after implementation. Such risks also need to be evaluated and, as appropriate, treated with those treatments incorporated into an overall treatment plan (refer Clause 10.3).

Particular attention should be given to risks associated with treatments intended to have a very substantial modifying effect. The possibility of delay in implementation of these treatments or subsequent failure of the control could in itself be a significant source of risk, warranting adjustments to the Monitoring and Review arrangements (refer Section 11) in order to give assurance that the resulting controls will operate as intended.

The questions in the following table reflect many of the above points as well as additional considerations and is a useful aide-memoire to some of the issues which need to be taken into account when considering and selecting risk treatments:

TABLE 10.1

DECISION-MAKING ISSUES

Acceptability	Is the option likely to be accepted by relevant stakeholders?
Administrative efficiency	Is this option easy to implement or will it be neglected because of difficulty of administration or lack of expertise?
Compatibility	How compatible is the treatment with others that may be adopted?
Continuity of effects	Will the effects be continuous or only short term? Will the effects of this option be sustainable? At what cost?
Cost effectiveness	Is it cost-effective, could the same results be achieved at lower cost by other means?
Economic and social effects	What will be the economic and social impacts of this option?
Effects on the environment	What will be the environmental impacts of this option?
Equity	Are risks and benefits distributed fairly e.g. do those responsible for creating the risk pay for its reduction?
Individual freedom	Does the option deny any basic rights?
Jurisdictional authority	Does this level of organization or government have the authority to apply this option? If not, can higher levels be encouraged to do so?
Leverage	Will the treatment options lead to additional benefits in other areas?
Objectives	Are organizational objectives advanced by this option?
Regulatory	Does the treatment (or lack of treatment) breach any regulatory requirements?
Political acceptability	Is it likely to be endorsed by the relevant government authority? Will it be acceptable to communities?
Risk creation	Will this treatment introduce new risks?
Timing	Will the beneficial effects be realized quickly?

10.3 PREPARING AND IMPLEMENTING A RISK TREATMENT PLAN

A risk treatment plan should be prepared to document which treatments were chosen and why, the respective priority, and how they will be implemented. The information provided in treatment plans should therefore include:

- The reasons for selecting the treatment options, including expected benefits to be gained and how the treatment will change the risk (i.e. the 'residual risk').
- Those who are accountable for approving the plan and those responsible for implementing the plan.
- Proposed actions.
- Timing and schedule (which will have regard to treatment priorities but also any interrelationships between particular treatments)
- Resource requirements including contingencies.
- Performance measures and constraints.
- Reporting and monitoring requirements.

Once finalized, treatment plans should be integrated into the management processes of the organization.

An example of a risk treatment plan can be found in Section 12 (refer Table 12.2)

10.4 TYPES OF RISK TREATMENT

10.4.1 General

The general types of risk treatment described in Clause 10.1 are described, with illustrative examples, in more detail below:

10.4.2 Avoiding the risk

This concerns deciding either not to proceed with the activity that contains an unacceptable risk or choosing an alternative activity with acceptable risks that meets the aims of the organization. For example, a golf club wishing to raise funds may decide that the uncertainties of a '$10,000 hole-in-one' competition, when compared with its current liquidity, exposes the organization to unacceptable financial risk and chooses to run an alternative fundraising activity with less risk attached.

10.4.3 Taking or increasing the risk

This particularly applies where the risk is low, or the cost of further treatment or continuing with an existing control is disproportionately high. It may be used alone or in combination with another treatment which would make the risk 'ALARP'.

For example, to avoid frequent minor injuries in contact sport could mean significantly changing the underlying character of the game and thereby defeat the objectives of the participants. On the other hand, mandating use of mouthguards is inexpensive and might eliminate a frequent but moderately severe source of contact injury while still leaving the underlying game intact and the remaining risk tolerable.

Sometimes, an organization may consciously increase risk (with or without particular controls) in order to pursue its objectives.

EXAMPLES:

(a) After carefully assessing the risk, an organization may spend a proportion of its contingency fund reserves over an agreed period to invest in a substantial marketing initiative, to achieve a substantial increase in membership.

(b) After carefully assessing the risk, an organization may overturn a ban on overnight excursions to the outdoors which may have resulted from a previous adverse incident, but only after treating those aspects which present high levels of risk (for example, mandating minimum adult to child ratios, requiring a formal risk assessment of each such trip, and requiring EPIRBs (Emergency Position Indicating Radio Beacons) to be carried).

10.4.4 Removing the risk source

This type of treatment can be used where the analysis shows that the high levels of risk can be traced to a particular risk source. Examples: (a) petroleum spirit pressure stoves if damaged or used wrongly can result in sudden and very dangerous fires causing severe burns to those in close proximity; prohibiting such stoves removes that source of risk but still allows cooking to be done on, say, a less hazardous gas stove. This will substantially reduce the overall risk; (b) a particular feature of a contact sport may account for very severe injuries in particular age groups; a rule change can outlaw that feature in those age groups.

10.4.5 Changing the consequence

When something happens (an event) a range of consequences are possible. There are usually many types of treatment that can be considered that will modify the consequences of an event.

EXAMPLES:

(a) If an after-hours fire occurs in the club house, it might cause either extensive damage or minor damage and the resulting disruption may be very substantial or small. By introducing a lock-up procedure that involves closing internal doors at night (to limit fire spread) and installing a fire detection system that will summon the fire brigade, the direct consequences of a fire might be substantially reduced. Also having an effective contingency plan to facilitate a shift of operations to another location, combined with keeping computer records backed-up off site may reduce disruption if extensive damage did occur and help maintain business continuity.

(b) If an organization was principally reliant on one source of funding (e.g. a sponsor or government grant) and those arrangements collapsed, it could cause an immediate and major effect on operations, e.g. through forced redundancies of administration or coaching staff. The scale of consequences could be reduced if this risk was treated by diversifying funding, establishing reserves or making sure at least some assets were in a form which could be quickly converted to cash.

10.4.6 Changing the likelihood

Risk analysis techniques such as event trees and analysis of past records can show which activities give rise to the most frequent adverse events and, via the bowtie diagram, for example, show which types of event are most prone to causing severe consequences and the sequences, after the event through which these occur. Further analysis can show the particular features of the underlying activity which are the most common cause of this type of event. By modifying those features, it can be expected that events and therefore consequences will be experienced less frequently.

EXAMPLES:

(a) In stick and ball sports, injurious ball strikes may be shown to relate to the velocity and visibility of the ball. Limiting how high the stick can be raised can effectively reduce velocity and using a contrasting ball colour can increase visibility and thus reduce reaction time by a player who is in the path of the ball.

(b) Hypothermia as a result of sudden weather deterioration is a known killer in the outdoors—but postponing trips in inclement weather or when there is an adverse forecast will reduce (albeit not eliminate) the likelihood of exposure to hypothermia conditions.

10.4.7 Sharing the risk with another party

Some consequences are of a type that requires money to alleviate – for example the fire damage described in the above example (Clause 10.4.65, Item (a)) or becoming legally liable for damages incurred by another party. If the amount of money that might be required exceeds the organization's resources, this could result in insolvency and the ultimate failure to achieve objectives. By making contingent arrangements to have such funds available, the risk is modified.

'Risk financing' of which insurance is the most common form, is an example of such contingent arrangements but it is important to keep in mind that, as with many risk treatments, residual risk remains. For example, the particulars of the event which resulted in the consequences might not fit within the definitions of the insurance policy. Or, as occurred when the HIH insurance company—which provided insurance to many organizations in Australia and New Zealand—collapsed in the early 2000's, the insurer may not have the solvency to pay when the claim is made.

That is why it is prudent to perceive this type of risk treatment as one in which the risk is 'shared' rather than wholly transferred to another party. In fact, any form of contract, including disclaimers, has the effect of sharing risk – despite what the words of the contract or disclaimer might say.

EXAMPLES:

(a) A team may have treated the risk of its travel budget blowing out by early purchase of air tickets but exposed itself to the effects of the airline or travel agent going bust before travel took place.

(b) An entry form may appear to require participants to sign away their rights of redress but that won't stop them initiating an action in tort with the resulting costs of defending such claims.

10.4.8 Retaining the risk by informed decision

This type of treatment, in which the organization consciously decides after risk evaluation, not to modify the risk any further than it might already be modified by existing controls, is distinguishable from simply overlooking the existence of a risk and thereby retaining it. Even though the effect is the same, an informed decision to retain risk puts into action other aspects of the risk management process—for example, recording the reason for the decision, communication with stakeholders to explain what is being done and why, and including this decision in the ongoing arrangements to monitor and review context, risks and any existing controls.

10.5 ASSESSING COSTS AND BENEFITS OF RISK TREATMENTS

Consciously thinking about the costs of risk treatment options and the resulting benefits or effect of the treatment, has two particular advantages. One, is to consider how far to go with a particular treatment; the other is to help evaluate the merits of one option against another. Costs and benefits are inevitably traded off. Money (and effort) spent in one area can't be spent in another.

It is not uncommon to find that the 'law of diminishing returns'* applies to expenditure on risk treatment. Of course the inverse of the law also applies, namely that at some point, marginally less investment in risk treatment may result in the risk being significantly larger.

This underlines the point made earlier, that it is important to understand the actual effect of a particular risk treatment and therefore, its limitations and uncertainties.

Cost–benefit analysis (CBA) is used to evaluate the desirability of a given intervention. While its broad intention is obvious, undertaking CBA is complex. Where the costs and benefits are very large, it should only be undertaken with the assistance of expert advice.

In general terms, and in a risk management context, CBA must consider two states: the present state and the state that would result if the costs of a particular treatment were incurred. The important issue here is that even though the expenditure may be directed at only one particular parameter of the 'present state', its actual effects may impact on several parameters of the resulting state – only some of which may be readily measured in dollars.

Hence it is the overall effect (including social and cultural considerations) of the expenditure which must be considered when evaluating the costs and benefits. For example, implementation of a particular risk treatment might give rise to such confidence in those who know about it as to cause them to relax the efforts they have been making with other controls. Hence the result could be that overall, the risk may not be modified as much as was supposed or might even increase.

CBA will also take into account the 'time value' of money and the fact that money spent in one area cannot be spent elsewhere. 'Opportunity costs' must therefore be considered. CBA will also consider the possibility that the effects of expenditure that takes place over a period of time will not have the same effects at all points in time. Therefore CBA calculations will usually be adjusted in terms of 'present value'.

One benefit of CBA is that it makes those involved be explicit about their assumptions and this assists related efforts to undertake communication and consultation with stakeholders.

10.6 RESIDUAL RISK

Residual risk is a common and convenient term defined as the 'risk remaining after risk treatment' but in reality, the residual risk is just 'the' risk because, as noted above, 'controls' (which are the result of implementing risk treatment) are things that modify risk. Once modified, the risk is different.

However, some risk practitioners find it helpful to think in terms of residual risk in order to characterize the effects of a particular risk treatment. However, the danger of this approach is that it can mask the fact that even before risk treatment; virtually all risks are being controlled in some way or another. Those 'background' controls also need attention in order to ensure that they continue to operate.

This is illustrated by one of the examples used in Table 7.1 to describe risks, namely—

'*The chance of club or code membership reducing due to continuing adverse publicity arising from positive drug testing incidents being traced to a progressive decline in club standards following a change in CEO.*'

In this example, the impact on culture of the attitudes of the CEO could easily be overlooked as being a very important, albeit intangible, risk control.

* This law is sometimes stated as 'the tendency for a continuing application of effort or skill toward a particular project or goal to decline in effectiveness after a certain level of result has been achieved.'

SECTION 11 MONITORING AND REVIEW

11.1 OVERVIEW

Monitoring and review are two techniques by which to check whether things are as they are assumed to be. Their inclusion at each step of the risk management process recognizes that organizations and the environments they operate in are dynamic. The techniques provide back-stop methods to detect whether otherwise undetected change has occurred. They should be applied in a planned way to all elements of the risk management process whether on a periodic or ad hoc basis.

Monitoring and review processes should be designed to:

- Determine whether controls are effective and efficient in both design and operation.
- Detect changes in the organization's objectives, external and internal environment, stakeholders, and attitude to risk.
- Capture any new information to update and keep risk assessments current and risk treatments efficient.
- Analyse and learn lessons from events (including near-misses), changes, trends, successes and failures that are relevant to any aspect of the risk management process.
- Identify emerging issues likely to change risks, risk criteria and treatments.

Some organizations characterize all or some of the monitor and review activities as their system of 'Assurance', but whether the two expressions are equivalent depends upon the content of the assurance program.

Along with others aspects of risk management activities and functions, responsibilities for monitoring and review should be clearly defined, integrated with the management processes of the organization and discussed with appropriate stakeholders.

11.2 ELEMENTS

Monitoring means continual checking, supervising, critically observing or determining the status in order to identify change from the performance level required or expected. Examples of monitoring techniques that might be applied by sports and recreation organizations include, but are not limited to:

- Monitoring relevant government policy announcements.
- Monitoring changes in the political or security environment in countries to be, or being visited.
- Monitoring relevant developments in legal precedents.
- Monitoring whether particular risk controls continue to operate as intended.
- Monitoring incident records for trends or evidence that controls are either ineffective or incomplete.
- Monitoring progress with implementation of the current risk treatment plan.

Review relates to activities undertaken to determine the suitability, adequacy and effectiveness of the subject matter (such as a system, process or particular measure) to achieve its intended purpose Examples of the types of review that might be applied by sports and recreation organizations include, but are not limited to:

- An annual review of the list of stakeholders.

- A periodic review of the findings of the external or internal auditors and the conclusions which can be drawn from that.
- A review of the ongoing adequacy of the risk management content of staff induction training.
- A review of the quality and structure of communication and consultation with stakeholders.
- A review of an adverse incident or something that was particularly successful.

11.3 SELECTING MONITORING AND REVIEW ACTIVITIES

Monitoring and review activities require careful selection, targeting and planning as they absorb scarce resources. Priority should be given to:

- High risks.
- Critical controls – i.e. those which are relied upon to strongly modify risk and the failure of which could result in high, or frequent, consequences.
- Evidence of control failure (such as incidents or adverse audit findings)
- Features of the internal or external environment that have high variability.
- Aspects of the risk management context likely to experience high incidence of change.
- Technological advances that may offer more effective or lower cost alternatives to risk treatment or warrant acceptance of greater risk.

In general terms, monitoring and review practices will be of one of three types—

1 Continuous (or at least frequent) monitoring through routinely measuring or checking particular parameters (for example incident data, cash flows, safety devices).

2 Line management reviews of controls (sometimes called 'control self assessments') which are often selective in scope (for example, post-incident investigations) but may also be routine and regular, and best selected on risk-weighted criteria.

3 Auditing, using both internal and external audit staff against specific criteria (refer Clause 11.4).

Figure 11.1 illustrates these three methods as a hierarchy. The regime at the top, if properly designed, provides the most powerful level of assurance. The monitoring and review program should include all three elements.

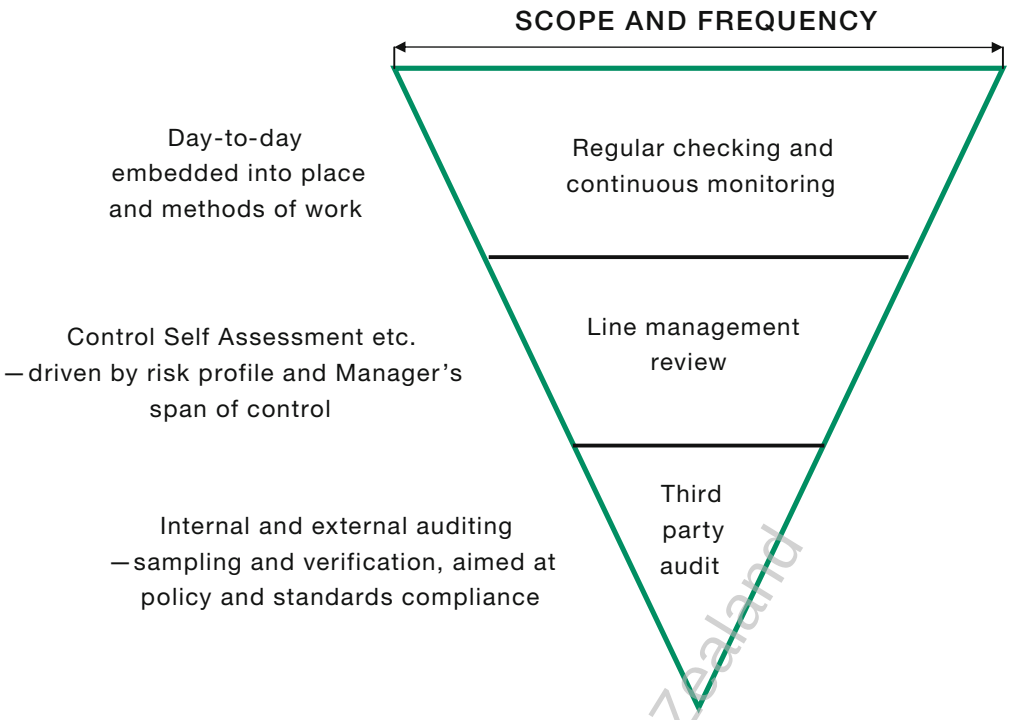

FIGURE 11.1 HIERARCHY OF ASSURANCE ACTIVITIES

11.4 PARTICULAR TYPES OF MONITORING AND REVIEW

11.4.1 Auditing

Auditing is a systematic, critical, evidence-based examination of particular aspects of an organization and in particular those which impact upon the effectiveness of the arrangements relied upon to manage risk effectively. It can act as both a diagnostic tool to reveal strengths and weaknesses and as an input and stimulus to continuous improvement.

Whether using internal or external sources, audits by third parties bring a measure of independence and perspective. They need not have prior notice or consent although generally they should be an anticipated and planned activity that makes a transparent contribution to the arrangements for risk management assurance.

Some audits may focus on compliance with standards (internal or external), procedures or legislative requirements but there will be many other risks and aspects of the risk management program which may be equally, or more, important, for example, those listed in Clause 11.3.

If audits become, or are seen as being, the primary system of assurance, then it is often the case that the assurance regime and monitoring and review activity generally, will be weak.

Findings of audits will usually indicate systemic weakness. Response to audits should be focused on understanding the root or other underlying cause of the audit finding, and remedying the system, and not just the symptoms. As noted earlier, the absence of outstanding audit findings is not necessarily indicative that the risk management arrangements are effective.

11.4.2 Incident investigations (post-event analysis)

Adverse incidents (and successes) can provide an opportunity to review the effect of controls in particular circumstances and thereby gain insight into the strengths and weaknesses of the risk management process and how it can be improved or reinforced.

In each case, a systematic approach should be developed. It should be applied with care taken to avoid preconceptions or bias. The inclusion of internal or external parties who have not been involved can assist in this as can the inclusion of, or seeking input from, persons with particular technical expertise.

Typically, such investigations require those involved in, or around the incident or experience to be interviewed in order to gather information. In most cases, such participation will, of necessity, be voluntary. Care is needed to ensure witnesses are well informed as to the purposes of the investigation, how it is intended to be conducted and the arrangements to be made to ensure it is fair.

Particularly where very serious consequences are involved, those conducting the investigation should apprize themselves of the principles of 'natural justice' or obtain legal advice.

It should be recognized that people have varying levels of confidence in themselves about participating in investigations irrespective of the actual role that they played. If witnesses require or would be assisted by having a friend or other support person present, this should be allowed and, if necessary facilitated. Thought should be given to the location and timing of such interviews.

As a general rule it is more informative to ask open questions than to seek 'yes' or 'no' answers.

Accurate records should be kept of interviews and these should record when and where the interview occurred, and who was present. Distinctions should be made in those records between direct quotations of things said by the witness (including the question which elicited the quotation) and notes which paraphrase or just record highlights.

While the main purpose of these incident investigations is to learn from it, if allegations are to be made about the performance or behaviour of individuals, these should be put clearly to the person concerned and they should be given a chance to respond.

Post-incident investigations will usually be assisted by seeking answers to the all or some of the following questions:

- What happened and when; what was the sequence; what happened next; who was present?
- What were the general circumstances in which the incident occurred; were there any unusual elements?
- What were the prevailing conditions at the time?
- What if any instructions had been issued that were relevant to the incident?
- How did particular controls which the organization believed to be in place operate in practice (including those in the immediate vicinity of the incident and more underlying controls such as recruitment, training and supervision arrangements)?
- What data is available regarding the history of incidents of this type either within or external to the organization?
- Whether and how the related risks had been assessed; had it been decided to treat those risks; were the treatments implemented; to what extent had the risk sources relevant to the incident and the causative sequence which led to the consequences been anticipated in the risk assessment and selection of controls?
- How had the controls been monitored and reviewed; did the controls operate as intended?
- Was there a root cause; what were the contributory causes?
- How could these be addressed?

- Specifically what would need to change (or be reinforced) in the organization's risk management arrangements (principles, framework, process) to remove (or reinforce) the systemic features of the incident?
- Who needs to know about these lessons learnt and how and to whom should this information be disseminated?

11.5 RISK MANAGEMENT PERFORMANCE MEASUREMENT

11.5.1 General

Annex A of AS/NZS ISO 31000 provides useful performance indicators (PIs) against which the performance of the organization's risk management arrangements can be monitored and reviewed. These indicators are those that will be found in organizations that are managing risk very effectively. Most of these can be directly translated into the PIs for individuals and thus be subject to measurement and review of the performance of individuals.

There are two types of indicators: those which look at 'outcomes' and those which look at 'attributes' or the way in which the organization behaves in relation to risk management. Both forms of performance measure are important as to some extent, one is a 'lag' indicator – i.e. will show what has been achieved and one is a 'lead' indictors – i.e. will act as a predictor of the outcomes that can be expected. To assist organizations measure performance against the listed attributes, some tangible indicators are given for each.

11.5.2 Outcome indicators

(a) The organization has a current, correct and comprehensive understanding of its risks.

(b) The organization's risks are within its risk criteria.

11.5.3 Attribute indicators

(a) Continual improvement

An emphasis is placed on continual improvement in risk management through the setting of organizational performance goals, measurement, review and the subsequent modification of processes, systems, resources, capability and skills.

This can be indicated by the existence of explicit performance goals against which the organization's and individual manager's performance is measured. The organization's performance can be published and communicated. Normally, there will be at least an annual review of performance and then a revision of processes, and the setting of revised performance objectives for the following period.

This risk management performance assessment is an integral part of the overall organization's performance assessment and measurement system for departments and individuals.

(b) Full accountability for risks

Enhanced risk management includes comprehensive, fully defined and fully accepted accountability for risks, controls and risk treatment tasks. Designated individuals fully accept accountability, are appropriately skilled and have adequate resources to check controls, monitor risks, improve controls and communicate effectively about risks and their management to external and internal stakeholders.

This can be indicated by all members of an organization being fully aware of the risks, controls and tasks for which they are accountable. Normally, this will be recorded in job/position descriptions, databases or information systems. The definition of risk management roles, accountabilities and responsibilities should be part of all the organization's induction programs.

The organization ensures that those who are accountable are equipped to fulfil that role by providing them with the authority, time, training, resources and skills sufficient to assume their accountabilities.

(c) Application of risk management in all decision making

All decision making within the organization, whatever the level of importance and significance, involves the explicit consideration of risks and the application of risk management to some appropriate degree.

This can be indicated by records of meetings and decisions to show that explicit discussions on risks took place. In addition, it should be possible to see that all components of risk management are represented within key processes for decision making in the organization, e.g. for decisions on the allocation of capital, on major projects and on restructuring and organizational changes. For these reasons, soundly based risk management is seen within the organization as providing the basis for effective governance.

(d) Continual communications

Enhanced risk management includes continual communications with external and internal stakeholders, including comprehensive and frequent reporting of risk management performance, as part of good governance.

This can be indicated by communication with stakeholders as an integral and essential component of risk management. Communication is rightly seen as a two-way process, such that properly informed decisions can be made about the level of risks and the need for risk treatment against properly established and comprehensive risk criteria.

Comprehensive and frequent external and internal reporting on both significant risks and on risk management performance contributes substantially to effective governance within an organization.

(e) Full integration in the organization's governance structure

Risk management is viewed as central to the organization's management processes, such that risks are considered in terms of effect of uncertainty on objectives. The governance structure and process are based on the management of risk. Effective risk management is regarded by managers as essential for the achievement of the organization's objectives.

NOTE: See Appendix B for a description of the elements of a governance system and the principles of good governance.

This is indicated by managers' language and important written materials in the organization using the term 'uncertainty' in connection with risks. This attribute is also normally reflected in the organization's statements of policy, particularly those relating to risk management. Normally, this attribute would be verified through interviews with managers and through the evidence of their actions and statements.

SECTION 12 RECORDING THE RISK MANAGEMENT PROCESS

12.1 GENERAL REQUIREMENT

Risk management activities should be traceable. Furthermore, records provide the foundation for improvement in methods, tools and processes generally.

Decisions relating to what to document, the level of detail and the form of documentation should take into account the costs, efforts and benefits. Benefits may include:

- The organization's needs for continuous learning (for example, enabling decisions or processes to be reviewed).
- The need to be able to demonstrate to stakeholders (including regulators) how and when risk management processes were applied.
- Being able to verify (for example, as part of the assurance program) that the organization's risk management policy has been complied with.
- Efficiencies from being able to re-use or share information.

The record keeping arrangements should take into consideration method of access, ease of retrievability, retention period, backup and the sensitivity of information and controls on access.

12.2 THE RISK REGISTER

12.2.1 General

As risks are assessed, it is useful to record these in the form of a register, together with the context statement on which the assessment was based, controls taken into account in the assessment and any treatments decided upon.

12.2.2 Design of the register

In designing the form of the register, careful thought should be given to the intended uses of this information (e.g. by those involved in developing plans or making operational decisions, and how access will be provided) particularly if the organization is geographically spread (e.g. a national organization with state or regional divisions).

In large organizations, the register may comprise several registers (e.g. by division) with 'head office' consolidation only applying to the largest risks and the most critical controls.

It is likely that the risk register may contain at least some sensitive information and so as the register is designed, so too should the access rules and how these will work be developed (for example, using access security codes or different levels of access for different levels of management).

As with any information that is to be relied upon, it needs to be kept current. The design of the register should allow, or even require (e.g. by automatic generation of reminders) information to be updated. This may require an auditable trail as to when and who amended or added information.

EXAMPLE:

Table 12.1 is a guide to the type of information that may be needed in the register. Note that it has been populated with the example risk used in risk analysis (Table 8.5) and risk evaluation (Table 9.1). The key element is a tailored version of the last key element in Table 7.2.

12.2.3 Recording events/incidents

It is generally helpful to record events/incidents including those in which although there was no adverse outcome, there could have been (sometimes referred to as a ‘near miss’ or ‘near hit’). Benefits include:

- Providing an input to future risk assessment and design of controls.
- Capturing information to facilitate learning, later investigation or defence of actions.
- Illuminating background change, causal sequences, trends or recurrent experiences or clusters.

As with risk registers, event/incident databases should be designed with both the intended end use, and end users, in mind. These considerations should include:

- Any need to be able to consolidate or compare data from different parts of the organization including being able to reorganize the data at a later stage to reflect, for example, internal changes to the organizational structure.
- Future use for research or other analytical purposes.
- The need to be able to consolidate a wide range of information relevant to a particular event (e.g. where a compensation claim for injury may be the consequence of an incident, it can be useful to be able to electronically attach medical records, relevant correspondence, investigation reports and photographs to the incident record).

In large organizations, it can be useful if the event/incident data base can be programmed to automatically alert nominated managers to the occurrence of data sets of particular interest (for example, geographic clusters or activity-type clusters, or occurrence frequency for particular types of incident exceeding threshold criteria).

The information in event/incident databases can have high or even critical importance and so should have appropriate security and backup protection.

TABLE 12.1

EXAMPLE RISK REGISTER

Function/activity:	XYZ Fishing Association	Compiled by:	A.B. Fysh	Date:	1 January 2009
Date of risk review:	1 July 2009	Reviewed by:	A.S. Schnapper	Date:	1 July 2009

Context statement on which risk assessment based:

The objectives of XYZ Fishing Association is to provide recreational anglers with the opportunity to compete fairly and safely in a variety of environments at minimal cost, to protect the rights of recreational fishermen and to encourage young people to take up the sport. The organization is an incorporated society. It relies on volunteer staff with a part-time paid event administrator, does not have offices, is funded by subscription (20%) and event fees and sponsorships (80%), has reserves equivalent to 30% of annual expenditure budget and is governed by an elected committee. Important external influences include existing and proposed legislation which constrains fishing areas and bag limits and the possibility of new duties that will increase cost of imported equipment, strong domestic airline competition and group discounts and competition from a new start-up organization offering substantial prize money. Key stakeholders are members, sponsors, land users, and the Minister for Sport and Recreation. The organization's risk criteria relate to personal injury; reduction in revenue; cancellation frequency; regulatory restriction; public reputation.

Key element	Id no.	Risk description	Existing controls	Consequence (Type and severity)	Likelihood of consequence	Assessed level of risk	Criteria	Treat? priority/do not treat
Natural and man-made events	15.01	The chance that a major fishing competition would need to be postponed or cancelled due to pollution of the river system as a result of an accidental chemical spill in a nearby factory with resulting disappointment for anglers and financial loss for the club	Government pollution control legislation; Local Government patrols and monitoring; Local Government agency disaster planning; Emergency response agencies. Event cancellation insurance	Financial risk—major Enjoyment risk—moderate	Both—possible	Financial—high Enjoyment—medium	Treat risks >'Low'	Treat: Financial—Priority 1 Enjoyment—Priority 2 NOTE:Aspects of treatment of one risk (e.g. alerting the factory to the competition) will also treat the other and may mean, after further evaluation, that further treatment of the other risk is not warranted.

NOTE: Indicative example only.

TABLE 12.2

RISK TREATMENT SCHEDULE AND PLAN EXAMPLE

Function/activity:	XYZ Fishing Association	Compiled by:	A.B. Fysh	Date:	1 January 2009
Date of risk review:	1 July 2009	Reviewed by:	A.S. Schnapper	Date:	1 July 2009

Risk (in priority order from the risk register)	Selected treatment options	Preferred options	Result of cost-benefit analysis A: accept B: reject	Person responsible for implementation of option	Timetable for implementation	How will this risk and the treatment be monitored?
The chance that a major fishing competition would need to be postponed or cancelled due to pollution of the river system as a result of an accidental chemical spill in a nearby factory with resulting disappointment for anglers and financial loss for the club	1. Advise factory of intended competition and check whether there are any planned discharges. 2. Cruise Manager to contact Government Water Management Authority to ensure that XYZ Fishing Cruises Pty Ltd is on the list for notification of pollution events. 3. Regular liaison with other local waterway users by Cruise Manager. 4. Review alternate locations for conducting the fishing competition should an incident occur. 5. Review insurance policy to ensure the policy covers event cancellation due to water pollution, and that compensation provided covers all identified expenses.	All	A	Competition Manager	Complete mid-July 20xx; Continuous thereafter.	Weekly, commencing 6 weeks prior to competition and then daily 2 weeks prior to competition.

NOTE: Indicative example only.

TABLE 12.3

EXAMPLE RISK ACTION PLAN SUMMARY

Risk description: The chance that a major fishing competition would need to be postponed or cancelled due to pollution of the river system as a result of an accidental chemical spill in a nearby factory with resulting disappointment for anglers and financial loss for the club.			
Organization business area: Not applicable	Risk identification number: 15.1	Action sheet: Risk register number: 1.	
Consequence: Major	Likelihood: Possible	Agreed priority level: High	
Current controls: Government pollution control legislation; Local Government patrols and monitoring; Local Government agency disaster planning; emergency response agencies.			
Additional treatment actions recommended: 1. Advise factory of intended competition and check whether there are any planned discharges. 2. Competition Manager to contact Government Water Management Authority to ensure that XYZ Fishing Association is on the list for notification of pollution events. 3. Regular liaison with other local waterway users by Competition Manager. 4. Review alternate locations for conducting the fishing competition should an incident occur. 5. Review insurance policy to ensure the policy covers event cancellation due to water pollution, and that compensation provided covers all identified expenses.			
Responsibility allocation: Competition Manager			
Resources required (human; monetary; material): Competition Manager—minor impact only			
Timing (key milestones, closure): Complete mid-July 20xx Continuous thereafter.			
Reporting (to whom, when, in what form): XYZ Fishing Association Board of Management			
References (to other documents or plans as appropriate): Monthly fishing competition schedules			
Compiled by: A.B. Fysh	Date: 2 July 20xx	Reviewed by: A.S. Schnapper	Date: 2 July 20xx

NOTE: Indicative example only.

APPENDIX A

QUANTITATIVE RISK ANALYSIS OF MAJOR EVENTS

(Informative)

A1 INTRODUCTION

Major sporting and recreational events are a key part of Government tourism strategies and can make a significant contribution to local community economies. Some major events attract significant media attention and draw large gatherings of spectators, officials and participants. They usually involve considerable investments from peak sporting bodies, Government at all levels and private enterprise.

Often, when planning a major sporting or recreational event, it is worthwhile undertaking an analysis to determine whether the event will be viable or not. One methodology that can be used is quantitative risk analysis.

Quantitative risk analysis aggregates and quantifies risk and uncertainty, in terms of distributions of characteristics like time and money, using simulation modelling techniques. Quantitative risk models can generate distributions of the key measures needed for making financial decisions, such as capital investment costs, infrastructure support and other ancillary costs, estimated event revenue, estimated revenue injection into the local economy, other related benefits both current and future, scheduled date of completion and net present value.

Quantitative analysis increases the accuracy with which risks are valued in a number of areas. These include:

- Improving understanding of cost, schedule and cash flow estimates.
- Establishing cost and time contingency levels.
- Providing a more useful comparison between options that takes uncertainty and risk into account.
- Determining the financial impact of retained and transferable risks.

Inputs include base cost and schedule data, empirical data and analysis, informed opinions and judgements of experts.

Method:

- Build and validate the model.
- Estimate and include uncertainty in the form of distributions.
- Estimate and include correlations.
- Validate the model and reconcile with conventional financial models.
- Interpret model outcomes and revise as necessary.

A2 BACKGROUND

Quantitative risk modelling is a means of:

- Describing the detailed mechanisms at work in a set of risks.
- Evaluating the uncertainty in the requirement and the overall risk that this places on stakeholders.

- Establishing targets, commitments and contingencies consistent with the level of uncertainty and the risk Government or private enterprise funding providers are willing to accept.
- Exploring the relationship between detailed instances of uncertainty and an overall level of risk, to facilitate risk management resource allocation.
- Quantifying, with some level of accuracy, the effects that risk might have on cost, schedule or other measurable outcomes.

Quantitative risk modelling provides a framework within which to integrate the consequences of individual risks into an overall assessment to support decision-making and management control. In the case of large and complex major events, quantitative modelling may also play a part in the evaluation of individual risks.

Quantitative risk modelling comes into its own when there is a need for a view of the overall risk associated with a major event. This may arise when:

- Establishing contingency levels.
- Understanding the uncertainty in cash flow estimates.
- Selling a proposal on the basis of confidence in the forecast outcome.
- Ranking options with different levels and areas of risk.
- Providing a more accurate comparison between feasible options and the project cost benchmark.
- Determining the financial impact of retained risk and risk that can be shared.
- Establishing and negotiating delivery schedules, performance targets and contingency levels, or accepting commitments.
- Choosing between alternative technologies or approaches with different risk profiles.
- Planning risk treatments that will reduce overall uncertainty.
- Prioritising sources of uncertainty and establishing the extent to which different stakeholders can control the overall uncertainty.
- Undertaking facility life cycle costing analysis (where applicable) and dealing with the variable nature of supplier-provided information.

A3 QUANTITATIVE RISK MODELLING

Risk modelling is very similar to conventional project or business forecasting and modelling. Large and complex cost estimates can be disaggregated into smaller pieces and then re-assembled into an estimate of the total requirement. In the same way, the uncertainty associated with large and complex capability requirements can be disaggregated into smaller pieces that can be analysed and modelled separately and then combined to produce a view of overall uncertainty. Each component, such as the cost or duration of a task or activity, or the chance of a particular risk, can usually be described more easily than the uncertainty in conducting a major event as a whole. Simple spreadsheet tools make it possible to represent how the individual component uncertainties interrelate, and to evaluate their overall net effect.

Models of cash flow forecasts, major event cost estimates, life cycle cost analysis and major event scheduling all have similar features. The logical and arithmetic structure of the model is very similar to that of a conventional spreadsheet calculation. Key values are represented by ranges of possible outcomes, probabilities and distributions instead of fixed numbers, while the output is described by a distribution that shows the likelihood of particular values within the likely range of outcomes (Figure A1).

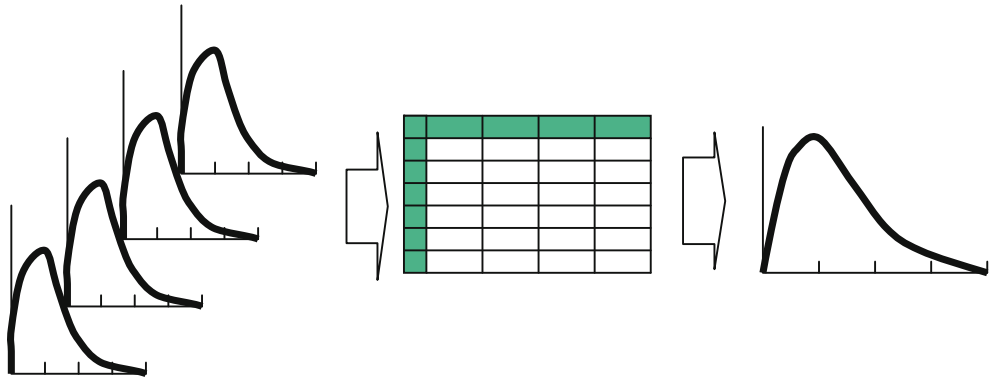

FIGURE A1 QUANTITATIVE ANALYSIS STRUCTURE

The output of such a model is presented in Figure A2, showing the risk associated with targets set within the likely range of outcomes.

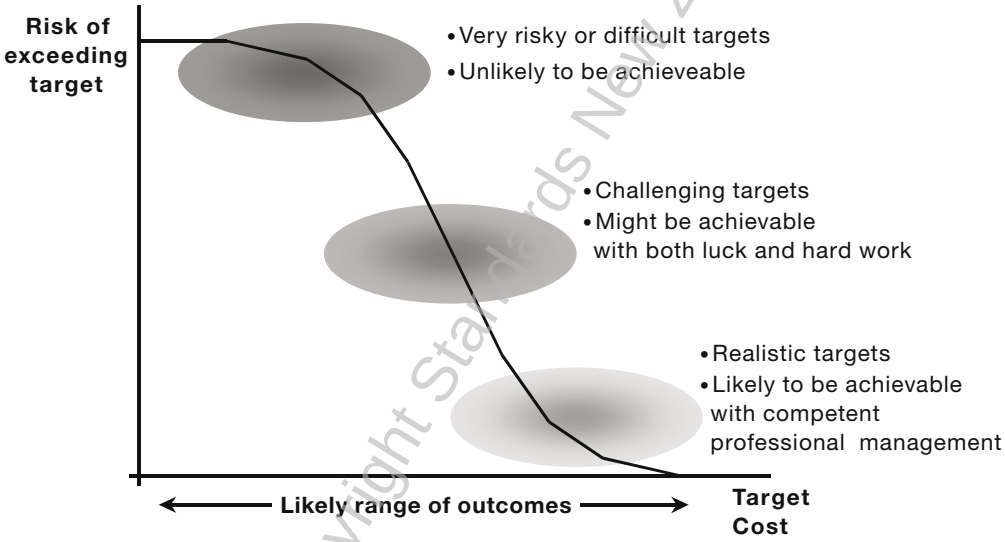

FIGURE A2 QUANTITATIVE TARGETS AND THEIR IMPLICATIONS

A4 INTERPRETING RISK MODEL OUTPUTS

A model represents a snapshot view of a requirement, taking into account the uncertainties associated with the work and the controls in place to manage them. Some caution is required when interpreting the risk profile of the outputs, the range of likely outcomes and the likelihoods of values within those ranges. In particular, it is important not to interpret the risk of missing a target in the simplistic terms that might be appropriate to the roll of dice—a complex major event differs from a simple random process in having active and highly motivated managers seeking to influence its outcome, striving to minimize costs and maximize benefits.

The output of a risk model can be viewed as a measure of difficulty as well as a measure of risk. The riskier the requirement, the more difficult it will be to achieve, and the greater the danger of failure, as shown in Figure A2.

In addition to yielding a valuable outcome, the risk modelling process forces the major event planning team to examine assumptions and complexity in more detail than in a conventional estimate and plan. The model development process improves the team's understanding of the task they face and where they need to focus their energies.

A5 PITFALLS AND PRACTICALITIES

Successful quantitative risk modelling requires high-level skills and experience. Although the process may appear simple, and specialized tools may make risk simulations easy to perform, there are a number of pitfalls and complications that may compromise the outcomes.

- Risk models must be constructed differently from conventional financial models, and often at different levels of detail, to ensure uncertainty is incorporated appropriately.
- Estimates for distributional inputs must be derived and checked carefully to avoid errors, particularly as most distributions will be skewed in practice.
- The processes for validating uncertain inputs, and intermediate and final outputs, require more complex techniques than for simple models without uncertainty.
- Correlations must be included otherwise the overall level of risk may be underestimated significantly.
- There are psychological estimating and decision-making biases that encourage optimism that may be unwarranted.

If you think you need to build quantitative models, it is strongly recommended that you take professional advice from experienced risk modellers.

APPENDIX B

GOOD GOVERNANCE AND RISK MANAGEMENT

(Informative)

B1 INTRODUCTION

Those responsible for the governance of a sporting or recreational body hold that position in trust on behalf of either members or shareholders and are expected both in law and in good conscience to apply 'best practice' in their endeavours.

Governance is the system by which organizations are directed and controlled. It acts as a risk control in relation to the risk that the organization will not achieve its objectives but it also includes risk management as one of its key activities.

Governance is distinct from management (even if, in very small organizations, at least some individuals may have both governance and management responsibilities) but must ensure that management is effective and, in its day-to-day operation of the organization, acts in accordance with governance decisions and requirements.

Governance can be good or bad. Good governance means that the organization will actually perform in a way that is consistent with its objectives and with the wishes of its members or shareholders and will, therefore, be likely to achieve those objectives. Accordingly, good governance activities will necessarily include:

- Setting the direction.
- Managing risks.
- Delegating authority and setting accountabilities.
- Monitoring outcomes.

It is the board which determines, and is ultimately responsible for, the quality of the organization governance. The organization should ensure its board members are aware of their obligations and responsibilities and have the necessary skills and knowledge to govern competently. If necessary, the organization should consider providing all or some board members with the opportunity to acquire additional skills via, for example, a national or regional organization for directors.

B2 ELEMENTS OF THE GOVERNANCE SYSTEM

The particulars of the governance arrangements will reflect the characteristics of the organization (for example, whether it is a statutory entity, whether it is an association of other organizations, whether it has branches, whether it owns or has subsidiary organizations). Broadly, however, the governance system should comprise:

- A form of constitution or empowering document (which may be a legislated instrument for a statutory organization).
- A registered address.
- A controlling board, established in accordance with the empowering document and with such subcommittees as may be necessary to ensure sound surveillance of key aspects of the organization.
- Policies consistent with the empowering document.
- An endorsed strategic plan.
- Formal management delegations.

- Properly controlled bank accounts.
- Audited financial records.
- Annual reporting.
- Appropriate records of decisions.
- Receipt of information critical to organizational performance and risk management.
- Access to expertise.

B3 PRINCIPLES OF GOOD GOVERNANCE

Regardless of the nature of the organization, sound governance has certain characteristics . These include:

- Board members provide their independent views and opinions and use objective assessment.
- The organization is forward looking and operates in accordance with policies and plans.
- There is an ethical, accountable and transparent culture with appropriate information disclosed to stakeholders.
- Risks are understood and consistent with the risk attitude.
- Board members properly declare and manage actual, potential or perceived conflicts of interest in decision-making when in a position to influence outcomes.
- Through its risk management activities the organization, including the governance system has sufficient resilience to survive sudden change.
- The governance system helps rather than hinders the organization, responds to change and is not overly complex.

APPENDIX C

REGULATORY ENVIRONMENT

(Informative)

C1 INTRODUCTION

As with most organizations, sport and recreation organizations are subject to a wide range of legal duties and restraints as well as exposure to legal actions by other parties seeking to exercise their rights.

Penalties (whether in the form of fines or damages paid to another party) can impose a very large financial burden on an organization and even cause insolvency. But aside from financial penalties, judgements made against an organization can adversely affect its reputation in the eyes of the public or its stakeholders.

Even where the organization has not breached any law or obligation to others, it can incur considerable costs and distractive effort in defending itself.

As well as the prospect of the organization finding itself in non-compliance with the law, there are some laws which expose the organization's directors and officers to personal liabilities and even criminal charges. The fear of such exposure can act as a deterrent to individuals accepting responsibilities—particularly if they are doing so on a voluntary basis.

Accordingly, at several levels, the law needs to be seen as a source of risk—particularly if the law has not been complied with or may appear (for example to an enforcement agency or to some other party) not to have been complied with.

But compliance with the law can also be a source of risk, particularly if the organization assumes that there is close alignment between its needs and the requirements of the law. Such organizations perceive that compliance has treated all aspects of risks to which the law relates. That is seldom the case because as a general rule, the law is concerned with 'public goods' (for example, the safety of people) rather than 'private goods' (the other interests of the organization). A club could ensure that its new training centre complied with the Building Code, for example, and be astonished to find that it could burn down nonetheless. The Building Code is principally concerned with ensuring that occupants can escape to safety.

This Appendix is intended to help sport and recreation organizations understand some of the broader principles and structures through which the law operates, be aware of the many types of legal obligations to which they are subject, and provide some additional detail about some legislation that is fairly specific to the way sport and recreation organizations are required to operate.

This advice, however, is not legal advice and should not be relied upon as such. The law is an evolving and expert area and good governance requires that an organization obtain appropriate expert advice.

C2 RISK MANAGEMENT AND THE LAW

C2.1 General

As noted, the law in all of its guises (some of which are described in more detail below) is a source of risk and must therefore be taken into account when risk is being assessed. The laws to which an organization is subject are part of the external context in which the organization operates.

If those laws are not identified at the time that the context statement is being developed, it can be expected that any resulting risks will not be identified. It may be a good idea to obtain legal advice when developing the context statement.

There are two other general points about the law.

The first is that sport and recreation organizations (and particularly those which have national or representative roles on behalf of other organizations) should, as part of their monitoring and review activities, pay close attention to legislative activities and if necessary, make submissions or lobby in other ways to influence legislative outcomes.

The second is that it can be a defence to some types of legal action that an organization has acted reasonably, prudently and with regard to the realities of their situation. The whole notion of risk management is based around such concepts. An organization that manages risk effectively (refer Clause 11.5) is in a much better position to demonstrate its prudence.

For those seeking more detailed information in relation to the interaction between risk management and the law HB 296:2007, *Legal risk management* is recommended as a reference. The handbook, while primarily directed to demonstrate the benefits to lawyers and their clients of applying the risk management process to the practice of law, also, through the case study included, may gain further insight into the law as a source of risk and about managing the risks that result.

C2.2 Legislation

In Australia, the laws that apply, state or federal, depend upon the subject matter involved. At its most fundamental the Commonwealth or Federal Government has those legislative powers defined by the Constitution. The balance is the domain of the States and territories. 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. As a general rule, if there is a conflict, Federal legislation prevails subject to it being valid under the Constitution. However there is over-lapping state and federal legislation in a number of areas, such as in employment and industrial relations law.

New Zealand, a dominion, largely operates on a single set of statutes and regulations plus by-laws established by local government pursuant to their statutory powers.

C2.3 Common law

The common law derives from decisions of the court as opposed to law created by parliament. The courts usually make decisions in part based upon judicial precedent and by applying statute law. In an increasingly regulated legal environment few areas of the law can be considered the product of the common law unfettered by at least some degree of legislative intervention. The principles of the common law are applied in purest form to areas such as negligence and in commercial and contractual disputes.

In Australia, historically, personal injury law has been largely governed by the common law. Since tort law reform, arising from the much publicised ‘insurance crisis’ in 2001 following the collapse of the HIH Insurance Group, the common law is modified by statutory thresholds, limitations and exclusions impacting on the rights of injured individuals.

A common law liability may arise if an organization, or its members, cause loss or damage to a third party, owed a duty of care, in circumstances where the organization failed to discharge the duty. The standard of care applied generally by the courts in common law cases is an objective test: what would a ‘reasonable’ person have done in the circumstances giving rise to the loss or damage? If the court is satisfied that the person was negligent, or otherwise failed to discharge the duty of care, the organization may be liable to compensate for the loss or damage. The principles-based approach of the common law, albeit applied with hindsight after the event, in some ways follows risk management’s approach.

Common law allows individuals to sue each other for 'damages' (compensation) for 'civil wrongs' (also known as 'Torts'). This differs from the idea of 'crime' which allows the state to punish for wrongdoing. There are specific types of Torts including (but not limited to) defamation, nuisance and negligence.

An example of defamation is the publishing or broadcasting of untrue statements about another person which might have an adverse effect on that person's reputation or bring that person into hatred, ridicule or contempt. An example of public nuisance is using land in a manner that would unreasonably affect the use of adjacent land by the owner or occupier of that land.

C2.4 Administrative law

Sporting and recreation organizations will also be impacted upon by the array of administrative law provisions, which prescribe the process by which the law is applied. This is often more influential than the law itself. Quite often, bodies such as commissions, authorities, tribunals, local or regional councils, through delegated authority to make by-laws, rules or ordinances, have quasi-legislative power and often in circumstances where the right of review by a party aggrieved by a decision taken is limited to the process by which the decision was made rather than the decision itself.

Sporting and recreation bodies will often be required under their rules or charter to accord members or participants 'natural justice' which is otherwise called 'procedural fairness' in decision-making. Natural justice is the rules and procedure to be followed by any person or body responsible for adjudicating disputes or considering complaints or allegations of non compliance with codes. The chief rules are to act fairly, in good faith, without bias and openly in allowing an affected party the opportunity to adequately state its case including having access to all information that is being taken into account in determining the case affecting them. Adherence to the requirements of natural justice [or procedural fairness] will ultimately promote administrative efficiency because of the greater satisfaction and the fewer grievances that will result from the higher quality of decision-making thereby produced.

C2.5 International considerations

Sporting organizations particularly will often be part of a global sporting hierarchy. For athletics the peak body is the International Amateur Athletics Federation (IAAF). In swimming it is the Federation Internationale de Natation (FINA). The International Rugby Board (IRB) is the lead body for world rugby.

Local regional and even national sporting bodies need to conduct themselves consistent with the requirements of the peak international bodies (having regard to their primacy on a range of issues, most importantly international competition). The objectives of FINA provide an illustration of the breadth of some international bodies' areas of concern and often control:

- Promote and encourage the development of swimming in all possible manifestations throughout the world.
- Promote and encourage the development of international relations.
- Adopt necessary uniform rules and regulations to hold competitions in swimming, open water swimming, diving, water polo, synchronized swimming and masters.
- Organize World Championships and FINA events.
- Increase the number of facilities for swimming throughout the world.

Sporting and recreational organizations need be aware of their position in the overall hierarchy. The rules and practice of national bodies need to be consistent with governing international bodies. Failure can, in extreme cases, lead to loss of endorsement or exclusion from major international competitions. Where an organization wishes to participate on a world stage, the manner and substance of its operation needs to be considered against the requirements of its governing world body.

For sporting and recreational bodies having activity or associations outside Australia or New Zealand, the governing law may have an international element as well, involving legal systems not based upon ours or the British legal tradition upon which both are based. The sources of legal regulation are thus very wide indeed.

C2.6 Treaties and conventions

Many international laws become part of the laws of Australia and New Zealand by the ratification of international treaties and conventions. Most important are the bilateral agreements concluded between Australia and New Zealand under the New Zealand-Australia Closer Economic Relations Trade Agreement.

The level of potential impact can be judged by a recent count that New Zealand was party to approximately 1450 bilateral agreements and 1110 multi-lateral agreements.

C2.7 Contracts

Contracts are enforceable agreements; they are not always in writing. Contracts always involve an exchange, for example, money given for goods or services. A contract will include performance requirements for each party. For instance, it will set out for one party the amount of money and how and when it will be paid, and, for the other party, the goods or services, when they will be delivered or performed and what quality standards they must meet.

A contract can be for employment, to retain an athlete, to engage a consultant for managing an event, a sponsorship agreement, a lease, or for any number of other arrangements. Special rules apply to contracts for employment, the sale of land, the sale of goods, and the enforceability of contracts against minors (normally persons who are under the age of 18).

C3 COMMON LEGAL ISSUES IMPACTING UPON SPORT AND RECREATIONAL ACTIVITIES

C3.1 Which type of legal structure to operate under

An important legal issue to be addressed by any sporting and recreation organization is the legal structure under which to operate. The best structure at the time of formation may not be ideal as the organization grows. The choice requires a range of reflections and the assistance of expert legal advice. There are many options. The optimum structure will meet not only the organization's current but also its future needs. While not exhaustive the right option will address the organization's position in relation to the following:

- *Limitation of liability*—Members and office bearers of sporting and recreational organizations not unreasonably want protection from being legally liable for the organization which they are part. This is particularly so where the organization operates on a volunteer or not-for-profit basis. There are many legal structures, which provide this protection. A further practical protection is through the organization having adequate insurances.
- *Cost*—While not necessarily an overriding consideration, the sporting and recreation organization needs to consider the set up costs associated with a particular legal structure as well as the ongoing costs associated with that structure. Company structures require a degree of ongoing legal and accounting support to meet regulatory requirements as well as the payment of annual fees and charges to maintain currency.

- *Compliance*—The adoption of a corporate or incorporated structure may be recommended where it is important to convey the organization's strong reputation and substance, demonstrated by its compliance with the regulator oversight and reporting required of these legal structures. For many participants, members and those who deal with the organization, regulatory oversight offers a degree of comfort and safety.

C3.2 Associations Incorporation Act

Associations not registered as a company can become incorporated. However, in doing so, they must comply with their respective State or Territory Incorporations legislation if an Australian association, or the Incorporated Societies Act 1908 if a New Zealand association. If an Australian or New Zealand association is engaged in providing recreational activities as a charity, they may need to review the Charitable Trusts Act 1957 (New Zealand) or similar Australian State or Territory legislation to ensure compliance with this legislation as well.

Clubs that are not incorporated offer no financial protection through limited liability to their committee or board, management or members from being sued individually by a party alleging a damage or loss. If the club is affiliated with a parent body, there is some protection against this, providing the parent organization is incorporated. However, where such affiliations to parent organizations are in place, the club is seen to be an extension of the parent organization, and as such, has no independence from that organization. That is, they are obliged to operate the club in accordance with the policies and directions of the parent organization. The committee's operations can be audited and, if deemed necessary, the committee can be dismissed by the parent organization.

C3.3 The New Zealand Companies and Australian Corporations Acts

Sporting and recreational organizations operating as a business need to register under the Companies Act 1993 (New Zealand) and the Corporations Act 2001 (Australia).

C3.4 Operate as a Company or Incorporated Association?

A company can be distinguished from other incorporated associations.

Besides companies registered under the Companies Act 1993 and the Corporations Act 2001, there are incorporated not-for-profit organizations registered under the Associations Incorporation Act of an Australian State or Territory, or the Incorporated Societies Act 1908 of New Zealand.

Associations' incorporation legislation in New Zealand and in each Australian State and Territory, provides a simple and inexpensive method under which religious bodies, schools, hospitals, charitable institutions, sporting and recreational bodies and cultural societies can limit the liability of their general members and committee members by incorporation.

The legislation is not uniform in Australia and is administered by regulatory authorities in each state and territory rather than ASIC. Some categories may incorporate as of right; others require ministerial consent.

A company differs from an incorporated not-for-profit organization in that:

- It is created under the Companies Act (New Zealand) or Corporations Act (Australia) and is subject to that Act as to its formation, constitution, management, winding up and dissolution.
- The regulatory requirements for a company such as periodical reporting to the regulator are more extensive than those for an incorporated association.
- Because there is a national system of administration under the Corporations Act a company can do business anywhere in Australia without further registration, at least so long as no state terminates its reference of power.

- It is a structure available whether the group purpose is the gaining of profit or not.

If a not-for-profit organization, which has not been formed under the Corporations Act, or a previous corresponding Act, is likely to be active in an Australian State or Territory outside that in which it is incorporated, it will need to be registered under the Corporations Act. That may mean that it would be preferable to be formed under the Corporations Act in the first place. That Act provides registration for non-profit companies in a type of company known as a company limited by guarantee.

Individual Australian states also have relevant legislation including the following:

- Associations Incorporation Act 1984 (NSW).
- Associations Incorporation Act 1981 (Vic.
- Associations Incorporation Act 1981 (Qld); Associations Incorporation Act 1985 (SA.
- Associations Incorporation Act 1987 (WA.
- Associations Incorporation Act 1964 (Tas.
- Associations Incorporation Act 1991 (ACT).
- Associations Incorporation Act 2004 (NT).*

However, it should be noted that even if a not-for-profit association is declared not to be a corporation within the companies legislation (for example, Associations Incorporation Act 1981 (Vic) s53), its activities may constitute the carrying on of a business under the principles of Corporation Law (s18, Ford's Principles of Corporation Law), and consequently would need to be registered as a 'registrable Australian body' under s9 of the Corporations Act Pt 5B.2 Div 1). Organizations should seek legal advice, where doubt exists on this matter.

C3.5 Anti-discrimination legislation

Sporting and recreational organizations both in Australia and New Zealand need to be aware of the wide array of antidiscrimination legislation applying in both countries. Also recognition needs to be taken of the special position of the indigenous peoples of both Australia and New Zealand. Both in relation to the Aboriginal people of Australia and the Maori in New Zealand positive discrimination provisions apply requiring both races to be given some preferential treatment.

Discrimination is any distinction, exclusion, restriction, or preference made on a particular basis, such as race, sex, religion, national origin, marital status, pregnancy, or disability, which has the purpose or effect of nullifying or impairing the recognition, enjoyment, or exercise, on an equal footing, of human rights and fundamental freedoms in the political, economic, social, cultural, or any other field of life: (INT) International Convention on the Elimination of All Forms of Racial Discrimination 1966. It can be either direct or indirect. Discrimination on particular grounds is prohibited by legislation: for example (CTH) Sex Discrimination Act 1984; (NSW) Anti-Discrimination Act 1977.

* See Fletcher, K. L., *The Law Relating to Non-profit Associations in Australia and New Zealand*, LBC, Sydney, 1986; Sievers, A. S., *Associations and Clubs Law in Australia and New Zealand*, 2nd ed, Federation Press, Leichhardt, Australia, 1996.

Anti-discrimination legislation is the generic term given to legislation making discrimination in various areas of public life unlawful. In Australia, the most common areas of public life covered by anti-discrimination legislation are: employment, land, accommodation, access to goods and services, membership of clubs, and education. The most common prohibited grounds of discrimination are: sex, marital status, pregnancy, family responsibilities, race, colour, ethnic origin, disability, age, sexual preference, political opinion, and religion: for example (CTH) Racial Discrimination Act 1975; (CTH) Sex Discrimination Act 1984; (CTH) Human Rights and Equal Opportunity Commission Act 1986; (CTH) Disability Discrimination Act 1992.

C3.6 Child protection legislation

A number of Australian States have introduced legislation to reduce the risk of abuse of children and young people by those entrusted with their care. For example, in NSW, this legislation includes:

- The Child Protection (Prohibited Employment) Act 1998.
- The Commission for Children and Young People Act 1998.
- The Ombudsman Amendment (Child Protection and Community Services) Act 1998.

This legislation and other similar legislation in other Australian States applies to all organizations that engage in sporting and recreational activities with children and young people (i.e. a person under the age of 18). All people who are engaged as either employees or volunteers and whose responsibilities include conducting direct or unsupervised activities with children or young people are covered by this legislation.

All organizations that fall within this description are required to have their employees, contractors or volunteers engaged in such activities, sign a declaration stating that they are not a prohibited person (i.e. a person convicted of a serious sex offence and therefore prohibited from working or continuing to work with children) and undergo checks to confirm such declarations.

C3.7 Crimes Act 1961 (New Zealand)

All sport and recreation sector organizations need to be aware of the Crimes Act 1961. This Act defines an ‘offence’ as ‘any act or omission for which any one can be punished under this Act or under any other enactment ...’.

The Act itself defines a range of crimes against public order (piracy, treason, etc.), the administration of law and justice, (bribery, perjury, etc.), against morality and against people (manslaughter, criminal nuisance, injuring by an unlawful act, etc.) and so on. For persons who undertake dangerous acts or who are in charge of dangerous things, the Act imposes duties to take reasonable care to avoid danger to human life. Criminal responsibility then arises only if, in the circumstances, the failure is a major departure from the standard of care expected of a reasonable person in those circumstances.

Many other laws define offences relating to their specific purpose. For example, the Health and Safety in Employment Act 1992 (see Paragraph C3.10) creates specific offences, which can be prosecuted, for instance—

- if you do not comply with certain sections of that Act; or
- if any act or omission contrary to any requirement of the Act causes any person serious harm.

C3.8 Goods and Services Tax Act

Even if operating on a not-for-profit basis sporting or recreational organizations may need to be registered for GST purposes or, if available in their particular situation, obtain exemption from the relevant taxation body.

C3.9 Good Samaritan Act (Australia)

This Act is not extant in every State. Generally, it aims to protect a person who, in performing a 'good Samaritan act', unwittingly causes harm to an individual who may be injured or otherwise traumatized.

An example of this could be where someone participating in an activity is injured, but remains in danger from further injury from other participants (e.g. bike riders or motor cars). A spectator upon observing the danger moves the person out of harm's way, but in doing so, unwittingly causes further injury (e.g. in the case of a neck injury), or provides a woollen blanket to cover the injured party, only to find they have an allergic reaction to the wool.

However, the sponsoring organization is exposed to litigation, if the spectator is an official of the organization acting in an official capacity during the activity, or committee member. This is especially so if the organization's emergency response plan directs certain actions to be taken in the event of an emergency and the further injury can be directly attributed to the following of these directions (i.e. the directions are found to be flawed or negligent). The organization could also be exposed if they do not possess any emergency response plans/directions.

C3.10 Health and Safety in Employment Act 1992 (New Zealand)

While the objective of the Health and Safety in Employment Act 1992 (HSE) is to promote the prevention of harm to all people at work, it can have specific implications for organizations engaged in sport and recreation activities, particularly where there are 'adventurous' or high-risk activities involved.

The Act requires employers and others to maintain safe working environments, and implement sound practice.

The responsibility for the administration and enforcement of the Act crosses over a number of Government Departments. For example, while the Department of Labour administers and enforces the HSE Act in most workplaces, Maritime New Zealand and the Civil Aviation Authority administer and enforce the Act in the maritime and aviation sectors respectively, and the New Zealand Police work with the Department of Labour to enforce the Act in relation to commercial vehicles.

Voluntary standards, although not cited in the Act or regulations may, nevertheless be relevant to being able to demonstrate compliance with a general regulatory provision. Compliance with such standards may, therefore act as a defence. The New Zealand Department of Labour on their website advise that 'it is not compulsory under the Health and Safety Act to comply with a New Zealand Standard. However, if a New Zealand Standard exists for a workplace activity, practice or process, then it is generally accepted that complying with that Standard would be considered a practical step towards ensuring safety. This is because that document is recognized as the current and accepted best practice.'The concept of 'taking all practicable steps' is one of the key concepts in New Zealand's Health and Safety in Employment Act. An example of this is the use of the industry Standard 'Poolsafe' for operating public pools.

Organizations need to be aware that, should they be prosecuted and found guilty for an offence under this Act for an incident that involved the injury or death of a person or persons, the injured Party(ies) or their relatives can sue for exemplary (punitive) damages under the Injury, Prevention, Rehabilitation and Compensation Act (2001). (See Paragraph C3.11).

C3.11 Injury, Prevention, Rehabilitation and Compensation Act (NZ, 2001)

Under the Injury, Prevention, Rehabilitation and Compensation (IPRC) Act (2001), the New Zealand Government provides personal injury cover for all New Zealand citizens, residents and temporary visitors to New Zealand. The Accident Compensation Corporation (ACC) is the statutory body that manages the accident compensation scheme for the New Zealand Government. ACC is the sole and compulsory provider of accident insurance for all work and non-work injuries.

The ACC Scheme is administered on a no-fault basis, so that anyone, regardless of the way in which they incurred an injury, is eligible for cover under the Scheme. Due to the Scheme's no-fault basis, people who have suffered personal injury do not have the right to sue an at-fault party, except for exemplary (punitive) damages.

The ACC Scheme provides a range of entitlements to injured people, from contribution towards the cost of treatment, to weekly compensation for lost earnings (paid at a rate of 80% of a person's pre-injury earnings), and even home or vehicle modifications for the seriously injured.

NOTE: The entitlements offered by the Scheme are subject to various eligibility criteria.

For further advice in regard to this Act, the ACC can be obtained at information@acc.co.nz.

C3.12 Local Government Agencies By-Laws (Australia and New Zealand)

Local Government Agencies are specifically empowered to make By-Laws for the purposes of:

- Protecting the public from nuisance.
- Protecting, promoting, and maintaining public health and safety.
- Minimizing the potential for offensive behaviour in public places.

Each Local Government Agency will have its own set of By-Laws. Organizations that organize events in public places will need to be aware of the local By-Laws that apply.

C3.13 Occupational Health and Safety Legislation (Australia)

The law requires a person or organization who exercises, or is in a position to exercise, management or control over a workplace to ensure that, so far as is reasonably practicable, any person at the workplace is safe from injury and risks to their health. Employers and organizers of sporting or recreational events need to be aware of this duty and the legislation that governs their OH&S responsibilities. Under the OH&S laws, officers will be liable if it is proven they have failed to exercise due diligence.

The involvement of a contractor does not remove this duty of care while at the same time it may make compliance more complex. Specifically the following apply:

- Imposing contract responsibilities on a contractor does not remove the duty of care on the principal.
- More than one party at a time may have a responsibility for health and safety.
- It is not an excuse to say that other parties have compromised your ability to adequately address health and safety requirements.
- It is not enough to simply rely on others to cater for health and safety.

C3.14 Privacy Act (Australia and New Zealand)

The Australian Federal Privacy Act (1988) and the New Zealand Privacy Act (1993) protect individuals against the collection of private information for unlawful purposes. Note that such information about a person can only be collected from the individual concerned, and that the individual concerned is generally aware—

- of its intended purpose;
- that its collection is properly authorized; and
- that, if required to be disclosed to a third party such as a parent organization, it is the usual practice to pass on that information.

It is also a requirement of the Act that such information is kept in a secure location so that unauthorized persons cannot access it. Further information on this Act can be obtained at www.privacy.gov.au/publications/ipps.html (Australia) and www.legislation.govt.nz/ (New Zealand).

In terms of applying this legislation to the taking of participating children's photographs, it is important that it be implemented in a practical way. Overly enthusiastic implementation, especially where participating children's parents are prevented from taking photographs, can lead to frustration, families withdrawing from participating in particular activities, and possible loss of membership. A balance needs to be struck where such children are protected from others with criminal intent.

C3.15 Volunteer Protection Act (Australia)

This legislation varies between the various Australian States and Territories. All have a general objective to protect the individual volunteer from litigation, should an activity being delivered by the volunteer results in loss or harm to a participant. Usually the protection will not apply if the volunteer displays gross negligence, or is under the influence of alcohol or illegal drugs.

Under this legislation, risk is transferred to the sponsoring organization if it is proven that the loss or harm resulted from a failure to ensure that:

- The volunteer was appropriately qualified and experienced to competently deliver the activity in a safe and secure environment.
- The volunteer was issued with clear and concise instructions which could not be misinterpreted.
- The organization had a promulgated alcohol and drug policy that addresses the abuse of alcohol and drugs, and has a zero tolerance of the use of alcohol or drugs by persons who are engaged to deliver organization programs.

Failure to fulfil these requirements may result in litigation against the organization.

C3.16 Conclusion

The information in Paragraphs C3.1 to C3.15 is not exhaustive. It would be impractical to attempt to set out in this Handbook all of the legislation that may apply to sport and recreation organizations, and all of the offences contained in Australian and New Zealand legislation that sport and recreation organizations need to be aware of. When organizations become involved in some activities, for instance, hiring staff, some government agencies, such as the IRD and ACC in New Zealand, will inform them of their responsibilities under the relevant legislation—particularly in the areas of employment, health and safety, income tax and taxation administration. For others, organizations should take care to discover the requirements for themselves. This includes organizations which involve regulated systems of transport—such as aviation, maritime or road transport—all of which have a myriad of legal restrictions and requirements. Risk assessments should include reviewing the organization's activities, support processes, and functions and thinking about what legislation applies.

C4 CASE STUDIES

C4.1 General

The following case studies reflect the consequences that may flow from not having conducted a risk assessment. They also demonstrate how a court or tribunal may judge the conduct of participants, members and office bearers.

While courts in reviewing past events have the benefit of hindsight and, while open to accusations of engaging in an artificial analysis lacking understanding of 'the real world', this is the context in which your organization may be judged. Both case studies also illustrate the calamitous consequences that can eventuate when things go wrong.

C4.2 Snow Ski Accident (Australia)

The first case study involves an action for damages arising from personal injury brought in the Supreme Court of New South Wales. The plaintiff, a trainee teacher, brought proceedings against his employer the New South Wales Department of Education and the operators of a ski resort Perisher Blue for severe injuries primarily quadriplegia as result of a 1995 tobogganing accident while assisting at a school excursion. The school group had brought to the snowfields real estate advertising signs for use as makeshift toboggans.

Both the defendants (employee teachers) were sued in negligence on the basis that in the circumstances of the plaintiff's injury they had breached their duties of care. In response both defendants asserted that the plaintiff was guilty of contributory negligence and that there had been a voluntary assumption of risk.

Both defendants were ultimately found liable to the plaintiff and in breach of the duty of care to him. The Department of Education, as the plaintiff's employer, was found liable in part for its failure to follow its own protocols for the conduct of school excursions.

Specifically the protocol required, where considered necessary, for the site of the proposed excursion to be assessed beforehand to identify potential problems or dangers and to determine the level of supervision necessary to avoid the risk of injury.

The ski resort was found liable on its failure to provide adequate signage prohibiting tobogganing in the area in which the plaintiff had sustained injury. Also it was felt that employees of the ski resort should have noticed the group carrying real estate advertising signs and had the opportunity at a number of stages of the journey to prevent them from engaging in tobogganing.

The plaintiff's damages were reduced by 20% for contributory negligence. The defence raised by both defendants of the plaintiff's voluntary assumption of risk was dismissed. The court held that the defendants had failed establish that the plaintiff was fully aware of the risk, fully comprehended its nature and extent and voluntarily accepted the whole risk posed by the tobogganing. Even allowing for the 20% reduction in the damages for the plaintiff's contributory negligence, due to his youth the award to the plaintiff exceeded $7 million.

While this case was determined under the law as it applied prior to the wave of tort law reform post 2001 it provides critical lessons to sport and recreational organizations that having a process including a risk management plan is not enough. The plan must be adhered to and applied with the context of the particular event. Negative risks must be considered and responded to in the planning process.

The courts are showing an increasing tendency to consider a defendant's risk management practices in determining liability. Simply because an accident was not, in the minds of the organizers, foreseeable, offers no guarantee of avoiding a finding of negligence.

C4.3 Road Cycling Race Accident (New Zealand)

In 2001, there were 1016 entrants in what is a popular and high profile road cycling event in New Zealand.

Ms X, the organizer of the event arranged a partial road closure and gave instructions to competitors including a statement that competitors were to obey the road code at all times and not cross the centre line. Ms X had a safety advisor – but did not consult the advisor on the pre-race documentation or verbal instructions to competitors.

During the event, an inexperienced competitor crossed the centre line outside of the area where the road was closed, collided with a vehicle, and died. It was argued that a more experienced competitor would not have misinterpreted the instructions. However, there were near misses involving experienced competitors on the same day.

Ms X's instructions about the road closure were deemed to be ambiguous, and she was convicted of criminal nuisance under section 156 of the New Zealand Crimes Act 1961. Clause 156 imposes a duty on 'persons in charge of dangerous things' to take reasonable precautions against, and to use reasonable care to avoid, endangering human life.

Ms X appealed the decision on the grounds that at the time she believed she had issued a clear set of safety instructions to competitors. The Court of Appeal overturned the sentence saying that for someone to be held criminally liable they had to actually know that their specific action or inaction could result in a risk for competitors.

The Court's decision about s X's liability aside, given the near misses on the day, it appears that the instructions were, in fact, ambiguous, which may have created a risk for the competitors.

Although s X's conviction was quashed, she may have reduced the likelihood of being charged in the first place if she had exercised her duty of care more specifically by undertaking a structured risk assessment consistent with the Standard that—

- was documented;
- sought input from others – especially the safety advisor; and
- ensured more comprehensive consideration of the sources of risk such as competitors' experience, communication, other road users, etc.

Such an undertaking may also have identified the risk to competitors and reduced the likelihood and/or the impact of a collision with another road user.

APPENDIX D

LOCAL GOVERNMENT AND SPORT AND RECREATION ORGANIZATIONS

(Informative)

D1 INTRODUCTION

Historically, sport and recreation have been seen as an integral part of the Australian and New Zealand way of life and, in many ways, have helped create the national identities of the two countries.

Because of that, space and other facilities have been provided by communities for the pursuit of sport and recreation. These are usually owned, controlled and administered by local government.

Local government may also fund, deliver and promote some types of sport and recreation activities.

Local government is also the arm of government which determines how land may be used and this can be relevant to sport and recreation organizations seeking to establish their own facilities.

This long standing association of local government with sport and recreation is gaining new dimensions as local government actively promotes and encourages a greater uptake of sport and recreation as a means of improving community health and wellbeing. This is particularly significant as the community becomes aware of the implications of a sedentary lifestyle as this is an attempt to treat the risks to personal wellbeing of such a lifestyle.

In some cases, local government conducts these initiatives in conjunction with national or state government initiatives, policies or funding.

This Appendix considers aspects of the role of local government in sport and recreation.

D2 OPPORTUNITY AND BENEFITS FOR LOCAL COMMUNITIES

With this changed environment, also comes an opportunity for Local Government Agencies and community sport and recreation and organizations to take advantage of a growing awareness, amongst National and State Governments and the general community, of long-term risks, such as the effects of obesity (at all age levels), that are a direct result of our current lifestyle and propensity for more sedentary entertainment.

Sport and recreation organizations and local governments enhance the wellbeing of the community through many organized physical activity programs.

Much research has been conducted on the benefits that accrue to local communities, and society as a whole, through engagement in sport and recreational activities—be they structured or unstructured. There is evidence to suggest that people involved in sport and recreation tend to—

- be more disciplined in their approach to their education studies, and evidence suggests their results improve as a result;
- be more confident and communicate more effectively with others;
- be less likely to be involved in crime and the juvenile justice systems;
- tolerate people from different communities both locally and internationally;
- tolerate people with different cultures or religious backgrounds;
- be less likely to fall pregnant as a teenager;

- interact better with adults and integrate more effectively into their local community – i.e. they become better corporate citizens; and
- (Within individual sport and recreational activities) become more able to accept responsibility for their actions.

Most recent findings about people and their lack of involvement in physical activity are negative. The results indicate that people are getting fatter and aerobically unfit. In the longer term, it has been shown that sport and recreational activities can have a positive impact on health (Research and Library Services, Northern Ireland Assembly, 2007, p.1). The positive impacts include the following:

- Decrease in the risk of cardiovascular disease.
- Delays in the development of high blood pressure.
- Help to control body weight and diabetes.
- Reduction in the risk of colon cancer.
- Enhancement of the immune system.
- Reduction in the risk of depression.
- Assistance in the prevention of non-specific low back pain.

Benefits that accrue from engaging in sport and recreational activities include better health and an improved quality of life, while adult's involvement with their children in structured local community sport and recreation activities creates positive experiences for the whole family.

Other research (Sport England, 2005, p.6) indicates that the sport and recreation industry contributes to:

- Sustainable use of natural resources.
- Reductions in social exclusion and disaffection amongst minority groups.
- Local and national economic vibrancy.
- Perceptions and experience by local community members of wellbeing and sense of attachment to their surroundings.
- Physical activity being part of people's everyday life.
- The creation of opportunities at an early age for school children to participate in sport and recreational activities.

These contributions can complement Local Government Agency strategic planning objectives such as (Sport England, 2005, p.6):

- Eliminating discrimination and improving community cohesion.
- Strengthening community identity and pride.
- Tackling youth crime and antisocial behaviour.
- Reducing fear of crime.
- Neighbourhood renewal.
- Local economic development.
- Improving the quality of both the developed and natural environment.
- Encouraging sustainable recreational tourism within the local area.

D3 THE ROLE OF LOCAL GOVERNMENT

Local Government plays a critical role in providing an appropriate range and quality of facilities and other opportunities which support peoples' needs. There is a distinct link between land use planning, including the drafting of Local Development Frameworks, and the preparation of Community Strategies and Cultural Strategies. These need to be developed in partnership with local sporting and recreation organizations to ensure that the potential range of activities aligns with the needs of the local community. Table D1 demonstrates the link between land use planning and outcomes that can be achieved for sport and recreation organizations.

TABLE D1

LAND USE PLANNING AND EFFECTIVE SPORT AND RECREATION OUTCOMES

Themes for land use planning	Sport and recreation outcomes
Environmental sustainability	Increasing participation in sport and recreation activities
Community safety	Improving levels of performance
Local economic viability	Widening access for local communities
Improving quality of life and wellbeing	Improving health and wellbeing
Health improvement	Stronger and safer communities
Raising standards in schools	Improving education
	Benefiting the economy

(Adapted from 'Spatial Planning for Sport and Active Recreation: Guidance on Sport England's Aspirations and Experience at www.sportengland.org)

Land use planning is an important means of helping deliver the objectives of a range of local government corporate plans and programs, particularly community development strategies.

NOTE: The utilization of old disused garbage tips to meet the pressing need for fields for sport and recreation activities is not necessarily good land use planning and often not a safe solution.

D4 WORKING WITH LOCAL SPORT AND RECREATION COMMUNITIES

Sport and recreation hold a unique position of being able to bridge a wide variety of local government planning objectives through shared concerns over health improvement, local government area economic regeneration and community safety. Consequently, local community sport and recreation organization's involvement in local government planning should go beyond facility development. They need to be included in the development and integration of policies and plans that influence the character and function of the local community as a whole. However, it is essential that any planned initiatives that include contributions from local sporting communities, also include a program of comprehensive consultation with these communities to ensure they take ownership of the delivered outcomes.

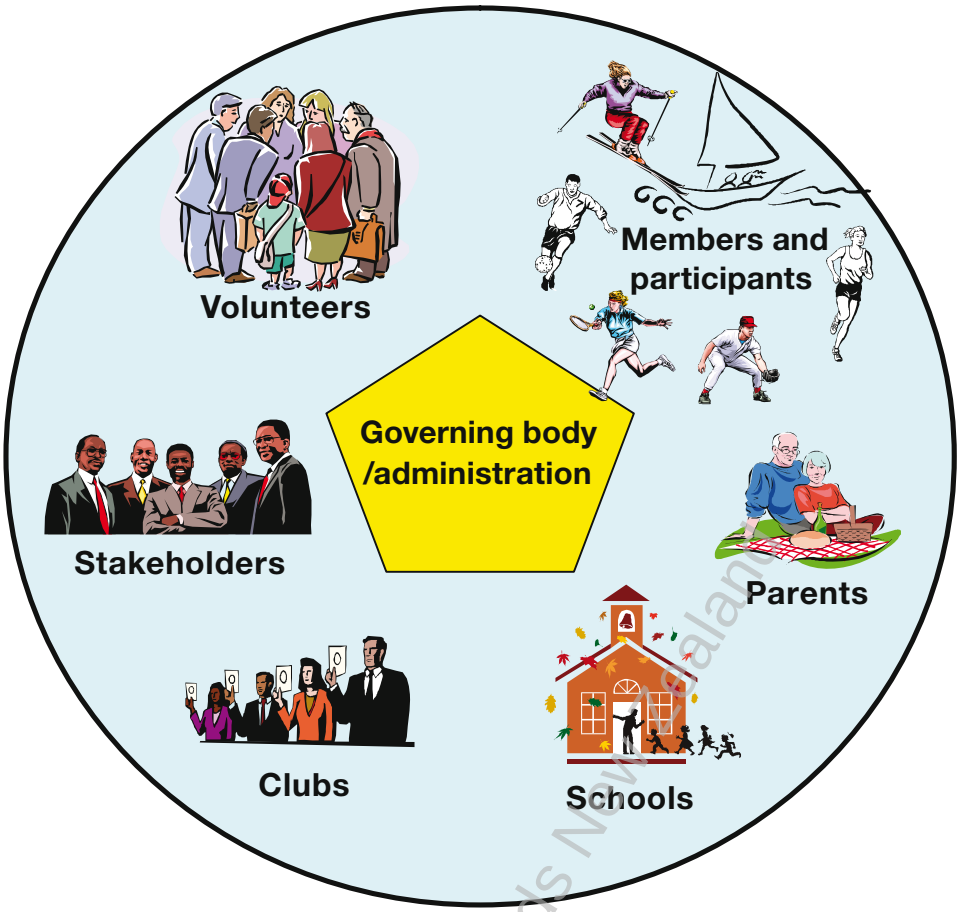

FIGURE D1 KEY ELEMENTS OF LOCAL SPORT AND RECREATION COMMUNITIES

Rural and remote location Local Government Agencies in particular, are being challenged to rationalize their existing resources in response to declining populations and available funds. Multi-purpose sport and recreation groups have formed in some of these areas in an attempt to more effectively share resources, knowledge, expertise and facilities. Regional collaboration and cooperation is essential to provide and maintain recreation opportunities. A trend towards co-location and multi-use of facilities is particularly evident within in smaller communities.

Local Government Planning Agencies need to answer the following questions when developing community strategies and Local Development Frameworks (Sport England, 2006, p13):

1 Do the Local Development Framework and Community Strategy acknowledge the contribution that sport and recreation can make to the delivery of wider community benefits?

2 Do the Local Development Framework and Community Strategy contain a shared vision, objectives and targets, which specifically refer to sport and recreation?

3 Has an options paper been produced which considers the needs and opportunities for sport and recreation and the consequent implications for objectives and policy in the Local Development Framework and Community Strategy?

4 Have opportunities for cross-boundary and cross-government agency cooperation been considered?

5 How are the local community sport and recreation organizations being engaged and involved in the development of plans, and are they fully represented?

6 Does a sustainability appraisal of the Local Development Framework include sport and recreation related indicators?

APPENDIX E

TERMINOLOGY

(Informative)

E1 INTRODUCTION

Terminology varies from sector to sector in the sport and recreation industry, particularly in respect of the roles people fulfil. Throughout this Handbook, terms have been used in a broad sense, e.g. 'coach' should be understood to mean instructor, guide, mentor, group leader, etc. Relevant terms from AS/NZS ISO 31000:2009 and those commonly used in the Sport and Recreation industry have been adopted, as follows:

Activity

For this document we will use the term 'activity' to describe either a sporting or a recreational discipline.

Board

Body comprised of the Directors and includes committees of management.

Coach

Person who could be a fitness instructor, outdoor recreation guide, group leader, mentor or team coach

Communication and consultation

Continual and iterative processes that an organization conducts to provide, share or obtain information and to engage in dialogue with stakeholders and others regarding the management of risk.

NOTES:

1 The information can relate to the existence, nature, form, likelihood, severity, evaluation, acceptability, treatment or other aspects of the management of risk.

2 Consultation is a two-way process of informed communication between an organization and its stakeholders or others on an issue prior to making a decision or determining a direction on a particular issue. Consultation is—

(a) a process which impacts on a decision through influence rather than power; and

(b) an input to decision-making, not joint decision-making.

Consequence

Outcome of an event affecting objectives.

NOTES:

1 An event can lead to a range of consequences.

2 A consequence can be certain or uncertain and can have positive or negative effects on objectives.

3 Consequences can be expressed qualitatively or quantitatively.

4 Initial consequences can escalate through knock-on effects.

Control

Measure that is modifying risk.

NOTES:

1 Controls include any process, policy, device, practice, or other actions, which modify risk.

2 Controls may not always exert the intended or assumed modifying effect.

Director

Person charged with the management (in a governance sense) of the organization

NOTE: 'Directors' can include committee members.

Duty of Care

Responsibility to refrain from causing other persons injury or loss.

Event

Occurrence or change of a particular set of circumstances.

NOTES:

1 An event can be one or more occurrences, and can have several causes.

2 An event can consist of something not happening.

3 An event can sometimes be referred to as an 'incident' or accident.

4 An event without consequences may also be referred to as a 'near miss', 'incident', 'near hit', or 'close call'.

5 The above is not to be confused with a sport and recreation event, where sporting activities are planned to occur.

Exposure

Extent to which an organization and/or stakeholder is subject to an event.

Fiduciary

Relationship of one person to another, where the person in a position of responsibility is bound to exercise rights and powers in good faith for the benefit of the organization's members.

Fiduciary duty

Duty of trust and loyalty similar to that of a doctor to patient, or a teacher to student – to act honestly, in good faith, and in the best interests of the organization.

Frequency

Measure of the likelihood of an event expressed as a number of events or outcomes per defined unit of time.

Governance

System by which organizations are directed and controlled. (See further details in Appendix B.)

Hazard

Source of potential harm.

NOTE: Hazard can be a risk source.

Insurance

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 that contains the insurance contract.

Issue

(*Oxford Dictionary definition: point agreed upon as basis of dispute*.) If not resolved, creates uncertainty as to the effect on objectives (See 'risk').

Level of risk

Magnitude of a risk expressed in terms of the combination of consequences and their likelihood.

Liability

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.

Likelihood

Chance of something happening.

NOTES:

1 This Handbook uses the word 'likelihood' to refer to the chance of something happening, whether defined, measured or determined objectively or subjectively, qualitatively or quantitatively, and described using general terms or mathematically (such as a probability or a frequency over a given time period).

2 The English term 'likelihood' does not have a direct equivalent in some languages; instead the equivalent of the term 'probability 'is often used. However, in English, 'probability' is often narrowly interpreted as a mathematical term. This Handbook therefore uses 'likelihood', with the intent that it should have the same broad interpretation as the term 'probability' has in many languages other than English.

Loss

Any negative consequence or adverse effect, financial or otherwise

Official

Person who could be a director, manager, umpire, referee, judge, steward or team manager.

Organization

Group of people and facilities with an arrangement of responsibilities, authorities and relationships.

EXAMPLE: Includes companies, corporations, firms, enterprises, institutions, charities, sole traders, associations, or parts or combinations thereof.

NOTES:

1 The arrangement is generally orderly.

2 An organization can be public or private.

3 This definition is valid for the purpose of quality management system standards. The term 'organization' is defined differently in ISO/IEC Guide 2.

Probability

Measure of the chance of occurrence expressed as a number between 0 and 1, where 0 is impossibility and 1 is absolute certainty.

NOTE: See also 'Likelihood'.

Residual risk

Risk remaining after risk treatment.

NOTES:

1 Residual risk can contain unidentified risk.

2 Residual risk can also be known as retained risk.

Risk

Effect of uncertainty on objectives.

NOTES:

1 An effect is a deviation from the expected—positive and/or negative.

2 Objectives can have different aspects such as financial, health and safety, and environmental goals and can apply at different levels such as strategic, organization-wide, project, product, and process.

3 Risk is often characterized by reference to potential events and consequences, or a combination of these.

4 Risk is often expressed in terms of a combination of the consequences of an event (including changes in circumstances) and the associated likelihood of occurrence.

5 Uncertainty is the state, even partial, of deficiency of information related to, understanding or knowledge of an event, its consequence, or likelihood.

Risk acceptance

Informed decision to take a particular risk.

NOTES:

1 Risk acceptance can occur without risk treatment or during the process of risk treatment.

2 Accepted risks are subject to monitoring and review.

Risk aggregation

Consideration of risks in combination.

Risk analysis

Process to comprehend the nature of risk and to determine the level of risk.

NOTES:

1 Risk analysis provides the basis for risk evaluation and decisions about risk treatment.

2 Risk analysis includes risk estimation.

Risk appetite

Amount and type of risk that an organization is prepared to pursue, retain, or take.

Risk assessment

Overall process of risk identification, risk analysis and risk evaluation. (Refer to Section 6).
Risk attitude

Organization's approach to assess and eventually pursue, retain, take or turn away from risk.

Risk aversion

Attitude to turn away from risk.

Risk criteria

Terms of reference against which the significance of a risk is evaluated.

NOTES:

1 Risk criteria are based on organizational objectives, and external and internal context.

2 Risk criteria can be derived from standards, laws, policies and other requirements.

Risk evaluation

Process of comparing the results of risk analysis against risk criteria to determine whether the risk and/or its magnitude are acceptable or tolerable.

NOTE: Risk evaluation assists in the decision about risk treatment.

Risk identification

Process of finding, recognizing and describing risks.

NOTES:

1 Risk identification involves the identification of risk sources, events, their causes and their potential consequences.

2 Risk identification can involve historical data, theoretical analysis, informed and expert opinions, and stakeholder's needs.

Risk management

Coordinated activities to direct and control an organization with regard to risk.

Risk management policy

Statement of the overall intentions and direction of an organization related to risk management.

Risk management plan

Scheme within the risk management framework specifying the approach, the management components and resources to be applied to the management of risk.

NOTES:

1 Management components typically include procedures, practices, assignment of responsibilities, sequence and timing of activities.

2 The risk management plan can be applied to a particular product, process and project, and part or whole of the organization.

Risk management process

Systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analysing, evaluating, treating, monitoring and reviewing risk.

Risk management framework

Set of components that provide the foundations and organizational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organization.

NOTES:

1 The foundations include the policy, objectives, mandate and commitment to manage risk.

2 The organizational arrangements include plans, relationships, accountabilities, resources, processes and activities.

3 The risk management framework is embedded within the organization's overall strategic and operational policies and practices.

Risk owner

Person or entity with the accountability and authority to manage the risk.

Risk perception

Stakeholder's view on a risk.

NOTE: Risk perception reflects the stakeholder's needs, issues, knowledge, belief and values.

Risk profile

Description of any set of risks.

NOTE: The set of risks can contain those that relate to the whole organization, part of the organization, or as otherwise defined.

Risk source

Anything which alone or in combination has the intrinsic potential to give rise to risk.

NOTE: A risk source can be tangible or intangible.

Risk tolerance

Organization's or stakeholder's readiness to bear the risk after risk treatment in order to achieve its objectives.

NOTE: Risk tolerance can be influenced by legal or regulatory requirements.

Risk treatment

Process to modify risk.

NOTES:

1 Risk treatment can involve—

(a) avoiding the risk by deciding not to start or continue with the activity that gives rise to the risk;

(b) taking or increasing risk in order to pursue an opportunity;

(c) removing the risk source;

(d) changing the likelihood;

(e) changing the consequences;

(f) sharing the risk with another party or parties (including contracts and risk financing); and

(g) retaining the risk by informed choice.

2 Risk treatments that deal with negative consequences are sometimes referred to as 'risk mitigation', 'risk elimination', 'risk prevention', and 'risk reduction'.

3 Risk treatment can create new risks or modify existing risks.

Stakeholder

Any person or organization that can affect, be affected by, or perceive themselves to be affected by a decision or activity.

NOTE: A decision-maker can be a stakeholder.

Uncertainty

State, even partial, of deficiency of information related to or understanding or knowledge of an event, its consequences, or likelihood.

Volunteers

Representatives from the community who freely choose to give their time, skills and experience to support their sport or recreation activities.

Vulnerability

Intrinsic properties of something that result in susceptibility to a risk source that can lead to a consequence.

APPENDIX F

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