

# CHAPTER 2

## CORPORATE GOVERNANCE

### Board Appointments

Responsibility for the appointment of all ILC Board Directors remains with the Minister. It is a requirement, from a Board of seven Directors, that the Chairperson and at least four Directors must be Aboriginal persons or Torres Strait Islanders.

The ILC Board governs the proper and effective performance of the ILC and determines policy. The strategic management 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.

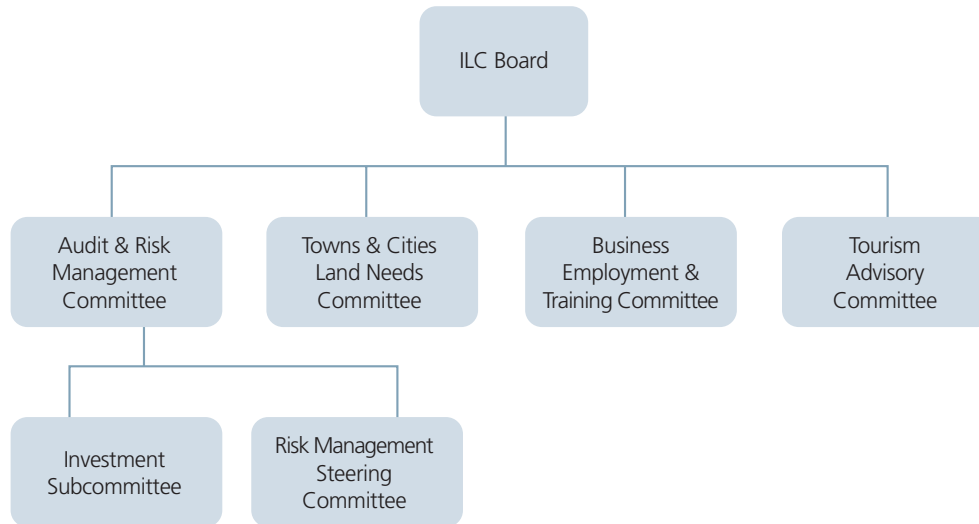
### The Board

The Board is the primary decision-making body of the ILC. There were ten Board meetings in 2006–2007. At these meetings, land acquisition and land management proposals were considered, strategic direction and policy were set, and performance and accountability were monitored.

### Board Committees

There are also Board committees and subcommittees that play a role in overseeing corporate accountability and providing policy advice on key corporate initiatives. Each committee has a documented charter, access to staff and specialist consultants, and reports to Board meetings. The attendance of members of each committee is described in Appendix 2.

Figure 2: ILC Board Committees.



## Audit and Risk Management Committee

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

The ARMC approves the internal audit program and oversees risk management and fraud initiatives. The ARMC also oversees and monitors the ILC's investment policy and reporting, and provides assurance to the Board on the preparation and review of the financial statements.

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

### The major activities of the ARMC during the reporting period were:

- Reviewing the 2005–2006 consolidated financial statements and recommending their adoption by the Board;
- Reviewing the strategic asset allocation of the investment portfolio;
- Monitoring internal audit functions, reports and recommendations;
- Monitoring the Property Remediation Program;
- Review of the draft performance audit report from the Office of Evaluation and Audit;
- Review of a suggested Statement of Intent for the Board's communication to the Minister.

## Towns and Cities Land Needs Committee

The Towns and Cities Land Needs Committee provides the Board with advice on the land acquisition and land management needs of Indigenous people living in urban areas.

The Committee is chaired by Director Norma Ingram and comprised Directors Sam Jeffries, Ian Trust and community representative Robert Carroll. It met five times in total in Darwin, Sydney, Perth, Brisbane and Cairns, and, whenever possible, conducted visits to urban or semi-urban properties.

By inspecting these properties and meeting with proponent groups, Committee members were able to provide first-hand feedback to the full Board on the merits of a number of applications and report on the success of recent acquisitions. Visits during 2006–2007 included:

- Meeting with representatives of the Larrakia Nations Aboriginal Corporation at their rented premises in Darwin, a property subsequently acquired for them by the ILC;
- An inspection of the proposed National Indigenous Development Centre and Black Theatre redevelopment site in Redfern, following a briefing by the project's architects and project officer. The nearby Wyanga Aged Care facility, a previous ILC acquisition and redevelopment, was also visited;
- A meeting with the operators of the Yugambah Cultural Heritage Research Centre in Beenleigh, just prior to the ILC's divestment of the property to the group. The Committee had visited this property and group several years ago, prior to the property's acquisition, and the success of the group in operating and developing their facility was particularly pleasing for the Committee.

The Committee discussed a range of urban land needs policy issues at its meetings and continued to monitor all urban activity across the ILC's divisions and provided valuable input into applications under assessment.

## Tourism Advisory Committee

The Tourism Advisory Committee was established late in 2005 to assist in the evaluation of proposals for 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.

Tourism Advisory Committee members assisted in the evaluation of a major tourism development proposal at Mossman Gorge near Port Douglas in north Queensland. The proposal has a potential to create 46 full-time positions throughout the year and up to 76 full-time positions in the high season. The project is supported by a number of Australian and State Government agencies, as well as the local Shire Council and business community. The ILC approved the purchase of a strategic parcel of land near Mossman Gorge in June 2007 and negotiations for its acquisition were still under way at the end of the reporting period.

There were also two initial tourism scoping studies undertaken on the ILC properties of Crocodile/Welcome Station and Jumbun Farm, which presented a number of options that will be pursued in the 2007–08 financial year. Stage 1 of the tourism infrastructure development at the ILC-held property of Home Valley in the east Kimberley was completed in June 2007, with further details provided later in this report.

The ILC provided a grant of \$250,000 to improve tourism infrastructure at Titjakala in the Northern Territory, which is operated by Gunya Tourism, an initiative of Mr Bill Moss AM, former senior executive of Macquarie Bank. The ILC also approved funding of \$577,000 for the further development of the Coorong Wilderness Lodge, which is a joint funding partnership with Indigenous Business Australia and the SA Tourism Commission.



*Trainees learning fencing construction skills on Crocodile/Welcome Station.*

## Business, Employment and Training Committee

In August 2006, the name of this Committee was changed from the Business Enterprise Committee to the Business, Employment and Training Committee (BETC), to better reflect its diverse role in training, employment and land management.

Director Kevin Driscoll CBE chairs the BETC and other members during 2006–2007 included Directors David Baffsky, Sam Jeffries and Max Gorringe.

### The BETC is 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 the ILC-owned businesses and subsidiaries; and
- Advising the Board on business-related matters.

The Committee met on three occasions during the reporting period. In addition, Committee Chair Kevin Driscoll, met with the General Manager and Director, Business Employment and Training, for formal briefings on three other occasions. The Committee Chair conducted inspections of ILC-owned businesses/properties at Bulimba and Crocodile/Welcome Station in August 2006 and, accompanied by Director Max Gorringe, inspected East Elsey, Hodgson Downs, Home Valley Station, Myroodah

and Roebuck Plains Station in September 2006. The Committee Chair also conducted an inspection of Mimosa Station in May 2007. Director Gorringe conducted an inspection of Bulimba and Crocodile/Welcome Stations in June 2007.

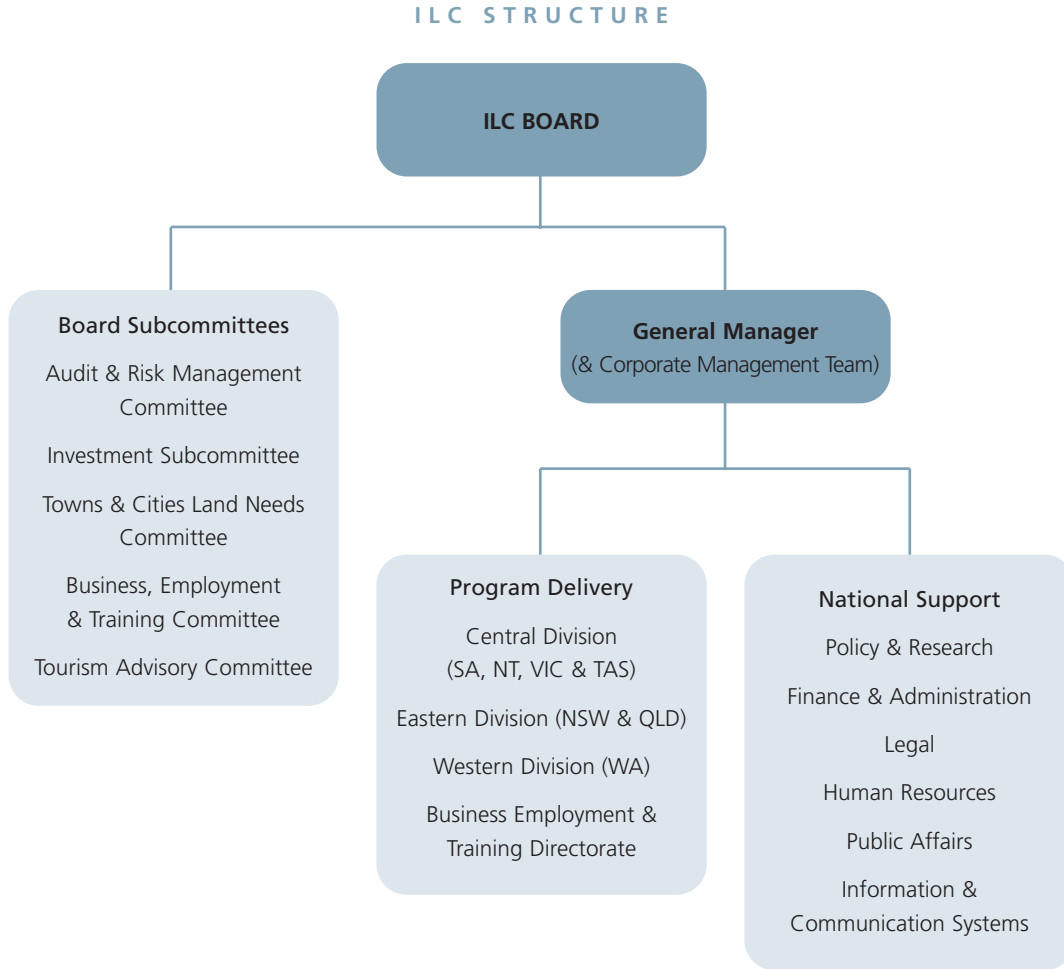
### Key areas of focus for the Committee during 2006–2007 included:

- 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;
- Negotiating the commercial lease of the ILC-owned property Carranya, WA; and
- Establishing new ILC-owned businesses through leasing arrangements at Hodgson Downs in the NT, as well as the Urannah and Bulimba stations in QLD.

The BETC developed a strategic approach to ensure Indigenous training and employment projects in ILC-owned businesses are sustainable into the future. An example of this strategic approach was the construction of significant infrastructure on Roebuck Plains Station during 2006–2007 to support enhanced training activity.

ILC Business Operations are featured in Chapter 5 of this report.

Figure 3: Corporate Governance Structure.



**S T A K E H O L D E R S**



## Maintenance of Ethical Standards

### The ILC is committed to:

- Respecting the diversity of ideas, backgrounds and cultures of stakeholders and staff;
- Providing a professional service;
- Behaving ethically and justly; and
- Operating in an open, accessible and responsive manner.

### SERVICE CHARTER

The Service Charter is directed to people, particularly Aboriginal people and Torres Strait Islanders, who deal with the ILC. It sets out 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 the ILC's delivery of services.

The ILC has a number of formal mechanisms that outline the ethical standards and conduct expected across the organisation. In addition to the Service Charter, the ILC also has the following documents:

#### Board Code of Conduct

The Board has endorsed a Code of Conduct, which sets out Board members' legal, financial, conflict of interest, 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.

#### Staff Code of Conduct

The ILC Certified Agreement 2005–2008 and all ILC Australian Workplace Agreements describe the Values and Code of Conduct that staff are required to uphold and promote in their day-to-day work.

## 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:

- Director National Operations
- Chief Financial Officer
- Principal Legal Officer
- Divisional Managers
- Director Business Operations

The CMT meets bi-monthly to consider a range of strategic, operational and administrative matters. It also meets by video conference after each Board meeting for a briefing by the General Manager on Board deliberations and decisions.

### CMT members are also involved in a range of internal committees, 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; and
- 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.

## Consultation and Working with Stakeholders

The ILC works in partnerships with a broad range of Indigenous organisations, agencies and representative bodies.

An important aspect of the ILC's administrative work involves meeting and consulting with Indigenous groups and agencies. The ILC also runs regional information and consultation sessions each year. These are provided in response to requests from individual Indigenous groups and by encouraging Indigenous people with an interest in land to attend the sessions.

In addition to providing Indigenous groups and individuals with information, these sessions also provide an opportunity for the ILC to ensure that its policies and services reflect, to the best extent possible, the expectations and requirements of stakeholders. This year there was also an important opportunity for stakeholders to contribute suggestions to the development of the new NILS.

Appendix 6 describes the meetings and field visits ILC staff undertook to collaboratively manage projects and to consult with stakeholders.

## Submissions and Participation in Forums

The ILC made submissions to other agencies and organisations on matters relevant to the ILC and to the Indigenous peoples with whom it works, including the following:

### INDIGENOUS POTENTIAL MEETS ECONOMIC OPPORTUNITY – DISCUSSION PAPER

The ILC's submission supported the Government's clear focus on employment and training outcomes for Indigenous people. The ILC also welcomed the proposal to move from CDEP to enhanced Structured Training and Employment Projects in strong labour markets, to assist people into work and off welfare. The ILC further supported the use of appropriate arrangements to assist people during the transition from welfare to work.

### NATIVE TITLE REPORT 2006

The ILC was requested by the Social Justice Commissioner to submit information for the preparation of the 2006 Native Title Report. The ILC's response included information regarding Indigenous advisory or management committees, evaluation processes, information dissemination to Indigenous people and land acquisition and land management program data.

### PARTICIPATION IN NATIONAL RESOURCE MANAGEMENT BODIES

The ILC maintains support for Indigenous land management interests across northern Australia through its involvement in the Tropical Savannas Management Cooperative Research Centre Advisory Committee and on the North Australian Indigenous Land and Sea Management Association Steering Committee. The ILC is also represented on the governing committee of the Cooperative Research Centre for Australian Weed Management.

### OTHER FORUMS

ILC participation in other major forums through the delivery of keynote addresses, workshops and displays included:

- First Nations International Economic Development Forum – Sydney, July 2006;
- Australian Indigenous Tourism Conference – Perth, September 2006;
- International Desert Knowledge Symposium – Alice Springs, November 2006;
- Koori Business Network Economic Development Conference – Melbourne, April 2007.

## Information for Stakeholders

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

### WEBSITE

A website 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 the ILC's offices.

### LAND MATTERS

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

### PROGRAM DOCUMENTATION

A range of documentation is produced to inform stakeholders of the ILC's programs and how to access them. See Appendix 8 for a full list of available resources.



*Land Matters winter edition for 2007.*

## 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 reporting period. The ILC was represented by the ILC's Chairperson and Director David Baffsky. The major focus of the Forum was the definition and calculation of the realised real return and the impact this would have on future funding to the ILC.

The Forum has acknowledged that the realised real return will not provide the ILC with certain and regular funding, and members have agreed to seek a change to the ATSI Act to provide the ILC with a minimum level of annual funding.

## Investment Subcommittee

The responsibility of the Investment Subcommittee 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 Ian Ferrier (independent member of the ARMC) and consists of ILC's General Manager and Chief Financial Officer.

During 2006–2007, the Subcommittee completed a review of the ILC's existing investment strategy and strategic asset allocation, and managed the implementation of a new strategy.

The Subcommittee also continued to monitor the performance of ILC's fund managers and developed a liquidity program.



*WA Mining and Pastoral Region MP Shelley Archer takes a guided horse tour with Cyril Yeeda during a visit to the ILC's Home Valley Station as part of a fact-finding tour of how training is delivered in the region.*

## Internal Audit Program

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

The ILC outsources its Internal Audit function and during 2006–2007 appointed KPMG as internal audit provider until 30 June 2009.

At the commencement of its consultancy, KPMG undertook a re-examination of the internal audit plan. The revised plan provides for nine to ten audits each year.

### Three audits were completed during the year:

- Capacity Development;
- Land Management; and
- Eastern Divisional Office Controls.

### An additional six audits were in progress at 30 June 2007:

- Application and Assessment Process;
- Managing Properties for Divestment;
- Business Continuity and Disaster Recovery Planning;
- Roebuck Plains Station;
- Occupational Health and Safety; and
- Payroll.

Internal audit recommendations (and recommendations by other external review agencies) are recorded and monitored. Reports on the status of implementation of audit recommendations are provided regularly to the ARMC, Risk Management Steering Committee and General Manager 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 *Australian/New Zealand Standard AS/NZS 4360:2004 Risk Management*. A new Risk Management User Guide was developed and tested during the year to assist the ILC's ongoing identification and management of risks.

The ILC reviewed its Corporate and Commercial Business Risk Management Plans. A new methodology for recording and assessing the risks associated with businesses was developed and will be implemented in the latter half of 2007. Endorsement of the revised plans will be sought from the Board in early 2007–2008.

The ILC's risk management program is overseen by the ARMC and implemented through the Risk Management Steering Committee. Responsibility for the identification, evaluation and treatment of risks is distributed throughout the ILC via committees, as well as embedding risk treatments in routine procedures, templates and tools.

## 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 policy's application.

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

Table 2: General Policies of the Australian Government Applicable to the ILC 2006–2007.

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

The Australian Government Property Ownership Framework was the subject of consultation with the former Minister for Immigration and Multicultural and Indigenous Affairs during the previous reporting period. Partial exemption was sought because the ILC has specific legislative responsibilities to acquire and grant interests in land to Indigenous corporations. A response to the request for exemption was not received in the reporting period.

### Appearances at Parliamentary Committees

The ILC was requested to appear before the Senate Community Affairs Legislation Committee's Additional Estimates hearings on 12 February 2007. However, due to constraints on the Committee's timetable, the ILC was not required to give evidence. The ILC responded to a number of Questions on Notice issued after the hearings.

The ILC appeared before the Senate Community Affairs Legislation Committee's Budget Estimates hearings on 28 May 2007.