

PROPER & EFFECTIVE performance

OBJECTIVE:

To create and/or maintain an environment where appropriate governance instruments, principles and standards are established, practised and achieved. Specific strategies have been developed to ensure the ILC meets this objective.

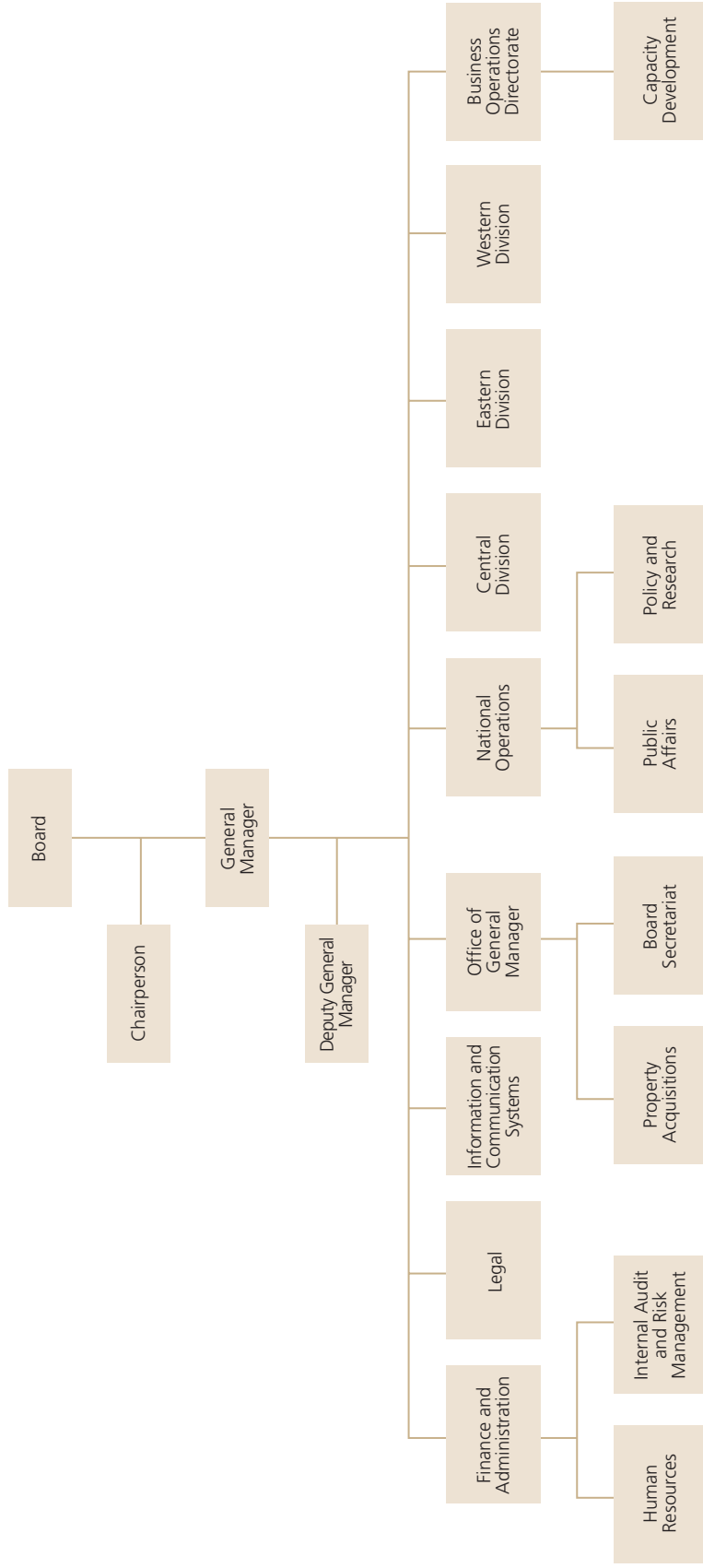
Corporate Strategies

- Ensure that the ILC performs its functions in an effective, efficient and nationally consistent manner by implementing and periodically revising policies and procedures covering all aspects of the ILC's operations, and by maintaining an internal audit function;
- Manage external relationships by applying and periodically revising the ILC's Service Charter and Complaints Handling System;
- Effectively manage physical and financial resources;
- Implementation and periodic revision of an investment strategy covering all aspects of prudent and efficient management of funds;
- Provision of a safe, rewarding and satisfying workplace where individual, team and organisational performance is recognised, and professional aspirations are supported through a comprehensive human resource strategy; and
- Maintenance of effective communication with, and support to, the ILC's Board.

Organisational Structure

Figure 11 illustrates the ILC's organisational structure at 30 June 2006. The General Manager, Mr David Galvin, heads the administration and is appointed by the Board.

Figure 11: ILC Staffing Structure



The ILC has responsibilities across Australia and maintains offices in Adelaide, Brisbane, Canberra and Perth as illustrated below.

Table 8: Locations of ILC Offices

Location	Function	Responsible Senior Executive
Adelaide	Central Division (servicing SA, NT, VIC and TAS) Level 7, 63 Pirie Street Adelaide SA 5000	Mr Richard Preece, Divisional Manager
	National Operations Policy and Research Public Affairs	Mr Len Owen, Director
	Finance and Administration Human Resources	Mrs Jodie Lindsay, Chief Financial Officer
	Capacity Development	Mr Garry Cook, Director
	Legal	Mr Paul Hayes, Principal Legal Officer
	Information and Communication Systems	Mr David Galvin, General Manager
	Brisbane	Eastern Division (servicing QLD and NSW) Level 2, 67 Astor Terrace Spring Hill Brisbane QLD 4000
Internal Audit and Risk Management		Mrs Jodie Lindsay, Chief Financial Officer
Property Acquisition		Mr David Galvin, General Manager
Canberra	Office of the General Manager Level 1, 305 Phipps Close Deakin ACT 2600	Mr David Galvin, General Manager
	Board Secretariat	Mr David Galvin, General Manager
	Business Operations Directorate	Mr Garry Cook, Director
Perth	Western Division (servicing WA) Level 6, 182 St Georges Terrace Perth WA 6850	Mr Allan Padgett, Divisional Manager
	Office of the Chairperson	Mr David Galvin, General Manager

Staffing Arrangements

The remuneration and terms and conditions of employment of the General Manager are governed by the Principal Executive Office Classification Structure, which is determined by the Remuneration Tribunal. The ILC has seven ongoing executive-level staff employed under Australian Workplace Agreements (AWAs), including Divisional Managers, Director National Operations, Director Business Operations, Chief Financial Officer and the Principal Legal Officer. These agreements were all renegotiated during the reporting period. They are similar to AWAs negotiated with senior executive staff of the Australian Public Service and include provision of private-plated motor vehicles, business class official travel, airline lounge membership, home-based computers and salary sacrificing arrangements.

During 2005–2006, the *ILC Certified Agreement 2002–2005* was renegotiated. The new *ILC Certified Agreement 2005–2008* (CA) was made between the General Manager and the ILC's employees under section 170LK of the *Workplace Relations Act 1996* and is binding on the General Manager and employees covered by the CA. The CA governs the terms and conditions of employment of eighty-six non-executive staff. Four non-executive staff previously covered by the CA negotiated individual AWAs.

No ILC employee, including the General Manager and Senior Executives, received performance pay bonuses.

Staffing and diversity levels within the ILC remained broadly consistent with those from the last reporting period. Indigenous staff increased from 21% of all staff to 22%, and females increased from 43% to 45%. Table 5 illustrates staffing by Equal Employment Opportunity (EEO) groups and Table 6 illustrates salaries by EEO group.

Table 9: ILC Salary by EEO group 2005–2006

Salary Range	Female	Male	Indigenous	Non-Indigenous	Total
\$20,000 – \$40,000	2.25	1	3.25	–	3.25
\$40,001 – \$60,000	26.4	13	11.6	27.8	39.4
\$60,001 – \$80,000	12	21.6	5	28.6	33.6
\$80,001 +	2	16	1	17	18
Totals	42.65	51.6	20.85	73.4	94.25

Table 10: ILC Staff by EEO group 2005–2006*

	Indigenous		Non-Indigenous		Totals	
	2005-2006	2004-2005	2005-2006	2004-2005	2005-2006	2004-2005
Eastern Divisional Office						
Female	4	6	3.8	3	7.8	9
Male	4	1	9	10.4	13	11.4
Western Divisional Office						
Female	2	1	5	6	7	7
Male	1	1	5	9	6	10
Central Divisional Office						
Female	0	1.6	5	2.4	5	4
Male	2	2	4.6	6	6.6	8
Business Operations						
Female	0	0	3	3	3	3
Male	0	0	6	1	6	1
Head Office						
Female	4.85	4	15	13	19.85	17
Male	3	3	17	19	20	22
Total	20.85	19.6	73.4	72.8	94.25	92.4

* The 2005–2006 figures include the following:

- EDO 1 Female Indigenous Cadet
- HO 1 Female Indigenous Cadet (Part-time @ .25)
- HO 1 Female Non-Indigenous staff member on Maternity Leave
- 3 Part-time staff (EDO, CDO & HO)

2005–2006 figures do not include the following Indigenous employees/trainees;

- CDO 1 Female Indigenous employee on LWOP
- HO 1 Male Indigenous employee on LWOP
- WDO 1 Female Indigenous work experience person who continued from 2004-05
- CDO 1 Male Indigenous Trainee
- HO 1 Male Indigenous Trainee
- HO 1 Female Indigenous Legal Intern

Figures do not include Board Members



(Photo: Kerry Trapnell).

Human Resource Management

During the reporting period, the ILC continued to maintain and refine its strategies to effectively manage and develop staff to achieve its objectives.

Procedures were reviewed to reflect changes in the new *ILC Certified Agreement 2005–2008* and support human resources management.

The ILC Indigenous Employment and Career Development Strategy continued to assist in creating opportunities to increase the employment and retention of Indigenous staff in the organisation. Two Indigenous cadets and four Indigenous trainees were hosted in 2005–2006. On completion of their traineeships, three were retained in ongoing or non-ongoing positions.

The ILC's Learning and Development Strategy continued to target training at the individual, group and corporate levels.

- All new staff attended cultural awareness training.
- Staff attending university courses had access to the Studies Assistance Scheme that offers reimbursement of specified costs and access to study leave.
- There was continued corporate focus on training in the areas of contract and project management, workplace behaviour and corporate information systems.
- A corporate management and leadership program was developed and is being piloted for middle managers. This course is designed to improve middle managers' strategic and supervisory skills and enhance future career development opportunities.
- Ongoing training to meet the needs of individuals was provided and study leave was available to all staff.

The staff Indigenous Advisory Group and Consultative Committee continued its positive contribution to human resource management and development issues.

Occupational Health & Safety

The ILC is committed to providing a safe and healthy working environment in a consultative, positive, practical and effective manner.

During the year, the ILC continued to implement and comply with the ILC's Occupational Health and Safety (OH&S) Policy and Agreement, consistent with the requirements of the Commonwealth legislation¹⁵. The ILC's policy is, in consultation with employees and their representatives, to take all reasonable steps to:

- Provide and maintain a safe and healthy working environment for employees, contractors and visitors;
- Prevent workplace injury and disease;
- Encourage and promote occupational health and safety awareness and responsibilities at all levels;
- Monitor, evaluate and strive for continual improvement in its OH&S; and
- Integrate OH&S into everything it does.

The Corporate Management Team and the Manager Human Resources are responsible for overseeing OH&S practice through an OH&S Committee.

During the reporting period, one incident was reported to Comcare. It was reported as a dangerous occurrence under section 68 of the *Occupational Health and Safety (Commonwealth Employment Act) 1991*. No injuries were sustained and Comcare did not investigate¹⁶.

The following activities contributed to a safe and healthy workplace for ILC employees:

- OH&S training for elected Health and Safety Representatives (HSRs), Deputy HSRs and managers or supervisors regarding their roles and responsibilities;
- Staff who operate four-wheel-drive vehicles and those who may need to undertake first aid procedures received appropriate training;
- Two first aid officers were appointed in each office and received appropriate senior first aid training;
- Professional ergonomic assessments and rectification of workstations were conducted during the induction process for new employees and in office relocations;
- A number of staff chose to be vaccinated for Influenza, Tetanus, Hepatitis A and B and/or Japanese Encephalitis and Q Fever;
- Eyesight testing for screen-based equipment was conducted for all new employees and offered to existing employees on an as-needed basis;
- Access to an Employee Assistance Program was made available to staff and their families; and
- Staff used the Healthy Employee Scheme in the *ILC Certified Agreement 2005–2008*, which recognises that physical wellbeing is a key factor in employees performing their duties. Staff were reimbursed limited expenses incurred in participating in a range of activities, such as quit-smoking courses, gym and sports club membership, and weight-loss programs.

¹⁵ Occupational Health and Safety (Commonwealth Employment) Act 1991.

¹⁶ Does not include the ILC's Subsidiaries.

Accountability for Financial & Physical Resources

OVERVIEW OF FINANCIAL RESULTS

The ILC received \$23.8m on 30 June 2006, which equates to the realised real return from the investments from the Land Account for the 2004–2005 financial year.

The ILC had \$268 million invested as at the 30 June 2006. These funds are notionally allocated to support future strategic projects.

Under section 191H of the ATSI Act, the ILC can invest funds. Section 193K exempts the ILC from Section 18(3) of the *Commonwealth Authorities and Companies Act 1997* (CAC Act) which deals with allowable investments.

In accordance with Australian Accounting Standards, the ILC values its investments on a market-to-market basis. Accordingly, the change in the market value of the ILC's investments in any given period is recognised in the Income Statement. (See Management of Investment Funds below for information on performance of the investment portfolio).

As at the 30 June 2006, the ILC held 80 properties with a value of \$76 million. Until they are granted, the ILC is responsible for maintenance and statutory costs.

As at 30 June 2006, the ILC held 65,067 head of livestock at a value of \$18.6m. In accordance with Australian Accounting Standards, the ILC values the livestock on a market-to-market basis. Accordingly, the change in market value of livestock held is recognised in the Income Statement. (See Chapter 4 for commentary on the ILC comment on the ILC Business Operations).

In addition to direct spending on land acquisition and land management, the ILC incurs travel and staff costs to:

- Conduct community consultations;
- Manage land held pending a grant;
- Monitor land acquisition and land management activities; and
- Provide management and administrative support to commercial businesses on ILC-held property.

Table 11: Highlights of the Financial Statements for year ended 30 June 2006

	2005–2006	2004–2005
Land Account Revenue	\$23.8m	\$4.0m
Funds spent on land acquisition*	\$10.2m	\$8.1m
Funds spent on land management	\$14.8m	\$11.4m
Land acquisition assets held pending transfer	\$75.8m	\$70.9m
Value of land acquisition assets granted	\$2.0m	\$0.6m
Market value of investments^	\$268m	\$251m

* Includes improvement to infrastructure on ILC-held land.

^ Includes former Regional Land Fund Money transferred from ATSIIC on 23 March 2005.

In accordance with the Australian Government's budget estimates framework, the ILC prepares budget estimates each May for the following financial year and three succeeding years. The ILC will experience variances between budget estimates and actual performance due to all of the ILC's funding being Revenue from Other Sources¹⁷ which includes:

- Real return from the investments of the Land Account – the return on the Land Account is dependent on interest rate movements and an unusual indexation factor;
- The change in market value of investments – the ILC's investments are valued on a market-to-market basis and are therefore subject to interest rate and equity market movements from one reporting period to another; and
- The change in market value of livestock – the ILC's livestock is valued on a market-to-market basis and is therefore subject to livestock market movements from one reporting period to another.

The total price of outputs represents the funds available to the ILC for carrying out its legislated functions.

¹⁷ Revenue that is not a direct Australian Government appropriation.

Table 12: Summary resource table by outcome

	(1) Budget* 2005–2006 \$'000	(2) Actual** 2005–2006 \$'000	Variation (col 2 minus col 1) \$'000	Budget*** 2006–2007 \$'000
Administered appropriations	–	–	–	–
Departmental appropriations	–	–	–	–
Total revenue from Government	–	–	–	–
Revenue from other sources				
Revenue from the Land Account	75,689 ¹⁸	23,759	(51,930)	25,346
Interest	651	740	89	681
Movement – Market Value of Investments	13,695	25,162	11,437	11,708
Movement – Market Value of Livestock	1,920	5,260	3,340	2,100
Other	688	9,093	8,405	682
Total revenue from other sources	92,643	64,014	(28,629)	40,517
Total price from departmental outputs				
(Total revenue from government and other sources)	92,643	64,014	(28,629)	40,517
Total resourcing for Outcome 1				
(Total price of outputs and administered appropriations)	92,643	64,014	(28,629)	40,517
* Full year budget from Portfolio Budget Statements 2005–06				
**Refer note 25 of Financial Statements				
*** Portfolio Budget Statements 2006–07, prior to additional estimates				
		2005–2006		2006–2007
Average Staffing Levels		166.2		130

¹⁸ This amount was advised by the Department of Immigration and Multicultural Affairs which was responsible for the administration for the Land Account at the time of preparing the Portfolio Budget Statements 2005–06. It has since been established that the methodology used to calculate this amount was incorrect.

MANAGEMENT OF INVESTMENT FUNDS

The ILC maintained its investment portfolio in accordance with the Statement of Investment Objectives and Policy during 2005–2006.

The statement covers all aspects of the ILC's management of investment funds. It sets out a number of key principles, including:

- Outsourcing the management of funds;
- For the longer-term investment portfolio:
 - A 52% growth weighting strategy;
 - Using a minimum of two specialised active managers for both Australian and international equities; and
- Using a passive manager for listed property trusts, Australian and international fixed interest;
- For the shorter-term investment portfolio:
 - Using a passive manager for the shorter-term cash portfolio; and
- Maintaining a balance of \$5m in house to ensure sufficient liquid funds are available to meet organisational costs.

Objectives for the longer-term investment portfolio are:

- To achieve returns (net of investment fees) that at least exceed the average rate of inflation (as measured by CPI) by 4% over five years; and
- To limit the probability of the portfolio achieving negative returns.

Investment funds are managed in accordance with the Statement of Investment Objectives and Policy in order to protect the financial resources required to fulfil the ILC's functions. The investment portfolio is monitored by the Audit and Risk Management Committee and the Board. The ILC also retains the services of an independent investment advisor.

During 2005–2006, the Audit and Risk Management Committee, through the Investment subcommittee, commenced a review of the investment strategy and strategic asset allocation.

In June 2006, the Audit and Risk Management Committee recommended that the Board decrease the ILC's weighting in growth assets from 52% to 35%. The Board endorsed this recommendation. A review of the ILC's strategic asset allocation to implement this decision is under way, with full implementation to occur during 2006-2007.

The performance of the ILC's investment portfolio is as follows:

- Actual return 2005–2006: 11.9%
- Average return over past three years: 13.1%.

ASSET MANAGEMENT

Registers are maintained for all ILC assets and other portable and attractive items. Adequate insurance is maintained on all assets and a stocktake of all assets is conducted at least annually.

INSURANCE

Comcover is the Australian Government's self-managed fund for insurable risks. The fund covers agencies within the general government sector, including those covered by the CAC Act and the FMA Act.

Accordingly, all ILC general liabilities, property, plant and equipment, including that of its subsidiaries, are insured through Comcover. A review is completed biennially to ensure that the ILC maintains sufficient cover for its assets and liabilities.

The Legal Unit ensures ILC contractual arrangements incorporate appropriate provision to protect physical and financial resources.

INDEMNITIES AND INSURANCE PREMIUMS FOR OFFICERS

The ILC maintains Directors and Officers insurance coverage through Comcover. The 2005–2006 premium was \$51,253 (2004–2005: \$60,894).

During the reporting period, the ILC did not give an indemnity to a current or former Director or Officer against a liability.

PURCHASING

The ILC's purchasing policy is consistent with the principles in *Australian Government Commonwealth Procurement Guidelines: January 2005*. The principles underpinning the ILC's procurement activities include:

- Value for money;
- Encouragement of competition;
- Efficient, effective and ethical use of resources; and
- Accountability and transparency.

The ILC's purchasing system sets out requirements for competitive tendering and contracting to ensure that these principles are followed. Contractors, suppliers and consultants are procured either through contracts or through standard purchase orders, depending on the nature and value of the good or service.

ANALYSIS OF THE EFFICIENCIES & SAVINGS FROM USING IN-HOUSE LEGAL EXPERTISE

In 2001–2002, after an analysis of the ILC's spending on external expertise for services associated with land acquisition, the ILC decided to insource some services. This resulted in the appointment of a Principal Legal Officer (Senior Executive employee) and a Property Acquisitions Officer (Executive Level officer).

In 2000–2001, the ILC spent approximately \$500,000 on legal services associated with property acquisition and approximately \$250,000 on property negotiation services.

From 2003–2004, the ILC has reduced expenditure on external property negotiation services to nil.

From 2003–2004, the ILC has reduced its expenditure on external legal services relating to land acquisition to (approximately):

- \$50,000 in 2003–2004;
- \$17,000 in 2004–2005; and
- \$11,000 in 2005–2006.

The remaining expenditure is mainly due to the need for external legal advisors to attend property settlements in person, and from time to time, to act on behalf of the ILC in more complex conveyancing, where high-level and jurisdiction-specific expertise is required.

Customer Service & Complaints Handling

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

- Operating under sound business principles when performing functions on a commercial basis; and
- Ensuring that Indigenous peoples derive social or cultural benefits from the performance of the ILC's 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, timeliness, privacy, consultation, policy development and the process for lodgement of appeals and/or complaints. The Service Charter is available on the ILC's website.

The Complaints Handling System and Service Charter encourages resolution of complaints at the local office level, but provides for the escalation of complaints to Head Office where necessary.

One complaint was escalated during the year. It was made by a consultant associated with an applicant group that was dissatisfied with the ILC's decision to decline support for an application under the economic program because of business risks associated with the project.

The complaint was addressed by the ILC and found to have no merit, but the complainant referred the matter to the Minister for Families, Community Services and Indigenous Affairs. The Minister's office supported the ILC's decision to decline assistance for the project.

EXTERNAL SCRUTINY

The Office of Evaluation and Audit (OEA) is required to evaluate or audit programs or program components under which money is provided, including on loan, or where a guarantee is given, or an interest in land or other property is transferred, for the purpose of furthering the social, economic or cultural development of Aboriginal persons or Torres Strait Islanders.

An audit of the ILC's programs was included in OEA's Evaluation and Audit Work Program July 2005-June 2007. The draft terms of reference explain that

*'The audit will examine and report on the ILC's application and assessment process and monitoring of ILC-approved applications to ensure that they are in line with the ILC's program guidelines and contribute to the achievement of the program goals, review issues relating to the new section 191EA of the ATSI Act, and any other matters relating to the stocktake of purchased properties.'*¹⁹

Fieldwork commenced in June 2006 for a preliminary study of the performance audit.

During the reporting period, there were no reports into, nor enquiries made of, the ILC's operations by the Ombudsman, Privacy Commissioner, Auditor General or Parliamentary Committee other than as provided above or at Chapter 2.

Freedom of Information

During the year, there were no applications made to the ILC pursuant to the Freedom of Information Act 1982 (Cth) (Fol Act).

Information may be available on application should people choose to make an application pursuant to the Fol Act. Each application will be responded to on a case-by-case basis. Applications under the Fol Act are to be referred to the Freedom of Information Officer, Indigenous Land Corporation, GPO Box 652, Adelaide SA 5001, in the first instance.

As required by the Fol Act, the functions and powers of the ILC are set out in Chapter 1 of this report. Its governance and organisational arrangements are set out in Chapter 2.

The ILC is required to have both a NILS and RILS and is entitled to consult with such other persons or bodies as the ILC considers appropriate regarding the content of the strategies. As a matter of practice, the ILC frequently consults with stakeholders on Indigenous land acquisition and land management issues.

The ILC maintains both Divisional files and Head Office files. The Head Office files are divided between the various units of the ILC including Finance and Administration, Policy and Research, Directorate-National Operations, Human Resources and Legal. The ILC also maintains a considerable amount of documentation that may be protected by obligations of confidentiality arising at common law or pursuant to statute (e.g., Privacy Act or the secrecy provisions applicable to the ILC under the ATSI Act).

The ILC produces a broad range of documentation, which is available to the public (see Appendix 7). Copies of these reports can be obtained either by contacting the ILC directly or through the ILC's website at www.ilc.gov.au.

¹⁹ Draft terms of reference for the performance audit of the Indigenous Land Corporation's Assistance in the Acquisition and Management of Land (OEA, June 2006)

Fraud Control and Awareness Program

The ILC maintains an ongoing Fraud Control and Awareness program and, through the General Manager, certifies that the organisation complies with the Commonwealth Fraud Control guidelines.

The ILC continues to maintain well-developed and up-to-date fraud control mechanisms that meet the needs of the ILC and comply with relevant guidelines.

During the reporting period, the ILC's Audit and Risk Committee completed a Biennial Fraud Risk Assessment which was also provided to the Australian Federal Police in accordance with Guideline 3.4 of the Commonwealth Fraud Control Guidelines 2002.

Litigation

During the reporting period:

- The ILC settled proceedings it had instituted against its former external investment advisor on confidential terms satisfactory to the ILC; and
- Misconceived litigation was commenced to join the ILC as a third-party defendant, arising out of an injury allegedly sustained in 1998 on an ILC-held property in Queensland. By consent, the application to join the ILC as a third-party defendant was discontinued and the application for a hearing struck out.

Information and Communications Technology

The ILC has developed several information management tools to assist the Board and staff with administration; property acquisition and management; financial and other record keeping; and developed a Geographic Information System. These systems undergo routine review to maintain their value to ILC. The Property Acquisition and Management System underwent a review during 2005–2006.

A Complaints-Handling System and Compliance Database provide the means to monitor and report the status of complaints and compliance.

The ILC's website was redesigned to include a content-management system to better facilitate update of information. The redesigned site became operational in August 2005 and will be improved progressively throughout the coming year. The website provides access to electronic copies of the ILC's publications, including policy documents, land acquisition and land management application forms, newsletters and other publications. Members of the public can also add themselves to a mailing list. The ILC's web site can be accessed at the Internet address www.ilc.gov.au.