
New South Wales Aboriginal Land Council

AUDIT OPINION

The audit of the Council's financial report for the year ended 30 June 2007 resulted in an unqualified Independent Auditor's Report.

KEY ISSUES

Audit Reports of Local Aboriginal Land Councils (LALCs) (Repeat Issue)

For the purposes of financial reporting, each LALC is a separate entity. A number of LALCs have failed to comply with the reporting requirements of the *Aboriginal Land Rights Act 1983* (the Act). Although the Council has used its statutory powers to improve internal control and reporting requirements for example, by ceasing annual funding of LALCs, further improvements are required. The Council has advised that reforms of LALC compliance provisions have been addressed by the *Aboriginal Land Rights Amendment Act 2006*. This Act, assented to on 4 December 2006, made amendments with respect to the constitution, functions and governance of Aboriginal Land Councils, the provision of community benefits by those Councils and investment by, and business enterprises, of those councils. This Act abolished Regional Aboriginal Land Councils effective from 7 February 2007.

Council determined the LALCs' 2006-07 funding based on the audit results of the LALCs' 2005-06 financial reports. An analysis of audit results shows:

Year ended 30 June	2003	2004	2005	2006
Satisfactory	78	90	93	90
Unsatisfactory	23	19	10	7
Disclaimer	7	--	--	--
Not received	13	12	18	24
Total	121	121	121	121

While the table shows steady performance, 26 per cent of Council's financial reports (23 per cent in 2004-05) were unsatisfactory or not received for the year ended 30 June 2006.

There were five LALCs under administration at 30 June 2007 (11 at 30 June 2006). The reasons for appointment of Administrators vary and include failure to comply with statutory reporting requirements, possible disposal of land without proper approval, possible fraudulent activity and unsatisfactory audit reports.

Council Elections

The Minister for Aboriginal Affairs appointed an Administrator to oversee the operations of the Council from 20 November 2003. The initial term was for 12 months but after three extensions it expired in May 2007.

Elections for a new Council were held on 19 May 2007. The nine elected members representing each of the nine regions met for the first time on 30 May 2007.

OTHER INFORMATION

We identified areas for the Council to improve its internal controls in relation to:

- updating of policies and procedures
- system master file changes.

The Council's response was generally favourable and the Council has advised that many of our recommendations have either been or are in the process of being implemented.

Debts of Local Aboriginal Land Councils (Repeat Issue)

The Council is carrying loans to LALCs as advances for rates and special purposes. At 30 June 2007 the total LALC debt increased by \$1.1 million (\$3.1 million in 2005-06) to \$12.1 million (\$11.0 million).

Of this, \$7.8 million (\$5.4 million) has been provided as doubtful debts. Worimi Local Aboriginal Land Council is the largest debtor resulting from Administrator's costs and legal expenses, \$1.9 million.

The Council has negotiated agreements with some LALCs to assign a proportion of their annual funding towards debt repayment or to sell property to cover the cost of the debt. Of the LALCs with outstanding rate debts, Council's policy is to deduct 30 per cent or more of the debt from their annual budget allocation. In some cases this deduction would be more than the total funding amount for the year.

The Council has difficulty in controlling the amount advanced to LALCs in respect of outstanding rates. In terms of section 44A of the Act the Council must pay the appropriate rating authorities, within 30 days after receipt of a notice from them, rates owed to them by LALCs that have been outstanding for greater than 12 months.

Rural Properties

The Council engaged Riverina F.A.R.M. Pty Limited (and Riverina Farm Services Pty Ltd as sub-manager) late in 2004 to manage the Council's rural properties.

The rural properties managed by Riverina F.A.R.M. are:

Name of Property	Location	Size (ha)
Appin Station	Menindee	31,704
Barooga-Karrai	Euabalong	9,890
Calooma/Nulty Springs	Bourke	35,609
Kaituna-Uno	Coonamble	5,184
Total		82,387

Source: NSW Aboriginal Land Council Annual Report 2005-06.

Under Riverina F.A.R.M.'s management, losses from rural properties in 2006-07 were \$806,000 (\$714,000). Losses incurred by Council's rural properties under these management arrangements have totalled \$2.3 million.

Management of Head Office Building

The building at 33 Argyle Street Parramatta is a major asset of the Council. It was purchased in December 1992 at a cost of \$9.8 million and was valued at 30 June 2007 at \$16.6 million (\$15.5 million).

Rental income from the premises was \$1.1 million (\$1.1 million). This represents a return on investment of 6.6 per cent (6.9 per cent).

FINANCIAL INFORMATION

Abridged Income Statement

Year ended 30 June	2007 \$'000	2006 \$'000
Interest and investment income	67,535	71,057
Net increment on investment revaluation	22,449	4,023
Other income	2,447	2,934
TOTAL INCOME	92,431	78,014
Employee expenses	7,292	7,335
Funding of regional and local Aboriginal Land Councils	11,162	10,128
Other expenses	12,903	11,938
TOTAL EXPENDITURE	31,357	29,401
SURPLUS	61,074	48,613

The Council transferred \$28.0 million (\$25.2 million) from its Investment Account to meet its administrative costs and program funding. Of this amount, \$11.2 million (\$10.1 million) was used to fund regional and local land councils, mainly through standard allocations of \$114,000.

Investment Portfolio

The Council has largely retained the investment strategy adopted in 1998-99 following the cessation of land tax funding. The strategy is mainly achieved by placing funds with a fund manager to obtain capital growth over the long-term and provide funds for the Council's operations.

Average earnings during the period were 14.5 per cent (13.1 per cent). Investment income for the last five years is summarised below:

Year	Opening Balance \$'000	Closing Balance \$'000	Net Income \$'000	Average Fund Balance* \$'000	Average Earning %
2007	637,703	698,919	90,609	623,006	14.54
2006	587,822	637,703	75,540	574,992	13.14
2005	538,002	587,822	67,506	529,159	12.76
2004	509,365	538,002	35,638	505,865	7.04
2003**	487,860	509,365	28,624	484,301	7.88

* Excluding current year net income.

** 9 month period.

Abridged Balance Sheet

At 30 June	2007 \$'000	2006 \$'000
Current assets	685,764	626,717
Non-current assets	38,492	32,323
TOTAL ASSETS	724,256	659,040
Current liabilities	3,304	3,576
Non-current liabilities	127	67
TOTAL LIABILITIES	3,431	3,643
NET ASSETS	720,825	655,397

Total assets increased by \$65.2 million (\$48.8 million) primarily due to the favourable performance of the Council's investment portfolio. The best performing investments were units in Managed Australian Equities which had a balance of \$179 million (\$183 million). Return for the year was 27.1 per cent (22.9 per cent).

COUNCIL ACTIVITIES

The Council was constituted under the *Aboriginal Land Rights Act 1983*. It comprises nine members, each elected by registered members of the Local Aboriginal Land Councils (LALCs) within the nine regions of New South Wales.

The Council:

- administers the New South Wales Aboriginal Land Council Account and the Mining Royalties Account (established under the Act)
- grants funds for the payment of the administrative costs and expenses of LALCs
- acquires land on its own behalf or on behalf of or to be vested in a LALC
- determines and approves the terms and conditions of agreements proposed by LALCs allowing mining or mineral exploration of Aboriginal land
- makes claims to Crown lands, either on its own behalf or, if requested by a LALC, on behalf of that LALC
- manages the affairs of a LALC, with the agreement of that LALC
- makes grants or lends money to, or invests money for or on behalf of Aborigines
- advises the Minister on matters relating to Aboriginal land rights.

For further information on the Council, refer to www.alc.org.au.