

RUNNING THE RISK?

RISK MANAGEMENT TOOL FOR
VOLUNTEER INVOLVING ORGANISATIONS

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Disclaimer

This risk management booklet is intended to provide general and useful information. However, it is not proposed to be comprehensive legal advice. Readers are advised that before acting on any matters arising in this risk management booklet, they should seek specific legal advice about their situation.

Why Manage Risk?

Every manager of a not-for-profit organisation knows that there can be surprises for the organisation at any time, both good and bad. A volunteer board member may suggest a new funding source or service opportunity that could help the organisation toward achieving its mission. Equally, a staff member or volunteer may provide an inappropriate service that ends in a legal dispute, or may carelessly or accidentally do something resulting in harm to themselves or others.

These events can have a serious impact on the not-for-profit organisation's effectiveness, as well as on the physical or financial welfare of volunteers, staff or other stakeholders. These impacts may be:

- legal actions which deplete the organisation's finances,
- legal actions personally against the board, senior employees or volunteers,
- distraction of management in dealing with crisis situations, and
- adverse publicity affecting the organisation's reputation.

Some events have such devastating consequences for an organisation that the risk of them happening cannot be left to chance. Many of these impacts can be avoided or dealt with systematically through a process known as **risk management**.

What is risk management?

Risk management is the process of managing your organisation's exposure to potential liabilities. It does this by identifying risks in order to prevent them or reduce them, and by providing for funds to meet any liability if it occurs.

Liabilities do not just arise from physical risks – they also arise from not meeting regulatory requirements, and from financial, moral or ethical issues.

*Why **board members** need to be vigilant about risk management – see Case Study 2.*

This publication is a tool for preparing general risk management strategies, rather than plans dealing specifically with legal compliance issues. Note that Standards Australia has produced a specific standard for legal compliance plans (AS 3806: 1998) which can help you to formulate a legal compliance plan.

Risk management

- increases your chances of succeeding in an activity or preventing a loss,
- minimises the effect of a loss that could not be prevented,
- gives managers, staff and volunteers the confidence to pursue their mission without the fear of legal action or harm,
- approaches risk in a structured and calculated manner, rather than being haphazard.

Risk management is not

- about getting as much comprehensive insurance coverage as possible,
- about just avoiding legal action,
- a tool of 'control freak' managers to stifle innovation and creativity,
- about preventing the organisation from ever taking a calculated risk,
- about creating excessive bureaucracy and excluding volunteers from participating in the organisation,
- an expensive consultant's plan sitting in a glossy folder on your library shelf.

Risk is a part of living in our society. The challenge is to treat the risks in an appropriate and cost-effective manner so as to protect the organisation and its stakeholders. This must be done without dampening out the inspiration of volunteers or the social entrepreneurial spirit of employees with inflexible bureaucratic rules and procedures. It requires in essence a cultural shift.

What is the difference between risk management and legal compliance?

In working out what risks it faces, your organisation will probably identify the risk of incurring a penalty for breaking a law (for example, a fine for not filing its annual audited financial report with a government agency). This type of risk should be dealt with by a legal compliance plan rather than a risk management plan. This is because the law requires us to comply actively with (obey) legislative provisions, regardless of cost. Risk management – making a plan about how your organisation will manage the risk of failing to comply and being discovered in non-compliance, and/or how you will fund the fine – isn't an option.

Where does risk management fit into Volunteering Australia's National Standards?

The *National Standards for Involving Volunteers in Not-for-Profit Organisations* represent best practice in the management of volunteers. They are a generic set of guidelines produced by Volunteering Australia following extensive consultation with the volunteer sector. Risk management is part of that best practice.

According to the Management Responsibility standard (clause 2.5), an organisation should 'apply systematic risk management processes and practices to the tasks of identifying, analysing, assessing and monitoring risk for such matters as:

- a** volunteer/customer dissatisfaction;
- b** unfavourable publicity;
- c** mismanagement;
- d** threat to physical safety of volunteers/customers;
- e** failure of equipment or computer systems;
- f** a breach of legal or contractual responsibility;
- g** fraud;
- h** deficiencies in financial controls and reporting.'

The standard asks 'Are effective methods established to treat, avoid, or minimise any emerging or potential risks?' (clause 2.6). The standard highlights volunteer recruitment, selection, orientation and workplace health and safety as key areas for risk management (clauses 3 and 4).

Each organisation should have a policy and procedural framework that governs the way its volunteers are managed. A risk management program is part of that framework.

Standards Australia also has a standard on risk management which provides a generic guide for establishing and implementing risk management, and can be applied to community enterprise. It performs a similar function to the National Standards of Volunteering Australia, but is specific to risk management. The material in this publication relies on this standard and readers are encouraged to consult it (AS/NZS 4360:1999, available from <http://www.standards.com.au>).

How do you find out about changes to laws?

There is no single easy way to do this. You can find out about changes to laws and standards relevant to your organisations's activities by:

- *using the knowledge of your board members and voluntary professional advisors,*
- *supporting continuing professional education for your paid staff,*
- *monitoring information from peak industry and service associations,*
- *subscribing to information services, journals and other publications from government departments, commercial legal publishers and professional organisations,*
- *monitoring reliable legal and government websites.*

Looking up legislation

You can look up all state and federal legislation (Acts and Regulations) as well as many court decisions on the Australian Legal Information Institute's site at <http://www.austlii.edu.au> and the federal Attorney-General's Department's database at <http://SCALEplus.law.gov.au> Most state governments also have a website containing the legislation that applies in that state, as well as Bills (proposed legislation) being considered by the state Parliament.