



CAN YOU RISK IT?

An introduction to

RISK MANAGEMENT FOR COMMUNITY ORGANISATIONS

A risk management initiative of the Government of Western Australia



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Acknowledgement

RiskCover acknowledges the Department of Sport and Recreation for the valuable assistance it has provided in the preparation of this resource.

May 2003

ISBN 0-9750400-7-3

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All photographs are courtesy of the Volunteering Secretariat

Contents

4	Acknowledgement
6	Welcome
7	Introduction
8	Definitions
9	Why do we need to manage risk?
9	When do we need to manage risk?
9	Risk management is a five step process
10	Risk Management Process
11	Establish the context
12	Risk identification
13	Risk assessment
14	Risk treatment and control
15	Monitoring and review
16	Relevant Legislation
18	More information?
19	Attachment A
20	Attachment B





Welcome

I take great pleasure to introduce you to the ***Can you risk it? An introduction to risk management*** guide.

The rising cost of public liability insurance has had a tremendous impact on community groups, sporting organisations and small businesses throughout Western Australia. It is an extremely complex national issue that requires everyone in the community to work together to try to keep the cost of insurance down.

You are not facing this issue alone. The State Government has introduced a number of initiatives to address the public liability crisis, including the following significant pieces of legislation:

- the *Volunteers (Protection from Liability) Act 2002* which protects volunteers from personal liability when performing community work;
- the *Fire and Emergency Services Legislation Amendment Act 2002* that extends protection from personal liability to volunteer emergency workers and their organisations;
- the *Civil Liability Act 2002* which will create a fairer and more predictable legislative environment;
- the *Civil Liability Amendment Bill 2003* which will help to change social and legal attitudes towards the assumption of and liability for risk; and
- the *Insurance Commission of Western Australia (Amendment) Act 2002* which enables Government to provide insurance cover to eligible community organisations.

One area where community organisations like yours can help themselves is improving risk management processes. As well as being good practice, an effective risk management program is a positive strategy for your organisation to identify those unexpected and costly surprises.

This resource provides an easy to understand guide to implementing your own risk management program. I commend it to your organisation. I wish you all the best in incorporating risk management as a key component of your operations.

A handwritten signature in black ink, which appears to read "Geoff Gallop". The signature is written in a cursive, flowing style.

Dr Geoff Gallop MLA
PREMIER OF WESTERN AUSTRALIA

Introduction

Risk management is all about being aware of what may happen as you go about your business and taking steps to limit the chances of it occurring, or deciding that you accept that something may occur and that you are prepared for the consequences.

Risk management is not necessarily something new. You undertake risk management every day. Putting away the hose after watering the garden to avoid tripping over it later is an example of risk management. Activating the immobiliser on your car to prevent it from being stolen is another example of risk management.

However, the emphasis now is on organisations like yours to undertake a structured approach to risk management so that you can demonstrate to insurers and others that you have a transparent process which shows how you reached a decision whether to accept or not to accept certain risks.

It also gives you a systematic approach to identify and manage key risk exposures so that you can direct your resources towards the area where they will be most effective.



Definitions

What is risk management?

The culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects.¹

What is risk?

The chance of something happening that will have an impact upon objectives. It is measured in terms of likelihood and consequences or in other words the risk event/incident/accident that might happen and prevent you from successfully completing what it is you are setting out to do.

What does risk reduction mean?

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

What is risk transfer?

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

What does risk acceptance mean?

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

What is a risk register?

A tool used to record information derived from performing a risk management process.

¹ All definitions derived from *The Australian/New Zealand Standard for Risk Management (AS/NZS 4360)*

Why do we need to manage risk?

It is simply good management practice. It also provides structure and form to your decision-making processes.

Some good reasons to manage risks include:

- Helps with strategic planning.
- Reduces unexpected and costly surprises.
- More effective and efficient allocation of resources.
- Better results from projects and programs.
- Assists you to clearly define insurance needs.
- Better information for decision-making.
- Compliance with regulatory requirements.
- Assists in preparation for auditing.
- Lessening risk encourages more people to participate in your activity.
- Balancing opportunity and risk.
- Assist you to obtain insurance cover.

When do we need to manage risk?

Risk management is a way of looking at your operations by considering what can stop you from achieving what you want to achieve.

Therefore, risk management is an ongoing process that you apply to all aspects of your operations.

You should carry out a risk assessment for any new project, event or initiative. It is a continuous process that is designed to help you prioritise where you dedicate your resources and funds.

Risk management is a five step process

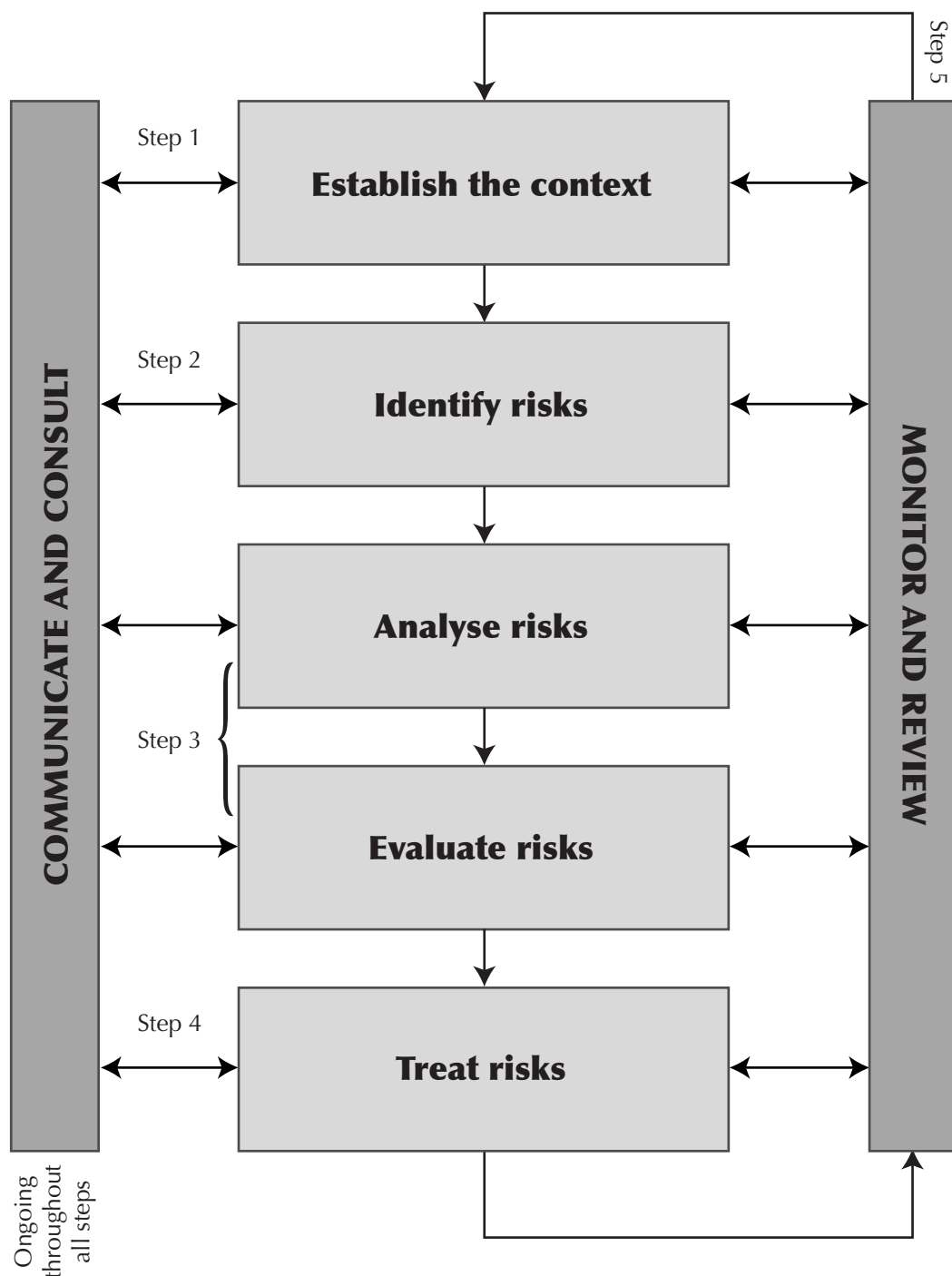
- STEP 1** Establish the context.
- STEP 2** Identify risk.
- STEP 3** Assess Risks.
- STEP 4** Treat risks.
- STEP 5** Ongoing monitoring and review.

Important

Throughout each step it is essential that there is consultation and communication with everyone in your organisation's functions, activities and events.



Risk Management Process



STEP 1 *Establish the context*

To effectively identify your risks, you need to take into account your own objectives and capabilities as well as factors external to your organisation.

There are two elements to this step:

1 Overall program issues:

Dealing with those matters regarding measures to be used in the process.

- The scope of risk management within your organisation.
- The aims and objectives of your own risk management program in relation to your organisation.
- The who, what, when, how and — with what resources?
- Determine criteria for treating risks.
- Define the extent and comprehensiveness of the risk management activities.
- Define your risk assessment criteria table.
- Define your risk acceptance criteria.

2 Risk assessment specific issues:

Establishing the boundaries for each specific risk assessment.

- Define the project or activity for which you are going to identify risks.
 - define functions or activities; or
 - project stages; or
 - event stages.

Key activities can be categorised into three levels with associated risk:

Strategic	Risks associated with the high-level longer-term goals, objectives, or strategies of the organisation, business, or association.
Operational	Risks associated with the daily functions of the organisation such as finance, decision-making, marketing and promotion and the administrative areas of your business, association.
Project / Event	Those risks associated with a specific project or event including all phases of the event. Concept, planning, implementation project/event operation.

STEP 2 *Risk identification*

The purpose of this step is to identify what could go wrong and what could happen to prevent you from successfully doing what it is you set out to do.

Methods

- **Experience and records:** Start by reviewing your own and industry records for the types of events that have happened in the past. (This is only an indicator as not all risk events have happened).
- **Brainstorming:** Get together with those who know your industry well to find out what the business relies upon and the things that can — and do — go wrong.
- **Systems analysis:** Analyse your business systems and processes to identify critical points.
- **Personal reports:** Look up specialists' reports or other internal reports that identify things that could affect your ability to succeed.
- **Audit and other recommendations:** Look for audit findings as they may also identify things that could affect your ability to succeed.

Key Questions

- **What can happen?** List risks, incidents or accidents that might happen by systematically working through each function, activity or stage of your event to identify what might happen at each stage.
- **How and why it can happen?** List the possible causes and scenarios or description of the risk, incident or accident. (*Refer to Attachment B for examples*)

STEP 3

Risk assessment

This involves analysing the likelihood and consequences of each identified risk using the measures provided. When multiplied you can work out the overall level of risk.

The purpose of this step is to separate high risks from low risks, to prioritise those areas where resources should be allocated.

- **Likelihood:** This is a qualitative description of probability and frequency. What is the likelihood of the risk occurring?
- **Consequence:** This is the outcome of an event or situation expressed qualitatively or quantitatively, being a loss, injury, disadvantage or gain. What is the consequence of the risk event?

(Refer to Attachment A for an example of likelihood and consequences)

Key questions

- Look at the adequacy of existing controls. Identify what you currently do to control this risk.
- What are the consequences if it occurs?
- How likely is it to occur? (Evaluate likelihood based on existing controls)
- Multiply consequences by likelihood to give a level of risk
- Review the level of risk determined against the acceptance criteria identified in Step One. *(Refer to Attachment A for an example criteria table)*
- Decide which risks are to be treated or accepted. Decide this by identifying at what value a risk changes from being acceptable to unacceptable.

(Refer to Attachment B for a sample risk identification form and risk register — the tools you will use to record your analysis)



STEP 4 *Risk treatment and control*

If a risk is identified as *high* or *unacceptable* then you should evaluate what else you can do to reduce the risk by implementing new risk controls or enhancing existing controls.

What are your choices?

- **Reduce the likelihood** of the risk occurring;
- **Reduce the consequences** of the risk occurring;
- **Accept the risk** on the basis that you are doing all things reasonable;
- **Avoid the risk** by discontinuing this activity — don't do it!; or
- **Transfer the risk** by way of contract, insurance, etc.

Key Questions

- What do you currently do to control this risk?
- What resources will you require to implement the chosen treatment?
- Is it worth doing? i.e. cost versus benefit consideration.

STEP 5 *Monitoring and review*

Risk management is an ongoing process, so you need to regularly review whether anything has changed which may impact on the risk issues you have identified.

You can do this by:

- Risk reviews.
- Review progress of new treatment plans.
- New risks can also be identified from:
 - Claims performance reports;
 - Audits (internal and external) reports; and
 - Physical inspections



Relevant Legislation

Undertaking a risk management process is an extremely positive strategy for your organisation to commit to continuously improving. The State Government has introduced a number of initiatives to complement your commitment to risk management in an effort to address the public liability crisis.

Volunteers (Protection from Liability) Act 2002

- Someone who is volunteering for an incorporated not-for-profit organisation and operates in good faith when doing community work and within the organisation's guidelines is protected from personal civil liability under this Act, subject to certain exceptions.
- The intent is that the liability will transfer to the community organisation with which they are involved.
- This means that volunteers cannot be sued for something they did or failed to do, if they are acting within the scope of the work and directions given to them by the community organisation.

For more information visit www.volunteering.communitydevelopment.wa.gov.au

Protection through Associations Incorporation Act 1987

- Incorporation creates a legal entity (the organisation) that is separate from the individual members.
- The Associations Incorporation Act provides a level of protection to an individual member from being sued for the action of the association or of another member of the association.
- The Act does not protect a member of an association from being sued for their own actions, eg negligence or wrongful acts committed by them.
- Members and committee or board members of unincorporated bodies can be sued as individuals.
- Any association is eligible to be incorporated if it has more than five members and is formed for any of the purposes listed in the Associations Incorporation Act 1987. These purposes are reflected in clause 3.1 of the *Volunteers (Protection from Liability) Act 2002*.

For more information visit www.docep.wa.gov.au/associations/

Fire and Emergency Services Legislation Amendment Act 2002

- This legislation extends protection from personal civil liability to certain fire and marine volunteer emergency workers and their organisations.

Civil Liability Act 2002

This Act allows for:

- A cap on economic loss set to three times the amount of gross average weekly earnings at the date of the damages award;
- Structured settlements to allow periodic payments to be funded by an annuity or other agreed means;
- Restrictions on advertising of personal injury legal services and touting;
- A deductible threshold on general damages; and
- Threshold and limits on gratuitous attendance care damages.

In addition, further legislative reform, the *Civil Liability Amendment Bill 2003*, will help to change social and legal attitudes towards the assumption of and liability for risk. Once proclaimed, it will allow for:

- A legal presumption of contributory negligence in circumstances where a claimant is intoxicated by drugs or alcohol when injured;
- Voluntary assumption of risk in relation to recreational services;
- Protecting 'good samaritans' from civil liability when acting in good faith; and
- Removing the fear of being sued if a person apologises or expresses regret for an incident occurring.

For more information visit [www.parliament.wa.gov.au/parliament/home.nsf/\(FrameNames\)/Bills](http://www.parliament.wa.gov.au/parliament/home.nsf/(FrameNames)/Bills)

Insurance Commission of Western Australia (Amendment) Act 2002

- This legislation enables the Government to provide insurance cover to eligible not-for-profit groups that are aligned to Government, provide an essential service to the community and are unable to obtain affordable cover.

For more information visit www.icwa.wa.gov.au/cif/cifschemeoverview.htm



More information?

The following website has been established for not-for-profit organisations to obtain further risk management information:

www.icwa.wa.gov.au

The information contained within is designed to complement this resource.

It also contains an option for you to download the resource and also the **Community RiskBase** software package. This simple *Excel*-based package is designed to allow you to record and report on the risks associated with your day-to-day activities. It is supported by the **Community RiskBase User's Guide**, provided as part of this resource.

Further information may also be obtained by contacting a relevant agency from the list below:

Agriculture	9368 3333	www.agric.wa.gov.au
Community Development	9222 2555	www.communitydevelopment.wa.gov.au
CALM	9334 0333	www.calm.wa.gov.au
Consumer and Employment Protection	9282 0777	www.docep.wa.gov.au
Culture and Arts	9224 7300	www.cultureandarts.wa.gov.au
Disability Services Commission	9426 9200	www.dsc.wa.gov.au
Education and Training	9264 4111	www.eddept.wa.edu.au
Environmental Protection	9222 7000	www.environ.wa.gov.au
Fire and Emergency Services	9323 9300	www.fesa.wa.gov.au
Fisheries	9482 7333	www.fish.wa.gov.au
Health	9222 4222	www.health.wa.gov.au
Housing and Works	9222 4666	www.dhw.wa.gov.au
Indigenous Affairs	9235 8000	www.dia.wa.gov.au
Industry and Resources	9222 3333	www.doir.wa.gov.au
Justice	9264 1711	www.justice.wa.gov.au
Land Administration	9273 7373	www.dola.wa.gov.au
Local Government and Regional Development	9217 1500	www.dlgrd.wa.gov.au
Planning and Infrastructure	9264 7777	www.dpi.wa.gov.au
Police	9222 1111	www.police.wa.gov.au
Premier and Cabinet	9222 9888	www.dpc.wa.gov.au
Racing Gaming and Liquor	9425 1888	www.orgl.wa.gov.au
Sport and Recreation	9387 9700	www.dsr.wa.gov.au
Tourism	9220 1700	www.tourism.wa.gov.au
Treasury and Finance	9222 9222	www.treasury.wa.gov.au
Water and Rivers Commission	9278 0300	www.wrc.wa.gov.au
Fitness WA	9383 7734	www.fitnesswa.asn.au
Leisure Institute of WA – Aquatics	9364 0665	www.liwaaquatics.net.au
Outdoors WA	9409 5632	www.wn.com.au/outdoorswa
Parks and Leisure Australia (WA Region)	9277 9538	www.parks-leisure.com.au
WA Council of Social Services	9420 7222	www.wacoss.org.au
WA Sports Federation	9387 8100	www.wasportsfed.asn.au
Volunteering WA	9420 7288	www.volunteer.org.au

Attachment A

Sample Risk Reference Tables

Qualitative Measures of Consequences

Level	Rank	Financial Impact	Injuries/Death	Reputation and Image	Activities/Operations
1	Insignificant	Less than \$1,000	No injuries	Unsubstantiated, low impact, low profile or no news item.	Less than 1 hour
2	Minor	\$1,000 to \$10,000	First aid treatment	Substantiated, low impact, low news profile.	1 hour to 1 day
3	Moderate	\$10,000 to \$50,000	Medical treatment required	Substantiated, public embarrassment, moderate impact, moderate news profile.	1 day to 1 week
4	Major	\$50,000 to \$150,000	Death or extensive injuries	Substantiated, public embarrassment, high impact, high news profile, Third Party actions.	1 week to 1 month
5	Catastrophic	More than \$150,000	Multiple deaths or severe permanent disablements	Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, Third party actions.	More than 1 month

Qualitative Measures of Likelihood

Level	Descriptor	Example Detail Description	Frequency
1	Rare	The event may occur only in exceptional circumstances.	Less than once in 15 years
2	Unlikely	The event could occur at some time.	At least once in 10 years
3	Moderate	The event should occur at some time.	At least once in 3 years
4	Likely	The event will probably occur in most circumstances.	At least once per year
5	Almost certain	The event is expected to occur in most circumstances.	More than once per year

Sample Risk Criteria

Level of Risk	Criteria for Management of Risk
1 – 3	Acceptable
4 – 5	Monitor
6 – 9	Management Control Required
10 – 14	Urgent Management Attention
15 – 25	Unacceptable

Attachment B

Sample risk identification form

Business/ Association/ Club/ Group					
Activity/Event					
Risk Ref. No.		Risk (What can go wrong?)			
Existing preventative measures:					
Consequence if Risk occurs (Select worst/or largest impact)					
Consequence rating		Likelihood rating		Level of risk	
What can you do about it? (Actions)					
1.			Due Date		Status (In progress/ Completed)
2.			Due Date		Status (In progress/ Complete)
3.			Due Date		Status (In progress/ Complete)
Level of risk after actions:					
Consequence rating		Likelihood rating		Level of risk	
Name:				Date:	

Sample Risk Register

Risks by Level of Risk

Activity/Event	Risk Ref No.	Risk (What can go wrong?)	Level of Risk	Action 1	Action 2	Action 3	Predicted Level of Risk
Human Resources	1.1.2	Loss of a key management resource	12	Business adviser	Succession planning		4
Facilities and equipment management	3.1.1	Inadequate site security at facilities	12	Maintenance program			4
Facilities and equipment management	3.1.2	Inadequate instruction/guidance on safe use of equipment	12	Supervision and monitoring			6
Budget	5.1.1	Grossly under/over estimate income and expenditure of Association	12	Supervision and monitoring	Refresher course		2
Health and Safety	4.1.1	Non-compliance of OSH Act, Standards	9	Monitoring			2
Finance	2.1.1	Non-compliance with FAAA	6	Business adviser			4



