

Limits on Guaranteeing

Section 193N places limits on the amount of loan monies the ILC may guarantee in a financial year. In 2000 -01 the guarantees the ILC did not exceed the limits determined by this section.

Business Principles

When acting commercially the ILC must act according to sound business principles (section 191FC1).

Aboriginal and Torres Strait Islander Land Fund Reserve (the Land Fund)**Land Fund Appropriations**

From 1995-96 until 2003-04, \$121 million (indexed to 1994 values) will be appropriated annually to the Land Fund by the Commonwealth Government. The legislative scheme set out in the *ATSIC Act* requires approximately 66% of this amount to be invested in building the capital base of the fund. From 1 July 1997, the balance in total is drawn down annually to the ILC³ for the performance of its statutory responsibilities. Table 1⁴ provides an indication of the notional funding allocations to the Land Fund and to the ILC during the period of the establishment of the Fund, based on 1994-95 dollar values (the financial year of the first special appropriation to the Fund).

The Land Fund will always remain the property of the Commonwealth. In 2004, when Government allocations to the fund cease, the ILC will receive the realised real return on investments of the Fund in the previous year which will be its *only* source of recurrent annual earning to comply with its statutory obligations. This needs to be clearly understood by all affected by or relying on the ILC.

³ In 1995-96 and 1996-97 a portion of the draw down from the Land Fund (\$21 million, indexed) was allocated to ATSIC to fund the ATSIC Land Acquisition and Management Program. The ILC's involvement in for land management commenced on 1 July 1997.

⁴ The amounts shown in the table are, as noted, notional figures. The total shown in the table does not represent the Land Fund 'target'. The formula for calculation of the target amount for the second and subsequent "Category A" years is specified in section 193AA(2) and section 193AA(3) of the *ATSIC Act*, based on the target figure for the Fund of \$1106 million. While the notional target figure will almost certainly approximate the actual target, the actual target figure will vary from time to time with fluctuations in the CPI and the rate of investment returns to the Fund.

**TABLE 1:
NOTIONAL ALLOCATIONS TO AND FROM THE LAND FUND**

	Allocation to the Land Fund ⁽¹⁾	Retained in the Land Fund ⁽¹⁾	Transferred to the ILC ^{(1) (2)}	ATSIC Program ^{(1) (3)}	Total for Land Acquisition and Management
1994-1995	\$200 million	\$175 million	\$25 million	(\$21) ⁽³⁾ million	\$46 million
1995-1996	\$121	\$76	\$24	\$21	\$45
1996-1997	\$121	\$76	\$24	\$21	\$45
1997-1998	\$121	\$76	\$45	-nil	\$45
1998-1999	\$121	\$76	\$45	-nil	\$45
1999-2000	\$121	\$76	\$45	-nil	\$45
2000-2001	\$121	\$76	\$45	-nil	\$45
2001-2002	\$121	\$76	\$45	-nil	\$45
2002-2003	\$121	\$76	\$45	-nil	\$45
2003-2004	\$121	\$76	\$45	-nil	\$45
Total after ten years	\$1289 ⁽⁴⁾	\$859	\$388	\$42	\$451

- (1) The funding allocations are indexed from 1995-96 to maintain value in 1994-95 dollar terms.
- (2) Payments from the Land Fund to the ILC over this period are detailed in s.193A of the *ATSIC Act*.
- (3) The 1994-95 funding for ATSIC was from ATSIC allocations and not from the Land Fund.
- (4) This table has been reproduced in successive ILC Annual Reports to illustrate in simple terms the gradual establishment of the Fund. To avoid confusion, dollar values have been retained at 1995-96 values in subsequent reports. Note that the 'total' indicated here is not the Land Fund 'target', but the indexed allocations that will be received up to 2004.

The fifth appropriation of the Land Fund occurred on 4 July 2000. The ILC received the total appropriation of \$51,777,000.

Consultative Forum

Consultative Forum on the investment policy of the Land Fund was appointed by the Minister for Reconciliation and Aboriginal and Torres Strait Islander Affairs under section 193G of the *ATSIC Act*. The Consultative Forum is a committee in which the nominated ILC Directors and other Ministerial appointees can express views and provide advice about the investment policy of the Land Fund to the Delegate of the Minister for Finance in order to assist in increasing the investment returns from the Fund.

The Consultative Forum consists of the Delegate, at least two nominated ILC Directors and such other persons as the Minister considers appropriate. During 2000-2001, the Consultative Forum met on two occasions and the ILC was represented by its nominated Directors, Ms Lois Peeler and Mr David Baffsky. The Fund is controlled by statute and the Consultative Forum has no powers in relation to the Fund.

Audit and Risk Management Committee and Corporate Governance

The ILC Board's Audit Committee was established in April 1997. In 2000-01 the ILC Board amended the Committee's charter to include Corporate Governance and Risk Management responsibilities. This amendment of the Charter caused the Committee to be renamed the Audit and Risk Management Committee (A&RM).

The primary objective of the A&RM is to ensure that the ILC and its subsidiaries meet corporate governance objectives and comply with legislative requirements. Its tasks involve:

- acting as an advisory body 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 *ATSIC Act* and *Commonwealth Authorities and Companies Act* and the Corporations law
- ensuring reliable management and financial reporting to the Board
- ensuring that risks are identified and appropriately managed
- overseeing and monitoring investment policy
- monitoring the performance of the investment portfolio.

Report Of **Operations**

The Committee also provides a forum for communication between the Directors, the senior managers and the internal and external auditors.

ILC Deputy Chairperson, Mr Clem Riley, chairs the A&RM committee. Ordinary members are Directors Peeler and Baffsky.

The Committee met on four occasions during the reporting period with all members in attendance.

10 August 2000 – Sydney

29 January 2001 – Sydney

30 March 2001 – Melbourne

19 June 2001 – Canberra