



Authorised by board –

Managing Director’s authorisation:

Effective date: 17 January 2019

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1. PURPOSE

Risk management is about understanding and managing FRDC's risk environment and taking measures, where necessary, to ensure that risks are contained to acceptable levels consistent with FRDC's risk appetite as outlined in its risk appetite statement. This documents sets out the FRDC's policy on managing risk.

2. RESPONSIBILITY

Responsibility for this policy resides with the Managing Director.

3. DEFINITIONS AND ACRONYMS

Definitions - follow link to [Definitions](#)

Acronyms – follow link to [Acronyms and Abbreviations](#)

4. RISK CATEGORY

This policy covers the following risk categories

Strategic	Reputational	Financial	Service Delivery	Operational	People	Governance	Compliance
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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.

Relevant documentation	Document # or web address
Internal	
Business continuity procedure	NEMO-29-758
Calendar procedure	NEMO-29-1150
Code of conduct	NEMO-29-561
Delegation policy	NEMO-29-1900
Employee policy	NEMO-29-1826
Indemnity register	NEMO-17807-14
Insurance - 2017-18 Schedule of cover	NEMO-24-5262
Insurance procedure	NEMO-29-1100
Financial statements procedure	NEMO-29-1101
Fraud control plan procedure	NEMO-17443-161
Procurement Policy	NEMO-29-1704
Procurement Procedure	NEMO-29-1006
Risk management procedure	NEMO-29-2953
Risk register	NEMO-29-1711
Work Health and Safety (WHS) policy	NEMO-29-755
Work Health and Safety (WHS) procedure	NEMO-1744-203
External	
ISO 31000:2018	ISO 31000:2018
Australian National Audit Office – Corporate planning, performance statements and risk management under the PGPA Act	Audit insights

Comcare Workers Compensation Scheme	Comcare Scheme
Comcover General Insurance	Comcover Statement of Cover
Commonwealth Fraud Control Framework	link to guidelines
Commonwealth Risk Management Policy	link to policy
Commonwealth Funding Agreement	Funding-Agreement-2015-19
PGPA Rule – section 23 – Insurance obtained by corporate Commonwealth entities	PGPA Rule – section 23
Primary Industries Research and Development Act 1989 (PIRD Act)	PIRD Act
Public interest disclosure (PID) policy	PID Policy
Public Governance, Performance and Accountability (PGPA) Act 2013	PGPA Act
Safety, Rehabilitation and Compensation Act 1988.	Safety, Rehabilitation and Compensation Act 1988.
Taxation administration Act 1953	Taxation Administration

6. PUBLICATION

This policy is to be made available on the FRDC website.

7. BACKGROUND

The FRDC's risk policy is based on the risk management international standard ISO 31000:2018 – Risk Management – Guidelines. The FRDC manages risk through a risk management framework comprising the:

- Quality Management System (QMS) - AS/NZS ISO 9001:2015 certification
- Risk policy
- Risk register
- Risk management procedure
- Fraud control plan procedure

FRDC directors and executive management share the risk management role, with associated responsibilities and roles that reflect their respective environments. Risk management is embedded in everything the FRDC does, is mandated by relevant legislation, and is incorporated in the FRDC's Quality Management System (QMS) that requires both annual internal and external audits to maintain certification.

The FRDC also has obligations to manage its 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:

- an appropriate system of risk oversight and management for the entity; and
- 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.

Under its Funding Agreement with the Department of Agriculture and Water Resources (DAWR), the FRDC is required to provide a copy of its risk management framework to DAWR at intervals of no more than four years. FRDC's practice is to provide it annually, on completion of the annual review.

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
- 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.

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

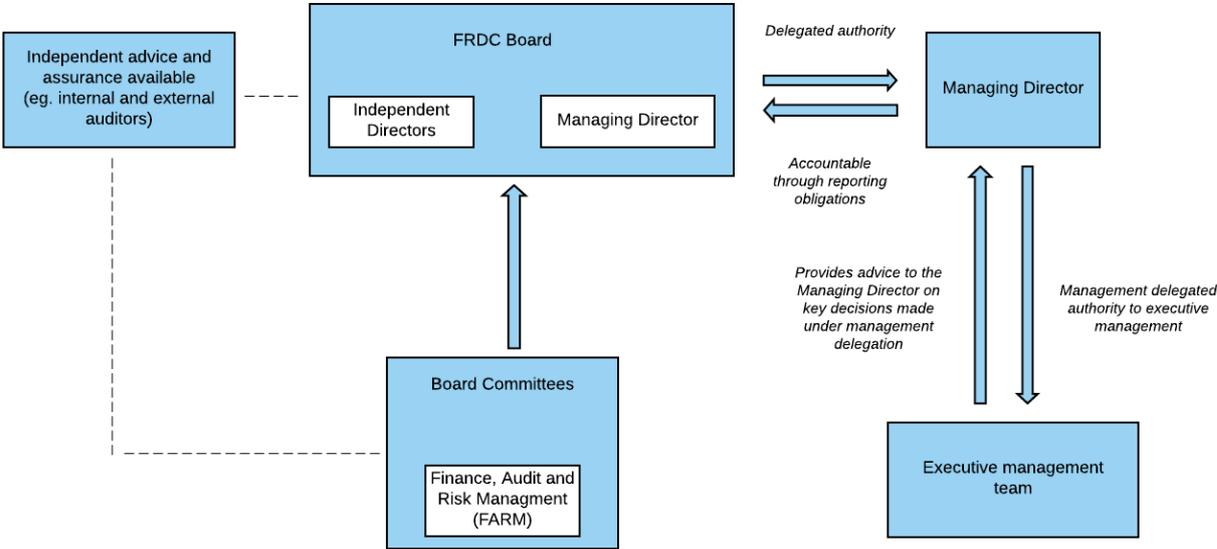
8. OBJECTIVES

The objective of FRDC's risk management policy is to ensure the implementation of an effective risk management framework that is consistent with FRDC achieving its policy and operating objectives. In doing so, it follows accepted standards and guidelines for managing risk, particularly, ISO 31000:2018, the Commonwealth Risk Management Policy and the Australian National Audit Office – audit insights – Corporate planning, performance statements and risk management under the PGPA Act.

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 FRDC's processes and culture, thus contributing to the achievement of its core objectives.

9. ROLES AND RESPONSIBILITIES FOR RISK MANAGEMENT

Structure of FRDC’s board and standing board committees



Role	Key responsibilities
FRDC board	<ul style="list-style-type: none"> ensuring that the FRDC’s outcome is clearly established, that strategies are in place for achieving it satisfying itself that the FRDC is achieving its outcome ensuring that the FRDC has appropriate risk management and regulatory compliance policies in place, and that they are adhered to setting the FRDC’s risk appetite and risk tolerance against agreed risk categories monitoring the risk framework identifying emerging risks 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
Finance, Audit and Risk Management (FARM) Committee	<ul style="list-style-type: none"> reviewing the risk framework annually reviewing emerging risks reviewing and assessing the risk register and mitigation strategies reporting its deliberations to the board
Managing Director	<ul style="list-style-type: none"> leading the development and implementation of the framework identifying the enterprise-wide risks, and developing mitigation strategies alerting and reporting any material changes in risk to the board implementation of mitigation strategies and controls

10. POLICY STATEMENT

The FRDC will:

- apply 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
- embed risk in the FRDC's corporate planning processes and procedures
- tailor its approach to identified risks based on appetite and tolerance.
- maintain a register of indemnities issued.
- 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 10.2 below), with a focus on high and very high risks.

10.1 Risk management framework

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

- **Identifying** and **analysing** the main risks facing 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 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
- Ongoing **monitoring, communication** and **review**

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

Doc ID NEMO-29-1803	Version: 5.0	https://nemo.frdc.com.au/FilePlan/StratMng/ Policy Working Documents/Risk policy.docx	10:02:18	17-Jan-19	Page 6 of 13
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Threats

Risk Category	Appetite	Tolerance	Key Indicator	Annual Tolerance range
Strategic	FRDC has a moderate appetite for strategic risks.	0 1 2 3 4 5 	Level of support from the Minister and Representative Organisations	No more than 3 instances of non-support
Reputational	FRDC has a moderate appetite for risks that could have a significant negative impact on its reputation	0 1 2 3 4 5 	Number of significant criticisms or complaints Percentage increase in negative survey results	Not more than 3 Nor more than 10% change
Financial	FRDC has a moderate appetite for decisions that have a significant negative impact on FRDC's long term financial sustainability. FRDC has zero tolerance for fraud, collusion, and theft (and the associated reputational risk).	0 1 2 3 4 5 0 1 2 3 4 5 	Variance from expected financial outcome Number of incidents of fraud	Not more than 10% Not more than 0
Service Delivery (RD&E, Marketing, Trade)	FRDC has a low appetite for risks arising from failure to meet stakeholder commitments or expectations. 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). FRDC has a low appetite for risks that threaten the integrity of science.	0 1 2 3 4 5 0 1 2 3 4 5 0 1 2 3 4 5 	Key stakeholders dissatisfied with FRDC Number of contraventions of the (EPBC Act) caused by FRDC research Number of attacks on FRDC funded research	No more than 2 No more than 1 No more than 2

Operational	FRDC has a moderate appetite for failure to deliver agreed tasks on time.		Number of task delivery failures that exceed 30 days	No more than 10%
	FRDC has a low appetite for system failures, or information and data security breaches		Number of system outages	No more than 2 system failures and no more than 1 data security breach
People	FRDC has a low appetite for compromising employee safety and welfare.		Number of lost time to WHS incidents	No more than 2 incidents
	FRDC has a low appetite for risks arising from inadequately trained employees or failed internal processes.		Training plans undertaken and completed	10% not completed
	FRDC has a low appetite for absence relating to staff health and well-being effecting productivity.		Median number of days lost per staff member	Less than 10
Governance	FRDC has a low appetite for non-compliance with legal and legislative requirements.		Number of unsatisfactory compliance reports	0 unsatisfactory reports

* **Key:** 0 = Zero tolerance, 1 = Very Low, 2 = Low, 3 = Moderate, 4 = High, 5 = Very High

Opportunities

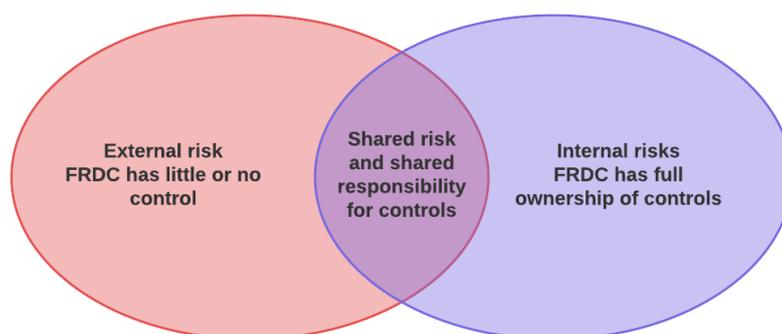
Risk Category	Appetite	Tolerance	Key Indicator	Tolerance range
Strategic	The FRDC has a high appetite for activities that increase its reputation		Under development	Under development
Financial	FRDC has a high appetite for increasing its income, especially from non-traditional sources		Income increase	Greater than 3%
Service Delivery (RD&E, Marketing, Trade)	FRDC has a high appetite for investment in basic research		10% of overall expenditure	+/- 10%
Operational	FRDC has a high appetite for improvements to service delivery and improved efficiency		Activities satisfactorily completed on time	Greater than 80%

* **Key:** 0 = Zero tolerance, 1 = Very Low, 2 = Low, 3 = Moderate, 4 = High, 5 = Very High

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. 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.



10.3 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 will 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 audit program

- 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 performance management process requires an assessment of individual employee performance against risks

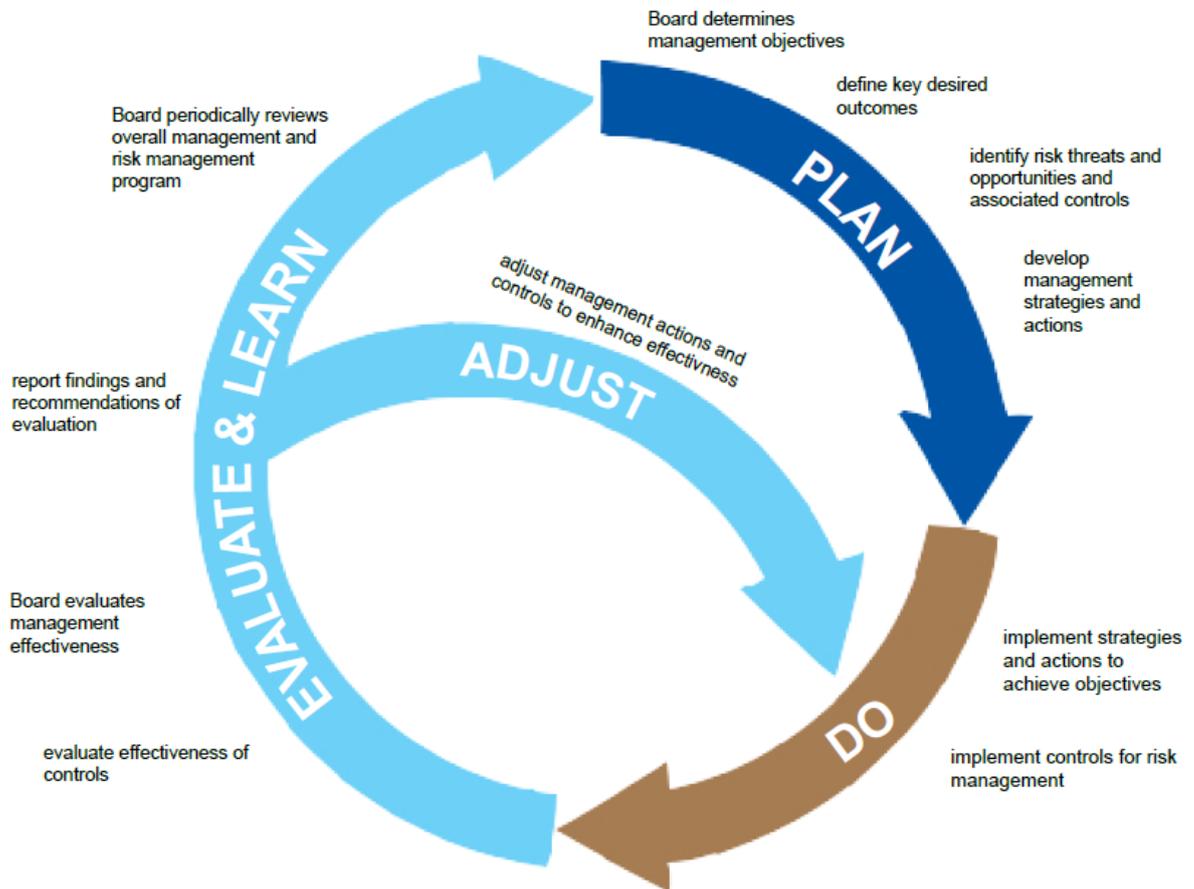
10.4 Measures of success

Measures of success for this policy will be that:

- 1. The Board:
 - a) Sets and monitors risk appetite and tolerance aligned with the RD&E plan
 - b) Has a FARM committee charged with monitoring and reviewing the risk framework annually
 - c) Considers emerging risks, significant changes to exciting risks and significant impacts to mitigation strategies at each meeting
 - d) Ensures that the risk management framework is updated annually
- 2. All policies and procedures incorporate a risk evaluation
- 3. No instances of fraud
- 4. Risk training is provided for employees and relevant contractors
- 5. Risks and emerging risks are discussed at every staff and management meetings
- 6. Achieving an advanced risk maturity level 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 (audited both internally and externally)
- 8. Overall high and very high risks requiring board oversight are reducing year on year

10.5 Monitoring and reporting

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

- QMS
- 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 FARM 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.

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

Risk reporting and escalation (threat)			
Residual Risk evaluation	Responsibility for 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	FRDC management	moderate risk, performance monitored regularly and ensure risk does not change	Monthly at FRDC management meetings
No major concern	FRDC management	low risk, apply routine procedures and monitor at supervisory level	At least annually

Risk reporting and escalation (opportunity)			
Residual Risk evaluation	Responsibility for 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	FRDC management	moderate opportunity; manage by specific monitoring or response procedures	Monthly at FRDC management meetings
No major concern	FRDC management	low opportunity; manage by routine procedures, unlikely to need specific application of resources	At least annually

11. ATTACHMENTS

#	Description
1	Not applicable

Risk policy

Final Audit Report

2019-01-18

Created:	2019-01-16
By:	Pip Baudert (Pip.Baudert@frdc.com.au)
Status:	Signed
Transaction ID:	CBJCHBCAABAAb7WVAdPmf2sJ8qh-RiYLvAOjTDXwaRzK

"Risk policy" History

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-  Document emailed to Patrick Hone (patrick.hone@frdc.com.au) for signature
2019-01-16 - 11:06:41 PM GMT
-  Document viewed by Patrick Hone (patrick.hone@frdc.com.au)
2019-01-18 - 3:02:31 AM GMT- IP address: 220.233.142.2
-  Document e-signed by Patrick Hone (patrick.hone@frdc.com.au)
Signature Date: 2019-01-18 - 3:02:49 AM GMT - Time Source: server- IP address: 220.233.142.2
-  Signed document emailed to Patrick Hone (patrick.hone@frdc.com.au) and Pip Baudert (Pip.Baudert@frdc.com.au)
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