

# corporate governance

## Board Appointments

Following passage of the ATSI Act, the Minister for Immigration and Multicultural and Indigenous Affairs (the Minister) is now responsible for appointing all ILC Board Directors, including the Chairperson and Deputy Chairperson. The Chairperson and at least four Directors must be Aboriginal persons or Torres Strait Islanders. Before passage of the ATSI Act, the ATSIC Chairperson was an ex officio member of the Board and another Board member was appointed from the ATSIC Commissioners. Former ATSIC Chairperson, Mr Geoff Clark, and ATSIC Commissioner, Mr Steve Gordon, ceased to be ILC Directors on 24 March 2005.

At 30 June 2005, the Minister had yet to appoint two replacement Directors to the Board.

The ILC Board governs the proper and effective performance of the ILC and determines ILC policy. The strategic management framework at Figure 2 illustrates how the Board governs proper and effective performance. Key objectives of the framework include:

- Achieving the ILC's objectives as specified in the ATSI Act;
- Providing effective and accountable strategic leadership; and
- Exercising control over the ILC's operations, including appropriate risk-management strategies.

## Policy Setting & Strategic Directions

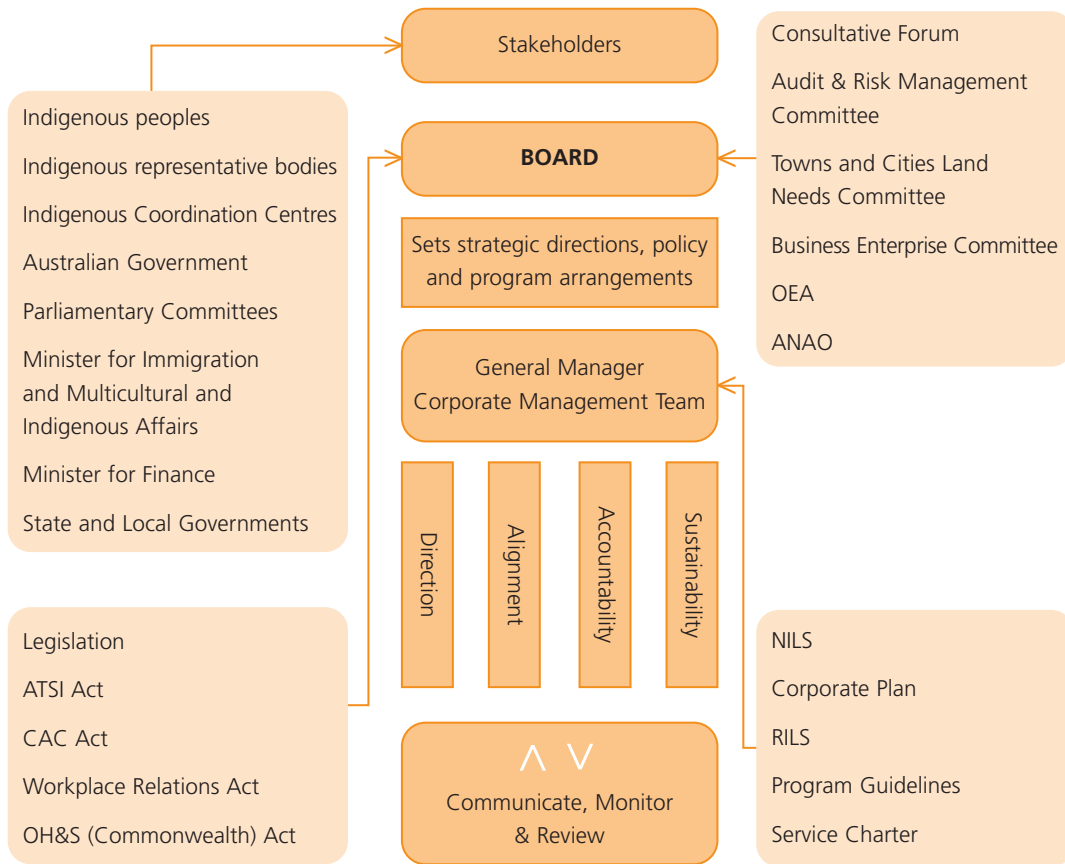
Key policy drivers are the NILS, Corporate Plan 2003–2006 and Board decisions.

**NILS:** The NILS sets strategic directions, defines the key principles to be followed in assisting in the acquisition and management of Indigenous land and establishes the ILC's program structure for the following year. Each December, the ILC Board reviews and, if necessary, revises the NILS and, as required, provides a copy to the Minister for Immigration and Multicultural and Indigenous Affairs.

**ILC Corporate Plan 2003–2006:** Drawn from the NILS, the Corporate Plan sets out the ILC's purpose, key objectives and strategies, illustrates the program structure, and expresses ILC values.

**Board decisions:** Nine Board meetings were conducted in 2004–2005 where land acquisition and management proposals were considered, performance and accountability was monitored, and policy decisions made.

Figure 2: ILC Corporate Governance Framework



**Governance Strategies**

1. Strategic directions set by the Board
2. Strategic planning and budgeting
3. Roles and responsibilities statements
4. Internal controls and risk management
5. Board committees
6. Performance monitoring and reporting
7. Information and communication technology
8. Human resource management strategy
9. Staff Consultative Committee
10. Indigenous Advisory Group
11. Legislative compliance
12. Stakeholder relationships

## Information to Stakeholders

The ILC produces a range of publications informing stakeholders of its activities and programs.

**Service Charter:** The Service Charter sets out the ILC's commitment to, and standards for, providing quality service to its stakeholders and seeks feedback about the ILC's products and services. It also advises how appeals and/or complaints may be lodged.

**Website:** The website provides a range of information about the ILC and the Land Fund, program guidelines and application forms, access to publications and contact details for ILC offices.

**Land Matters:** Land Matters is a bi-annual publication, which provides information about land acquisition and management activity and policy initiatives.

**Program documentation:** as described in *Chapter 5, Policy and Strategy Development*.

A complete list of publications can be found at *Appendix 7*.

## Maintenance of Ethical Standards

The ILC has a range of mechanisms guiding appropriate ethical standards and conduct across the agency.

### BOARD CODE OF CONDUCT

At Board meeting No 82, 25 August 2004, ILC Board members endorsed a Code of Conduct, which provides guidance to Directors in performing their duties so that they will achieve the highest possible standards in the discharge of their obligations. The Code of Conduct sets out Directors' legal, financial, conflict of interest and standard-of-conduct responsibilities.

### CORPORATE PLAN 2003–2006

The ILC's Corporate Plan expresses the importance of respecting and observing the cultural diversity and traditions of the Indigenous peoples of Australia and the ILC's commitment to providing professional services to stakeholders. It also sets out the values that are adopted by ILC employees in relationships with our stakeholders and working with each other.

### SERVICE CHARTER

The ILC's Service Charter outlines the ILC's commitment to providing quality service to its stakeholders and the basic principles it follows, including:

- Operating under sound business principles when performing functions on a commercial basis;
- Ensuring that Indigenous peoples derive social or cultural benefits as a result of the performance of its functions; and
- Ensuring that information about Indigenous sacred matters remains confidential if that is the wish of informants.

The Charter also sets out principles regarding communication and timeliness, privacy, consultation, policy development and the process for lodgement of appeals and/or complaints. The ILC Service Charter is available on the ILC's website.

### AUSTRALIAN WORKPLACE AGREEMENTS (AWAs)

The terms and conditions of employment of Senior Executives in the ILC are set out in AWAs similar to those used in the Australian Public Service, containing provisions guiding behaviour and ethical standards.

### CERTIFIED AGREEMENT 2002–2005

The ILC's Certified Agreement 2000–2005 sets out the values and code of conduct that employees bound by the Agreement must uphold and promote. At 30 June 2005, consultations had commenced in respect to negotiating a new three-year agreement. Policy and Practice Notes provide guidance to staff about ILC values and managing and reporting allegations of breaches of the ILC's code of conduct.

## Day-to-Day Administration

Responsibility for day-to-day administration rests with the General Manager, who is appointed by the Board<sup>8</sup>. The current General Manager is Mr David Galvin, who is supported by a Corporate Management Team (CMT) consisting of the following key managers:

#### Corporate Management Team

General Manager  
 Director National Operations  
 Chief Financial Officer  
 Principal Legal Officer  
 Divisional Managers  
 Director Business Planning

The CMT oversees operational and administrative matters and considers options on a range of strategic issues involving policy development, program delivery, human resource management, information technology and financial administration. CMT members are allocated corporate responsibilities either individually or on a sub-committee basis and participate on various committees such as the Staff Consultative Committee, Certified Agreement Negotiation Committee and the Risk Management Steering Committee. The CMT meets in person every two months and by videoconference following Board meetings. Other managers and staff are invited to CMT meetings to present information and provide advice as required.

## Operational Planning & Reporting

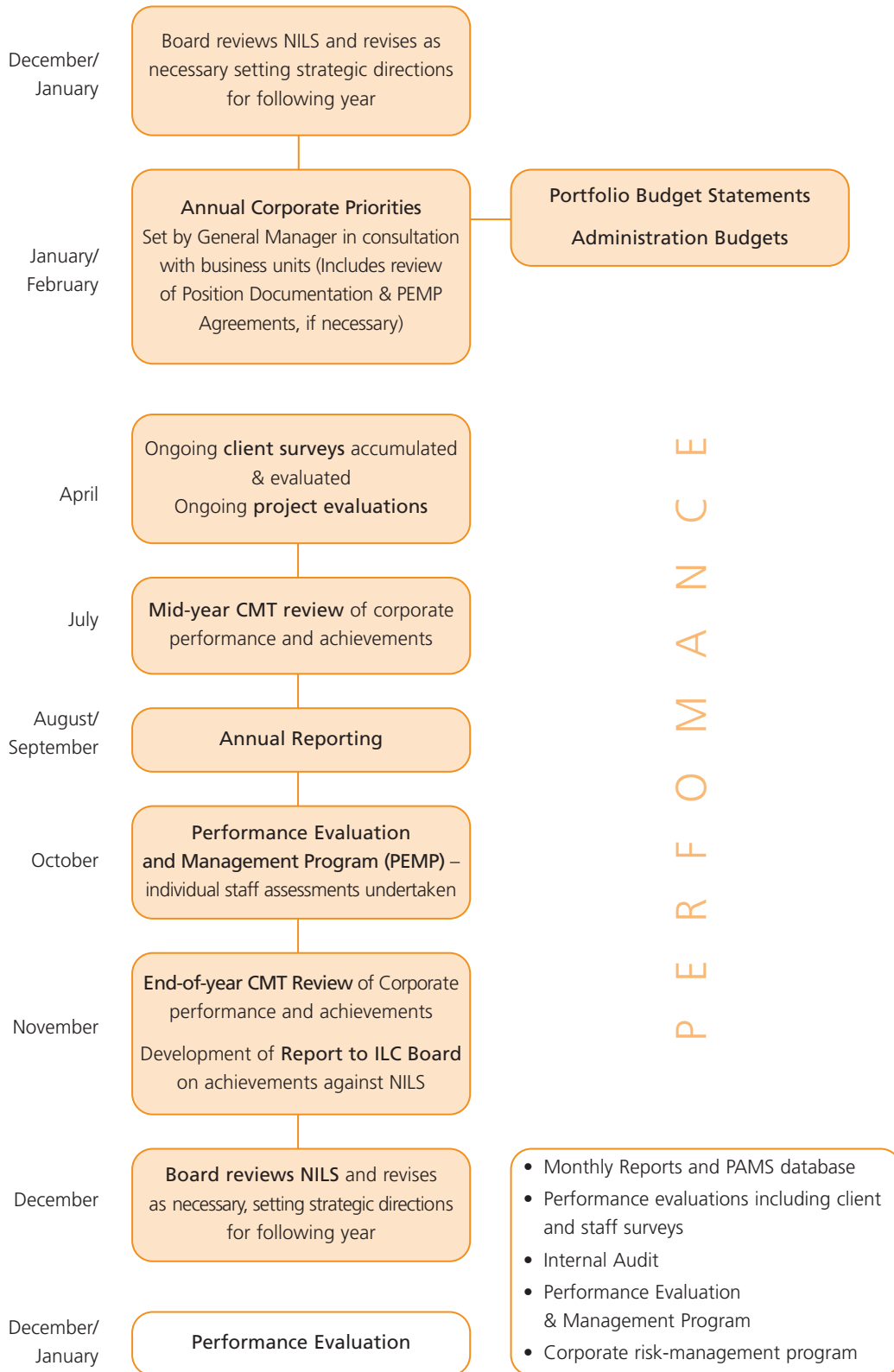
Each business unit of the ILC develops Operational Plans identifying key achievements, activities and performance indicators for the year. Each month, business units prepare a report, setting out key achievements, issues of corporate significance, land acquisition and management status, emerging issues and human resources matters.

**A new strategic performance, planning and reporting framework and calendar was implemented in 2004–2005 to ensure alignment with the NILS and Corporate Plan; and to monitor ongoing corporate performance. Key components of the framework include:**

- The establishment of Corporate Priorities for 2005–2006;
- An illustrated Planning and Performance cycle;
- A Planning and Performance Calendar (Figure 3);
- Formal mid- and end-year performance reviews by the CMT. The end-year review is instrumental in developing a performance report to the Board against the NILS and Corporate Plan; and
- A framework for the evaluation of policies and program delivery including client and staff surveys.

<sup>8</sup> S. 192K ATSI Act.

Figure 3: ILC Planning and Performance Management Calendar



## Board Committees

ILC Board Committees strengthen governance by overseeing corporate accountability, providing policy advice on key corporate initiatives and facilitating effective linkages across business units. Each committee has a documented charter, access to staff and specialist consultants, and reports to each Board meeting. At 30 June, the Board had agreed to establish a Tourism Committee to assist in broadening the ILC's interests in the tourism industry.

Figure 4: ILC Board Committees



## AUDIT & RISK MANAGEMENT COMMITTEE

The Board established the Audit and Risk Management Committee in April 1997 with the primary objective of providing advice and assistance to the Board in ensuring that the ILC and its subsidiaries meet objectives and comply with legislative requirements. The Committee met on four occasions during the reporting period.

### The Committee's charter includes:

- Providing advice on the management of the ILC's administrative, operating and financial controls and those of its subsidiaries;
- Overseeing the audit function;
- Ensuring compliance with statutory and legislative requirements, including those under the ATSI and CAC Acts and Corporations law, particularly in the presentation of financial statements and their compliance with accounting standards;
- Ensuring reliable management and financial reporting;
- Ensuring that risks are identified and appropriately managed; and
- Overseeing and monitoring investment policy and reporting.

### Members of the Committee during 2004–2005 were:

- Mr Clem Riley (Deputy Chairperson of the ILC, until 30 August 2004) – Committee Chair until 30 August 2004;
- Mr David Baffsky (Director of the ILC) – Committee Chair from 31 August 2004;
- Mr Sam Jeffries (Deputy Chairperson of the ILC) – Committee member from 31 August 2004; and
- Mr Ian Ferrier – independent member of the Committee from 28 April 2005.

### The major activities of the Committee were:

- Reviewing the 2003–2004 consolidated financial statements, and recommending their adoption by the Board;
- Monitoring internal audit functions, reports and recommendations;
- Monitoring the implementation of Australian Equivalent to International Financial Reporting Standards project;
- Reviewing the Corporate Governance Framework against the recommendations of the Uhrig Report<sup>9</sup>;
- Monitoring the Property-by-Property Remediation Program;
- Biennial review of the insurance program;
- Biennial review of the ILC's fraud risk assessment;
- Monitoring the performance of the investment portfolio and individual managers; and
- Review of Committee's Charter performance against ANAO's *Better Practice Guide for Public Sector Audit Committees*.

In May 2005, the Committee recommended that an investment sub-committee be established to more actively monitor the performance of the ILC's investment portfolio. This sub-committee is responsible for maintaining an active dialogue with the ILC fund managers and independent investment advisor. The sub-committee is chaired by Ian Ferrier. The General Manager and Chief Financial Officer are members of the sub-committee.

The ILC Board endorsed the recommendation at the May 2005 Board meeting.

<sup>9</sup> Mr John Uhrig AC was appointed in November 2002 by the Australian Government to conduct a review of the corporate governance of Commonwealth statutory authorities and office holders.

### TOWNS AND CITIES LAND NEEDS COMMITTEE

The Board established the Towns and Cities Land Needs Committee in 2002 with the main objective being to provide policy advice and guidance to the Board on how the land acquisition and land management needs of urban-based Indigenous Australians can best be met.

**Members of the Committee changed during the year as a result of changes to membership of the ILC Board.**

- The year started with a committee comprising Ms Norma Ingram (Committee Chairperson), Mr Clem Riley, Mr Steve Gordon and Mr Robert Carroll (additional member – ATSIC Binaal Billa Regional Council Chairperson).
- During the year, Mr Sam Jeffries replaced Mr Clem Riley as the Deputy Chairperson of the ILC and also replaced him on this committee. On 24 March 2005, ATSIC was abolished. As a result, Mr Gordon ceased to be a member of the ILC Board and this Committee.

**The Committee met on four occasions during the reporting period and considered a range of matters relevant to its objective, including:**

- Innovative approaches to assisting in meeting the home ownership needs of low-income Indigenous Australians living in urban environments in SA;
- Meeting the needs of young Indigenous persons with alcohol and drug dependencies in VIC;
- Providing support to the NSW Attorney General's department in meeting the needs of Indigenous youth at risk in western NSW; and
- Land development pressures surrounding larger regional centres and the implications for local Indigenous residents.

The Committee also took the opportunity to visit a range of other service providers who independently, or with assistance from the ILC, provide important services to Indigenous peoples in urban environments across Australia. This ranged from foster care services in urban Perth to alcohol and drug services in VIC and youth diversionary services in NSW.

### BUSINESS ENTERPRISE COMMITTEE

Director Kevin Driscoll CBE chairs the Business Enterprise Committee and other members during 2004-05 included Mr David Baffsky, Mr Clem Riley (until 30 August 2004) and Mr Geoff Clark (until the abolition of ATSIC on 24 March 2005).

The Business Enterprise Committee was established in 2001 and is responsible for:

- Overseeing the operation and administration of ILC-owned businesses and subsidiaries;
- Monitoring the financial performance of ILC-owned businesses and subsidiaries; and
- Endorsing budgets for the ILC-owned businesses and subsidiaries; and
- Advising the ILC Board on business-related matters.

The Committee met on six occasions during the reporting period. In addition, Committee Chair Kevin Driscoll, met with the General Manager and Director Business Planning on two other occasions. The Committee Chair conducted inspections of ILC-owned properties at Home Valley, Myroodah and Roebuck Plains between 12–17 August 2004, and Mimosa on 5 August and 14 October 2004 and 5 April 2005.

The key areas of focus for the Committee during 2004–2005 included:

- Improving the quality and size of the cattle herd on ILC properties;
- Developing businesses at Mimosa and Crocodile/Welcome Stations in QLD;
- Expanding the ILC cattle herd through leasing arrangements at Elsey Station in the NT; and
- Strengthening budget and financial control for ILC businesses.

ILC Business Operations are featured in *Chapter 4* of this report.



### LAND FUND CONSULTATIVE FORUM

The Minister for Immigration and Multicultural and Indigenous Affairs is responsible for convening meetings of the Consultative Forum pursuant to section 193G of the ATSI Act. The Forum enables nominated ILC Directors and other Ministerial appointees to express their views and provide advice about the investment policy of the Land Fund to the Delegate of the Minister for Finance.

The Consultative Forum met on two occasions during the reporting period. Its nominated Directors, the Chairperson and Mr David Baffsky, represented the ILC at the meetings and were accompanied by the General Manager and Chief Financial Officer.

The major activities of the Forum were:

- Provide advice about the investment policy of the Land Fund to the Delegate of the Minister for Finance;
- Ensure that the target value of the Land Fund for 30 June 2004 was exceeded; and
- Review the outcomes and recommendations of two Australian National Audit Office (ANAO) audits.

Brief details of the audits are as follows:

1. An audit by ANAO on the Financial Management of Special Appropriations, including the Land Fund, included a review of the indexation factor applied to the Land Fund as provided by section 193D of the ATSI Act. The audit identified a discrepancy in how the indexation rate was applied, which resulted in excess appropriations being transferred to the Land Fund and on paid to the ILC. The amount of the excess appropriations, being \$14.7m from the Land Fund and \$6.2m from the ILC, was repaid to the Official Public Account.
2. An audit by ANAO, *Investment of Public Funds 2004–2005*, identified that the Land Fund held investments that did not meet the definition of an authorised investment under section 39 of the FMA Act. The Land Fund traded out of these investments during the reporting period.

*Chairman of the Business Enterprise Committee, Director Driscoll, with Rodney Purcell, Station Manager, and part of applicant group, Mimosa Station, QLD.*

## INTERNAL AUDIT PROGRAM

The Internal Audit Program is managed, monitored and evaluated by the Audit and Risk Management Committee. The ILC outsources its internal audit operations to Deloitte Touche Tohmatsu (DTT). In conjunction with the ILC, DTT has developed a risk-based internal audit plan that provides for the systematic coverage of ILC functions under a rolling program. Risk rankings were compiled by DTT on the basis of interviews with relevant senior staff, and with an assessment of risk using the *Australian/New Zealand Standard AS/NZS4360: 2004 Risk Management*.

**Ten audits were completed during the year, and a further two were in progress at 30 June 2005. The completed audits included:**

- Fraud Control;
- Murrayfield Station;
- Funds Management and Cash Management;
- Contract Management;
- Travel Expenditure Control;
- Purchasing;
- Payroll;
- Achieving Enterprise Bargaining Outcomes;
- Occupational Health and Safety follow-up audit; and
- Human Resource Management.

**Audits in progress at 30 June 2005 were:**

- Software Asset Management, and
- Acquisition to Divestment Process.

In addition, DTT performed a review of the ILC's Corporate Governance Framework against the recommendations from the Uhrig Report at the request of the Audit and Risk Management Committee.

Internal audit recommendations (and all other recommendations made by review agencies) are recorded and monitored electronically. Reports are provided on the status of implementation of audit recommendations to the Audit and Risk Management Committee, Risk Management Steering Committee and General Manager on a regular basis. The Audit and Risk Management Committee and Risk Management Steering Committee also regularly monitor audit findings and recommendations to ensure that risk, compliance or other issues arising from audits are fully addressed by the ILC.

## RISK MANAGEMENT

The ILC's risk-management methodology is based on the *Australian/New Zealand Standard AS/NZS4360: 2004 Risk Management*.

Ultimate responsibility for risk management resides with the Board, but is overseen by the Audit and Risk Management Committee, steered by the Risk Management Steering Committee<sup>10</sup>, facilitated by the Corporate Support Unit and is a core activity for all managers. The ILC's approach is described in a risk management Policy and associated Practice Note, which set out the responsibilities of managers and staff.

**The Board approved an extensive revision of the ILC's Risk Management Policy on 1 July 2004, which was accompanied by:**

- The introduction of a comprehensive, corporation-wide risk management methodology;
- A training program delivered to more than 90% of staff;
- Devolution of responsibility for risk assessment and treatment to managers with expertise in relation to ILC policy, land acquisition, land management, commercial, financial, administrative, human resource management, legal, information technology, public relations, capacity development, and corporate governance systems; and
- Centralised recording and monitoring of risk assessments and risk treatment plans for ILC systems.

The ILC has participated in Comcover's annual Risk Management Benchmarking Program since the program began in 2001.

During 2004–2005, the ILC improved its benchmarked rating to four stars from three stars in the previous year, and was placed second in the small agency category of Comcover's annual awards for excellence in risk management. As a result, the ILC was invited to present a paper on developing a risk-management framework at Comcover's *Getting Wired* seminar series in Canberra in February 2005.

<sup>10</sup> The Risk Management Steering Committee is chaired by the independent member of the Audit and Risk Management Committee and its members are senior managers which represents all facets of the ILC's operations. This Committee reports to the Audit and Risk Management Committee.

## POLICY AND PRACTICE NOTES

The ILC has adopted the use of Policy and Practice Notes (PPNs) to provide detailed guidance to staff on the implementation of corporate practices and to ensure national consistency. All PPNs are approved by the General Manager as corporately accepted policies and practices and must be followed by staff. PPNs cover issues ranging from asset management, contract management, and employment conditions, to the assessment of applications for land acquisition and management assistance.

Content managers are responsible for the maintenance of individual PPNs and for the conduct of related risk assessments on at least a biennial basis.

## GENERAL POLICIES OF THE AUSTRALIAN GOVERNMENT

A general policy of the Australian Government can be implemented under section 28 of the CAC Act, which requires the responsible Minister to consult with directors of the Commonwealth Authorities, and consider their views, before notifying them of the general policies application.

The following general policies of the Australian Government applied to the ILC during the reporting period.

Policy	Effective From	Exemption Sought	Compliance during the reporting period
Australian Government Branding	31 December 2003	Yes, but denied	Yes
National Code of Practice for the Construction Industry	3 October 2003	No	Yes

The following general policies of the Australian Government were the subject of consultation during the reporting period, with the Minister of Immigration and Multicultural and Indigenous Affairs advising ILC Directors of their application on 15 July 2005:

- Foreign Exchange Risk Management (Forex policy); and
- Cost Recovery by Government Agencies (Cost-recovery policy).

The ILC did not seek exemption from these policies.

## APPEARANCES AT PARLIAMENTARY COMMITTEES

The Parliamentary Joint Committee on Native Title and the Aboriginal and Torres Strait Islander Land Fund conducts an inquiry each year into the annual reports of a number of Australian Government agencies with responsibilities relating to Indigenous Affairs. On 16 March 2005, the Chairperson, Acting General Manager and Director Business Planning, appeared as witnesses before the Committee to examine the ILC's 2003–2004 Annual Report. The Committee was particularly interested in ILC activities in urban environments and in revitalising the pastoral potential of Indigenous-owned properties in northern Australia.

The General Manager appeared before the Senate Select Committee on the Administration of Indigenous Affairs on 31 January 2005. The Committee was interested in the implications for the ILC of the abolition of ATSIC.



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Kununurra, WA.