

## What is risk management?

Risk management is a priority for clubs and must be treated on the same level as racing operations, finance, fundraising and bar and kitchen operations. The objective of risk management is to protect the assets and financial resources of the club and its members by developing cost-effective methods of treating and/or preventing the risk.

There is a constant need for club administrators to identify risks, deal with them and then evaluate whether the strategies are effectively managing the risk. Your club needs to have a system in place to:

- Identify potential problems (or hazards)
- Rectify or prevent the problems, on a prioritised basis
- Provide assistance with managing incidents when they occur
- Ensure a system of follow up occurs
- Ensure this process is continuous

Your club risk management system should include:

- Risk Management Policy
- Risk Management Plan
- Policies and Procedures Manual

The Risk Management Policy is the high-level statement on the club's commitment to risk management. The Plan outlines the risk, the evaluation on how acceptable is the risk, what treatment or actions have been taken to mitigate the risk. The Policies and Procedures Manual is the practical way the club will implement risk management.

To be most effective, risk management should become part of an organisation's culture and integrated into its practices and business plans as it will encourage effective decision making and delivery of racing operations.

## How to develop a Risk Management Policy

The Risk Management Policy and Risk Management Plan should be established by the Executive Committee and be relevant to the club's strategic goals and objectives. The Committee should discuss the Policy and Plan at regular intervals and agree upon the club's level of tolerance to different risks.

Your club policy may include:

- The club's reasoning for how it will manage risk
- The club's objectives of risk management
- Links between the policy and the club's strategic plan
- The range of issues to which the policy applies
- Guidance on a club's 'risk appetite' or what it considers is an acceptable risk
- Who is responsible for managing risk, i.e. a Risk Management Officer
- The resources and support available for those managing risk
- The plan for reviewing the club's performance in regard to the policy

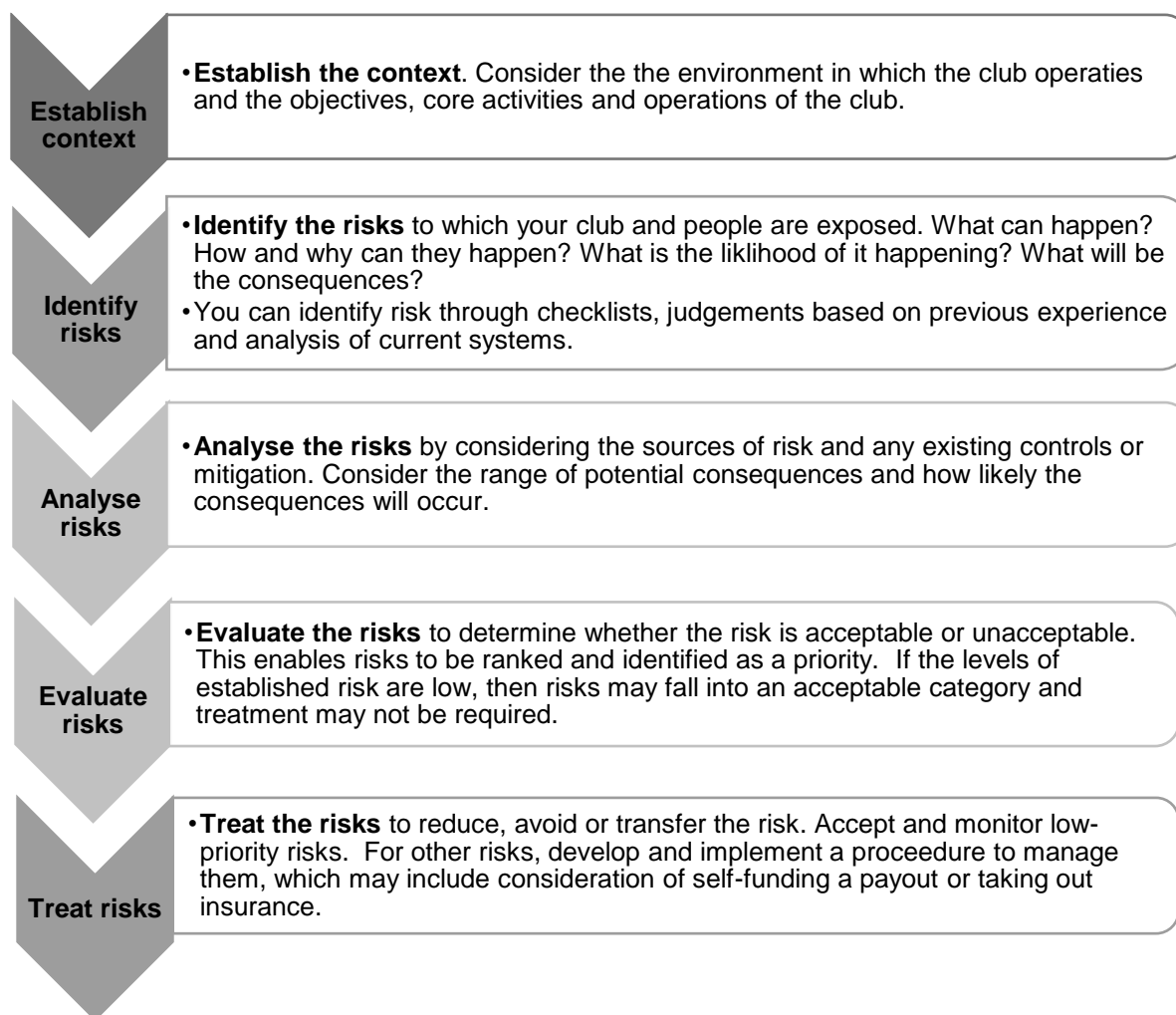
## How to develop a Risk Management Plan

The Australian Standard (AS/NZS 4360: 1990, Risk Management) defines risk as ‘the chance of something happening that will have an impact upon objectives’. It is measured in terms of likelihood and consequences. The approach taken by your club will depend on the context in which it is used.

Risks can be physical, financial, ethical or legal.

- **Physical risks** are those involving personal injuries, environmental and weather conditions and the physical assets of the club such as property, buildings, equipment, vehicles, stock and grounds.
- **Financial risks** are those that involve the assets of the club and include theft, fraud, loans, attendances, membership fees, insurance costs, lease payments, pay-out of damages claims or penalties and fines by government.
- **Ethical risks** involve actual or potential harm to the reputation or beliefs of your club.
- **Legal risks** consist of responsibilities imposed on providers, participants and consumers arising from laws made by federal, state and local governments.

Develop your club’s Risk Management Plan using the five logical steps in the graph below and the following risk evaluation table. Once you have your Risk Management Policy and Plan, see how to practically implement them by establishing a Policies and Procedure Manual.



**Risk Evaluation** – These example tables will assist you to determine the level of risk for an issue, and subsequently if you will accept or need to take action to mitigate the risk.

Measure of Likelihood		
Level	Rating	Description
A	Rare	The event may occur only in exceptional circumstances.
B	Unlikely	The event could occur at some time.
C	Possible	The event might occur at some time.
D	Likely	The event will probably occur in most circumstances.
E	Almost certain	The event is expected to occur in most circumstances.

Measure of consequence or impact		
Level	Rating	Example Detail Description
1	Insignificant	No injuries, low financial loss, no real effect on operations.
2	Minor	First-aid treatment, medium financial loss, minimal effect on operations.
3	Moderate	Medical treatment required, high financial loss, significant effect on operations.
4	Major	Extensive injuries, loss of production capability, major financial loss, major effect on operations.
5	Catastrophic	Death, huge financial loss, catastrophic effect on operations.

Risk analysis matrix – level of risk					
Likelihood	Consequences				
	Insignificant 1	Minor 2	Moderate 3	Major 4	Catastrophic 5
A (Rare)	L	L	M	H	H
B (Unlikely)	L	L	M	H	E
C (Moderate)	L	M	H	E	E
D (Likely)	M	H	H	E	E
E (Almost Certain)	H	H	E	E	E
<b>Legend</b>					
<b>L</b>	Low risk; manage by routine procedures.				
<b>M</b>	Moderate risk; management responsibility must be specified.				
<b>H</b>	High risk; senior management attention needed.				
<b>E</b>	Extreme risk; immediate action required.				

## **How to treat or mitigate the risk**

Accepting the risk – this is an option if the likelihood and consequences of the risk are consistent with the criteria defined in the process of establishing the context of the risk.

Avoiding the risk – avoidance is deciding not to proceed with the activity that contains the risk or choosing an alternative with acceptable risk that meets the aims of your club.

Reducing the risk – reducing the likelihood or consequences of the risk relies heavily on risk identification and analysis. There are a number of measures that contribute to the reduction of risk to an acceptable level. You should start by looking at solutions that are not reliant on human behaviour, and then consider changes to administration, such as rules, policies, training and emergency planning. Reducing the risk also items such as personal protective equipment.

Transferring the risk – this involves another party bearing or sharing some part of the risk and generally occurs through written agreements or notice. An insurance policy is the most common form of transferring the risk, although other methods include waivers, leases, contracts, tickets and warning signs. It is important to recognise that the transfer of risk to other parties will reduce the risk for your club, but may not diminish the overall level of risk to people at your venue.

Retaining the risk – once the risks have been reduced or transferred, there may be residual risks that are retained. Plans should be in place to manage the consequences of these risks if they occur.

Financing the risk – your club must make sure that it is able to fund the financial consequence of the risk. Try and establish a special fund that will cover any losses that may be incurred and ensure that the club is able to fund all the costs that relate to implementing the risk treatment.

## **Monitoring and review**

Risks and the effectiveness of control measures need to be monitored to ensure changing circumstances do not alter risk priorities. Few risks remain static. Factors that may affect the likelihood and consequences of an outcome may change, as may the factors that affect the suitability or cost of the various treatment options. Review is an integral part of the Risk Management Plan.