



WALTERTURNBULL

your extra asset

Three Year Performance Review of Australian Pork Limited

REPORT



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1 Executive Summary

1.1 Review Terms of Reference

WalterTurnbull has undertaken the three year performance review of Australian Pork Limited (APL) required under the terms of APL's Funding Agreement with the Commonwealth.

The Terms of Reference of the Performance Review were to assess:

- The performance of the Company in meeting its obligations under the Agreement with the Commonwealth
- The Company's implementation of its strategic and operating plans and the company's effectiveness in meeting its priorities, targets and budgets set out in these plans
- The efficiency with which the Company carried out those plans, and
- The delivery of benefits to industry and government (where applicable) foreshadowed by the strategic and operating plans.

1.2 Review Conclusions

Meeting Obligations under the Agreement with the Commonwealth

- APL has complied with the Terms of the Agreement with the Commonwealth and has earned high regard from DAFF for its work in meeting related obligations.

Effective Implementation of Strategic and Operating Plans

- In terms of overall structure and process, the APL strategic and annual operational planning and budgeting framework is sound
- There has been widespread and effective consultation on and stakeholder engagement in compiling the Draft Industry Restructure Plan
- A number of industry submissions to the Productivity Commission *Inquiry into the Australian Pigmeat Industry* express strong support for key APL initiatives and directions expressed in the Draft Industry Restructure Plan, and
- APL has effectively implemented its Strategic and Annual Operating Plans though an assessment of its full achievements is constrained by limitations in performance measurement.

Efficiency of Implementation of Plans

- APL has in place a strong corporate governance framework providing sound assurance on the delivery of strategies and plans although some aspects of its documentation require development or updating
- Over the past three years APL has successfully integrated the previously separate activities of its predecessor organisations,

providing a sound and more efficient foundation for pursuing industry goals and strategies expressed in the Industry Restructure Plan, and

- APL is seen by a number of stakeholders as a model for effectively representing agricultural industry interests by integrating research, policy and marketing activities
- Overall APL is operating an efficient business model, enabling significant resources to focus on APL core business
- APL is continuing to refine the manner in which it manages and deploys its resources in pursuit of greater efficiency and effectiveness, and
- There would be value in a detailed review of APL organisation structure and staffing to ensure best support for the implementation of the Industry Restructure Plan.

Delivery of Benefits to Industry and Government

- APL has made strong contributions both to industry and to Government rural R&D priorities
- APL achievements to date and current APL strategic directions, particularly through the Industry Restructure Plan, are strongly supported by industry, and
- The establishment of the Pork CRC is seen as a major win for the industry and reflects well also on APL.

Supplementary detailed findings included in the body of the Report identify areas where there is scope for performance improvement. These underpin the following recommendations.

1.3 Review Recommendations

- APL work with DAFF to establish a more structured approach to scheduling and agendas for the standard six monthly meetings with the Minister, to be co-ordinated with six monthly and annual APL reporting
- Use current strategic planning activity (incorporating programs to implement the Industry Restructure Plan) to ensure a close alignment of program and project activity with strategic industry goals and priorities
- More closely integrate risk management and strategic planning activities in the selection of programs and projects and related risk mitigation activities
- As part of the current strategic planning activity, refine performance measures to better support Board review through use of:
 - A limited number of key, high level indicators of strategic progress towards industry goals and achievement of key milestones, and
 - Reports against key measures of APL performance in implementing agreed programs and projects
- Update and strengthen APL governance documentation including:

-
- Board Charter
 - Risk and Fraud Management Plan
 - IT and Information Management Strategic Plan, and
 - Disaster Recovery and Business Continuity Plan
 - Consider implementation of a document retrieval system
 - Conduct an organisation review to consider future staffing and organisation structure requirements in the light of Industry Restructure Plan directions including options for wider application of resource pooling and use of project teams, and
 - Strengthen the role of the General Manager, Corporate and Financial, or, subject to re-appointment processes, another senior executive position, in the central budget planning and allocation process to provide assurance to the Board on whether budget bids are fully consistent with Board-determined strategic priorities.

2 Introduction

2.1 Background

APL was established by the Australian pig industry in May 2001 as a company limited by guarantee to undertake marketing, research and development and industry strategic policy activities for the benefit of pork producers and the Australian pig industry as a whole.

APL is responsible for enhancing opportunities for the sustainable growth of the Australian pork industry by delivering integrated marketing, innovation and policy services through the entire pork industry supply chain. APL works in close association with key industry and government stakeholders and pursues opportunities for industry at both domestic and international level.

Consistent with the *Pig Industry Act 2001*, the Commonwealth Minister for Agriculture, Fisheries and Forestry entered into a formal Agreement with APL in relation to the delivery of the above services to industry.

The Agreement provided for funding in the form of statutory pig slaughter levies collected under the Primary Industries (Excise) Levies Act 1999 with additional research specific funds provided by the Commonwealth Government.

Section 11.4 of the Agreement requires APL to carry out a performance review three years after its commencement. This Report responds to that requirement.

The Terms of Reference for the review were to assess:

- The performance of the Company in meeting its obligations under the Agreement with the Commonwealth
- The Company's implementation of its strategic and operating plans and the company's effectiveness in meeting its priorities, targets and budgets set out in these plans
- The efficiency with which the Company carried out those plans, and
- The delivery of benefits to industry and government (where applicable) foreshadowed by the strategic and operating plans.

2.2 Approach

Our approach to the Review comprised:

- Discussions with key stakeholders including Board members, senior management and the Department of Agriculture, Forestry and Fisheries (DAFF)
- Review of APL documentation
- Analysis and evaluation, and
- Preparation of draft and final reports.

A preliminary information paper was provided to APL at the mid point of the review.

The review focused on APL achievements over the three year period to 30 June 2004.

The approach recognises that the Review occurs in a period of major development for the APL and the pork industry, particularly in relation to the Industry Restructure Plan.

Planning for and consultation on an Industry Restructure Plan commenced in May 2004. A Draft Industry Restructure Plan received Board endorsement in September 2004 and strong support from APL delegates and from State Farming Organisations in October 2004. The Plan is currently being incorporated into the APL 2005/2008 Strategic Plan and 2005/06 Annual Operating Plan now being developed.

The intent of the Plan to forge a partnership between participants in the entire pork value chain and government to create a globally competitive industry capable of protecting domestic market share and pursuing new market opportunities.

The Plan is built around the following seven strategies which provide focus and direction for future APL and industry initiatives:

- Increase fresh pork sales (sales and margins)
- Increase carcase weight
- Reduce feed costs
- Create new pricing systems
- Animal health
- Build consumer loyalty for 100% Australian small goods, and
- Trade measures – levelling the playing field.

APL recognises the significance of the Plan to the pork industry's future sustainability and profitability and the importance of its own leadership role in target identification, tracking and reporting and facilitating industry support in implementing the Plan.

2.3 Overview of APL

2.3.1 Structure and Membership of APL

APL is a producer owned company established in May 2001 to deliver integrated services that enhance the viability of producers. APL was established as a successor to three previous organisations:

- The Australian Pork Corporation
- The Pig Research and Development Corporation, and
- The Pork Council of Australia.

A person is eligible to be a Member of the Company if the person:

- Is an Australian Pig Producer, and
- Paid (other than as an intermediary) Pig Slaughter Levy during the previous Financial Year.

Members or groups of members who meet specified minimum levy amounts may appoint Delegates to represent them at General Meetings on matters

other than those reserved for Members. A Delegate may, but need not be, a Member or Director.

APL operates under the governance of a Board comprising a maximum of nine Directors, five of whom are elected by Delegates at a General Meeting and four of whom are Specialist Directors whose appointment must be ratified by a majority of Delegates at a General Meeting.

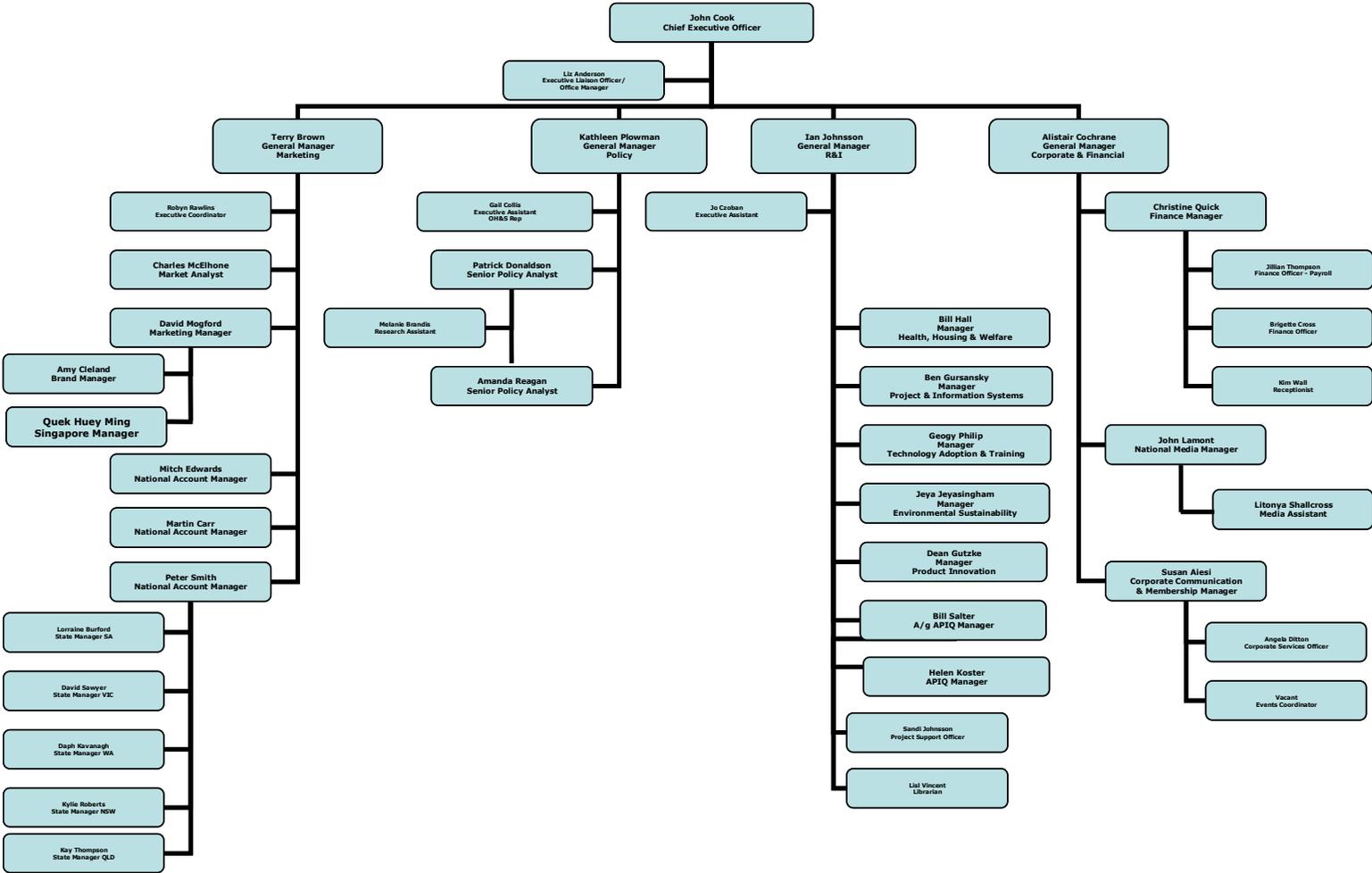
The Board sets strategic direction within the requirements of the company's constitution and Australian corporate law. The Board meets approximately each two months.

The Board has established an Audit and Corporate Governance Committee to advise the Board on corporate governance, audit, accounting, systems issues and financial reporting. The audit committee meets at least each two months.

The Board has delegated responsibility to the Chief Executive Officer for the effective management of APL. The Chief Executive Officer is supported by four General Managers responsible respectively for:

- Policy
- Research and Innovation
- Marketing, and
- Corporate Services.

The organisation structure of APL as at November 2004 is presented below:



As at 30 June 2004 APL employed 35 full-time staff, four part-time staff, one full-time contractor and one part-time contractor.

2.3.2 APL Objects

APL operates in accordance with a Constitution last updated at the November 2004 Annual General Meeting.

The objects for which APL was established are specified in Section 2 of the Company Constitution. The principal objects are:

- To provide leadership on the provision of Strategic Policy Development, Marketing and R&D services that advance the interests of the Australian Pig Industry
- To receive funds from the Commonwealth of Australia comprising proceeds from the Pig Slaughter Levy and contributions by the Government to R&D in relation to the Australian Pig Industry and account to Members, Government and Parliament of the Commonwealth of Australia for the expenditure of such funds
- To seek funds from other persons for Marketing, R&D, innovation and other activities
- To manage funds the Company receives and risks related to the Company's ongoing expenditure and funding
- To investigate and evaluate the requirements for Strategic Policy Development, Marketing, R&D and innovation in relation to the Australian Pig Industry
- to provide funds for or carry out Strategic Policy Development, Marketing, R&D and innovation activities in relation to the Australian Pig Industry
- To provide cost-effective services that enhance the competitiveness of the Australian Pig Industry throughout the Australian Pig Industry's supply chain
- To facilitate the dissemination, adoption and commercialisation of the results of Marketing, R&D and innovation in relation to the Australian Pig Industry
- To manage, develop and exploit intellectual property from Marketing and R&D activities, and to receive the proceeds of such development and exploitation
- To provide services to Australian Pig Producers, and
- To engage in any other activities in the interests of the Australian Pig Industry

in each case for the benefit of the Australian Pig Industry.

2.3.3 Financial Summary

In summary, for the year to 30 June 2004, APL's key financials were as follows:

▪ Revenue	\$19,304,642	
○ Levies		\$13,516,816
○ Government contributions		\$4,603,298
▪ Expenditure	\$18,997,995	
○ Research and innovation		\$6,137,740
○ Domestic marketing		\$6,907,837
○ Export marketing		\$1,099,567
○ Policy		\$1,264,545
○ Board and CEO		\$1,695,358
○ Corporate services		\$1,852,948
▪ Operating Surplus	\$346,647	
▪ Net Assets	\$6,448,805	

As at 30 June 2004 APL held cash assets of \$7,771,639, an increase of \$1,961,588 on the cash balance at 30 June 2003.

3 Performance in Meeting Obligations under the Agreement with the Commonwealth

3.1 Overview

We reviewed APL compliance in meeting the terms of the Agreement between the Commonwealth of Australia and APL (the Agreement). Our review process included:

- Examination of the Terms of the Agreement
- Examination of Certificates of Compliance provided by the APL Auditor, Ernst & Young, in relation to Clauses 5 to 7 to the Agreement dealing with the application of funds, use of bank accounts and use of assets and liabilities
- Discussions with the Auditor
- Examination of key documentation held by the Department of Agriculture, Fisheries and Forestry, Australia (DAFF), and
- Discussions with DAFF.

We found that the Auditor was satisfied that APL had complied with Clauses 5 to 7 of the Agreement in each year of its operation.

DAFF officials advised that they were satisfied with APL compliance in relation to other clauses of the Agreement and the Agreement as a whole.

DAFF officials were complimentary of overall APL governance, APL progress in establishing effective working arrangements with DAFF in relation to the Agreement and APL reporting in terms of the Agreement.

DAFF recognised that APL exhibited a strong understanding of its obligations to the Commonwealth under the Agreement and noted that APL could be presented as a model of better practices in relation to governance and compliance with the Agreement.

The Board of APL, in its report dated 23 Nov 2004 signed by the Chairman and Chief Executive Officer, states that APL complies with the Agreement between the Commonwealth of Australia and Australian Pork Ltd for the purposes of the Pig Industry Act 2001 for the year ended 30 June 2004. This report is acknowledged by DAFF as a supplementary form of compliance assurance.

A summary Table of Findings is provided below.

3.2 Summary Compliance Table

Table 1 Compliance with Terms of Agreement

Clause & Title	Content Summary	APL Compliance	Data Sources	Comment
1. Definitions	Legal Machinery Clause	N/A		
2. Term and Operation of Agreement	Legal Machinery Clause	N/A		
3. Constitution	Legal Machinery Clause	N/A		
4. Payment of Levy Funds and Matching Funds	Legal Machinery Clause	N/A		
5. Application of the Funds	Conditions for how APL may spend funding received	Complies	Ernst & Young Independent Audit Report to APL Board of Directors, 29 October 2004	
6. Funds Bank Account	Requirements for the banking and accounting for the receipt and expenditure of funds	Complies	Ernst & Young Independent Audit Report to APL Board of Directors, 29 October 2004	
7. Use of Transferred Assets and Liabilities	Conditions for the use of Transferred Assets and Liabilities	Complies	Ernst & Young Independent Audit Report to APL Board of Directors, 29 October 2004	
8. Strategic and Operational Plans	Requirements for development and implementation of strategic and operational plans	Complies	WalterTurnbull DAFF	WalterTurnbull Report reviews contents of Strategic and Annual Operating Plans

Clause & Title	Content Summary	APL Compliance	Data Sources	Comment
9. Other Plans	Requirements for the development and implementation of Risk Management Plan, Fraud Control Plan and Intellectual Property Management Plan	Complies	WalterTurnbull DAFF	Risk Management Plan is out of date but is now being updated as part of 2005/08 Strategic Planning
10. Reports and Meetings	Requirements for standard and ad-hoc reporting to Commonwealth and meetings with Minister	Complies	DAFF	DAFF noted that frequent meetings with the Minister were occurring. However, it suggested a more structured approach to scheduling and agendas for the standard 6 monthly meetings co-ordinated with 6 monthly and annual reporting
11. Review of Performance	Requirement to arrange and contribute to three yearly reviews of its performance	Complies	WalterTurnbull Report	
12. Access to Records and Use of Information	Requirements for providing Commonwealth access to records and use of information	Complies	DAFF	
13. Audit	Annual audit obligations	Complies	WalterTurnbull DAFF	Unqualified audit reports
14. Indemnity	Legal Machinery Clause	N/A		
15. Suspension of Fund Payments	Legal Machinery Clause	N/A		

Clause & Title	Content Summary	APL Compliance	Data Sources	Comment
16. Termination and Recovery	Legal Machinery Clause	N/A		
17. Conflict of Interest	Requirements to identify any conflicts of interest	Complies	DAFF WalterTurnbull	No conflicts have required notification
18. Acknowledgement of Funding	Clause outlines the company's requirement to acknowledge funding	Complies	DAFF WalterTurnbull	DAFF has requested more extensive funding acknowledgement. APL is implementing this requirement.
19. Authorisation of Persons to Act	Legal Machinery Clause	N/A		
20. Relationship	Legal Machinery Clause	N/A		
21. Further Action	Legal Machinery Clause	N/A		
22. Resolution of Disputes	Legal Machinery Clause	N/A		
23. Assignment	Legal Machinery Clause	N/A		
24. Entire Agreement	Legal Machinery Clause	N/A		
25. Alteration	Legal Machinery Clause	N/A		
26. Waiver	Legal Machinery Clause	N/A		
27. Severability	Legal Machinery Clause	N/A		

Clause & Title	Content Summary	APL Compliance	Data Sources	Comment
28. Governing Law and Jurisdiction	Legal Machinery Clause	N/A		
29. Notice	Legal Machinery Clause	N/A		
30. Interpretation	Legal Machinery Clause	N/A		

3.3 Conclusions and Recommendations

3.3.1 Conclusion

- Based on our analysis and discussions with DAFF and the APL auditors, Ernst & Young, we conclude that APL has complied with the Terms of the Agreement with the Commonwealth and has earned high regard from DAFF for its work in meeting related obligations.

3.3.2 Recommendation

- APL work with DAFF to establish a more structured approach to scheduling and agendas for the standard six monthly meetings with the Minister, to be co-ordinated with six monthly and annual APL reporting.

4 Effective Implementation of Strategic and Operating Plans

4.1 Overview

Within this Section we assess how effectively APL has implemented its Strategic and Annual Operating Plans. We comment separately, in Section 6 on overall benefits to industry and Government that APL has delivered to date.

We examine:

- APL's implementation of its strategic planning framework, and
- The effectiveness of APL's performance in delivering its Strategic and Annual Operating Plans.

We use 2003/04 as the key reference period for the assessment as it represents:

- The third of APL's first three years of operation,
- The final year to be formally covered under the three year performance review, and
- The most recent period for which performance data is reported.

However, in considering APL strategic planning framework we also take into account planning activity for 2004/05 and strategic planning work currently under way in preparation for 2005/06 to address, in particular, the directions identified in the Industry Restructure Plan.

4.2 Implementation of APL Strategic Planning Framework

4.2.1 Planning Framework

The APL strategic planning framework has been progressively strengthened over the years of APL operation. Consistent with the requirements of Clause 8 of the Agreement with the Commonwealth, the planning framework covers:

- A written strategic and operational plan covering a rolling three year period within four months after the commencement date
- A vision or mission statement
- The objectives and priorities of APL for the period the plan covers
- The strategies APL intends to adopt in order to achieve its objectives
- The Commonwealth Government's broad research and development priorities
- The intended operations of APL for the ensuing 12 months, and
- Performance indicators and resource allocations relating to proposed activities and expenditure.

As expressed in the 2003-2006 Strategic Plan, APL has three key objectives represented by six strategies as illustrated in the Table below. Each Strategy

is supported by a number of Strategic Goals. These are reflected in the Annual Operating Plan and reported against in the Annual Report.

The Strategies below were varied in the 2004/05 Annual Operating Plan and, as discussed below, are under fundamental review as part of the preparation of the 2005/08 Strategic Plan.

Objectives	Strategy
1. Maximise opportunities for industry growth	1. Expand and retain sustainable domestic and export markets
	2. Promote product innovation with commercial partners to meet changing consumer needs
2. Maintain an internationally competitive pork industry supply chain	3. Identify and promote technical innovations that enhance pork competitiveness and increase financial returns to producers
	4. Secure access to feed ingredients at world competitive prices
3. Enhance Australia's unique competitive attributes as a source of healthy, premium quality pork	5. Identify and promote sustainable environmental and welfare practices to secure access to markets
	6. Support and secure the industry's high quarantine and product integrity status

The Strategic Plan and Annual Operating Plans are reviewed annually in the context of developing the annual budget. The planning process includes consultations with APL members and close collaboration between Board and management.

APL's financial management processes provide regular reports on budgeted and actual expenditure on a project basis, allowing focussed attention to be paid by management and the Board to resource utilisation in accordance with the framework of the Strategic and Annual Operating Plans, as well as the more traditional income and expenditure categorisations.

The planning framework is regarded by both Board members and DAFF as a solid framework within which APL programs can be defined and targeted. There are clear links between the objectives, strategies and strategic goals identified in the Strategic Plan and the Annual Operating Plan and the reporting framework included in the Annual Report.

The planning processes under way for 2005/06, including development of the Industry Restructure Plan, have been praised by a range of stakeholders. See Section 4.2.4.

Board members recognised that the overall planning structure was sound. However, they generally agreed that there was too much detail in the plans

and that they required stronger focus and fewer targets and priorities. Care was needed to avoid attempting too many projects or activities and adding to risks of not delivering on key targets and priorities. For 2004/05 the Annual Operating Plan includes approximately 200 supporting projects. It is possible that the large number of activities included in the Annual Operating Plan could make it difficult for the Board and management to focus on and monitor performance against key priorities.

Board members also saw a continuing need for focussed Research and Development (R&D) priority setting to ensure that R&D investment best reflects strategic plan priorities. R&D needed to align with defined industry goals but it was also important to maintain a strategic sense of long term research needs.

It was agreed that work currently under way in developing the Industry Restructure Plan with its reduced number of strategies and goals would provide the necessary focus and direction for strategic and annual operating plans and for R&D project selection.

In terms of overall structure and process, therefore, we consider that the APL strategic and annual operational planning framework meets better practice standards. There are, however, areas where improvements are possible particularly in:

- Performance measurement
- Strategic and risk management planning and mitigation, and
- Resource alignment to strategic priorities.

These are discussed further below and in Section 5.5.

4.2.2 Planning Links to Risk Mitigation

The Annual Operating Plan recognises major management challenges and risks that are associated with the implementation of the six key strategies. The Plan, however, provides limited detail on how these identified risks will be mitigated.

Achievement of APL's goals and objectives can also be influenced by external factors outside APL's direct control. Such factors can be economic, demographic, social, or environmental and can directly impact the success of the identified strategies.

Moreover, APL can influence but not determine the actions of governments, participants in the pork value chain, other countries, or overseas organisations with which Australian producers compete. Much of the success of the APL's programs depends on the cooperation of the producers, industry participants, government and the general public.

The Annual Operating Plan does not clearly link the external factors to particular objectives or describe how the achievement of the goals could be affected by these factors.

Overall the planning process could be strengthened by a closer linkage between strategic and risk management planning to address the above factors. The Plan could:

- Briefly describe each factor
- Indicate its link with a particular objectives and strategies

-
- Describe how the achievement of the strategic goals could be affected by the identified factors, and
 - Identify mitigating actions to be implemented.

We understand that as part of the process of developing the Industry Restructure Plan, in consultation with industry, APL has identified risks relevant to the achievement of the principal strategies. APL recognises that it may be possible to strengthen further the links between strategies and risks especially by more clearly defining risk mitigation actions.

4.2.3 Developing the Industry Restructure Plan

In its initial three years of operation, APL, in consultation with DAFF, has progressively developed and enhanced its strategic planning framework. As noted above, the overall planning framework is sound.

APL's planning processes provide for annual review of the Strategic Plan and preparation of the Annual Operating Plan as the basis for pursuing the Strategic Plan in the year ahead and for determining resource allocations and budgets.

In mid 2004, APL commenced a comprehensive process of engaging industry in a fundamental re-appraisal of industry directions, goals and strategies. The need for this basic assessment was triggered by major pressures confronting producers arising from increased imports, a slowdown in export growth, drought, high feed prices and reduced profitability.

Through a detailed program of consultations with members across the country and subsequent discussions with a wider range of industry and government stakeholders a Draft Industry Restructure Plan was developed.

This Plan was strongly endorsed by APL delegates and by State Farming Organisations in the second half of 2004. The APL Board is now working with management, as part of the 2005/06 strategic and operating planning process, to incorporate the Industry Restructure Plan into APL Strategic and Operating Plans. That planning activity is due to be completed in May and will provide the basis for 2005/06 budget allocations.

4.2.4 Stakeholder Views on Industry Restructure Plan

The Draft Industry Restructure Plan is strongly supported by stakeholders as evidenced through interviews with Board members and review of independent submissions to the Productivity Commission's *Inquiry into the Australian Pigmeat Industry*.

Board members considered that the Plan was well focused, ambitious but attainable, included strong strategies, and would provide necessary focus for future APL program activity. They saw the consultation and plan development process as excellent and extremely well handled by APL management and staff.

Board members are clear that effective implementation of the Plan, with involvement of all key stakeholders, is crucial for the future growth of the pork industry in Australia.

Independent submissions to the Productivity Commission strongly support the Plan and APL processes for its development to date. Some examples of views submitted are:

"...I support the Australian Pork Ltd long-term strategy that aims to change the way pigs are paid for and increase the weight of pigs."

"I support the thrust of the APL strategic plan for the industry."

Private Submission (Gunpork)

"WAPPA strongly endorses APL's drive to increase carcass weights (pending market demand) and therefore reduce costs right through the supply chain, making industry more globally competitive, provided we compete on a level international playing field,

"WAPPA recommends APL's Draft Restructure Plan for the future be adopted, implemented..."

West Australian Pork Producers' Association (WAPPA)

"To achieve these outcomes the VFF Pig Group support the following recommendations made in the Australian Pork seven point restructure plan (listed)..."

Victorian Farmers Federation Pig Group

"The impact of falling pigmeat import prices and increasing import volumes combined with excessive input costs (particularly feed grain) has placed extreme financial pressure upon pork producers and the entire pork industry.

The implementation of the strategies contained in the pork industry restructure plan will lead to the required changes to the dynamics of the industry."

Queensland Pork Producers Inc

"Building an internationally competitive industry through Supply Chain efficiency. The following areas will be discussed however the report in the APL Australian Pork Industry Restructure Plan (13th August 2004) outlines a more comprehensive approach."

Private Submission (Hans Continental Smallgoods Pty Ltd)

"Recommendation 3. Align the inquiry recommendations with the long term strategies of the industry as detailed in the Australian Pork Limited's draft Industry Restructure Plan.

" NSW Pork believes that as supply and demand comes back into balance, the future of the industry will lie in greater differentiation in product marketing, increased value adding, greater integration between different players in the supply chain and improved co-ordination of the long term strategy proposed by Australian Pork Limited. These principles must henceforth underpin the development of the Australian pig industry."

NSW Pork (NSW Farmers Association)

"We strongly support APL's restructure plan..."

"APL's research and development is often very useful to us...The focus for research and development and the new CRC outlined in the APL's draft restructure plan are appropriate and should return value for money to the industry.

"The industry and APL now have a dynamic restructure plan which will set in train the next round of changes needed to keep this dynamic industry afloat.

"APL has a restructure plan, which we support and which, when implemented will create the opportunities to increase our competitiveness."

4.2.5 Conclusions and Recommendations

4.2.5.1 Conclusions

- In terms of overall structure and process, the APL strategic and annual operational planning and budgeting framework is sound
- There has been widespread and effective consultation on and stakeholder engagement in compiling the Draft Industry Restructure Plan, and
- A number of industry submissions to the Productivity Commission *Inquiry into the Australian Pigmeat Industry* express strong support for key APL initiatives and directions expressed in the Draft Industry Restructure Plan.

4.2.5.2 Recommendations

- Use current strategic planning activity (incorporating programs to implement the Industry Restructure Plan) to ensure a close alignment of program and project activity with strategic industry goals and priorities, and
- More closely integrate risk management and strategic planning activities in the selection of programs and projects and related risk mitigation activities.

4.3 Effective Delivery of Plans

4.3.1 Performance against Strategic and Annual Operating Plans

This section addresses APL's effectiveness in the implementation of its Strategic and Annual Operating Plans and in meeting its priorities and targets.

As noted above, data for analysis is drawn primarily from the 2003-06 Strategic Plan, the 2003/04 Annual Operating Plan and the 2003/04 Annual Report.

Reported performance against APL Objectives, Strategies and supporting Strategic Goals is examined below.

We comment on both the results achieved against the defined Strategies and Strategic Goals and the quality of performance measures.

An assessment of wider benefits to Industry and Government from APL activities including those identified in this Section is included at Section 6 below.

Strategy 1. Expand and retain sustainable domestic and export markets

Objective 1		
Maximise opportunities for industry growth		
Strategic goal	Targets	Reported Results
1.1 Assist in the growth and sustainability of the Singapore market for Australian pork products.	Exports to be 40,000 tonnes by 30 June 2005	Exports to Singapore at year end June 04 had dropped to 24,022 tonnes.
1.2 Assist in the growth and sustainability of the Japanese market for Australian pork products 1.3 Assist in the development of North Asian markets for Australian pork products	Exports to be 40,000 tonnes by 30 June 2005 Annual increase in targeted consumer attitude and awareness benchmark	Exports to Japan at year end June 04 had dropped to 10,603 tonnes. No result reported against defined target
1.4 Increase domestic consumer demand for Australian fresh pork	Increase per capita consumption from 8 kg per capita to 12 kb per capita by June 2007 Annual increase in targeted consumer attitude and awareness benchmark Increase market share of Australian fresh pork from 18 to 25 % of total fresh meat sales by 30 June 2006	Fresh pork consumption was 9.3 kg per capita against a milestone of 9.5kg included in the Annual Operating Plan Consumer perceptions have improved in relation to flavour (up from 30 to 42%), ease of cooking (up from 34 to 35%) and healthy food (up from 25 to 31%) No result reported against defined target
1.5 Reduce the impact of pork imports	Reduce the volume of pork imports to 23,000 tonnes by 30 June 2005 Increase the proportion of product sold as fresh pork from 39 to 46% by 30 June 2006 Improve the value of carcass cuts relative to international competitors	Imported volumes 60,356 tonnes shipped weight. No trend indicated. No result reported against defined target No result reported against defined target

Comment

Results

Broadly Strategy 1 has two key focuses:

1. Expansion of market share of Australian fresh pork, and
2. Increasing the domestic demand for Australian fresh pork.

The major achievement against Strategy 1 appears to be an increase in per capita pork consumption in Australia from a base level of 8 kg to 9.3kg in 2003/04, close to the within year target of 9.5kg.

The expansion into the Japanese market, which is the world's largest pork importer, and the further development of the Singapore foothold are intended to provide significant opportunities for future export expansion into North Asian markets for Australia pork.

We understand that significant issues have directly impacted the effectiveness of efforts to increase market share in the Asian region. These include:

- A stronger Australian dollar through late 2003 and 2004 reduced the price competitiveness of exports
- There was a general world oversupply for Pig meat that forced lower profitability for pig meat cuts, and
- Feed grain for Australian produces did not have price parity or competitiveness with offshore producers, mainly due to a prolonged period of drought.

Performance Reporting

In a number of cases no direct data was provided in the Annual Report to measure achievement of defined targets. In some other cases targets or milestones were absent, so that it is not possible to judge whether reported performance met expectations.

Strategy 2. Promote product innovation with commercial partners to meet changing consumer needs

Objective 1		
Maximise opportunities for industry growth		
Strategic goal	Targets	Reported Performance
2.1 Engage in commercially partnered programs to a) develop innovative products that meet the changing demands of consumers and b) increase whole carcasses returns	Commercial listing of five new products by 30 June 2006 50% funding by companies Increase share of fresh pork serves marketed as fresh cuts from 14 to 25% by 30 June 2006	No result reported against defined targets <i>APL advises that</i> <ul style="list-style-type: none"> ▪ <i>one product has launched and three others are in the process of launching</i> ▪ <i>it is too early to test against 50% funding target</i>

Comment

Results

Product development strategies are aimed at developing a higher profitability per carcass, with a focus on new products from the leg and belly. Both of these sections are considered to be unprofitable cuts.

As indicated above, four new products have launched or are about to launch, suggesting strong progress towards the 2006 target.

During 2003/04 APL completed or initiated projects with major retailers aimed at involving them, as key partners in the supply chain, in engaging Australian consumers.

A further major undertaking for APL was the development of the market entry strategy for Moisture Enhanced Pork (MEP).

Performance Reporting

No results were reported against the defined targets for Strategic Goal 2. No milestones to indicate progress towards the targets were included.

Strategy 3. Identify and promote technical innovations and services that enhance pork industry competitiveness and increase financial returns to producers

Objective 2		
Maintain an internationally competitive pork industry supply chain		
Strategic goal	Targets	Reported Performance
3.1 Assist supply chain participants to develop, acquire and take advantage of new innovations for improved productivity and efficiency	Benefit/cost ratio >3:1 for all applied production projects	No results reported against defined target <i>APL advised that ratio of 3:1 was applied for selection of project investments in 2004/05</i>
	Maintain the number of new personnel completing tertiary and vocational training, with at least 50% retention rate for APL scholarship awardees	No results reported against defined target
	Annual improvement on benchmark for producer satisfaction	No results reported against defined target <i>Results of Producer survey 2004 noted below</i>
3.2 Significantly improve producer awareness of, and accessibility to new technology and training options	Annual improvement on benchmark for technology adoption rate	No results reported against defined target

Comment

Results

APL believes that there are areas in processing technology where improvements will enhance the competitiveness and returns to Australian producers.

Benefits of some \$155 million arising from technology adoption from successful R&D projects have been reported in an independent cost benefit study. Primary areas of benefit to producers include:

- Pig meat hygiene
- Export support
- Disease eradication
- Pig handling training, and
- Deep litter housing.

The Producer Survey 2004 indicated that producers valued the APL Technical Notes and APL was consistently named as the second most important source of new information, after industry publications, except amongst large producers who have direct access to the technical information. Many indicated that they had changed processes in light of technical not information.

APL has also conducted a series of workshops to help educate producers, specifically piggeries managers on the impacts, risks and changes to the Occupational, Health and Safety legislation that occurred in September 2003.

Further to the workshops, pig industry OH&S manuals were completed with over 200 copies distributed.

Performance Reporting

No results were reported against the defined targets for Strategic Goal 3.

Strategy 4. Secure access to feed ingredients at world competitive prices

Objective 2		
Maintain an internationally competitive pork industry supply chain		
Strategic goal	Targets	Reported Performance
4.1 Australian producers have access to feed ingredients at world competitive prices	Parity with world prices for Australian feed grain by 30 June 2005	No results reported against defined target
	Protocols leading to cost-effective imported whole grain on-farm by 30 June 2005	No results reported against defined target
	Identify feed grain risk management services and tools for further development and/or promotion to producers by 30 June 2004	No results reported against defined target

Comment

Results

Australian producers face uncertainty and volatility in the price for feed ingredients. The cost of feed to producers is often parallel to salary costs and can be as much as 60% of total pig production costs.

This strategy is aimed at providing world price parity for Australian producers and ensuring that a risk management strategy is in place to manage these volatilities.

APL has established an industry policy position on the price of feed grain and a joint working party, the Livestock Feed Grain Users Group, was established to lobby against supply shortages and the higher price paid by Australian producers. Subsequently a joint submission has been made to the Wheat Marketing Review and the National Drought Review.

Performance Reporting

No results were reported against the defined targets for Strategic Goal 2. No milestones to indicate progress towards the targets were included.

Strategy 5. Identify and promote sustainable environmental and welfare practices to secure access to markets

Objective 3		
Enhance Australian's unique competitive attributes as source of healthy, premium quality pork		
Strategic goal	Targets	Reported Performance
5.1 Streamline regulatory processes constraining industry expansion and develop options to assist in compliance with environment, animals welfare and other regulatory obligations	Recognise environmental guidelines for piggeries by December 2004	National Environmental Guidelines completed for launch in August 2004
	Agreed industry national welfare strategy and position by December 2004	Significant representation on Writing Group for Model Code of Practice for Animal Welfare (Pigs)
	A national welfare audit system and standards incorporated into APIQ by December 2004	Completion of revision of APIQ standards including guidance for auditors and producers <i>APL advises that the revised audit system was completed and implemented as planned</i>

Comment

Results

APL aims to be a leader in, and promoter of, animal welfare and environmental practices and standards. APL has progressed and promoted the on-farm Australian Pork Industry Quality Program (APIQ) to stakeholders as means of developing and ensuring levels of quality assurances that meet the requirements of all stakeholders.

Through 2003-04, APIQ was promoted to major retailers to protect the quality of their supplies.

New operating manuals for producers have been drafted, based on extensive consultation; the new procedural manuals were simplified and include more transparent welfare standards. Regional clinics were conducted to support the role out of the new manuals.

APL also established the Animal Welfare Consultative Group and engaged an external consultant to review the Model Code of Practice for Pigs and the national welfare strategy.

Performance Reporting

Performance was reported against defined targets.

Strategy 6. Support and secure the industry's high quarantine and product integrity status

Objective 3		
Enhance Australian's unique competitive attributes as source of healthy, premium quality pork		
Strategic goal	Targets	Reported Performance
6.1 Sustain the national pig herd healthy status and the integrity of pork products	Zero exotic pig disease outbreaks Effectiveness of response plan Zero market access failure	No exotic disease outbreaks of importance to the industry were reported in 2003/04 One new pig disease was identified and piggery successfully quarantined while disease investigated
6.2 Facilitate quality assurance practices through the supply chain	50% of all pig producers, including all of APL's 50 largest members, to gain APIQ accreditation by 30 June 2005 with a 90% re-certification rate Major buyers of pigs preferred supplier status to APIQ certified herds by June 2005 90% of export production to be covered under APEQ by 30 June 2005	At 30 June 2004, 497 producers had APIQ certification including 30 of APL's largest members No results reported against defined target No results reported against defined target <i>APL advises that introduction of process was delayed. Statistics to be available for 30 June 2005</i>

Comment

Results

Australia benefits from being free from the majority of pig diseases. This represents a substantial asset when competing on the international market. APL is therefore committed to maintaining this advantage by committing to enhance the capability of the Australian pork industry to deal with disease issues.

APL is a key member of the Australian Bio Security Cooperative Research Centre (CRC) for Emerging Infectious Disease. This is intended to drive significant benefit for industry participants by providing better tools and management systems to agencies responsible for containment of disease outbreaks.

APL also invested in a CSIRO-patented fumigation technology which disinfects imported grain shipments.

Performance Reporting

No results were reported against some defined targets for Strategic Goal 6. No milestones to indicate progress towards the targets were included.

APL Organisation Capability

Note:

The Table below is included in the Annual Report following the Tables reporting on performance in relation to external strategies, to provide commentary on performance against key APL internal initiatives.

Strategic goal	Targets	Reported Performance
APL's success in the achievement of its strategic goals and the delivery of services will, in part, be measured by membership levels and satisfaction with APL as an organisation.	APL members represent 90% of industry production by 30 June 2005	No results reported against defined target
	90% of APL members and industry satisfied with APL services by 30 June 2005	No results reported against defined target

Comment

Results

APL noted that over the year, membership levels increased from 563 to 681 members and delegates from 29 to 35.

While feedback to members had improved recently, Board members saw a need to improve communication with members, not only about APL programs and activities, but also about why particular strategies and priorities were being pursued and resources allocated.

Performance Reporting

The Annual Report provided no information against defined targets. No milestones to indicate progress towards the targets were defined or applied.

4.3.2 Performance Measurement and Reporting

As indicated above, defined targets and milestones for a number of strategic goals were not directly reported in 2003/04.

In addition, some performance measures are either missing, not useful, or incomplete, making a comprehensive assessment of APL performance and results difficult.

Board members indicated that performance measurement and reporting processes could be improved in a number of areas. Key improvements could include:

- Regular reports against key strategic goals
- More transparent reports on what APL is delivering in terms of what it can influence, and
- Strengthened performance measurement especially in relation to R&D results and marketing.

We consider that there is scope for APL to build on its established performance measurement and reporting framework. We note that APL is

currently reviewing the effectiveness of its performance measurement and reporting processes including through external consultancies addressing the development of Strategic Performance Indicators for use by the Board and a review of R&D reporting to the Board.

With the assistance of those reviews, APL could ensure that future performance reporting is refined to further support Board review through use of:

- A limited number of key, high level indicators of strategic progress towards industry goals and achievement of key milestones, and
- Reports against key measures of APL performance in implementing agreed programs and projects.

4.3.3 Conclusions and Recommendations

4.3.3.1 Conclusions

- APL has effectively implemented its Strategic and Annual Operating Plans though an assessment of its full achievements is constrained by limitations in performance measurement.

4.3.3.2 Recommendations

- As part of the current strategic planning activity, refine performance measures to better support Board review through use of:
 - A limited number of key, high level indicators of strategic progress towards industry goals and achievement of key milestones, and
 - Reports against key measures of APL performance in implementing agreed programs and projects.

5 Efficiency with which Plans have been Implemented

5.1 Overview

In addressing the Review Term of Reference to assess the efficiency with which APL has carried out the Strategic and Annual Operating Plans we assessed:

- The organisation's corporate governance framework, and in particular whether better practice approaches have been implemented for:
 - Board operations
 - Financial management
 - Human resource management
 - Information technology and information knowledge management
 - Asset management
 - Stakeholder management
 - Fraud control, and
 - Project governance
- Whether organisation design and resource planning and management arrangements in place are suited to the delivery of agreed priorities, and
- The efficiency of operations.

5.2 Corporate Governance Framework

5.2.1 Overall Assessment

In assessing APL's overall corporate governance framework we applied a detailed diagnostic test addressing, for each of the components identified in 5.1 above:

- Better practice requirements
- Current practices
- Risk rating (High, Medium, Low), and
- Recommended improvement to approach better practice performance.

The detailed results are provided in **Attachment 1**.

Overall APL performed well in the diagnostic governance framework test:

- Risk ratings of "low" were recorded for 71 of the 87 elements checked (82%)
- Remaining elements were rated at "medium" risk, and
- No elements received a "high" risk rating.

Specific comments on principal areas where performance improvements are achievable are provided below, together with references to more detailed discussion in other Sections of the Report where required.

We note that APL is commissioning Ernst & Young to review governance processes to ensure APL meet the requirements of CLERP 9. It is understood that this review will be used to address the gaps identified below in relation to documentation covering Board operations.

Board members themselves observed that the APL corporate governance structure was sound. This view was also expressed by DAFF officers.

Strategic Planning Monitoring and Reporting

- While performance measures were incorporated into the Strategic (and Operating) Plans, further work was required to generate measures better suited to enable effective Board monitoring of future Strategic and Operating Plans
- The Risk and Fraud Management Plan is planned to be updated as part of the 2005/06 strategic planning round. The revised Risk Management Plan could better link strategic planning with risk analysis and proposed risk mitigation activities
- See Report Section 4.2
- Risk rating **"Medium"**.

Financial Management

- While mechanisms are in place for budget development and financial planning, these mechanisms could be strengthened to ensure best alignment of resources to key priorities identified through strategic and operational planning processes. This process improvement could include a strengthened role in budget planning and co-ordination for the CFO
- See Report Section 5.5
- Risk rating **"Medium"**

IT and Information Management

- APL does not have a specific IT and Information Management Plan. Such a Plan should be developed and monitored regularly
- The Disaster Recovery and Business Continuity Plan requires updating
- Improvements are needed to methods for efficiently accessing corporate data held by individual functional areas. Use of a document retrieval system should be considered
- Risk rating **"Medium"**.

Project Governance

- While project governance arrangements are in place to control expenditure on Research & Innovation (R&I), there is scope to strengthen planning and allocation of research funding to ensure best fit with strategic priorities
- There is also scope to improve the monitoring and evaluation of the use of research funding at Board level
- See Report Sections 4.2 and 4.3

-
- Risk rating “**Medium**”.

Operations of the Board

- While the Board operates in accordance with key governance documents including the Agreement with the Commonwealth, the APL Constitution and the Australian Institute of Directors (AICD) Code of Conduct, there is no separate document clearly defining governance relationships between Board, Chair and CEO including powers and responsibilities of each party, performance standards and reporting.
- The Ernst & Young review of corporate governance arrangements in relation to CLERP 9 could be used to provide a Board Charter addressing the above issues
- Risk rating “**Low**”.

5.2.2 Conclusions and Recommendations

5.2.2.1 Conclusion

- APL has in place a strong corporate governance framework providing sound assurance on the delivery of strategies and plans although some aspects of its documentation require development or updating

5.2.2.2 Recommendations

- Update and strengthen APL governance documentation including:
 - Board Charter
 - Risk and Fraud Management Plan
 - IT and Information Management Strategic Plan, and
 - Disaster Recovery and Business Continuity Plan
- Consider implementation of a document retrieval system.

5.3 Organisational Alignment

5.3.1 Stakeholder Perspectives

As a key part of the review, all Board members were interviewed, as key industry representatives and in many cases members, to obtain their perspectives on APL progress in bringing together the three pre-existing industry bodies into a single organisation and whether APL’s current organisation design would best enable APL to support future strategies and directions.

5.3.1.1 Integration of APL – Board Views

Board members were extremely satisfied with APL’s progress in integrating the three previously separate organisations. They recognised that integration had been a major undertaking with huge challenges but that it had been successfully achieved.

Through the integration, three Boards had been replaced by one and overall administration costs had reduced, giving members better value for their levy contributions.

The integrated APL was now providing a holistic, better co-ordinated and more cost-effective approach to advancing industry interests through its linked research, marketing and policy development functions.

The foundations had been established for the APL to provide effective support to industry in implementing the Industry Restructure Plan.

In the view of some, the integrated APL operation provided an example to other industries of an effective model for industry representation.

Board members also recognised that working arrangements and internal cohesion across APL functions could be further strengthened to ensure that the research, marketing and policy arms worked together effectively in addressing industry goals and priorities. This would be essential if the goals of the Industry Restructure Plan are to be achieved.

There was also scope for improving working relationships between the Board and APL management.

5.3.1.2 Alignment of Organisation Design with Industry Priorities – Board Views

Board members considered that, while the broad organisation design seemed appropriate to APL's tasks, there would be value in reviewing structures and management responsibilities in light of the results of the APL strategic planning activity now commencing to incorporate the Industry Restructure Plan.

Board members also considered that program expenditure could be more tightly linked to strategic priorities and be better focussed. An expanded role for the Chief Finance Officer (General Manager, Corporate and Financial) could be considered to support more cohesive use of internal APL resources and better alignment of program budget allocations with strategic priorities as determined by the Board.

5.3.1.3 Conclusions

- Over the past three years APL has successfully integrated the previously separate activities of its predecessor organisations, providing a sound and more efficient foundation for pursuing industry goals and strategies expressed in the Industry Restructure Plan, and
- APL is seen by a number of stakeholders as a model for effectively representing agricultural industry interests by integrating research, policy and marketing activities.

5.4 Efficiency of Operations

5.4.1 Analysis of APL Efficiency

APL has developed an efficient service delivery model which balances the need for corporate support against operational requirements. Corporate support is closely linked with the operational functions of APL, as it provides financial, budget and management information and support to the organisation.

A number of indicators of efficiency in use of resources are presented below.

Figure 1 Overhead Costs as a Percentage of Total Costs

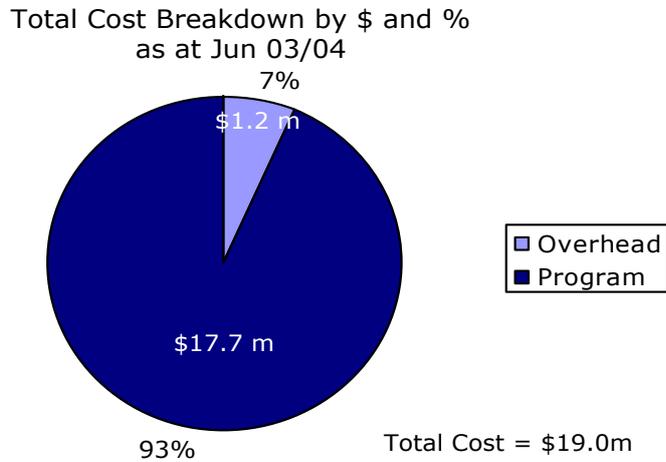
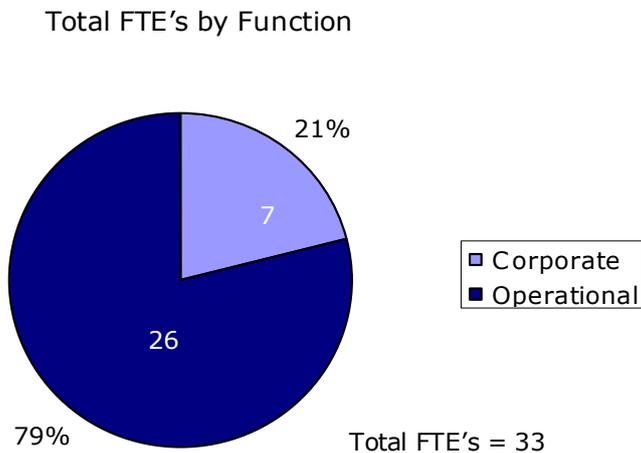


Figure 1 indicates that APL maintains a lean operation with overhead costs (excluding program related internal costs) at 7% of total costs. Better practice benchmarks suggest a range of between 5-15% of total costs depending on factors such as scale and complexity.

Figure 2 Corporate Full Time Equivalent Staff (FTE) as a Percentage of Total Staff



In relation to Figure 2, FTE data is as advised by APL for February 2005. While the breakdown of operational to corporate FTE's indicates a relatively high level of corporate staffing, this is because APL is a small organisation which cannot leverage economies of scale. We do not consider the level of corporate staffing to be excessive and observe that if APL was in fact capable of leveraging economies of scale, its performance against the better practice benchmark discussed above would be even better.

Figure 3 Cost Breakdown of Program Related Expenditure

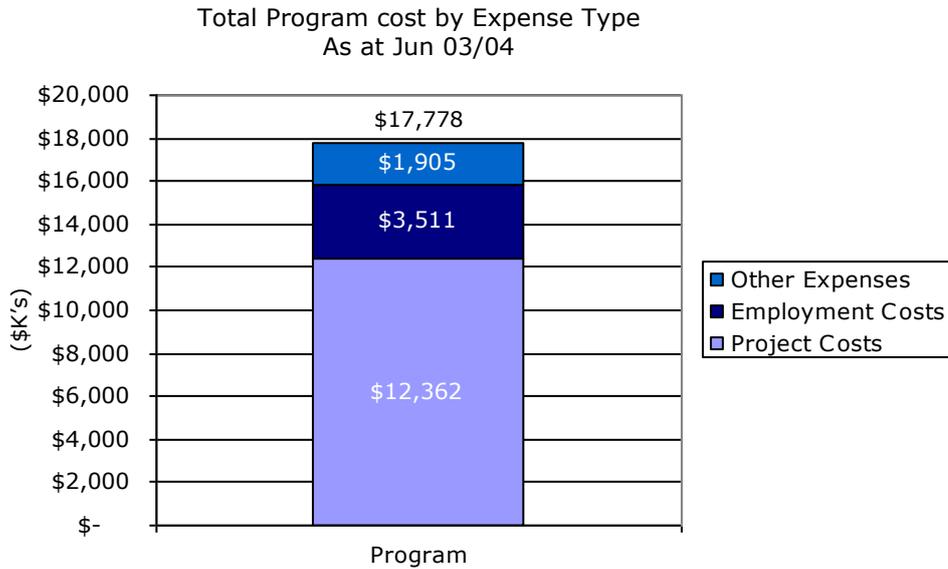


Figure 3 details the cost breakdown of key expense items that comprise the \$17.8m in program related expenditure. Approximately 70% of the \$17.8m relates to project costs, while \$3.5m or 20% of total program cost relates to employment costs.

Figure 4 Cost Breakdown of Overhead Related Expenditure

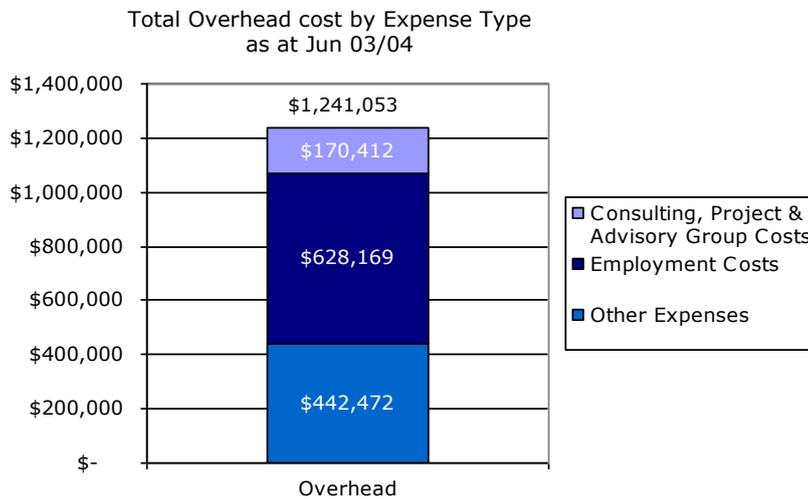


Figure 4 presents a cost breakdown against key expense items of the \$1.2m of corporate overheads. As expected the bulk of the \$1.2m relates to employment costs, which represents 51% of total overheads.

We note that consultancy costs comprise \$170,000 of the total overhead figure of \$1,240,000. In a small organisation such as APL, selective use of consultants on a contract, periodic or part-time basis can be an efficient means of accessing skills that cannot be cost-effectively engaged as staff

members. An example for APL is the current use of specialist HR support on a contract basis.

Ratio Analysis

The following Table provides key financial indicators for APL. They present a healthy financial view for the past and current year but project deterioration in 2005/06. APL has advised that the 2005/06 projection is subject to a high degree of uncertainty given current industry conditions.

	2003/04	2004/05	2005/06
Debt to Equity	0.345	0.377	0.910
Equity to Assets	0.737	0.721	0.519
Total Liability to total Assets	0.263	0.279	0.481
Current Assets to Current Liabilities	3.607	3.358	1.856
Projected Retained Earnings	\$5.661m	\$5.348m	\$3.008m

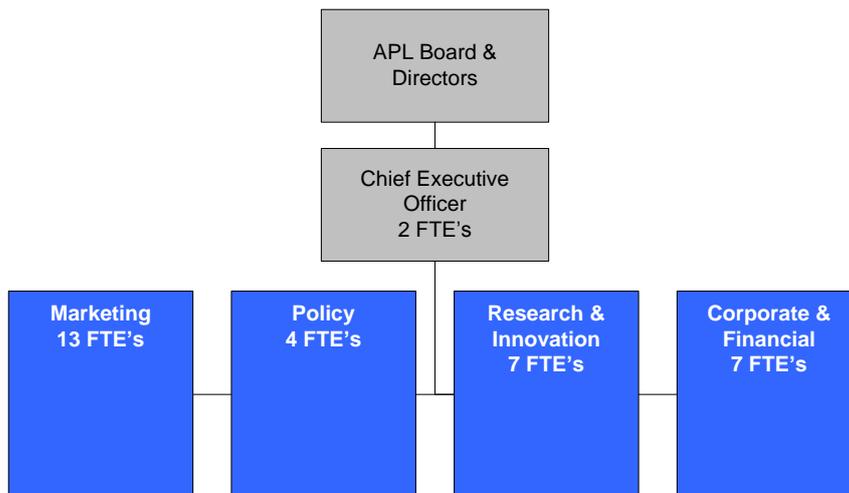
5.4.2 Conclusion

Overall APL is operating an efficient business model, enabling significant resources to focus on APL core business.

5.5 Resource Management

5.5.1 Resource Deployment

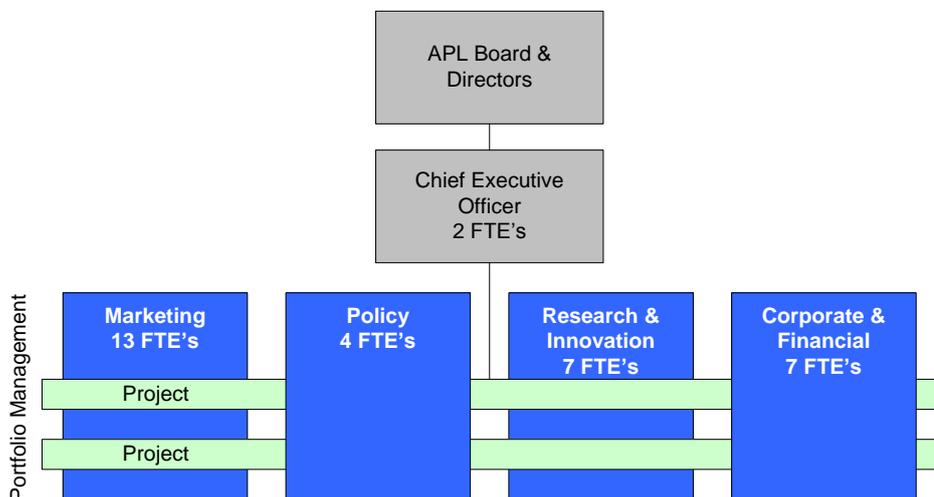
Currently APL's resource management is closely linked to its structure. The organisation's employees, activities and costs are grouped according to their respective functions as indicated in the diagram below. FTE data is as advised by APL for February 2005.



The benefits of the functional structure include:

- The division into functional units encourages attention to quality within each function, and
- Workload can be balanced relatively easily as demand rises and falls within the function.

It was noted that APL is further developing its resource allocation model by partially applying a matrix structure to project definition and resourcing as indicated in the diagram below.



Further developing this approach could assist APL to:

- Increase efficiencies and effectiveness, as resources are allocated to best meet specific project or strategic needs. Staff can be assigned based on project requirements and can be redeployed as project requirements change
- Make best use of teams and their respective strengths, while maintaining in-depth technical expertise in critical functions, and

-
- Encourage interaction of staff across functions.

We note that APL is considering a review of its organisation structure to ensure that it best supports delivery of the strategies and goals emerging from the Industry Restructure Plan and the supporting APL 2005/08 Strategic Plan.

We support an organisation review to consider future staffing and organisation structure requirements and to address options for wider application of resource pooling and use of project teams to achieve best use of total internal staffing resources.

5.5.2 Program Planning

Program planning is a vital process for APL to translate business objectives into targeted initiatives that align strategy and resources for maximum potential return to industry. The alignment of strategic direction with key programs enables a more affect execution and delivers more predictable benefit realisation, ultimately, creating better value for the APL's stakeholders.

In general, APL meets the key requirements of an effective portfolio framework in that:

- Program selection is aligned to strategic intent (but see 5.5.3 below)
- The program planning process is linked to the APL's budgeting and performance management processes
- APL is focussed is on building longer-term benefits for industry, rather than on short-term returns, and
- Evaluation of programs is based on established evaluation criteria

5.5.3 Central Budget Co-ordination and Review

The CEO and each of the four General Managers has budgets for expenditure in his/her respective area of responsibility. Budgeted expenditure includes:

- Program expenditure
- Employee costs, and
- Administrative costs.

Budget allocations are determined and incorporated into the Annual Operating Plan in the light of Strategic Plan objectives and strategies. However, the process for ensuring full alignment of final budget allocations with Board determined strategic priorities for APL could be tightened.

This is particularly important going forward to ensure APL resources, both in terms of program expenditure and internal resources, are best applied to delivering the strategies and goals of the Industry Restructure Plan and the supporting APL 2005/08 Strategic Plan.

In particular, it may be beneficial for APL to make greater use of the General Manager, Corporate and Financial, or, subject to re-appointment processes, another senior executive position, as central budget coordinator and advisor to the Board. This will further ensure alignment between strategic intent and proposed resource allocation to programs and projects.

5.5.4 Conclusion and Recommendation

5.5.4.1 Conclusion

- APL is continuing to refine the manner in which it manages and deploys its resources in pursuit of greater efficiency and effectiveness, and
- There would be value in a detailed review of APL organisation structure and staffing to ensure best support for the implementation of the Industry Restructure Plan.

5.5.4.2 Recommendation

- Conduct an organisation review to consider future staffing and organisation structure requirements in the light of Industry Restructure Plan directions including options for wider application of resource pooling and use of project teams, and
- Strengthen the role of the General Manager, Corporate and Financial, or, subject to re-appointment processes, another senior executive position, in the central budget planning and allocation process to provide assurance to the Board on whether budget bids are fully consistent with Board-determined strategic priorities.

6 Benefits to Industry and Government

6.1 Benefits to Industry

6.1.1 Summary of Key Benefits

Notwithstanding data limitations, APL appears to have provided a number of key benefits to industry since its inception.

In some areas, particularly in relation to benefits arising from R&D activity, it is likely that some benefits currently being realised by industry through technology adoption were initiated under APL's predecessor. Nevertheless APL has provided continuity of access to that information and has continued to advance additional emerging elements of technical guidance and educational information and make them available through a variety of fora.

In other cases, for example, the creation of the Pork CRC and the development of the HomeGrown initiative, APL cannot be accorded sole credit. Nevertheless APL played a major part in these initiatives which are likely to be of significant benefit to industry.

Key benefits to industry for which APL is either solely or substantially responsible include:

- The recent establishment of the Pork CRC
- Benefits of some \$155 million arising from technology adoption from successful R&D projects including in relation to:
 - Pig meat hygiene
 - Export support
 - Disease eradication
 - Pig handling training, and
 - Deep litter housing
- Establishment of the Singapore export market including the development of marketing and product handling practices able to be applied in other markets
- Development of the HomeGrown initiative to promote loyalty amongst domestic consumers to Australian produced pork products
- Increased domestic marketing and brand awareness which has been supported by quantitative research on consumer perception and advertising awareness
- Strengthened relationships with key elements in the supply chain and in particular, commercial suppliers. Major supermarket chains are involved in a variety of joint projects that look to increase the sales, consumer perception and marketability of Australian produced pork products
- Development in close consultation with industry of the Draft Industry Restructure Plan as a blueprint for pork industry survival and growth, and
- Product development of moisture enhanced pork.

6.1.2 Industry Stakeholder Perceptions of Benefits

APL's contribution to these initiatives and the wider benefits it is generating for industry are widely recognised by stakeholders. This is reflected in views expressed by Board members during the Review and in submissions to the Australian Government Productivity Commission Inquiry into the Australian Pigmeat Industry.

Board members highlighted key APL achievements in:

- Building an integrated organisation that can cohesively represent industry interests taking into account of marketing, R&D and policy issues in a unified way
- Playing a major role in the establishment of the Pork CRC
- Developing the HomeGrown marketing initiative
- Providing technical guidance and technology transfer to industry that is highly valued by members, and
- Co-ordinating the development of the Industry Restructure Plan.

Analysis of the 43 submissions to the Commission from independent producers and other industry related bodies (excluding the APL submissions) revealed widespread support for the APL and a range of its initiatives. No criticisms were expressed of APL performance.

Comments on APL performance and benefits to industry included in independent stakeholder submissions to the Productivity Commission included the following:

"Some of the improvements we have made over the past five years include:

- Implement the Australian Pork Ltd OH&S manual into our piggery business.

"I support the challenge launched by the APL against Bio Security Australia."

Private Submission (Gunpork)

"The uptake of the Australian Pork Limited (APL) APIQ program by WA producers has been excellent and the vast majority of pigs slaughtered in WA now produced under this quality assurance scheme.

"It (WAPPA) has strongly supported the APL initiated campaign for the Australian Homegrown Product as a way of building consumer loyalty for Australian pork products."

West Australian Pork Producers' Association (WAPPA)

"With the very recent launch in October of the Australian HomeGrown initiative by the Federal Government and Australian Pork Limited these (local pork promotion) issues are now being addressed."

Victorian Farmers Federation Pig Group

"The recent announcement of the 'Australian HomeGrown' brand initiative is welcomed by the Tasmanian industry as a basis for promoting local pork."

"Important national issues include:

Continuing bedding down of the new R and D/representative promotion body Australian Pork Limited".

Tasmanian Island Pork Alliance

"More focussed research and development as proposed for the Pork CRC is the first step.

"APL's plan to eradicate some of these diseases will further help us as it will reduce the likelihood of the diseases re-entering our herds.

"(We) frequently use extension materials developed by APL. Most of our internal training materials have been developed by APL (or PRDC). Our staff have attended external training also developed and provided by APL, for example, environmental training.

"APL's research and development is often very useful to us...The focus for research and development and the new CRC outlined in the APL's draft restructure plan are appropriate and should return value for money to the industry.

" the industry as a whole, and APL, have continued to take whatever actions are possible to put the Australian industry in the best position to compete."

Private Submission (Windridge Farms)

6.2 Benefits to Government

Government expectations of APL, beyond those defined in the Agreement between the Commonwealth and APL are identified in statements of the Government's rural R&D priorities. The rural R&D priorities are consistent with, and reflect, the Australia Government's National Research Priorities, which are:

1. An environmentally sustainable Australia
2. Frontier technologies for building and transforming Australian industries
3. Promoting and maintaining good health, and
4. Safeguarding Australia.

DAFF indicated during the Review that it is the Government's expectation that APL will continue to take account of the rural R&D priorities in APL strategic and operating plans.

Since its establishment, APL has ensured that its corporate plans support achievement of these priorities. A summary of reported actions against the rural R&D priorities is provided below. More detail is provided in APL annual reports.

Priority: Sustainable natural resource management

APL has developed and implemented a comprehensive environmental strategy with the pig production sector.

Priority: Improving competitiveness through a whole-of-industry approach

APL is working with members in key supply chains to identify, commission, and help implement the results of research that will improve competitiveness, product quality and returns to levy payers.

Priority: Maintaining and improving confidence in the integrity of Australian agricultural food, fish and forestry products

APL has developed and is promoting the on-farm Australian Pork Industry Quality Program (APIQ) to stakeholders to ensure through-chain integration of quality assurance (QA) that meets consumer needs and achieves high industry participation rates.

Priority: Improved trade and market access

APL is working with exporters to identify new or improved market access to existing overseas markets and to support policy development that will limit imports of overseas pork into Australia.

Priority: Use of frontier technologies

APL is utilising new technologies as appropriate to achieve innovation of value to industry stakeholders.

Priority: Protecting Australia from invasive diseases and pests

APL is working with government agencies and other stakeholders responsible for quarantine to ensure the pig industry's needs are addressed.

Priority: Creating an innovative culture

APL is maintaining a viable scholarship program to attract new professionals to the pork industry and expand training opportunities for piggery managers and their staff to reduce staff turnover and promote innovation.

6.3 Conclusions

While data limitations constrain full analysis of the benefits APL has delivered to industry and Government, available evidence supports the conclusions that:

- APL has made strong contributions both to industry and to Government rural R&D priorities
- APL achievements to date and current APL strategic directions, particularly through the Industry Restructure Plan, are strongly supported by industry, and
- The establishment of the Pork CRC is seen as a major win for the industry and reflects well also on APL.

Attachment 1

Summary Corporate Governance Framework Table

Better Practice Requirement	Current Practice	Risk Rating (High, Medium, Low)	Recommended Improvement to Approach Better Practice Performance
Strategy and Planning			
1. Does the company have a Strategic Plan?	Yes. 2003-06 Strategic Plan is in place. About to be substantially strengthened through incorporation of Industry Restructure Plan.	Low	
2. Is there appropriate involvement of senior management and staff in the development of the Strategic Plan?	Yes. Involved through consultations and planning conferences including Board and management.	Low	
3. Are there clearly definable performance measures (operational and financial) incorporated into the Strategic Plan?	Yes. However, measures need development to enable effective monitoring of implementation of Industry Restructure Plan.	Medium	See Report Section 4.2.
4. Does the company have systems and processes in place to monitor performance against the Strategic Plan?	Yes. KPIs in the supporting Annual Operating Plan are reported to the Board quarterly and overall performance against the Strategic Plan is reported annually.	Low	
5. Does the company review the Strategic Plan on a regular basis?	Yes. Updated and extended annually.	Low	
6. Does the company have systems and processes in place for annual business (operational) planning at the Divisional or Program level of the company?	Yes. An Annual Operating Plan is prepared based on the Strategic Plan. It incorporates key elements of Divisional plans.	Low	

Better Practice Requirement	Current Practice	Risk Rating (High, Medium, Low)	Recommended Improvement to Approach Better Practice Performance
7. Are there appropriate links between the Strategic Plan and business (operational) planning at all levels?	Yes. See 4 and 6 above.	Low	
8. Does the Board and the CEO review the development and implementation of strategic and business (operational) planning?	Yes. Board approves Strategic and Annual Operating Plan and supporting budgets.	Low	
<i>The Operations of the Board</i>			
Clear Roles and Responsibilities 9. Is there a clear statement of relationships between Board, Chair and CEO, including powers and responsibilities of each party, performance standards and reporting?	The Board operates against the framework of the Australian Institute of Company Directors (AICD) Code of Conduct, the APL Constitution, Australian Company law and the Agreement between the Commonwealth and APL. There is no separate document setting out more detailed governance relationships. It is understood that Ernst & Young has been tasked to review corporate governance arrangements in relation to CLERP 9 requirements and in relation to the separate company, "Homegrown".	Low	Use the corporate governance assignments scheduled for Ernst & Young to provide specific documentation addressing Board, Chair and CEO roles and responsibilities. This could be presented in the form of a Board Charter.
10. Is there a clear map of governance arrangements, including documentation of legal responsibilities of Directors?	See 9 above. Set out broadly in the APL Constitution.	Low	Incorporate into suggested Board Charter.

Better Practice Requirement	Current Practice	Risk Rating (High, Medium, Low)	Recommended Improvement to Approach Better Practice Performance
11. Is there a statement of matters reserved for the Board, or Board Charter?	See 9 and 10 above.	Low	Incorporate into suggested Board Charter.
12. Is there a Code of Conduct to guide Directors in relation to behaviour expected of them to maintain confidence in the integrity of the Board, including potential conflicts of interest/role for Directors representing the interests of stakeholder groups?	See 9 above.	Low	APL specific documentation to be developed as part of above governance reviews.
Role of Chair 13. Is there a clear statement of the Chair's role including being independent and promoting the effectiveness of the Board's deliberations and liaising with stakeholders?	See 9 above. Broadly covered in the APL Constitution.	Low	Incorporate into suggested Board Charter.
Appointment Protocol 14. Is there a regular audit to identify skills and personal qualities of Chair/Directors needed by the Board, as well as current and projected skill gaps?	Board reviews skills requirements as vacancies occur.	Low	
15. Is there a procedure for identifying prospective candidates and a transparently merit-based selection procedure?	Five of the nine Directors including the Chair are elected by Delegates. The Board selects four other Specialist Directors based on qualifications and need, on advice from a Board sub-committee. These appointments are endorsed at the next AGM.	Low	

Better Practice Requirement	Current Practice	Risk Rating (High, Medium, Low)	Recommended Improvement to Approach Better Practice Performance
16. Is there an appropriate balance of independent Directors?	Yes. Specified mix of Elected "producer" Directors and Specialist Directors in APL Constitution.	Low	
17. Is there a comprehensive and detailed Director's letter of appointment?	Yes	Low	
18. Is re-appointment subject to review of performance?	Not formally. Delegates vote for Elected "producer" Directors and ratify the appointment of Specialist Directors.	Low	
Induction and Training			
19. Are there adequate induction processes in place for new Board members?	Yes. Orientation program in place.	Low	
20. Is there a Director Development program?	Yes. New Board members attend AICD new directors' course.	Low	
Conducting Board Business			
21. Is there a protocol for conducting Board business, including criteria for admitting business items, decision making, code of conduct, interaction with management, access to information, record keeping?	Yes. Protocol warrants updating and refinement.	Low	Update as part of E&Y corporate governance reviews.
22. Is there a protocol for identifying and handling conflicts of interest?	Yes. Currently being updated as part of E & Y corporate governance reviews.	Low	Update as part of E&Y corporate governance reviews.
23. Does the Board meet regularly?	Yes. Approximately 6 times per year.	Low	

Better Practice Requirement	Current Practice	Risk Rating (High, Medium, Low)	Recommended Improvement to Approach Better Practice Performance
<p>Committees</p> <p>24. Is there an Audit Committee of independent Directors literate in financial statements? Does the Committee have a procedure for ensuring compliance with legal and financial accountability requirements, including regular reporting?</p>	<p>Yes. Audit and Corporate Governance Committee.</p>	<p>Low</p>	
<p>25. Is there a Risk Management Committee that develops and adopts procedures for assessing and managing risks – related to performance and compliance? (The Audit Committee could undertake this)</p>	<p>Undertaken by Audit and Corporate Governance Committee.</p>	<p>Low</p>	
<p>26. Is there an Ethics Committee, chaired by an independent Director, with outside ethics adviser, that approves a code of conduct?</p>	<p>No separate Committee. Issues are addressed via Audit and Corporate Governance Committee and Board Chair as required.</p>	<p>Low</p>	
<p>27. Is there a Governance Committee that monitors and reviews governance arrangements? This could incorporate ethics, as outlined above?</p>	<p>Audit and Corporate Governance Committee.</p>	<p>Low</p>	
<p>28. Is there a Nominations Committee to suggest appropriate, competent and skilled Directors to complement existing skills?</p>	<p>Performed by Chair and Chair of Audit and Corporate Governance Committee as required.</p>	<p>Low</p>	

Better Practice Requirement	Current Practice	Risk Rating (High, Medium, Low)	Recommended Improvement to Approach Better Practice Performance
<p>Board Performance Assessment</p> <p>29. Is there a procedure for assessing performance of the Board as a whole and of individual Directors?</p>	<p>Board performance is assessed by Board annually in relation to:</p> <ul style="list-style-type: none"> ▪ Board role ▪ Timeliness of advice and direction to management ▪ Effectiveness of Board meetings ▪ Interaction with management, and ▪ Contribution to ongoing company performance. <p>Annual survey of senior management in relation to Board performance.</p>	Low	
<p>30. Is there a procedure for regular review of Board succession plans, the competency and skill set, size and commitment of the Board?</p>	<p>Performed by Chair and Chair of Audit and Corporate Governance Committee as required.</p>	Low	
<p>Legislative Compliance and Operating Policies</p> <p>31. Is the Board aware of the requirements of the relevant legislation which directly or indirectly impact on the operations of the company?</p>	Yes	Low	
<p>32. Are legislative requirements brought to the attention of the Board and are updates specific to the Company conveyed to members?</p>	Yes	Low	

Better Practice Requirement	Current Practice	Risk Rating (High, Medium, Low)	Recommended Improvement to Approach Better Practice Performance
33. Does management reporting encompass reporting on critical legislative compliance obligations?	Yes	Low	
34. Has the Board agreed the operating policies for the company, covering such things as: <ul style="list-style-type: none"> ▪ Protection of personal information ▪ Delegation of authority ▪ Back-up and storage of key data ▪ HR management ▪ Media and public relations ▪ Occupational health and safety ▪ Relations with government and external agencies ▪ Procedural fairness and probity 	Yes	Low	
<i>Ethical Behaviour</i>			
35. Is there a code of conduct outlining standards of personal behaviour and the requirements for ethical conduct on the part of all staff?	Yes	Low	
36. Are mechanisms in place to gain assurance that decision-making processes are not subject to prejudice or bias?	Standard internal control framework including detailed APL Policies and Procedures. Note that these require updating.	Low	

Better Practice Requirement	Current Practice	Risk Rating (High, Medium, Low)	Recommended Improvement to Approach Better Practice Performance
37. Is there a mechanism that requires staff to declare any conflict of interest in all decision-making processes?	Yes	Low	
Risk Management			
38. Are there strategic and program risk management plans linked to strategic and business (operational) plans?	Yes however, not currently up to date. Being updated in context of current strategic planning process.	Low	Risk Management Plan could better link strategic planning with risk analysis and proposed risk mitigation activities
39. Does the Board or Audit Committee review the risk management strategies regularly?	Yes. 6 monthly.	Low	
40. Does the Board or Audit Committee assess whether the risk management strategies are working effectively?	Yes	Low	
41. Is the risk management plan reviewed regularly to ensure new risks are identified and risk management strategies are put into place?	Reviewed annually. See 38 above.	Low	
42. Does the company have appropriate arrangements in place to integrate the risk management framework with its frameworks for business continuity, insurance, OH&S, IT, fraud and security?	Yes	Low	
43. Is there a disaster recovery and business continuity plan in place?	Yes, however, requires updating.	Low	Disaster Recovery Plan and Business Continuity Plan to be updated.

Better Practice Requirement	Current Practice	Risk Rating (High, Medium, Low)	Recommended Improvement to Approach Better Practice Performance
44. Is this plan tested and reviewed regularly?	See 43. Updating required.	Low	Disaster Recovery Plan and Business Continuity Plan to be updated.
45. Does the company have appropriate plans in place to protect the physical security of its people and assets?	Yes	Low	
Reporting and Monitoring Framework			
46. Does the company receive reports on organisational performance against key outcomes and outputs on a regular and timely basis?	Yes. However, see 3 above in relation to the need to strengthen performance measurement.	Medium	See Report Section 4.2.
47. Do the reports to the Board on company performance communicate information efficiently and effectively?	See 3 and 46 above. APL is examining means to focus performance reporting to the Board more tightly on key strategies and goals.	Medium	See Report Section 4.2.
48. Do the Board and/or Chief Executive approve policies and operating and service standards for the company?	Yes	Low	
49. Does the Board monitor compliance with policies and operating and service standards for the company?	Not reviewed directly by Board. Reliance placed on E&Y audit activity including Compliance Report to DAFF on Funding Agreement.	Low	
50. Does the Board monitor the development and implementation of Continuous Improvement Plans and Strategies for the company?	Yes	Low	

Better Practice Requirement	Current Practice	Risk Rating (High, Medium, Low)	Recommended Improvement to Approach Better Practice Performance
51. Does the Board monitor client feedback and complaints?	Yes. Extensive use of forums of members and delegates.	Low	
Financial Management			
52. Is there a sound system of procedural and financial delegations in place approved by the Chief Executive or Board?	Yes	Low	Some elements of the current financial delegations and related procedures are under review by the auditor.
53. Has the Chief Executive or the Board established appropriate mechanisms and processes for budget development and financial planning for the company?	Budget planning and allocation processes could be strengthened to ensure best alignment of resources with priorities flowing from the Industry restructure Plan and APL Strategic Plan now under development.	Medium	See Report Sections 4.2 and 5.5.
54. Are there appropriate performance measures, financial and non-financial, which enable the efficiency and effectiveness of the company to be assessed?	There is scope to strengthen performance measurement. See 3, 46 and 47 above.	Medium	See Report Sections 4.2 and 5.5.
55. Does the Board receive regular and timely financial reports?	Yes	Low	
56. Do the financial reports to the Board communicate financial data and information efficiently and effectively?	Yes	Low	
57. Do financial reports show a comparison between year to date, budget, and full year data?	Yes	Low	

Better Practice Requirement	Current Practice	Risk Rating (High, Medium, Low)	Recommended Improvement to Approach Better Practice Performance
58. Are financial reports supported by explanations of significant variances?	Yes	Low	
59. Are financial reports derived directly from the underlying accounting systems and is there a quality assurance process over the compilation of the reports?	Yes	Low	
60. Do adequate accounting systems and records support financial reports?	Yes	Low	Some elements of the current financial delegations and related procedures are under review by the auditor.
61. Do accounting records and systems support the control and reporting of the application of levy funds to specified and agreed purposes?	Yes. Accounting for levy payments and use of levy funds is highly detailed.	Low	
62. Are financial reports provided to the Board in sufficient time to enable review before meetings?	Yes. One week in advance of Board meetings.	Low	
63. Do members of the management team provide the Board with an appropriate briefing with the tabling of financial reports?	Yes	Low	
64. Does the management team include a person with appropriate financial management expertise and experience?	Yes. Qualified CFO.	Low	
65. Does the Chief Finance Officer (CFO) have a direct reporting line to the Chief Executive?	Yes	Low	

Better Practice Requirement	Current Practice	Risk Rating (High, Medium, Low)	Recommended Improvement to Approach Better Practice Performance
66. Are the roles and responsibilities of the CFO, relative to other corporate managers, clearly defined to avoid overlap of accountabilities and responsibilities?	Yes. However, role may need to be further developed in relation to central co-ordination and advice to Board on overall budget allocation.	Medium	See Report Section 5.5.
67. Is the CFO responsible for the strategic and operational aspects of financial planning, management, record-keeping and financial reporting?	Yes. However, see 66.	Medium	See Report Section 5.5.
68. Does the company have in place appropriate arrangements to meet external financial reporting requirements?	Yes. Strongly supported by DAFF.	Low	
69. Has the CEO or the Board established appropriate mechanisms and processes for ensuring that the company's annual financial statements meet the requirements of the relevant accounting standards and legislation?	Yes, through CFO and audit.	Low	
HR Management			
70. Does the Board receive timely reports on HR management issues—covering such things as recruitment, departures, training and development, staff complaints and harassment?	Yes. Included in Regular CEO Reports to Board.	Low	

Better Practice Requirement	Current Practice	Risk Rating (High, Medium, Low)	Recommended Improvement to Approach Better Practice Performance
71. Do the HR reports to the Board communicate data and information efficiently and effectively?	Yes	Low	
<i>IT and Systems Management</i>			
72. Does the company have an IT Strategic Plan which is monitored and updated on a regular basis?	No specific IT Plan in place. To be developed to reflect emerging IT and information management requirements.	Medium	Develop IT and Information Management Plan and monitor regularly.
73. Does the Board sign-off on the IT Strategic Plan and monitor implementation?	See 72 above.	Medium	Board to agree IT and Information Management Strategic Plan and monitor its implementation.
74. Does the Board monitor the performance of key business systems and other aspects of the performance of IT?	See 73 above.	Medium	See 73 above.
75. Does the company have in place appropriate policies, strategies and mechanisms for ensuring that its IT facilities and systems are secure?	Operational and physical security processes in place. Security issues to be addressed in IT Strategic Plan. See 72 above.	Medium	See 72 above.
76. Does the Board actively monitor compliance with its IT security policies and strategies?	See 75 above.	Medium	See 73 above.

Better Practice Requirement	Current Practice	Risk Rating (High, Medium, Low)	Recommended Improvement to Approach Better Practice Performance
Information and Knowledge Management			
77. Does the company have appropriate strategies for ensuring that its knowledge and information is managed in a way that facilitates the achievement of its outcomes?	See 72 above.	Medium	See 72-76 above.
78. Does the company have in place appropriate policies and procedures for the keeping and disposal of records and their security?	Yes	Low	
79. Does the company have systems in place that ensure that staff has appropriate, timely and efficient access to its information resources?	Improvements are possible in methods available for accessing corporate data held by individual functional areas.	Medium	Consider implementation of a document retrieval system.
Asset Management			
80. Does the company have a Capital Management Plan and associated Cash Management Plan?	Incorporated into annual budget planning processes.	Low	
Stakeholder Management			
81. Has the company identified its stakeholders, their needs and the business risks associated with managing these?	Yes. APL has a close understanding of its key stakeholders including in particular, its members (producers), other industry stakeholders and Government.	Low	

Better Practice Requirement	Current Practice	Risk Rating (High, Medium, Low)	Recommended Improvement to Approach Better Practice Performance
82. Has the company established clear channels of communication with its clients and other stakeholders?	Yes. Regular and effective consultations occur on APL strategic directions and programs. Currently reviewing options for improving communications with stakeholder groups.	Low	
83. Has the company implemented appropriate mechanisms and processes to ensure that stakeholders are consulted and engaged in the development and implementation of policies and programs, as appropriate?	Yes. See 82 above. Members and other industry representatives were extensively consulted during 2004 on the Industry Restructure Plan, a key directional document.	Low	
Fraud Control			
84. Does the company have a Fraud Risk Assessment and Fraud Control Plan?	Included in Risk Management Plan which is to be updated.	Low	
85. Does the company have in place appropriate fraud prevention, detection, investigation, reporting and data collection procedures which meet its needs?	Built into APL Policies and Procedures.	Low	
Project Governance			
86. Does the company have a company-wide project governance framework that has been mandated by either the CEO or the Board?	Project governance structure in place to control expenditure on R&D. Opportunity exists to strengthen allocation and reporting. Consideration being given to mechanisms for allocation of some internal resources on a project basis.	Medium	Strengthen planning and allocation of resources applied to R&D to ensure best fit with strategic priorities. See Report Sections 4.2 and 5.5.

Better Practice Requirement	Current Practice	Risk Rating (High, Medium, Low)	Recommended Improvement to Approach Better Practice Performance
87. Are all relevant grant funded research and other projects being undertaken in accordance with the mandated project governance framework?	There is scope for improving the monitoring and evaluation of the effective use of research funding.	Medium	See Report Section 5.5.