

FINANCE AND ADMINISTRATION

The Finance section is responsible for the management of the ILC's finances and for:

- preparing policy advice to the board and senior management on a range of audit related and financial matters
- the preparation and analysis of a range of financial information for the ILC Board and senior management, the Department of Finance and Administration and the Parliament through the Minister for Immigration and Multicultural and Indigenous Affairs
- statutory financial reporting.

On 1 July 2002 the ILC commenced use of a new financial information management system, Finance One. As expected, the new system has provided superior security and audit as well as enhanced project management and reporting capabilities.

KEY PERFORMANCE INDICATORS

The following represent some highlights of the Financial Statements for the year ended 30 June 2003.

Financial Statement	2002-2003	2001-2002
Land Fund revenue	\$53.6m	\$52.6m
Funds spent on land acquisition	\$12.4m	\$15.5m
Funds spent on land management	\$9.1m	\$10.9m
Assets held by ILC	\$49.5m	\$41.3m
Value of assets divested	\$3.5m	\$12m
Market value of investments	\$181m	\$147m

CONSULTANTS

The ILC engages consultants on the same basis as it procures all goods and services. A list of all consultants contracted during the 2002-2003 financial year is located in Appendix 4.

Over the past two years the ILC has significantly reduced its use of consultants. This has been achieved by:

- employing specialist staff to undertake property negotiations and conveyancing
- investing in the skills development of existing staff.

During the year the ILC continued to contract a number of consultants for the performance of specialist professional services including legal advice and property valuations. It is expected that this practice will continue.

INDEMNITIES AND INSURANCE PREMIUMS FOR OFFICERS

Comcover is the Commonwealth Government's insurable managed fund. The fund covers agencies within the general government sector, including those covered by the *Commonwealth Authorities and Companies Act 1997* and the *Financial Management and Accountability Act 1997*. All organisations within the general government sector belong to the fund unless specifically exempted.

Accordingly, all ILC general liabilities, property, plant and equipment, including that of its subsidiaries, are insured through Comcover. The ILC experienced significant increases in its insurance premiums for 2002-2003. Total insurance premiums for 2002-2003 were \$256,189 (2002: \$141,582).

The ILC's Directors and Officers insurance is also covered through Comcover and the annual premium of \$46,131 (2002: \$32,373) for Directors and Officers insurance is included in the total figure detailed above.

As reported in the previous Annual Report, as a result of the independent inquiry into the purchase and management of Roebuck Plains Station and Cardabia Station, conducted by Mr Andrew Rogers QC in 2001-2002, the Board agreed to indemnify the Directors and Officers of the ILC at the date of delivery of the report to the Board of the ILC, or at the date of any publication or distribution of the report by the Board of the ILC in respect to the provision of information to Mr Andrew Rogers QC (or his lawyers) in the course of the inquiry and the publication or distribution of the report.

DIRECTORS OF SUBSIDIARIES

The current policy extends cover to all of ILC subsidiary companies.

ILC INVESTMENTS

The ILC needs to manage its surplus funds by way of an investment strategy in order to protect the financial resources required to fulfil its functions. In April 2002 the ILC Board agreed to a change in investment strategy as suggested by independent consultants Watson Wyatt Investment Consulting. In February 2003 this was formalised by the adoption of a strategy document entitled *Statement of Investment Objectives and Policy*. The document details the following strategy:

- outsource the management of funds
- longer-term investment portfolio
 - a 50% growth weighting strategy for the ILC's longer term portfolio
 - utilise 2 specialised active managers for both Australian and international equities
 - utilise a passive manager for listed property trusts, Australian and international fixed interest.
- shorter-term investment portfolio
 - utilise a passive manager for shorter-term cash portfolio
 - maintain a balance of \$5m in-house to ensure sufficient liquid funds are available to meet organisational costs.

The ILC used a stepped process in the transition to the investment portfolio over a period of 12 months. The transition process was completed at the end of April 2003. Due to the timing of the transition, the ILC was fortunate to experience only a slight effect of the downturn in the equity markets.

INVESTMENT RESTRICTIONS AND LEGISLATIVE REQUIREMENTS

When considering its investment strategy the ILC needs to refer to relevant legislation.

Aboriginal and Torres Strait Islander Commission Act 1989

The ILC has specific power to invest its money in the performance of its functions (s.191H (2)(b)).

Commonwealth Authorities and Companies Act 1997

Section 18(3) of the CAC Act prescribes the forms of investments that a Commonwealth statutory authority is permitted to invest in. Section 193K(1) of the *Aboriginal and Torres Strait Islander Commission Act 1989* states that subsection 18(3) of the *Commonwealth Authorities and Companies Act 1997* does not apply to the ILC.

PURCHASING

The ILC's purchasing policy is consistent with the principles stated in *Commonwealth Procurement Guidelines: Core Policies and Principles*. The principles that underpin ILC's procurement activities include:

- value for money
- open and effective competition
- ethics and fair dealing
- accountability and reporting
- national competitive and industry development.

In addition, for the purpose of the performance of its functions, section 191F(2) of the ATSIC Act states that the ILC must give priority to the following:

- ensuring that, as far as practical, Aboriginal persons or Torres Strait Islanders derive social or cultural benefits as a result of those functions
- ensuring that the Indigenous Land Corporation has access to the skills and resources required to perform its functions
- maximising the employment of Aboriginal persons and Torres Strait Islanders
- maximising the use of goods and services provided by businesses owned or controlled (whether directly or indirectly) by Aboriginal persons or Torres Strait Islanders.

The ILC works through a purchase order system that ensures that the above principles are followed. Where it is appropriate, contractors, suppliers and consultants are procured under written contracts.

ASSET MANAGEMENT

The ILC maintains registers for all assets and other portable and attractive items. Adequate insurance is maintained on all assets. A stocktake of all assets is undertaken at least annually. An independent re-valuation of all the ILC's assets to "fair value" was undertaken during the year in accordance with requirements of the Australian Accounting Standards.

HUMAN RESOURCES

The 2002-2003 financial year again was a year of continuous change in the Human Resources aspects of the ILC.

A comprehensive Certified Agreement was negotiated for a three-year term, which commenced in October 2003. A number of initiatives from the Certified Agreement were implemented or are progressing towards implementation. Some of these included a new Performance Evaluation and Management Program, Employee Assistance Program and Occupation Health and Safety Policy/Agreement.

All of the ILC's Senior Executive employees have transferred to Australian Workplace Agreements, except for the General Manager, whose position has been transferred to the Principle Executive Officer structure (salaries and conditions determined by the Remuneration Tribunal).

A review of the operations of the Strategic Development and Assessment (previously Special Projects) and Land, Policy and Capacity Building Directorates was conducted during the year. This resulted in the abolition of both Directorates with functions being incorporated into a newly created Policy and Strategy Division. These changes are reflected in the organisation structure shown in Figure 8.

During the year there was a small increase in the number of employees but the number of Indigenous employees declined marginally. The decline in the number of Indigenous employees was disappointing and efforts will be made in the coming year to increase the number of Indigenous employees by various means, including developing a new Indigenous Employment and