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Aboriginal leader accused of grabbing prime waterfront land; A HERALD INVESTIGATION: BLACKS IN THE RED.

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Fraud may have been involved when 851 prime hectares won under an Aboriginal land claim were transferred to a one-dollar company whose sole shareholder was the local land council chairman, says the Crown Solicitor.

The waterfront land at Morisset, near Newcastle, is part of a grant of 1146 hectares encompassing Morisset Hospital's grounds which set a land rights record value of an estimated $30 million when the NSW Government granted it in 1995.

The transfer of 851 hectares by Bill Smith in March last year to his company breached the act, the Crown Solicitor says in advice to a government watchdog. The transfer document put a price of $850,000 on that land.

"The circumstances of the transfer of the lot strongly suggest that a case of fraudulent wrongdoing can be brought home to KLALC Property and Investment, through the knowledge and actions of its sole director, shareholder and secretary, Bill Smith ...," the acting assistant Crown Solicitor, Chris Searle, told the registrar of the Aboriginal Land Rights Act, Stephen Wright.

Mr Wright had asked whether claims by Koompahtoo Local Aboriginal Land Council members that the transfer by its chairman was unlawful were correct.

Tony Hanrahan, an investigator appointed by the NSW Aboriginal Land Council to inquire into Koompahtoo's land dealings, also questioned their legality in his interim report in July: "Despite assurances from the KLALC chairman that all land dealings by the land council have been properly completed I am of the opinion, at this stage and in the absence of any further information to the contrary, various land dealings by the KLALC may have been improper and perhaps fraudulent."

Mr Hanrahan is advising the state land council whether to report the land deal to ICAC, the police or the Ombudsman.

Mr Smith refused to comment on the fraud allegation. His lawyer, Peter Stern, said the Crown Solicitor was not talking about "hand in the pocket fraud".

"The Crown Solicitor alleged that as part of the transfer of the land from Koompahtoo to the trust that various meetings weren't held properly, that minutes weren't kept, and that was sufficient to create that equitable fraud which affects the registration of the dealings."

Mr Smith's one-dollar company, KLALC Property and Investments Pty Ltd, was the "corporate trust" for a trust set up with all of the 300 to 400 Koompahtoo land council members as beneficiaries.

When the land was transferred "no money changed hands". The $850,000 was the Valuer-General's valuation and had simply been used to calculate stamp duty.

Political conflict at the Koompahtoo land council has gone side by side with violence.

Bradley White, son-in-law of the chief dissenter, Keith Dargin, claims he was brain damaged when bashed by Warren Briggs, Mr Smith's grandson, during a brawl in June 2000. Briggs was convicted of assault and sentenced to 12 months' jail, deferred on a bond. Dargin and White were also charged, but the DPP did not proceed.

A representative on the state land council, Veronica Graf, claims that a month earlier she and her children had received death threats from a Koompahtoo land council employee after she took action on behalf of a group opposing the transfer. Mr Smith said the employee was warned about his behaviour and had since been sacked.