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Governance Handbook –  
Section 6 Risk Management

# Contents

Legal Stuff.....	3
Introduction.....	4
Risk Management.....	5
Risk Management.....	8
Organising Risk.....	10
Identifying Risk.....	13
Risk Analysis.....	15
Treating Risk.....	17
Risk Controls.....	18
Risk Tolerance.....	20
Sample Incident Report.....	21
Risk Management.....	22
Sample Risk Register.....	23
About Us.....	24



# Legal Stuff

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In Queensland, as an incorporated association, most organisations will be subject to the Associations Incorporations Act and its Regulations. The relevant Government regulator is known as the Office of Fair Trading. There is substantial information available on their website about the legal aspects of both the Act and its Regulations and during the service of this guide, it is possible that some information may change to reflect changes in the legislation. We have added some important links here for you to easily remain up to date.

## HELPFUL LINKS

[Incorporated Associations Smart Business Guide](#)

(A must for your association, on the laws and how they apply to you in simple to understand terms)

[Associations Incorporations Act 1981](#) (For rules about running an association)

[Office of Fair Trading Queensland](#) (For information about your responsibilities)

[Australian Charities & Not-for-profits Commission](#) (For those who are registered charities)

[Australian Taxation Office](#) (To keep up to date with changes in tax law)

[Department of Justice OFT Fundraising](#) (For information on raffles & donations)

[Australian Consumer Law](#) (What claims you make in advertising and to “sell” membership & activities)

[Workplace Health & Safety Queensland](#) (For your obligations to members, staff & volunteers)

[Fair Work Ombudsman](#) (When volunteers are bullied)



# Introduction

**Good Governance** - two little words full of meaning that should be at the heart of all the work undertaken by your board/committee and your subcommittees.

**The Good Governance Health Check guides users through the essential concepts, principles and activities needed to ensure a healthy and productive organisation.**

Most incorporated Associations are small, volunteer-driven organisations, with limited resources and in need of practical guidance to meet the many challenges of the modern not-for-profit environment.

The Health Check contained within this Handbook will give you a snapshot of your Association's governance health status and will identify areas where improvement is needed. Levels of understanding and familiarity will vary amongst your board members according to the purpose, structure, scale and sophistication of your organisation, but the Health Check can be applied to any incorporated entity.

And - to help you work smarter not harder - we've included a Toolbox full of simple tips, techniques, templates and examples to help your organisation on its governance journey.

## **How does it work?**

It's simple. The Handbook is divided into 11 sections, starting with the big picture and moving through the detail of specific areas of operation. Each section contains Questions and Toolbox tips, techniques and examples.

Carefully read each question and the explanation. If you can confidently answer "yes", then tick the box. If the answer is "no" or you don't know, then leave it blank for now. You'll get most value from the Good Governance Health Check if you're completely honest. Most questions are objective - they ask for evidence of something factual or tangible.

When the question asks if you have a particular plan or policy or procedure, only say yes if you can actually put your hands on an example or on the finished item. Some questions are subjective - they ask for an opinion or perception. Glossing over problem areas puts your organisation at further risk and means you miss out on important opportunities to diagnose issues and work out solutions. And - hey - it means you're wasting your time and your money - and that's never smart. Honesty is the best policy!

After you've answered all the questions for that section, review your answers. If you find blank check boxes then you have the start of your Good Governance To Do list. It's simple! Good Governance is complex, but the step-by-step Health Check breaks it down into bite size chunks and makes it do-able.

At the end of each section you'll find the Toolbox. It contains tips, techniques and examples relevant to that particular topic. You can work through the Checklist and Toolbox one section at a time or you can come back to the Toolbox after you've answered all the questions in all sections.

Work through all of the sections. You can do this at your own pace - take all the days, weeks or months that you need. The speed isn't important - but achieving continued forward progress is. It's all about having a strategy and the right tools to achieve genuine continuous improvement.

**Good luck and good governing!**

# SECTION 6

## Risk Management

Identifying and managing risk is another important aspect of Good Governance. No organisation or environment is risk free, but it's your responsibility as a Committee to identify risks, categorise them in terms of likelihood and consequence, and implement control measures to manage, avoid or mitigate those risks.

### Risk Management Checklist



<p><b>Does your Committee have a solid understanding of Risk Management?</b></p>	<p><i>Risk Management is one of your fundamental governance activities. It is an ongoing process of organising, identifying, analysing, treating and controlling the risks facing your Association. Having a good understanding of what it is and how it works is important for all Committee members.</i></p>	<input type="checkbox"/>
<p><b>Have you organised risk so that it is clearly linked to key areas of activity and makes sense in the context of your Association?</b></p>	<p><i>Risk Management is a big task and can seem overwhelming if all you have is a blank page! Finding a way to organise your risk in a logical manner is a big first step and using your key areas of activity as defined in your Strategic and Operational Plans gives you a great place to start.</i></p>	<input type="checkbox"/>
<p><b>Have you identified risk categories and the risks you need to consider?</b></p>	<p><i>There are a number of types of risk and identifying these categories will help in the risk management process. Common categories include: Environmental, Operational, Financial, People, Regulatory and Reputational risks.</i></p>	<input type="checkbox"/>
<p><b>Have you assessed risk as to likelihood and consequence?</b></p>	<p><i>Not all risks are equal, so once you've identified and categorised your risk you need to consider how likely the risk event might be and how severe the consequences might be if the risk occurs.</i></p>	<input type="checkbox"/>
<p><b>Do you have a current risk matrix?</b></p>	<p><i>As your risks are assessed in terms of likelihood and consequence, they can be plotted on a risk matrix that will determine the overall severity of the risk. Any risk event that is highly likely and would have severe consequences would be catastrophic, while an unlikely risk with minor consequences may be insignificant.</i></p>	<input type="checkbox"/>
<p><b>Have you identified how you want to treat your risks?</b></p>	<p><i>There are 4 different ways to treat risk - eliminate it, manage it, transfer it or accept it. For each of your identified risks, you need to determine the most appropriate way to treat it.</i></p>	<input type="checkbox"/>

Cont ...



<b>Have you identified risk response protocols?</b>	<i>Your risk policy should identify your risk response protocols. This means that you should consider how you respond to risk events should they occur and who is authorised to act. Defining response protocols at the same time as you work out your risk ratings is a good idea and can save time.</i>	<input type="checkbox"/>
<b>Is there a shared understanding of your organisation's risk tolerance?</b>	<i>Risk management does not mean risk avoidance. There is always some measure of risk associated with doing anything and if an organisation is to be active and thrive it must take some risks. The question is whether your Committee has a shared understanding of your risk tolerance, or indeed has discussed it at all?</i>	<input type="checkbox"/>



# SECTION N 6

## Tips & Techniques

Risk Management  
Organising Risk  
Identifying Risk  
Analysing Risk  
Treating Risk  
Controlling Risk  
Risk Register  
Risk Tolerance





# TIPS & TECHNIQUES

## Risk Management

**Risk Management is one of the fundamental Governance responsibilities for your Association. The process of identifying and managing risk allows the Committee to protect the Association from events or losses that would prevent it from achieving its goals.**

Risk management is the process of thinking about all the things that could go wrong and taking reasonable action to prevent them from happening, reduce their impact or deal with the fallout should a risk event occur.

Managing risk does not mean avoiding risk altogether. Taking a 'no-risk' strategy can limit your ability to pursue innovative projects or plans and seldom achieves ambitious goals and growth. Risk management means making reasonable decisions based on appropriate information and realistic assessment.

### RISK MANAGEMENT PROCESS

There are a number of steps to take in the risk management process.



Risk management is an ongoing process. It requires continuous communication and consultation to ensure that the risk profile remains current and continuous monitoring and review to ensure that it remains effective.

This can seem a daunting task to many Committees, but if you take it one step at a time you will be able to create an effective risk management program for your organisation. This will include a comprehensive Risk Register that will become the tool for your Committee to review on a regular basis. There are items in our Toolbox for each step of the process to assist you in your risk management journey.

Before getting into the specifics, there are a few general tips on the next page for effective risk management in your Association.



# TIPS & TECHNIQUES

## Risk Management

### **RISK MANAGEMENT IS EVERYONE'S JOB**

Effective risk management is not something that an individual or a group can do in isolation. While it is a good idea to allocate responsibility in this area to a Risk Committee, it's essential that everyone in the organisation understands what it is and why it's important. Let it be known that your priority is to protect the safety of everyone involved in or connected with your Association, shield it from legal liability and safeguard its reputation. Doing so may effect what you do and how you do it at every level of the organisation, so it's important that you strive for a culture that takes risk seriously and includes people at all levels in the process.

### **COMMUNICATION IS KEY**

Good risk management is far more than simply having lists of rules or policies and procedures for people to follow. It's a continuing process of identifying, organising, analysing, treating and controlling risk and for it to work there must be effective communication at all levels.

Say you're a football club that runs a junior league competition. Who are the people best placed in the organisation to provide information about potential risks and hazards? That would likely be the players, the umpires, the coaches and the parents - not necessarily the people sitting around the Boardroom table.

Establishing a feedback loop where everyone has the opportunity to identify areas of potential risk, express their concerns and advise whether risk strategies are useful and effective is a very important part of the process. Similarly, people respond better to rules and regulations if they understand where they're coming from and why they're important. Communication is only communication if it goes two ways - otherwise it's just instruction and unlikely to be effective in embedding risk management in your organisation's culture.

### **WRITE IT DOWN!**

Another important aspect of risk management is good documentation. The best indicator of what could go wrong in the future is what has gone wrong in the past, or the 'near misses' where a major problem was narrowly avoided. Having reports for these incidents provides critical information to your risk management committee and allows you to take the appropriate action.

Record keeping through all steps of the risk management process means that your Committee and others can refer back to what has taken place and forms an evidence base for your risk decisions.

### **COMMON SENSE RULES!**

In risk management, as in many aspects of good governance, you'll come across the test of 'reasonableness'. Risk management is about taking reasonable steps to avoid or reduce risks that you could reasonably foresee. Which means using common sense in your approach. For example, a football club in Adelaide probably doesn't need to worry too much about being hit by a cyclone, but for a housing association in North Queensland, cyclones could be a very real risk!

Remember that you don't need to include any risks over which you have no control. For example, some organisations include items such as 'civil disturbance' in their risk register. However, as you are unlikely to have any control over people rioting in the street it does NOT need to be included!

When you're starting out on your risk management journey, begin with the obvious. Ask yourself about the things that could go wrong most often and would have a significant negative impact on your organisation and the people involved in it. Start with these and then work through less obvious, less frequent or less critical risks as you progress.



# TIPS & TECHNIQUES

## Organising Risk

The first step in the Risk Management process is to organise risk. This means sorting and categorising risk in a way that makes sense in the context of your organisation.

### **SORTING RISK**

So where do you start? Every Association is different and will face different challenges and risks. An extreme sports club is going to have a very different risk profile to a local bridge club, so risk needs to be considered within the context of your organisational needs. It makes sense to start sorting risks according to your Association's aims, structure, membership, activities and methods of operation.

#### **Internal**

These are **operational** or **internal** risks and you can start by asking yourself some basic questions:

*What are the goals and strategies of our Association? Who are the people involved in our Association? What are our core activities? Where do our activities take place?*

Your Strategic and Operational Plans are a good place to go for the answers to these questions. Your Strategic Plan details your goals and strategies within your key functional and foundation areas. Your Operational Plan details what you do and how you do it, and everything you do has some form of associated risk. So linking Risk to your Strategic and Operational plans can be a solid basis for your risk framework.

#### **External**

In addition to the operational risks, you should look at risks associated with your **external environment**. Start by asking some of these questions:

*What laws, regulations and standards apply to our Association?*

*What relationships do we have, who are they with and how important are they?*

*What is our common law duty of care in minimising the potential for harm and are we able to meet it? What does the broader community expect of us?*

*What is the demographic in which we operate and how is it changing?*

The answers to these questions might not be quite as easy to find and may require a bit of research, but it is important to have a good understanding of the norms, trends and requirements of your external environment. Community expectations are constantly changing and are reflected in laws, regulations and standards. What might have been acceptable behaviour or practice a decade ago may no longer be tolerated so it is essential to keep abreast of community trends and modify your approach accordingly.

### **CATEGORISING RISK**

Once you've worked out a basis to organise your operational risk in reference to your Strategic Plan and Operational plans or key areas of activity, and the risks associated with the external environment, you can start looking at the types of risk you should consider. These can be categorised in a number of ways to suit your particular needs, but here are some fairly standard categories to begin with:

**Hazard Risks** - those things that present a threat to health and safety

**Financial Risks** - those things that could adversely affect your financial position

**People Risks** - those risks associated with staff, volunteers, members and others

**Regulatory Risks** - risks associated with regulations, laws and standards

**Reputational Risks** - those things that could adversely affect your community standing and the way people think about

you.



# TIPS & TECHNIQUES

## Organising Risk

Give special consideration to reputational risk. As a not-for-profit organisation, your reputation and the goodwill of stakeholders is extremely important. Anything that could damage your reputation should be taken very seriously.

### RISK FRAMEWORK

Systematically going through the process of sorting and categorising your risk will give you a risk framework to work with. So for each risk you identify, you can determine where it goes (sorting) and what type of risk it is (categorising). This gets your Risk Management process off to a good start!

A sample Risk Framework could be as follows:

Risk Type	Risk Area	Risk Description	Risk Category
<b>Operational</b>			
<b>Goals &amp; Strategies</b> (Reference your Strategic Plan)	Goal 1	Risk 1	Type?
		Risk 2	Type? ...
		Risk 3	
	Goal 2	Risk 1	
		Risk 2	
		Risk 3	
	Goal 3	Risk 1	
		Risk 2	
		Risk 3	
	More ...		
<b>Who's involved?</b> (Reference your Stakeholder Analysis)	Members	Risk 1	
		Risk 2	
		Risk 3	
	Supporters	Risk 1	
		Risk 2	
		Risk 3	
	Sponsors	Risk 1	
		Risk 2	
		Risk 3	
	More ...		
<b>Activities</b> (Reference your Operational Plan)	Events	Risks ...	
	Fundraising	Risks ...	
	Professional Development	Risks ...	
	More ...	Risks ...	



# TIPS & TECHNIQUES

## Organising Risk

Risk Type	Risk Area	Risk Description	Risk Category
Venues/Facilities (Reference your Operational Plan)	Office	Risk ...	
	Clubrooms	Risk ...	
	Playing Field	Risk ...	
	More ...		
<b>Environmental</b>			
Legal and Regulatory (Reference your Compliance Register)	Legislation	Risk ...	Type?
	Regulation	Risk ...	Type? ...
	Standards	Risk ...	
	More ...		
Relationships (Reference your Stakeholder Analysis)	Federation/Peak body	Risk ...	
	Government	Risk ...	
	Allied Organisations	Risk ...	
	More ...		
Duty of Care	Physical Harm	Risk ...	
	Economic Loss	Risk ...	
	Psychological Trauma	Risk ...	
	More ...		
Community Expectation	Demographics	Risk ...	
	Social Trends	Risk ...	
	Inclusivity	Risk ...	
	More ...		

The next step in the process is risk identification. Through this you may find risks that don't comfortably fit within your initial framework or for which you don't have a category. That's fine - just add onto your framework as you progress through the process to meet your particular organisational context and needs.



# TIPS & TECHNIQUES

## Identifying Risk

So you've worked out a risk framework that works in the context of your Association. Now you have to identify your risks which can then be sorted and categorised according to your framework.

### IDENTIFYING RISK

There are two main ways to identify risks:

- Looking back—what has gone wrong and why?
- Looking forward—what could go wrong and why?

#### What has gone wrong and why

Past events are the best place to start in identifying risks. What has gone wrong in the past and why did it go wrong? So how do you get this information?

Obviously you can look at your organisation's recent history and identify problems that have occurred. **TIP!** Make sure that you have a system of Incident Reporting! Committees change and knowledge of problems can be lost if they are not written down. Incident reports should also include near misses! A sample Incident Report follows— make sure you file them somewhere they can be easily accessed!

You can also look at similar or allied Associations and identify where they've had problems that could easily happen to you. Your Federation, peak or national body may well have an incident register that you can access to get information on problems that have occurred. If not, suggest that they create one!

#### What can go wrong and why

This is where you have to use your imagination and brainstorm as a Committee or Working Group the problems that could occur in a particular area, program or event. For example, say that you're planning to hold a fundraising event like a Fun Run. What could go wrong? Using your risk framework and you might identify risks like:

Risk Type	Risk Area	Risk Description	Risk Category
Activity (Reference Operational Plan)	Annual Fun Run	Trip or fall injury	Hazard
		Fail to secure sponsors	Financial
		Fail to secure permits	Regulatory
		Bad weather	Hazard/Financial
		Volunteers fail to perform duties correctly	People
		High level of complaints	Reputational
		More ...	



# TIPS & TECHNIQUES

## Identifying Risk

### OTHER STRATEGIES

There are some additional strategies you can use to compile your list of potential risks. Some of these include:

**Walks around** - if you have facilities that you own, rent or use it can be worthwhile having a periodic walk around to look for potential risks and problems. Being familiar with your environment limits your ability to see clearly, so try to use the walk around as an opportunity to look with fresh eyes, or even bring along someone unfamiliar with the office, club or facility to assist in the process.

**Interviews** - talk to your members, users and other stakeholders to get their views on potential risks. Bring in some experts and ask them what they think. Talk to other organisations with a similar risk profile to see what they have to say. The more input you can get, the better!

**Scenarios** - set up scenarios and work through a series of 'what ifs' with your Committee or Risk Management group. Make sure your scenarios are realistic and relevant to your Association activities and let your imaginations run wild!

### ONE STEP AT A TIME...

Establishing a comprehensive list of potential risks takes time. You can't be expected to think of everything at once and this is why you should establish a regular review process—at least every 6 months but more often if you're just starting out on the process.

Start with obvious and major risks and the risks associated with current and important events or programs. Review and add to the list over time, perhaps concentrating on one particular risk area each time you review.

Establish a Risk and Governance Subcommittee to more regularly review risk and report back to the Committee with recommendations.

An Incident Report template follows further in this chapter.



# TIPS & TECHNIQUES

## Risk Analysis

Not all risks are equal, so in this step of the process you will analyse your identified risks in terms of how bad it will be (consequence) and how often it might happen (probability).

### RISK MATRIX

Risk consequence and probability can be plotted on a Risk Matrix.

Consequence	Severe	Moderate	High	Very High	Catastrophic
	Major	Moderate	Moderate	High	Very High
	Moderate	Low	Moderate	Moderate	High
	Minor	Insignificant	Low	Moderate	Moderate
		Rare	Occasional	Likely	Frequent
		Probability			

To make the Risk Matrix meaningful for your Association, you need to define what you mean by both the probability and consequence scale.

### Probability

On this matrix, probability is given four levels—rare, occasional, likely and frequent. So how would you define the levels for your Association? Here’s an example:

Level	Definition	Frequency
4	Frequent	More than once a year
3	Likely	Once every 1 - 3 years
2	Occasional	Once every 3 - 10 years
1	Rare	Less than once every 10 years

You need to decide how often is frequent, likely etc. in terms of your Association and what you do.

### Consequence

You must make similar decisions in defining your consequence scale. The example below looks at consequence in terms of both financial loss and business interruption and you need to work out what this means for you. For example, for a huge organisation like BHP a loss of \$50,000 may be insignificant but for you it may be catastrophic. It depends on your size and the nature of your activities. The last item to include here is the response protocol for each level of event. This only comes into play should the event occur, but it defines up front who needs to respond and how.



# TIPS & TECHNIQUES

## Risk Analysis

When a problem occurs it tends to happen quickly and may need an immediate response. There may be no time to convene a meeting and make decisions about what to do—if everyone is aware of the response protocol you're better positioned to deal with whatever occurs.

Level	Definition	Financial Impact	Business Interruption	Response Protocol
4	Severe	Loss > \$XX,XXX	Lost time > XX days	High impact/long term issue requiring President and Committee intervention.
3	Major	Loss between \$X,XXX and \$XX,XXX	Lost time between XX and XX days	High impact requiring President intervention and Committee notification.
2	Moderate	Loss between \$X,XXX and \$XX,XXX	Lost time between X and XX days	Moderate impact requiring Portfolio intervention and Committee notification
1	Minor	Loss < \$X,XXX	Lost time < X days	Low impact requiring Program/Portfolio management.

Once you have defined your Probability and Consequence scales, you can confidently plot your defined risks on your Risk Matrix.



# TIPS & TECHNIQUES

## Treating Risk

The next step in the Risk Management process is to decide how to treat your risks. There are four available options—eliminate, reduce, transfer and accept.

### ELIMINATE THE RISK

It is seldom possible to eliminate a risk altogether. You should also keep in mind that eliminating a risk can create a new risk. For example, you may think that holding an outdoor event is too risky due to the potential for inclement weather and decide to cancel. However, this may create the risk of not meeting your budget, of disappointing your members and damaging your reputation etc.

### REDUCE THE RISK

This is how you will deal with the majority of risks facing your organisation. What you are aiming to do is reduce the probability of the risk, reduce the consequence of the risk, or both. Basically you're trying to move your risks as far as possible towards the bottom left corner of your Risk Matrix! This is done by exercising 'Controls' and we'll be examining these more closely in the next section.

### TRANSFER THE RISK

Transferring risk occurs when you pass the risk along to another party—the best known of these being your insurance company. Risk can also be transferred through contracting with a third party. For example, you may be organising an event and decide to contract out the catering to an external provider. This means that you take no risk for the success of the catering or any adverse effects on consumers (e.g. food poisoning).

However, remember that there may still be some residual risk. As in the previous example, if everyone became sick from some dodgy sausage offered by caterers at your event, you could still suffer a reputational loss as a result.

Other ways of transferring risk can be through waiver - where you ask people to sign a waiver before they participate in a particular activity, and disclaimer - where you make a statement about what responsibility you are or are not accepting. Waivers and disclaimers have their limits. They do not absolve you of your duty of care and you still have to exercise due care and diligence so as not to cause harm to members or participants.

### ACCEPT THE RISK

Sometimes it is worth simply accepting the risk. You will do this if the costs or consequences of the other options are unacceptable. Either the risk is acceptable / manageable, or the alternatives are worse!

### FINDING BALANCE

When you are deciding how to treat the various risks facing your association you should always aim to find balance. This is a balance between risk and benefit and a balance between risk and cost/convenience. The test for risk is 'reasonableness' and you should use your common sense in this area.

For example; you are faced with a sponsorship proposal that would provide you with the funds to implement an important project. However, the sponsor company engages in practices that do not fully align with your values and could be criticised by members. Is the benefit of the project funding greater than the potential for reputational risk? Whatever decision you make, it needs to be reasonable and backed up by solid arguments.

Another example; you identify a risk to health and safety and find that an optimal solution is available but will cost \$20,000 to implement. If you turnover only \$100,000 per annum, is it reasonable to invest in this solution, or are there other, cheaper options that will also reduce the risk to an acceptable level.



# TIPS & TECHNIQUES

## Risk Controls

**Risk Controls are the measures you take to manage your risks. Controls can reduce the probability or consequence of the risk, or both. The idea is to reduce each risk from a higher category on your Risk Matrix to a lower risk category.**

Risk Controls are basically just the things you do to mitigate your risks. Once you've organised, identified and analysed your risk, you should examine these controls to assess whether they are adequate or whether they could be improved.

### CAUSE AND EFFECT

Risk can be described as an 'uncertain event'. It's uncertain because it may or may not happen - our analysis gives us an idea of how likely and how severe the event might be. Every risk event is sandwiched between two things:

**Source/cause and effect/consequence**

The aim of risk controls is to examine the source/cause of the risk to see if it can be eliminated or reduced and the effect/consequence to see if it can be minimised or avoided.

### BREAKING DOWN THE RISK

Risk events are generally the result of a chain of circumstances. For example; someone trips over a power cord at a seminar and breaks their ankle. What were the circumstances that led to the accident? These include:

- the area was accessible
- the person was walking there at the time
- the power cord was in that space
- the cord was not marked or taped down.

If any one of those circumstances were removed, the accident may not have occurred. The risk can be controlled by removing one or more of these factors; such as roping off the area, removing or relocating the cord, or taping the cord to the floor.

For Associations there are more than just health and safety risks. There are financial, regulatory, reputational risks and more and these can be a little harder to break down.

For example, the success of a program or event may depend on sponsorship. So losing key sponsorships is a potential risk event. How could it occur? Reasons could include:

- The sponsor is not engaged and feels neglected by the Association
- The sponsor does not feel they are getting value for money

These reasons could be addressed by having an effective engagement strategy and regular communication; by reviewing contracts on a regular basis and identifying value add propositions.

### SYSTEMISING THE RESPONSE

Taking the tripping example above, there are a number of actions that can be taken to remove the risk. However, these actions will not be effective unless they are applied EVERY time the potential risk occurs. The best controls are systems or processes that address potential risks on an ongoing basis.



# TIPS & TECHNIQUES

## Risk Controls

Protocols can be established where the person or people responsible ensure that hazardous areas are roped off to unauthorised personnel; that electrical equipment is positioned so as to avoid the need for power cords in walkways so far as is possible; and where not possible, that power cords are securely taped to the floor so they cannot be tripped over. Checklists can be created to assist people to minimise risks.

### EVALUATING THE CONTROLS

Controls are the measures taken to minimise the likelihood or consequence of the risk event. Taking our sponsorship example, risk controls could be identified as follows:

Risk	Controls
Loss of key sponsorships	<ul style="list-style-type: none"> <li>• Sponsorship engagement strategy</li> <li>• Regular contact with all sponsors</li> <li>• Regular review of sponsorship contracts and the value of what is being delivered</li> <li>• Identification of 'value add' opportunities</li> </ul>

Controls should be evaluated as to their effectiveness and can be rated as follows:

#### Strong

Controls are strong if the risk is well understood and all economically feasible measures (addressing both probability and consequence) have been implemented. Controls are robust, to a high standard, consistently applied and monitored on a regular basis.

#### Moderate

Aspects of the risk are controlled, but additional controls are available and feasible. Controls are not completely reliable and could be more consistently applied and monitored.

#### Weak

Much greater control of the risk is feasible. Controls are unreliable, inconsistent and not effectively monitored. Once you've evaluated your risk controls, your table might look like this:

Risk	Controls	Control Rating
Loss of key sponsorships	• Sponsorship engagement strategy	STRONG
	• Regular review of sponsorship contracts and what is being delivered	MODERATE
	• Regular contact with all sponsors	STRONG
	• Identification of 'value add' opportunities	WEAK

You can then look at improving those risk controls that need work and/or identifying further controls to manage your risks.



# TIPS & TECHNIQUES

## Risk Tolerance

**An important decision for your Committee is to identify your risk tolerance. This means determining the amount of risk you're comfortable taking or believe is necessary for you to achieve your goals.**

How much risk is too much? This is a question that the Committee should consider each year in terms of the organisation as a whole, the types of risk you are faced with and particular programs or activities.

### **FACTORS THAT INFLUENCE RISK TOLERANCE**

The amount of risk you're prepared to take will depend on a number of factors, including:

#### **Age/Development Stage**

A new Association may be prepared to take more risks than an older, established organisation. If you're just starting out, or if you've decided to change focus, re-position or re-brand your Association, you may decide that some risks are necessary to establish or re-establish your market position.

#### **Membership/Participation Trends**

If you are faced with a declining membership or participation you may need to make some changes to the way you do things and/or your Association offering and this may involve taking some risks with new strategies and programs. An Association with a stable or growing membership/participation base may be less likely to take these risks.

#### **Financial Position**

If you have a secure income base and/or money in the bank, you may be prepared to make reasonable investment in strategies and programs that carry a higher level of financial risk. If your financial position is less secure you may be less likely to pursue activities that could result in financial losses.

#### **Strategic Plan**

What does your Strategic Plan say? Are you pursuing a growth strategy? Is innovation one of your goals? Or are you consolidating your position and taking a 'steady as she goes' approach? The goals and strategies in your strategic plan will have an effect on your risk tolerance.

#### **Member/Stakeholder Expectations**

What do your members expect of you? Are you known for innovation and creativity, or are you seen as a more stable, established organisation that values reliability? The expectations of your members and stakeholders can have an influence on your organisational strategies and their associated risk.

#### **Capacity to Manage Risk**

Even if you were inclined to pursue some riskier strategies and programs, do you have the ability to effectively manage them and adequately respond to risk events?

### **TOLERANCE MAY VARY BETWEEN RISK CATEGORIES**

Depending on your association's profile and goals, you may be prepared to take more risks in some areas than others. For example, an established organisation with significant reserves may be comfortable with taking some financial risks, but maintain a 'zero tolerance' policy to reputational risk. A new organisation may be less concerned with reputational risk, but may take a more conservative approach in areas that may adversely affect limited resources.

Determining your risk tolerance is an important aspect of risk management and a conversation on risk tolerance should be held every time you review your Register.



# Sample Incident Report

Details of the incident/near miss:

Short description:

Where did the incident/near miss occur?

Date of incident/near miss:

Time of incident/near miss:

Name of injured person (if relevant):

Injury sustained (if relevant):

Name of person reporting the incident:

Date of report:

Email:

Telephone:

Name of witness (if relevant):

Telephone:

Full description of events:

(Briefly describe what happened including the sequence of events, scene of the incident, who was involved, what was involved, what activity (if any) was taking place prior and at the time of the incident. Were there any hazards that contributed to the incident occurring?) Attach photos/video if available:

Comments/Recommendations

Signed: \_\_\_\_\_



# TIPS & TECHNIQUES

## Risk Management

**Risk Management is one of the fundamental Governance responsibilities for your Association. The process of identifying and managing risk allows the Committee to protect the Association from events or losses that would prevent it from achieving its goals.**

Risk management is the process of thinking about all the things that could go wrong and taking reasonable action to prevent them from happening, reduce their impact or deal with the fallout should a risk event occur.

Managing risk does not mean avoiding risk altogether. Taking a 'no-risk' strategy can limit your ability to pursue innovative projects or plans and seldom achieves ambitious goals and growth. Risk management means making reasonable decisions based on appropriate information and realistic assessment.

### **RISK MANAGEMENT PROCESS**

There are a number of steps to take in the risk management process.



Risk management is an ongoing process. It requires continuous communication and consultation to ensure that the risk profile remains current and continuous monitoring and review to ensure that it remains effective.

This can seem a daunting task to many Committees, but if you take it one step at a time you will be able to create an effective risk management program for your organisation. This will include a comprehensive Risk Register that will become the tool for your Committee to review on a regular basis.

There are items in our Toolbox for each step of the process to assist you in your risk management journey.

Before getting into the specifics, there are a few general tips on the next page for effective risk management in your Association:

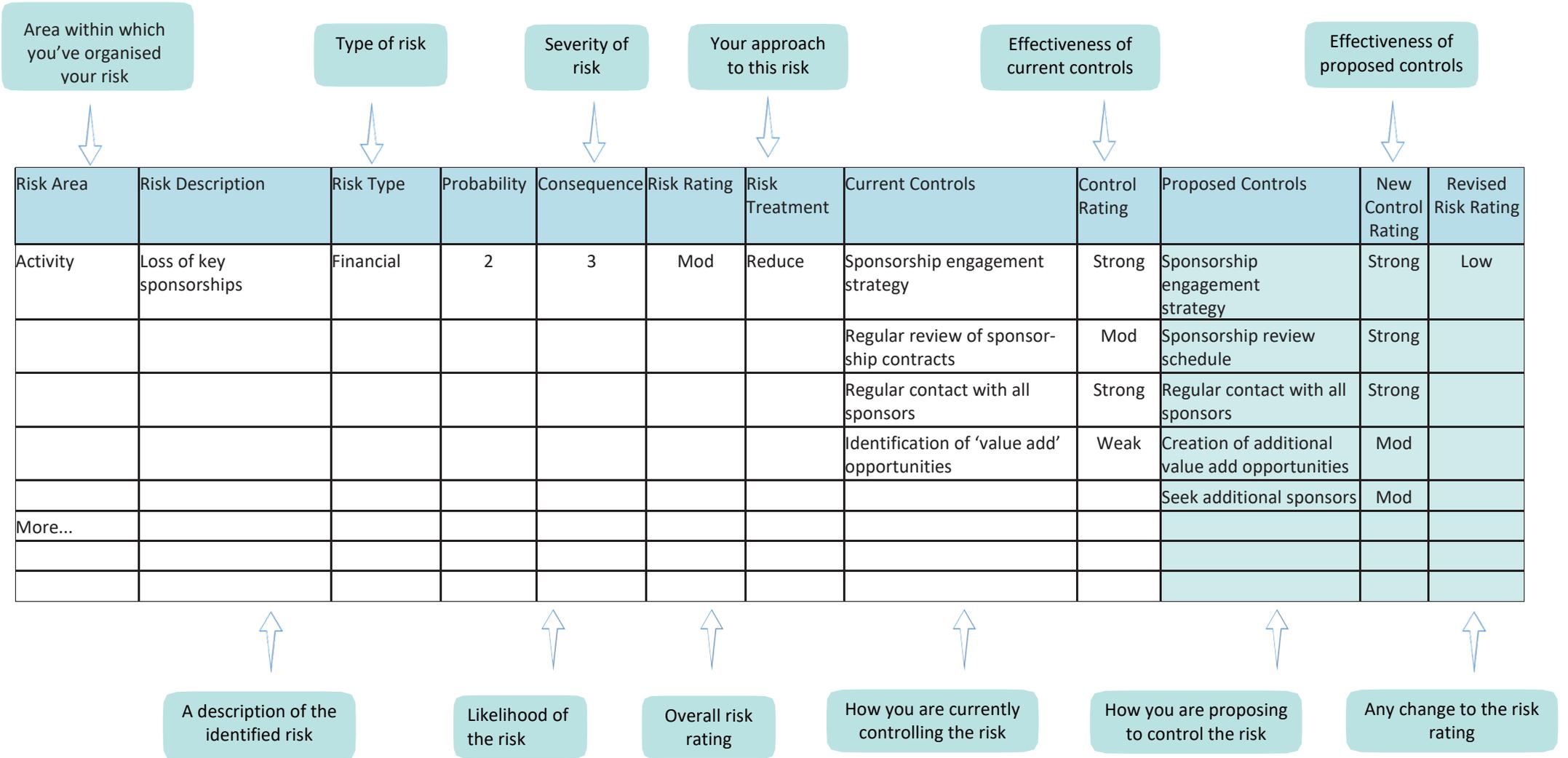
### **RISK MANAGEMENT IS EVERYONE'S JOB**

Effective risk management is not something that an individual or a group can do in isolation. While it is a good idea to allocate responsibility in this area to a Risk Committee, it's essential that everyone in the organisation understands what it is and why it's important. Let it be known that your priority is to protect the safety of everyone involved in or connected with your organisation.



# Sample Risk Register

All the work you've put into organizing, identifying, analyzing, treating and controlling risks comes together in a Risk Register. This is the tool you'll use and review regularly. It's an extension of the table created to organise and identify risk and simply adds to it.





# Congratulations

You've worked the whole way through the Good Governance Health Check. Take a bow!

It doesn't matter how long it took you to get here - the important point is that you've taken the time and put in the effort to carefully consider how well your Association is performing.

By now you'll have a plan for continuous improvement (Organisation Development Plan - call it whatever you like, we're plain and simple so we like 'To Do List' - but whatever works for your Committee is fine by us).

You'll also have developed a much greater understanding of what good governance really means - in practice, not just in theory and we're confident you'll have a much greater appreciation of its value to any organisation.



If you ever need assistance you can contact us:

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# About Us

The original concept and development The Good Governance Handbook and the online Good Governance Health Check are the result of an original collaboration between Kate Hartwig and Kate Reynolds. Leisa Donlan & Adrian Hart from [www.goodgovernanceconsultants.com.au](http://www.goodgovernanceconsultants.com.au) have tailored this guide & updated the content specifically for your organisation and the regulatory framework you work in and added a few templates and other information.

We've all been working in the not-for-profit sector for most of our working lives (hooley dooley, that's about 120 years between us!) and we know what works and what doesn't. Our approach - as you can see with this Handbook - is plain and simple - we provide no-nonsense, proven, practical assistance with governance and organisational development.

We've pooled our good, bad and ugly experiences and some of the many publications, tools, tips and techniques we've developed over the years into one, easy to access Handbook. We hope you've found it useful.