

# Risk policy



Authorised by Board 21 April 2022

Managing Director’s authorisation:

A handwritten signature in black ink, appearing to read "Patrick W. Dae".

Effective date: 21 April 2022

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## 1. PURPOSE

Risk management is about understanding and managing the Fisheries Research and Development Corporation's (FRDC's) environment and taking measures, where necessary, to ensure that risks are contained to acceptable risk tolerance levels consistent with the FRDC's risk appetite statement. This documents sets out the FRDC's policy on managing risk and taking advantage of opportunities.

## 2. RESPONSIBILITY

Responsibility for this policy resides with the Managing Director.

## 3. DEFINITIONS AND ACRONYMS

Follow links to FRDC [Definitions](#), [Acronyms and Abbreviations](#)

## 4. RISK CATEGORY

This policy covers the following risk categories

Strategic	Reputational	Financial	Service Delivery (RD&E, Marketing, Trade)	Operational	People	Governance
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## 5. RELEVANT DOCUMENTATION

This section contains links to internally and externally facing documents – access to internally facing documents is restricted to FRDC employees. This policy is not limited to the list below and is relevant to all FRDC Policies and Procedures.

Relevant documentation
<b>Internal</b>
<a href="#">Fraud control plan procedure</a>
<a href="#">Procurement policy</a>
<a href="#">Procurement procedure</a>
<a href="#">Risk management procedure</a>
<a href="#">Risk Management Dashboard - Register All Risks</a>
<a href="#">FRDC Accountability Framework</a>
<b>External</b>
<a href="#">Australian National Audit Office – Corporate planning, performance statements and risk management under the PGPA Act</a>
<a href="#">Commonwealth Fraud Control Framework</a>
<a href="#">Commonwealth Risk Management Policy</a>

## 6. PUBLICATION

FRDC Website	Yes	Directors' website	Yes
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## 7. BACKGROUND

The FRDC's risk policy is framed around the risk management international standard ISO 31000:2018 – Risk Management Guidelines, and content from the Department of Finance Commonwealth Risk Management Policy. The FRDC manages risk through a risk management framework comprising the:

- Quality Management System (QMS)
- Risk policy
- Risk register
- Risk management procedure
- Fraud control plan procedure

FRDC directors and management share the risk management role, with responsibilities and roles that reflect their respective environments. Risk management is embedded in everything the FRDC does. It is mandated by relevant legislation and is incorporated in the FRDC's Quality Management System (QMS).

The FRDC also has obligations to manage risks under the *Public Governance, Performance and Accountability (PGPA) Act 2013*; specifically, Section 16:

*'Duty to establish and maintain systems relating to risk and control'*

The accountable authority of a Commonwealth entity must establish and maintain:

- (a) an appropriate system of risk oversight and management for the entity; and
- (b) an appropriate system of internal control for the entity;

including by implementing measures directed at ensuring officials of the entity comply with the finance law.

The guidelines for the FRDC Statutory Funding Agreement with the Department of Agriculture Water and the Environment (DAWE), requires that FRDC has Governance arrangements and practices to fulfil legislative requirements and align with contemporary Australian best practice for open, transparent, and proper use and management of Funds.

In June 2003 John Uhrig undertook, on behalf of the Australian Government, a *Review of the Corporate Governance of Statutory Authorities and Office Holders*. Subsequent guidelines issued by the Australian Government provided a list of factors that were taken into consideration when it decided to keep the FRDC as an entity governed by an independent Board and not re-absorbed into a department of state (as was, for example, the Australian Fisheries Management Authority). These factors included:

- the body operates commercially with the intention of making a profit, in a competitive environment, and it would likely be classified as outside the General Government Sector;
- the body has an entrepreneurial focus;
- a governing Board would provide effective governance for a body;
- there is a clear rationale for the assets of the body to not be owned or controlled by the Commonwealth directly; and
- the body requires a degree of independence from general policies of the Australian Government unless applied after consultation and formal notification.

The entrepreneurial focus highlights the need for the FRDC to proactively engage with risk and not to be risk adverse.

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For information about the FRDC, its vision, the Board, staff and the Quality Management System refer to the most recent edition of the FRDC’s [Annual report](#).

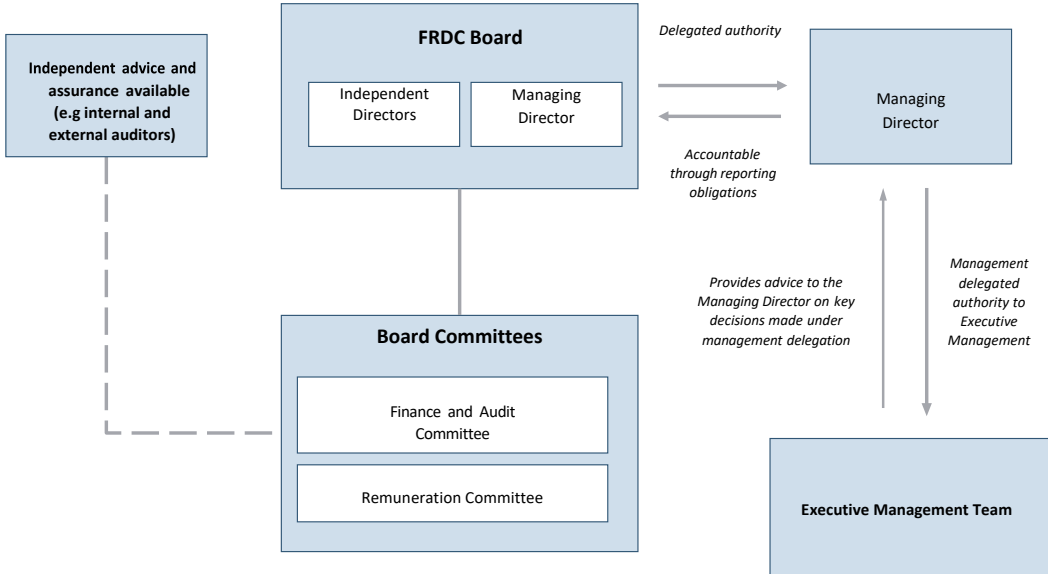
**8. OBJECTIVES**

The objective of the FRDC’s risk management policy is to ensure the implementation of an effective risk management framework that is consistent with the FRDC achieving the objectives of the PGPA Act.

The FRDC is committed to ensuring that effective risk management remains central to all its activities and is a core management competency. The aim is to ensure that risk management is embedded in the FRDC’s processes and culture, thus contributing to the achievement of its objectives.

**ROLES AND RESPONSIBILITIES FOR RISK MANAGEMENT**

*Structure of FRDC Board and standing Board committees*



Role	Key responsibilities
FRDC Board	<ul style="list-style-type: none"> <li>ensuring that strategies are in place for achieving the FRDC objectives</li> <li>satisfying itself that the FRDC is achieving its objectives</li> <li>ensuring that the FRDC has appropriate risk management and regulatory compliance policies in place, and that they are adhered to</li> <li>setting the FRDC’s risk appetite and risk tolerance against agreed risk categories</li> <li>monitoring the risk framework</li> <li>identifying emerging risks</li> <li>monitoring the FRDC’s risk mitigation strategies to ensure that all high and very high risks and those outside of the Board’s tolerance levels are managed and mitigated appropriately</li> </ul>

Finance and Audit Committee	<ul style="list-style-type: none"> <li>Responsibilities as outlined in the Board Finance and Audit Committee Policy</li> <li>reviews all risks categorised as Financial and Operational risks in the Risk register</li> <li>discusses emerging Financial or Operational risks that warrant bringing to the Board's attention</li> <li></li> </ul>
Managing Director	<ul style="list-style-type: none"> <li>leading the development and implementation of the framework</li> <li>identifying the enterprise-wide risks, and developing mitigation strategies</li> <li>alerting and reporting any material changes in risk to the Board</li> <li>implementation of mitigation strategies and controls</li> </ul>
Managing Directors direct reports	<ul style="list-style-type: none"> <li>monitoring, alerting and reporting any material changes in risk to the Managing Director</li> <li>implementation of mitigation strategies and controls</li> </ul>

## 9. POLICY STATEMENT

The FRDC will:

- adopt the Commonwealth Risk Management Policy as a matter of better practice
- embed risk management analysis and assessment in its culture, so that a shared understanding of risk leads to well informed decision-making, and that risk management is incorporated in all its activities
- incorporate both threats and opportunities in its treatment of risk
- consider risk in the FRDC's corporate planning processes and procedures
- tailor its approach to mitigate/respond to identified risks based on appetite and tolerance
- maintain a register of indemnities issued; and
- commit to appropriate annual risk training for its staff members and relevant contractors.

The Board will set and monitor the FRDC'S risk tolerances and appetites (refer 9.2 below), with a focus on high and very high risks.

### 9.1 Risk management framework

The FRDC's risk management framework endeavours to cover the full spectrum of risks faced by the FRDC. This involves the following steps:

- identifying** and **analysing** the main risks facing the FRDC
- evaluating** those risks and making judgements about whether they are acceptable or not
- implementing** appropriately designed control systems to manage these risks in a way which is consistent with the FRDC's risk appetite statement
- treating** unacceptable risks by formulating responses following the identification of unacceptable risks, including actions to reduce the probability or consequences of an event and formulation of contingency plans
- documenting** these processes, with summary tables (risk register) the main forms of documentation, supplemented by the risk management procedure,

- Fraud control plan procedure, Quality management system (QMS) or related documents as appropriate; and
- ongoing **monitoring, communication** and **review**

## 9.2 Risk appetite and tolerance

Risk appetite refers to the amount of risk an entity is willing to accept or retain to meet its purpose, goals or objectives. It is a statement or series of statements that describe the entity's attitude toward risk taking. Risk tolerance refers to the levels of risk taking that are acceptable in order to achieve a specific objective or manage a category of risk.

The FRDC faces a range of risks reflecting its responsibilities as a Research, Development and Extension Corporation. These include risks in our business areas Programs, Communications and Corporate support, and potentially Marketing.

We recognise that it is not possible, or necessarily desirable, to eliminate all of the risks inherent in our work. Accepting some degree of risk in our business practices promotes efficiency and innovation.

However, in other areas, for example the safety of our staff, our risk appetite (the level of risk we are willing to accept) is very low.

The FRDC's risk appetite statement and associated tolerance by risk category as it relates to threats and opportunities is as follows:

Category	Sub Category
Strategic	➤ Level of stakeholder support
Reputational	➤ Stakeholder feedback
Financial	➤ Long term financial sustainability ➤ Fraud
Service Delivery (relates to RD&E, Marketing, Trade)	➤ Stakeholder expectations ➤ Environmental contraventions ➤ Integrity of science
Operational (relates to the corporate operational activities of FRDC)	➤ Internal services
People	➤ Employee safety and welfare ➤ Workforce management, planning and performance
Governance	➤ Policy, Legal and legislative requirements

## Threats

### Strategic

Strategic – Level of stakeholder support
<p><u>Appetite statement:</u></p> <ul style="list-style-type: none"> <li>• The FRDC has a medium appetite for strategic risks.</li> </ul> <p><u>Level of control:</u> Low</p> <p><u>Comment:</u></p> <p>The FRDC ensures a continued focus on effective engagement and communication with all stakeholders by maintaining regular contact ensuring the FRDC is able to identify or be alerted to</p>

key issues. The FRDC engages in opportunities to build upon and maintain relationships and is committed to treating all stakeholders courteously and professionally, providing high quality service.

Key risk indicator		Tolerance trigger	Metric owner
Metric	Timeframe		
Level of support from the Minister	May and November	More than 1 instance of non-support	Board
		1 instance of non-support	Managing Director
Level of support from Representative Organisations	August and April	More than 2 instance of non-support	Board
		Up to and including 2 instances of non-support	Managing Director

## Reputational

Reputational – Stakeholder feedback			
<p><u>Appetite statement:</u></p> <ul style="list-style-type: none"> <li>FRDC has a medium appetite for risks or activities that could have a significant negative impact on its reputation.</li> </ul> <p><u>Level of control:</u> Medium</p> <p><u>Explanation:</u></p> <p>FRDC upholds its reputation for professionalism recognising that whilst its interests may not always align with others, it robustly engages with respect and courtesy, while maintaining the integrity of its relationships.</p>			
Key risk indicator		Tolerance trigger	Metric owner
Metric	Timeframe		
Significant criticisms or complaints	January and July	More than 5	Board
		Up to and including 5	Managing Director
Negative survey results	January	More than 10% change	Board
		Less than or equal to 10% change	Managing Director

## Financial

Financial – Long term financial sustainability			
<p><u>Appetite statement:</u></p> <ul style="list-style-type: none"> <li>The FRDC has a very low appetite for decisions that have a significant negative impact on FRDC's long term financial sustainability.</li> </ul> <p><u>Level of control:</u> Medium</p> <p><u>Explanation:</u></p> <p>The FRDC maintains a financially sustainable position by ensuring the FRDC is actively pursuing, planning and resourcing activities to grow and diversify its ability to invest in RD&amp;E.</p>			
Key risk indicator		Tolerance trigger	Metric owner
Metric	Timeframe		
Variation in revenue (forecast)	April and November	Year on year revenue reduction of more than 10%	Board
		Year on year revenue reduction of up to 10%	Managing Director
Variation in retained earnings	At each Board meeting	Retained earnings fall below \$5m	Board
		Retained earnings fall below \$15m	Managing Director

Financial - fraud			
<p><u>Appetite statement:</u></p> <ul style="list-style-type: none"> <li>The FRDC has a low appetite for fraud, collusion, and theft (and the associated reputational risk).</li> </ul> <p><u>Level of control:</u> High</p> <p><u>Explanation:</u></p> <p>FRDC recognises the risk of fraud and/or corruption exists within its routine activities. FRDC takes all reasonable steps to identify vulnerabilities; and to prevent, detect, and punish fraud.</p>			
Key risk indicator		Tolerance trigger	Metric owner
Metric	Timeframe		
Number of incidents of fraud	Annual	All instances of fraud	Board



## Service Delivery (RD&E, Marketing, Trade)

Service Delivery:					
<ul style="list-style-type: none"> <li>➤ Stakeholder expectations</li> <li>➤ Environmental contraventions</li> <li>➤ Integrity of Science</li> </ul>					
<p><u>Appetite statement:</u></p> <ul style="list-style-type: none"> <li>The FRDC has a medium appetite for risks arising from failure to meet stakeholder commitments or expectations.</li> <li>The FRDC has a low appetite for risks that could lead to a contravention of <i>The Environment Protection and Biodiversity Conservation Act 1999</i> (EPBC Act).</li> <li>The FRDC has a low appetite for risks that discredit FRDC public science.</li> </ul> <p><u>Level of control:</u> Medium</p> <p><u>Explanation:</u></p> <p>The FRDC aims to take a risk-based approach to its investment to deliver a balanced portfolio with a mix of low and high-risk investments. The FRDC aims to add value and cover a broader range of RD&amp;E approaches, including service delivery and extension, maximising leverage opportunities and adding to the creation of value. The FRDC aims to ensure its services are easy to use, efficient, accessible and suitable for all designated stakeholder needs. The FRDC aims to improve service delivery by examining opportunities for innovation.</p>					
Key risk indicator		Tolerance trigger		Metric owner	
Metric	Timeframe				
Stakeholders about FRDC	January	More than 3		Board	
		Up to and including 3		Managing Director	
Contraventions of the (EPBC Act) caused by FRDC research	January	More than 1		Board	
		1 instance		Managing Director	
Attacks on FRDC funded research	February and August	More than 2		Board	
		Up to and including 2		Managing Director	

## Operational

Operational: internal services					
<p><u>Appetite statement:</u></p> <ul style="list-style-type: none"> <li>The FRDC has a medium appetite for failure to deliver agreed tasks on time.</li> <li>The FRDC has a low appetite for system failures, or information and data security breaches</li> </ul> <p><u>Level of control:</u> High</p> <p><u>Explanation:</u></p> <p>The FRDC aims to ensure its internal services are easy to use, efficient, accessible and suitable for all employee needs. The FRDC aims to improve internal service delivery by examining opportunities for innovation.</p>					
Key risk indicator		Tolerance trigger		Metric owner	
Metric	Timeframe				
Continual Improvement Reports (CIR) not delivered within 60 days	April and September	More than 10%		Board	
		Up to and including 10%		Managing Director	

## People

People			
➤ Employee safety and welfare			
➤ Workforce management, planning, and performance			
<u>Appetite statement:</u>			
<ul style="list-style-type: none"> <li>The FRDC has a low appetite for compromising employee safety and welfare</li> <li>The FRDC has a low appetite for risks arising from inadequately trained employees or failed internal processes</li> </ul>			
<u>Level of control:</u> High			
<u>Explanation:</u>			
The FRDC aims to attract, retain, and forward plan for a capable, adaptive, responsive and engaged workforce. The FRDC values a healthy workplace culture that supports staff members to perform at their best and ensures the long-term sustainability of critical skill sets. The FRDC's goal is to identify risks to health and safety and minimise those risks as far as reasonably practicable.			
Key risk indicator		Tolerance trigger	Metric owner
Metric	Timeframe		
WHS incidents	Every Board meeting	More than 2 incidents	Board
		Up to and including 2 incidents	Managing Director
Training plans undertaken and completed	May	More than 10% not completed	Board
		Up to and including 10% not completed	Managing Director
Median number of days lost per staff member	December	More than 10	Board
		Up to and including 10	Managing Director

## Governance

Governance – Policy, legal and legislative requirements			
<u>Appetite statement:</u>			
<ul style="list-style-type: none"> <li>The FRDC has a low appetite for non-compliance with legal and legislative requirements.</li> </ul>			
<u>Level of control:</u> High			
<u>Explanation:</u>			
The FRDC adheres to the relevant laws and regulations, including FRDC policies and procedures and ensures that appropriate governance is in place by monitoring and supervising systems that deliver the targeted outcomes for the organisation; and ensures accountability to stakeholders and legal compliance.			
Key risk indicator		Tolerance trigger	Metric owner
Metric	Timeframe		
Unsatisfactory compliance reports	August	More than 1	Board
		Up to 1	Managing Director

## Opportunities

### Strategic

Strategic – Level of stakeholder support			
<p><u>Appetite statement:</u></p> <ul style="list-style-type: none"> <li>The FRDC has a high appetite for activities that improve its reputation.</li> </ul> <p><u>Level of control:</u> Medium</p> <p><u>Explanation:</u></p> <p>The FRDC ensures a continued focus on effective engagement and communication with stakeholders by maintaining regular contact and ensuring the FRDC is across key issues. The FRDC engages in opportunities to build upon and maintain relationships, and is committed to treating stakeholders professionally, and providing them with a high quality service.</p>			
Key risk indicator		Tolerance trigger	Metric owner
Metric	Timeframe		
Increase in positive survey results	12 months	More than 10% change	Board
		Up to and including 10% change	Managing Director

### Financial

Financial – Long term financial sustainability			
<p><u>Appetite statement:</u></p> <ul style="list-style-type: none"> <li>The FRDC has a high appetite for increasing and diversifying its income.</li> </ul> <p><u>Level of control:</u> High</p> <p><u>Explanation:</u></p> <p>The FRDC maintains a financially sustainable position by ensuring the FRDC is actively pursuing, planning and resourcing activities and opportunities to grow and diversify its ability to invest in RD&amp;E.</p>			
Key risk indicator		Tolerance trigger	Metric owner
Metric	Timeframe		
Income increase	April and November	More than 3%	Board
		Up to and including 3%	Managing Director

### Service Delivery (RD&E, Marketing, Trade)

Service Delivery – Stakeholder expectations			
<p><u>Appetite statement:</u></p> <ul style="list-style-type: none"> <li>The FRDC has a high appetite for investment in research that improves stakeholder perception of the FRDC's ability to deliver to stakeholder expectations.</li> </ul> <p><u>Level of control:</u> High</p> <p><u>Explanation:</u></p> <p>The FRDC aims to add value and cover a broader range of RD&amp;E approaches including service delivery and extension, maximising leverage opportunities and adding to the creation of value.</p>			
Key risk indicator		Tolerance trigger	Metric owner
Metric	Timeframe		
Stakeholder satisfaction	January	Greater than 10%	Board
		Up to and including 10%	Managing Director

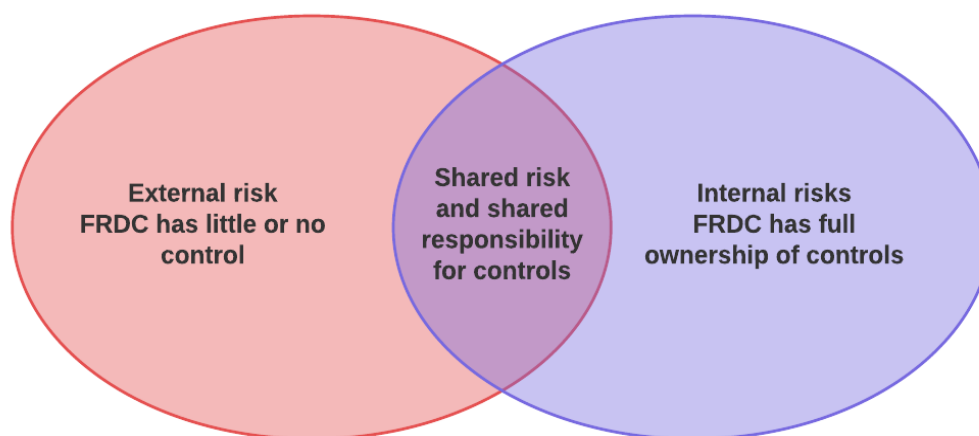
## Operational

Operational – internal services			
<u>Appetite statement:</u>			
<ul style="list-style-type: none"> <li>The FRDC has a high appetite for improving internal services delivery and efficiency</li> </ul>			
<u>Level of control:</u> High			
<u>Explanation</u>			
The FRDC aims to ensure its services are easy to use, efficient, accessible and suitable to all stakeholder needs. The FRDC aims to improve service delivery by innovating.			
Key risk indicator		Tolerance trigger	Metric owner
Metric	Timeframe		
Activities satisfactorily completed on time	August	Greater than 80%	Managing Director

## Shared risk

Shared risk is a risk with no single owner, where more than one entity is exposed to or can significantly influence the risk. The FRDC manages shared risks by:

- identifying shared risks during the risk assessment process
- establishing effective controls - examples of controls for shared risks include contracts, Memorandums of Understanding, insurance, increased reporting and monitoring, and consulting and working in partnership with stakeholders.



## 9.3 Risk Management Dashboard

The Risk Management Dashboard provides a platform to monitor threat and opportunity risk more regularly and effectively. Where the origin of threats or opportunity risks can be identified, the risk by jurisdiction will be populated.

[Risk Management Dashboard - register all risks](#)

## 9.4 Fraud

The FRDC will apply the Commonwealth's Fraud Control Framework as a matter of best practice. The FRDC will aim to minimise the likelihood and impact of fraud by implementing

policy that is consistent with the requirements of the *Commonwealth Fraud Control Framework*.

Employees are responsible for managing the risk of fraud within the scope of their activities by integrating fraud control into everyday business management practices. Employees will develop an understanding of their roles and responsibilities with respect to fraud control, and how they can contribute to preventing fraud in their respective areas.

The FRDC will foster the highest standards of ethical behaviour and aims to mitigate the risk of fraud through the elements of the FRDC's financial management and operating systems; namely:

1. Policy generally; but specifically:
  - a. Code of conduct
  - b. Risk policy
  - c. Risk register
  - d. Delegations policy
  - e. Employee policy
2. Quality Management System (QMS) - policies, procedures, work guides and training
3. Audit programs:
  - a. FRDC project audit program of research providers
  - b. QMS internal and external review programs
  - c. Financial internal audit program
4. Separation of function; with payment processing ensuring four to five staff are involved in the process.
5. FRDC project agreement [it contains detail on how research providers should report suspicions or allegations of fraud]
6. *Public interest disclosure policy* promoting integrity and accountability, encouraging and facilitating the disclosure of suspected wrongdoing and reporting processes
7. The FRDC will foster the highest standards with access to expertise in Fraud/Control Prevention/Detection
8. Recruitment processes defining and communicating the FRDC's culture, values and its practices. **Note.** The employee position descriptions state it's a shared accountability across all employees to contribute to the FRDC's positive risk culture, actively participate in risk management training, and incorporate risk management in all FRDC activities.

## 9.5 Measures of success

Measures of success for this policy will be that:

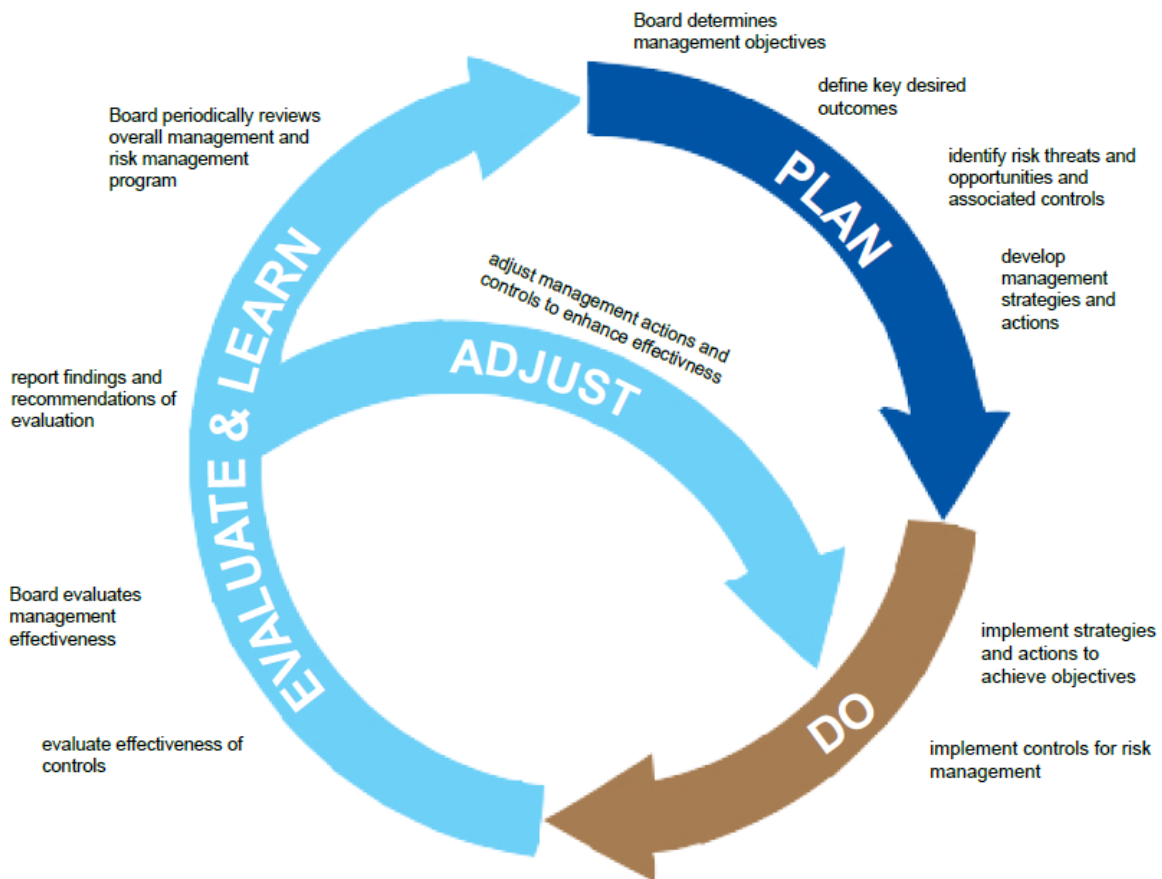
1. the Board:
  - a) sets and monitors risk appetite and tolerance aligned with the R&D Plan
  - b) reviews the risk framework annually
  - c) has a Finance and Audit committee charged with monitoring Finance and operational risks
  - d) considers identified emerging risks, significant changes to existing risks and significant impacts to mitigation strategies at each meeting
  - e) considers the mitigation and risk reduction measures identified for unacceptable risk
  - f) considers steps taken to optimise identified opportunities

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- g) ensures that the risk management framework is updated annually
2. all policies and procedures incorporate a risk evaluation
3. there are no instances of fraud
4. risk training is provided for employees and relevant contractors
5. risks and emerging risks are discussed at all staff and management meetings
6. an advanced risk maturity level is achieved as per the Comcover Benchmarking Survey, assessing the maturity of the FRDC risk framework against the nine elements of the Commonwealth Risk Management Policy.
7. demonstrated effective controls have been implemented across all risk categories (reviewed both internally and externally)

## 9.6 Monitoring and reporting

The FRDC will use key risk indicators and tolerance limits to assist in identifying how actual exposure sits against the different tolerance levels above. The FRDC will use an adaptive management cycle to ensure ongoing monitoring and review of the FRDC risk environment.



Adequacy of controls for existing and new risks will be monitored through internal and external audits; and implementing (where appropriate) their recommendations including (but not limited to):

- Quality Management System
- Financial statements
- Project commitments
- Remuneration
- Fraud
- ICT

Any issues or material changes will be identified in weekly Managing Director reports and significant issues, including risks which exceed tolerance levels, will be escalated to the Board through the Finance and Audit committee.

Actions to be taken, including any additional controls, will be allocated as per the risk reporting and escalation table in the [Risk management procedure](#).

The FRDC will report on risk management activities in its annual report.

## 9.7 Risk Evaluation Tables

Risk reporting and escalation (threat)			
Residual Risk evaluation	Responsibility and oversight of management of risk	Action	Frequency of reports
Active Management	Board	very high risk, should be brought to the immediate attention of the Board, Managing Director to remedy and continuously monitor	Weekly – via MD report and at every Board meeting
Control focus	Managing Director	high risk, requires FRDC management attention and should be continuously monitored and remain effective	At every Board meeting
Periodic review	Managing Directors direct reports	medium risk, performance monitored regularly and ensure risk does not change	Monthly at FRDC management meetings
No major concern	Managing Directors direct reports	low risk, apply routine procedures and monitor at supervisory level	At least annually

Risk reporting and escalation (opportunity)			
Residual Risk evaluation	Responsibility and oversight of management of risk	Action	Frequency of reports
Active Management	Board	very high opportunity; detailed planning required at senior levels to prepare for and capture the opportunity	At every Board meeting
Control focus	Managing Director	high opportunity; senior executive management attention needed and management responsibility specified	At every Board meeting
Periodic review	Managing Directors direct reports	medium opportunity; manage by specific monitoring or response procedures	Monthly at FRDC management meetings
No major concern	Managing Directors direct reports	low opportunity; manage by routine procedures, unlikely to need specific application of resources	At least annually



**10. ATTACHMENTS**

#	Description
1	Not applicable

# Risk policy

Final Audit Report

2022-05-19

Created:	2022-05-19
By:	Cheryl Cole (cheryl.cole@frdc.com.au)
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