



12 June 2009

Senator Helen Polley  
Chair  
Standing Committee on Finance and Public Administration  
PO Box 6100  
Parliament House  
Canberra ACT 2600

Dear Senator Polley

**Senate Committee Inquiry into the relationship between the Central Land Council and Centrecorp Aboriginal Investment Corporation Pty Ltd (Centrecorp)**

Thank you for the letter from Christine McDonald, Committee Secretary to the Standing Committee on Finance and Public Administration of 21 May 2009 in which the ANAO was invited to provide a written submission to the Inquiry into the relationship between the Central Land Council (CLC) and Centrecorp Aboriginal Investment Corporation Pty Ltd. (Centrecorp).

Attachment A outlines the ANAO's submission to the Inquiry. If you have any further questions about this process please contact Michael Watson, Group Executive Director, Assurance Audit Services Group on 02 6203 7356 or John McCullough, Audit Principal, Assurance Audit Services Group on 02 6203 7547.

Yours sincerely

Ian McPhee

SENATE COMMITTEE INQUIRY INTO THE RELIATIONSHIP BETWEEN THE CENTRAL LAND COUNCIL  
AND CENTRECORP ABORIGINAL INVESTMENT CORPORATION PTY LTD ('CENTRECORP')

AUSTRALIAN NATIONAL AUDIT OFFICE SUBMISSION

**Background**

The Central Land Council (CLC) and the Northern, Tiwi and Anindilyakwa Land Councils are Commonwealth statutory authorities formed within the provisions of section 21 of the *Aboriginal Land Rights (Northern Territory) Act 1976* (ALRA). All of the Northern Territory Land Councils have established, or facilitated the establishment of, an external entity to assist Aboriginal people with the investment of royalty payments and the conduct of commercial activities. These entities are a means by which the Land Councils are able to fulfil functions related to section 23(1)(ea) of the ARLA without establishing a material interest in those commercial operations. This section states that one of the functions of a Land Council is:

“to assist Aboriginals in the area of the Land Council to carry out commercial activities (including resource development, the provision of tourist facilities and agricultural activities), in any manner that will not cause the Land Council to incur financial liability or enable it to receive financial benefit”.

In the case of CLC, one of these external entities is the Centrecorp Aboriginal Investment Corporation Pty Ltd (Centrecorp) which aims to assist in the growth and good economic management of the Aboriginal assets for the future security of the Aboriginal people in the central areas of Australia. Operationally, Centrecorp provides investment advice and services to Aboriginal Associations in the CLC area.

The CLC is a shareholder of Centrecorp, owning 3 of 5 issued shares which are held in a trust. The investment is pursuant to sections 22 and 23 of the Aboriginal Land Rights (NT) Act and the CLC does not receive any financial benefit from Centrecorp or any affiliated company of Centrecorp. In fact the trust deed specifically excludes the shareholders from receiving any benefit from the trust.

These holdings with a value of \$3 are disclosed in CLC's 2007/08 financial statements at Note 6(b), where it states:

“The profits of Centrecorp will be distributed according to its charitable trust deed for the benefits of Aboriginal people in the Central Australian region and, as such, the Land Council has no economic interest in Centrecorp and does not account for Centrecorp as a controlled entity.”

As Centrecorp is not a controlled entity of CLC, it is not consolidated in the statements of CLC and it is not audited by the ANAO.

**Summary of ANAO's knowledge of the financial and management relationship between the Central Land Council and Centrecorp**

In 2006, the matter of consolidation of entities with the Land Councils (including the Central, Northern, Tiwi and Anindilyakwa Land Councils), including Centrecorp, was the subject of an internal review undertaken by the ANAO. This review was solely for the purposes of providing advice based on the Accounting Standards as to whether these types of entities should be consolidated in the financial statements of the Land Councils. The accounting treatment, as referred to above, was agreed to on the basis that CLC does not have the power to govern the financial and operating policies of Centrecorp so as to obtain benefits from its activities and thus does not have control.

The basis of this decision is AASB 127 – *Consolidated and Separate Financial Statements* which states in paragraph 1 “this Standard shall be applied in the preparation and presentation of consolidated financial statements for a group of entities under the **control** of a parent”. Under paragraph 4, “**Control** is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.” As the trust deed specifically excludes CLC from receiving any benefit from the trust, CLC is not considered to have control over Centrecorp.

There are no ANAO reports specifically reporting on the relationship between the CLC and Centrecorp. The audited financial statements of CLC are accessible through CLC's Annual Report.