



Australian Government
Aboriginal Hostels Limited



Mrs Lucy Wicks MP
Chair
Joint Committee of Public Accounts and Audit
PO Box 6021
Parliament House
Canberra ACT 2600

By email: jcpaa@aph.gov.au

Dear Chair

Submission: Inquiry into the Commonwealth Financial Statements 2019-20

Thank you for the invitation to make a submission to the Inquiry into the Commonwealth Financial Statements 2019-20.

As noted in the Auditor-General's Report No. 25 (2020-21) *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2020*, the Australian National Audit Office (ANAO) made a significant audit finding in its audit of Aboriginal Hostels Limited (AHL's) financial statements.

The significant finding related to the governance arrangements of the Board in addition to human resources and procurement deficiencies.

The ANAO identified that key processes required by the AHL Constitution were not followed in regards to the termination of the previous Chief Executive Officer (CEO) and the appointment of a new CEO. The ANAO also identified an absence of appropriate controls surrounding a number of procurements and a lack of evidence of conflict of interest declarations. Issues were also identified in relation to the engagement of non-ongoing staff through processes that did not involve bringing the vacancies to the attention of the community in circumstances where there appears to be an ongoing need for particular roles.

The ANAO recommended that AHL implement an improved governance framework, human resources policies and procurement policies to address the issues identified.

As acknowledged by the ANAO there was significant turnover in senior executive and key staff in 2019-20, including the Company Secretary role being unfilled for over 6 months. This turnover, combined with key positions being unfilled for extended periods was a significant contributor to these breakdowns in internal control and corporate governance.

The Board acknowledges the past deficiencies in AHL's internal controls and corporate governance arrangements as identified in the audit finding and is committed to rigorous and robust corporate governance. The circumstances surrounding the deficiencies in the internal controls and corporate governance were also reviewed and the Board was reassured that no evidence of fraud or malicious wrongdoing was identified.

National Office • PO Box 30, WODEN ACT 2606 • 02 6212 2001 • www.ahl.gov.au



P.R.O.U.D.

WE ARE... PROFESSIONAL RESPECTFUL OPEN UNDERSTANDING DEDICATED

The Board, supported by the Audit, Risk and Finance Committee has worked closely with management to address the issues raised in the finding, including the development of a comprehensive action plan. In this respect, reviews have been completed of: the AHL Constitution and delegations, the Board Charter, the Company Governance Framework, recruitment policies as well as delegations and the procurement framework.

This work was recently acknowledged by ANAO as part of the 2020-21 financial statements interim audit, where they tested measures put in place by management to address the weaknesses in corporate governance. In doing so, ANAO gained assurance that the measures were appropriately designed and effectively implemented. As a result, they downgraded the significant finding (Category A) to a low risk finding (Category C). We are pleased with this result and will continue to focus on strong corporate governance.

Should you wish to discuss this submission I can be contacted on [REDACTED] or via email on [REDACTED]

Yours sincerely

[REDACTED]

Dave Chalmers AO CSC
Chief Executive Officer
13 August 2021