

June 2018

# Compliance Review Report

**Labor Holdings Pty Ltd**

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## Purpose of this report

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Pursuant to s 316(2A) of the *Commonwealth Electoral Act 1918* (the Electoral Act), this report provides the financial controller of Labor Holdings Pty Ltd (the entity) with the Australian Electoral Commission's (AEC) assessment of the level of compliance of the 2015–16 annual disclosure return lodged on behalf of the entity with disclosure obligations under s 314AEA of the Electoral Act.

## Associated entity

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The annual disclosure return for the financial year 2015–16 lodged in relation to the entity identified it as an associated entity of the registered political party known as the Australia Labor Party (State of Queensland).

## Disclosure obligations

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Registered political parties and associated entities are required under Part XX of the Electoral Act to furnish returns.

Section 314AEA of the Electoral Act requires the financial controller of an associated entity to furnish a return within 16 weeks after the end of each financial year, disclosing:

- the total amount received by, or on behalf of, the entity, during the financial year, together with the details specified by s 314AC of the Electoral Act;
- the total amount paid by, or on behalf of, the entity, during the financial year; and
- the total outstanding amount, as at the end of the financial year, of all debts incurred by or on behalf of, the entity, together with the details specified by s 314AE of the Electoral Act.

By virtue of s 314AEA(5) of the Electoral Act, ss 314AC and 314AE apply to a return for an associated entity in the same way as they apply to a return for a registered political party.

Section 314AC of the Electoral Act provides that if the sum of all amounts received by, or on behalf of, the entity from a person or organisation during a financial year is more than the threshold amount specified therein, the annual disclosure return must include the particulars of that sum.

Section 314AE of the Electoral Act provides that if the sum of all outstanding debts incurred by, or on behalf of, the entity to a person or an organisation during a financial year is more than the threshold amount specified therein, the annual disclosure return must include the particulars of that sum.

For the 2015–16 financial year, the threshold was for sums in excess of \$13,000.

The Electoral Act is available in full [here](#).

## Conduct of the review

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The authorised officer of the AEC has authority under s 316(2A) to require the production of documents and giving of evidence for the purpose of assessing compliance with the disclosure obligations required of registered political parties and associated entities under Part XX of the Electoral Act.

Subsection 316(2A) requires the financial controller of an associated entity to produce the documents or other things referred to in a notice served by the authorised officer within the period and in the manner specified in the notice or to appear, at the time and place specified in the notice, before the authorised officer to give evidence, either orally or in writing, and to produce the documents or other things referred to in the notice.

As part of this process, the authorised officer of the AEC served a notice on the financial controller under s 316(2A) requiring the entity to provide its financial records and other documents in relation to its financial operations for 2015–16.

## Scope of the review

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The records which were requested by the AEC from the entity were limited to those which enabled the AEC to assess the following aspects of compliance with its disclosure obligations under Part XX of the Electoral Act:

- the timeliness of lodgement of the annual disclosure return
- the completeness and accuracy of the following information disclosed in the entity's annual disclosure return (as amended on 20 July 2017) for the 2015–16 financial year:
  - total receipts
  - total gifts in kind
  - individual receipts above \$13,000
  - total payments
  - total debts
  - individual debts above \$13,000

The AEC did not examine other aspects of the financial operations of the entity such as the existence or effectiveness of internal controls.

## Stakeholder engagement

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The AEC's general practice is to communicate with the relevant officer of the entity by phone, email and/or face to face meetings as appropriate to cover the following topics:

- financial reports and documentation available from the entity's accounting system
- compliance issues arising from the AEC review of the financial reports and documentation provided by the entity
- required and suggested amendments to the annual disclosure return which arise from the compliance review
- potential enhancements in the entity's understanding of disclosure obligations and accounting processes to improve future compliance.

During the review the entity provided documentation to the AEC as requested and within set timeframes.

A draft compliance review report was issued by the authorised officer of the AEC on 30 April 2018. The entity was provided with an opportunity to comment on the draft report by 11 May 2018. The entity did not provide any comment and lodged a request for amendment on 31 May 2018.

## Review outcomes

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### 1. Timely lodgement

Subsection 314AEA(1) of the Electoral Act requires the financial controller of the associated entity to lodge an annual disclosure return with the AEC within 16 weeks after the end of the financial year. As lodgement occurred by the due date of 20 October 2016, it complied with the requirement under s 314AEA(1) to lodge a return for an associated entity within 16 weeks after the end of the financial year.

### 2. Accuracy in reporting – amendments

After examining the documents provided by the entity for the review, the authorised officer of the AEC identified several issues relating to compliance with disclosure obligations under ss 314AEA(1) and 314AEA(5) of the Electoral Act. The issues are discussed in detail below.

#### Total Receipts and Total Payments

Paragraph 314AEA(1)(a) of the Electoral Act requires the financial controller to report the total amount received by, or on behalf of, the entity during the financial year, together with the details required by s 314AC. To satisfy this, the entity must account for all transactions that result in receipts from external entities. These transactions must be accounted for on a gross basis without any offsetting, inclusive of GST. All non-cash benefits received by the entity must also be included in total receipts.

Paragraph 314AEA(1)(b) of the Electoral Act requires the financial controller to report the total amount paid by, or on behalf of, the entity during the financial year. To satisfy this, the entity must

account for all transactions that result in payments to external entities. These transactions must be accounted for on a gross basis without any offsetting, inclusive of GST.

Transactions within the entity, including those between its individual bank accounts, represent internal transfers. Such transactions should be eliminated from the calculation of total receipts and total payments to avoid inflating the total amounts reported in the return.

Total reportable receipts by the entity were under-stated in the entity's 2015–16 annual disclosure return. The amount recorded as total receipts in the return is required to be amended by the entity in order to ensure compliance with the Electoral Act.

Total reportable payments by the entity were under-stated in the entity's 2015–16 annual disclosure return. The amount recorded as total payments and outlays on the entity's behalf in the return is required to be amended by the entity in order to ensure compliance with the Electoral Act.

The relevant amendments are set out below.

<b>Part 2a: Total Receipts AND Part 4: Total payments – amendments</b>		
	<b>Total receipts</b>	<b>Total payments</b>
Total disclosed in return	\$7,408,227	\$8,557,760
Amended total	\$8,000,037	\$8,727,797

### Amounts of more than \$13,000 received

By virtue of s 314AEA(5) of the Electoral Act, s 314AC applies to a return for an associated entity in the same way as it applies to a return for a registered political party.

Section 314AC of the Electoral Act provides that if the sum of all amounts received by, or on behalf of, the entity from a person or organisation during a financial year is more than the threshold, the annual disclosure return must include the particulars of that sum. Furthermore, that sum is to include only those individual amounts which exceed the threshold.

Individual receipts exceeding the threshold were under-disclosed in the entity's 2015–16 annual disclosure return. A number of amendments to individual receipts exceeding the \$13,000 threshold are required in order to ensure the return more accurately sets out the information required under s 314AEA(1)(a) the Electoral Act. The relevant amendments are set out below.

<b>Part 3: Amounts of more than \$13,000 received – amendments</b>					
<b>Entry</b>	<b>Name</b>	<b>Address</b>	<b>Amount received</b>	<b>Receipt Type</b>	
New entry no. 1	Morgans	GPO Box 202 BRISBANE QLD 4000	\$264,574	Other receipt	
New entry no. 2	Australian Labor Party (State of Queensland)	PO Box 5032 WEST END QLD 4101	\$35,000	Other receipt	

<b>Part 3: Amounts of more than \$13,000 received – amendments</b>				
<b>Entry</b>	<b>Name</b>	<b>Address</b>	<b>Amount received</b>	<b>Receipt Type</b>
New entry no. 3	Australian Labor Party (State of Queensland)	PO Box 5032 WEST END QLD 4101	\$37,000	Other receipt
New entry no. 4	Australian Labor Party (State of Queensland)	PO Box 5032 WEST END QLD 4101	\$39,000	Other receipt
New entry no. 5	Australian Labor Party (State of Queensland)	PO Box 5032 WEST END QLD 4101	\$51,000	Other receipt
New entry no. 6	Australian Labor Party (State of Queensland)	PO Box 5032 WEST END QLD 4101	\$38,000	Other receipt
New entry no. 7	Australian Labor Party (State of Queensland)	PO Box 5032 WEST END QLD 4101	\$35,000	Other receipt
Original entry no. 1 (to be removed)	NEXTDC	4, 88 Creek Street BRISBANE QLD 4000	\$31,941	Other receipt
Amended entry no. 1	–	–	–	–

## Total Debts

Paragraph 314AEA(1)(c) of the Electoral Act requires the financial controller to report the total outstanding amount as at the end of the financial year of all debts incurred by or, on behalf of, the entity.

Total reportable debts of the entity were under-stated in the entity's 2015–16 annual disclosure return. The amount recorded as total debts in the return is required to be amended by the entity in order to ensure compliance with the Electoral Act. The relevant amendment is set out below.

<b>Part 5: Total Debts – amendment</b>	
Total disclosed in return	\$2,062,363
Amended total	\$3,741,410

## Debts of more than \$13,000

By virtue of s 314AEA(5) of the Electoral Act, s 314AE applies to a return for an associated entity in the same way as it applies to a return for a registered political party.

Section 314AE of the Electoral Act provides that if the sum of all outstanding debts, incurred by, or on behalf of, the entity to a person or an organisation during a financial year is more than the threshold, the return must include the particulars of that sum.

Individual debts exceeding the threshold were under-disclosed in the party's 2015–16 annual disclosure return. A number of amendments to individual debts exceeding the \$13,000 threshold are required in order to ensure the return more accurately sets out the information required under s 314AEA(1)(c) the Electoral Act. The relevant amendments are set out below.

<b>Part 6: Debts of more than \$13,000 – amendments</b>				
<b>Entry</b>	<b>Name</b>	<b>Address</b>	<b>Amount Owed</b>	<b>Financial/Non-financial institution</b>
New entry no. 1	Australian Labor Party (State of Queensland)	PO Box 5032 WEST END QLD 4101	\$40,000	Non-financial
New entry no. 2	Australian Taxation Office	Locked Bag 1793 Penrith NSW 1793	\$727,169	Non-financial
New entry no. 3	Australian Labor Party (State of Queensland)	PO Box 5032 WEST END QLD 4101	\$1,164,838	Non-financial
Original entry no. 1	Commonwealth Bank of Australia	240 Queen Street BRISBANE QLD 4000	\$2,062,363	Financial
Amended entry no. 1	Commonwealth Bank of Australia	240 Queen Street BRISBANE QLD 4000	\$1,800,992	Financial

## Matters requiring future action

It is recommended the entity ensures the accuracy of future annual disclosure returns and therefore improve compliance with Part XX of the Electoral Act by:

- calculating total receipts and payments from a complete listing of bank account receipts and payments respectively
- including all amounts received in the calculation of total receipts, regardless of the nature of the amounts received
- including all amounts paid in the calculation of total payments, regardless of the nature of the amounts paid
- examining all amounts received by the entity in identifying receipts above the threshold for disclosure
- including all debts listed in the trial balance as owing to other persons and entities in the calculation of total debts, other than amounts owed for staff entitlements, regardless of the age of the debt
- examining all debts listed in the trial balance as owing to other persons and entities in identifying individual debts exceeding the threshold for disclosure
- checking the accuracy of all calculations of amounts for disclosure in the annual disclosure return.



## Conclusion

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The authorised officer of the AEC for the purposes of s 316(2) of the Electoral Act has assessed the 2015–16 annual disclosure return for the entity lodged with the AEC on 13 October 2016 complied with the requirement under s 314AEA(1) of the Electoral Act to lodge a return for an associated entity within 16 weeks after the end of the financial year.

However, in view of the discrepancies identified, the return did not comply with the provisions of ss 314AEA(1) and 314AEA(5) of the Electoral Act.

In view of the lodgement by the financial controller on 31 May 2018, of an amendment to the entity's 2015–16 annual disclosure return, the authorised officer of the AEC has assessed that the disclosure return (as amended) accurately includes the information required to be disclosed under the provisions of ss 314AEA(1) and 314AEA(5) of the Electoral Act.