



RECREATIONAL AVIATION AUSTRALIA

Risk Appetite

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Introduction

Recreational Aviation Australia Limited (**RAAus** and **Company**) is a public **Company** limited by guarantee that is approved to administer certain aviation activities under a Civil Aviation Safety Regulation Part 149 Certificate. In practical terms, **RAAus** issues authorisations relating to pilot certificates, registration of aircraft and airworthiness activities. We also oversee flight training schools, conduct audits, develop safety programs and advocate for our members whilst being an active and formidable player in the aviation sector.

Risk management is a central management discipline in the organisation. The Company takes a continuous improvement approach towards risk management that aligns with best practice principles and is consistent with the International Standard ISO 31000:2018 *Risk Management – Guidelines*. Responsibility for risk management commences with the board of directors whilst the Part 149 accountable manager, that being the CEO, is responsible to CASA for managing operational risk.

The Board maintains governance and business practices to a high level.

The Board has procedures for assessing, at least annually, the Board's performance relative to its objectives. It also has in place a procedure for assessing, at least biennially, the performance of individual directors.

The day to day operational risks are managed in accordance with **RAAus'** risk management framework.

The following is the board's view of the overall risk appetite of the **Company**.

Principles

1. Central to our ongoing success is our reputation with our members, customers, and other stakeholders, including the regulator, and the communities in which we operate. To ensure the maintenance of our reputation, we strive to ensure:
 - our service quality is at industry leading standards
 - our adherence to laws and regulations is complete
 - our systems and processes deliver our members an experience that is seamless and trouble free, and
 - our communication with all parties is open, accurate and sufficient to be recognised as a high performing organisation.
2. We recognise the importance of well trained and highly motivated staff.
3. We strive to achieve a positive workplace culture. values our team equally and that all staff operate in a safe and wholesome workplace.
4. Collectively, **RAAus** works for the furtherance of its vision and mission and to engage in open, respectful and honest communication at all levels.

Positioning the Company

1. **RAAus** strives to be the peak body in Australia responsible for administering ultralight, recreational and Light Sport Aircraft (LSA) operations.
2. **RAAus** acknowledges that the majority of its revenue is generated by member contributions. **RAAus** uses best practices to not only retain members but also procedures to grow the membership.
3. **RAAus** is at risk from competitors, industry and regulatory change and economic uncertainty.
4. The Board must remain cohesive, focused and united in furthering the Company's vision and mission.

Risks – Strategic

- **RAAus** aspires to be an industry leader in developing sport and recreational aviation for the fun and enjoyment of its members and the broader aviation community, measured by the quality and effectiveness of its operations. This requires ongoing development and innovation in its operations through strategic initiatives which often carry significant risk. **RAAus** has a low appetite for threats to the effective and efficient delivery of these initiatives. It recognises that the actual or perceived inability to deliver strategic initiatives could have a significant impact on its ability to achieve its objectives as well as its reputation.
- The Board meets approximately bi-monthly, and no less than at least five times each year, to diligently discuss the Company and major initiatives. A framework is in place to ensure that the initiatives are prioritised appropriately and that associated risks are well managed and reported in a timely basis.
- The Board sets the limits and scope of strategic initiatives, whereas management and staff work towards delivering these strategies and provide the Board with visibility with reporting and annual review. Risk taking parameters are set out in the Governance Policy Framework and Strategic Plan.
- Initiatives not related to the Strategic Plan or that fall outside of the limitations established in the Governance Policy Framework, must be approved by the Board.
- The Board demands:
 - timely, unqualified external audit reports and a clear process of internal verification of critical business processes;
 - a high quality process of technical and procedural manual updating and policy implementation to minimise the risk of error and controversy;
 - high standards of management performance and reporting;
 - disclosure of threats to **RAAus** that may lead to interruptions to normal operations or compromise realistic expectations of achievement.

Intolerable Risks

1. **RAAus** will not tolerate any activities by board members, staff and contractors that wilfully violate any laws or regulations.
2. **RAAus** will not tolerate any work-related activities or behaviours that may expose employees or contractors to unmanaged workplace hazards or harm.
3. **RAAus** will not pursue projects, investment, policies or other initiatives or accept inaction that results in exposing the **Company** to risk of failure to continue to operate.

Tolerable Risks

While **RAAus** set standards for pilot training and aircraft maintenance, the **Company** cannot control decisions made (directly or indirectly) by members and accepts that for various reasons outside of its direct control, accidents and fatalities can and do happen in recreational aviation pursuits. The Board mitigates damage to the company's reputation as a result of such occurrences by measures such as;

- Education and training of its members to the highest achievable standards
- Requiring its flight training schools to be compliant with an ASMS
- Training maintainers at all levels to be aware of standards and to be competent in their maintenance practices
- Continuing review and refinement of operating and technical standards for compliant recreational aviation
- Communicating lessons learned from accidents and safety issues
- Reviewing the OMS reports and analysis for trends and safety insights to convey to members
- Innovation in maintaining members safety awareness
- Benchmarking RAAus data from OMS reports against other Australian and international data on recreational aviation.

RAAus' tolerance to injury and death resulting from recreational flying is low and the Board expects exemplary attention from members and staff to managing risks inherent in aviation that are within the **Company's** scope of influence.

For risks taken and accepted by pilots (outside of the direct control of **RAAus**), a calculated and educated approach to risk, safety awareness and implementing safety systems is expected.

RAAus collects data on risk management treatments it applies to recreational aviation through its verification/audit and accident investigation processes and improves its risk treatments based on consultation and evidence.

The following section is indicative of the scope of risks that are presented to RAAus and the nature of the response from the Board, management and staff. A more exhaustive analysis of risk is maintained in a Risk Register using standard risk analysis methodology.

Risk Scope

Financial

- Risk tolerances for **RAAus'** activities are outlined in policies which are approved by the Board. Performance is regularly measured and monitored by senior staff and communicated to the Board.
- **RAAus** strives to achieve a robust budget framework built around a master budget consisting of operating budgets, capital expenditure budgets and cash budgets. The process begins four to six months before the start of the financial year. **RAAus** goes through a series of stages to implement the budget, including communication within executive management, establishing objectives and targets, developing a detailed budget, compilation and revision of budget model, RAF committee review, and final approval. The Board approves the annual budget and undertakes variance analysis at each Board meeting and receives monthly updates from the CEO.
- **RAAus** acknowledges that there will be circumstances where the risks carried on its balance sheet will have a material impact on its financial accounts. **RAAus** regards it as desirable to hold sufficient reserves to absorb potential losses.
- The Board accepts that deficits may result during an adjustment phase.
- **RAAus** has a low appetite for investment risk. This risk is managed by applying a strict set of criteria which is reviewed annually by the Board.
- The Board aims to maintain a healthy cash reserve (currently not less than \$600,000) to ensure business continuity.
- Financial trend and end of year result reporting is expected for Board meetings.
- **RAAus** has a very low appetite for credit risk. **RAAus** manages this risk carefully by confining its dealings with tier one banking institutions.
- The Board considers and approves insurance packages and other means of managing financial risk.

Fraud and Corruption

- **RAAus** has no appetite for any dishonest or fraudulent behaviour and is committed to deterring and preventing such behaviour.

- **RAAus** takes a very serious approach to cases, or suspected cases, of fraud or corruption perpetrated by its staff, and responds fully and fairly in accordance with provisions of the Code of Conduct.

People and Culture Risks

RAAus' people and culture-related risks include:

- **Calibre of People** – **RAAus** relies on motivated, diverse and high-quality staff to perform its functions. It aims to create an environment where staff are empowered to the full extent of their abilities.
- **Conduct of People** – **RAAus** expects staff to conduct themselves with a high degree of integrity, to respectfully strive for excellence in the work they perform and the outcomes they achieve, and to promote the public interest. The appetite for behaviours which do not meet these standards is very low. **RAAus** takes any breaches of its Code of Conduct very seriously.
- **Work Health and Safety** – **RAAus** is committed to creating a safe working environment for all of its staff. **RAAus** has a very low appetite for behaviour that could lead to staff being harmed while at work. **RAAus** provides independent support to staff experiencing mental health or PTSD issues which may impact on their work performance.

Operational Risks

RAAus' appetite for specific operational risks is mentioned below. Risks are carefully analysed in all of the Company's operational activities, including to ensure that the benefit of the risk control measures exceeds the costs of these measures. Risk management is a key element that forms the **RAAus** CASR Part 149 Exposition.

Compliance

RAAus is committed to a high level of compliance with relevant legislation, regulation, industry codes and standards as well as internal policies and sound corporate governance principles. Identified breaches of compliance will be remedied as soon as practicable. **RAAus** has no appetite for deliberate or purposeful violations of legislative or regulatory requirements.

Information Technology

Information Technology (IT) risks cover both daily operations and ongoing enhancements to the Company's IT systems. These include:

- **Prolonged IT system outage:** The **Company** has a very low appetite for risks to the availability of systems which support its critical business functions.
- **Cyber Security:** **RAAus** has a very low appetite for damage to the **Company's** assets from threats arising from malicious attacks. **RAAus** addresses this risk by the development and continuous improvement of robust technology controls.

- **Technology Change Management:** The implementation of new technologies creates not only new opportunities but also new risks. **RAAus** has a low appetite for IT system-related incidents which are generated by poor change management practices.

Member and Aircraft Operations

- **RAAus** will investigate each and every fatal accident and other accidents that cause serious injury to a member by using only ATSB or equivalent course qualified accident consultants.
- **RAAus** will adopt an open and fair reporting culture and seek to educate, communicate and inform members of breaches of regulations where those breaches are not deliberate. All reported breaches will be managed in accordance with the **RAAus** Occurrences and Complaints Handling Manual.
- The Board supports an educative approach to resolving compliance issues and some risk taking with individual cases without introducing risk to third parties.

Business and Corporate

- The Board maintains Governance Policies and a Charter intended to set and maintain **RAAus** governance and business practices to a high level and externally verified standard (see **RAAus** Governance Framework for details).
- **RAAus** holds member records electronically and backs up those records at least once every 24 hours. Appropriate retention and destruction strategies will be employed equivalent to Australian National Audit Office standards and guidelines.
- All new project/product development or other new initiative with a value of more than \$50,000 requires a rigorous logic based project management approach initiated and approved by the Board.
- The Board will set the agenda for, and accepts, responsibility for Operation and Technical Manual policy changes which will be recorded during the period that revisions are being issued. Clearly defined project based processes are to be used by management to facilitate smooth consultation and revision of **RAAus** manuals.
- The Board expects
 - unqualified, timely external audit reports and a clear process of internal verification of critical business processes
 - a high-quality process of manual updating and policy implementation to minimise the risk of error and controversy
 - high standards of management performance and reporting
 - disclosure of resource and staffing issues to review progress and to maintain realistic expectations of achievement.

- employee turnover and absences to be monitored and at no time should turnover or absences expose **RAAus** to interruptions to normal operations.

Implementation of the Company's Risk Appetite

All Executive committee members within **RAAus** are responsible for the implementation of, and compliance with, this Statement.

Communication

The Company's Risk Appetite Statement is published on the **RAAus**'s intranet (SharePoint) and the **RAAus**' website.

Risk Assessments

RAAus maintains a Risk Register of the business risks it faces in its day-to-day operations and the control framework which is in place to mitigate risks. These Registers take into account risks from within the Company and external sources, and are reviewed regularly. Risk Registers are also updated where necessary when there are key changes in policies, structures or functions and in response to incidents.

All risks which are judged as unacceptable at departmental level are reported to the Chief Executive Officer and remedial action plans to reduce these risks to acceptable levels are reported, where appropriate, to the Board.

Reporting & Monitoring

This Statement is complemented by a number of specific risk metrics which assist management in assessing whether outcomes are consistent with the Company's risk appetite. Performance against these metrics is tracked and reported to the Board on a regular basis.

Reporting systems are maintained to provide assurance that the risk appetite is effectively incorporated into management decisions.

Review

This Risk Appetite Statement is reviewed biennially or whenever there is a significant change to the Company's operating environment. This review is coordinated by the Risk, Audit and Finance Committee in consultation with all Executive Committee members. Changes to this Risk Appetite Statement must be approved by the Board for the changes to be effective.

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