

RISK MANAGEMENT

Approach to risk

The ARENA Board is ultimately responsible for the operation of ARENA and its management of risk. Effective risk management is an essential part of performance management. While the Board and ARENA executive are ultimately accountable for risk management, it is also the responsibility of all ARENA workers to manage risk.

In 2017, ARENA undertook a comprehensive review of its risk policies, and adopted an enhanced risk management framework that embeds risk management practices and mitigation measures into all processes and operations. ARENA's Risk Report, which includes a Risk Appetite Statement, Risk Dashboard and Risk Register, is provided to the Board and RAC at each meeting and is regularly reviewed both at Board and Committee, as well as management level.

ARENA classifies its risks in three categories:

- > safety, compliance and mandate
- > people, environment and operations
- > innovation, technology and projects.

Overall ARENA has assessed 14 major risks, of which two remain outside the Board's risk appetite and for which additional treatments have been put in place to manage and reduce risk. The key risks under consideration include cybersecurity and loss of corporate memory due to changes in personnel and Board members.

ARENA's RAC provides independent assurance and advice to the Board on ARENA's risk management.

Conflict of interest

In 2017-18, the Board continued to manage any conflicts in accordance with its conflict of interest policy, which was substantially revised in August 2017. The policy sets out:

- > the duties in respect to the disclosure of actual or potential conflicts applying to:
 - all ARENA workers, including employees of the Department who are made available to ARENA
 - the Board (including committee and advisory panel members), the Chief Executive Officer and the Chief Financial Officer
 - all ARENA workers, contractors and consultants engaged by ARENA
- > how individuals are to discharge their duties under the policy
- > how conflict of interest declarations are managed.

All Board, committee and panel members are required to complete a conflict of interest form upon appointment in accordance with the requirements of ARENA's conflict of interest policy. They are also required to provide updated declarations to the Secretariat in the event that new conflicts arise or the circumstances of their original notification changes.

The declaration of conflicts are a standing item at all Board and Committee meetings. The process followed is that, at least two days prior to the meeting date, the Secretariat circulates to members a list of all entities to be discussed in a material manner in the upcoming meeting. If the member notifies the Secretariat that he or she has a conflict with one of the entities, then the declaration is referred to the ARENA Chair, as delegate, to determine materiality and, if so, how such a conflict will be managed. Conflicts are typically managed by excluding the conflicted member from discussions and decisions relating to the paper dealing with entity with which they have notified a conflict. The delegate for

determining the materiality of any conflicts of interests notified by Board members is the ARENA Chair and, in the case of the ARENA chair, the Minister. If a conflict arises during the meeting, the matter will be similarly referred to the Chair in order that it can be managed.

All conflict declarations, including any management action agreed, are recorded in a conflict of interest register maintained by ARENA's Legal and governance team.

Fraud control

The Agency's fraud control arrangements comply with section 10 of the PGPA Rule.

ARENA's Fraud Control Plan is reviewed by the Board on an annual basis to ensure that ARENA has in place appropriate mechanisms for preventing, detecting incidents of, investigating and otherwise dealing with, and recording of fraud. ARENA has taken all reasonable measures to minimise the incidence of fraud. ARENA's ongoing adherence to the plan encompasses fraud risk assessment and periodic review. In addition, reporting on fraud is a standard item at all Board and RAC meetings.

All of ARENA's workers are provided with annual fraud awareness training.

Indemnities and insurance premiums of officers

During 2016-17, ARENA was a member of the Comcover self-managed fund, which includes cover for directors and officers against liability claims. The premium paid for ARENA's insurance policy was \$162,885 (excluding GST).

ARENA has entered into a Deed of Indemnity, Access and Insurance with each Board member, with the exception of the Secretary of the Department of Environment and Energy. ARENA has also entered into a Deed of Indemnity, Access and Insurance with the CEO of ARENA.

The purpose of this deed is to provide Board members with access to the ARENA books and to provide additional indemnity and insurance coverage.