

Briefing Paper

Date of Meeting – 23 November 2011

Venue: Minister Snowdon’s Meeting Room

Time: 4.00pm

Agenda Item No.: Situation report on the Katungul Aboriginal Corporation Community and Medical Services

SUBJECT: Meeting with The Hon Dr Mike Kelly AM, MP, Parliamentary Secretary for Agriculture, Fisheries and Forestry. Member for Eden-Monaro

Led by: Department of Health and Ageing

Overall Strategy:

- Brief Dr Kelly on the current situation at Katungul.

Key risks:

- NIL

Talking points:

- **Katungul is in serious financial difficulty; the extent of which is yet to be clarified.**
- **A substantial proportion of these financial difficulties are due to the excessive payments made to the CEO and to a lesser degree the Finance Manager.**
- **The Board is split on action to be taken regarding the CEO.**
- **The CEO is currently on Workers’ Compensation claiming stress and harassment.**
- **The Department has appointed a Funds Administrator to take control of the Commonwealth’s funds. This was done to ensure services continue to be provided while clarification of the financial position is undertaken.**
- **ORIC has undertaken an examination of the organisation. This has resulted in ORIC issuing a Show Cause Notice on 22 November 2011.**
- **Katungul is holding its AGM on 24 November 2011.**

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Background:

- Katungul receives funding from both the Commonwealth and NSW Government agencies to deliver programs for Aboriginal and Torres Strait Islander people in Narooma, Moruya, and Bega as well as smaller communities within the region.
- In August 2011 the Department became aware of a possible breach of the Purposes Deed with Katungul over its clinic in Bega. At the same time the Department was informed of a proposed change to Katungul's constitution allowing remuneration of Directors which could potentially breach the Department's funding agreement.
- As a result of these issues Katungul was informed on 9 September 2011 that the Department had decided to undertake a detailed examination of Katungul's financial and other records. The audit was undertaken by the Department's Audit and Fraud Control Branch from 26 to 30 September 2011. The audit found that Katungul is in a difficult financial position with a cash deficit at end of September of some \$200,000.
(Attachment A refers)
- The organisation appears to be close to insolvency.
- A contributing factor in the organisation's financial problems is that over the past two years the CEO appears to have approved, for his own benefit, \$675,611 in bonus payments and paid time in lieu without approval or agreement of the Board.
- In addition the CEO appears to have approved bonuses (\$68,867) and higher duties allowances (\$41,972) for the Finance Manager without reference to the Board.
- Katungul has also spent \$225,500 on legal costs over the past 4 years.
- To clarify Katungul's financial position McGrath Nicol was engaged by the Department to undertake an independent assessment of the organisation's finances. McGrath Nicol has confirmed the Department's concerns and recommended that the Department obtain greater clarity from Katungul on the issues of solvency and financial viability prior to paying Katungul's next quarterly funding instalment.
- On 17 October 2011 the Department wrote to the Katungul Board (copies were couriered to all Board members) asking Katungul to Show Cause why the Department should continue to fund the organisation. The notice requested Katungul to provide advice on the question of solvency and on a number of other issues which are considered to reflect poorly on the Board's governance capacity and financial management. The Department made it clear that no further funding would be released to the organisation unless the Board agreed to the appointment of a Funds Administrator. **(Attachment B refers)**
- The Notice also included advice that the Department would meet with the Board in Narooma on the evening of 19 October 2011. This meeting went ahead but only four Board members attended. The Chairperson did not attend.
- The Board agreed to the appointment of a Funds Administrator on 27 October 2011.
- The Funds Administrator from PriceWaterhouseCoopers commenced on 31 October 2011. His first actions were to secure Commonwealth funds by opening a new bank account on which he will be a mandatory signatory, ensured Commonwealth funds are only used for the provision of health services, ceased and suspended credit cards and ensured staff salaries were paid.

- The Department released one month's funding on 31 October 2011. Subsequent releases will depend on the response provided by Katungul to the Show Cause Notice, including documentary confirmation of the solvency of the organisation. s22
- The Katungul Board responded to the Show Cause Notice on 31 October 2011 s22

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Date: 22 November 2011

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