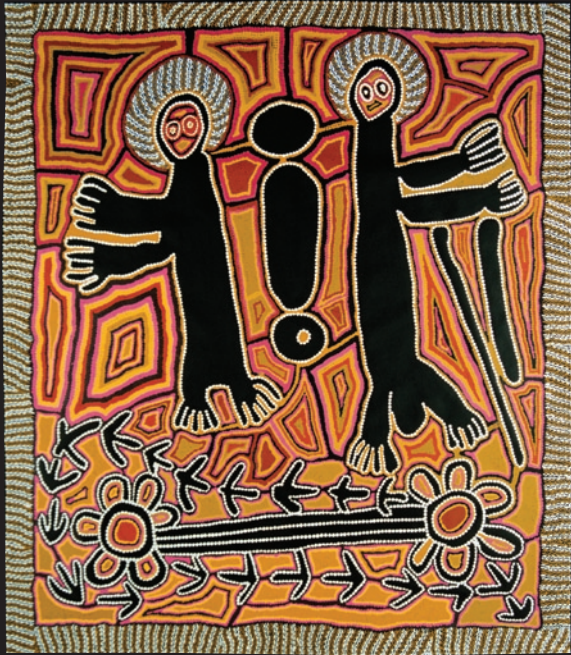




**Australian Government**

**Department of Finance and Deregulation**

Office of Evaluation and Audit (Indigenous Programs)



**November 2008**

Performance Audit  
of Centrecorp Aboriginal  
Investment Corporation Pty Ltd

Office of Evaluation and Audit  
(Indigenous Programs)





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**COVER IMAGE**

**Tingari Dreaming at Walukurtitje**

2001

Linda Syddick Napaltjarri (c.1937 - )

Acrylic on Canvas

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# Contents

<b>ABBREVIATIONS</b>	<b>ii</b>
<b>EXECUTIVE SUMMARY</b>	<b>1</b>
<b>Executive Summary</b>	<b>2</b>
Introduction	2
Audit Objective	2
Audit Scope	2
Audit Methodology	3
Background	3
Key Findings	6
Conclusion	8
Centrecorp Response	8
Recommendations	10
<b>AUDIT FINDINGS AND CONCLUSIONS</b>	<b>13</b>
<b>1. Centrecorp's structure and operations</b>	<b>14</b>
Background	14
Centrecorp structure and operations	14
Aims and objectives of Centrecorp	19
<b>2. Source and application of Australian Government funding</b>	<b>21</b>
Source of funds	21
Application of funds	23
<b>3. Financial performance and position</b>	<b>29</b>
Financial performance of relevant businesses	29
Financial position of relevant businesses	30
Financial performance and position of Centrecorp	31
<b>4. Corporate governance and transparency</b>	<b>34</b>
Trust arrangements	34
Board membership	36
Management of conflicts of interest	38
Reporting to the Australian Government	40
Reporting to shareholders	42
Public profile	42
Directors fees	45
<b>5. Benefits for Aboriginal people in Central Australia</b>	<b>47</b>
Increased asset base	47
Employment outcomes	47
Charitable donations	49
Foundation	52
<b>APPENDICES</b>	<b>53</b>
Appendix A – List of Directorships	54

# Abbreviations

ABA	Aboriginals Benefit Account
ABTA	Aboriginals Benefit Trust Account
ADC	Aboriginal Development Commission
ATSIC	Aboriginal and Torres Strait Islander Commission
CAACT	Central Australian Aboriginal Charitable Trust
CAAMV	Central Australian Aboriginal Motor Vehicles
CACT	Central Aboriginal Charitable Trust
CAIC	Central Aboriginal Investment Corporation
Centrecorp (the corporation)	The individual corporate entity – Centrecorp Aboriginal Investment Corporation Pty Ltd
Centrecorp	General reference to the activities of CAACT and CACT
CDC	Aboriginal and Torres Strait Islander Commercial Development Corporation
OEA	Office of Evaluation and Audit (Indigenous Programs)
IBA	Indigenous Business Australia



## Executive Summary

# Executive Summary

## Executive Summary

### Introduction

1. The Office of Evaluation and Audit (Indigenous Programs) (OEA) was requested by the former Parliamentary Secretary to the Minister for Finance and Administration to audit Centrecorp Aboriginal Investment Corporation Pty Ltd (Centrecorp) and CAAMV Pty Ltd under section 193X(1)(b) of the *Aboriginal and Torres Strait Islander Act 2005*, and Yeperenye Nominees Pty Ltd (Yeperenye Nominees) in accordance with paragraph 14.2 of the *Terms and Conditions for the Grant of Shares in Yeperenye Pty Ltd* (stipulated by Indigenous Business Australia) following concerns raised over a lack of transparency.
2. Following the change of Government in November 2007, the new Minister for Finance and Deregulation issued a request on 20 February 2008 for OEA to continue the audit.
3. Field work was conducted at Centrecorp's offices in Alice Springs between 26 and 28 of September 2007 and between 21 and 24 of April 2008.

### Audit Objective

4. The objective of the audit was to examine Centrecorp, Yeperenye Nominees and CAAMV Pty Ltd's corporate governance arrangements, the sourcing and application of Australian Government funds and benefits that accrue for Aboriginal people in Central Australia.

### Audit Scope

5. The audit examined:
  - The structure of the administrative arrangements between Centrecorp, Kings Canyon (Wattarka) Resort Trust, Yeperenye Nominees, CAAMV Pty Ltd and any other associated individuals and organisations.
  - The corporate governance arrangements for the organisations including, but not limited to:
    - decision making
    - conflicts of interest
    - internal controls
    - board arrangements.
  - Sources and application of funds including, but not limited to:
    - Australian Government funding (including share transfers and loans) and income received from Australia Government funding
    - distribution of income, profits and benefits to Aboriginal people and organisations.



# Executive Summary

## **Audit Methodology**

6. The audit involved:
  - Discussions with staff and Directors of Centrecorp, Kings Canyon Resort Trust, Yeperenye Nominees and Peter Kittle Motor Company.
  - Review of relevant Indigenous Business Australia (IBA) and Aboriginal and Torres Strait Islander Commission (ATSIC) files and documentation in respect of Centrecorp and related entities.
  - Review of relevant grant deed, loan agreement and share transfer agreement documentation.
  - General research into the operations and administration of the organisations.
  - Review of the audited financial statements of the Central Australian Aboriginal Charitable Trust (CAACT), Central Aboriginal Charitable Trust (CACT), Yeperenye Nominees Pty Ltd, Yeperenye Pty Ltd, Kings Canyon Nominees Pty Ltd, Kings Canyon (Wattarka) Resort Trust, CAAMV Unit Trust and Alice Car Centre Pty Ltd.
  - Review of the business planning documentation in respect of Yeperenye Pty Ltd.
  - Examination of the constitution and governance documentation relating to Centrecorp, CAACT, CACT, Yeperenye Nominees, Yeperenye Pty Ltd, Kings Canyon Nominees Pty Ltd, Kings Canyon (Wattarka) Resort Trust and CAAMV Unit Trust.
  - Examination of Board minutes in respect of Kings Canyon Nominees Pty Ltd and Yeperenye Nominees Pty Ltd.
7. OEA was not provided with access to the Centrecorp, CAACT, CACT or Alice Car Centre Pty Ltd Board Minutes and supporting papers as Management indicated that they are likely to include commercially sensitive papers that do not relate to the commercial entity supported by Government funding.
8. Certain commercial-in-confidence information is not contained in this report.

## **Background**

9. Centrecorp is a private company, registered on 10 January 1985. It has five shares and was established by the Central Land Council (three shares), Tangentyere Council Inc (one share) and Central Australian Aboriginal Congress (one share). Centrecorp was created following negotiation by the Central Land Council (CLC) of a corridor of land to accommodate the NT Gas pipeline. A condition of the lease of land for the pipeline access was that Centrecorp had the right to negotiate an interest in the gas pipeline. However, Centrecorp had no capital to take up the opportunity and a group of people raised the funds and donated them to the trust to acquire a 1.5% interest in NT Gas. The CLC created Centrecorp to hold the shares, as under s.23(1)(ea) of the *Aboriginal Land Rights (Northern Territory) Act 1976*, Land Councils can not incur financial liability or receive financial benefit in assisting Aboriginal people with commercial activities.

# Executive Summary

10. Clause (vi) of the Centrecorp Memorandum of Association (15 January 1985) states that one of the objects of the company is to:  
*“undertake and implement activities which further the economic and social development of Aboriginals and which are conducive to the advancement of Aboriginals.”*
11. Over the years since 1985, Centrecorp has established a network of trusts and corporations to invest in a variety of business interests. The Centrecorp entity does not operate as a trading organisation and does not prepare financial statements. Rather, Centrecorp’s trading activity is recorded in the financial statements of two charitable trusts (the CAACT and the CACT) of which Centrecorp is trustee. The charitable trusts hold interests in a number of businesses and records any dividends received in their financial statements.<sup>1</sup> The nature of this structure has meant that the name Centrecorp has been used interchangeably with the operations of CAACT and CACT. As such we will similarly use the title Centrecorp when referring to the overall commercial interests operated under CAACT and CACT.
12. The charitable trusts (CAACT and CACT) are also the focal points for the delivery against Centrecorp’s charitable objectives. The constitution of CAACT reflects this aim in its statement that the trust has been established *“to take advantage of investment and commercial opportunities that arise in Central Australia on or in relation to Aboriginal land or that relate to Aboriginal people, and to exploit those opportunities to generate assets and funds for charitable purposes to relieve the said unreasonable distress, disadvantage, dispossession and suffering.”* The charitable trusts have made donations for a range of charitable causes of approximately \$900 000 since 2000.
13. Centrecorp invests in a number of different business lines including:
  - real estate agency – LJ Hooker
  - supermarket – Milner Road Food Town
  - car sales – Peter Kittle Motor Company
  - holiday resort – Kings Canyon Resort
  - asset management – Yeperenye Pty Ltd
  - hardware retail – Mitre 10.

It is important to note that the Peter Kittle Motor Company, Kings Canyon Resort and Yeperenye Pty Ltd investments have been supported by Government funding. Accordingly, they are the main focus of this audit.
14. Since its establishment in 1985, Centrecorp has received Australian Government financial support for a number of commercial ventures in the form of grants, loans and share transfers. The details of the funding provided to Centrecorp and related entities since its inception in 1985 are set out in the table.

<sup>1</sup> An exception is the shares held in Yeperenye Nominees Pty Ltd which are directly held by Centrecorp.

# Executive Summary

## Summary of Australian Government Benefits provided to Centrecorp

Year	Type of Benefit	Source of Benefit	Entity receiving benefit	Purpose	Amount
1990	Loan	ATSIC	Centrecorp	Purchase of shares in Kings Canyon Resort	800 000
1991	Loan	ATSIC	CAIC as trustee of CACT	Purchase of shares in Peter Kittle Motor Company	190 000
1991	Grant	ATSIC	CAIC as trustee of CACT	Consultant fees associated with purchase of shares in Peter Kittle Motor Company	160 000
1992	Grant	ABTA	CAIC as trustee of CACT	Purchase of shares in Peter Kittle Motor Company	310 000
1994	Grant	ATSIC	CAIC as trustee of CACT	Consultant fees associated with purchase of shares in Peter Kittle Motor Company	30 000
1995	Grant	ATSIC	Centrecorp	Purchase of shares in Kings Canyon Resort	200 000
1997	Grant	ATSIC	CAIC as trustee of CACT	Purchase of shares in Peter Kittle Motor Company	800 000
1998	Loan	ATSIC	Centrecorp	Purchase of shares in Kings Canyon Resort	3 799 508 <sup>1</sup>
2005	Share transfer	IBA	Yeperenye Nominees Pty Ltd	Transfer of shares in Yeperenye Pty Ltd (valued at \$32 688 005)	19 612 803 <sup>2</sup>
<b>TOTAL AUSTRALIAN GOVERNMENT BENEFITS</b>					<b>\$25 102 311<sup>3</sup></b>

### Notes:

- <sup>1</sup> This loan also repaid the balance outstanding on the original \$800 000 loan. The ATSIC loan was fully repaid by October 2007.
- <sup>2</sup> Centrecorp own 60% of Yeperenye Nominees Pty Ltd. Therefore the Australian Government benefit attributable to Centrecorp is 60% of the Yeperenye Pty Ltd share value at the date of transfer. In the absence of a market valuation, OEA has used the net asset position of Yeperenye Pty Ltd to value the shares in Yeperenye Pty Ltd.
- <sup>3</sup> This figure does not include the 1990 loan of \$800 000 as this loan was repaid by the 1998 loan.

# Executive Summary

## **Key Findings**

15. OEA has identified a number of positive findings and has also identified a number of areas where existing arrangements and controls could be improved or strengthened. Where appropriate, we have made a number of recommendations that are designed to improve Centrecorp's performance and governance arrangements.

## **Source and application of Australian Government funds**

16. Centrecorp has received financial support from the Australian Government over the past two decades to assist in investment in three of its business ventures. Review of direct benefits provided in respect of Kings Canyon Resort, Yeperenye Nominees and Peter Kittle Motor Company investments did not identify any instances where Australian Government funding was used for purposes other than those specified in the relevant funding agreement.
17. Yeperenye Nominees have not been in full compliance with the reporting requirements of the Yeperenye Pty Ltd share transfer agreement. This agreement requires half-yearly progress reports, submission of audited annual financial statements within 90 days of the end of financial year and provision of a signed certificate stating shares have been used for their proper purpose, salaries and wages have been paid in accordance with awards and financial information is presented in accordance with the applicable financial reporting framework. OEA inquiries with IBA revealed that no six monthly reports or signed certificates have been provided since the share transfer in 2005. Further, IBA indicated that they have never pursued Yeperenye Nominees for these reports.

## **Financial performance and position**

18. Centrecorp do not produce 'group accounts'. It is not therefore possible to identify the exact current value of their various investments. However, review of audited financial statements for those entities that have been in receipt of Government support has revealed that Centrecorp has been successful in growing the value of its asset base in the years since Australian Government benefits were provided.
19. Centrecorp provided audited financial statements for the past 5 years for those trusts that have historically been in receipt of financial support for investment assistance from the Australian Government. The audit opinions were not subject to qualification.

## **Corporate governance and transparency**

20. Centrecorp has an experienced Board (comprised of Indigenous members) in place and has been successful in maintaining continuity in the Boards of the various trusts and companies that they control. However, should existing Board members retire or resign from their existing positions, Centrecorp may experience difficulty in replacing them with sufficiently experienced and motivated local people.

# Executive Summary

21. The articles of association and deeds of settlement in place in respect of Centrecorp and its various related entities make brief mention of the responsibilities of Directors in the management of real or potential conflicts of interest. Review of these documents found that none were sufficiently clear on the exact process to be followed by a Director should a potential conflict arise.
22. Discussions with Management found that Centrecorp currently provides copies of the CAACT and CACT annual reports to each Director (as representatives of each shareholder) for information purposes. However, no formal communication is currently provided to the Boards of the shareholder organisations or wider stakeholders on the purpose, progress and performance of Centrecorp or the charitable trusts.
23. Centrecorp has maintained a relatively low public profile in Alice Springs despite being an active member of the local business community and an employer of a significant number of local people through their various operations. This low profile has been challenged over the past 12 months through a series of press reports which portrayed the organisation in a negative light. It is our understanding that Centrecorp is currently in the process of producing a book/guide which will document the history and purpose of the organisation with a view to improving stakeholder and community understanding of their purpose and activities.

## **Benefits for Aboriginal people in Central Australia**

24. Review of the constitutional documents of Centrecorp and the CAACT found that the organisation's strategic objective is to increase the asset base to enable the generation of income streams which can be used to fund charitable objectives relevant to Central Australian Aboriginal people. Centrecorp advised the focus of the organisation, over the past 20 years, has been on growing the asset base of the organisation. This has meant that it is only over the past two years that charitable donations have increased significantly.
25. Centrecorp make donations to a range of youth, educational, sporting and employment initiatives. In 2006–07 these donations totalled over \$300 000. Centrecorp has established some basic procedures for the administration of donations, however there are no common procedural guidelines in place across the network of organisations to guide those responsible for making donations on the types of activities to be supported, the reporting arrangements to be employed and process to be followed where a potential conflict of interest is found to exist.
26. Centrecorp has endeavoured to employ Indigenous people in organisations related to Centrecorp. However, employment outcomes have been mixed. The Kings Canyon Resort which is located in close proximity to two Aboriginal communities does not currently employ any Indigenous people in their 72 staff.

# Executive Summary

27. Centrecorp is considering the creation of a charitable foundation through which the organisation's charitable initiatives can be channelled in future years. This move would provide a sole outlet for charitable donations that are administered on an arms-length basis by an independent foundation Board, thus allowing Centrecorp Management to focus on commercial activities. Assuming that any tax and structural obstacles can be easily overcome, the establishment of an independent charitable foundation would greatly simplify the governance arrangements in respect of the payment of charitable donations and would enable Centrecorp to continue its focus on commercial activity.

## **Conclusion**

28. Centrecorp is a very successful private organisation which has received approximately \$25.1m in support from the Australian Government. As noted in its various establishment documents, Centrecorp has taken "*advantage of investment and commercial opportunities*" for the benefit of Aboriginal people in Central Australia and have built an impressive asset base over the past 23 years. Substantial donations for charitable and other purposes have only been made in the past few years, however Centrecorp point to the CAACT trust deed (which has been interpreted by Centrecorp as meaning that it would take 21 years to accumulate enough income to support charitable donations) in defence of this.
29. Whilst acknowledging that Centrecorp is a private company it has received substantial support from the Australian Government over the years because it was established for the benefit of Aboriginal people in Central Australia. For this reason it is important that it take steps to significantly improve the transparency of its operations.
30. Centrecorp should consider how it can provide more public knowledge about its objectives and strategies for providing benefits to Aboriginal people in Central Australia.

## **Centrecorp Response**

*Centrecorp welcomes opportunities such as that provided by this report to inform the Minister about our operations and achievements.*

*From its inception, Centrecorp has been dedicated to its goal to make an ongoing difference to the lives of Aboriginal people in Central Australia. Mindful of the need to fulfil this mission statement into the long term, Centrecorp has been focused on cautiously building a portfolio of enough depth and diversity to allow sustained and ongoing charitable donations into the future.*

*Centrecorp is proud to now be in a position where principal borrowings have been repaid and the business is in a position to establish a Centrecorp Foundation, which will manage a significantly enhanced donations program and facilitate transparency with our stakeholders. As part of this program we would welcome the opportunity to provide a detailed briefing to the Minister, to expand on our activities and plans for the future.*

# Executive Summary

*Centrecorp would like to take this opportunity to thank representatives of the Office of Evaluation and Audit for the professional and cordial approach they have taken throughout this audit process. Inevitably there are some matters where our views are not directly aligned – including some areas of this report – however we believe that, in its entirety, the report provides recommendations that will enhance our operations and approach to stakeholder engagement going forward.*

# Executive Summary

## **Recommendations**

### **Recommendation No. 1**

OEA recommends that Centrecorp review the shareholding details recorded on the ASIC company register to ensure that they accurately reflect the nature of their shareholding.

### **Recommendation No. 2**

OEA recommends that Centrecorp actively develop succession planning arrangements for Boards of both the parent organisation and associated entities by identifying and training individuals with the skills, expertise and interest in these roles.

### **Recommendation No. 3**

OEA recommends that Centrecorp consider and develop clear rules and procedures for the declaration and management of potential conflicts of interest, possibly through a code of conduct. This may involve initiatives such as:

- restrictions on voting rights where a potential conflict exists
- requiring a member to leave the meeting while a subject involving a potential conflict is discussed and/or
- maintaining a register of members pecuniary and other interests so that there is transparency over where potential conflicts may exist.

### **Recommendation No. 4**

OEA recommends that Centrecorp, through Yeperenye Nominees Pty Ltd should review their arrangements for ensuring compliance with the reporting requirements of the share transfer agreement with Indigenous Business Australia to ensure that full compliance is achieved in the future.

### **Recommendation No. 5**

OEA recommends that Indigenous Business Australia improve their monitoring of compliance requirements relating to the share transfer agreement.



# Executive Summary

## ***Recommendation No. 6***

While acknowledging the absence of legal or constitutional requirements but recognising the contribution of public funds to the development of its assets for the benefit of Aboriginal people in Central Australia, OEA recommends that Centrecorp should consider how it might increase transparency through the provision of more public and stakeholder information. This could include:

- the proposed book/guide on the history of Centrecorp
- a summary annual report to the Aboriginal community, the Minister for Families, Housing, Community Services and Indigenous Affairs and other stakeholders detailing annual results, successes and challenges
- a website with up to date information on matters that are not commercial-in-confidence, including such issues as Centrecorp's donations policy and procedures.


These measures would assist Centrecorp and its associated organisations to improve their public profile and reduce reputational risks.

## ***Recommendation No. 7***

OEA recommends that Centrecorp review and revise its donation policy to ensure that it provides clear guidance to the Board, Management and potential applicants in the administration and payment of donations. This guidance should be made available to the Boards of other related entities where donations are routinely administered and to the Aboriginal community through a website.

Note: Centrecorp's specific response to each recommendation is located in the main document where that recommendation sits.





# Audit Findings and Conclusions

# Audit Findings and Conclusions

## 1. CENTRECORP'S STRUCTURE AND OPERATIONS

### Background

- 1.1 Centrecorp Aboriginal Investment Corporation Pty Ltd (Centrecorp) is a private company, registered on 10 January 1985. It has five shares and was established by the Central Land Council (three shares), Tangentyere Council Inc (one share) and Central Australian Aboriginal Congress (one share) on behalf of all Aboriginal people in Central Australia to raise money for investment in resource development and tourism projects on Aboriginal Land and to create longer term economic security for traditional owners.
- 1.2 Centrecorp was created following negotiation by the Central Land Council (CLC) of a corridor of land to accommodate the NT Gas pipeline. A condition of the lease of land for the pipeline access was that Centrecorp had the right to negotiate an interest in the gas pipeline. However, Centrecorp had no capital to take up the opportunity and a group of people raised the funds and donated them to the trust to acquire a 1.5% interest in NT Gas. The CLC created Centrecorp to hold the shares, as under s.23(1)(ea) of the *Aboriginal Land Rights (Northern Territory) Act 1976* (ALRA), Land Councils can not incur financial liability or receive financial benefit in assisting Aboriginal people with commercial activities.
- 1.3 The business operates out of premise at 75 Hartley Street, Alice Springs – a premise shared with the CLC.
- 1.4 The current Board of Centrecorp comprises of five members. The current membership is as follows:
  - David Ross – Director, CLC
  - Owen Cole – Chairman, Imparja Television Pty Limited
  - Stephanie Bell – Director, Central Australian Aboriginal Congress Inc (CAAC)
  - Anthony Petrick – Executive Council, CLC
  - William Tilmouth – Director, Tangentyere Council Inc (Tangentyere).

### Centrecorp structure and operations

- 1.5 Centrecorp does not employ any staff, does not undertake any financial transactions and does not produce any financial statements. The corporation operates as trustee for the Central Australian Aboriginal Charitable Trust (CAACT) and the Central Australian Charitable Trust (CACT). The trust deeds of CAACT and CACT preclude shareholders of the Trustee from receiving any benefit from the Trusts. All activities and assets of the Trust are applied solely in the furtherance of the charitable objects of the Trust. The CAACT is the commercial arm of Centrecorp and employs the General Manager, and two administrative support staff, and produces audited annual financial statements. It is in the financial statements of CAACT and CACT that Centrecorp's financial interests in a range of business ventures are recognised.

# Audit Findings and Conclusions

- 1.6 Although CAACT and CACT are wholly controlled separate entities, Centrecorp Management and Directors routinely refer to 'Centrecorp' when they are discussing the business interests and financial operations of the trusts. We will similarly use the term 'Centrecorp' when referring to the overall commercial interests operated under CAACT and CACT. When referring to the individual entity Centrecorp Aboriginal Investment Corporation Pty Ltd we will use the term 'Centrecorp (the corporation)'.
- 1.7 Centrecorp invests in a number of different business lines such as:
  - real estate agency – LJ Hooker
  - supermarket – Milner Road Food Town
  - car sales – Peter Kittle Motor Company
  - holiday resort – Kings Canyon Resort
  - asset management – Yeperenye Pty Ltd
  - hardware retail – Mitre 10.
- 1.8 These businesses are held through a complex arrangement of trusts and corporations. This presented challenges for the Office of Evaluation and Audit (Indigenous Programs) (OEA), both in terms of identifying the flow of Australian Government benefits and mapping Centrecorp's organisational structure. Diagram 1.1 illustrates OEA's understanding of the complete Centrecorp structure.



# Audit Findings and Conclusions

## **Summary of organisations**

1.9 The following provides a brief summary of the organisations identified in Diagram 1.1. It should be noted that most of these organisations are not in direct receipt of Australian Government funding:

### *Centrecorp Shareholders:*

- CLC – is a Land Council established under the ALRA to represent and advance the interests of Aboriginal people and traditional owners of Aboriginal land within the region of the Land Council. The CLC region covers the southern half of the Northern Territory (NT) and includes 771 747 square kilometres of land with an Aboriginal population of approximately 18 000 people.
- CAAC – is an Aboriginal community controlled primary health care service based in Alice Springs.
- Tangentyere – is a representative and resource organisation, representing the various town camps around Alice Springs.

### *Centrecorp Trusts:*

- CAACT – is the main Centrecorp trust and beneficiary of ownership of most Centrecorp businesses except the Peter Kittle Motor Company and Yeperenye Pty Ltd.
- CACT – is the second Centrecorp trust, originally established to access additional funding from the Aboriginal and Torres Strait Islander Commission (ATSIC) for the purchase of shares in the Peter Kittle Motor Company.

### *Centrecorp Investments:*

- NT Gas Pty Ltd – Centrecorp own 1.5% interest. NT Gas Pty Ltd operate and manage over 2 000 kilometres of high-pressure natural gas pipelines and facilities in the NT.
- Big O Pty Ltd – Centrecorp own 50% interest. Big O Pty Ltd is a hardware retailer in Alice Springs and trades as Mitre 10. This venture was financed via a loan from the CACT.
- Magnetic Pty Ltd – is a corporation established by Centrecorp to acquire the LJ Hooker real estate franchise in Alice Springs in 1997. This venture was financed via a commercial loan. In 2001 Magnetic partnered with another real estate agent (Asreal) to form the LJ Hooker Joint venture. Centrecorp (through Magnetic) and Asreal Pty Ltd each own 50% of the Alice Springs LJ Hooker franchise. This business has approximately 40% of the real estate business in Alice Springs. Magnetic is listed in the diagram as being 100% owned by Centrecorp. However, Centrecorp hold two shares (66.7%) and Bob Kennedy (Centrecorp General Manager) holds one share (33.3%) in Magnetic as bare trustee for Centrecorp because the Memorandum and Articles of Association of Magnetic Pty Ltd require two shareholders. Bob Kennedy receives no benefit (monetary or otherwise) from holding this share.

# Audit Findings and Conclusions

- Tancor Nominees Pty Ltd – Centrecorp own 50% interest. Tangentyere own the remaining 50% of Tancor Nominees Pty Ltd. Tancor Nominees Pty Ltd is trustee of the Tancor Supermarket trust which trades as Milner Road Food Town. Milner Road Food Town is a small supermarket located in Alice Springs. Centrecorp acquired their 50% share in 1997 financed with a commercial loan.
- Kings Canyon Nominees Pty Ltd – Centrecorp owns 33.3% interest. The Corporation is trustee of the Kings canyon (Watarrka) Resort Trust which trades as the Kings Canyon Resort. Kings Canyon Resort is a luxury resort located at Kings Canyon (325km south-west of Alice Springs). The trust is a unit trust with the unit holders being Centrecorp (32.67%), Voyages Hotel and Resort (46.04%), Indigenous Business Australia (IBA – 17.23%), Ngurratjura/Pmara Ntjarra Aboriginal Corporation (2.91%) and Sitzler Bros (Darwin) Pty Ltd (1.15%). Centrecorp obtained funding for this venture via loans and a grant from ATSIC. The loan from ATSIC was repaid in 2007.
- Aboriginal Property Nominees Pty Ltd – is a wholly owned Centrecorp corporation and trustee for the Central Australian Aboriginal Property Trust. This trust is a unit trust established to pool smaller investment capital from various Indigenous corporations (including royalty associations) to purchase commercial property. Centrecorp also own 4.94% of the units in the trust through the CAACT (2.01%) and CACT (2.93%).
- CAAMV Pty Ltd – is a wholly owned Centrecorp corporation which is trustee of the CAAMV Unit Trust. The unit trust holds 50% of Alice Car Centre Pty Ltd which trades as Peter Kittle Motor Company. Peter Kittle Motors is the largest Motor Vehicle Dealer in the NT and has dealerships in Alice Springs, Adelaide, Tennant Creek, Port Lincoln and Whyalla. Centrecorp obtained funding for this venture through a combination of loans and grants from ATSIC and the Aboriginals Benefit Trust Account (ABTA) – now known as the Aboriginals Benefit Account (ABA).
- Yeperenye Nominees Pty Ltd – Centrecorp own 60% interest. Yeperenye Nominees Pty Ltd (Yeperenye Nominees) is trustee for the Yeperenye Charitable Trust, owner of Yeperenye Pty Ltd. Yeperenye Pty Ltd owns the Yeperenye Shopping Centre, the largest shopping centre in Alice Springs as well as various other commercial properties. The shares in Yeperenye Nominees were transferred to Centrecorp and Lhere Artepe Aboriginal Corporation by IBA on 29 June 2005 as a result of a direction from the ATSIC Board prior to its abolition. The remaining 40% is owned by Lhere Artepe Aboriginal Corporation which is an organisation representing the traditional owners of the Alice Springs region.
- Central Railway Equity Benefit Trust – and the associated company is an investment held in the Alice Springs/Darwin railway operating company, on trust by Centrecorp for the traditional owners. Centrecorp receive no benefit from holding this investment and is in the process of restructuring ownership to transfer the asset to appropriate Aboriginal bodies identified by the CLC.



# Audit Findings and Conclusions

- CAAH Nominees Pty Ltd – is the trustee of a charitable trust associated with the CAAC. Centrecorp hold one share (0.01%) in CAAH Nominees Pty Ltd.
- Centrefarm Management Pty Ltd – is a wholly owned Centrecorp corporation established to provide corporate and management services to horticulture projects on Aboriginal Land.

## *Non-operating Centrecorp companies:*

- Aboriginal Catering Service Pty Ltd – was established to assist two Indigenous women start a catering business. Centrecorp intend to wind up the business.
- AAC Nominees Pty Ltd – was established for the purpose of submitting a bid for the purchase of the Alice Springs airport. The bid was unsuccessful.
- Centrecorp Aboriginal Services Pty Ltd – was established for the purpose of tendering for a catering contract for the Ghan train. The tender was unsuccessful.
- Central Australian Aboriginal Property Nominees Pty Ltd – was established to purchase the block of land where the new CLC premises are to be located. Centrecorp purchased the land when it became available as the CLC had not obtained funding from the Australian Government. When the CLC obtained funding the land was sold to the CLC. Centrecorp plan to wind up the entity in the near future.

## **Aims and objectives of Centrecorp**

1.10 Clause (vi) of the Centrecorp Memorandum of Association (15 January 1985) state that one of the objects of the company is to:

*“undertake and implement activities which further the economic and social development of Aboriginals and which are conducive to the advancement of Aboriginals.”*

1.11 CAACT was established by Centrecorp in March 1986. The trust deeds state that:

1. *“The Settlor wished to establish a charitable fund for Central Australian Aboriginal people whereby income producing assets can over time be acquired in resource, tourism and other projects on, or relating to, Aboriginal land and Aboriginal people.*
2. *The Organisations are established to serve the needs and further the interests of the Aboriginal people of Central Australia.*
3. *The Aboriginal people of Central Australia are subject to considerable disadvantage, distress, dispossession and suffering.*
4. *The Organisations are shareholders of the Trustee and agree to it acting as trustee of a Fund which has been established **to take advantage of investment and commercial opportunities that arise in Central Australia on or in relation to Aboriginal land or that relate to Aboriginal people, and to exploit those opportunities to generate assets and funds for charitable purposes to relieve the said unreasonable distress, disadvantage, dispossession and suffering.**”* – (OEA’s emphasis)

# Audit Findings and Conclusions

1.12 This highlights the overall mission and strategy of Centrecorp. The organisation is focussed on a long-term goal of increasing the asset base of the organisation to enable the generation of income streams which can be used to fund charitable objectives relevant to Central Australian Aboriginal people. There is therefore a dual focus of the organisation:

1. **Long-term** – growth in asset base
2. **Short-term** – funding of charitable works relevant to Aboriginal people.

1.13 Section 3 (c) of the trust deeds states that:

*“During the period of twenty one (21) years from the date hereof the Trustee may accumulate such part of the income of the Trust fund and apply it as the Trustee considers necessary to acquire investments hereby authorised or to meet the obligations and liabilities of the Fund in respect of any such investments for the purpose of enabling the Fund to generate income to meet the charitable objects.”*

1.14 Discussions with the General Manager of Centrecorp indicated that the Board’s interpretation of this clause in the trust deeds was that, for the first 21 years, the focus of the organisation would be to establish an asset base rather than the generation of income. Given that the 21 years has now passed, the General Manager has indicated that the organisation is now focussed more on how they can achieve the charitable objects of the trust. In 2006–07 Centrecorp and related companies made donations to charitable causes in Central Australia totalling over \$300 000.

# Audit Findings and Conclusions

## 2. SOURCE AND APPLICATION OF AUSTRALIAN GOVERNMENT FUNDING

### Source of funds

- 2.1 Centrecorp has received a large amount of support from the Australian Government over recent decades through a variety of benefits such as loans, share transfers and grants. This support has focussed on assistance in the acquisition of three investments:
- Kings Canyon Resort
  - Yeperenye Pty Ltd
  - Peter Kittle Motor Company.
- 2.2 Table 2.1 provides a summary of benefits provided to Centrecorp over the past 20 years. This indicates benefits of over \$25m of which approximately \$4m has been in the form of loans.

# Audit Findings and Conclusions

**Table 2.1: Summary of Australian Government benefits provided to Centrecorp**

Year	Type of Benefit	Source of Benefit	Entity receiving benefit	Purpose	Amount
1990	Loan	ATSIC	Centrecorp	Purchase of shares in Kings Canyon Resort	800 000
1991	Loan	ATSIC	CAIC as trustee of CACT	Purchase of shares in Peter Kittle Motor Company	190 000
1991	Grant	ATSIC	CAIC as trustee of CACT	Consultant fees associated with purchase of shares in Peter Kittle Motor Company	160 000
1992	Grant	ABTA	CAIC as trustee of CACT	Purchase of shares in Peter Kittle Motor Company	310 000
1994	Grant	ATSIC	CAIC as trustee of CACT	Consultant fees associated with purchase of shares in Peter Kittle Motor Company	30 000
1995	Grant	ATSIC	Centrecorp	Purchase of shares in Kings Canyon Resort	200 000
1997	Grant	ATSIC	CAIC as trustee of CACT	Purchase of shares in Peter Kittle Motor Company	800 000
1998	Loan	ATSIC	Centrecorp	Purchase of shares in Kings Canyon Resort	3 799 508 <sup>1</sup>
2005	Share transfer	IBA	Yeperenye Nominees Pty Ltd	Transfer of shares in Yeperenye Pty Ltd (valued at \$32 688 005)	19 612 803 <sup>2</sup>
<b>TOTAL AUSTRALIAN GOVERNMENT BENEFITS</b>					<b>\$25 102 311<sup>3</sup></b>

Notes:

- <sup>1</sup> This loan also repaid the balance outstanding on the original \$800 000 loan. The ATSIC loan was fully repaid by October 2007.
- <sup>2</sup> Centrecorp own 60% of Yeperenye Nominees Pty Ltd. Therefore the Australian Government benefit attributable to Centrecorp is 60% of the share value at the date of transfer. In the absence of a market valuation, OEA has used the net asset position of Yeperenye Pty Ltd to value the shares in Yeperenye Pty Ltd.
- <sup>3</sup> This figure does not include the 1990 loan of \$800 000 as this loan was repaid by the 1998 loan.

# Audit Findings and Conclusions

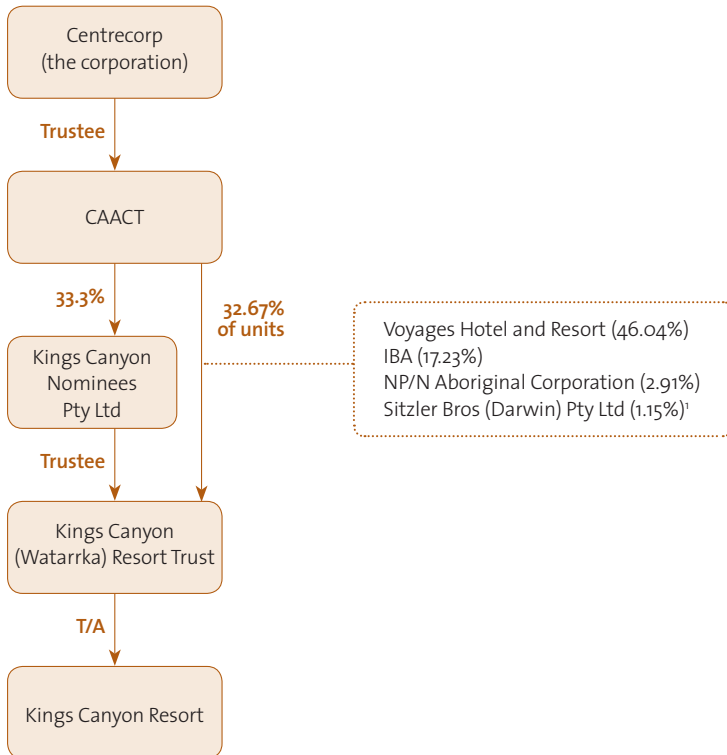
## Application of funds

2.3 This section provides an overview of those Centrecorp business ventures that received financial assistance from the Australian Government. As illustrated by Diagram 1.1, Centrecorp has a complex network of investments in a range of enterprises. Not all of these businesses have been in receipt of Australian Government funding support. This section details the benefits received from the Australian Government and how they were utilised by Centrecorp.

## Kings Canyon Resort

2.4 The King's Canyon (Watarrka) Resort Trust operates a holiday resort at King's Canyon, Central Australia. The resort is located 325 km south-west of Alice Springs. The organisational structure related to the Kings Canyon Resort is provided in Diagram 2.1.

**Diagram 2.1: Structure of Kings Canyon Resort investment**



Notes:

<sup>1</sup> Indigenous Business Australia Annual Report 2006–07.

# Audit Findings and Conclusions

- 2.5 To purchase shares in the Kings Canyon Resort ATSIIC provided Centrecorp with:
- a loan of \$800 000 in 1990
  - a grant of \$200 000 in 1995
  - a loan of \$3.8m in 1998.
- 2.6 The purpose of the grant and loans was “to acquire units in King’s Canyon (Watarrka) Resort Trust”. Centrecorp has done so in a number of stages since 1990.
- 2.7 Centrecorp’s ‘Register of Unit Trust Holders’ in the King’s Canyon (Watarrka) Resort Trust show that:
- Centrecorp undertook an initial investment in 1.9m units in 1991 at a cost of \$1.9m. OEA understands that this purchase was assisted in part by the original \$800 000 ATSIIC loan given in 1990.
  - In 1995, Centrecorp transferred 1.4m units (preference and non-voting ordinary shares) to ordinary shares. The number of shares held as at 25 July 1995 increased to 2 774 000. OEA understands that this purchase was assisted in part by the \$200 000 ATSIIC grant given in 1995.
  - In 1998, Centrecorp purchased 4 298 692 additional units in the trust. This purchase was assisted by the \$3.8m loan received from ATSIIC in 1998. This loan also repaid the balance outstanding on the original \$800 000 loan.
- 2.8 Centrecorp currently holds 7 072 692 units in the King’s Canyon (Watarrka) Resort Trust with a value recorded in the 2006–07 financial statements of \$3 675 732.
- 2.9 Centrecorp’s 7 072 692 units in the trust represent 32.67% ownership. Other unit holders are:
- Voyages Hotel and Resort (46.04%)
  - IBA (17.23%)
  - Ngurratjura/Pmara Ntjarra Aboriginal Corporation (2.91%)
  - Sitzler Bros (Darwin) Pty Ltd (1.15%).<sup>1</sup>
- 2.10 The \$3.8m ATSIIC loan of 1998 was fully repaid in October 2007. There are currently no outstanding loans due to the Australian Government from Centrecorp in respect of the Kings Canyon (Wattarka) Resort Trust investment.

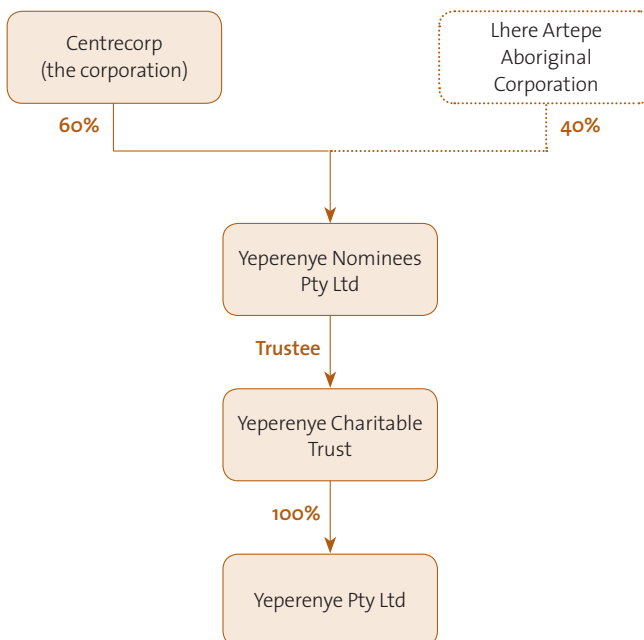
<sup>1</sup> *Indigenous Business Australia Annual Report 2006–07*

# Audit Findings and Conclusions

## *Yeperenye Pty Ltd*

- 2.11 Yeperenye Pty Ltd was created in 1985 by the Aboriginal Development Commission (ADC) to develop a block of land in Alice Springs into a shopping centre. The ADC interest passed to ATSIC on its establishment. Before the ATSIC Board was abolished they passed a resolution to divest ATSIC's ownership of Yeperenye Pty Ltd to suitable Indigenous bodies for the benefit of Indigenous people in Central Australia. After ATSIC's abolition IBA were transferred ownership of Yeperenye Pty Ltd but were bound by the resolution to divest the shares.
- 2.12 A structure was configured where Yeperenye Pty Ltd would be 100% owned by Yeperenye Nominees (as trustee for the Yeperenye Charitable Trust). Centrecorp (the corporation) and Lhere Artepe Aboriginal Corporation were and still are the shareholders of Yeperenye nominees, with 60% and 40% ownership respectively.
- 2.13 On 29 June 2005 IBA transferred its shares (3 500 002 shares) in Yeperenye Pty Ltd (valued at approximately \$32.7m) to Yeperenye Nominees as trustee for the Yeperenye Charitable Trust.
- 2.14 The structure of the organisation involves Yeperenye Pty Ltd operating as the main commercial entity which holds the various property assets on its balance sheet. This entity also receives rental income from the various tenants of the Yeperenye shopping centre.

**Diagram 2.2: Structure of Yeperenye Pty Ltd investment**



# Audit Findings and Conclusions

2.15 The share transfer in 2005 allowed Yeperenye Nominees (as trustee of the Yeperenye Charitable Trust) to hold the shares “*subject to the terms of the Trust and to use the income derived from the shares for charitable purposes of the Trust*”.

2.16 The share transfer agreement defines charitable purposes as:

- *“The relief of poverty, misfortune or destitution, disadvantage, distress, dispossession and suffering among Aboriginal people in Central Australia including the provision of housing, education, health care services and facilities, transportation and communication services, land under secure title for dispossessed Aboriginal people, education and training.*
- *To foster the preservation and development of traditional and other cultural activities of Aboriginal people.*
- *To provide financial assistance to any Aboriginal corporation or organisation representing Aboriginal people in Central Australia having charitable objects including but not limited to the Lhere Artepe Aboriginal Corporation the designated prescribed body corporate representing the native title holder of the Alice Springs region.”*

## **Peter Kittle Motor Company**

2.17 Peter Kittle Motor Company is the trading name of Alice Car Centre Pty Ltd, a large motor vehicle dealer with dealerships located in Alice Springs, Adelaide, Tennant Creek, Port Lincoln and Whyalla.

2.18 In 1991 Centrecorp approached ATSIC for funding to acquire a share in the dealership. Originally, Centrecorp established a separate trust (the CACT) and trustee corporation (the Central Investment Corporation) to acquire funding from ATSIC and the ABTA. This funding was used to enter into a joint arrangement (CAAMV Pty Ltd) with the Aboriginal and Torres Strait Islander Commercial Development Corporation (CDC – the precursor to IBA) to acquire 50% of the Alice Car Centre Pty Ltd.

2.19 In 1991 the Central Investment Corporation (later named Central Aboriginal Investment Corporation (CAIC)) as trustee for the CACT obtained the following funding:

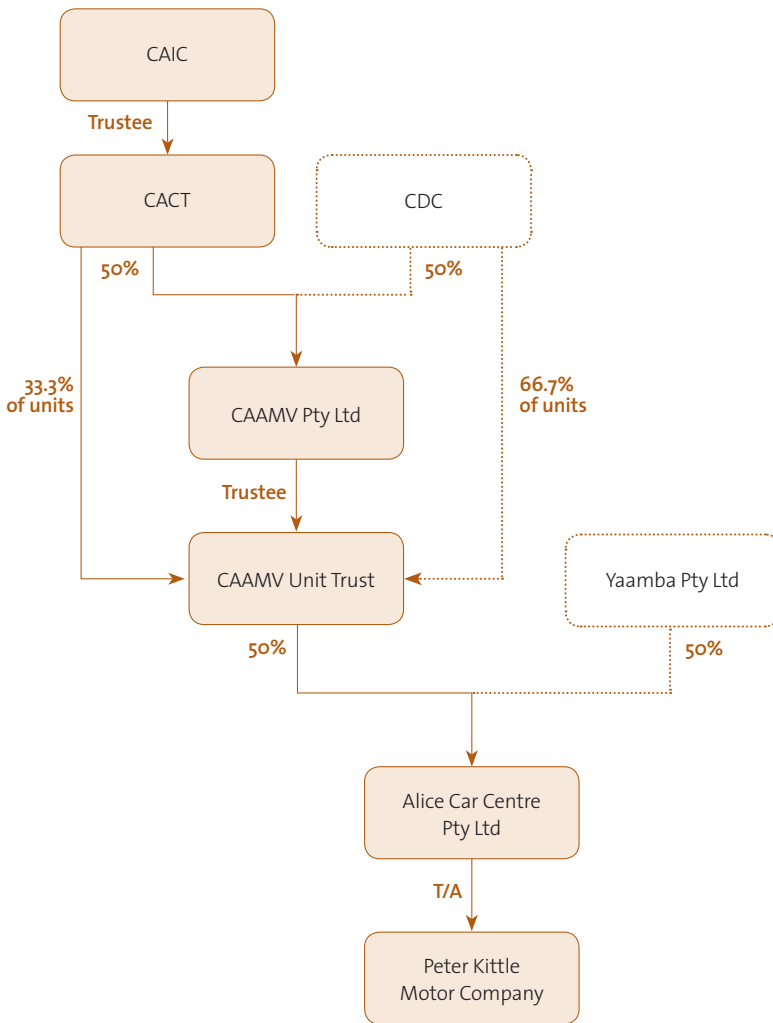
- a loan of \$190 000 from ATSIC in 1991
- a grant of \$160 000 from ATSIC in 1991
- a grant of \$310 000 from the ABTA in 1992.

2.20 The \$160 000 grant was for consultancy fees relating to acquiring the share in the Alice car Centre Pty Ltd. The remaining \$500 000 was used as capital and invested, along with \$1m from the CDC into CAAMV Pty Ltd. CAAMV Pty Ltd as trustee for the CAAMV Unit Trust acquired the 50% share in the Alice Car Centre Pty Ltd. Diagram 2.3 provides an illustration of the original structure.



# Audit Findings and Conclusions

**Diagram 2.3: Original structure of the Peter Kittle Motor Company investment**

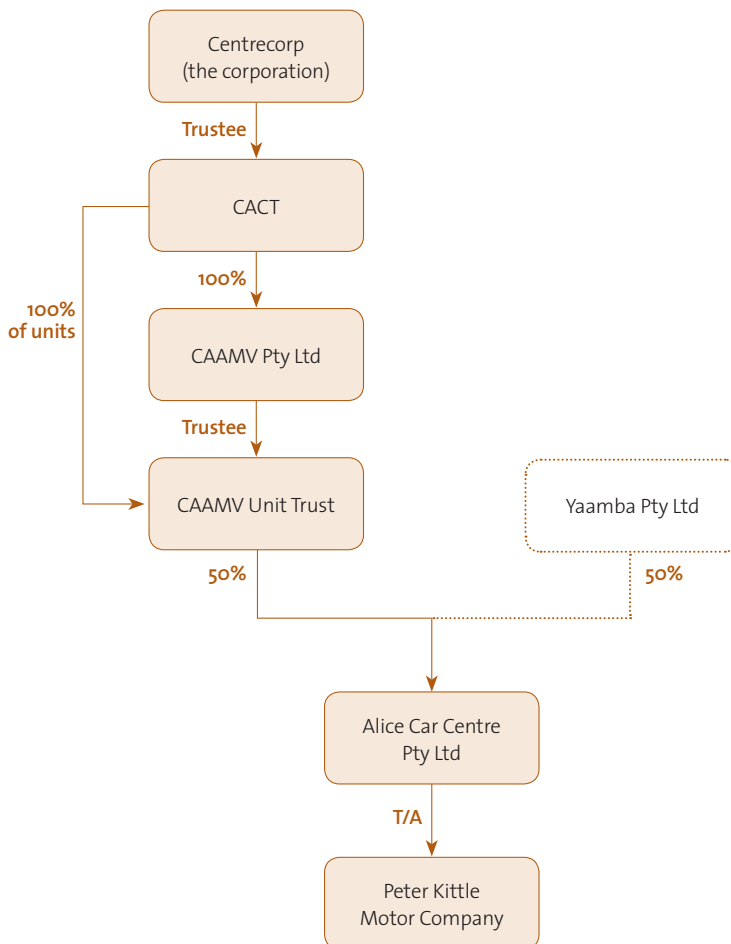


- 2.21 In 1997 CAIC (as trustee for the CACT) obtained an \$800 000 grant to acquire a greater percentage of ownership in the CAAMV Unit Trust. CAIC retired as trustee of the CACT on 23 November 1998 and was replaced by Centrecorp (the corporation). CAIC was subsequently deregistered on 21 September 1999.
- 2.22 On 29 June 2002 Centrecorp acquired sole ownership of CAAMV Pty Ltd and the CAAMV Unit trust (thus 50% of Alice Car Centre Pty Ltd) by purchasing the CDC's (now IBA's) remaining share for \$1m.

# Audit Findings and Conclusions

2.23 Diagram 2.4 illustrates the current business structure that Centrecorp has in respect of its investment in the dealership. Dividend income is passed up the chain of companies and is held in the CACT.

**Diagram 2.4: Current structure of the Peter Kittle Motor Company investment**



2.24 CAAMV's ownership of 350 000 shares (50%) in the Alice Car Centre Pty Ltd is recorded in the financial statements of CAAMV Unit Trust at cost value of \$1 675 150. The 100% ownership of units in the CAAMV Unit Trust is recorded in the financial statements of CACT at a cost of \$1 984 185.

# Audit Findings and Conclusions

## 3. FINANCIAL PERFORMANCE AND POSITION

### Financial performance of relevant businesses

- 3.1 The financial performance and position of businesses that have benefited from Australian Government support through Centrecorp is commercial-in-confidence information and is not included in this report. Table 3.1 summarises the dividends that Centrecorp has received from those businesses.

**Table 3.1: Dividend payments of relevant Centrecorp businesses**

Year	Kings Canyon Resort Trust dividend (paid to CAACT)	Yeperenye Pty Ltd dividend (paid to Centrecorp)	Alice Car Centre Pty Ltd dividend (paid to CAACT)
2006–07	-	-	358 954
2005–06	-	-	194 183
2004–05	156 981	-	237 743
2003–04	294 035	-	136 280
2002–03	163 353	-	327 746
2001–02	506 393	-	786 623

### *Kings Canyon Resort*

- 3.2 Review of the financial statements of King’s Canyon Nominees Pty Ltd for the period 2001–2006 noted that no income or expenditure passed through these accounts for this period. All income and expenditure related to the resort is recognised in the financial statements of the King’s Canyon (Watarrka) Resort Trust. The disbursements to shareholders are recognised in the financial statements of CAACT.
- 3.3 The profitability of the project has been mixed in recent years and a series of significant capital expenditure requirements have meant that shareholder disbursements to CAACT have historically been relatively low in comparison with the ATSIC loan repayments of \$456 296 per year which was paid by the CAACT. This has meant that for the past five financial years the CAACT has facilitated the ATSIC loan repayments by funds from other investments dividend payments. This has meant that, to meet loan repayments in all but two of the past ten years, the CAACT has contributed a total of \$1.4m from the dividend payments of other investments.

# Audit Findings and Conclusions

## ***Yeperenye Pty Ltd***

- 3.4 Yeperenye Pty Ltd has been operating profitably for a number of years. Historically the profits have been reinvested in the business in the form of capital expenditure and purchasing new assets (commercial property). Since Yeperenye Nominees took ownership of the shares in June 2005, the business has continued to return profits and the net asset position has increased.
- 3.5 As at 30 June 2007, no disbursements have been paid to Centrecorp as a shareholder despite distributions being accrued to Yeperenye Nominees. The only dividend that had been paid to Yeperenye Nominees shareholders (Centrecorp and Lhere Artepe Aboriginal Corporation) was a payment made to the Lhere Artepe Aboriginal Corporation in 2006–07. Discussions with Centrecorp Management indicated that Lhere Artepe Aboriginal Corporation received a further distribution in 2007–08.

## ***Peter Kittle Motor Company***

- 3.6 Alice Care Centre Pty Ltd (Peter Kittle Motor Company) has been returning significant profits for a number of years. These profits have translated into dividends paid to the shareholders in each of the past six years.
- 3.7 The dividend income that CAAMV has received in recent years is transferred upwards to the CACT. As at 30 June 2007, the CACT reported a net asset position of \$5.5m.

## **Financial position of relevant businesses**

### ***Kings Canyon Resort***

- 3.8 The net asset value of the Resort Trust has increased from 2000–01 to 2006–07. This indicates that Centrecorp has been able to demonstrate success in achieving one of their core objectives which is “*increasing the value of the asset base controlled by Aboriginal corporations*”. However, it is important to note that the value of the asset was written down in 2005–06 due to a re-valuation.

### ***Yeperenye Pty Ltd***

- 3.9 The value of Yeperenye Pty Ltd has increased significantly over the years since 2001–02. However, since ownership of the IBA shares passed to Yeperenye Nominees in 2005–06, the net asset position has increased at a less significant rate. The gross asset position of Yeperenye Pty Ltd has increased further since the share divestment, however this has been facilitated via debt financing.

### ***Peter Kittle Motor Company***

- 3.10 The value of Alice Car Centre Pty Ltd has increased significantly over recent years. It is also important to note that the valuation of the 50% stake in Alice Car Centre Pty Ltd is recorded at cost in the financial statements of CACT. Given the profitability

# Audit Findings and Conclusions

of the business in the years since 1991, and the fact that the business is classed as a 'BRW top 500 company', the current market value of the business is likely to be considerably higher than that recorded in the CACT financial statements.

## Financial performance and position of Centrecorp

3.11 As detailed earlier, Centrecorp do not produce group accounts so it is not possible to confirm their exact financial performance or financial position at any given point in time. However, all of the dividends received by Centrecorp and the value of shares owned by Centrecorp are recorded in the financial statements of the two charitable trusts (CACT and CAACT) except the investment in Yeperenye Pty Ltd. This section summarises the overall profitability and net asset position of the two trusts.

### Financial performance

3.12 Review of the financial statements of the charitable trusts found that the primary source of income for both trusts is dividends and distributions generated from their investments in various commercial activities. Table 3.2 details the total income and net profit (loss) generated by both trusts over the past six years. As can be seen in Table 3.2 the level of income generated by each trust fluctuates between years. This is due to the fact that the level of profitability of the trading entities in which Centrecorp holds shares also fluctuate from one year to the next.

3.13 The trusts recorded profits in all periods except 2005–06 when CAACT recorded a loss of \$1 018 994. This is primarily due to a write-down of the value of CAACT's investment in the Kings Canyon (Wattarka) Resort Trust for the period ending 30 June 2006.

**Table 3.2: Income and financial performance of CAACT and CACT**

Year	CAACT Total income	CAACT Net profit/ (loss)	CACT Total income	CACT Net profit/ (loss)	Consolidated Net Profit/ (loss)
2006–07	574 370	84 831	565 377	422 127	\$506 958
2005–06	508 471	(1 018 994)	356 590	338 650	(\$680 344)
2004–05	801 988	317 793	396 520	382 655	\$700 448
2003–04	876 115	573 193	216 891	205 770	\$778 963
2002–03	517 895	154 149	468 747	452 427	\$606 576
2001–02	1 030 869	663 886	1 146 159	1 126 236	\$1 790 122

# Audit Findings and Conclusions

## *Financial position*

3.14 Table 3.3 indicates the financial position of CACT and CAACT is strong and has been increasing in recent years. The exception to this trend is the weakening of the CAACT net asset position in 2005–06. As stated earlier, this is due primarily to a write-down in the value of Centrecorp’s investment in the Kings Canyon (Wattarka) Resort Trust following an independent revaluation as at 30 June 2006.

**Table 3.3: Financial position of CAACT and CACT**

Year	CAACT Net asset position	CACT Net asset position	Consolidated Net asset position
2006–07	5 385 681	5 512 901	\$10 898 582
2005–06	5 300 850	5 090 774	\$10 391 624
2004–05	6 319 844	4 752 124	\$11 071 968
2003–04	6 002 051	4 369 469	\$10 371 520
2002–03	5 428 759	4 162 699	\$9 591 458
2001–02	5 274 610	3 710 272	\$8 984 882

3.15 The consolidated net asset value of Centrecorp as at 2006–07 is considerably more than the \$10.9m indicated in Table 3.3 because:

- The net asset position of the Yeperenye Pty Ltd investment is not included in the above figures as the shares in Yeperenye Nominees are held directly by Centrecorp (the corporation) as opposed to the usual arrangement where Centrecorp holds the shares as trustee for a trust.
- The investments in Big O Pty Ltd, Magnetic Pty Ltd and Tancor Nominees Pty Ltd in the CAACT audited financial statements are recorded at cost. Similarly, the investment in the CAAMV Unit Trust (which represents the 50% share in the Peter Kittle Motor Company) in the CACT audited financial statements is recorded at cost.

## *Inter-company loans*

3.16 Review of the financial statements of CACT noted that there have been a number of loans made from CACT to the CAACT. The value of these loans reported in the 2006–07 financial statements was \$1.7m. The purpose of the loans was to:

- enable the acquisition of a 50% equity interest in Big O Pty Ltd
- assist the CAACT in meeting ATSIC loan repayments in respect of the investment in the Kings Canyon Resort Trust.

# Audit Findings and Conclusions

3.17 Centrecorp have now repaid the ATSIC loan which cost \$456 296 per year. Centrecorp now has greater funds available and expect to increase their donations from 2009–10 onwards.

## ***Audited financial statements***

3.18 Centrecorp do not produce 'group accounts', rather, CAACT, CACT and the related entities all prepare individual sets of financial statements.

3.19 Centrecorp provided audited financial statements for the past five years for those trusts and companies that have historically been in direct receipt of financial support from the Australian Government. Review of these financial statements indicated that the financial statements have been subject to external audit by the accounting firm, Deloitte Touche Tohmatsu and have received unqualified audit opinions in all instances.

# Audit Findings and Conclusions

## 4. CORPORATE GOVERNANCE AND TRANSPARENCY

### Trust arrangements

- 4.1 Two of the foci for this audit were to examine the corporate governance arrangements and to identify distributions of income and benefits to Aboriginal people. A number of articles in the national media have written about Centrecorp's lack of transparency and have raised questions as to who owns, controls and ultimately benefits from, Centrecorp's numerous assets. The answers to these questions lie in Centrecorp's trust arrangements. As Centrecorp (the corporation) holds the majority of its shares (in its various business investments) as trustee for CAACT or CACT, they must register with the Australian Securities and Investments Commission (ASIC) that the shares are held 'non-beneficially'. This indicates that Centrecorp (the corporation) does not derive any benefit from holding the shares (CAACT and CACT derive the benefit of ownership). A company search with ASIC confirmed the share ownership of a number of related Centrecorp companies. The purpose of the company search was to confirm whether shares are held 'beneficially' or 'non-beneficially'. The results are set out in the Table 4.1.



# Audit Findings and Conclusions

**Table 4.1: Centrecorp share ownership analysis**

Company name	Number of shares	Number held by Centrecorp	'Non-beneficially' held?
<b>NT Gas Pty Ltd</b>	<b>200</b>	<b>3</b>	<b>No</b>
Big O Pty Ltd	400	200	Yes
<b>Magnetic Pty Ltd</b>	<b>3</b>	<b>2<sup>1</sup></b>	<b>No</b>
Tancor Nominees Pty Ltd	6	3	Yes
Kings Canyon Nominees Pty Ltd	3	1	Yes
Aboriginal Property Nominees Pty Ltd	200	200	Yes
Central Railway Aboriginal Investment Pty Ltd	1	1	Yes
CAAH Nominees Pty Ltd	1001	1	Yes
Centrefarm Management Pty Ltd	5	5	Yes
AAC Nominees Pty Ltd	2	1	Yes
Aboriginal Catering Services Pty Ltd	3	1	Yes
Centrecorp Aboriginal Services Pty Ltd	1	1	Yes
<b>Central Australian Aboriginal Property Nominees Pty Ltd</b>	<b>5</b>	<b>5</b>	<b>No</b>
CAAMV Pty Ltd	4	4	Yes
<b>Yeperenye Nominees Pty Ltd</b>	<b>100</b>	<b>60</b>	<b>No</b>

Notes:

<sup>1</sup> Bob Kennedy (Centrecorp General Manager) holds the remaining share in Magnetic Pty Ltd for Centrecorp. Bob Kennedy holds this share as bare trustee for Centrecorp because the Memorandum and Articles of Association of Magnetic Pty Ltd require two shareholders. Bob Kennedy does not derive any benefit (monetary or otherwise) from holding this share.

4.2 As can be seen in Table 4.1 Centrecorp holds shares 'beneficially' (i.e. not as trustee) in four companies. Given that Centrecorp do not produce financial statements and do not record any transactions, the share holding status in relation to these four companies appears to be incorrectly registered.

# Audit Findings and Conclusions

## **Recommendation No. 1**

OEA recommends that Centrecorp review the shareholding details recorded on the ASIC company register to ensure that they accurately reflect the nature of their shareholding.

## **Centrecorp's Response**

Agree

Actioned.

## **Board membership**

4.3 The current Board of Centrecorp comprises of the following five members:

- David Ross – Director, CLC
- Owen Cole – Chairman, Imparja Television Pty Limited
- Stephanie Bell – Director, CAAC
- Anthony Petrick – Executive Council, CLC
- William Tilmouth – Director, Tangentyere.

4.4 Centrecorp has an experienced Board in place and has been successful in maintaining continuity in the board membership of the various trustee companies that they control. This means that should existing Board members retire or resign from their existing positions, Centrecorp may experience difficulty in replacing them with sufficiently experienced, skilled and motivated local people. Discussions with the General Manager indicated that Centrecorp has considered recruitment of additional Directors in recent months and was seeking to recruit suitable, younger members of the Central Australian Aboriginal community where possible. OEA supports this move and would highlight the need for Centrecorp to develop effective succession planning arrangements for all key positions within the organisation (Management and Board).

4.5 The existing governance arrangements at Centrecorp and its associated entities have also resulted in a relatively small number of Board members holding multiple directorships in related entities. The range of directorships held by Centrecorp Directors is set out in **Appendix A**. Whilst this may, in some respects, be inevitable in a relatively small town (such as Alice Springs), due to the size of the business community, it could result in an increased risk of the emergence of actual or perceived conflicts of interest amongst Board members. Centrecorp's move to recruit additional Board members would also reduce the need for, and risks associated with, multiple directorships should they be successful.

# Audit Findings and Conclusions

## **Recommendation No. 2**

OEA recommends that Centrecorp actively develop succession planning arrangements for Boards of both the parent organisation and associated entities by identifying and training individuals with the skills, expertise and interest in these roles.

### **Centrecorp's Response**

#### **Agree with qualification**

*All current Directors are Aboriginal people. Four of the five are tertiary qualified people in senior executive positions. Directors are aged between 42 and 55.*

*The current composition of the Board reflects Centrecorp's risk minimization and training strategy. In the event that any of the senior Directors retires, an unlikely event given the age bracket, the remaining Directors are well capable of effectively carrying the role of the Board. The youngest Director, aged 42, is from a regional community. He attended a Directors training course sponsored by Centrecorp, exhibited capacity for a director role, and is gaining experience as his membership continues.*

*It is Centrecorp policy that its Board consists of Aboriginal people in Central Australia who have capacity to understand the responsibilities being asked of them in a director position, particularly the fiduciary aspects of a trustee company.*

*Paragraph 4.4 of the audit report acknowledges that there MAY be a problem in sourcing Aboriginal people with the capacity for directorship. This is an understatement of considerable magnitude.*

*Centrecorp recently sponsored a Directorship training course run by Queensland University of Technology, specifically targeted for Aboriginal people. One of the three successful attendees is a member of Centrecorp's Board, another has been approached to join the Board of a Centrecorp related entity and is considering the invitation alongside his current work commitments. The third has left Central Australia. The next directors training course will be sponsored by Centrecorp early in 2009.*

*Centrecorp will continue to actively pursue a strategy of developing skills, aspiration and interest amongst Aboriginal people for roles in Indigenous economic entities.*

# Audit Findings and Conclusions

## Management of conflicts of interest

4.6 Review of the governance documents made available by Centrecorp indicated that there are no formal procedures or processes in place for the management of conflicts of interest. Although there are a range of clauses and provisions in the Memorandum of Association, trust deeds and supporting documentation (of the various entities controlled by Centrecorp) which require members to act in an appropriate manner, there are no specific rules or procedures for managing circumstances where there is an actual or perceived conflict of interest (e.g. where charitable donations are to be made to a direct family member of a Director, or where the organisation is involved in a financial transaction with an organisation in which a Director has a financial interest). In order that the risks associated with such circumstances are managed effectively, Centrecorp should consider the development and approval of clear rules and procedures possibly through a code of conduct for the declaration and management of potential conflicts of interest. This may involve initiatives such as:

- restrictions on voting rights where a potential conflict exists
- requiring a member to leave the meeting while a subject involving a potential conflict is discussed and/or
- maintaining a register of members' pecuniary and other interests so that there is transparency over where potential conflicts arise.

4.7 OEA was not provided with access to the Centrecorp Board Minutes and supporting papers as Management indicated that they are likely to include commercially sensitive matters that do not relate to business line supported by Government funding. It was not therefore possible to confirm how instances of conflicts of interest are currently managed in practice.

# Audit Findings and Conclusions

## **Recommendation No. 3**

OEA recommends that Centrecorp consider and develop clear rules and procedures for the declaration and management of potential conflicts of interest, possibly through a code of conduct. This may involve initiatives such as:

- restrictions on voting rights where a potential conflict exists
- requiring a member to leave the meeting while a subject involving a potential conflict is discussed and/or
- maintaining a register of members pecuniary and other interests so that there is transparency over where potential conflicts may exist.

## **Centrecorp's Response**

### **Agree**

*No Centrecorp Directors have financial or pecuniary interests in either Centrecorp, its related entities or any other commercial entity.*

*Centrecorp refutes that there are no procedures or processes in place. As advised to OEA representatives, related party interests are notified and minuted at all Centrecorp related entities, in accordance with Section 192 of the Corporations Act.*

*No donations have been sought or made to any direct family member of a Director. It would not be within Director's corporate ethic to contemplate such an approach.*

*The practice of Directors in regard to these matters is impeccable. For the record, these practices will now be documented into a policy format.*

## **OEA's Response**

Centrecorp refused to provide OEA with minutes of meetings of the Boards of entities in which Centrecorp holds equity with other commercial shareholders owing to their 'Commercial-in-Confidence' nature. As a result it was impossible to judge the processes Centrecorp claim to have in place. OEA makes no comment or allegation that Director's family members sought or obtained any benefit. This recommendation seeks to have Centrecorp be transparent about conflicts of interest.

# Audit Findings and Conclusions

## Reporting to the Australian Government

- 4.8 Centrecorp has received a range of benefits from the Australian Government over the past two decades. A number of these arrangements have required Centrecorp to fulfil specified reporting requirements as detailed in the relevant funding agreements.
- 4.9 At the time of the audit, the key reporting requirements which remain in place relate to the transfer of shares in Yeperenye Pty Ltd to Yeperenye Nominees. The share transfer agreement between IBA and Yeperenye Nominees specifies a number of reporting requirements including the following:
- Provision of half-yearly written activity reports which include:
    - an income and expenditure statement of the Financial Year to-date
    - activity performance information
    - copies of minutes of all general and special meetings.
  - Within 90 days of the end of each financial year Yeperenye Nominees must provide:
    - audited financial statements prepared in accordance with Australian Accounting Standards
    - a statement of financial position (assets and liabilities by class)
    - an auditor's report which provides commentary on the adequacy of internal controls and any qualifications to the audit opinion provided.
  - Provision of a certificate that states that:
    - shares have been held for the agreed purpose of activity
    - salaries paid to employees are in accordance with any applicable award
    - the financial information is presented in accordance with the financial reporting framework.
- 4.10 Review of relevant IBA files and discussions with the IBA contact officer noted that Yeperenye Nominees have not been in full compliance with the reporting requirements of the share transfer agreement. At the time of the audit Yeperenye Nominees had provided the relevant audited financial information (satisfying the end of year reporting requirements) and a number of meeting minutes (partially satisfying the half-yearly reporting requirements), however Yeperenye Nominees have not provided the following information required since the share transfer on 29 June 2005:
- half-yearly reports – including income and expenditure statements and activity performance information
  - certificates stating shares have been held for the agreed purpose, salaries and wages have been paid in accordance with applicable awards and financial information is presented in accordance with the financial reporting framework.

# Audit Findings and Conclusions

4.11 Further, it is apparent that IBA have not attempted to pursue Yeperenye Nominees to meet their reporting obligations. Indeed, when OEA contacted IBA to enquire as to Yeperenye Nominees compliance with reporting requirements the officer responsible for collection of the reports was not aware of his responsibility in this regard. When OEA requested further information the contact officer could not verify if any other officer in IBA had ever contacted Yeperenye Nominees in relation to their outstanding reports.

## ***Recommendation No. 4***

OEA recommends that Centrecorp, through Yeperenye Nominees Pty Ltd should review their arrangements for ensuring compliance with the reporting requirements of the share transfer agreement with Indigenous Business Australia to ensure that full compliance is achieved in the future.

## ***Centrecorp's Response***

**Agree**

*Actioned. Outstanding reports have been rendered and future reviews diaried.*

## ***Recommendation No. 5***

OEA recommends that Indigenous Business Australia improve their monitoring of compliance requirements relating to the share transfer agreement.

## ***IBA's Response***

**Agree with qualification**

*IBA acknowledges the timeliness and quality of the requests for compliance is not to an acceptable standard. Improvements for the monitoring of compliance have been implemented.*

# Audit Findings and Conclusions

## Reporting to shareholders

- 4.12 Each of the shareholders in Centrecorp (CLC, CAAC and Tangentyere) is represented on the Board of Directors. Discussions with Centrecorp Management found that Centrecorp currently provides copies of the annual financial statements for the CAACT and CACT to each Director (as representatives of each shareholder) for information purposes and to enable them to provide a progress update to their respective organisations. OEA was informed that the Directors do not provide the annual reports of Centrecorp (CAACT and CACT) to its shareholders. Anecdotal evidence suggests that Directors provide little to no advice on the operations, progress or performance of Centrecorp to the shareholders. No other formal report or communication is provided by Centrecorp to any of these shareholder organisations on the activities of the CAACT or CACT and there is no legal requirement that they should do so.
- 4.13 There has been some criticism of Centrecorp reported in the local media from within the organisations that hold shares in Centrecorp. Whilst this criticism is not necessarily representative, it relates to the absence of any information as to the operations of Centrecorp and its related businesses.
- 4.14 The absence of any form of public reporting by Centrecorp, which was established for the benefit of Central Australian Aboriginal people demonstrates a lack of transparency. It also provides further weight to claims made in the media as the beneficiaries of Centrecorp do not have access to any other information.
- 4.15 Discussions with Centrecorp Management found that there was reluctance on the part of the organisation to highlight the financial success of the organisation partly for concern that the asset base of the organisation would be depleted in order that unsustainable increased donations can be made. Despite this concern, the provision of some regular high level progress reporting to shareholder organisations could improve the organisation's public profile and engagement with their stakeholders.

## Public profile

- 4.16 Centrecorp has maintained a relatively low public profile in Alice Springs despite being an active member of the local business community and an employer of a significant number of local people through their various operations. This low profile has been challenged over the past 12 months through a series of local and national media reports which have portrayed the organisation in a negative light. The media criticisms related, at least in part, to a perceived lack of transparency in the operations of Centrecorp, questions of what benefits are being provided to Central Australian Aboriginal people by Centrecorp and allegations of potential conflicts of interest amongst the key individuals involved in the company.



# Audit Findings and Conclusions

- 4.17 Discussions with Directors and Management of Centrecorp indicated that there is a desire to improve stakeholder understanding of the purpose and activities of Centrecorp in the future. Recent initiatives undertaken by Centrecorp and related companies have included sponsorship of local sporting events, music festivals and financial support of the Indigenous Education and Employment Taskforce (IEET) project. These activities are discussed in more detail at Section 5.
- 4.18 It is our understanding that Centrecorp is currently in the process of producing a book/guide which will document the history and purpose of the organisation. It is our understanding that this book will be provided to stakeholders, local media and government contacts.
- 4.19 OEA supports this initiative which, in tandem with the implementation of a number of other recommendations could improve the organisation's public profile and therefore reduce their reputational risks.

## **Recommendation No. 6**

While acknowledging the absence of legal or constitutional requirements but recognising the contribution of public funds to the development of its assets for the benefit of Aboriginal people in Central Australia, OEA recommends that Centrecorp should consider how it might increase transparency through the provision of more public and stakeholder information. This could include:

- the proposed book/guide on the history of Centrecorp
- a summary annual report to the Aboriginal community, the Minister for Families, Housing, Community Services and Indigenous Affairs and other stakeholders detailing annual results, successes and challenges
- a website with up to date information on matters that are not commercial-in-confidence, including such issues as Centrecorp's donations policy and procedures.

These measures would assist Centrecorp and its associated organisations to improve their public profile and reduce reputational risks.

## **Centrecorp's Response**

### **Agree with qualification**

*Directors of Centrecorp have, from time-to-time provided information on Centrecorp to their respective Executive Committees of the shareholders. The General Manager has addressed these committees when requested. At these exchanges, information which is not commercial-in-confidence is freely discussed. Indeed, at the General Manager's presentations, Centrecorp's structure and related entities have been diagrammatically explained as an example of economic strategy.*

*In response to paragraph 4.13, we are not aware of any authoritative criticism from within any shareholder organisation.*

# Audit Findings and Conclusions

*The local Aboriginal community in particular, is well cognisant of Centrecorp and its charitable worth to the community. Over the most recent years, Centrecorp has responded to almost 300 requests for support, most coming from organizations with multiple Aboriginal membership. Our logo adorns numerous young Aboriginal sporting team uniforms. As presumably observed by the OEA representatives, our office walls feature displays of appreciation. Every secondary and most primary schools receive annual donations which are recognized in their annual presentation nights plus sponsorship for disadvantaged Aboriginal student excursions when requested. Some schools advise Centrecorp is amongst their most generous sponsors. Local senior public servants and many business proprietors, from whom goods are purchased for disadvantaged Aboriginal people, recognize our charitable programs. Interstate secondary colleges know of our support for their Aboriginal programs and sponsorship of local students to participate. The parents and relatives of these young people are also aware of and appreciate the support given. The local hospital volunteer group comprising some 30 of the town's leading businesswomen acknowledge Centrecorp's support, as does the local Salvation Army.*

*Centrecorp is well recognized amongst the Aboriginal and broader community in Alice Springs.*

*There will always be those who have either not been exposed to Centrecorp's works or who assert the right to information which, in deference to our business partners, must remain commercial-in-confidence, or who have perceived "axes to grind", who will grasp at media opportunity to denigrate Centrecorp, and probably other organizations. To rely on such media is, in our view, inept. This OEA review is a welcome opportunity to set the record straight for Australian Government Ministers.*

*As advised to OEA representatives, and supported in paragraphs 5.20 and 5.21 of the audit report, Centrecorp is in the process of establishing a Foundation. The reporting structure of such entities facilitates a broader and more detailed financial reporting regime as it will separate much of the commercial-in-confidence aspect of the mixture of commercial and charitable activity which presently characterises Centrecorp.*

*The booklet "Centrecorp – Building for the Future" has been released. This publication will be more widely distributed once protocols of priority circulation to Government Ministers and our stakeholders have been observed.*

*As advised to OEA representatives, our website is in the process of formulation.*

# Audit Findings and Conclusions

## Directors fees

4.20 An important element of the recent media criticisms of Centrecorp has been claims that Centrecorp Directors have been paid significant sums of money for the work involved in acting as Directors in the various Boards of organisations that Centrecorp has an interest in.

4.21 A summary of the payments that have been made to Centrecorp Directors in 2006–07 in respect of entities in receipt of Australian Government benefits is set out in the Table 4.2.

**Table 4.2: 2006–07 Centrecorp Directors Fees**

Entity	David Ross	Owen Cole	Stephanie Bell	Anthony Petrick	William Tilmouth
CAACT	6 000	6 000	2 000	-	2 000
CACT	-	-	-	2 371	-
Kings Canyon Nominees Pty Ltd	-	N/A <sup>1</sup>	N/A	N/A	N/A
Kings Canyon (Watarrka) Resort Trust	-	N/A	N/A	N/A	N/A
Yeperenye Nominees	3 000	N/A	3 000	N/A	3 000
Yeperenye Pty Ltd	34 528	117 799	N/A	N/A	N/A
CAAMV Pty Ltd	-	-	N/A	N/A	N/A
CAAMV Unit Trust	-	-	N/A	N/A	N/A
Alice Car Centre Pty Ltd	20 000	20 000	N/A	N/A	N/A
<b>TOTAL</b>	<b>\$63 528</b>	<b>\$143 799</b>	<b>\$5 000</b>	<b>\$2 371</b>	<b>\$5 000</b>

Notes:

<sup>1</sup> N/A indicates that the Director is not on the Board of a particular entity.

# Audit Findings and Conclusions

- 4.22 Table 4.2 shows that, in a number of instances, Directors did not receive payment for their work as a Director (e.g. Kings Canyon Resort Trust, Kings Canyon Nominees and CAAMV Unit Trust). The largest payment made to a Director was the payment of \$117 799 made to Owen Cole by Yeperenye Pty Ltd. It is important to note that Mr Cole is the Managing Director of Yeperenye Pty Ltd and that this is his primary source of employment.
- 4.23 As OEA did not have access to the financial statements of the other Centrecorp entities that are not in direct receipt of Australian Government support, we are unable to comment on the totality of fees that Directors of Centrecorp may have received.

# Audit Findings and Conclusions

## 5. BENEFITS FOR ABORIGINAL PEOPLE IN CENTRAL AUSTRALIA

### Increased asset base

5.1 Centrecorp has been successful in its long-term strategy of increasing its asset base. In addition to the business lines that have received Australian Government benefits, Centrecorp has also been involved in a range of investment activities that have resulted in an increase in the asset base controlled by Aboriginal people. An example of this investment activity is the Central Australian Aboriginal Property Trust. Centrecorp has a 4.94% share in the property trust. The remaining share of the Property Trust is owned by a range of Aboriginal community organisations (including royalty associations) from across Central Australia who were assisted by Centrecorp in identifying and purchasing suitable investment opportunities (predominately commercial property). The trust's healthy return on investment is an indication that Centrecorp's investment activity has been effective in increasing the asset base of Aboriginal people in Central Australia.

### Employment outcomes

5.2 Table 5.1 provides a summary of Indigenous staff employed by Centrecorp.

**Table 5.1: Centrecorp's Indigenous employment**

Entity	Total number of staff	Indigenous staff
CAACT	3	-
LJ Hooker (Alice Springs)	21	-
Mitre 10 (Alice Springs)	28	3
Milner Road Food Town	13	4
Kings Canyon Resort	72	-
Peter Kittle Motor Company	97	11
Yeperenye Pty Ltd	7	2
<b>TOTAL</b>	<b>241</b>	<b>20</b>

Note:

Details of total and Indigenous staff numbers were supplied by Centrecorp and various managers of the above listed companies. Figures were correct as at the date of fieldwork.

5.3 Table 5.1 illustrates that Centrecorp have a current Indigenous employment rate of 8.3%.

# Audit Findings and Conclusions

## ***Indigenous Education and Employment Taskforce***

5.4 Centrecorp contribute to the funding of the IEET which involves the mentoring of Indigenous employees of local businesses. The IEET also approach local business to encourage them to employ Indigenous people. Alice Springs businesses such as Peter Kittle Motor Company and tenants of the Yeperenye Shopping Centre have been approached in this regard.

## ***Kings Canyon Resort***

- 5.5 The Kings Canyon Resort is located in a very remote part of Central Australia 325 km south-west of Alice Springs. One of the original motivating factors for Centrecorp's involvement in the initiative was the prospect of generating significant employment opportunities for residents of local Indigenous communities. There are two communities (Lila and Luypinyali) located within reasonable proximity to the Resort. These communities have no other significant employment opportunities and as a result exhibit high levels of unemployment.
- 5.6 Discussions with Centrecorp's General Manager and the Resort's Manager revealed that the Kings Canyon Resort investment has been a challenge for Centrecorp over recent years both in terms of its overall profitability and the Resort's success in employing local Indigenous people (there are currently no Indigenous employees among the resort's 72 employees).
- 5.7 A range of employment initiatives have been trialled over the 17 years since the Resort was created. These initiatives have included the facilitation of guided nature tours of the local area by Indigenous guides, Lila rock art tours, employment of Indigenous staff in a range of gardening, laundry and site maintenance activities and the assistance in the establishment of a local transport business (which has since ceased trading). Unfortunately, none of these initiatives have, so far, been successful in enabling the long-term employment of local Indigenous people.
- 5.8 The Kings Canyon Resort currently makes payment of \$25 000 per annum to local communities for aircraft 'fly-over' rights.
- 5.9 The unique location of Kings Canyon, the close proximity to local Aboriginal communities and the difficulties in securing local labour do though mean that it will be increasingly important that the Kings Canyon Resort increase the level of engagement of the local communities with the resort and deliver employment opportunities for Indigenous people at the resort. OEA acknowledges that the Kings Canyon Resort has made many attempts to engage the local Aboriginal communities in an effort to increase employment opportunities, some of which were supported by ATSIC. Centrecorp advise that the resort will continue to encourage community residents to take up employment opportunities.

# Audit Findings and Conclusions

## **Yeperenye Pty Ltd**

- 5.10 Neither Yeperenye Nominees nor Yeperenye Charitable Trust employ any staff. Yeperenye Pty Ltd employs seven staff. As at the time of the audit, two of these employees were Indigenous.

## **Peter Kittle Motor Company**

- 5.11 Alice Car Centre Pty Ltd currently employs 97 staff at its Alice Springs dealership. As at the time of the audit, 11 of these employees were Indigenous. The Management of Alice Car Centre have been active in encouraging engagement with local Indigenous communities and have participated with the IETT.
- 5.12 Discussions with Management of the Alice Car Centre highlighted the difficulties they have had in recruiting and retaining Indigenous employees.

## **Charitable donations**

- 5.13 Centrecorp's Memorandum of Association states that the purpose of the Company is to *"undertake and implement activities which further the economic and social development of Aboriginals and which are conducive to the advancement of Aboriginals"*.
- 5.14 Similarly, the Trust Deeds of CAACT state that the trust is established *"to take advantage of investment and commercial opportunities that arise in Central Australia on or in relation to Aboriginal land or that relate to Aboriginal people, and to exploit those opportunities to generate assets and funds for charitable purposes to relieve the said unreasonable distress, disadvantage, dispossession and suffering."*
- 5.15 As detailed earlier, Centrecorp has established a network of charitable trusts and proprietary companies. A number of these entities make charitable donations each year. In 2006–07, these donations totalled \$300 465.
- 5.16 Centrecorp provided a schedule of charitable donations which have been made in recent years. The charitable donations / grants are primarily made through the CAACT. Copies of financial ledger extracts were provided by Centrecorp as a demonstration of their success in using their asset base to generate funding for charitable activities within the local Aboriginal communities. OEA have not audited or verified these ledger prints in any way. However, for information purposes a summary of this expenditure is provided in Table 5.2.

# Audit Findings and Conclusions

**Table 5.2: Summary of Centrecorp's charitable donations**

Year	CAACT	CACT	Yeperenye Pty Ltd	TOTAL
2007-08	224 991 <sup>1</sup>	105 000	108 353	\$483 344
2006-07	99 085 <sup>2</sup>	135 510	65 870	\$300 465
2005-06	124 105	-	26 077	\$150 182
2004-05	73 135	-	-	\$73 135
2003-04	22 027	-	-	\$22 027
2002-03	67 739	-	-	\$67 739
2001-02	40 154	-	-	\$40 154
2000-01	47 337	-	-	\$47 337

Notes:

<sup>1</sup> CAACT paid an additional \$7 160 to support the IEET project.

<sup>2</sup> CAACT paid an additional \$8 824 to support the IEET project.

5.17 Discussions with Management and Directors indicated that the priorities for Centrecorp's charitable donations are education, sport, health and employment initiatives. There is a reluctance to provide funding for core services which would ordinarily be funded by Government. Donations have therefore been focussed on special projects or one-off initiatives.

5.18 As has been detailed earlier, the organisation's long-term strategy has been to grow the asset base of the organisation to enable the sustainable payment of charitable donations going forward. Discussions with Management indicated that the organisation's objective over the next two to three years is to generate sufficient revenues to enable charitable donations to be increased to \$500 000 per year.

5.19 Although Centrecorp has established some basic procedures for the administration of donations, there are no common procedural guidelines in place across the network of organisations to guide those responsible for making donations on the types of activities to be supported (in line with the Charitable Objects of the Charitable Trust), the reporting arrangements to be employed and process to be followed where a potential conflict of interest is found to exist.



# Audit Findings and Conclusions

## **Recommendation No. 7**

OEA recommends that Centrecorp review and revise its donation policy to ensure that it provides clear guidance to the Board, Management and potential applicants in the administration and payment of donations. This guidance should be made available to the Boards of other related entities where donations are routinely administered and to the Aboriginal community through a website.

## **Centrecorp's Response**

### **Agree with qualification**

*The donations administration process has been successfully adopted by the Board and has proven a sound administration procedure. The procedure requires that all donations are reported to the Board of Directors.*

*Para 5.19 refers to "the types of activities to be supported". As advised to the OEA representatives, Centrecorp, as a trustee, is bound by, and abides by, the Charitable Objects of the Charitable Trusts which state;*

*"...founded for the Charitable Objects of relieving the poverty, misfortune, destitution, disadvantage, distress, dispossession and suffering among the Aboriginal people of Central Australia ...."*

*The Directors of Centrecorp must accept this mandate as a donations policy. To attempt to distil the Charitable Objects to "types of activities to be supported" risks exclusion of unforeseen requests by exception from the defined "types".*

*Spectacles for a child; a bus for a dialysis clinic; sports shoes for a bush community; food for a Aboriginal Women's Cultural meeting; a washing machine for a bush outstation; travel assistance to attend a family funeral; materials for an arts program; prizes for a school awards night; are examples of the broad variation in requests for assistance.*

*The Charitable Objects of the Trust Deeds cater for the variation and change in the needs of Aboriginal people by identifying the purpose of donations rather than endeavouring to classify "the types of activities to be supported".*

*The current procedural document will be expanded to refer to the Charitable Objects of the Charitable Trusts and also to include a procedure regarding potential conflicts of interest.*

*Whilst Centrecorp can, and does present its policies to the Boards of related business entities, Centrecorp itself cannot impose them upon those Boards. All such Boards are independent organisations with their own internal procedures and community relations programs.*

*It is anticipated that the website will feature the goals and structure of the Charitable Foundation, its financial details, examples from the donations program and opportunities for potential applicants without prompting unrealistic expectations.*

# Audit Findings and Conclusions

## ***OEA's Response***

Whilst acknowledging Centrecorp's broad charitable objects OEA's recommendation is merely advocating that Centrecorp provide public guidance so all parties involved with donations are aware of the processes surrounding the administration of donations. By providing a clear public document both Directors and applicants will have a clearer understanding of:

- the types of donations funded by Centrecorp
- the process for applying for a donation
- the criteria used by the Directors in assessing applications.

## **Foundation**

5.20 Centrecorp makes significant charitable donations from a number of their charitable trusts and related companies each year. It is our understanding that Centrecorp is considering the creation of a charitable foundation through which such charitable initiatives can be channelled in future years. This move would provide a sole outlet for charitable donations that are administered on an arms-length basis by an independent foundation Board, thus allowing Centrecorp Management to focus on commercial activities.

5.21 Assuming that any tax and structural obstacles can be overcome satisfactorily, the establishment of an independent charitable foundation would greatly simplify the governance arrangements in respect of the payment of charitable donations. This would enable Centrecorp to continue its focus on commercial activity whilst more effectively highlighting their success in delivering against their charitable objectives.



# Appendices

# Appendices

## APPENDIX A – LIST OF DIRECTORSHIPS

Centrecorp Director / Officer	Directorships
<b>Robert (Bob) Kennedy<sup>1</sup></b>	Big O Pty Ltd
	Magnetic Pty Ltd
	Alice Real Estate Pty Ltd
	Tancor Nominees Pty Ltd
	Kings Canyon Nominees Pty Ltd
Central Railway Aboriginal Investment Pty Ltd	
<b>David Ross</b>	Big O Pty Ltd
	Magnetic Pty Ltd
	Alice Real Estate Pty Ltd
	Tancor Nominees Pty Ltd
	Kings Canyon Nominees Pty Ltd
	CAAMV Pty Ltd
	Alice Car Centre Pty Ltd
	Yeperenye Nominees Pty Ltd
Yeperenye Pty Ltd	
<b>Owen Cole</b>	CAAMV Pty Ltd
	Alice Care Centre Pty Ltd
	Yeperenye Pty Ltd
<b>Stephanie Bell</b>	Yeperenye Nominees Pty Ltd
<b>Anthony Petrick</b>	N/A
<b>William Tilmouth</b>	Yeperenye Nominees Pty Ltd

Notes:

<sup>1</sup> Bob Kennedy is also the Company Secretary of Kings Canyon Nominees Pty Ltd; Magnetic Pty Ltd; Alice Real Estate Pty Ltd; Big O Pty Ltd; CAAMV Pty Ltd; Central Railway Aboriginal Investment Pty Ltd; Yeperenye Nominees Pty Ltd; and Tancor Nominees Pty Ltd.







