

Risk Management Policy

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1 What is risk management?

Risk is the uncertainty of something happening that will have an impact on Softball Australia's (SAL's) objectives and is a fundamental component of SAL's governance framework that will assure stakeholders that SAL is pursuing its objectives and fulfilling its responsibility with due diligence and accountability.

Risk management is the process of systematically eliminating or minimising the adverse impact of all activities which may give rise to risk. This requires the development of a framework within which risk exposure can be monitored and controlled. Risk management is a process by which SAL can seek to meet its duties and thus minimise liability.

2 Duty of Care

SAL owes a duty of care to its members and others involved in the activities of SAL where there is a reasonably foreseeable risk of harm or injury to them as a result of SAL's actions. In exercising this duty of care, the law requires SAL to take reasonable steps to reduce the likelihood of injury to its members and others involved in its activities as a result of those risks that are foreseeable.

This is the rationale which underpins any risk management process; the process of identifying risks, and adopting strategies and actions designed to reduce or remove these risks wherever possible.

3 How do I use the policy?

The primary purpose of this policy is to assist SAL and its Stakeholders in conducting risk assessments. Each step of the risk management process is discussed in terms of SAL risk example, however, the process in this policy can be used in managing risks at Association, State and Club level.

4 Which risks need to be managed?

Importantly, the law does not require SAL to provide a completely risk free environment. Indeed, by agreeing to participate in SAL's activities, participants and others involved will be taken to have consented to those risks which form an inherent aspect of the activity. SAL will not be required to take steps to counter risks where it would be unreasonable to expect SAL to do so in the circumstances. SAL is however expected to adopt reasonable precautions against risks which might result in injuries or damage which are reasonably foreseeable.

5 What is the risk management process?

This Policy is not a panacea which will make SAL litigation proof, but it may serve to aid defence against claims for breach of duty of care and other legal obligations.

This Policy sets out how SAL will manage the risks in relation to its activities. In addition, all stakeholders have a responsibility for managing risks in relation to their activities, such as business, employment, sporting functions and procurement.

SAL's Risk Management process based on the Australian Standard on Risk Management AS/NZS 4360:1999 and the National Risk Management Guideline developed by the Standing Committee on Sport and Recreation (SCORS) risk management working party and is the systematic application of management policies, procedures and practices to the tasks of identifying, analysing, evaluating, treating, monitoring and

communicating risk. Whilst the process is presented sequentially in this policy, it should be noted that the process is iterative with the monitoring, review, communication and consultation steps occurring continually.

Diagram 1 provides an overview of the risk management process from the Australian Standard.

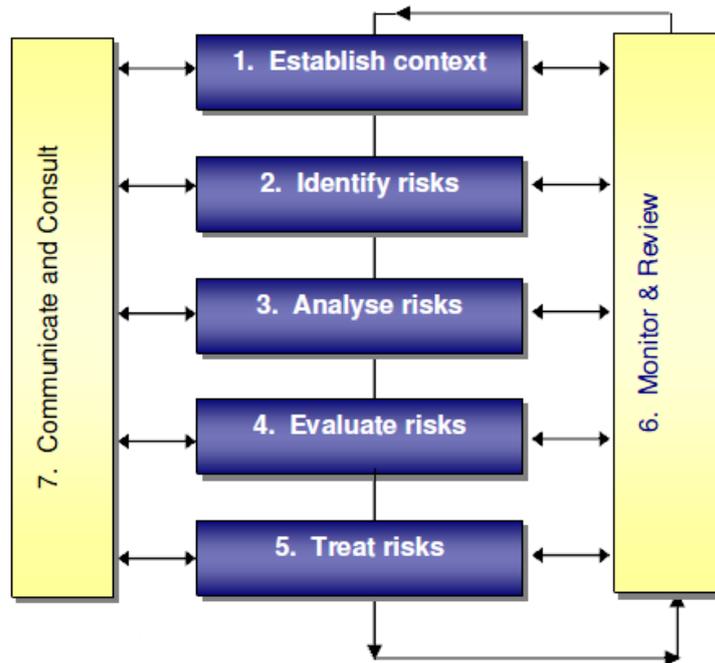


Diagram 1 (AS/NZA ISO 31000:2009)

6 Establish the Context (Step 1)

The first step in the risk assessment process is to establish the context or environment; The external (eg competitors, weather, economy, players, States etc) and internal (eg employees, strategy, structure, processes etc) environments. A key source of information that may help identify environmental components includes, but not limited to, Business plan; Strategic Plan; SAL’s Annual report and strategic analysis documents (eg SWOT analysis). Identifying the context ensures that all key risks are identified, as risks in each context are examined.

7 Risk Identification (Step 2)

Risk identification should be an ongoing process for both SAL staff and Board members in the conduct of their day to day activities. However, periodically, it is beneficial to step back and consider risks in a workshop discussion.

In identifying and clarifying risks it is important to ensure that the risk being considered is the actual cause of the negative consequences and not just a symptom or contributing factor.



Risk	Contributing factor
High % of children under the age of 15 will suffer obesity issues	Over eating High fat foods in the school canteen Lack of exercise

The risk should be identified in terms of the risk itself, the causes and contributing factors and the impact of the occurrence.

Risk categories have been listed in the risk management tables based on the key result areas under the SAL's strategic plan. Risk will be identified under each category and then these risks will be assessed and treated (where necessary) in the context of SAL and its activities.

8 Risk analysis (Step 3)

Once risks are identified, they need to be analysed to determine their impact on SAL and allowing it to achieve its objectives.

The level of risk is analysed by combining estimates of the likelihood of the risk occurring and the consequences to SAL in the event that the risk does occur.

8.1 Inherent risk analysis

Inherent risk is the risk to SAL in the absence of any actions that the Board or management takes to alter the risks likelihood and/or consequences.

The measurement of inherent risk is measured by examining two components: First, the impact or consequence that a risk event will have on SAL; Secondly the chance or likelihood that the risk event will actually occur.

To assist the analysis of inherent risk consequence, Table 1 considers the chance, likelihood or probability of the risk occurring and is rated from Almost Certain (A) to Rare (E).



Table 1: Likelihood Scale

Rating	Likelihood (The potential for problems to occur during a calendar year)
A	<p>Almost Certain - It is expected to occur in most instances/circumstances. Current trends/reported incidents depicts the activity occurring on a regular basis or on a regular basis within the industry.</p> <p>And/or</p> <p>There are no corrective actions implemented to mitigate the risks.</p>
B	<p>Likely - Will probably occur within most instances/circumstances. Current trends/reported incidents depicts the activity occurring infrequently in the past year and infrequently within the industry.</p> <p>And/or</p> <p>There are minimal controls implemented to mitigate the risks.</p>
C	<p>Possible – May occur at some point within the next 1-2 years. Current trends/reported incidents depicts the activity has not occurred in the previous year or within the industry</p> <p>And/or</p> <p>There are some controls implemented to mitigate the risks.</p>
D	<p>Unlikely – Unlikely to occur in the next 2 years and has not occurred in the last 10 years or within the industry.</p> <p>And/or</p> <p>There are very strong controls implemented to mitigate the risks.</p>
E	<p>Rare - Has never occurred in the business or within the industry. May only occur due to exceptional circumstances.</p> <p>And/or</p> <p>There are extremely strong controls implemented to mitigate the risks.</p>

Table 2: contains consequence ratings ranging from negligible (1) through to catastrophic (5) across several areas of impact, which can include both financial and non financial risk impacts. In most cases, a risk will have a number of areas of impact and it is the highest severity rating across those areas that should be considered.



Table 2: Impact/Consequence

Rating	Impact/Consequence – in terms of the objectives of SAL and survival and operations of SAL, its programs and activities
1	Insignificant (small financial loss, some stakeholder enquiries, nil legal impact, very small impact, rectified by normal processes).
2	Minor (Some financial loss, adverse stakeholder complaints, minor legal, easily remedied with some effort the objectives can be achieved, programs or activities of SAL not affected).
3	Moderate (Reasonable financial loss, adverse media coverage, limited legal, some objectives of SAL affected, considerable effort to rectify).
4	Major (Significant financial loss, continuing adverse media campaign, major legal, most objectives threatened and/or survival operation of SAL threatened or severely affected).
5	Catastrophic (huge financial loss, forced resignations, significant legal, most objectives may not be achieved or severely affected and/or survival operation of SAL severely affected)

Having assessed each risk in terms of its likelihood and consequence, the risk priority scale determines the nature of the risk and the action required. The scale is an indicator to assist in the decision making of what action is warranted for the risks.

Table 3: Risk Priority Scale

L		5	4	3	2	1
I K E L I H O	A	Extreme	Extreme	Major	Major	Medium
	B	Extreme	Extreme	Major	Medium	Minor
	C	Extreme	Major	Major	Medium	Minor
	D	Major	Major	Medium	Minor	Minor
	E	Medium	Medium	Minor	Minor	Minor



Inherent risk is measured using the following four categories

- **Minor (low)**
- **Medium (moderate)**
- **Major (significant)**
- **Extreme (high)**

Table 4: Example (Likelihood/Consequence/Ranking)

Risk No	Context	Risk Description	Likelihood	Consequence	Ranking
1	Financial	Exchange Rate Variation	A – Almost Certain High probability of occurring more than once	3 – Moderate Overseas investments will be significantly reduced resulting in less funding for SAL, may result in additional penalties to SAL if international teams have to withdraw from competition	Major
2	Management	Leadership and direction changing weekly will impact staff morale and productivity	D – Unlikely Stable management practices, good Governance & strategic alignment	5 – Catastrophic Resignations of key personnel, SAL may be unable to replace or attract qualified staff, major impact on delivery of objectives	Major

9 Risk evaluation (Step 4)

Risk evaluation involves comparing the level of risk with SAL's risk tolerance thresholds which were determined by SAL's Board of Directors and Senior Management. Each level of risk places certain obligations on the Risk Owner to appropriately manage that risk.

The acceptability or otherwise of the risk must be noted as part of the process. If the risk is acceptable then this should be noted as such in the treatment column of the risk management table in Attachment A.

9.1 Inherent Risk evaluation

Table 5 sets out the actions required for each level of Inherent Risk and these are shown on the Risk Worksheet for the level of inherent risk calculated.



Table 5: Inherent Risk Actions

Inherent Risk	Action Required
Low or minor risk	Assessment of controls is optional
Medium risk	Management responsibility must be defined. Assessment and documentation of control effectiveness and residual risk is required
Major	Management and/or Board responsibility must be defined. Assessment and documentation of control effectiveness and residual risk is required
High/extreme risk	Management and/or Board responsibility must be defined. Assessment and documentation of control effectiveness and residual risk is required

9.2 Control effectiveness, assessment and evaluation

For risks with a Medium, Major or High inherent rating, the Board and SAL management require a more detailed analysis of the risk by considering the following:

- Control strategy to mitigate the inherent risk
- Control effectiveness analysis to determine how well the control strategy mitigates the inherent risk

The first task is to identify the controls in place that are designated to mitigate the risk identified. (Controls are the systems, processes, guidance, structures and associated arrangements that SAL puts in place to manage risk and assist in the achievement of its objectives). The focus at this stage is only on the controls that currently exist; consideration of proposed controls will be done in Step 5.

Consideration of controls requires thoughtful analysis, as there are often many controls in place that we take for granted which are not always implemented or maintained by the Risk owner (e.g. data loss is a key risk for most organisations, one of the key controls for this is a regular back up regime, however, in analysing a risk for data loss, the back- up regime may be overlooked). So for this reason it is important to identify the 'control owner' as it is important to communicate to the owner the level of reliance placed in the control.

Once a control has been identified, it is important to consider how effective the control really is in managing the identified risk. Usually, a control is more effective if it is has been systematised (automated checks and balances) and cannot be manually overridden or ignored by an individual. Controls that are reliant on an individual's memory or initiative (wearing sun block and protective clothing) are not considered to be strong controls. Additionally, a control that prevents a risk event from occurring (preventative control) such as deadlocks on doors is preferred to a control that detects the risk after it has occurred (detective control) such as a burglar alarm.



Table 6: Inherent Risk Actions

Rating	Description
Excellent	Systems and processes exist to effectively manage the risk and management accountability is assigned. There is a high proportion of systemised controls which are well documented and regular monitoring and review indicates high compliance.
Good	Systems and processes exist which manage the risk. A combination of systemised and manual controls exists. Some improvement opportunities exist but have not been achieved.
Marginal	Systems and processes exist which partially mitigate the risk. However predominantly manual controls.
Poor	The system and processes for managing the risks are ineffective, have been subject to major change or are in the process of being implemented and their effectiveness cannot be confirmed.
Uncontrolled	No system or process exists to manage the risk

9.3 Residual risk assessment and evaluation

With an understanding of the effectiveness of controls in place to manage the risk, you should now consider its residual rating. Residual risk is the risk remaining to SAL after considering the effectiveness of the relevant actions to reduce the likelihood and/or consequences.

Risks	Consequence	Likelihood	Inherent risk	Controls in place	Control effectiveness	Residual risk
Shortfall in payments for rep players will result in lack of funds to pay airfares	Major	Unlikely	Medium	A/cs issued 90 days prior to departure; payment plans are put in place prior to leaving	Excellent	Moderate



Risk Treatment (Step 5)

In some instances the assessment of risk will indicate that the current controls are sufficient and the only actions required are periodic monitoring and assessment. Alternatively if the risk has significant or high rating, treatment plans are required.

Risk treatment (or mitigation) involves identifying the range of options for treating the risk, assessing those options, preparing risk treatment plans and implementing them. Mitigation options should be assessed on the basis of the degree of risk reduction, the extent of any benefits or opportunities created and the cost/benefit trade off.

One or more of the following mitigating actions can be used to treat the risk: (See table 6)

Table 7: Risk mitigation options and actions

Options	Actions
Transfer the risk	This involves another party bearing or sharing some part of the risk, commonly through contractual or insurance arrangements. The transfer decision must be well considered as some risks (i.e. reputation risk) cannot be transferred whilst others are taken on (i.e. contractual risk) as part of the transfer
Treat the risk	This involves reducing the likelihood or the consequence by changing the nature of the risk itself or maintaining and/or developing additional controls. There is always a trade-off between the level of risk and the cost of reducing it to an acceptable level.
Terminate the risk	By deciding whether or not to proceed with the activity that contains an unacceptable risk or choosing an alternative more acceptable activity which meets the business objectives.
Tolerate the risk	After the risks have been transferred or reduced, there may be risks that have to be tolerated by default where nothing can be done at a reasonable cost to mitigate the risk.

Once mitigation options have been selected a treatment plan should be developed, recorded and reported on.

The plan should identify the action to be taken, the responsible person, due dates and escalation.

Once the risk treatment has been developed it is a good idea to estimate the risk with the new controls in place. This will give you an indication as to whether the treatments will achieve the desired reduction in the residual risk rating. If not, alternative treatments should be considered.

In some instances, SAL will already have a strategy in place to address or manage an identified risk, these policies should be noted, some examples are as follows, this list is not exhaustive and a full list of SAL policies are available on the web site: <http://www.softball.org.au>.

- Anti-Doping
- Australian Championship Regulations
- Australian Team Policy
- eCommunications policy
- Hot weather guidelines
- Lightning Strikes Guidelines



- Member Protection Policy
- Member Recognition Policy
- Membership Policy
- National Policy on Match Fixing
- Pregnancy Guidelines
- Privacy Policy
- Tours and Tournament Policy

Ideally personnel involved in the process will work together to brainstorm a variety of treatment strategies and then consider each strategy in terms of its effectiveness and implementation.

If the risk has been assessed and the risk has rated highly, SAL will need to carefully consider necessary policies, procedures and strategies to treat the risk. These will include what is needed to treat the risk, who has the responsibility and what is the timeframe for risk management. These elements will comprise the action plan. If SAL already has a strategy in place to address or manage an identified risk, this should be inserted in the tables. If not, SAL will have to devise a strategy.

9.4 Risk treatment plans

A more detailed risk treatment plan has also been included in **Attachment A**. This will be used for the higher ranking risks (in particular those ranked 1 and 2). An explanation indicates what should be included in each section.

10 Monitoring and Review (Step 6)

Risk and the effectiveness of controls that are implemented need to be monitored to ensure that changing circumstances do not alter risk profiles. Ongoing review of mitigation plans and strategies is essential as factors that affect the suitability or cost of various treatment options may change over time.

Monitoring and review can take a number of forms ranging from day-to-day operational monitoring regimes, through:

- Self assessment exercises (responsibility of risk owner)
- Internal audits or peer review
- External audits
- Events that occur in the external or internal environment

When the risk event does occur this provides an opportunity to review whether the risk had been previously identified, was it rated correctly, was it rated accurately, did the controls mitigate the risk effectively, and what other actions can be done to mitigate the risk into the future.

SAL will regularly review and report on the risk ratings and treatment plans. The SAL Board will review Major and Extreme risks at each Board meeting and all others on a quarterly basis and act on any escalation in the interim.



11 Communication (Step 7)

Communication and consultation should take place throughout the risk management process ensuring that it is truly consultative rather than a one-way flow of information. Consultation on issues such as the risk, context causes and consequences, control effectiveness and mitigation strategies are essential to ensure that SAL addresses its risks in a co-ordinated and cost effective manner

It is essential that all risk owners update the risk register should a major trigger event occur and perform periodical assessments.

A register of all recorded risks is maintained by SAL and is version controlled in order that an audit trail of updates to the register can be kept. Regular reviews need to be conducted in order that overdue treatment actions and risk assessments can be escalated to the relevant personnel.

It is essential that personnel and participants in the activities of SAL are aware of the risk management program and are consulted in its development, implementation, and evaluation. The SAL Board and management will consider and implement strategies for the communication of SAL's risk management program.

12 Glossary of terms

Terms	Definitions
Consequence	Outcome of an event
Context	External or internal environment in which SAL seek to achieve its objectives
Control	Measure to mitigate risk. Controls include any process, policy, device, practice or other actions which modify risks
Event	This is sometimes referred to as an "incident" or "accident"
Likelihood	The chance of something happening
Residual risk	Remaining or left over risk after implemented risk treatments
Risk	The uncertainty of something happening that will have an impact on SAL and its objectives
Risk Analysis	The process to determine the nature and level of risk
Risk assessment	The overall process to of risk identification, risk analysis and risk evaluation
Risk evaluation	The process of comparing the results of risk analysis with risk criteria to determine whether the risk and/or is magnitude are acceptable or tolerable
Risk identification	The process of finding, recognising and describing risks
Risk management	Co-ordinated set of activities to direct and control SAL with regard to risk



Terms	Definitions
Risk management process	Systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context and identifying, analysing
Risk owner	Person with the accountability and authority to manage a risk
Risk treatment	Process to modify risk
Stakeholder	Person or organisation that can affect, be affected by, or perceive themselves to be affected by a decision or activity



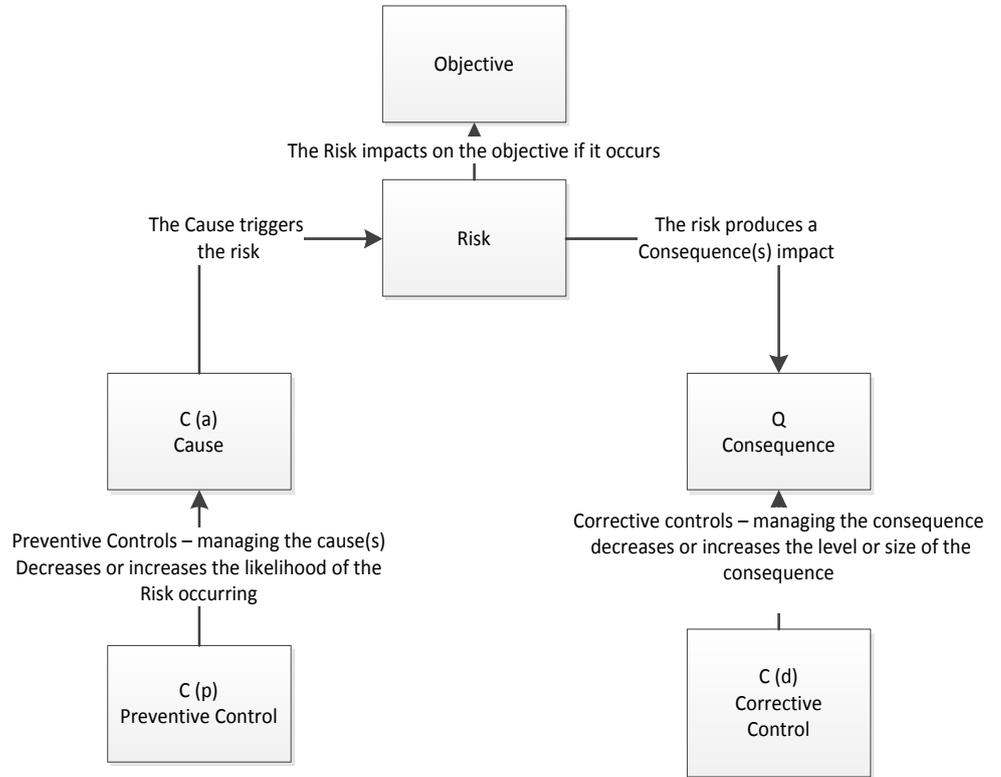
Attachment A – Detailed Risk Treatment Plan

Risk Treatment Plan for Softball Australia Limited (SAL)		
Risk # (cross reference to risk management tables)		Insert relevant Context/Category (i.e. Finance; Mgmt)
Risk Description		
Likelihood		
Consequence/Impact		
Evaluation		
Pre-emptive action (What steps have been taken to minimise the risk arising in the first instance)		
Action Plan	Proposed Actions:	
	Resource Requirements:	
	Responsibilities:	
	Time frame:	
	Reporting and Monitoring required:	
Risk Owner(s)		
Anticipated Risk Period (for which the proposed response is applicable)		
Compiled by:		Date:
Reviewed by: SAL's Risk Manager		Date:



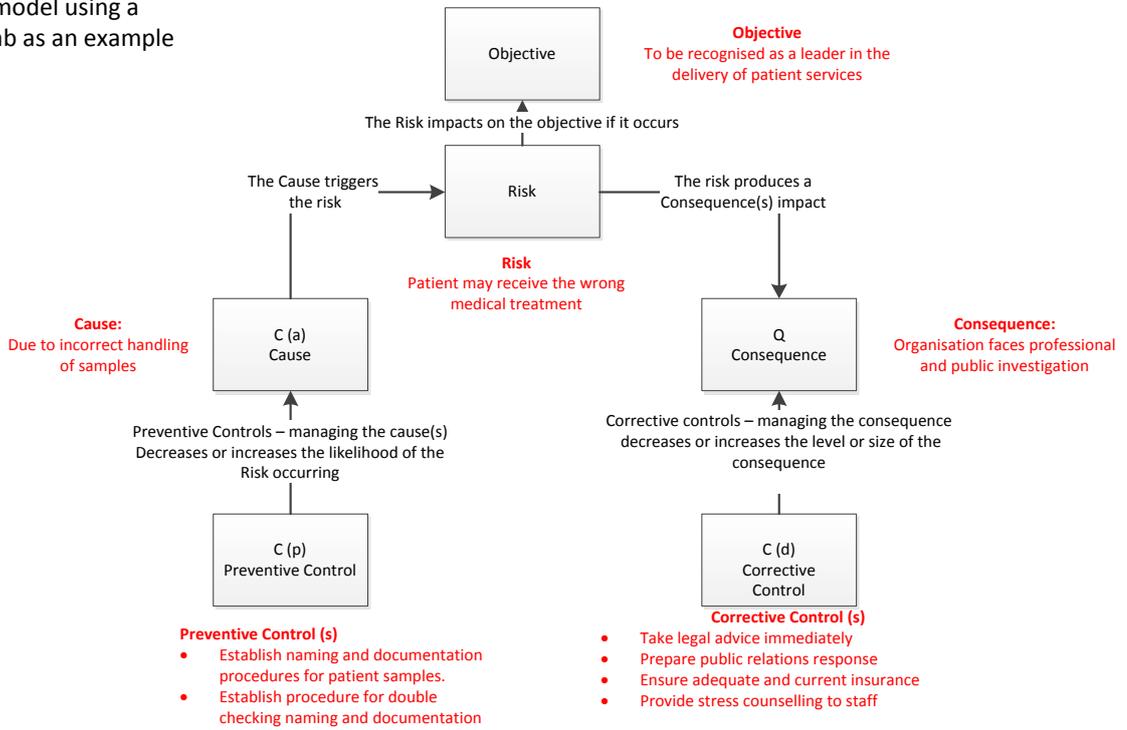
Attachment B – Risk Model

The risk model





The risk model using a Pathology Lab as an example



RiskModels.doc