

The Minister for Immigration and Multicultural and Indigenous Affairs is responsible for appointing five of the seven Board Directors, including the Chairperson and Deputy Chairperson. The remaining two Directors are the ATSIC Chairperson and a Commissioner nominated by ATSIC. The ILC Board governs the proper and efficient performance of the Corporation and determines the policy of the ILC (section 191W). The strategic management framework illustrated at Figure 2 illustrates how the Board governs corporate performance and accountability. Key objectives of the framework include:

- Achieving the ILC's objectives as specified in the ATSIC Act
- Providing effective and accountable strategic leadership
- Exercising effective control over the ILC's operations
- Adding value to the activities undertaken.

REPORTING FOR 2003-2004

The ILC has adopted a new approach to reporting on its operations. While still following the Outcome and Output structure, it has also chosen to report directly against the ILC Corporate Plan 2003-2006, and therefore the key performance issues identified in the 2003-2004 Portfolio Budget Statement. This approach follows best practice guidelines on annual reporting as recommended by the ANAO and comments made by the Parliamentary Joint Committee for Native Title and the Aboriginal and Torres Strait Islander Land Fund .

POLICY SETTING AND STRATEGIC DIRECTION

The ILC Board is responsible for policy setting and establishing strategic directions governing the manner in which outcomes are achieved. Key business drivers are the NILS, Corporate Plan 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 year, the ILC Board reviews and, if necessary, revises the NILS.

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

Board decisions. Five Board meetings were conducted in 2003-2004 where land acquisition and management proposals were considered, performance and accountability was monitored, and policy decisions made.

INFORMATION TO STAKEHOLDERS

The ILC produces a range of publications informing stakeholders of ILC activities and programs, and conducts consultations with ATSIC Regional Councils and Native Title Representative Bodies with a view to informing program effectiveness.

Service Charter, which 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.

ILC Web Site, which 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, 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.

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 30 June 2004, a Code of Conduct for ILC Board members had been drafted and will be considered by the Board in 2004-2005.

ILC Corporate Plan 2003-2006

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

ILC Service Charter

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

- Applying sound business principles whenever performing functions on a commercial basis
- Ensuring that Indigenous people derive cultural or social benefits as a result of the performance of its functions

- Ensuring that information about Indigenous sacred matters remain confidential if that is the wish of the 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.

Australian Workplace Agreements (AWAs)

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

ILC Certified Agreement 2002-2005

The ILC Certified Agreement sets out the ILC Values and Code of Conduct that ILC employees bound by the agreement must uphold and promote. At 30 June 2004, a Policy and Practice Note (PPN) providing guidance about handling allegations of breaches of the Code of Conduct was under consideration by the Corporate Management Team (CMT) and Staff Consultative Committee.

DAY-TO-DAY ADMINISTRATION

Responsibility for the day-to-day administration of the ILC rests with the General Manager, who is appointed by the ILC Board pursuant to section 192K of the ATSI Act. The current General Manager is Mr David Galvin, who is supported by a CMT consisting of key managers, including:





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 and Certified Agreement Negotiation 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.

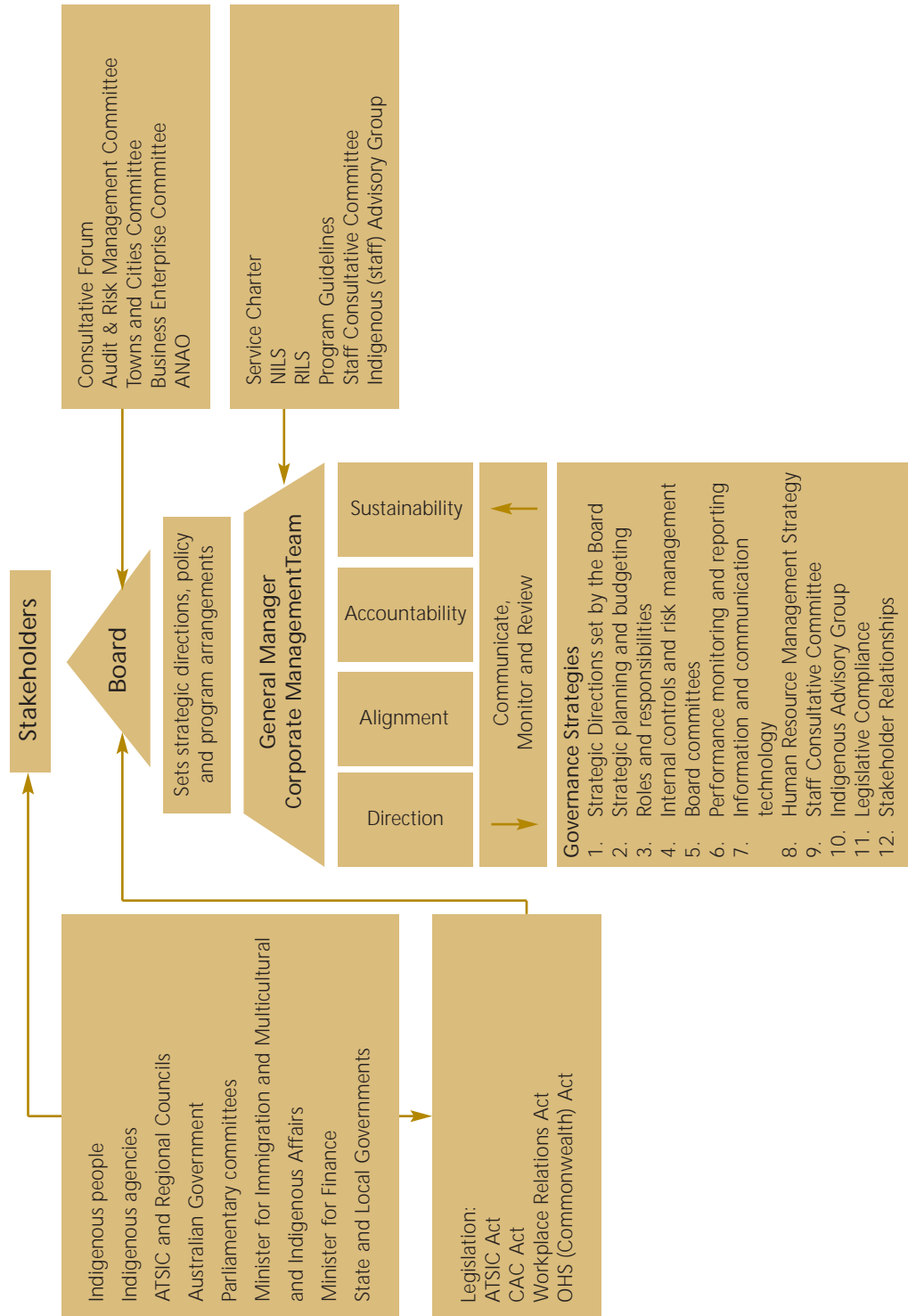
OPERATIONAL PLANNING AND REPORTING

As described above, the NLS and Corporate Plan establish policy and strategic directions for proper and efficient performance of the ILC. Each section of the ILC developed Operational Plans identifying key achievements, activities and performance indicators for the year.

Each month, sections prepare a monthly report, setting out key achievements, issues of corporate significance, land acquisition and management status, emerging issues and human resources matters.

The development of a new strategic planning and reporting framework was nearing completion at the end of the reporting period. The framework is scheduled for Board consideration in early 2004-2005

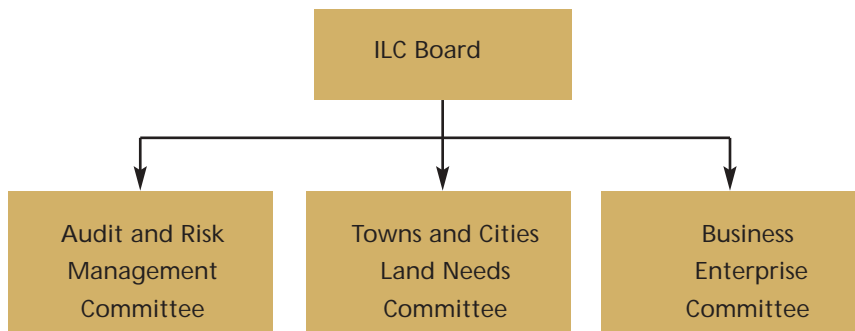
FIGURE 2: ILC CORPORATE GOVERNANCE FRAMEWORK



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 report to each Board meeting.

FIGURE 3: ILC BOARD COMMITTEES



Audit and Risk Management Committee

In 2003-2004, ILC Deputy Chairman, Mr Clem Riley, chaired the Audit and Risk Management Committee, which also consisted of Director Baffsky and Mr James Grant (independent member)³.

The ILC Board established the Committee in April 1997 with the primary objective of providing advice and assistance in ensuring that the Corporation 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 ATSC 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
- Overseeing and monitoring investment policy and reporting

3. Mr Grant passed away 3 July 2004 - He was a valued member of the committee and will be sadly missed by the ILC.

- Monitoring the performance of the investment portfolio
- Inducting new Board Directors in relation to their legal and financial responsibilities.

The major activities of the Committee during the reporting period were as follows:

- Reviewing the 2002-2003 consolidated financial statements, and recommending their adoption by the ILC Board
- Monitoring internal audit functions, reports and recommendations
- Revising the Statement of Investment Objectives and Policy, and recommending its adoption by the ILC Board
- Monitoring the performance of the investment portfolio and individual managers
- Drafting a Code of Conduct for the ILC Directors, which will be considered in 2004-2005
- Revising the ILC's Financial Delegations.

Towns and Cities Land Needs Committee

In 2003-2004, the Towns and Cities Land Needs Committee was chaired by ILC Director Ms Norma Ingram and comprised Directors Riley and Gordon. ATSIC Binaal Billa Regional Council Chairperson, Mr Robert Carroll, was an independent member of the Committee.

The Committee was established in 2002 with its principal objective being to provide policy advice to the ILC Board on how the land acquisition and management needs of urban-based Indigenous Australians might best be met.

The Committee met on three occasions during the reporting period to consider matters relevant to its objective, including:

- Options to support an early intervention facility for Indigenous youth at risk in NSW. This included meeting with senior representatives of the NSW Attorney General's Department in Sydney to discuss potential ILC assistance under both the land acquisition and land management programs
- Possible collaborative arrangements with Indigenous housing authorities that could assist low-income earners purchase their own home
- An internally produced research report titled *Social Conditions of Indigenous Australians Informing Land Needs*, containing a range of social data such as education outcomes, employment status, housing status and health, that can be used to inform the ILC's urban land needs position.

The Committee also visited a variety of urban-related Indigenous projects to gain a practical insight into some of the issues under consideration, including a successful youth at risk program south of Perth, an Indigenous aged care facility in the northern suburbs of Adelaide, and a proposed urban land acquisition south of Brisbane.

A draft report of a consultancy instigated by the Committee in 2002-2003, to develop a regional profile and identify the social needs of the Murdi Paaki region of western NSW, was completed late in the reporting period and is currently being assessed.

Business Enterprise Committee

In 2003-2004 the Business Enterprise Committee was chaired by Director Driscoll and comprised Directors Baffsky and Riley. The Committee met on four occasions during the reporting period and was responsible for:

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

A detailed description of the ILC business operating under the auspices of the Business Enterprise Committee is at Chapter 4 – Business Operations.

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 ATSIC 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, ILC Chairperson Shirley McPherson and Director David Baffsky represented the ILC at the meetings and were accompanied by the General Manager and Chief Financial Officer.

The Consultative Forum's main priority in the reporting period was to take action to ensure that the risk of the Land Fund not reaching its target value by 30 June 2004 was minimised. Information available at the end of the reporting period indicates that this target has been achieved.

As reported last year, in October 2002, the Delegate and the Consultative Forum sent submissions to the Minister for Finance and the Minister for Immigration and Multicultural and Indigenous Affairs respectively regarding the administrative arrangements of the Land Fund. The principal issues included questions about the Land Fund's reserving policy, minimum payments from the Land Fund to the ILC post 2003-2004, the legal definition of realised real return and the utilisation of any funds in excess of the Land Fund target for 30 June 2004. Legal advice on these issues was being sought at the end of the reporting period.

Internal Audit and Risk Management

The Audit and Risk Management Committee regularly reviews the adequacy of the ILC's control structures to ensure that key risk factors are identified and controls are operating effectively. The key control mechanisms include:

- Internal Audit Program
- Risk Management Policy and Practice
- Policy and Practice Notes
- Appearances at Parliamentary Committees
- ANAO Operations and Performance Audits
- Quality Assurance
- Evaluations of Program Effectiveness
- Analysis and Evaluation of Stakeholder Feedback.

Internal Audit Program

This reporting period marked the first full year in which the ILC's internal audit function operated, by way of a contract with Deloitte. Fourteen audits were conducted during the year, with nine being completed by 30 June 2004. The completed audits covered:

- Strategic and Business Planning
- Occupational Health and Safety
- Information Technology General Controls
- Risk Management
- Corporate Governance
- Land Acquisition Process
- Management of ILC-held Land
- Policies and Procedures
- Legislative/Government Framework.

Audits in progress at the close of the reporting period were:

- Fraud Control
- Murrayfield Station
- Funds Management/Investment Strategy
- Cash Management
- Contract Management.

Internal audit recommendations (and all other recommendations made by review agencies) are recorded and monitored electronically. Monthly reports are provided to the General Manager and Risk Management Steering Committee on the status of implementation of audit recommendations.

Risk Management

The ILC Risk Management Policy was extensively revised during the year to reflect a new emphasis on program and system-based risk management. The Policy was endorsed by

the Audit and Risk Management Committee in June 2004 and approved by the ILC Board on 1 July 2004. A training program to support the new methodology has been designed and will be delivered in the first quarter of 2004-2005.

The ILC has adopted the Australian/New Zealand Standard (AS/NZS4360: 1999 Risk Management) and the Guidelines for Managing Risk in the Australian and New Zealand Public Sector HB 143:1999 as the basis for its approach to risk management.

Ultimate responsibility for risk management resides with the ILC Board, but is overseen by the Audit and Risk Management Committee, steered by the Risk Management Steering Committee, 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 sets out responsibilities for Managers and staff.

Policy and Practice Notes

The ILC has adopted the use of 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 a wide range of corporate practices ranging from asset management to contract management to 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.

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 the National Native Title Tribunal, the ILC and the Land Fund. On 2 March this year, the Chairperson and General Manager appeared as witnesses before the Committee to examine the ILC's 2002-2003 Annual Report. The Committee discussed a broad range of issues and was particularly interested in the ILC's approach to redeveloping the pastoral potential of Indigenous-owned properties in northern Australia.

On 13 February 2004 the General Manager and Director National Operations attended a roundtable convened by the House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs, as part of the Committee's inquiry into capacity building and service delivery in Indigenous Communities.

The General Manager and Chief Financial Officer also appeared as witnesses before the Senate Legal and Constitutional Legislation Committee on 27 May 2004 for budget estimates.

ANAO OPERATIONS AND PERFORMANCE – FOLLOW UP AUDIT

As reported in 2002-2003, the ANAO conducted a follow-up audit of the ILC, making four recommendations. Progress in implementing those recommendations is illustrated below.

Performance Measurements/Operational Plans

The Board approved the ILC's Corporate Plan in May 2003 and each section of the administration developed Operational Plans during the first quarter of 2003-2004. The Plans identify specific responsibilities, expected outcomes and key performance indicators.

Evaluation of Program Effectiveness

The National Property Assessment, undertaken in 2001-2002, was a major exercise to evaluate the effectiveness of the ILC's land acquisition program in terms of providing benefits to, and improving the well being of, Indigenous people. The obstacles to achieving outcomes were identified and the ILC Board approved a Remediation Strategy in May 2003.

Implementation of the Remediation Strategy commenced in 2003-2004 (see Chapter 5) and evaluation of its effectiveness will take place in 2004-2005. It will form part of a wider exercise to evaluate the effectiveness of the ILC's land acquisition and management policies and programs.

Quality Assurance

A number of internal reviews were undertaken during 2003-2004 with the aim of evaluating current structures and quality of service provision. These included reviews of Divisional administration structures, the role of Senior Administration Officers, and of the Finance and Human Resources Sections. Recommendations for improved operations stemming from the reviews were accepted by the General Manager and implemented.

The proposed Quality Assurance Unit associated with land acquisition and land management proposals was not implemented, on recommendation from the internal audit review, in favour of a hindsight review approach. It involves the systematic examination of Board papers to ensure that the correct receipt and assessment processes are followed, sound recommendations made and databases are maintained accurately.

Analysis/Evaluation of Stakeholders Feedback

The ILC has a formal complaints handling process that is well publicised. It also consulted the vast majority of ATSIC Regional Councils and NTRBs during 2003 before finalising the NILS revision. A formal, regular mechanism for seeking, analysing and evaluating feedback from its stakeholders will be implemented during 2004-2005.