



2004

Corporate governance

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*The Hon. Alexander Downer, MP
Minister for Foreign Affairs with
ACIAR Board Chair, Dr Meryl
Williams, Board Member, Dr John
Williams, and ACIAR Director, Mr
Peter Core.*

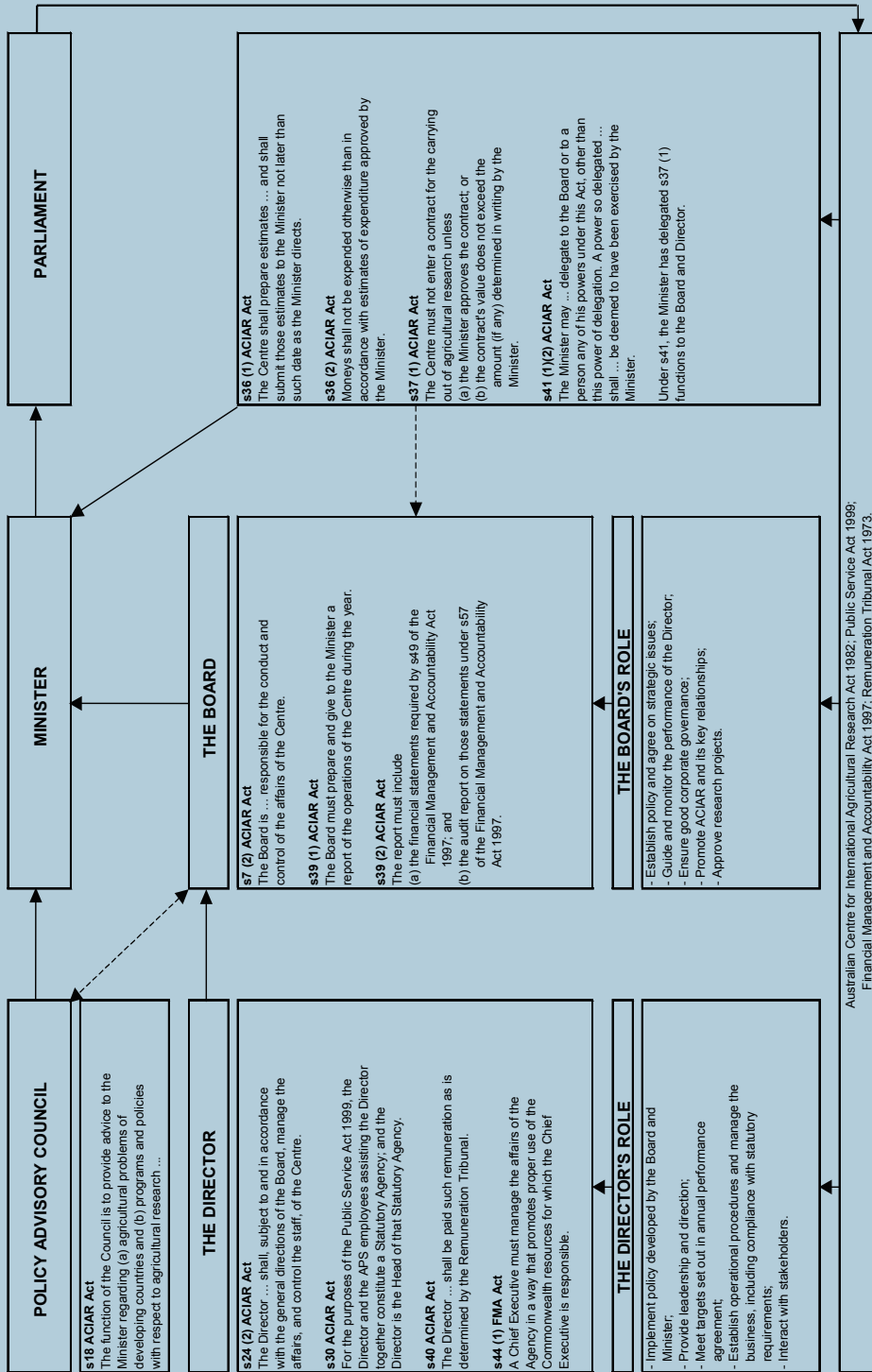


Australian Government

Australian Centre for
International Agricultural Research

Accountability framework

Accountability framework



Board of Management

The Board of Management and its responsibilities for the overall corporate governance of ACIAR are established under Section 7 of the ACIAR Act. Through consultation with the Minister, the Board of Management sets the strategic directions of the Centre, with the Director and senior management having responsibility for implementing and managing these directions. The Board of Management 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.

In fulfilling these roles the Board of Management monitors corporate and program performance and provides feedback on program development. Project proposals are presented during the early stages of their development, and the Board approves research projects in the bilateral and multilateral programs (subject to subsequent endorsement by the Minister). The Board 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:

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

In recognition of the strong linkages between ACIAR and AusAID, the Director General of AusAID is invited to attend Board of Management meetings. Details of Board members are on page 97.

Board meetings

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

The Board held five meetings in 2004–05, as follows:

96 th meeting	25 August 2004	Canberra
97 th meeting	15 December 2004	Melbourne
98 th meeting	10 February 2005	Canberra
99 th meeting	16 April 2005	Adelaide
100 th meeting	26 May 2005	Canberra





Mr Peter Corish

Member

President of the National Farmers' Federation, chair of the Cairns Group Farm Leaders, and a member of the International Federation of Agricultural Producers Executive.

He has previously held the position of Chairman of Cotton Australia Limited and Chairman of the Australian Cotton Industry Council, and has served on the NFF Executive Committee since 1999.

Appointed 1 December 2003 for three years.

Meetings attended: 4



Mr Michael Taylor

Member

Secretary, Federal Department of Transport and Regional Services; former Secretary, Federal Department of Agriculture, Fisheries and Forestry; and former Secretary, Department of Natural Resources and the Environment, Victoria.

Re-appointed 1 December 2003 for two years.

Meetings attended: 4



Dr John Williams

Member

Former Chief CSIRO Land and Water, and currently Chief Scientist for NSW Department of Infrastructure Planning and Natural Resources. One of Australia's leading experts on sustainable agricultural practices and the nature of natural ecosystems.

Appointed 7 July 2005 for three years.

Meetings attended: 5



Dr Meryl Williams

Chair

Executive Officer of the Future Harvest Alliance Office, Chair of the FAO Advisory Committee on Fisheries Research, Director General of WorldFish Center from 1994 to 2004, a world leader in fisheries research and research for development.

Appointed 5 August 2004 for three years.

Meetings attended: 5



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.

Meetings attended: 5

Board performance

During 2004–05 major milestones for the Board of Management included:

- finalisation of a performance agreement with the Director for 2004–05 and monitoring of his performance for that period,
- development of the draft Corporate Plan for 2006–2010 which provides a greater focus on the achievement of community impacts,
- development of the Annual Operational Plan for 2005–06 which seeks to codify program priorities for partner countries and provide enhanced operational transparency, and
- approval of 13 medium and 26 large projects for commencement.

Conflict of interest

Board membership represents stakeholder organisations involved in agriculture, this having the potential to give rise to a conflict of interest in some decisions. Project approval with institutions from which Board members are drawn is the most notable example. 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 which are available for consideration by the Centre's Auditors.

Ministerial delegations, instruments and directions

Section 37 of the ACIAR Act allows the Minister to delegate authority to the Board of Management for the approval of 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 to projects of up to \$165,000 and to enter into all contracts for projects approved by the Board of Management. The Board of Management reports to the Minister on the exercise of this delegation after every Board meeting. This mechanism enables the Minister to review proposed project-specific decisions to ensure consistency with broader portfolio considerations.

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

In 2004–05 there were no directions given, though the Minister indicated his desire for ACIAR to:

- increase the program with Indonesia to include post-tsunami development and broader coverage into Aceh and Northern Sumatra,
- maintain a small program in Iraq, and
- limit our involvement with Democratic Peoples' Republic of Korea while progress is stalled in the context of the Six Party Talks.

Board costs

The direct cost of Board of Management operations during 2004–05 was \$34,793, including fees, travel and other meeting expenses. The Director's salary and other management costs are not included. The comparative figure for 2003–04 was \$44,017.

Board remuneration

The Remuneration Tribunal sets fees for Members. Daily fees for Members (other than the Director) were \$448 as at 30 June 2005. The Remuneration Tribunal reviewed the annual fee for the Board of Management Chair and Policy Advisory Council President, in light of the two roles being filled by the one person. (The Chair of the Board has traditionally filled the role of the President of the Council.)

The Tribunal determined that annual remuneration for this office should be set at \$30,110 per annum while the one person fills both roles. Travel is set at the Tier 2 level.

The Remuneration Tribunal reviewed the remuneration of office holders of part-time public office to take effect from 1 July 2005. Annual fees for the Board Chair and Council President increased from \$30,110 per annum to \$31,350 per annum. Daily fees for Members (other than the Director) increased from \$448 to \$467.

The remuneration of the Director is subject to the relevant determinations of the Remuneration Tribunal. These provisions enable the Board of Management to determine the total remuneration, superannuation salary and performance pay components of the remuneration package, within the parameters of Remuneration Tribunal Determination 2004/15.

The Director's remuneration package at 30 June 2005 consisted of:

- base salary of \$161,082,
- PSS superannuation with an employer contribution of 12.4 per cent of base salary,
- annual performance bonus of up to a maximum of \$34,268 (for 2004–05 \$17,930 bonus was paid), and
- other negotiable benefits, consisting of car and spouse travel.

Post 30 June developments

ACIAR, as a statutory authority of the Department of Foreign Affairs and Trade, will be reviewed by the Department and the Portfolio Minister, following the Review of Corporate Governance of Statutory Authorities and Office Holders Report. The Report, by Mr John Uhrig AC, examined governance structures and provided two models by which statutory authorities may be governed.

The review of ACIAR will examine the Centre's governance structure in light of the two templates—executive management or board management—outlined in the Uhrig report. Responsibility for assessing statutory authorities resides with the Portfolio Minister.

ACIAR and the Department have begun to undertake the assessment of ACIAR which will be completed in time for the 31 March 2006 deadline.

Lisa Wright, Policy Secretariat Manager



Stephanie Adler, Project Officer, Policy Secretariat



Financial 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 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, fold 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 and other related legislation and recognised accounting standards. ACIAR's Annual Financial Statements, presented in accrual accounting format on pages 109-143 of the report, along with all financial transactions made by the Centre, are subject to examination by the Australian National Audit Office.

Insurances

Comcover as the manager of the Commonwealth's insurable risks provides corporate insurance for the Centre. Comcover's coverage includes general and products liability, professional indemnity, Director's and officer's liability, property loss and damage, personal accident and official overseas travel. The cost of insurance for 2004-05 was \$119,631 (excluding GST). The premium paid in 2003-04 was \$138,804.

Liability and professional indemnity insurances were not required to be invoked in 2004-05.

Risk Management

ACIAR has in place a risk management policy, including an overall risk management plan comprising a series of more specific risk assessments and risk treatment plans. Significant business risks are addressed in these risk assessments and risk treatment plans, all of which are reviewed and updated annually. They include, at the highest level, risks associated with the critical success factors of ACIAR's Corporate Plan 2001–06.

The ACIAR Audit Committee considers each annual update with a rolling three-year program of internal audits developed directly from these risk assessments. Those activities assessed as carrying the highest risk are audited during the three-year cycle wherever it is likely that an internal audit will value-add to the management and treatment of such issues. This program of internal audits is considered in outline every three years and the annual program is considered in greater detail. Internal audits include those conducted for probity reviews to ensure compliance of general probity principles of the *Commonwealth Procurement Guidelines* and *Chief Executive Instructions*.

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. The plan was last updated in September 2003.

During 2004–05 ACIAR fulfilled its annual reporting requirements on fraud control to the Attorney-General's Department and to the ANAO.

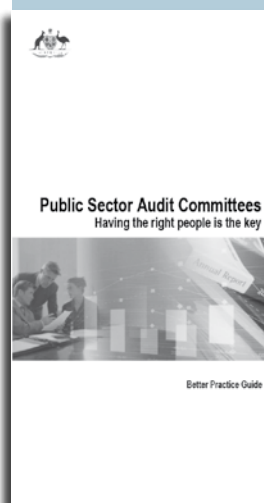
Certification is provided that ACIAR has prepared fraud risk assessments and fraud control plans, and has in place appropriate fraud prevention, detection, investigations, reporting and data collection procedures and processes that meet the specific needs of the agency and comply with the *Commonwealth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

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

Audit Committee

ACIAR's Audit Committee is established in accordance with Section 46 of the *Financial Management and Accountability Act 1997*. The Committee promotes and facilitates communication between the Centre's auditors (both internal and external) and management. The Committee has the objectives of:

- providing advice to the Director and Board of Management that ACIAR's control framework is in place and working effectively,
- ensuring the objectivity and reliability of externally published financial information, and



- ensuring the Director and Board of Management that adequate systems are in place to ensure that ACIAR complies with all legislative and other requirements.

In fulfilling its corporate governance responsibilities and overall accountability for the Centre’s operations, the Board of Management 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.

Four Audit Committee meetings were held in 2004–05. Audit Committee membership and attendance during the year were as follows:

	Member	Meetings attended
Mr Len Early	Chair	4
Ms L Atkinson	External Member	4
Mr Michael Brown	Centre Deputy Director (ceased 17.11.2004)	0
Dr R Trewin	Centre Program Manager	4
Dr D Templeton	Centre Unit Manager (ceased 17.11.2004)	2
Dr S Hearn	Centre Senior Advisor (appointed 18.4.2005)	2

Audit Program 2005-2008

At the Audit Committee meeting in June 2005 the Audit Committee agreed on a more strategic focus for the development of a new three-year audit plan. This will focus on major decisions made by the Board of Management over recent years and tailor an internal audit program to assess the impact these decisions will have. Normal compliance audits will continue, but the timeframe will be extended based on satisfactory results of recent audit work.

Internal Audit

ACIAR Management provides an audit report to each Board meeting. The Audit Committee Chair attends two Board meetings to:

- present an updated annual Audit Plan for endorsement, and
- present audited financial Statements for Board sign-off.

The Chair of the Audit Committee 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 Unit, with the Finance Manager and Accountant both ex-officio members and responsible for Secretariat support.

Acumen Alliance is contracted to undertake various internal audit reviews to support the Committee. Internal audit reviews conducted in 2004–05 were:

- Intellectual Property #,
- Project Development and Approval Timelines #,
- Financial procedures—including credit cards and payroll,
- Review of action plans, and
- Competitive tendering and contacting *.

Audit fieldwork completed in 2003–04; final report received after 1 July 2004.

* Audit fieldwork completed in 2004–05; final report received after 30 June 2005.

The Director

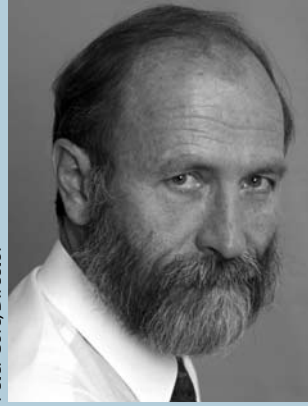
The office and role of Director as the Chief Executive Officer of the Centre is established under Section 24 of the ACIAR Act. Subject to, and in accordance with, the general directions of the Board, the Director manages the affairs, and controls the staff, of the Centre. Specifically, the Director's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

- develop strategic and operational plans for presentation to, and approval by, the Board of Management,
- ensure that these plans and their component parts are implemented,
- ensure the Board of Management is provided with relevant and timely decision support information,
- ensure the Board of Management 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 and 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.

Peter Core, Director



Melina Tensen, Executive Assistant to the Director



Council composition

Council Membership is limited to 14, comprising a President (the Chair of the Board of Management), ACIAR's Director, 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 are appointed from stakeholder organisations in Australia and partner countries to 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.

The Policy Advisory Council

The Policy Advisory Council is established under Section 17 of the ACIAR Act. The Council's function is to provide advice to the Minister regarding:

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

The role of the Council utilises stakeholder knowledge to provide a valuable overview for 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

Council meetings are held annually, in Australia, over several days to discuss areas related to its role and functions. During 2004–05 the Council met in Adelaide on 16 April 2005, which included discussions with the Minister, and in Brisbane from 17–19 April.

At its meeting, the Council gave priority consideration to:

- greater focus on the achievement of community impacts as set out in a draft of the Centre's 2006–2010 Corporate Plan,
- research priorities as set out in a draft of the Centre's 2005–06 Annual Operational Plan, and
- a presentation from AusAID on emerging issues and trends in Australia's aid program.



ACIAR Policy Advisory Council members and observers during their annual meeting at Adelaide, Australia, April 16, 2005.

Left-Right: Dr John Skerritt, Mr Xu Hai (China), Mr Ian Kershaw, Dr John Williams, Dr Achmad Suryana (Indonesia), Mr Peter Core, Dr Meryl Williams, Mr Michael Taylor, Mr Peter Corish, Dr Jimmie Rodgers (Pacific), Dr Nguyen Van Bo (Vietnam), Dr Bill Winter, Dr Pat Faylon (Philippines).

Council costs

During 2004–05, the direct costs of the Policy Advisory Council were \$18,754, compared with a figure \$50,554 for 2003–04.

Membership of the Policy Advisory Council at the time of its meeting in Adelaide on 16 April 2005, and attendance, is set out in the accompanying table. The Policy Advisory Council meeting was also attended by Dr Jimmie Rodgers from Fiji, Dr Achmad Suryana from Indonesia and Mr Xu Hai of China, all as observers.

Member	Term of appointment	Meeting	Member	Term of appointment	Meeting
Dr Meryl Williams Executive Officer Future Harvest Alliance Office Pulau Pinang MALAYSIA	President 5/8/2004–4/8/2007	Yes	Mr Jia Jingdun Deputy Director General Ministry of Science and Technology Beijing CHINA	Appointed member 10/3/2003–9/3/2006	No
Mr Brown Bai Chairman Rural Industries Council Port Moresby PAPUA NEW GUINEA	Appointed member 7/3/2005–6/3/2008	No	Dr Nguyen Van Bo Director General Department of Science and Technology, Ministry of Agriculture and Rural Development Hanoi VIETNAM	Appointed member 1/3/2004–28/2/2007	Yes
Mr Peter Core Director ACIAR Canberra ACT	Ex officio member 31/7/2002–30/7/2007	Yes	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
Mr Peter Corish President National Farmers' Federation Canberra ACT	Appointed member 1/12/2003–30/11/2006	Yes	Mr Michael Taylor Secretary Department of Transport and Regional Services Canberra ACT	Appointed member 1/11/1997–31/10/2000 1/11/2000–31/10/2003 1/12/2003–30/11/2005	Yes
Mr Bruce Davis Director General AusAID Canberra ACT	Ex officio member	Yes (nominee)	Dr John Williams Canberra ACT	Appointed member 16/7/2002–30/6/2005 7/7/2005–6/7/2008	Yes
Dr Patricio Faylon Executive Director Philippine Council for Agriculture, Forestry and Natural Resources Research and Development Los Baños PHILIPPINES	Appointed member 10/3/2003–9/3/2005 10/3/2005–9/3/2008	Yes			
Mr Jim Hallion Chief Executive Department of Primary Industries and Resources South Australia Adelaide SA	Appointed member 1/3/2004–28/2/2007	Yes			



Paul Tyrrell, Chief Finance Officer

Chief Finance Officer's Review

Funding and other revenue

ACIAR's funding is mainly provided through Commonwealth appropriation, as determined in the Federal Budget in May each year. In 2004–05 our appropriation was \$47.523m.

This appropriation is supplemented through:

- co-funding of projects by AusAID, the Grains Research and Development Corporation and other relevant funding agencies, and
- a small revenue flow from the sale of ACIAR scientific publications.

Due to the varied timeframes of ACIAR's project activities external revenue fluctuates between years depending on project start and finish dates and the Centre's involvement in particular projects.

Appropriation has remained constant in real terms during the past four financial years.

Total revenue for 2004–05 was \$51.492m.

Program and operational costs

ACIAR's mandate directs the Centre to fund both bilateral and multilateral research and training activities (including educational fellowships), for the benefit of developing countries. In addition, the Centre disseminates publications and measures the impacts of its projects.

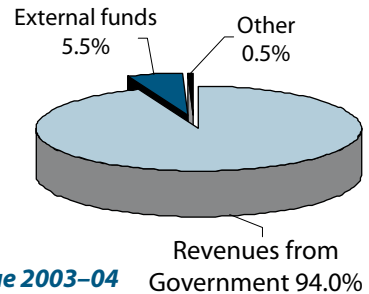
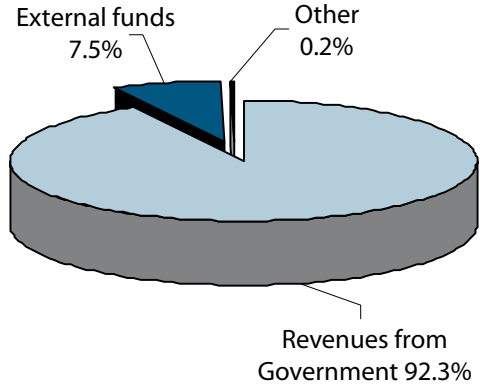
These activities account for 84 per cent of expenditure, expressed as grants and other program expenditure in the chart below.

Expenditure

The costs of supporting these operations, in staffing and administration, accounts for the remaining 16 per cent of expenditure. This represents a reduction from previous years, which have held steady at 17 to 18 per cent of total expenditure.

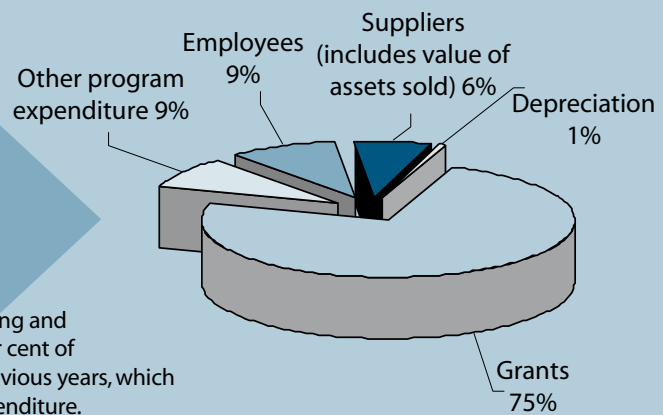
Total expenditure in 2004–05 was \$51.401m.

ACIAR Revenue 2004–05

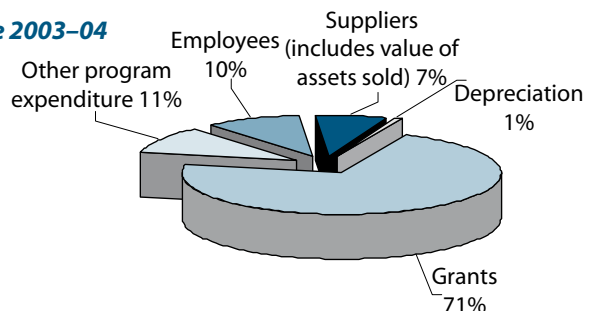


ACIAR Revenue 2003–04

ACIAR Expenditure 2004–05

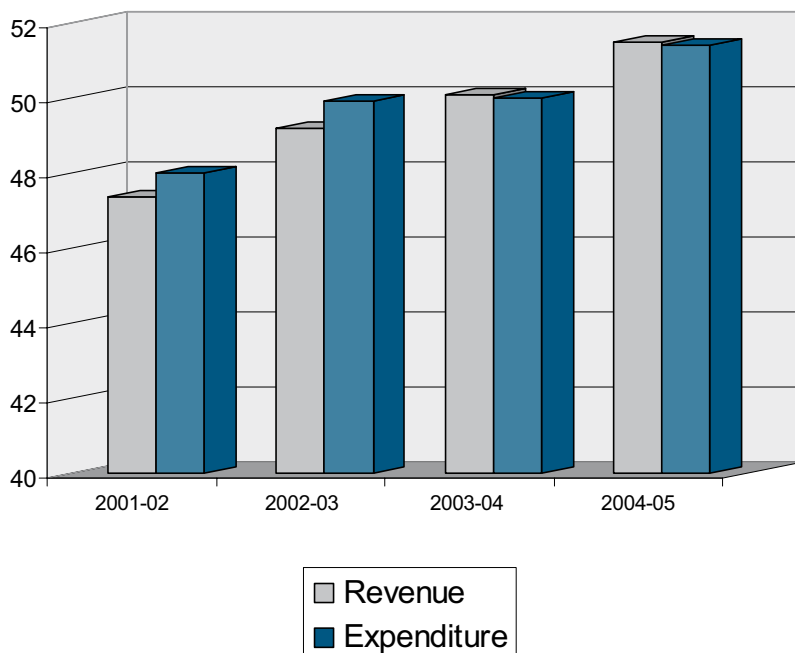


ACIAR Expenditure 2003–04



Revenue and expenditure

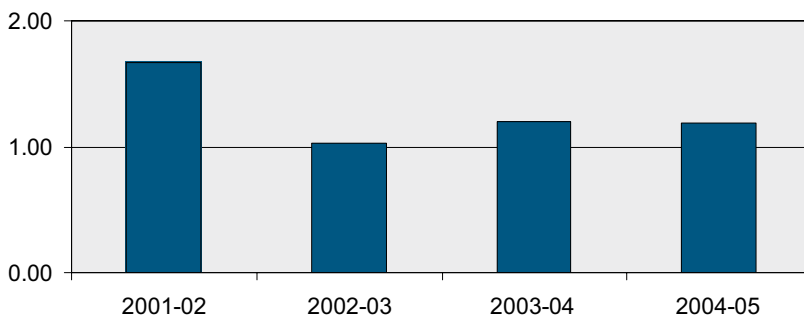
\$m



Operating result and financial position

ACIAR operates a balanced budget and aims to achieve a small surplus each financial year. In 2004-05 this surplus was \$90,330.

Current ratio (current assets/current liabilities)



ACIAR is focusing on better balance sheet management by closely monitoring its cash requirements and movements in provisions. Our current ratio closely reflects this approach and is being maintained at an optimal level (1.00). The Centre will continue to operate a balanced budget to maintain this

Accounting policies

ACIAR complies with relevant accounting standards, relevant legislation and the Finance Minister's Orders. The Centre's Executive and Finance Section work closely to deliver a balanced budget, including responding to the emerging needs of the Australian Government in delivering effective aid.

In 2004-05 ACIAR responded to the December 2004 tsunami, increasing funding to Indonesia to deliver training and to begin implementing new projects.