

The scandal that changed the sector: a whistleblower revisits a misuse of Australian aid grants in the 1990s

Bernard Broughton

Abstract

CARE Australia was exposed in 1995 for financial misconduct in its use of Australian aid grants and public donations. This paper is a first-person account of the events behind that exposure, written from the perspective of the whistleblower. As CARE's Director of Emergency Relief, I found evidence in 1990 that budgets and acquittals for AusAID-funded food aid projects in southern Africa were being overstated, and in January 1991 I put allegations involving some \$1.25 million to CARE's board — and was threatened, then blacklisted, for doing so. Drawing on the contemporaneous record — the findings of the Australian National Audit Office and of auditors BDO Nelson Parkhill, the parliamentary record, press reporting and internal documents — the paper traces the course of the affair: the board's failure to investigate, AusAID's reluctance to inquire into an NGO chaired by a former Prime Minister, the audits that confirmed budget "massaging" and more than \$1 million in accumulated surpluses, and the television exposé that finally forced action. Yet the direct consequences for CARE were slight: some \$238,000 repaid, and no charges laid. The affair became the catalyst for the aid sector's 1997 Code of Conduct, whose signing became a condition of government accreditation. The paper concludes that the ingredients of the CARE affair — cynicism, opportunity and strong disincentives to unearthing wrongdoing — cannot be assumed to be absent from today's aid sector, and argues for more active fraud detection and greater transparency about fraud discovered.

The events described here are three decades old. Today's CARE Australia is a respected and trusted NGO, and nothing in this paper should be read as a reflection on the organisation as it now is.

The scandal that changed the sector: a whistleblower revisits a misuse of Australian aid grants in the 1990s

Bernard Broughton

Bernard Broughton was Director of Emergency Relief at CARE Australia from 1989 to 1990. For the past 30 years he has worked as an independent evaluator of development and humanitarian programs. He is now retired.

Broughton, B. 2026. The scandal that changed the sector: a whistleblower revisits a misuse of Australian aid grants in the 1990s, *Development Policy Centre Report*, Crawford School of Public Policy, The Australian National University, Canberra.

Please send any comments to bernardbroughton@gmail.com.

Acknowledgements

I am grateful to Robin Davies, who edited this report, and to a peer reviewer. Responsibility for the content, including any errors, rests with me alone.

The Development Policy Centre is a research unit at the Crawford School of Public Policy, The Australian National University. Its publications are intended to facilitate academic and policy discussion. Use and dissemination of this report is encouraged; however, reproduced copies may not be used for commercial purposes.

For more information on the Development Policy Centre, visit crawford.anu.edu.au/devpolicy

The scandal that changed the sector: a whistleblower revisits a misuse of Australian aid grants in the 1990s

Introduction

This is an historical piece that describes a chain of events that played out in the 1990s: allegations of fraud, then a weak response, audits, a TV exposé and, finally, a code of conduct. It is written from the perspective of an employee and then reluctant whistleblower. I am sharing it for the record and to suggest that there are ongoing vulnerabilities in the aid sector. The key player in this story — CARE Australia — is now a respected and trusted non-government organisation (NGO). It would be wrong for these reflections to be used against today's CARE Australia.

This paper also provides context to the 1997 Code of Conduct. ACFID¹ previously had a Code of Ethics for members, but several NGOs, including CARE, were not members and when CARE was publicly exposed for financial misconduct in 1995 it ignited calls in the press for a federal code of conduct covering all NGOs. After a period of consultation, government accepted self-regulation. Crucially, government made signing the new code a condition for accreditation by the Department of Foreign Affairs and Trade (DFAT), and thus government funding. CARE joined ACFID and signed the new code when it was finalised in 1997. A Code of Conduct Committee was also formed, responsible for monitoring adherence to the minimum standards necessary for each signatory to maintain its compliance with the code.

The affair itself has left little trace in the published history of the sector. Patrick Kilby's history of ACFID mentions it only in passing, as the trigger for the development of the Code of Conduct, and says nothing of the substance or outcome of the allegations.² Works concerned with the future of the NGO sector give the risk of financial wrongdoing similarly little attention.³ This paper is intended to fill part of that gap.

What did CARE do exactly all those years ago?

CARE Australia was established in 1987 and from the outset a substantial proportion of the funds raised as grants and donations was used to cover its costs. Whether CARE's leadership wanted to recognise it or not, this involved what I believe amounted to fraud on the Commonwealth and a breach of trust with the public. As CARE's leadership saw it, the ends justified the means — the ends being to establish CARE as a major NGO in Australia.

It might seem surprising that this could survive CARE's own annual audits. It did not entirely. Overstated budgets meant that actual costs came in below the grant funds received, and the difference accumulated in CARE's accounts as unexpended fund balances — visible to management, the Board and CARE's auditors, who in fact drew

¹ Australian Council for International Development (from 2004). Formerly the Australian Council for Overseas Aid (ACFOA).

² *NGOs and Political Change: A History of the Australian Council for International Development*, Patrick Kilby, ANU Press, 2015, chapter 8.

³ See, for example, *The Change Imperative: Creating the Next Generation NGO*, Paul Ronalds, Kumarian Press, 2010.

attention to them. But the auditor could not see from the financial statements what the organisation had told its funder in financial acquittal statements — those certified to AusAID that grant funds had been fully expended. As later parts of this paper show, it was in those certifications that the misconduct lay — and AusAID for its part declined to inspect CARE's books.

How did the Government respond?

Neither AusAID⁴ nor the relevant Minister was motivated to conduct a thorough investigation into the specific allegations of fraud I made.⁵ CARE was not just any NGO — it was chaired by a former Prime Minister, Malcolm Fraser, and it had the Governor-General and the federal president of the Australian Labor Party as its patrons. And CARE had been favoured by government, receiving substantial funding. It would have been hard admitting that CARE had exploited weak oversight, and hard to deal with the fallout.

After I took my allegations to the Australian National Audit Office (ANAO), AusAID made more concerted inquiries, identifying in excess of \$440,000 that CARE had not spent for approved purposes. But AusAID did not make this public and allowed CARE to offset the amount against monies provided for a new program to be administered by CARE.⁶ This pattern was repeated in 1994 when AusAID identified that CARE had accumulated over \$1 million as surplus funds from successive acquittals and allowed CARE to quietly transfer the surplus to new approved projects.⁷ Most of the transferred surpluses, drawn from grants for relief in Africa, went with AusAID's approval to programs in the former Yugoslavia.⁸

The government only finally distanced itself from CARE years later, following Channel Nine's *Sunday* program presentation of my allegations in 1995. The release of a BDO Nelson Parkhill audit commissioned by AusAID completed the rupture, reflected in Minister Bilney's "refusal to give unqualified support to either Care or its director Mr Ian Harris" and his announcement that the government was seeking legal advice.⁹

The National Director stood down in June 1995.¹⁰ Mr Fraser's angry protestations about the *Sunday* program¹¹ and his later assertion that "saving lives" came before "doing the book work"¹² didn't wash and his standing was diminished. Under new management CARE belatedly joined ACFID and signed the new Code of Conduct when it was finalised

⁴ Australian Agency for International Development (from 1995). Formerly the Australian International Development Assistance Bureau (AIDAB).

⁵ Kilby's independent history concurs: "The government was slow to respond, in part because CARE was not critical of government in the same way ACFID and other NGOs were, and because Malcolm Fraser, a former prime minister, was chair of CARE." Kilby, *NGOs and Political Change*, chapter 8.

⁶ *Auditor-General's Audit Report No. 29 1992–93*, Australian National Audit Office, May 1993, p 103, para 10.2.41, AIDAB Cash Grants – Emergency Relief; para 10.2.44, AIDAB Use of Surplus Funds.

⁷ *Report to AusAID on the follow-up audit of CARE Australia*, BDO Nelson Parkhill, 9 May 1995, p 48.

⁸ *Ibid.*, para 13.11, p 49. Russell Rollason protested the redirection of funds allocated for Africa in correspondence with Minister Bilney of 2 June 1995; Bilney's reply of 31 July 1995 defended the reallocation as "the best available option for supporting an activity in a crisis situation at the time". Copies held by the author.

⁹ "Care must lift game to retain aid: Bilney", *The Australian*, 12 May 1995.

¹⁰ "CARE director quits", *The Sydney Morning Herald*, 2 June 1995.

¹¹ "Fraser on the attack over CARE allegations", *The Sydney Morning Herald*, 27 February 1995.

¹² "CARE finances under fire in auditor's report", *Australian Financial Review*, 12 May 1995.

in 1997. Mr Fraser remained chair of CARE Australia until 2002 when former Governor-General Sir William Deane succeeded him, having also served as president of CARE International from 1990 to 1995 and then as its vice-president until 1999.¹³

The various investigative processes undertaken from 1991 to 1995, and the findings and the (limited) consequences, are summarised in the Attachment.

So isn't this just history?

The CARE saga demonstrated that the three key ingredients for financial misconduct are cynicism, opportunity and a strong disincentive to unearthing it. I believe the sector remains vulnerable to cynicism because its legitimacy rests so much on trust.

Opportunity is still there because it remains very difficult to follow the money in disaster and humanitarian response settings. And there are still disincentives to exposing serious financial wrongdoing, inhibiting government, managing contractors and NGOs alike, commonly where it reflects poorly on them for not preventing it or acknowledging it earlier.

My background

I studied law and worked briefly as a solicitor in Sydney. In early 1984 I went to Ethiopia to volunteer to assist the famine response. I later worked in Uganda and Somalia for OXFAM Great Britain. By 1989 I was keen to return home and accepted a job offer from CARE Australia. I started in June 1989 and lasted 19 months. After becoming a whistleblower in January 1991 I couldn't get work in Australia with another NGO and went back overseas, working for the Red Cross in Cambodia and then OXFAM Great Britain in southern Sudan. For the past 30 years I have worked independently as an evaluator.

Part 1: Director of Emergency Relief, CARE Australia 1989–1990

Sidelined for seeking information and expressing concerns about CARE's financial practices

I was naïve when I joined CARE but came to understand that from its inception CARE's leadership had been massaging humanitarian response grant budgets and acquittals to generate and accumulate surpluses to help pay for overheads including in-Australia costs.

Surprisingly CARE rationalised that these practices were necessary and defensible in the early years, and that the government *should* bear the internal costs of CARE establishing itself as a major NGO in Australia. When I left CARE Mr Fraser rang me and sought to characterise the process of submitting grant proposals to AusAID as competitive tendering. He later repeated this argument in a letter to the Acting Director General of AusAID.¹⁴ This was disingenuous because he must have known that grants from AusAID were all subject to standard government financial acquittal rules.

CARE also appeared to be retaining for its own use a large proportion of money raised from the public; a far higher proportion than I could have imagined when I was still with CARE. An internal audit for 1991 carried out for CARE by Ernst & Young was reported by ACFID's Executive Director Russell Rollason, in correspondence with Minister Bilney, as

¹³ "Malcolm Fraser: after office", National Archives of Australia, naa.gov.au.

¹⁴ *Report to AusAID*, BDO Nelson Parkhill, p 91.

showing that *none* of the funds raised from public appeals that year were sent to assist those in need overseas.¹⁵

I was made to understand when I started at CARE that more needed to be done to cover CARE's costs. I wrote an internal memo suggesting that we approach AusAID proposing essentially that they allow a 2% overhead on relief projects for in-Australia costs. But I was not asked to flesh out the idea. I subsequently wrote an internal memo presenting other options, e.g. a "delivery costs" budget line which combined relevant in-country and in-Australia costs (including my monitoring). But again, no feedback, and I was excluded from Program Committee meetings where these matters were discussed.

Over time I heard worrying things in the office about "margins" being made on projects and about public donations not being sent overseas. I was never given access to CARE's financial accounting system and couldn't check. I was sidelined when I inquired further. Then there was a restructure, and an adviser was interposed between me and the National Director. The adviser had previously worked for AusAID, heading a section. I was periodically removed from the office, ostensibly to earn money for CARE by consulting for AusAID. But I was still expected to sign grant proposals, which I did while voicing my concerns that I was unable to verify budgeted costs for myself.

In June 1990 I prepared financial accounts for the Emergencies Unit that made plain what funds remained unexpended against each project; I understand they were never presented to the Program Committee. And in October 1990, before preparing the third Mozambique budget as instructed, I wrote to Mr Harris formally recording my concerns about the organisation's financial practices and asking that they be conveyed to CARE's Treasurer.¹⁶

Many years later, part of an internal CARE Australia financing paper, prepared in 1990 while I was still employed there, came into my possession.¹⁷ I understand it to be authentic. The page described food aid and emergency work as the principal generator of surplus income within CARE Australia, and stressed its importance in financing the establishment of new CARE offices. It proposed, as a general rule, that projects should not be endorsed unless they returned a margin of 35% of project value — while acknowledging in the same breath that the accepted norm for food aid consignments, and the margin allowed to comparable agencies, was 8% plus direct cost recovery, and that returns above that level were in the nature of trading profits and were not to be regarded as normal.

The same paper recorded margins on the five southern African food aid projects totalling \$853,400: \$208,000 and \$332,000 on the first two Mozambique projects, \$182,500 on the first Angola project, and \$5,900 and \$125,000 respectively on the third Mozambique project and a second Angola project — the latter two presumably

¹⁵ Correspondence from Russell Rollason to Minister Bilney, 2 June 1995. In later correspondence with the Treasurer (14 December 1995), Rollason quoted the Ernst & Young report directly: "We do not believe it is appropriate to apply all donations received to administration, particularly when the campaign suggests otherwise." CARE, for its part, told BDO that Ernst & Young had continued to examine the treatment of donations in later years and, in light of CARE's explanations, regarded it as reasonable: *Report to AusAID*, BDO Nelson Parkhill, Summary of Material Allegations Made in the Sunday Program, pp 101–102.

¹⁶ Letter from the author to the members of the Board of CARE Australia, 7 January 1991; copy held by the author. Cited hereafter as "Letter to the Board".

¹⁷ Part of an internal CARE Australia financing paper, 1990; copy held by the author.

projections, since the projects proceeded in 1991. In one case the margin recorded amounted to more than 40% of the project's value.

What I learned concretely on visits to Zimbabwe, Mozambique, Angola and Sudan

Things came to a head in mid-1990 on an extensive monitoring mission to Africa when I got evidence that CARE was overstating costs.

CARE had been contracting a Harare-based procurement and freight company¹⁸ to procure maize from the Zimbabwe Grain Marketing Board and to arrange its onward transportation (by rail, road and/or coastal shipping as appropriate) to Inhambane Province in central Mozambique for distribution by CARE USA and to Cunene Province in southern Angola for distribution by CARE Canada.

I discovered that maize prices and regional transport rates were published every Thursday in the *Harare Herald*. The prices quoted were well below what we had budgeted. For example, CARE's budget to AusAID for the 1990 Angola food aid grant included US\$150 per tonne for the price of maize and US\$295 per tonne for transport, whereas the costs quoted in the *Harare Herald* were US\$130 and US\$200 respectively. As I put it to the Board in January 1991: "I thought we could contract for US\$130 and US\$200 respectively. This proved to be the case."¹⁹ CARE stated to BDO that the maize price paid was US\$120 per tonne (rather than the US\$150 budgeted).²⁰ On BDO's reconciliation of the Angola acquittal, transport was budgeted, in Australian dollar terms, at \$896,775 against actual expenditure of \$615,107.²¹

I telexed Mr Harris in Canberra suggesting we were being defrauded by our contractor in Harare but I was advised there was nothing wrong with the pricing. I met privately with my working-level contact in the company, who acknowledged that there was a substantial difference between the prices specified in our approved budget and those quoted in the *Harare Herald*. He told me that it was CARE, not the contractor, that was making the margin (not that AusAID ever asked to see CARE's contract with the company). To use up some of the apparent margin CARE had extracted I unilaterally purchased 200 extra tonnes of maize for Angola. In May 1990 I telexed Mr Harris from Angola asking whether we could buy further grain with the surplus; he said we could not.²²

I then travelled overland to Inhambane in central Mozambique to meet a coastal shipment I thought CARE Australia had paid for (we hadn't; it looked like the UN World Food Programme had paid), then to Luanda to discuss relief programming with the CARE (USA) Country Director and then via Namibia to Cunene in southern Angola, where the military exerted control over relief distributions and we were in over our heads. Arriving in Luanda I was told by the CARE (Canada) Country Director that he had been instructed by CARE Australia to sack me — he did not say what for — but he said he had refused to do so.

¹⁸ The company is not named here and has had no opportunity to respond.

¹⁹ Letter to the Board.

²⁰ *Ibid.*, Appendix G, Summary of Material Allegations Made in the Network Nine Sunday Program.

²¹ *Report to AusAID*, BDO Nelson Parkhill, Appendix E, Angola – Variances Between Budget and Acquittal, p 97.

²² Letter to the Board.

Finally, I flew to Khartoum where I was invited to meet a visiting CARE USA executive at the American Club on a Sunday. I tried to gently raise my concerns about budgeted costs for a health project we were funding. He raised his hand to stop me and led me across the lawn into the children's shallow end of the swimming pool where we could not be heard. He told me: "You seem to be nice guy Bernard — keep out of it".

After travelling to several other countries in Africa and South Asia for CARE I got back to Australia in late December 1990 to find my position, Director of Emergency Relief, had been abolished and I no longer had a job.²³

Part 2: Did the CARE Board fulfil its governance responsibilities?

Reactions to my allegations

I wrote to the Board on 7 January 1991 with the subject line "The Financial Propriety of Care Australia".²⁴ I explained why I was no longer employed by CARE, the concerns I had raised, and the danger I believed CARE was in. The letter closed with an appeal to the Board on "the issue of honouring the trust placed in all of us by thousands of Australians to ensure that aid reaches those less fortunate than ourselves — those whose starving faces are used by CARE Australia to raise the money discussed in this letter".

Most specifically I alleged that CARE had received grant money from AusAID that exceeded actual requirements for the transportation of relief maize ex Zimbabwe. The amounts itemised below relate to transport costs alone; they do not include the separate overstatement of maize purchase prices, which I also alleged:

- More than \$200,000 above requirements in December 1988 for the transportation via Beira Port to Inhambane (Mozambique project 1)²⁵
- \$464,000 above requirements in March 1990 also for transportation to Inhambane including \$293,000 overstated on rail freight and \$171,000 sought for coastal shipping which CARE knew would be covered by CARE USA (Mozambique project 2)²⁶
- More than \$300,000 in April 1990 for transportation via Namibia's Caprivi Strip to Cunene (Angola project 1)

²³ Memorandum from Ian Harris to the author, 21 December 1990, headed "Your Redundancy". The position abolished was by then titled Disaster and Emergencies Coordinator, following the restructure described in Part 1. The memo cited "the need to trim staff to fit into the downturn in budget allocations and receipts"; I finished that day, with payments dated from 1 January 1991. Copy held by the author.

²⁴ Letter to the Board. The letter is the source for the itemised amounts below.

²⁵ The acquittal in fact split the tonnage: 5,000 tonnes were delivered to Inhambane and 3,260 tonnes to Sofala Province, which is much closer to Beira port — yet ground transport was acquitted at the same rate of \$42.304 per tonne for both destinations: *Report to AusAID*, BDO Nelson Parkhill, Appendix C, p 92. In early 1990 I proposed to Mr Harris that we notify AusAID of the savings and seek approval to commit them to warehousing needed in Inhambane Province; this was dismissed, and I was informed the amount would be carried forward: Letter to the Board, 7 January 1991.

²⁶ The letter's typed date is March 1989, which must be a typographical error: I did not join CARE until mid-1989, and the letter describes me arguing against this budget as it was being prepared. The letter also recorded that CARE Mozambique had subsequently sought a contribution of \$120,000 towards re-routing part of the consignment, which I understood had been granted, and that even allowing for this, over \$300,000 remained unspent on the project.

- About \$300,000 above requirements, on my estimate at the time, in the budget I was instructed to prepare in October 1990 for a third consignment on the same cost structure (Mozambique project 3)²⁷

The letter itemised more than \$960,000 of transport surpluses across the first three projects and noted that a fourth budget was in preparation on the same cost structure — which would have carried the total towards \$1.25 million. Even setting Mozambique 3 aside, the surpluses I identified amounted to about a third of the \$2.9 million AusAID had granted for those three projects (\$670,000, \$764,000 and \$1.5 million respectively).

As I have mentioned, Mr Fraser rang me at home in Canberra and sought to justify the “savings”, saying if you win a building contract you are entitled to keep the difference between budgeted and actual cost. I said this is a mischaracterisation because the grants were fully “acquittable”. At this point Mr Fraser threatened me, noting I had a young family and that he would make sure that I would never get another job in Australia if I went to the government with my allegations. Mr Fraser later acknowledged to reporters that we had a tough conversation and that he had warned me that attacking CARE would disadvantage my employment prospects with other agencies.²⁸ It did.

Shortly after hearing from Mr Fraser I received a letter from CARE Board member Clyde Cameron saying that he respected what I had done, referring to my letter. He reportedly wrote to Fraser on 7 February about my allegations saying all cards needed to be put on the table for AusAID and Board members.²⁹ Publicly he reportedly said that he had warned Fraser years before that they could face a public scandal, and he called for the sacking of the National Director, Ian Harris.³⁰ Mr Cameron resigned in October 1991 citing the “extravagant salaries and perks” paid to CARE officials in Australia.³¹

No other member of the Board contacted me. I tried to meet CARE’s Treasurer in his Canberra office, but he declined to speak to me. There was a reason staff did not go to the Board directly: as I recorded in the letter, Mr Harris had made it clear that any attempt by staff to contact Board members would be considered disloyal and grounds for dismissal.³²

Did the CARE Australia Board or the CARE International Board commission an investigation?

The CARE Australia Board should have commissioned an investigation, but Fraser was presumably against it and there might not have been a consensus amongst Board members about the credibility of my allegations. If there ever was an investigation, BDO Nelson Parkhill made no mention of it. Questions could also be asked about the actions of the Board of CARE International, which Mr Fraser also chaired. Tensions did develop

²⁷ I am no longer confident in my figure for Mozambique 3. I had expected we would transport maize from Zimbabwe. I now know that it was decided, after I left CARE, to supply Australian-sourced grain, with the project as contracted on 7 June 1991 confined to receiving, warehousing and distributing that grain in Mozambique. Of the \$211,600 ultimately granted, \$204,774 was identified as surplus in 1994: *Report to AusAID*, BDO Nelson Parkhill, pp 32, 48–49, 102.

²⁸ “Care agency under suspicion”, *The Age*, 27 February 1995, p 1; “Aid group slammed on funds”, *The Newcastle Herald*, 27 February 1995, p 1.

²⁹ “Charity in funds furore”, *The Adelaide Advertiser*, 27 February 1995, p 2.

³⁰ *Ibid.*; and “Fraser defends aid group”, *Courier Mail*, 27 February 1995, p 3.

³¹ “Ex-PM’s role in re-shaping CARE”, *Herald Sun*, 27 February 1995, p 4. Cameron’s 1991 resignation and his complaint about salaries and perks is referenced in Kilby, *NGOs and Political Change*, chapter 8.

³² Letter to the Board.

among CARE International members, with some calls for CARE Australia to cease representing CARE International in certain countries.³³ To add to the turmoil CARE Canada was concurrently experiencing a fraud-related crisis, similar in uncanny respects to CARE Australia's, which culminated in a Canadian Broadcasting Corporation exposé on 30 May 1995.³⁴

Part 3: AusAID was averse to genuinely investigating CARE

Meeting with the Refugees and Disaster Coordination (RDC) section

I had developed a good working relationship with AusAID's RDC section and went to see them on 3 January 1991. The section head expressed concern at my leaving. I said CARE had been defrauding them and AusAID should initiate an audit. To lower the risk of Mr Fraser heading off an audit I suggested they audit all major NGOs on their recent relief grants. The official was non-committal but said they had been concerned about CARE's reporting, and that I had confirmed their worst fears. I learned later that the reluctance to audit CARE came from much higher up in AusAID.³⁵

Meeting with the Assistant Director General, Community, Emergency and Refugee Programs, and the AFP

Later in January I received a letter from AusAID asking me to come for a meeting together with the files and evidence I had in my possession. The letter implied legal action could be taken for unfounded allegations. I was wary and attended empty-handed saying that whatever evidence I had would be discoverable at audit. (My recollection is that I made extensive notes but did not take CARE files.)

At the end of January AusAID formally informed CARE of my allegations, requesting a written response. AusAID also contacted the Australian Federal Police (AFP), who asked me to come in for interview. I attended twice, detailing my allegations.

In late February AusAID informed CARE and the relevant Minister, then Neal Blewett,³⁶ that it was satisfied with CARE's handling of funds acquitted to date, even though AusAID had not taken the opportunity to inspect CARE's files and accounts. The ANAO later said AusAID "should have been more assiduous in its inquiries".³⁷

ACFID didn't look the other way

I tried to discuss my dilemma about what to do next with my opposite numbers in other NGOs, but they were wary of engaging. ACFID's Executive Director Russell Rollason and Christine Vincent were willing to listen however, for which I remain grateful. Russell advised me as best he could. Soon after leaving ACFID, he wrote about the CARE Australia case to Minister Bilney, the Attorney General, the Treasurer and an Assistant Commissioner of the Australian Taxation Office (in the latter two cases concerning what he saw as excessive shares of overseas aid donations being absorbed by fundraising and overheads, at odds with the conditions attached to their tax deductibility). The

³³ *Report to AusAID*, BDO Nelson Parkhill, p 109.

³⁴ Press articles and transcripts of the Canadian Broadcasting Corporation program available upon request.

³⁵ Conversation with John Holloway in 1992 (he was the Acting AusAID Director General in early 1991).

³⁶ Blewett was the Minister for Trade and Overseas Development until a reshuffle in April 1991 when Gordon Bilney was made Minister for Development Cooperation and Pacific Island Affairs.

³⁷ *Audit Report 1992-93*, ANAO, p 104, ANAO comment, para 10.2.48.

Executive Directors who succeeded Russell Rollason — Janet Hunt from early 1995 and Graham Tupper from 2000 — were also personally supportive.

AusAID belatedly identified unapproved use of over \$440,000 but continued to fund CARE anyway

The ANAO subsequently reported that in September 1991 AusAID had examined later reports provided by CARE and identified funds that had not been spent for approved purposes, and that further inquiries from October 1991 disclosed that CARE had been adding margins to meet general administrative costs unrelated to the particular proposal, and that CARE had also been redirecting portions of these savings to subsidise cost increases in parts of the original proposal that should have been met by CARE.³⁸

The ANAO reported the amounts exceeded \$440,000,³⁹ 15% of the \$2.9 million granted (for Mozambique projects 1 and 2 and Angola project 1) — the same three grants within which my letter had alleged surpluses of more than \$960,000.⁴⁰

In May 1992 Minister John Kerin agreed to allow CARE to offset most of the amount used for unapproved purposes against amounts AusAID provided for a new refugee relief program to be administered by CARE Australia.⁴¹

I don't know what prompted AusAID to resume its inquiries in September 1991 but I note that it coincided with my presenting my allegations and evidence to the ANAO.

Part 4: Investigations by ANAO and NSW Audit Office failed to prompt action

Approaching the ANAO

ACFID's Christine Vincent suggested I contact the ANAO — which turned out to be excellent advice — and gave me a number. The ANAO contact was receptive and suggested we meet privately, which we did in September 1991 in an empty carpark in Civic. I then left Australia and didn't call back until January 1993. I feared no action had been taken. But I was told my information proved spot on, that it was clear CARE Australia had been diverting funds to supplement administrative costs, and that AusAID's unwillingness to look closely into all of this "left something to be desired and we will be saying so".

The ANAO report served the purpose of putting AusAID on notice, but did not lead to action

On 4 May 1993 the Auditor-General tabled his annual audit report in Parliament, which included a short summary of findings concerning the actions AusAID had taken, and failed to take, in response to my allegations.

As I see it, the report served the primary purpose of bringing to light what AusAID had known from late 1991, i.e. that CARE had been adding margins to grants to meet general administrative costs. The findings also served the purposes of reproaching AusAID for not being "more assiduous in its inquiries in relation to the specific details of the allegations made" and making it plain that AusAID was prepared to continue funding

³⁸ *Ibid.*, p 103, AIDAB Cash Grants – Emergency Relief, para 10.2.41; AIDAB Use of Surplus Funds, para 10.2.44.

³⁹ The amounts in fact totalled \$442,575: the five corrective amounts recorded in *Report to AusAID*, BDO Nelson Parkhill, Appendix A, Background to Broughton Allegations.

⁴⁰ *Ibid.*

⁴¹ *Audit Report 1992–93*, ANAO, p 103, AIDAB Use of Surplus Funds, para 10.2.46.

CARE and allow the majority of the \$440,000 used for unapproved purposes to be “offset against monies provided for a new ... program to be administered by [CARE].”⁴²

A NSW Audit Office systems audit was conducted concurrently

I didn’t know it at the time, but the NSW Auditor-General had been investigating CARE concurrently, perhaps in collaboration with the ANAO, completing an internal report just a month after the Commonwealth Auditor-General tabled his annual report in Parliament. The NSW Auditor-General’s report was described as “internal”, presumably signifying that the findings were not shared with the NSW Parliament.

I only became aware of the NSW Audit Office report via a 1995 BDO Nelson Parkhill audit, which AusAID tasked to look into my allegations as well as to conduct:

... a follow up audit of CARE’s management, administration and accounting practices in relation to the use of Commonwealth Grants based on the internal audit report completed by the NSW Auditor General in June 1993.⁴³

The reason for the NSW Auditor-General’s involvement remains unclear. I would have thought that the use of Commonwealth Grants was the ANAO’s concern and that the NSW Audit Office would only investigate if CARE had broken state laws, including the NSW Charitable Fundraising Act 1991, or if the regulator of that Act, NSW Fair Trading, had received complaints. In any case, BDO Nelson Parkhill later found shortcomings in CARE’s reporting under the Act.

The NSW Audit Office reportedly highlighted risks including, for example, the potential for financial information to be massaged to fit approved budgets. Its comments, and BDO’s 1995 “updates” of them, are presented in Part 6 below.⁴⁴ I have found no record of any action resulting from the NSW audit, other than its contribution to the recommendations of the 1995 BDO Nelson Parkhill follow-up audit.

Part 5: Deciding to go public

Initially reluctant

A CARE board member seems to have leaked my letter because the journalist Laurie Oakes obtained a copy. He rang me in October 1991 saying he wanted to talk and then turned up at my home with a cameraman. I don’t recall what I discussed with Mr Oakes other than that I declined an interview. I was nervous and I had not considered going public but on reflection I should have, there and then.

The Mozambique warehouse theft

By May 1994 the whole CARE saga seemed to have run its course. I was then working for OXFAM Great Britain in southern Sudan. In Nairobi, an Australian Broadcasting Corporation (ABC) radio journalist told me CARE Australia was in the headlines for not reporting the theft from a warehouse in Mozambique in 1993 of a \$500,000 shipment of AusAID-funded vegetable oil.⁴⁵ On the back of that I faxed the parliamentary office of

⁴² *Ibid.*, p 103, para 10.2.44; p 104, para 10.2.48; p 104, para 10.2.46.

⁴³ *Ibid.*, Key Points, p vii, and p 16, sub-section 1.1.

⁴⁴ *Ibid.*, Massaging Budgets, p 17; Reasonableness of Overhead Allocations, p 20.

⁴⁵ “Care Australia vows to make good loss of \$500,000 food aid”, *The Age*, 21 May 1994. BDO later valued the 340 tonnes stolen at \$606,121, and recorded that AusAID was not informed of the significance of the

Minister Bilney asking if he was aware of my 1991 allegations.⁴⁶ I was surprised when I was asked through the Australian High Commission in Nairobi to fly to South Africa to meet auditors looking into the Mozambique theft. I repeated my allegations to them.

The following month, in June 1994, Bilney faxed me terms of reference for an audit to be conducted by BDO Nelson Parkhill which would investigate my allegations. This was also a surprise, and encouraging, but I had already contacted the ABC's *Four Corners*, as recommended by the ABC journalist I met earlier in Nairobi. Ross Coulthart said he was keen to do the story but subsequently asked if I would be comfortable if, following his move from the ABC to Channel Nine's *Sunday* team, he ran the story there. I agreed. Coulthart told me Kerry Packer would have no concerns about being critical of Fraser, whom he disliked.

The *Sunday* program's exposé of CARE put government and the sector on the back foot

An exposé of CARE Australia aired on Channel Nine's *Sunday* program on 26 February 1995.⁴⁷ This presented my allegations as well as those of some former CARE Australia staff who worked (after my time) in Bosnia, Cambodia, Rwanda and Kenya.⁴⁸ The major newspapers featured the story in the following days,⁴⁹ and articles kept appearing well into March.⁵⁰ Questions were raised about what happens to public donations to all NGOs.⁵¹

Other NGOs publicly distanced themselves from CARE or refused to comment.⁵² AusAID's actions came under scrutiny, it being noted that despite the earlier critical audits it had provided an additional \$6.5 million to CARE.⁵³ Fraser announced that CARE's lawyers would launch defamation proceedings against the Nine Network, but after commencing an action in the Australian Capital Territory (ACT) Supreme Court, withdrew.⁵⁴ The action had one documented effect: BDO recorded that access to the Nine Network's files and documentary evidence relating to the allegations had been denied to it "because of legal constraints consequent upon CARE's defamation proceedings in the ACT Supreme Court".⁵⁵

Meeting with AusAID Director General Philip Flood

Within days of the *Sunday* program, AusAID asked me to attend a meeting with Director General Philip Flood in Canberra on 2 March. Mr Flood told me that the audit of CARE

loss until 4 May 1994, some three months after CARE itself had been informed: *Report to AusAID*, BDO Nelson Parkhill, Finding 19, p 60.

⁴⁶ I didn't share my message to Bilney with anyone, but it was mentioned several months later in: "Who gets your aid money?", *The Bulletin*, 25 October 1994.

⁴⁷ There was a second *Sunday* program about CARE Australia some months later, in which I did not participate, which criticised the management style and business history of Mr Harris.

⁴⁸ *Report to AusAID*, BDO Nelson Parkhill, pp 105–111, Material Allegations Made in the Sunday Program.

⁴⁹ "Whistleblower denounces relief agency", *The Australian*, 27 February 1995; "Care agency under suspicion", *The Age*, 27 February 1995; "Charity in funds furore", *The Adelaide Advertiser*, 27 February 1995.

⁵⁰ "CARE allegations yet to be answered", *Australian Financial Review*, 26 May 1995.

⁵¹ "Aid issues in need of debate", *The Australian*, 27 February 1995; "Charity industry under scrutiny", *The Age*, 28 February 1995.

⁵² "Aid groups condemn Care's self-promotion", *The Australian*, 28 February 1995.

⁵³ "AusAID gave CARE \$6.5 million since audits", *The Canberra Times*, 28 February 1995.

⁵⁴ "Fraser defends aid group", *Courier Mail*, 27 February 1995.

⁵⁵ *Report to AusAID*, BDO Nelson Parkhill, paras 8.2 and 27.2.

Australia by BDO Nelson Parkhill was still in train and that it would not be prevented from finding dishonesty. He stressed that they were doing everything “assiduously” (acknowledging the ANAO’s use of that word in 1993) and wanted to give me the opportunity to say if I thought otherwise. Flood said they would not want the Auditor-General’s office to come back and criticise them. Before leaving I asked Mr Flood if I could assist BDO with its audit and I received a call from BDO a few days later.

I attended BDO Nelson Parkhill’s offices in Sydney on 8 March 1995, offering to spend some time to help them better understand what had happened. On the table were two large lever-arch files prepared by AusAID, one headed Broughton allegations 1–8, the other Broughton allegations 9–16, which was strangely unsettling.

Having been in train for nine months or so, the BDO audit report to AusAID was tabled in Parliament by Minister Bilney on 11 May 1995. BDO acknowledged but was unable to adequately address the additional allegations that had been made ten weeks earlier on the *Sunday* program.

In his accompanying media release Bilney stated:

Practices such as overstating acquittals, padding budgets and diversion of funds are totally unacceptable to the Government.⁵⁶

Part 6: The findings of the BDO Nelson Parkhill audit

BDO found that the systemic risks identified by the NSW Audit Office remained

In its first-page presentation of key points, BDO stated that “CARE has an effective control structure in place that reflects favourably on its ability to meet AusAID’s contractual requirements.”⁵⁷ Although BDO then noted they had identified a number of shortcomings (not listed), the overall impression created by BDO’s introduction is at odds with the specific findings of the report, which detailed serious ongoing risks.

The NSW Audit Office had earlier commented:

There is potential for the massaging of financial information to suit approved budgets; ... There are areas of risk where the fraudulent use of Commonwealth funds could occur, especially in regard to expenditure incurred overseas. It would be prudent for AusAID to sight documentation held overseas; ... Audit was unable to check overheads or to prove their reasonableness; ... Details of overseas expenditure is based on information faxed from the overseas mission. Supporting documentation is not requested or provided.⁵⁸

BDO’s update added:

It is difficult to validate overseas expenditures, project support costs and overheads incurred through the missions of other International CARE members without calling for or sighting original documentation; ... Reasonableness of some overheads was again difficult to substantiate; ... Exchange of letters and most contract agreements ... entitles AusAID to request, at CARE’s expense, an independent audit of each project undertaken. This option has not been taken up by AusAID.⁵⁹

⁵⁶ *CARE Audit Tabled*, Media Release, Minister for Development Cooperation and Pacific Island Affairs, 11 May 1995.

⁵⁷ *Report to AusAID*, BDO Nelson Parkhill, Key Points, p vii.

⁵⁸ *Ibid.*, Massaging Budgets, Risk of Fraudulent Use of Funds, Overheads, pp 17–19.

⁵⁹ *Ibid.*

Concerning the massaging of financial information the NSW audit commented:

The potential for NGOs to massage overhead expense transactions must mean that any expenditure line item could reflect exactly what had been initially approved in the budget.⁶⁰

BDO responded: “This situation has not changed” and added:

There is evidence that CARE has included some project overhead costs within other line items in the budget and acquittal in order to recover such costs without identifying the components of overheads as separate line items ...⁶¹

BDO found this evidence in the budgets for projects in Mozambique, Angola, Sudan, Cambodia and Bosnia.⁶²

BDO also reported finding that: “Some budgets presented to AusAID have overstated estimated costs” and as a result “surplus funds regularly exist on acquittal of projects.” In this regard BDO reported that in July 1994 CARE summarised to AusAID a cumulative amount of \$1,029,752 in surplus funds from seven previously submitted acquittals where actual costs were lower than budgeted. Of this surplus only \$1,029 was identified for return to AusAID. After submissions from CARE and approval from AusAID \$1,028,723 was transferred to new approved projects.

BDO also ventured an explanation: it believed “there was a perception that subsequent projects gained approval from AusAID more easily if surplus funds were available from prior projects” — a perception CARE told the auditors did not exist.⁶³

Considering all the findings it appears funds saved or raised by CARE’s “massaging” of budgets and acquittals over the years were variously applied to overheads, reapplied to other projects, and/or left to accumulate from project to project.

BDO could not test procurement, having not made inquiries in southern Africa

My primary allegation was that CARE Australia had defrauded the Commonwealth of over \$1.25 million (the more than \$960,000 itemised in my letter, plus my estimate for Mozambique 3) by overstating procurement costs or providing false acquittals on four food aid projects in southern Africa. Three of these projects were investigated by AusAID in 1991 (Mozambique 3 was still in train) and irregularities amounting to \$442,575 were found in CARE’s reporting. The “corrective actions” taken by AusAID included having CARE repay \$39,274 in relation to Mozambique 1, and allowing CARE to transfer to separate CARE projects:

- disallowed expenditure of \$113,100 plus surplus funds of \$170,019 in relation to Mozambique 2
- disallowed expenditure of \$26,031 plus surplus funds of \$94,151 in relation to Angola 1⁶⁴

⁶⁰ *Ibid.*, Reasonableness of Overhead Allocations, p 20.

⁶¹ *Ibid.*, p 21.

⁶² *Ibid.*, Budgeting, pp 47–53.

⁶³ *Ibid.*, pp 48–49, including paras 13.14–13.15.

⁶⁴ *Ibid.*, Appendix A, Background to Broughton Allegations, p 82. The individual amounts — \$39,274 repaid, and \$113,100, \$26,031, \$94,151 and \$170,019 transferred — sum to \$442,575, consistent with the ANAO’s “in excess of \$440,000”.

BDO did not really challenge what AusAID had, in effect, settled in 1991 but picked up on other matters including the Ernst & Young management letter that accompanied its audit of CARE to 30 June 1990. This stated that there was an unexpended fund balance of \$2,458,308, including \$208,073 of AusAID funds remaining at completion of Mozambique 1. This supported my allegation that there was an overstatement of costs of “over \$200,000” on Mozambique 1.⁶⁵ The internal CARE financing paper described in Part 1 had recorded the margin on Mozambique 1 as \$208,000 — within a hundred dollars of the figure noted by Ernst & Young in 1990.

The sequence behind that finding was set out in BDO’s Appendix C. The Ernst & Young letter was dated October 1990. The Board minuted the \$208,000 surplus on 7 November 1990 and resolved to hold it. On 21 January 1991, a fortnight after my letter, AusAID advised CARE that any funds remaining from a grant would be expected to be returned, and Mr Fraser’s reply two days later disclosed the amount as unexpended. Yet on 19 February 1991 the National Director certified an acquittal showing the entire \$670,000 grant as expended. AusAID declared itself satisfied on 27 February, and in the quarter that followed the \$208,073 was transferred to CARE’s accumulated reserves, for use at its discretion.⁶⁶

BDO also found evidence to support my allegations in relation to Angola 1, although it buried this in the annexes rather than stating it up front. BDO’s analysis showed that the cost of grain and transport had both been overstated — by some \$371,000 on BDO’s figures, against the more than \$300,000 I had alleged. In the end CARE got AusAID to accept various adjustments and allowances and the surplus formally recognised came down to \$120,182. The mechanism was an unbudgeted \$120,000, calculated as 8% of the grant and spread across the grain and transport line items — Appendix E is blunt about it, describing CARE as “concealing their inclusion in grain purchases and transportation”. CARE told AusAID the inclusion had been suggested by AusAID staff — a suggestion AusAID denied. BDO also found evidence to support my allegation that CARE overstated a health project budget in Sudan by \$30,000, an amount which CARE ultimately had to repay.⁶⁷

Taken together (AusAID’s investigation in 1991 and BDO’s audit in 1995) this amounted to adverse findings for CARE totalling \$650,648 against the amounts itemised in my January 1991 letter to the Board — just over two-thirds of the more than \$960,000 identified there — plus a further \$30,000 recovered on the Sudan budget I later raised with BDO.⁶⁸

⁶⁵ *Ibid.*, Appendix C, Mozambique Food Aid 1, p 90; Key Points, p vii; Allegations, p 3.

⁶⁶ *Ibid.*, Appendix C, pp 89–93. CARE’s response, at Appendix D, was that it had regarded the grant as in the nature of a fixed-price contract, that it had expected a bill from CARE Mozambique for coastal shipping which never came, and that it considered the matter settled by a ministerial letter of May 1991, which BDO advised covered only Angola and a later Mozambique project. Accepting this, CARE finally refunded the \$208,073 during the 1995 BDO audit.

⁶⁷ *Ibid.*, Appendix E, Angola – Variances Between Budget and Acquittal, p 97; Finding 22, pp 67–68;

Overstatement of Budget – Unacquitted project, pp 51–53. See also Broughton Allegation – Sudan, p 71.

⁶⁸ That is, the \$442,575 in irregularities identified by AusAID in 1991 plus BDO’s finding of the withheld \$208,073 surplus on Mozambique 1. The \$120,182 shown as the final “difference” in Appendix E of the BDO report is the \$26,031 plus the \$94,151 already included in the \$442,575, and is therefore not an additional adverse finding.

The evidentiary shortcoming on BDO's part was not getting access to procurement documents and determining actual market rates for transport for the Mozambique projects. BDO believed CARE Australia did not have the documents (unlikely) and that they would only be available at CARE missions. Notwithstanding this, BDO deemed travel to southern Africa unnecessary. This left BDO stating: "BDO is unable to conclude whether CARE has complied with the procurement requirements [of grant agreements]".⁶⁹ I don't know if BDO considered travelling to Africa or sub-contracting a regional affiliate to do the legwork or seeking help from AusAID officers posted to Africa. Perhaps BDO was disinclined to push AusAID in this direction; perhaps AusAID would not have agreed had BDO asked.

CARE was not transparent with the public about its use of their donations

I had alleged that CARE sometimes retained public donations and BDO acknowledged that "CARE appears to have on occasion not applied public donations, for various reasons, to projects in accordance with fundraising campaigns". For example, BDO examined CARE's database and found that none of the \$354,065 raised for Sudan and Cambodia in 1992 was allocated to these countries and none of the \$434,958 raised in the 1994 World Food Day appeal was allocated to country programs.⁷⁰

There was no hard and fast rule about what proportion of funds raised from the public should be committed to a specified purpose. This was, and still is, a grey area. But transparency was required and BDO found that CARE had not met fully all reporting requirements under the NSW Charitable Fundraising Act 1991, having not attached to successive annual reports "a statement of income and expenditure of all fundraising appeals conducted" and a "description on the manner by which the net surplus or deficit obtained from fundraising appeals was applied".⁷¹

Limited financial and no legal consequences for CARE

The direct financial consequences of the BDO audit were limited: CARE only had to repay the amount overstated on the acquittal of Mozambique 1 (\$208,073) and the amount overstated on the Sudan health project budget (\$30,000). Set against the more than \$1.25 million I had alleged was overstated across four southern African food aid projects in 1991, and the \$1,029,752 in accumulated surpluses AusAID itself had identified in 1994, the total recovered by government was some \$238,000.

BDO recommended that AusAID should "take further advice, including legal" in relation to the Mozambique and Sudan overstatements.⁷² Minister Bilney told Parliament he would, and the Attorney-General later advised Bilney to refer the matter to the Director of Public Prosecutions (DPP), which he did later in May 1995.⁷³ But no charges were laid. Nor was the legal advice ever made public. In January 1996 Bilney was still telling Russell Rollason that the DPP had yet to report, while defending the restoration of CARE's eligibility for new funding as consistent with "the presumption of innocence";

⁶⁹ *Ibid.*, p 7, sub-section 8.3; p 43, sub-section 10.4.

⁷⁰ *Ibid.*, Key Points, p vii; Public Donations, p 5; section 25, Broughton Allegation – Public Donations.

⁷¹ *Ibid.*, Public Reporting, p 63.

⁷² *Ibid.*, Broughton Allegation Mozambique Food Aid 1, p 65; Broughton Allegation Sudan, p 71.

⁷³ "Bilney hands CARE file to DPP", *Australian Financial Review*, 26 May 1995.

when Rollason pressed the Attorney-General, the reply was that the advice was a matter between solicitor and client and would not be released.⁷⁴

BDO suggested that AusAID “could consider requesting an independent audit of a sample of projects undertaken”⁷⁵ and separately recommended that “a review of the procurement efforts be undertaken as part of any separate project audit”.⁷⁶ This was in effect a recommendation to visit the CARE missions.⁷⁷ Bilney told Parliament on 11 May 1995 that there would be a further audit in six months to ensure recommended action had been taken.⁷⁸ A further audit by BDO commenced on 20 November 1995. Bilney assured Rollason in January 1996 that, when finalised, the report would “be released publicly”. I have found no record of what it involved, nor any sign that it was ever released.⁷⁹

Part 7: The *Sunday* program ignited calls for a stronger code

Turmoil in the sector

ACFID’s vice-president Wendy Rose told the press that the charges against CARE had the whole sector in turmoil.⁸⁰ ACFID’s Executive Director Russell Rollason said CARE had “been reluctant to place itself under the discipline of peer group scrutiny” and that its National Director, Ian Harris, had “refused to join CARE Australia to the council”, whose members had to sign and adhere to its Code of Ethics.⁸¹ There were other NGOs that had not joined, including the biggest, World Vision. ACFID’s distancing of itself from non-members invited questions about the relevance of ACFID and its Code of Ethics.

Limits to federal powers

I had argued on the *Sunday* program that state legislation was inadequate and that the federal government should draft a legally binding code of conduct to ensure aid organisations are accountable.⁸² There were several public commentators making similar statements.⁸³ Minister Bilney also called for a code of conduct but cautioned that “such a code would have to be voluntary because the Government would not have the power to legislate its enforcement”.⁸⁴ Bilney said on 27 and 28 February 1995 he:

- was taking steps to establish a working group to make recommendations on a voluntary code of practice for NGOs providing overseas aid, which all would be forced to comply with before receiving federal assistance

⁷⁴ Correspondence Minister Bilney to Russell Rollason, 22 January 1996; Russell Rollason to Attorney-General Lavarch, 12 December 1995, and Rollason’s file note of the reply received. Copies held by the author.

⁷⁵ *Report to AusAID*, BDO Nelson Parkhill, Overseas Expenditure, p 19.

⁷⁶ *Ibid.*, Procurement Efforts, p 10.

⁷⁷ *Ibid.*, Procurement Efforts, p 43.

⁷⁸ “CARE Finances under fire in auditor’s report”, *Australian Financial Review*, 12 May 1995.

⁷⁹ Correspondence Minister Bilney to Russell Rollason, 22 January 1996.

⁸⁰ “Days of reckoning after living dangerously”, *The Australian*, 28 February 1995.

⁸¹ “Bilney proposes code of conduct for aid bodies”, *The Age*, 28 February 1995.

⁸² “Code of conduct vital”, *The Canberra Times*, 27 February 1995; “Aid groups slammed on funds”, *The Newcastle Herald*, 27 February 1995.

⁸³ “Code of conduct urged for aid organisations”, *The Age*, 27 February 1995; “Code of conduct vital”, *The Canberra Times*, 27 February 1995.

⁸⁴ “Bilney proposes code of conduct for aid bodies”, *The Age*, 28 February 1995.

- was seeking advice on whether compliance with that code could be a prerequisite for tax deductibility
- had written to the Chairman of the Industry Commission Inquiry into Charitable Organisations (which was concentrating on domestic charities) urging the inquiry to make concrete recommendations on public accountability issues⁸⁵

The Industry Commission Inquiry had already published a draft report which referred to a totally inadequate state-based regulatory environment (which consisted mainly of charities and companies legislation).⁸⁶ Bilney said the new code would be an attempt to establish a national framework.⁸⁷ But the new code was not designed to do this or fix what Bilney described as a “mish-mash of state laws”.⁸⁸ I have not been able to determine what, if any, changes resulted from the Industry Commission Inquiry.

Self-regulation and making signing the new code a condition for NGO accreditation

ACFID made its case for self-regulation and this view evidently prevailed, it being agreed that there would be a voluntary, self-regulatory sector code of good practice — the ACFID Code of Conduct — and that signing it would be a condition of NGO accreditation with AusAID. The Code was finalised in 1997.⁸⁹ Its stated purpose is currently “to improve international development and humanitarian action outcomes and increase stakeholder trust by enhancing the transparency, accountability and effectiveness of ACFID’s members”.⁹⁰ There is now an associated Fundraising Charter which amongst other things requires members to have processes and procedures in place to ensure (simply) that “legislative requirements for fundraising are met”.⁹¹

The Code is independently governed on behalf of ACFID by a Code of Conduct Committee (CCC),⁹² but the responsibility for compliance with the Code still rests primarily with ACFID’s members, who self-assess against a set of compliance indicators including, for example, indicator 8.2.1: “Members can control and manage their financial resources and risks”, the verifier being “policy, procedure or guidance documents that address [several aspects including] financial wrongdoing”.⁹³ Members are required to “extend the financial wrongdoing requirements ... to partners through MOUs or similar”. This is important because it extends the members’ responsibilities offshore, where compliance is more challenging but critical.

Had CARE not been exposed and pushed to join the sector’s peak body and sign the sector’s code of conduct, that would have rewarded cynicism and demonstrated proof of

⁸⁵ “Aid groups to get code of practice, says Bilney”, *Australian Financial Review*, 27 February 1995; “Tax rules for aid groups up for review”, *Australian Financial Review*, 28 February 1995; “Workers hit out in CARE row”, *The Sydney Morning Herald*, 28 February 1995. See also Bilney’s statement to Parliament, 11 May 1995. The working group took shape as Bilney’s Code of Practice Advisory Committee (COPAC); Bilney told Russell Rollason on 31 July 1995 that he expected its recommendations in early September. Copy held by the author.

⁸⁶ “Charity industry under scrutiny”, *The Age*, 28 February 1995. See also *Personal Investment*, Jan/Feb 1995.

⁸⁷ “Aid groups to get code of practice, says Bilney”, *Australian Financial Review*, 27 February 1995.

⁸⁸ “Move to account for aid donations”, *Herald Sun*, 28 February 1995.

⁸⁹ Conversation with Janet Hunt, former Executive Director of ACFID.

⁹⁰ ACFID Code of Conduct, latest revision approved 18 October 2023, p 2.

⁹¹ https://acfid.asn.au/wp-content/uploads/2022/06/The-ACFID-Fundraising-Charter_Aug-2018.pdf.

⁹² ACFID Code of Conduct, p 3.

⁹³ *ACFID Good Practice Toolkit*, Quality Principle 8, Resource Management, accessed 19 September 2025.

concept for thriving as a maverick outsider. ACFID took on additional responsibilities in the process, together with the enduring risk that a scandal or series of reported failures would cause the public to lose trust in self-regulation.

Part 8: Detection and transparency

Silence

It is remarkable that in the 30 years since the front-page reporting in 1995 of CARE's financial wrongdoing there hasn't been another scandal like it, excluding some legal cases concerning fraud involving NGOs operating solely within Australia and discounting the presumably unfounded allegations against, and the arrest of, the manager of World Vision Australia's operations in Gaza in 2016.

Does this mean that in three decades there hasn't been any financial wrongdoing by an NGO (or managing contractor) that, if known, would be all over the news? If there has been, then either it is not being detected, or it is not being made public when it is.

Detection

I acknowledge that a lot of work has been done to improve financial management over the years, reflected in DFAT's accreditation requirements⁹⁴ and the provisions of the ACFID Code of Conduct.⁹⁵ But as is recognised in the Code, while policies, procedures and guidance documents are important, organisations must ensure compliance, i.e. be proactive.⁹⁶ Similarly DFAT expects its funding recipients to actively look for and find fraud rather than passively waiting for fraud to be reported.⁹⁷ Suspected fraud must now be reported to DFAT within five business days.⁹⁸ I note from my experience with CARE that Boards must also play their role.

My sense is that a determination to look for and find fraud is generally lacking and that, if challenged, most organisations would refer to the periodic audits they conduct or commission, including those required by DFAT.⁹⁹ But as an ACFID webinar on preventing financial wrongdoing advised members, external audits are relatively ineffective and in reality tip-offs from staff are the most likely source of information about financial wrongdoing.¹⁰⁰

DFAT similarly observes:

Statistically audits are not the most effective way to detect fraud. Our data shows that only a small portion of fraud is detected by delivery partner audits. Audits are a powerful tool but cannot be relied upon as a sole mechanism to detect fraud.¹⁰¹

Audits would be more effective, however, if they were less of a desk-bound exercise and more investigative and if they were tasked in collaboration with the evaluation function.

⁹⁴ *Australian NGO Accreditation Guidance Manual*, DFAT, June 2018, Section E, Financial Management.

⁹⁵ Quality Principle 8, Resource Management, ACFID Code of Conduct, latest revision approved 18 October 2023.

⁹⁶ ACFID Code of Conduct, p 12.

⁹⁷ *Fraud Control Toolkit – For Funding Recipients*, Version 1.3, DFAT, February 2019, p 11.

⁹⁸ *Australian NGO Cooperation Program Manual 2025–26*, Department of Foreign Affairs and Trade, section 5.4.

⁹⁹ *Ibid.*, p 32. See also *Australian NGO Accreditation Guidance Manual*, Section E2 9, 10.

¹⁰⁰ *Developing a Prevention of Financial Wrongdoing Policy*, ACFID webinar, 17 October 2018.

¹⁰¹ *Fraud Control Toolkit – For Funding Recipients*, as above.

I do not support the convention of keeping audit and evaluation separate, which excludes consideration of fraud risk and detection from the scope of evaluations. This is inefficient and evaluations typically have more opportunity to hear things from staff. Practically, it would also be useful as an evaluator to be freer to “follow the money” to help validate budget allocation and the reported delivery of goods and services.

Transparency

DFAT does not publicise fraud discovered. Legal safeguards including the Privacy Act impose constraints, but I think DFAT could at least include aggregate information about types of fraud cases, amounts involved and de-identified outcomes in its Annual Reports. The Code of Conduct Committee similarly preserves the confidentiality of its members when complaints are investigated (unless the member is suspended). While aggregate statistical reporting by the Committee provides some indication of its investigations, this reporting omits information on the nature and seriousness of the cases involved.

In the absence of greater transparency, it will remain very difficult for the public to gauge how effectively the risk of financial wrongdoing is being managed in the delivery of Australian assistance.

These questions are already pressing in the delivery of humanitarian assistance into conflict zones where most Australian NGOs rely on other parties to deliver assistance and will only become more pressing in general as the sector pursues the localisation of aid delivery. This is not because local partners are more prone to fraud (I do not believe they are); rather it is because the more implementation is devolved, and the longer the chain between donor and delivery is, the harder it is to follow the money. More and more, the sector’s defences will depend on proactive and sometimes novel detection methods, and on more transparent reporting, rather than on audit alone.

Bernard Broughton, 2026

bernardbroughton@gmail.com

Attachment

Summary of investigative processes, findings and consequences

The newspaper articles referenced are available on request.

Attachment: Summary of investigative processes, findings and consequences

When	Investigative Process	Findings and consequences
January 1991	<i>CARE Australia and CARE International Boards</i> I do not know if the CARE Board or CARE International Board initiated any investigation.	N/A
January 1991	<i>AusAID</i> Initial inquiries by AusAID pending CARE's formal response. AusAID met with CARE but did not inspect CARE's files or accounts.	CARE's funding put on hold pending finalisation of inquiries.
February 1991	<i>Australian Federal Police</i> I was interviewed twice about my allegations. I do not know anything else about their investigation.	N/A
February 1991	<i>AusAID</i> Desk investigation by AusAID upon receipt of CARE's written response to my allegations and information about funded projects requested.	CARE was informed that AusAID was satisfied with its handling of the funds acquitted to date. Funding resumed.
October 1991 to April 1992	<i>AusAID</i> Further extended inquiries by AusAID which included assessing additional information from CARE.	Found that CARE had been (i) adding margins to elements of its budgets to meet general admin costs unrelated to original proposal and (ii) redirecting some of these savings to subsidise cost increases in its original proposal which were supposed to be met by CARE. The amounts involved were over \$440,000 or 15% of the total amount of grants made. In May 1992 Ministerial approval given to offset most of amount used for unapproved purposes against amounts provided for a new approved refugee relief program to be administered by CARE.
1992–93 ¹⁰²	<i>Australian National Audit Office</i>	Recounted AusAID's actions in relation to my allegations and commented that they should have been more assiduous in their inquiries given the

¹⁰² Indicative only. I do not know when the ANAO investigation started.

	Interviewed AusAID and CARE officials, otherwise a desk exercise relying on documents provided.	specific nature of the allegations made and the fact that the preliminary investigation revealed some minor irregularities.
1992–93 ¹⁰³	<i>NSW Audit Office</i> Described as a “systems audit”. Not sure how it was initiated but it may have been undertaken in collaboration with the ANAO. Seems to have relied on CARE documents and description of systems. Seems not to have considered anything in relation to the NSW Charitable Fundraising Act 1991.	Only know what BDO said about this report (it was an “internal” report), including that it found amongst other things there was potential for the massaging of financial information and there were areas of risk where the fraudulent use of Commonwealth funds could occur.
1992–93	<i>AusAID</i> An audit of CARE’s monitoring and accounting systems by AusAID was scheduled for 1992–93. No record of it but perhaps following entry relates to it.	N/A
July 1994	<i>AusAID</i> CARE summarised for AusAID a cumulative amount of \$1,029,752 in surplus funds from seven previously submitted acquittals where actual costs were lower than budgeted.	After submissions from CARE and approval from AusAID \$1,028,723 of the surplus funds was transferred to new approved projects.
1994–95	<i>Channel Nine</i> Investigation, relying primarily on my allegations and those of other former staffers. I am not aware of what other inquiries they made. Nine offered Fraser a pre-recorded interview, but he rejected this, saying his comments could be amended to suit Nine. ¹⁰⁴	Provided momentum for the establishment of a stronger code which CARE Australia signed (the ACFID Code of Conduct) Led to the resignation of the CARE National Director.
1995	<i>BDO Nelson Parkhill</i>	Findings:

¹⁰³ Indicative only. I do not know when the NSW Audit Office investigation started.

¹⁰⁴ “Fraser rejects claims of Care funds misuse”, *The Australian*, 27 February 1995.

	Tasked to follow up the NSW Audit Office systems audit and look into my allegations. Interviewed AusAID and CARE officials, and me. Otherwise, a desk exercise relying on the NSW Audit Office internal report and documents provided by AusAID and CARE. Minister Bilney said he would include in the audit the additional <i>Sunday</i> allegations (by other former CARE staff) but BDO's ToR not changed.	○ Despite some systems improvements the risks identified by the NSW Audit Office remained ○ Evidence that CARE had included some project overhead costs within other line items in the budget and acquittal in order to recover such costs without identifying the components of overheads as separate line items ○ Budgets presented to AusAID had overstated estimated costs and as a result surplus funds regularly existed on acquittal of projects ○ CARE had not met fully all reporting requirements under the NSW Charitable Fundraising Act 1991. BDO made several recommendations in relation to the foregoing¹⁰⁵ but I do not know if they were acted on by CARE or AusAID. Found "supportable" my allegations relating to Mozambique food aid project 1 and a Sudan health project. As a consequence, CARE refunded \$208,073 and \$30,000 respectively to AusAID (on 4 May 1995) and BDO recommended AusAID seek legal advice.
1995	<i>Director of Public Prosecutions</i> Referral from Bilney on recommendation of Attorney-General. I don't know what the DPP considered.	No charges laid.
1995	<i>ACT Supreme Court</i> Defamation case commenced by CARE against TCN Channel 9.	Withdrawn by CARE.
1995	<i>BDO Nelson Parkhill</i>	N/A

¹⁰⁵ *Report to AusAID, Summary of Recommendations*, pp 8–13.

	A further follow-up audit commenced on 20 November 1995, which was to have been made public. It seems not to have been.	
--	---	--