

# KATUNGUL ABORIGINAL CORPORATION COMMUNITY AND MEDICAL SERVICES (KATUNGUL)

## Current Issue:

- A recent Departmental audit of Katungul has identified significant concerns regarding the use of Commonwealth funds. It has also raised questions about Katungul's governance and overall financial management.

## Brief talking points:

- Due to serious concerns about the capacity and financial viability of Katungul, the organisation was issued with a Show Cause Notice on 17 October 2011, asking them to justify why the Commonwealth should continue to fund the organisation.
- The organisation's financial problems came to light as a result of an audit by the Department of Health and Ageing and the Government is concerned at the impact this could have on health service delivery to Aboriginal and Torres Strait Islander people in the region.
- The Government has a responsibility to protect Commonwealth funds and ensure they are being used appropriately.
- The Department appointed a Funds Administrator, commencing from 31 October 2011, to control Commonwealth funds while the Department works with the Katungul Board and other stakeholders in the region to identify the best options to ensure the continued availability of services.
- If the current problems facing Katungul can be resolved, it is expected the delivery of services to the region may be increased.

## Key Facts:

- The Office of the Registrar of Indigenous Corporations (ORIC) has completed an examination of the organisation and issued a show cause notice on 22 November 2011 with a request for a response by 9 December. ORIC has arranged an emergency

meeting with the Board on 24 November prior to Katungul's Annual General Meeting.

- In 2011-12 some \$1.8M (GST inc.) has been allocated to Katungul by the Commonwealth to support primary health care services.

**Background:**

- Katungul receives funding from the Commonwealth and NSW Government agencies to deliver programs for Aboriginal and Torres Strait Islander people on the far south coast of NSW.
- 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 and found that Katungul is in a difficult financial position with a cash deficit at end of September of some \$200,000.
- The organisation appears to be close to insolvency, if not currently insolvent.
- 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.
- The Department engaged an independent assessor, McGrath Nicol, to undertake an assessment of the organisation's finances. McGrath Nicol 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.
- Katungul has long been a vocal critic of the Department, maintaining it was unable to provide the appropriate level of services in the region because it was underfunded.
- The Department has consequently written to Katungul seeking advice on the question of solvency and on the other issues which are considered to reflect poorly on the Board's governance capacity and financial management and asking for advice as to why Katungul should continue to be funded.
- Katungul were advised that no further funds would be released unless the Katungul Board agreed to the appointment of a Funds Administrator and to the Commonwealth determining the functions of the Funds Administrator. The Board agreed to this action 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 is the mandatory signatory, ensure Commonwealth funds are only used for the provision of health services, cease and suspend credit cards and ensure overdue staff salaries are paid.
- The Department released one month's funding on 31 October, and a further one month payment on 22 November 2011. Subsequent releases will depend on the response provided by Katungul to the Show Cause Notice.