

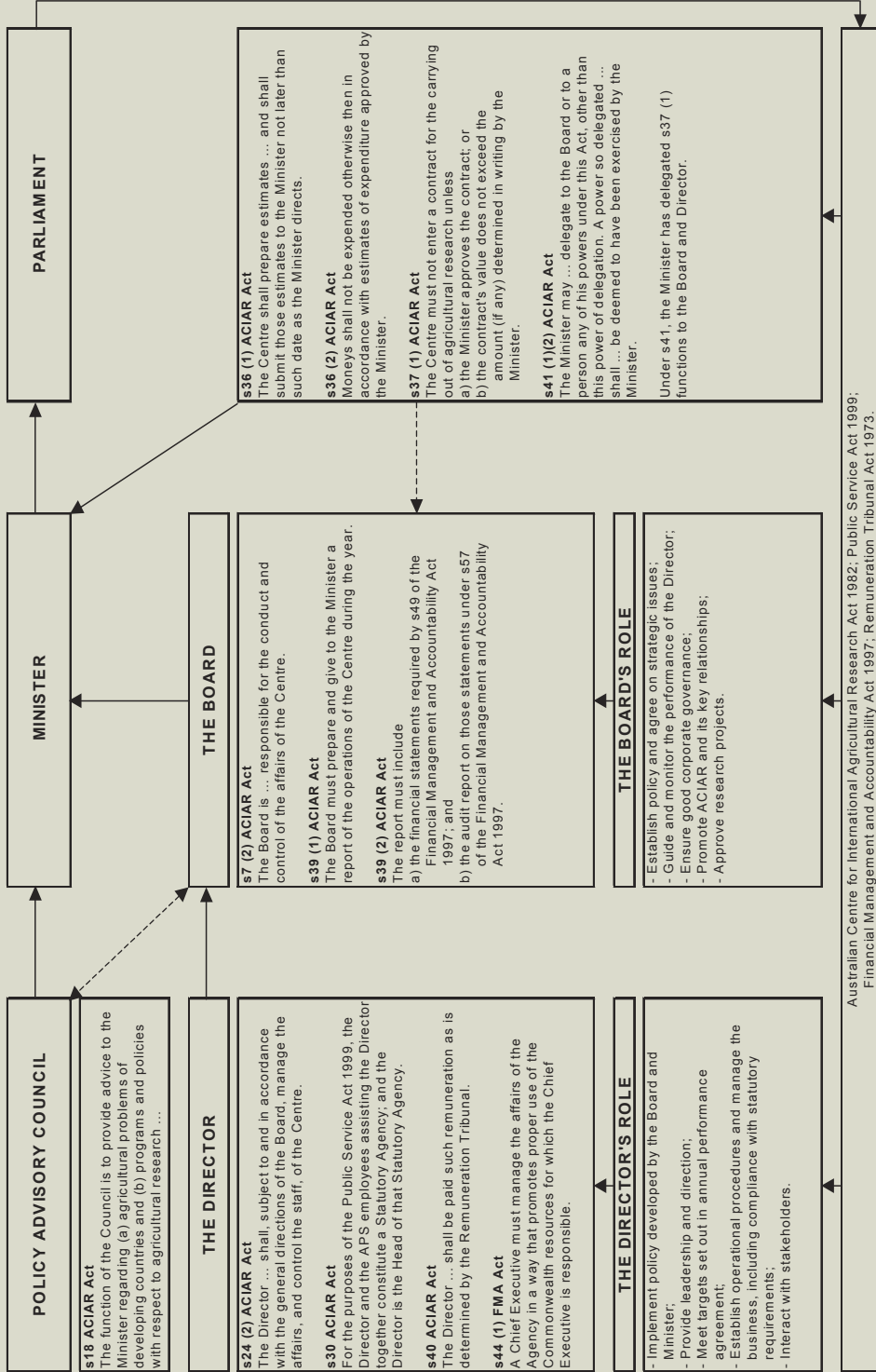
Corporate governance

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Accountability framework



Board of Management

Section 7 of the ACIAR Act establishes the Board of Management. The Board is responsible for the overall corporate governance of ACIAR. In consultation with the Minister, it sets the strategic directions of the Centre with responsibility for management resting with the Director and senior management. The Board is committed to achieving the highest possible standards of corporate governance, emphasising performance oriented management practices and accountability to Parliament and the Minister. The Board's role is to:

- establish policy and agree on high-level strategic issues;
- advise the Minister in relation to appointment of the Director, and guide and monitor the performance of the Director;
- ensure good corporate governance;
- promote ACIAR and its key relationships; and
- approve research projects.

The Board monitors corporate and program performance and provides feedback on program development, is advised of project proposals at an early stage of their development, approves research projects in the bilateral and multilateral programs (subject to subsequent endorsement by the Minister), monitors and appraises the Director's performance, and ensures that operational plans and control processes are in place and working.

Board composition

The Board comprises five members:

1. the Chair, who is also the President of the Policy Advisory Council (see later section on the Policy Advisory Council);
2. the Director (CEO) of ACIAR; and
3. three part-time members of the Policy Advisory Council.

Recognising the strong linkages between ACIAR and AusAID, the Director General of AusAID is invited to attend Board meetings. Details of Board members are on the next page.

Board meetings

Meetings of the Board are scheduled approximately quarterly, to enable the Board to fulfill its governance and statutory responsibilities.

The Board held four meetings in 2002–03, as follows:

87th meeting	15–19 July 2002	Indonesia
88th meeting	20 August 2002	Canberra
89th meeting	4 December 2002	Canberra (Postponed to 31/1/03)
89th meeting	31 January 2003	Canberra
90th meeting	8 May 2003	Canberra



John Williams and Beth Woods in PNG



Stephanie Adler supports Board operations

The Board



Professor Beth Woods
OAM
Chair

Professor Woods is the foundation Professor of Agribusiness at the University of Queensland's Gatton campus.

She has a background in agricultural extension and research management in Queensland, specialising in field crops and horticulture.

She was formerly a member of the CSIRO Board and is the current Chair of the Rural Industries Research and Development Corporation.

Re-appointed 1 June 2003 for three years.



Mr Donald McGauchie

Member

Chair, The Rural Finance Corporation of Victoria; Director, Reserve Bank of Australia, Telstra, Ridley Corp Ltd, National Foods Ltd, GrainCorp Ltd; and a past President of the National Farmers Federation.

Re-appointed 1 November 2000 for three years.



Mr Michael Taylor

Member

Secretary, Federal Finance Corporation of Agriculture, Fisheries and Forestry; former Secretary, Department of Natural Resources and the Environment Victoria.

Re-appointed 1 November 2000 for three years.



Dr John Williams

Member

Chief, CSIRO Land and Water since November 2001. One of Australia's leading experts on sustainable agricultural practices and the nature of agriculture as part of the natural ecosystem.

Appointed 25 July 2002 for three years.



Mr Peter Core

Director

Director of ACIAR since 31 July 2002. Former Managing Director of Rural Industries Research and Development Corporation and held numerous senior positions in the Australian Public Service.

Appointed 31 July 2002 for five years.

The Board seeks to consult at a high level with ACIAR's stakeholders. For this purpose it holds one meeting each year in a partner country. The Board visited Indonesia in July 2002 with the objective of obtaining a closer understanding of Indonesia's agricultural research and development framework, policy directions and priorities. During its visit the Board met with a wide spectrum of people who were well placed to inform them of Indonesia's research and development policies and priorities, of current research and development initiatives, and of the progress being achieved with particular ACIAR projects.

Board performance

Major milestones for the Board in 2002–03 included:

- the appointment of a new Director, effective 31 July 2002;
- finalisation of a performance agreement with the new Director for 2002–03 and monitoring of his performance for that period;
- a review of the Centre's funding and program focus in the light of the Minister's Statement to Parliament on Australia's Development Co-operation Program on 23 September 2002; and
- development of a new Annual Operational Plan for 2003–04, which seeks to codify program priorities for partner countries and provide enhanced operational transparency.

Conflict of interest

The stakeholder character of the Board membership has the potential to give rise to a conflict of interest in some decisions, notably with regard to approval of projects with institutions from which Board members are drawn. Board members are required to disclose any interests that may affect their position, and where a conflict exists, the relevant Board member(s) must withdraw from a decision on that particular matter. Potential conflicts are recorded in the Board Minutes and are available for consideration by the Centre's Auditors.

Powers of the Centre

Section 6 of the ACIAR Act spells out the powers of the Centre. This includes the power to do all things necessary or convenient for or in connection with the performance of its functions, subject to the limitations of the Act. Further powers, relating to accepting gifts, devises, bequests or assignments and associated trustee arrangements, are also defined.

Ministerial delegations, instruments and directions

The Board has delegated authority from the Minister under s37 of the ACIAR Act to approve contracts for the carrying out of agricultural research (ACIAR's research projects). The Director has delegated authority from the Minister to approve research projects and variations up to \$165 000 and to enter into all contracts for projects approved by the Board of Management. The Board reports to the Minister on the exercise of this delegation after each Board meeting. In effect, this enables the Minister to review the proposed project-specific decisions to ensure consistency with broader portfolio considerations.



The Minister may give directions in writing to the Board with respect to the exercise of its powers or the performance of its functions, including directions with respect to the commissioning of particular research.

There were no directions given in 2002–03, though the Minister indicated his desire for ACIAR to:

- maintain a strong program with Indonesia;
- expand the program with PNG and the Pacific; and
- proceed with small programs with Burma and the Democratic People's Republic of Korea.

Insurances

Corporate insurance for the Centre is provided by Comcover as the Commonwealth's manager of its insurable risks. Comcover's coverage includes general and products liability, professional indemnity, directors' and officers' liability, property loss and damage, personal accident and official travel overseas. The premium paid for 2002–03 was \$176 380 (excludes GST). The comparable figure for 2001–02 was \$108 033.

Liability and professional indemnity insurances were not required to be invoked in 2002–03.

Board costs

During 2002–03 the direct cost of Board operations was \$68 530. These costs included fees, travel and other meeting expenses. They did not include the Director's salary, Director's selection costs or other management costs. The comparative figure for 2001–02 was \$70 602.

Board remuneration

Member fees are set by the Remuneration Tribunal. As at 30 June 2003 the daily fees were \$479 for the Chair and \$427 for Members (other than the Director). The Chair declines to receive a daily fee. Administrative costs in support of the Chair's ACIAR activity are invoiced to ACIAR by the University of Queensland. The cost of these services in 2002–03 inclusive of GST was \$20 000.

The Director's remuneration is subject to the relevant determinations of the Remuneration Tribunal. These provisions enable the Board to determine the total remuneration, superannuation salary and performance pay components of the remuneration package, within the parameters of Remuneration Tribunal Determination 1999/15.

The remuneration package for the Director at end June 2003 consisted of:

- base salary of \$161 082;
- PSS superannuation with an employer contribution of 12.8 per cent of base salary; and
- annual performance bonus of up to 15 per cent of base salary. For 2002–03 no bonus was paid.

Risk management accountability and compliance

As a statutory authority ACIAR is subject to the policy guidelines determined by government from time to time regarding accountability, reporting, review and general operations and is accountable through the Minister to the Parliament. It is also subject to government financial and accounting policies and procedures. Staff members located in Canberra are employed under the Public Service Act. Within these constraints, the Centre has the power to do all things it considers appropriate for the performance of statutory functions.

ACIAR derives its financial authority from the ACIAR Act. Under the ACIAR Act the Centre, as a body corporate, may acquire, hold and dispose of real and personal property, and may sue and be sued in its corporate name. Financial powers and duties derive from the *Financial Management and Accountability Act 1997* (FMA Act) and subordinate Regulations and Orders.

The Centre follows accounting practices in accordance with the FMA Act, other related legislation and recognised accounting standards. The Annual Financial Statements, presented in accrual accounting format starting on page 98 of this report, along with all financial transactions made by the Centre, are subject to Australian National Audit Office examination.

Audit Committee

The Audit Committee is established in accordance with s47 of the FMA Act. The Committee is a primary forum within the Centre for communication between the Centre's auditors (both internal and external) and management. Its overarching objectives are the good management of public resources, enhancement of controls, improvement of the reliability of financial statements, and fostering of increased accountability for the Centre's operations. Specifically, the Committee:

- develops and advises the Director on a program of audits to manage risk;
- oversees and appraises the quality of the audits conducted by both the Centre's internal auditors and the Australian National Audit Office (ANAO);
- ensures that recommendations of audits are acted upon or addressed to the satisfaction of the Director;
- maintains, by scheduling regular meetings, open lines of communication among management, the internal auditors and ANAO to exchange views and information, as well as to confirm their respective authority and responsibilities;
- serves as an independent and objective party to review the financial information presented by management at each year end;
- assists the Director in assessing and improving the adequacy of the Centre's administrative, operating and accounting controls; and
- emphasises to staff the need for the effective control and good management of public resources.

In fulfilling its corporate governance responsibilities and overall accountability for the Centre’s operations, the Board provides advice on each three-year audit program, and provides general advice on arrangements for the Audit Committee and on audit matters arising from the Committee’s deliberations. Management presents an audit report to each Board meeting.

Audit Committee membership and attendance in 2002–03 are as follows. The Audit Chair is an external appointee and each Committee meeting is supported by advisers from our external auditors (ANAO), internal auditors (Acumen Alliance) and the Centre’s Finance Manager.

Member		Meetings attended	Held
Mr G Lillcrap	Chair	3	3
Mr M Brown	Centre Deputy Director	3	3
Dr K Menz	Centre Program Manager	3	3
Dr R Trewin	Centre Program Manager	1	3

Acumen Alliance Pty Ltd is contracted to undertake various internal audit reviews to support the Committee in its work. Internal audit reviews conducted in 2002–03 were:

- General ledger integrity;
- Travel security;
- IT security review*; and
- Project impacts*.

**conducted in 2002–03 but reports to be provided in 2003–04*

ACIAR has in place a risk management policy, an overall risk management plan and a series of more specific risk assessments and risk treatment plans. These risk assessments and risk treatment plans address significant business risks and are reviewed and updated annually. They include, at the highest level, the risks associated with the critical success factors of ACIAR’s 2001–06 Corporate Plan.

Each annual update is considered by the ACIAR Audit Committee. The Committee’s rolling three-year program of internal audits is developed directly from these risk assessments. The 2002–05 Audit Program plan is set out on the following page. Those activities assessed as carrying the highest risk are audited during the three-year cycle wherever it is likely that there will be ‘value-add’ from an internal audit. This program of internal audits is considered by the Board in outline every three years and the annual program is considered in greater detail. The internal audits carried out in 2002–03, the first year of the three-year cycle, were on the integrity of the general ledger; travel security; IT security; and the capturing and recording of the impacts arising from ACIAR projects.

Every second year, in accordance with the Commonwealth Fraud Control Guidelines 2002, a fraud-specific risk assessment is carried out and the fraud control plan is reviewed and updated. Both the assessment and the plan were therefore redrafted in 2002–03, updating the previous one completed in June 2001.

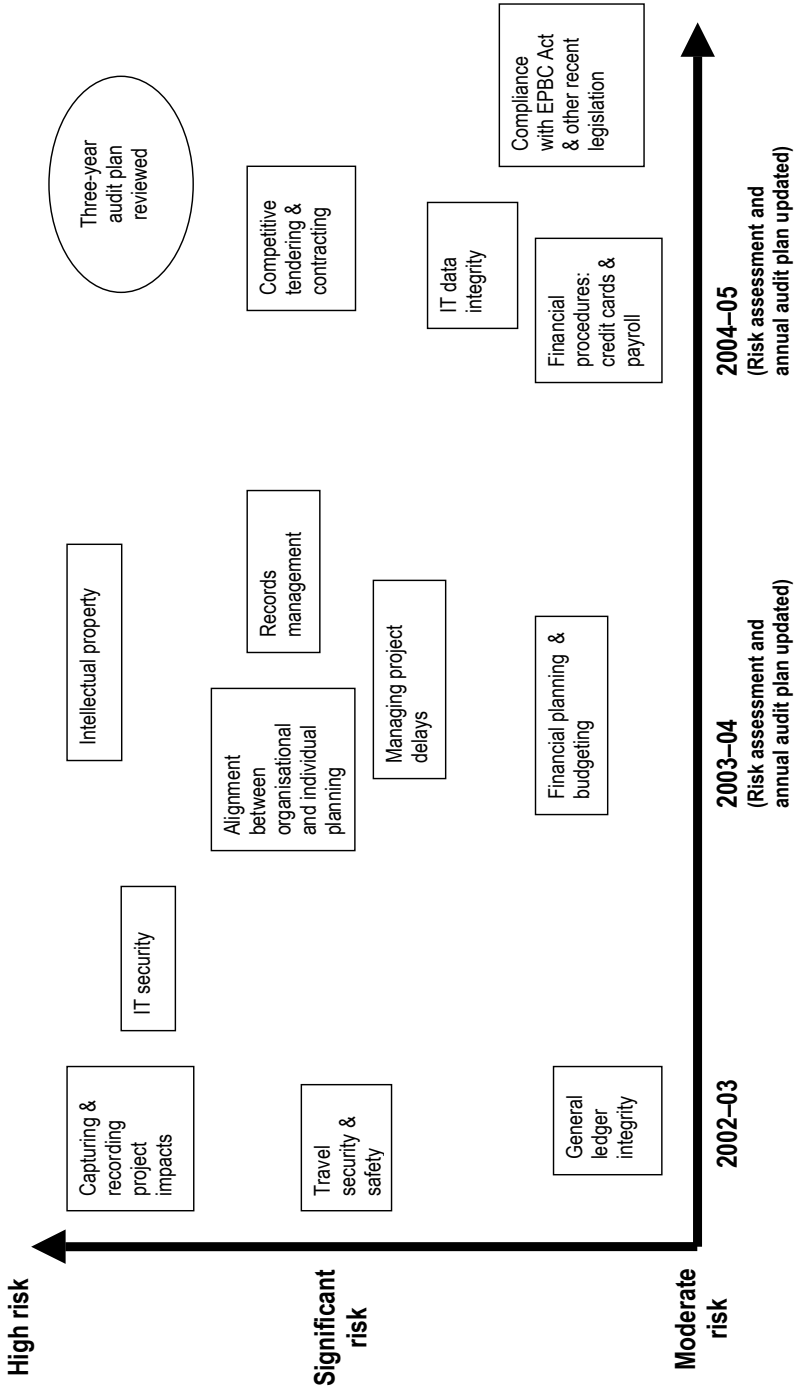
During 2002–03 ACIAR fulfilled its annual reporting requirements on fraud control to the Attorney General’s Department (1 October 2002) and the ANAO (22 November 2002).

Certification is provided that ACIAR has prepared fraud risk assessments and fraud control plans, and has in place appropriate fraud prevention, detection, investigations, reporting and data collection procedures and processes that meet the specific needs of the agency and comply with the Commonwealth Fraud Control Guidelines 2002.

Each project proposal is assessed by senior ACIAR staff and the Board against various risks, such as duplication of effort; intellectual property concerns; capacity and expertise issues; non-adoption of results; and negative environmental outcomes.

ACIAR has specific programs to manage various aspects of risk including purchase of appropriate insurance cover; an occupational health and safety committee and program; and fire safety and emergency procedures.

Audit plan 2002-05



The Director

Section 24 of the ACIAR Act establishes the office of Director as the Chief Executive Officer of the Centre. Subject to, and in accordance with, the general directions of the Board, the Director manages the affairs, and controls the staff, of the Centre. Specifically, the Director's functions are to:

- develop strategic and operational plans for presentation to, and approval by, the Board;
- ensure that these plans and their component parts are implemented;
- ensure the Board is provided with relevant and timely decision support information;
- ensure the Board is properly informed about evolving key issues and alternatives for dealing with them;
- manage the operational functions of the Centre consistent with its strategic and operational plan;
- provide Centre staff with strong and empowering leadership to enhance the motivation, focus and satisfaction they derive from their contribution to the Centre;
- nurture and enhance research alliances and represent and promote the Centre at forums and workshops; and
- maximise the adoption of research outputs.

The Director is appointed by the Governor-General for a term of up to seven years. The office is subject to the determinations of the Remuneration Tribunal. The Tribunal has determined the Director to be an officer in the Principal Executive Officer (PEO) structure, at PEO Band C. The Board of Management is the identified Employing Body for remuneration purposes.

The current Director, Mr Peter Core, began a five-year term on 31 July 2002.

The Policy Advisory Council

The Policy Advisory Council is established by s17 of the ACIAR Act. The function of the Council is to provide advice to the Minister regarding:

- (a) agricultural problems of developing countries;
- (b) programs and policies with respect to agricultural research for either or both of the following purposes:
 - (i) identifying agricultural problems of developing countries;
 - (ii) finding solutions to agricultural problems of developing countries.

The Council thereby fills a valuable overview role, advising the Minister, the Board of Management and the Centre on matters including:

- national and regional development constraints;
- opportunities for research and development collaboration;
- national and regional research priorities, particularly those of ACIAR's partner countries;
- the matching of Australian expertise (Australia's competitive advantage) with these priorities;
- modes of operation for ACIAR; and
- sources of national and international expertise.

Council meeting

To fulfil its role, the Council meets annually, in Australia, over several days. During 2002–03, it met in Perth on 19–20 March 2003, and in Adelaide to hold discussions with the Minister, on 21 March.

At its meeting, the Council gave priority consideration to:

- research priorities as set out in a draft of the Centre's *Annual Operational Plan 2003–04*;
- a review of ACIAR's achievements in 2001–02, with specific reference to the performance indicators in its Corporate Plan;
- a presentation from AusAID on emerging issues and trends in Australia's aid program; and
- perspectives on the status of R&D and current priorities in the countries represented on the Council. This standing item provides a unique opportunity for the Council members, individually and collectively, to discuss their countries' research and development priorities. It thereby forms a key input to ACIAR's planning processes and also, by bringing together policy makers from a range of Southeast Asian countries, India, China and Papua New Guinea, has the potential to highlight regional needs and opportunities, including bilateral cooperation between those countries themselves.

Membership of the Policy Advisory Council at the time of its meeting in Perth on 19–20 March 2003, and attendance, is set out in the following table.

Council membership

Membership of the Council is limited to 14, comprising a President, the Director of ACIAR, the Director General of AusAID or his nominee, and not fewer than nine nor more than 11 other members appointed by the Minister for Foreign Affairs. Members bring a range of agricultural and development experience. The Minister is required, under the Act, to ensure that a substantial number of the members of the Council are residents of countries other than Australia, and to have regard for the knowledge of appointees concerning the agricultural problems of developing countries or their experience in organising or conducting agricultural research.

Council costs

During 2002–03, the direct costs of the Policy Advisory Council were \$66 172. The comparable figure for 2001–02 was \$52 502.

Council membership

Member	Appointment and term	Meeting
Professor Elizabeth J Woods OAM Professor of Agribusiness School of Natural and Rural Systems Management University of Queensland Gatton, QLD	President 1/6/2000–31/5/2003 1/6/2003–31/5/2006	Yes
Mr Peter Core Director ACIAR Canberra, ACT	Ex officio member 31/7/2002–30/7/2007	Yes
Mr Bruce Davis (or his nominee) Director General Australian Agency for International Development Canberra, ACT	Ex officio member	Yes (nominee)
Dr Joko Budianto Director General Agency for Agricultural Research and Development Jakarta INDONESIA	Appointed member 19/11/1998–18/11/2001 1/3/2002–28/2/2005	Yes
Dr Patricio Faylon Executive Director Philippine Council for Agriculture, Forestry and Natural Resources Research and Development Los Banos PHILIPPINES	Appointed member 10/3/2003–9/3/2005	Yes
Mr Jia Jingdun Deputy Director General Department of Rural and Social Development Ministry of Science and Technology Beijing CHINA	Appointed member 10/3/2003–9/3/2006	Yes
Mr Donald G McGauchie Farmer and Company Director including several agribusiness companies Prairie, VIC	Appointed member 1/11/1994–31/10/1997 1/11/1997–31/10/2000 1/11/2000–31/10/2003	No
Dr Mangala Rai Secretary Department of Agricultural Research and Education, and Director General Indian Council of Agricultural Research New Delhi INDIA	Appointed member 10/3/2003–9/3/2006	No
Dr Graeme Robertson Director General Department of Agriculture – Western Australia Perth, WA	Appointed member 1/3/2001–29/2/2004	Yes
The Hon Sir Anthony Siaguru KBE Statesman and Consultant Port Moresby PAPUA NEW GUINEA	Appointed member 1/5/2000–30/4/2003	Yes
Mr Michael J Taylor Secretary Department of Agriculture, Fisheries and Forestry Canberra, ACT	Appointed member 1/11/1997–31/10/2000 1/11/2000–31/10/2003	No (attended meeting with Minister)
Dr John Williams Chief CSIRO Land and Water Canberra, ACT	Appointed member 16/7/2002–30/6/2005	Yes
Professor Vo-tong Xuan Professor of Agronomy and Rector An Giang University An Giang VIETNAM	Appointed member 1/11/1997–31/10/2000 1/3/2001–29/2/2004	Yes