

# C O R P O R A T E g o v e r n a n c e

## Board Appointments

In January 2006, the Prime Minister announced changes in the Ministry and Administrative Arrangements Order, which moved responsibility for the appointment of all ILC Board Directors to the Minister for Families, Community Services and Indigenous Affairs. The requirement that the Chairperson and at least four Directors must be Aboriginal people or Torres Strait Islanders continues.

On 17 October 2005, the Minister appointed Messrs Max Gorringe and Ian Trust as Board Directors for two years.

The ILC's Board governs the proper and effective performance of the ILC and determines policy. The Corporate Governance Framework at Figure 2 illustrates how the Board fulfils these responsibilities. 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.*

### NATIONAL INDIGENOUS LAND STRATEGY

The National Indigenous Land Strategy (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 Board reviews and, if necessary, revises the NILS and, as required, provides a copy to the Minister for Indigenous Affairs to table in Parliament. Under a proposed joint oversight arrangement, the ILC will also provide a copy of revisions to the Minister for Finance.

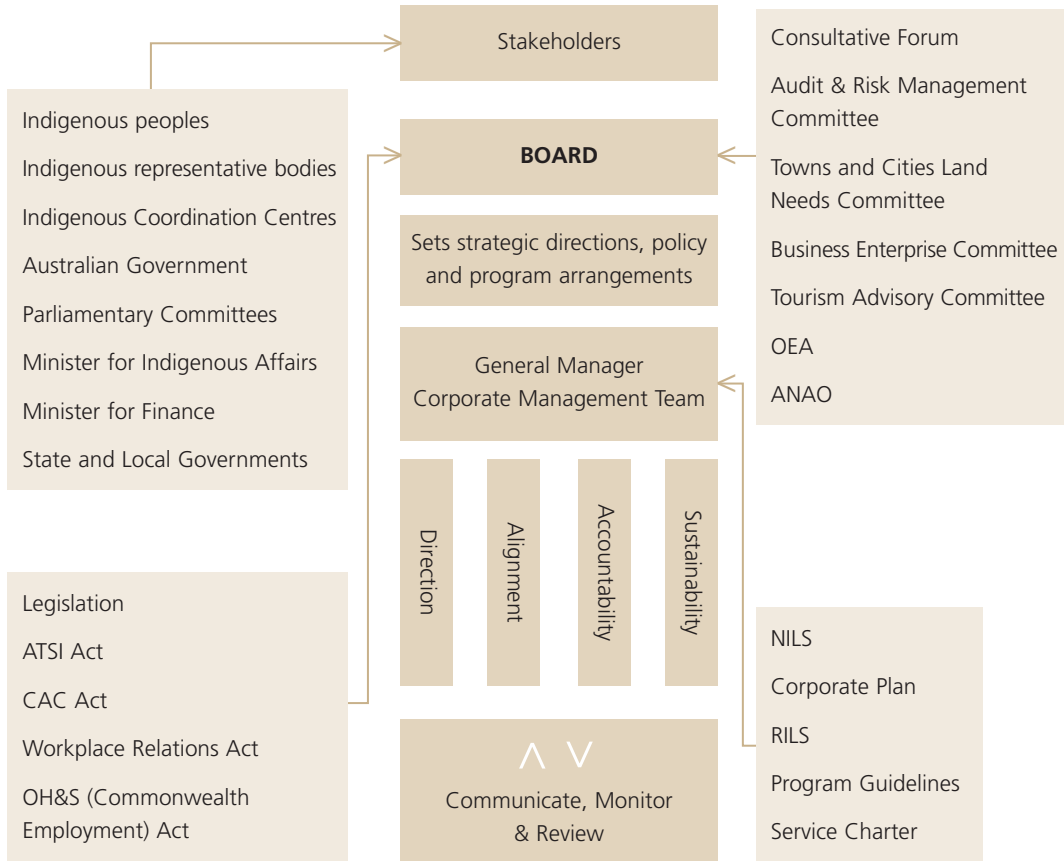
### ILC CORPORATE PLAN 2003–2006

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

### BOARD DECISIONS

Fourteen Board meetings were conducted in 2005–2006, where land acquisition and land management proposals were considered, performance and accountability were 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 audit 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. See Appendix 7 for a full list.*

### **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.

### **ILC Web Site:**

A web site provides a range of information about the ILC, the Land Account, Program Guidelines, Application Forms, access to the ILC's publications, and provides the contact details of ILC offices.

### **Land Matters:**

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

### **Program Documentation:**

As described in Chapter 5 Policy and Strategy Development, a range of program documentation is produced to inform stakeholders of ILC programs and how to access them.

## Maintenance of ethical standards

The ILC has a number of formal mechanisms that outline the ethical standards and conduct expected across the organisation.

### **BOARD CODE OF CONDUCT**

The ILC's Board members have endorsed a Board Code of Conduct, which sets out their legal, financial, conflict of interest, and standard-of-conduct responsibilities, and helps them discharge their obligations to the highest standards. The Code of Conduct is an essential component in the induction of new Directors.

### **CORPORATE PLAN 2003–2006**

The *Corporate Plan 2003–2006*, which will be reviewed in the last half of calendar year 2006, publicly articulates ILC values and the ILC's commitment to, and of, its staff in:

- Respecting the cultural diversity and traditions of Australia's Indigenous people;
- Providing a professional service; and
- Valuing the contribution of employees.

### **SERVICE CHARTER**

The *Service Charter* is directed to people, particularly Aboriginal and Torres Strait Islanders, who deal with the ILC. It outlines the standards of service they can expect from the ILC in delivering its programs, in developing policy and in communicating and consulting with its stakeholders. The Charter encourages stakeholders to advise the ILC if they are not satisfied with any element of the ILC's service delivery.

### **CERTIFIED AGREEMENT 2005–2008**

A new ILC Certified Agreement was successfully negotiated during the reporting period, covering the three-year period to October 2008. The new Agreement contains the ILC's Values and a strengthened Code of Conduct that staff are required to uphold and promote. The associated guidelines for reporting and managing breaches of the Code of Conduct were also reviewed and refined during the year.

### AUSTRALIAN WORKPLACE AGREEMENTS

ILC Values and the Code of Conduct's provisions are also contained in all the ILC's Australian Workplace Agreements, which predominantly involve Senior Executive staff.

### DAY-TO-DAY ADMINISTRATION

Under the ILC's governing legislation, the General Manager, who is appointed by the Board, manages the day-to-day administration of the ILC. In doing so, the General Manager must act in accordance with any policies determined, and any directions given, by the Board.

The General Manager is supported by a Corporate Management Team (CMT) comprised of the following senior managers:

<p><b>General Manager</b>          Director National Operations          Chief Financial Officer          Principal Legal Officer          Divisional Managers          Director Business Operations</p>
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The CMT meets bi-monthly to consider a range of strategic, operational and administrative matters from across the spectrum of the ILC's activities, both external (such as policy development and program delivery) and internal (for example, staffing matters). It also meets by video conference after each Board meeting for a briefing on Board deliberations and decisions. CMT members are also involved in a range of internal committees (some, but not all, required by the Certified Agreement), including:

- The Staff Consultative Committee – a management and staff forum that discusses issues related to the Certified Agreement, employment conditions and similar issues;
- The Indigenous Consultative Group – a committee made up of elected Indigenous staff members, which monitors the performance of the ILC's Indigenous Employment and Career Development Strategy, and discusses issues concerning Indigenous staff with management;
- The Risk Management Steering Committee – oversees the ILC's corporate and business risk management strategies, and is an interface between the Board's Audit and Risk Management Committee and management; and
- The Certified Agreement Negotiation Committee – disbanded following the finalisation of the Agreement in late 2005.

### OPERATIONAL PLANNING & REPORTING

The NILS and the ILC's Corporate Plan articulate the organisation's high level objectives and strategies; they are the foundation documents underpinning the ILC's Strategic Planning Framework (see Figure 3). Both the NILS and Corporate Plan are in their final year of currency (although the NILS has been reviewed annually), and both will be reviewed next year.

Under a proposed new Joint Oversight Framework with the Department of Finance and Administration, a copy of the NILS and draft Corporate Plan will be provided to the Portfolio Minister, and subsequently the Parliamentary Secretary for Finance, for comment.

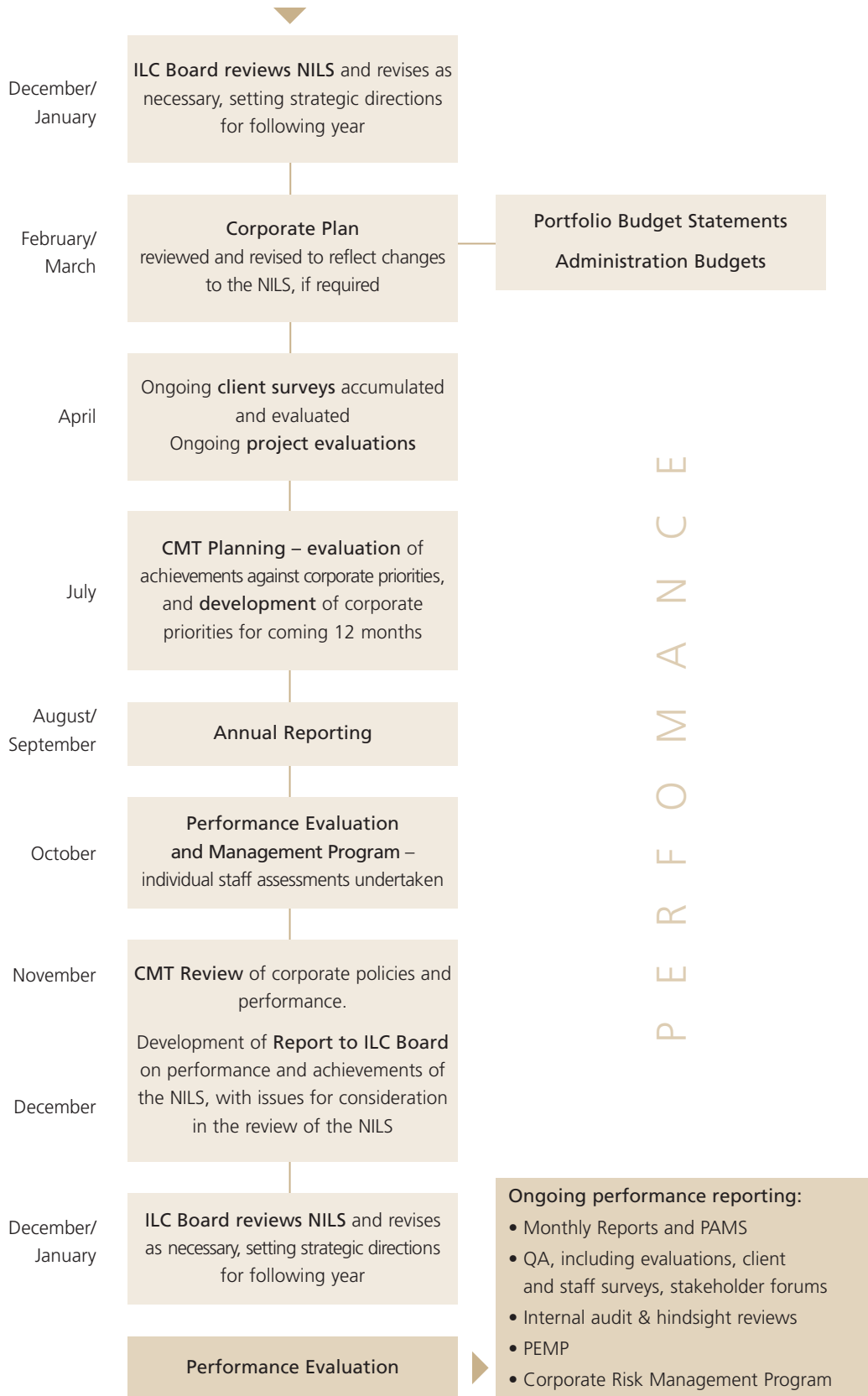
The Strategic Planning Framework, implemented in early 2005 and revised during 2005–2006, ensures corporate alignment with the NILS and Corporate Plan, and requires each business unit to identify its expected key achievements and performance outcomes against the Corporate Plan for the coming twelve months. This information is consolidated in an annual Corporate Priorities document. Examples of expected achievements identified in *Corporate Priorities 2005–2006* are:

- The divestment of six properties to appropriate Indigenous corporations;
- The implementation or further expansion of specific land management projects that provide significant training and employment outcomes, such as the NT Indigenous Pastoral Program;
- Further development of the concept of establishing Indigenous pastoral training centre(s);
- The development of ILC-run businesses on several identified ILC properties;
- The development of a Heritage Strategy;
- The renegotiation of the Certified Agreement; and
- The implementation of the ILC's Indigenous Employment and Career Development Strategy.

An evaluation of achievements against *Corporate Priorities 2005–2006* and the development of priorities for 2006–2007 will occur in July 2006.

Business units are required to report monthly on issues of significance, achievements and program delivery outcomes. A major project to streamline the production of the monthly report, and develop a suite of management information and performance reports based on the ILC's Property Acquisition and Management System, will start in July 2006.

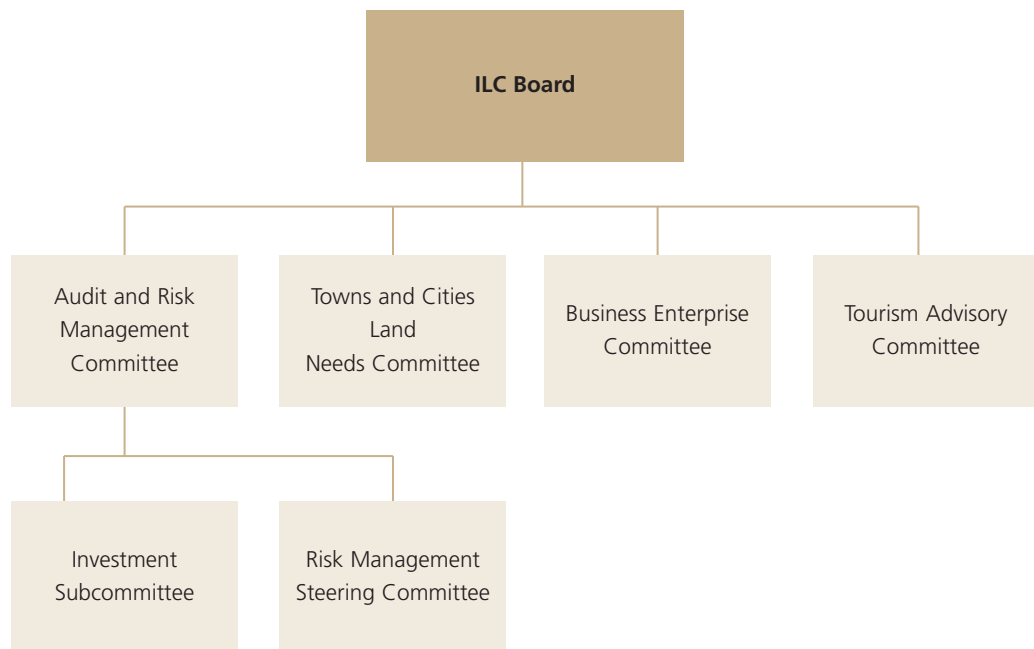
Figure 3: Planning and Performance Management Calendar



## Committees

*The ILC's Board committees and subcommittees 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.*

Figure 4: ILC Board Committees



*Towns and Cities Land Needs Committee members Sam Jeffries and Norma Ingram with Gerard Neesham (left) and Kevin Mitchell (right) during a visit to the Clontarf Football Academy in Perth.*



### AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee (ARMC) plays a key role in the ILC's corporate governance. It ensures effective and efficient use of resources by reviewing and monitoring and, where necessary, recommending improvements to internal controls and management performance systems.

The Committee approves the ILC's Internal Audit Program and oversees risk management and fraud initiatives. The Committee also oversees and monitors the ILC's investment policy and reporting, and provides assurance to the Board on the preparation and review of its financial statements.

The ARMC is chaired by Mr David Baffsky. Membership includes the ILC's Deputy Chairperson Mr Sam Jeffries and independent member Mr Ian Ferrier. The Committee reports to the Board following each meeting.

#### The Committee's major activities during the year were:

- Reviewing the 2004–2005 consolidated Financial Statements, and recommending their adoption by the Board;
- Monitoring internal audit functions, reports and recommendations;
- Endorsing the review of the ILC's Corporate Risk Management Plan;
- Monitoring the implementation of the Australian Equivalent to the International Reporting Standards project, including review and endorsement of consequential changes in accounting policies;
- Monitoring the ILC's Remediation Strategy;
- Monitoring the implementation of the ILC's Environmental Management System;
- Review of the standard conditions in the ILC's Deed of Grant; and
- Review of the investment strategy for the ILC's investment portfolio.

### INVESTMENT SUB-COMMITTEE

In May 2005, an investment subcommittee of the ARMC was established. Its area of responsibility is to actively monitor the performance of the ILC's investment portfolio and maintain active dialogue with the ILC's fund managers and independent investment advisor.

The subcommittee is chaired by Mr Ian Ferrier. The General Manager and Chief Financial Officer are members.

During 2005–2006, the subcommittee initiated a review of the ILC's investment strategy and strategic asset allocation. Implementation of the outcome of this review is expected in early 2006–2007.

### TOWNS & CITIES LAND NEEDS COMMITTEE

The Towns and Cities Land Needs Committee, now in its fourth year, was established to provide policy advice and guidance to the Board in relation to the land acquisition and land management needs of Indigenous people based in urban areas.

Board members – Ms Norma Ingram (Committee Chair) and Mr Sam Jeffries – continued on the Committee with community representative Mr Robert Carroll. New Board member Mr Ian Trust, from Kununurra, joined the Committee towards the end of 2005–2006.

**The Committee met on four occasions during the year: twice in Brisbane and once each in Perth and Canberra. The Committee considered a range of issues, including:**

- Exploration of the potential for the ILC to assist in the provision of land for the purpose of private home ownership for Indigenous low-income earners, including urban land development for housing in towns with high Indigenous housing needs, in partnership with other institutions and agencies. Independent legal opinion was subsequently sought and advice received that the acquisition of land for this purpose would not be in compliance with the ILC's statutory role;
- Proposed ILC-supported urban developments in Redfern, Sydney; and
- Monitoring the ILC's urban activity, including land acquisition applications received and the progress of previous urban acquisitions.

The Committee also visited urban Indigenous organisations that have applied for, or successfully acquired, properties or received land management assistance from the ILC. These included an Indigenous community school, a supported accommodation facility for Indigenous men with substance abuse problems, and an innovative educational facility using current and former elite Indigenous footballers to promote educational outcomes for young Indigenous men.

### BUSINESS ENTERPRISE COMMITTEE

Director Kevin Driscoll CBE OBE chairs the Business Enterprise Committee; other members during 2005–2006 included Mr David Baffsky, Mr Sam Jeffries and Mr Max Gorrige (appointed 15 February 2006).

**The Business Enterprise Committee was established in 2001 to be responsible for:**

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

The ILC has supported individual pastoral enterprise development activities, including the establishment of pastoral businesses on Crocodile/Welcome and Merapah stations on Cape York, Mimosa Station in southeast Queensland, and Eley Station in the Northern Territory.

The Committee met on five occasions during the year. In addition, Committee Chair Mr Kevin Driscoll met with the General Manager and Director Business Operations on two other occasions. The Committee Chair conducted inspections of ILC-owned businesses at Crocodile/Welcome, East Eley, Carranya, Home Valley, Myroodah and Roebuck Plains stations between 6 and 11 September 2005.

**The key areas of focus for the Committee during 2005–2006 included:**

- Expanding employment and training outcomes for Indigenous people on ILC-owned businesses;
- Continuing improvements in the quality and size of the cattle herd on ILC-owned businesses;
- Strategic sales of cattle in response to drought conditions at Roebuck Plains and Mimosa stations; and
- Establishing a new ILC-owned business through a leasing arrangement at Eley Station in the NT.

The ILC's Business Operations are featured in Chapter 4 of this report.

### TOURISM ADVISORY COMMITTEE

The Tourism Advisory Committee was established in late 2005 to assist in the evaluation of proposals to undertake tourism activities on properties that the ILC has already acquired or is assessing for acquisition. Proposals must be sustainable in the long term, and have an opportunity to generate a reasonable return; must create employment and training opportunities for Indigenous people; and there must be commitment to the project from a potential beneficiary group.

The Committee is chaired by Mr David Baffsky. Industry experts contribute to the work of the Committee, including Mr Aden Ridgeway (Chairman, Indigenous Tourism Australia), Mr Chris Fry (National Bank of Australia), Ms Judy Freeman (Tjapukai Aboriginal Cultural Park) and Mr Glen Miller (Tourism Queensland).

## Land Account Consultative Forum

The Minister for 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 Account to the Delegate of the Minister for Finance.

The Consultative Forum met twice during the year. Its nominated ILC Directors, Ms Shirley McPherson and Mr David Baffsky, accompanied by the General Manager and Chief Financial Officer, represented the ILC.

#### The major activities of the Forum were:

- Discussions regarding the definition of 'realised real return' and 'authorised investments'; and
- ANAO audit recommendations to tender for and appoint investment advisors and investment managers to the Land Account.

## Internal Audit Program

The Internal Audit Program is managed, monitored and evaluated by the Audit and Risk Management Committee. The Program is risk based and provides for the systematic coverage of the ILC's functions under a rolling program.

In 2005–2006, the ILC continued to outsource its internal audit operations to Deloitte Touche Tohmatsu (DTT), but decided to again test the market at the conclusion of DTT's contract in June 2006. Expressions of interest from potential providers were under consideration at 30 June 2006.

**Six audits were completed during the year, and a further two were in progress at its close. The completed audits were:**

- Software Asset Management;
- Finance-One System Controls;
- Financial Delegations;
- Myroodah-Luluigui Station;
- Post acquisition to Divestment; and
- Management of the ILC's businesses.

**The audits in progress at 30 June 2006 were:**

- Capacity Development; and
- Land Management.

Internal audit recommendations, and recommendations by other review agencies such as the Australian National Audit Office and the Office of Evaluation and Audit, are recorded and monitored electronically.

Reports on the status of implementation of audit recommendations are provided on a regular basis to the Audit and Risk Management Committee, Risk Management Steering Committee and General Manager. The Audit and Risk Management Committee and the Risk Management Steering Committee also regularly monitor audit findings and recommendations to ensure that the ILC fully addresses any risk, compliance, or other issues arising from audits.

## Risk Management

The ILC's risk management methodology is based on the standard *Australian/New Zealand Standard AS/NZS 4360:2004 Risk Management*.

Ultimate responsibility for risk management resides with the Board. However, Risk Management is overseen by the Audit and Risk Management Committee and steered by the Risk Management Steering Committee<sup>12</sup>. It is facilitated by the Manager Internal Audit and Risk Management, and it is a core activity for all managers and staff. The ILC's approach is described in the *Corporate Risk Management Plan* (revised in 2005–2006) and a risk management policy and practice note.

During 2005–2006, the ILC was rated among the top risk management performers in Australia's public sector, winning the small agency category in Comcover's annual awards for excellence in risk management. The judges made the following comments:

*'The ILC has made significant improvements in implementing its enterprise-wide risk management framework over the past twelve months, building on the foundations that earned it an Honourable Mention in 2004. The framework is linked to the agency's governance framework and internal audit process and is adequately resourced.*

*The judges considered that the ILC has formal accountability for risk management throughout the agency, with everyone responsible and accountable for risk management – from the ILC Board through to staff and contracted service providers. The result is that risk management is regarded as core business and risk treatments are embedded into everyday procedures, for example, when considering the acquisition of land.*

*The judges were particularly impressed that the ILC has gone beyond internal implementation and is training clients as well as staff in risk management.'*

Following this achievement, the ILC was invited to present a keynote speech at Comcover's Getting Wired seminar series in February 2006, and to give a paper to a conference on enterprise risk management in government in May 2006.

## Policy and Practice Notes

Policy and Practice Notes (PPNs) provide detailed guidance to staff on the implementation of corporate practices and ensure operational consistency. All PPNs are approved by the General Manager as corporately accepted practices that should be followed by staff. PPNs cover issues ranging from asset management and employment conditions to the assessment of applications for land acquisition and management assistance. Towards the end of the year, the ILC started a review project, to be completed in the next financial year, to update core processes and ensure programs are delivered in a streamlined, effective and accountable manner. This project was initiated to assist the ILC's staff focus on achieving outcomes in a timely manner.

<sup>12</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 who represent all facets of the ILC's operations. This Committee reports to the Audit and Risk Management Committee.



*Accepting Comcover's award for excellence in risk management in the small agency category (from left): Mr Mark Treloar (Manager, Internal Audit and Risk Management), Mrs Jodie Lindsay (Chief Financial Officer), Mr David Galvin (General Manager).*

## 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 Commonwealth Authorities, and to consider their views before notifying them of the general policy's application.

The following general policies applied to the ILC in 2005–2006.

Table 2: General Policies of the Australian Government Applicable to the ILC 2005–2006

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
Foreign Exchange Risk Management	22 July 2005	No	Yes
Cost Recovery by Australian Government Agencies	22 July 2005	No	Yes

### AUSTRALIAN GOVERNMENT PROPERTY OWNERSHIP FRAMEWORK

In 2005–2006, the Australian Government Property Ownership Framework was the subject of consultation with the previous Minister for Indigenous Affairs.

The ILC sought partial exemption because the ILC has specific legislative responsibilities to acquire interests in land and grant them to Indigenous corporations. A response to the request had not been received at 30 June 2006.

### REPORT ON COMPLIANCE WITH THE CAC ACT

In 2005–2006, the draft general policy *Report on Compliance with the CAC Act* was the subject of consultation with the Department of Finance and Administration. The ILC provided comment.

## Appearances at Parliamentary Committees

On 21 November 2005, the General Manager appeared before the Parliamentary Joint Committee on Native Title and the Aboriginal and Torres Strait Islander Land Account during its inquiry into the operations of Native Title Representative Bodies. The Committee sought information regarding the ILC's dealings with Prescribed Bodies Corporate.

The General Manager and the Manager of the ILC's Capacity Development Unit appeared before the House of Representatives Standing Committee on Agriculture, Fisheries and Forestry on 7 December 2005. The Committee was inquiring into rural skills training and research.

The House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs conducted an inquiry into Indigenous employment during the reporting period. The General Manager appeared before the Committee on 17 February 2006.

The Chief Financial Officer appeared before the Senate Community Affairs Legislation Committee's budget estimates hearings on 30 May 2006.

The Parliamentary Joint Committee on Native Title and the Aboriginal and Torres Strait Islander Land Account conducts an inquiry each year into the annual reports of a number of Commonwealth agencies with responsibilities relating to Indigenous Affairs. Although the Committee published an analysis of the ILC's 2004–2005 Annual Report, the ILC was not required to appear before the Committee.



Former residents of Roelands Village in WA (from left) Bob Chilty, Phil Prosser, Francis Khan and Violet Bennell with historical photographs used in an exhibition held at the former mission site. (Photographer: Paul Verhagen. Photo: courtesy South Western Times, WA).