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THE NATIONAL SAFETY COUNCIL FRAUD - REGULATORY SLIP OR SYSTEMIC REGULATORY FAILURE?

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Introduction

The popular press avidly followed every twist of the financial collapse of a company limited guarantee known as the National Safety Council of Australia Victorian Division. For three years tabloid banner headlines announced everything from the national police search for its fleeing Chief Executive to his suicide immediately prior to his trial on 103 fraud charges. Exotic stories of a paramilitary organisation, Central Intelligence Agency involvement and spies added spice to unfolding tale of deception and fraud[1]. There has been little analysis of how the fraud escaped detection from both internal control and external regulators until it ballooned to nearly $300 million[2].

This paper seeks to identify some systemic defects in the regulation of companies limited by guarantee in Australia. An introductory explanation of the company limited by guarantee is followed by a case study of the financial collapse of the National Safety Council Victorian Division. This provides a context in which to examine some regulatory issues of companies limited by guarantee. The paper identifies four issues which impact on the regulation of such companies. First, such enterprises are crowned with a halo of reflected glory which poses problems for their effective regulation. Second, the enabling statutes of such enterprises are characterised by precedential cloning and third, precedential rigor mortis which has inhibited effective regulation of such entities. Fourth, inappropriate models of regulation have been used to facilitate and control such nonprofit enterprises that have lead to a regulatory mismatch.

The Company Limited by Guarantee

The company limited by guarantee is a mid-nineteenth century creation of the English parliament being adopted as a corporate form by various Commonwealth nations such as Malaysia, Hong Kong, Cyprus, Australia, New Zealand, Singapore and Papua New Guinea[3]. The previous century's declaration of independence in America meant that this corporate form did not find its way into the legislation of the United States of America and was never used in Canada. A company limited by guarantee is a public company without a share capital. The company's members guarantee to pay a certain predetermined sum in the event that the company is wound up and unable to fully satisfy outstanding liabilities. It is the only readily available corporate form that does not employ the device of shares, having instead members who guarantee a certain sum of money. Companies limited by guarantee have been used since that time as a corporate vehicle for nonprofit enterprise and such companies if charitable or for defined public purposes can seek an licence to omit the word "limited" from their name.

English and Australian corporate lawyers, legal academics and policy analysts have paid little attention to companies limited by guarantee as a corporate form. Company texts have described such entities in a few paragraphs and passed on to commercial companies as their main area of interest (Gower 1979, p.11;Ford 1986, p.27; Lipton & Herzberg, 1991, p.45). The regulatory regime of companies limited by guarantee has altered little for over one hundred years.

The Case of the National Safety Council Victorian Division

Interest in the company limited by guarantee was awakened in 1989 by the spectacular financial collapse of a company limited by guarantee known as the National Safety Council of Australian Victorian Division. The principal object of the company, established in 1928, was to promote safety awareness, particularly industrial safety. It was formed by a coalition of nonprofit agencies in the Australian State of Victoria, concerned with industrial safety, road safety, sea safety, insurers, trades union, city councils, state and federal government departments. In 1987 the Council altered its main object to reflect an expansion of activities from accident prevention to also dealing with the consequences of accidents. Since 1982 a high profile visionary, John Friedrich the company's executive director, had overseen a dramatic expansion of the Council operationally to all facets of rescue operations and geographically from the State of Victoria to all parts of Australia.

Few people in the community recognised the Council as a company as it had been given a licence by the Victorian Attorney-General in 1928 from using the word "limited" in its name[4]. This exemption was available generally to nonprofit companies which were charitable in nature and agreed to abide by certain restrictions placed in the company's memorandum and articles. Further the company was never required by the corporate regulators to lodge audited annual financial statements, changes of particulars of office bearers or lists of members. These substantial exemptions, whether given lawfully or not were to play a role in the collapse of the company and will be analysed later in this paper.

On the 21 December 1988 the auditors of the National Safety Council of Australia Victorian Division informed the directors of the company that they had qualified their audit report of the company for the past three years and were not prepared to complete the current year's audit until further information was provided by the board. The board apparently had received financial reports for those years that did not include any audit qualifications. It appears that these had been removed before distribution to the board members, allegedly by the executive director.

The board moved to appoint a firm of chartered accountants to investigate and report on the accounting procedures, controls and records of the company. The investigating accountants soon became concerned about the validity of financial records, particularly in respect of major trade debtors and a category of non-current asset known as "containerised safety equipment". These non-current assets were sealed shipping containers allegedly packed with rescue equipment. The executive director was stood down by the board on 14 March 1989 and the investigating accountants were authorised to approach clients, debtors and creditors of the company in order to ascertain the true financial standing of the company. It was eventually discovered that the company was hopelessly insolvent, most of the containers either being nonexistent or empty. The containers were in fact of such inferior quality that they were sold by the liquidator for such purposes as garden sheds at an average price of $1,592 each. The executive director resigned, fled, and major Australian banks came to the preliminary conclusion it was unlikely that they would recover over $300 million loaned to the company.

After a 16 day man hunt across the breadth of Australia the executive director was found and more surprises were in store for the public and the board, which made great media entertainment. The chief executive, John Friedrich was found not to be an Australian citizen, not so odd, but there were no records of his entry into the country and there was no birth certificate under that name. This was discovered despite frequent trips overseas that would have required a passport. Even more embarrassing was that he was awarded the Medal of the Order of Australia in the Australia day Honours List in January 1988. He was also given security clearance to certain defence establishments in Australia and the National Safety Council was a Defence Department contractor. It is believed that Friedrich was born in Germany and fled that jurisdiction after embezzling a large sum of money from a German road making firm. The other surprise was that apparently the missing National Safety Council millions had not been taken by Friedrich for his own benefit. The funds borrowed from financial institutions against assets that did not exist were ploughed back into the rescue organisation, planes, helicopters, submarines, specially trained dogs, horses, pigeons, satellite communications were purchased and ten bases around Australia established.

The ramifications of the collapse of this nonprofit company are still being worked out in the Australian community, mostly through legal processes. With a shortfall in funds to the extent of some A$300 million, the member's guaranteed sum of one pound one shilling will not be adequate. In fact it has been reported that all of the original members giving such guarantees are dead and no one had ever been appointed to replace them so there were no existing guarantees (Australian Financial Review, 28 March 1989 p.14). The auditors are being sued by the company's liquidator, the auditors are counter suing the investigating accountants and the liquidator. The claim against the auditors is the largest audit compensation claim in Australia's legal history. The state was to prosecute Friedrich for fraud, but he committed suicide days before pleading guilty to the charges.

The bank sued the directors of the company in their personal capacity for lack of care and trading whilst having reasonable grounds to believe that the company was insolvent. The case of Commonwealth Bank of Australia v. John Friedrich & others Supreme Court of Victoria, 3rd July, 1991 was not appealed.[5] Not surprisingly, the prospect of nonprofit corporation directors being sued personally for the debts of their company has not been well received by the Australian non-profit community.

The corporate regulators subsequently launched an investigation into companies with the same status as the National Safety Council which had been granted exemptions from using the word "limited" in their name and from filing annual financial statements. It was likely that if the audit report had been lodged on the public record, then the chance of action being taken at a much earlier date would have been very high. Tadgell J. noted that,

> "It must be said, however, that if there had been compliance with the fundamental provisions of the Code in relation to accounts, including the sending of copies of accounts and associated reports and statements to members before the meeting, this litigation would probably not have arisen."

Commonwealth Bank of Australia v. John Friedrich & others Supreme Court of Victoria, 3rd July, 1991 page 79.

All 910 of such companies that are registered in Victoria were surveyed by the Victorian Commissioner for Corporate Affairs. The investigation found an alarming rate of default by such companies. The Commissioner for Corporate Affairs - Victoria (1989) did not publish the results of the investigation, but the author obtained them after an application for discovery under the Freedom of Information Act.

Nineteen per cent of such companies could not be contacted by the Commission. They had either ceased to exist or had moved registered offices without notifying the Commissioner. It is the very basis of corporate regulation that the controllers of a corporate body ought to be identifiable and contactable. Of those that could be contacted by the Commission, twenty per cent did not have their accounts audited, nine per cent had qualified audit reports and twenty-six per cent had financial statements which were not in accordance with law despite being audited. The disclosure of financial information by Victorian companies limited by guarantee falls well below the standards set by the law.

Thirty-three per cent of companies had not abided by the terms of their licences which imposed restraints as to specific activities by the company. These conditions were in part that such exempted companies ought not to trade with the public, seek public donations or state grants. Forty-four per cent of companies had income from external sources in excess of $100,000. The financial state of one company discovered by the Commission led to a full scale corporate investigation. These dismal corporate compliance results confirmed another study of compliance by companies limited by guarantee that had been undertaken some six months earlier on the State of Queensland's corporate register of companies limited by guarantee (McGregor-Lowndes, 1989).

The Commission's recommendation (1989, p.2) was that the law be changed to omit the capacity to grant licences to such companies. Only the exemption from having to include the word "limited" as part of the company name was retained. This was done in a major reorganisation of corporate law in Australia from control by a co-operative federalism with the States to control by the Commonwealth Government on the 1 January 1991. The expressed reasoning behind the policy change was two fold. First, some companies were involved in substantial trading with non-members and "it appears in the public interest that these companies be accountable for the privileges associated with the incorporation and limited liability. "(The Commissioner for Corporate Affairs - Victoria, 1989, p. 3). Second, by regulatory and public scrutiny of these accounts, "the directors of these companies and there (sic) auditors might take their responsibilities under the legislation more seriously ..." (The Commissioner for Corporate Affairs - Victoria, 1989, p.4).

The National Safety Council collapse is an interesting case and there will be many more twists in the road before the final judicial judgement concerning the auditor's liability is delivered. There are other issues concerning the state's facilitation of philanthropic enterprise that this case raises that are not recognised in the Victorian Corporate Affair's Commission report. It is to these issues that the paper now turns.

The Halo Effect

The word 'halo' commonly means a disc of light that surrounds the head in representations of the Christ and Saints. The halo used extensively in icons, clearly depicts the ideal glory with which a person is invested. In the mind of the public nonprofit organisations take on a halo in varying degrees of intensity. They are perceived as an ideal glory in our western society. This is not a recent phenomena and can be discerned in slightly differing intensities in egyptian, jewish, greek and roman cultures. The brightest halos are reserved for those nonprofit organisations that overtly incorporate ideals that are valued in our society. Some examples are actions motivated by pity, compassion, generosity, sympathy and empathy which are emotionally powerful when linked to areas of concern for a society such as its very young, sick, elderly, the deserving distressed of society and animals. These primary emotions are used most effectively by nonprofit organisations in fundraising for their cause and in the more sophisticated organisations actively cultivated in terms of a public image.

The halo is not only a useful marketing tool for nonprofit organisation's fundraising. It plays a part in the way transactions are conducted in the open market of commerce. This can be appreciated in the banks' dealings with the National Safety Council Victorian

Division. The lack of probity and adherence to basic lending policy appears quite abnormal for banks that are among the most profitable in the world and the halo effect contributed. It was not that just one bank was duped, but 27 Australian and international banks all lent substantial amounts to the company. The State Bank of Victoria's officer wrote in an internal bank memorandum that,

> "NSCA's status (nonprofit-making and tax exempt) and its role as a provider of community service in the fields of health, safety and emergency services render it for practical purposes a quasi government body. It has developed and grown to such an extent that it has in my view become indispensable."
>
> (Friedrich v Commonwealth Bank & Others at page 95)

Tadgell J. at page 95 commented that

> "Arrant propaganda by Friedrich secured the confidence of officers of the State Bank of Victoria, who were led to regard loans to the company as virtually without risk. In particular the bank was influenced by the composition of the State Council of the company (which included nominees of government departments), the calibre of its supposed directors, its supposedly indispensable place in the community and invulnerable position in an almost competitor-free market."

The halo effect induced a lack of customary caution, short cutting and ineffective security monitoring. This organisation was not perceived as a commercial market participant, but a worthwhile social entity that bathed in reflected glory of society.

In the National Safety Council case the regulators and policy makers have also been affected by the halo of the organisation, with unfortunate consequences. The Commission had a procedures handbook for dealing with companies limited by guarantee that sought exemptions from various regulatory measures. Older companies that had been awarded exemptions before the new policy manual was prepared could be required to update their constitutions to comply with the new policy guidelines. This was usually done if they came to the attention of the Commission. The procedures handbook required constitutions that were altered by the members of the company in any way be scrutinised at that time to ensure that the whole constitution was in compliance with the latest procedure handbook requirements. In 1986 the National Safety Council Victorian Division did seek to alter its constitution to allow it to engage in a commercial leasing arrangement of its specialised forest firefighting planes during the Australian winter to a Canadian company.

The Victorian Commission carried out a review of the constitution of the company and concluded that many aspects of the organisation's constitution did not comply with the procedures manual. The National Safety Council then organised a campaign against the imposed constitutional changes by a number of effective lobbying strategies. Its "in house" company lawyer made a lengthy legal submission to the Commission arguing legally that the Commission's actions were unduly restrictive and then relied heavily on the organisation's "halo". Restricting the National Safety Council from operating in various ways was painted as not only harming the company, but rather leaving Australians prey to the ravages of summer bushfires and denying them access to lifesaving overseas technology. This was followed by many letters and personal visitation by friends of the Council to the Commission and other areas of government. Hospital Registrars, Chief Fire Officers, Directors-General of other government departments, the Federal Department of Defence and Air Vice Marshals are just some of those who placed pressure on the Commission. The Commission sought clarification from the supervisory federal corporate body, but they handed the "hot potato" back to the Commission. The Commission finally compromised and the National Safety Council was able to operate substantially outside the policy guidelines.

The halo factor was used by the National Safety Council to its full extent to achieve such a result. The administrative gatekeeper is painted as an officious bureaucrat placing hurdles in front of deserving volunteers seeking to preserve life and property that no one else can preserve, not even the state. The pressure is enormous when combined with active lobbying from substantial members of the community and government to the Commission and reference to politicians. In the Commission's report of the survey of all companies limited by guarantee in Victoria they make some telling points concerning the halo effect. The Commission (1989, p.4) recommends that exemptions should be withdrawn by legislative amendments but warns,

> "Experience shows that a majority of companies with a section 66 licence jealously guard their privilege to delete the word "limited" (if not the exemption from filing accounts). Any attempt to repeal the Section can be expected to generate significant and vocal opposition from influential community groups."

The amendment was effected by the introduction of a national corporate regulatory system in 1991, The Corporations Law s. 383. The section allowed only the granting of exemption from using the word "limited". The section was silent about the fate of previously granted exemptions which include financial statements. The Australian Securities Commission adopted the view that the licences under the previous laws remained.

The halo-induced behaviour can even occur when an actual fraud is committed. If the offender is prosecuted, especially in small communities the charity will fold because of lack of confidence in its trustworthiness. The organisation will argue to the administrative gatekeeper that the prosecution should not proceed as it will mean the closure of the organisation that will ultimately hurt the beneficiaries of the organisation. The bad apple has been removed and the funds replaced. In many instances the offender is not prosecuted on the grounds that the beneficiaries will innocently suffer.

The halo effect also raises its presence in the company's internal regulation by its members and the appointed board members. The preliminary reports of the National Safety Council's board members has been that they trusted their executive director and how could an organisation that was so well regarded by all sections of the Australian community and so successful, be doing wrong.

The halo effect generally has contributed to a number of intriguing patterns of behaviour and policy by the state apparatus. Exceptions and concessions have been given formally in legislation to nonprofit organisations. These formal concessions afforded to nonprofit organisations are vast (Balk 1971). The concessions range from federal taxation imposts to local government services charges and concessions in terms of the scrutiny exercised over market organisations from financial reporting to race and sex discrimination. The usual rationales for exemption have a large dose of halo effect but there are also some other reasons. One of these, present in many situations is that the regulation of nonprofit enterprise does not sit properly in the for profit model of regulation. This will be examined later in this article but first an understanding of the legislative origins of company limited by guarantee require detailed analysis.

Precedential cloning

Precedential cloning describes the process of meticulous transplanting of British laws into

Australian states, particularly from statehood to the second world war. Often there appeared to be no apparent appreciation of the context from which they were taken or the context to which they were transplanted. The theoretical framework of the Australian state, parliament, judicial system, bureaucracy was still intertwined with the British Crown and resembled the British model, but the reality of the environment of the Australian states was altogether different. The economy, capital infrastructure, social forces and natural environment were poles apart. This led to some odd results in hindsight, such as the mortmain laws being applied in a colonial outpost almost devoid of a threat of religious bodies locking up vast tracks of taxable land under a dead hand (Oosterhoff, 1977). The cloning will be shown to clearly exist in the adoption of the company limited by guarantee without due regard to other environmental factors which resulted in some policy problems.

The English act entitled The Companies Act 1862 was the initiation of the corporate form's statutory base. This was the first English code of company law, a benchmark in the legislative history of corporate regulation. Its conception is a mystery with no explicit contemporary reasons having been discovered for its creation. There appears to be no previous model of this type of legal arrangement in English law. A clue perhaps is that a large number of mutual insurance companies registered initially under the Act. Lloyds insurance was organised on the basis of associations of investors that insured certain risks, but their member's personal liability was unlimited. Before being admitted as a member of the Lloyd's register a person had to demonstrate that he had an unencumbered estate to a certain value as a guarantee that the unlimited liability had some meaning. Perhaps this was used as a model for mutual insurance incorporation with a member's guarantee replacing Lloyd's member's asset.

In 1863 the Queensland Parliament passed The Companies Act, 1863 which was almost a direct copy of the English Act. Section 8 of which was a direct copy of the English section 9, permitted companies limited by guarantee to be registered. Amendments to the English Act in 1862 which permitted companies limited by guarantee to receive a licence to omit the word "limited" from their name and also be exempted from lodging with the registrar of companies a list of office bearers and members were not incorporated into Queensland legislation until an amending Act in 1889. As the English act was amended in 1929 and 1948 the Queensland legislature followed the slight variations in the sections dealing with companies limited by guarantee. This was the case for the other Australian States which also followed the English reform program very closely.

The Australian states followed the English amendments which were in themselves only minor administrative matters. The rationale for this copying of English legislation was that if it was good enough for "mother england" then it was good enough for the rest of the empire. The Queensland Attorney General (Hansard, 1931, p.673) words when introducing company reform legislation in 1913 typifies this attitude,

> "I consider that the mature consideration of English experts should weigh very seriously when people bring opposition to bear on the Bill. I take it that everybody who makes up his mind to oppose the Bill or to suggest alterative will take into consideration what has been done in England and that great weight should be given to the views of English experts."

The policy questions of whether a corporate form such as a company limited by guarantee was appropriate for the colonies was not really in issue. The English precedent had been set and it was cloned. It is not unreasonable that a former colony with limited resources ought to look to a successful world power for legislative models, especially when their systems of government was interwoven. The flaw in adopting this particular legislation was that the Australian states failed to appreciate other english regulatory bodies that had been established to supervise charities.

Immediately prior to the establishment of the company limited by guarantee, the English parliament had enacted an extensive regime of charity regulation and scrutiny. The Brougham Commission which collected information on charities for 21 years resulted in the passing of the Charities Acts in 1853, 1855 and 1860. These acts established a charity commission charged with the administration of charity and associated philanthropy. Accounts of charities were to be lodged each year with the commission and it had powers of scrutiny and control. There was no such body in Queensland. The administrative practice was in England to this day is that the Board of Trade will not grant a licence to dispense with the name limited unless the company was a registered or exempt charity under the Charities Act.

Statutory rigor mortis

Precedential rigor mortis describes a situation where the law and its reform enters suspended animation. There are two types of precedential rigor mortis which mirror the sources of formal law in the English legal system, judicial and statutory. The judicial strand in charity law is amply demonstrated by the definition of charity which has fundamentally changed little since 1601 (Gray, 1967;Jones, 1986). It is the statutory rigor mortis that is overwhelmingly evident in the development (or rather underdevelopment) of the company limited by guarantee.

There are in Australia many instances of archaic legislation remaining on the statute books which is ignored or so irrelevant that its affects are minimal. The lack of law reform relating to companies limited by guarantee has far more serious consequences than the continuation of harmless irrelevant legislation. These results can be appreciated in the example of the National Safety Council Victorian Division and the results of the survey of the Victorian Commission (1989) and McGregor-Lowndes (1989).

There are two issues that require examination. First, the actual legislative rigor mortis and second the rigor mortis of exemptions issued under repealed legislation. Queensland's legislative history of the exemption of certain companies limited by guarantee provides a fair example of what happened in the other states of Australia. The exemption provision first appeared in the Companies Amendment Act of 1889, continued by the Companies Act of 1931 and 1962. The 1931 Act allowed for the automatic exemption from lodging of statements once approval to omit the word "limited" was given. In 1972 the section was amended so that these automatic exemptions were not given. The Companies (Code) in 1981 basically continued this policy. It was during the mid-eighties that the undeclared policy of the different state commissions of corporate affairs was not to grant licences to dispense with returns of officers and financial statements. It was not until the Corporations Law was proclaimed in 1990 that licences will now only be given to omit the word limited from a company's name. The corporate number must however be used and it is possible that this will defeat the purpose of the company in omitting the word "limited".

The licences granted under previous statutory provisions have consistently not been altered in any way. Transitional and saving provisions of the various pieces of corporate legislation have saved licences given under superseded legislative enactments. The Corporations Law section 383 does not permit the granting of licences except for the omission of the word "limit". It appears that the previous licences will again be saved. The saving of such licence is open to question. On one level it could be argued that the licence ought not to be taken away from a company retrospectively once it has been awarded with no fault on the part of the company or its officers.

One suspects that the licences have remained untouched to avoid antagonism of those who are in the privileged position of having such licences. The results of not requiring lodgement of financial and other statements has been amply demonstrated and the benefits of requiring compliance with the law are not difficult to predict. Many of the companies that cannot be located could be struck off and those that have not complied with the accounting provisions could be easily identified. The claim of privacy particularly for accounts is hard to sustain, particularly as companies limited by guarantee are classified as a public company.

Inappropriate models of regulation

As has been foreshadowed earlier in this paper, the model of regulation of the company limited by guarantee has been taken by default from the regulation of for-profit entities. The company limited by guarantee has been subject not only to a particularly commercial model for its legislation, but also its regulators are a totally commercially orientated bureaucracy.

The creation of the English corporation by registration in the mid-nineteenth century was to serve the demands of the for-profit entrepreneurs. It was soon realised that many of the essential regulatory controls of for-profit corporations were found to be inappropriate for companies limited by guarantee. The legislative response was to relax these controls by exemption rather than designing appropriate regulation of a nonprofit entity. This response does not arise from a deliberate policy analysis of the issues raised by the facilitation and regulation of philanthropic intermediaries. Perhaps this is a little harsh on nineteenth century policy makers given that only recently has there been academic interest in the nature and functions of the nonprofit sector (Anheier & Seibel, 1990). It does not excuse current Australian policy analysts from continuing the legislative rigor mortis.

Yet Australia still suffers from the company limited by guarantee being located within an inappropriate corporate regulatory framework. Other philanthropic entities in Australia that have a focused policy substratum show much better regulatory results (McGregor-Lowndes, 1989). This is due to regulators being focussed and legislation using appropriate strategies to regulate philanthropic entities. The company limited by guarantee in Australia is regulated by corporate regulators whose energies are mostly consumed in the regulation of large public companies. The company limited by guarantee accounts for less than one percent of the corporate entities regulated in Australia. It is a little fish compared to the overall register and even smaller in the regulators attentions when compared to the responsibilities of regulating large public corporations whose equities dealings involve hundreds of millions of dollars. The Commission's substantial clients soak up the Commission's limited resources and the nonprofit corporation is perceived as a very small vegetarian sprat in a pond of blood thirsty barracuda. This situation when combined with the pressures that can be brought to bear on the regulatory administrator using the halo effect leads to a neglect of the regulation of companies limited by guarantee. In Australia this is evidenced by a neglect of the registers of companies limited by guarantee and little if any follow up action on minor regulatory defaults such as failure to lodge returns and qualified audit reports.

Some conclusions

If philanthropic enterprise is to be encouraged by the state then the facilitation of intermediaries by the state is essential to achieving donors' objectives through philanthropic property transfers and transformations. The regulation of intermediaries that have an artificial persona granted by the state in the English traditions poses further regulatory issues. The aim of this paper was to identify some of the issues involved in the regulation of philanthropic intermediaries using the case of the financial collapse of the National Safety Council Victorian Division. This has revealed a number of forces that have not been readily recognised by Australian policy makers in their construction of the framework of regulation or its detail. The halo effect needs to be recognised and dealt with by regulators. The actual legislation and models of legislation and its enforcement appears to be based on an inappropriate commercial model. This causes a regulatory mismatch. Until the essence of philanthropic intermediaries is recognised by policy analysts, society is condemned to inappropriate facilitation and control of philanthropic intermediaries.

1. Some examples are to be found in the Brisbane Courier Mail 1 April, 1989, p.3; Sunday Mail 2 April, 1989 p.18; Weekend Australian 1 April, 1989, p.17.

2. Preliminary accounts of the scandal are to be found in McGregor-Lowndes (1989) and (1990).

3. New Zealand - The Companies Act 1955, No.63 of 1955, Section 33; Singapore - Companies Act, Chapter 50, Section 29; Malaysia - Companies Act ?, Section 24; Papua New Guinea - Companies Act, Chapter 146, Section 24; Northern Ireland - The Companies (Northern Ireland) Order 1986, Section 41; England - The Companies Act 1985, Section 30; Hong Kong - Company Ordinance Chapter 32, Section 21.

4. Section 27 of the Victorian Companies Act 1915.

5. Section 556(1) of the Companies (Victoria) Code (now Corporations Law s.592(1)).

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