

Compliance Review Report

Australian Labor Party (State of Queensland)

July 2014



AEC

Australian Electoral Commission

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Review details

Location of review: Australian Electoral Commission
West Block, Queen Victoria Terrace
PARKES ACT 2600

AEC review officers: Ralph Fayed
Paul Lau

Party staff involved: Mr Evan Moorhead

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Background

Registered political parties are required under the provisions of the *Commonwealth Electoral Act 1918* (the Act) to lodge annual disclosure returns. The Australian Electoral Commission (AEC) has powers under the Act to review records and gather relevant information to assess whether disclosure obligations have been met.

The purpose of the review was to assess whether the disclosure return for the 2010-11 financial year lodged on behalf of the Australian Labor Party – State of Queensland (the Party) complies with disclosure obligations as set out in the Act.

Compliance and cooperation

State Office

During the review, AEC staff examined financial records of the Party for the 2011-12 financial year. The AEC received all of the records from the State Office requested in its first s.316(2A) notice by the due date.

Party Units

The AEC selected 20 party units (Table 1 refers) from the total population of 140 party units responsible to the State Office. Documentation for the 20 selected party units, requested in a second s.316(2A) notice, was received in all cases by the due date. The purpose of this part of the review was to validate the financial activity as recorded in selected party unit's internal disclosure returns lodged with the State Office.

Table 1 – Party units selected for review

Name of party unit	Name of party unit
1. Banyo Northgate Branch	11. Pumicestone RHC Branch
2. Bundaberg & Coral Coast Branch	12. South Brisbane SEC Branch
3. Coomera Valley Branch	13. Townsville SEC Branch
4. Emu Park Branch	14. Blair FEC Branch
5. Moranbah Branch	15. Griffith FEC Branch
6. Waterford RHC Branch	16. Lilley FEC Branch
7. Brisbane Central SEC Branch	17. Oxley FEC Branch
8. Indooroopilly SEC Branch	18. Northgate MEC Branch
9. Kawana Branch	19. Parkinson MEC Branch
10. Noosa SEC Branch	20. Labor Women's Sunshine Coast Branch

Three of the above party units (highlighted in yellow) reviewed reported nil financial activity. The financial controller attested the inactivity of all these party units, except for Indooroopilly Branch, which provided evidence of financial activities as reported in its bank statements in the form of a single cash receipt and single cheque.

Review findings requiring amendment

Detailed examination of the Party's records identified the following discrepancies in the disclosure of the Party's total receipts, total payments and receipts above the threshold, which will require amendment.

Total receipts and payments

Section 314AB(2)(a) of the Act requires the agent of a registered political party to report the total amount received by, or on behalf of, the party during the financial year.

Similarly, s.314AB(2)(b) of the Act requires the agent of a registered political party to report the total amount paid by, or on behalf of, the party during the financial year.

To satisfy disclosure requirements under the Act, the Party and its party units must account for all transactions that result in receipts from, and payments to, external bodies including to other State branches or associated entities of the Party. These transactions would include payments due to asset purchases and receipts from loans taken out during the relevant financial year. These amounts would also be gross of any taxes and charges such as 'Goods and Services Tax' (GST). Further, no netting-off of either receipts or payments against each other should be undertaken, such as in the case of fund raising events.

The AEC uses bank statements as an independent, consistently cash based, corroborative benchmark, against which to assess the total receipts and total payments amounts derived by the Party.

The total receipts amount and total payments amount calculated by the AEC using the Party's *bank statements* across the three (3) divisions (*Administration*) 6 [REDACTED] and the multiple term deposits, Attachment A, refers).

Internal transfers can arise as a result of transactions between bank accounts held by:

- State Office within each of the three (3) divisions (INTRA-party transfer);
- State Office between the three (3) divisions (INTER-party transfer);
- State Office and party units;
- one party unit and another party unit; and
- an individual party unit.

Such transactions should be eliminated from the calculation of total receipts and total payments to avoid incorrectly inflating amounts reported in the disclosure return. Adjustments for internal transfers are set out in Attachment A.

The AEC calculated amounts were found to be greater than the amounts reported as total receipts and total payments by the Party. The under-statement is largely due to the non-inclusion of the total transfer of funds between Labor Holdings and the party.

The AEC identified total receipts of \$16 544 786 from total cash deposits recorded in the bank statements of the State Office and totals reported for the party units, adjusted for the discrepancies identified following a compliance review of selected party units. The Party disclosed total receipts of \$11 665 295. The discrepancy resulted in an under-disclosure of \$4,879,491 (Table 2 below and Attachment A, refer).

Similarly, the AEC identified total payments of \$17,716,219, from total cash payments reported in the bank statement of the State Office and totals reported for the party units, adjusted for the discrepancies identified following a compliance review of selected party units. The Party disclosed total payments of \$13,622,290. The discrepancy resulted in an under-disclosure of \$4,093,929 (Table 2 below and Attachment A, refer).

Table 2 – Comparison of total receipts and total payments derived, by the AEC, from bank records, with the Party's disclosure amounts, for 2011-12 financial year.

Source document	Total receipts \$	Total payments \$
Totals Party calculated (disclosed)	11 665 295	13 622 290
Totals AEC calculated	16 554 786	17 716 219
DIFFERENCE (under-disclosed)	-4 879 491	-4 093 929

To correct the omissions outlined above, Part 1(a) and Part 3 of the 2011-12, '*Request for Amendment – Political Party Disclosure Return*' form should be completed to show the amended total receipts amount and the amended total payments amount, as set out below.

Required amendments	
Amended total receipts	\$16 554 786
Amended total payments	\$17 716 219

Total receipts – gifts in kind

Section 314AB(2)(a) of the Act requires the agent of a registered political party to report the total **amount** received by, or on behalf of, the party during the financial year. Under s.314AA of the Act -

'amount includes the value of a gift, loan or bequest.'

Section 287 of the Act defines a gift as –

'any disposition of property made by a person to another person, otherwise than by will, being a disposition made without consideration in money or money's worth or with inadequate consideration, and includes the provision of a service...'

Section 287 of the Act further defines *disposition of property* as –

'any conveyance, transfer, assignment, settlement, delivery, payment or other alienation of property, and includes:

- (a) the allocation of shares in a company;*
- (b) the creation of a trust in property;*

- (c) the grant or creation of any lease, mortgage, charge, servitude, licence, power, partnership or interest in property;
- (d) the release, discharge, surrender, forfeiture or abandonment, at law or in equity, of any debt, contract or chose in action, or of any interest in property;
- (e) the exercise by a person of a general power of appointment of property in favour of any other person; and
- (f) any transaction entered into by any person with intent thereby to diminish, directly or indirectly, the value of the person's own property and to increase the value of the property of another person.'

From the above it can be seen that a party has an obligation to disclose all amounts received, the definition of amounts includes gifts and the definition of gift includes the valuation and disclosure of property, such as, the *gift in kind* notional interest foregone, on interest free loans.

As at 2 April 2012 to 30 June 2012 the Party had an interest free unsecured loan outstanding from Labor Holdings Pty Ltd.

The Party advised that it could obtain unsecured loans at about 8.5%. The AEC will accept this notional interest rate as within acceptable parameters for the calculation of the value of interest foregone on the loan. Accordingly, the estimation of the *gift in kind*, of interest foregone is calculated on the balances outstanding during the period as disclosed to the AEC in the general ledger Loan account, the calculation of interest forgone is provided below (Table 3, refer).

Table 3 – Calculation of the notional interest forgone derived, by the AEC, from general ledger balances for 2011-12 financial year.

Date	General ledger A/c	Drawdown/ (repaid)	Balance	Period in years	Notional interest rate	Interest forgone
01/07/2011	2-1850		\$0	0.75616	8.5%	\$0
02/04/2012	2-1850	\$300,000	\$300,000	0.04384	8.5%	\$1 118
18/04/2012	2-1850	\$700,000	\$1,000,000	0.05479	8.5%	\$4 658
08/05/2012	2-1850	(\$500,000)	\$500,000	0.02466	8.5%	\$1 048
17/05/2012	2-1850	(\$100,000)	\$400,000	0.01370	8.5%	\$466
22/05/2012	2-1850	\$200,000	\$600,000	0.10685	8.5%	\$5 449
30/06/2012	2-1850		\$600,000		8.5%	
				1		\$12 738

To correct the omissions, Part 1(b) of the *'Request for Amendment – Political Party Disclosure Return - Financial Year 2011 - 2012'* form should be completed to include the details of the *gifts in kind* as set out below.

The above amount of \$12 738 would need to be added to the already disclosed amount of \$56 804. ($\$56\,804 + \$12\,738 = \$69\,542$).

Required amendments

Total gifts in kind	\$69 542
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Party units

A total of 17 party units were selected for the compliance review.

Generally, the financial information reported by party units in their disclosure returns to the State Office was complete with supporting documents in the form of hard copy financial statements and bank statements.

There were discrepancies in the receipts and payments between those reported in the party's spread-sheet prepared by the State Office to those reported in several individual hardcopy disclosure returns prepared by each respective party unit.

When compared to the amounts reported in the party's spread-sheet, the review identified an over-disclosure of \$18 856 for total receipts and an over-disclosure of \$13 636 for total payments (Table 4, refer).

Similarly, when compared to the amounts reported on each individual hardcopy in their respective disclosure returns, the review identified an over-disclosure of \$60 766.23 for total receipts and an over-disclosure of \$78 522.53 for total payments (Table 4, refer).

The inclusion of internal transfers was a contributing factor to the over-disclosure of total receipts and total payments, both between party units and between them and the State Office. These transfers within the Party should be eliminated from the calculation of total receipts and total payments.

Table 4 – Comparison of total receipts and total payments for party units calculated by the AEC to amounts reported by the State Office and by the party units reviewed, in the financial year 2011-12.

Party units reviewed	Receipts \$	Payments \$
Amounts identified in the Compliance Review	163,600.35	134,371.64
Amounts provided in hardcopy disclosure return	182,456.84	148,008.10
VARIANCE (Over disclosed)	18,856.49	13,636.46
Amounts provided in the Party's spread-sheet	224,366.58	212,894.17
VARIANCE (over disclosed)	60,766.23	78,522.53

Matters requiring future action

It is recommended that consideration be given to addressing the following matters before lodgement of disclosure returns in the future.

Audit trail

The Party advised that it used the accounting package '*Mind Your Own Business*' (MYOB). The Party also advised that the '*Audit Trail*' tracking security feature available in this software was not used. The feature once turned on will log all changes made to the database complete with date, description and user details.

The AEC would have greater confidence in the accounting data being provided if this suggested data security measures were in place.

Work papers supporting disclosure

The AEC acknowledges the comprehensive work papers provided by the Party in support of their disclosure. Although the amendments required were material in amount they were few in number, technical in nature and easily identified.

The AEC understand that the Party is reviewing party unit internal disclosure returns and guidelines for party unit treasures, with a view to further enhancing the quality of internal work papers. The AEC commends the Party's initiative and stands ready to offer any assistance it can in this endeavour.

Party units record keeping

The suggestions offered below are provided as a check list to assist the Party in maintaining its commendable party unit record keeping practices.

The suggestions centre around the need to maintain a cash book/general ledger, together with the features outlined below, for each financially independent and active party units.

- Reconcile all bank statements to the cash book/general ledger at least once a year (preferable at the end of June).
- Eliminate all party unit internal transfers.
- Record all transactions with sufficient details to identify not only the amount of these transactions but also with whom and when these transactions occurred.
- Pass all transactions through a bank account.

Conclusion

The AEC acknowledges that the Party is developing a sound system of financial record keeping and has exhibited commendable effort in preparing complete and accurate disclosures as is required under the Act. It is further acknowledged that although the amendments required are material they were due to technical interpretations of the Act.

Except for the matters noted above, nothing has come to our attention that causes us to believe that the Party has not complied, in all material respects, with its disclosure obligations under the Act. To ensure full compliance with the Act, the matters noted above should be remedied. Please lodge an amendment form to the AEC on or before **Friday, 8 August 2014**.

Enquiries and assistance

Should the party require any assistance regarding its disclosure obligations under the Act, please contact the AEC's, Funding and Disclosure Section either on telephone number (02) 6271 4552 or by email at fad@aec.gov.au.

Attachment A

Comparison of total receipt and total payments derived by the AEC, with the Party's disclosed amounts, for financial year 2011-12.

Item	Total receipts \$	Total payments \$
6	9,405,817.81	10,315,725.45
Less internal transfers between the Party's bank accounts	-4,175,220.08	-3,526,091.00
6	835,327.98	933,893.84
Less internal transfers between the Party's bank accounts	-391,000.00	-227,220.08
6	2,539.02	0.00
Less internal transfers between the Party's bank accounts	0.00	0.00
6	204,529.88	391,000.00
Less internal transfers between the Party's bank accounts	-200,000.00	-391,000.00
6	59,585.55	59,585.55
Less internal transfers between the Party's bank accounts	0.00	0.00
6	2,561,668.86	3,248,000.00
Less internal transfers between the Party's bank accounts	-2,526,091.00	-3,248,000.00
6	1,434.24	0.00
Less internal transfers between the Party's bank accounts	0.00	0.00
Less internal transfers between business divisions	-95,879.79	-3,072,937.28
Total general ledger (ADMINISTRATION DIVISION)	5,682,712.47	4,482,956.48
6	4,701,091.70	4,591,925.65
Less internal transfers between the Party's bank accounts	-812,398.30	-94,682.00
6	8,668,416.24	8,111,618.73
Less internal transfers between the Party's bank accounts	0.00	-717,716.30
6	94,925.19	94,682.00
Less internal transfers between the Party's bank accounts	-94,682.00	-94,682.00
Less internal transfers between business divisions	-3,075,137.28	-95,879.79
Total general ledger (ELECTIONS & FUNDRAISING DIVISION)	9,482,215.55	11,795,266.29
6	219,987.24	246,685.29
Less internal transfers between the Party's bank accounts	-75,000.00	0.00
6	9,059.14	75,000.00
Less internal transfers between the Party's bank accounts	0.00	-75,000.00
6	1,297.18	0.00
Less internal transfers between the Party's bank accounts	0.00	0.00
6	3,103.88	0.00
Less internal transfers between the Party's bank accounts	0.00	0.00
Less internal transfers between business divisions	0.00	-2,200.00
Total general ledger (PARTY UNITS DIVISION)	158,447.44	244,485.29
ADD: Gifts-in-Kind (as reported in the amended disclosure return)	69,542.00	0
ADD: Total amounts reported for party units by the state office: June 2011 to December 2011	679,720.73	511,100.51
ADD: Total amounts reported for party units by the state office: January 2012 to June 2012	532,913.22	760,933.45
Less discrepancies identified following compliance review of selected party units – Report, Table 3 refers	-60,766.23	-78,522.53
Total Gifts-in-Kind and Party Units	1,221,410.72	1,193,511.43
GRAND TOTAL	16 544 786	17 716 219
Amount shown in Party's Disclosure Return	11 665 295	13 622 290
VARANACE (Under-disclosed)	-4 879 491	-4 093 929

Attachment B

Total amounts reported by party units to the State Office.

Type	Total receipts \$	Total payments \$
Branch	392,058.06	356,169.33
SEC	293,080.10	335,048.40
FEC	113,209.43	136,968.72
MEC	241,988.20	276,226.96
Miscellaneous	172,298.16	167,620.55
GRAND TOTAL	1,212,633.95	1,272,033.96

Attachment B-1

Comparison of total receipts and total payments for party units calculated by the AEC to amounts reported to the State Office by each party unit.

No.	Branch	(1) Amounts identified in the Compliance Review		(2) Amounts provided in hardcopy disclosure return		VARIANCE: (1) compared to hardcopy disclosure return	
		Receipts	Payments	Receipts	Payments	Receipts	Payments
1	Banyo Northgate Branch	57,392.50	2,447.87	57,731.01	2,527.83	338.51	79.96
2	Bundaberg and Coral Coast Branch	2,473.58	1,049.35	2,562.58	3,338.35	89.00	2,289.00
3	Coomera Valley Branch	0.00	0.00	0.00	0.00	0.00	0.00
4	Emu Park Branch	8,973.83	6,234.85	10,609.90	10,980.08	1,636.07	4,745.23
5	Moranbah Branch	0.00	0.00	0.00	0.00	0.00	0.00
6	Waterford RHC	19,670.12	12,649.64	19,780.07	11,930.64	109.95	-719.00
7	Brisbane Central SEC	20,285.83	4,245.36	20,246.31	4,185.36	-39.52	-60.00
8	Indooroopilly SEC	1,826.00	671.00	1,826.00	671.00	0.00	0.00
9	Kawana RHC	9,044.59	9,837.56	9,044.43	9,837.03	-0.16	-0.53
10	Noosa SEC	0.00	0.00	0.00	0.00	0.00	0.00
11	Pumicestone RHC	1,706.60	1,554.51	1,706.60	2,938.75	0.00	1,384.24
12	South Brisbane SEC	16,416.48	10,500.53	13,644.18	16,423.23	-2,772.30	5,922.70
13	Townsville SEC	105.11	5.06	100.05	0.00	-5.06	-5.06
14	Blair FEC	12,787.69	4,095.26	32,287.69	4,095.26	19,500.00	0.00
15	Griffith FEC	33.20	734.50	33.20	734.50	0.00	0.00
16	Lilley FEC	9,569.50	38,464.71	9,569.50	38,464.71	0.00	0.00
17	Oxley FEC	2,431.59	19,294.39	2,431.59	19,294.31	0.00	-0.08
18	Northgate MEC	665.29	19,227.04	665.29	19,227.04	0.00	0.00
19	Parkinson MEC	176.96	3,360.01	176.96	3,360.01	0.00	0.00
20	Labor Women's Sunshine Coast Branch	41.48	0.00	41.48	0.00	0.00	0.00
		163,600.35	134,371.64	182,456.84	148,008.10	18,856	13,636
						Over-disclosed	Over-disclosed

Attachment B-2

Comparison of total receipts and total payments for party units calculated by the AEC to amounts reported by the State Office

No.	Branch	(1) Amounts Identified in the Compliance Review		(3) Amounts provided in the party's spread-sheet		VARIANCE: (1) compared to Party's spread-sheet	
		Receipts	Payments	Receipts	Payments	Receipts	Payments
1	Banyo Northgate Branch	57,392.50	2,447.87	56,690.97	14,597.83	-701.53	12,149.96
2	Bundaberg and Coral Coast Branch	2,473.58	1,049.35	2,542.58	3,644.67	69.00	2,595.32
3	Coomera Valley Branch	0.00	0.00	0.00	0.00	0.00	0.00
4	Emu Park Branch	8,973.83	6,234.85	14,109.90	14,500.08	5,136.07	8,265.23
5	Moranbah Branch	0.00	0.00	0.00	0.00	0.00	0.00
6	Waterford RHC	19,670.12	12,649.64	19,673.12	12,649.64	3.00	0.00
7	Brisbane Central SEC	20,285.83	4,245.36	20,246.31	4,245.36	-39.52	0.00
8	Indooroopilly SEC	1,826.00	671.00	0.00	0.00	-1,826.00	-671.00
9	Kawana RHC	9,044.59	9,837.56	254.36	1,525.92	-8,790.23	-8,311.64
10	Noosa SEC	0.00	0.00	0.00	0.00	0.00	0.00
11	Pumicestone RHC	1,706.60	1,554.51	1,706.60	2,938.81	0.00	1,384.30
12	South Brisbane SEC	16,416.48	10,500.53	16,416.48	19,195.53	0.00	8,695.00
13	Townsville SEC	105.11	5.06	100.05	0.00	-5.06	-5.06
14	Blair FEC	12,787.69	4,095.26	32,287.69	54,095.26	19,500.00	50,000.00
15	Griffith FEC	33.20	734.50	33.20	734.50	0.00	0.00
16	Lilley FEC	9,569.50	38,464.71	27,569.50	38,464.71	18,000.00	0.00
17	Oxley FEC	2,431.59	19,294.39	21,852.09	23,714.81	19,420.50	4,420.42
18	Northgate MEC	665.29	19,227.04	10,665.29	19,227.04	10,000.00	0.00
19	Parkinson MEC	176.96	3,360.01	176.96	3,360.01	0.00	0.00
20	Labor Women's Sunshine Coast Branch	41.48	0.00	41.48	0.00	0.00	0.00
		163,600.35	134,371.64	224,366.58	212,894.17	60,766.23	78,522.53
						Over-disclosed	Over-disclosed

Attachment C

Copies of final reports issued to party units selected for compliance review.*

1. Banyo Northgate Branch
2. Bundaberg and Coral Coast Branch
3. Coomera Valley Branch (not reviewed – Nil financial activity)
4. Emu Park Branch
5. Moranbah Branch (not reviewed – Nil financial activity -)
6. Waterford RHC
7. Brisbane Central SEC
8. Indooroopilly SEC
9. Kawana RHC
10. Noosa SEC (not reviewed– Nil financial activity -)
11. Pumicestone RHC
12. South Brisbane SEC
13. Townsville SEC
14. Blair FEC
15. Griffith FEC
16. Lilley FEC
17. Oxley FEC
18. Northgate MEC
19. Parkinson MEC
20. Labor Women's Sunshine Coast Branch

* 20 party units selected for compliance review only party units with financial activity were provided with reports.

REDACTION CODES

- 1 Personal Information (name) redacted.
- 2 Personal Information (facsimile of signature) redacted
- 3 Personal Information (facsimile of manuscript initialling) redacted
- 4 Personal Information (Individual's address)
- 5 Personal information (individual's telephone number)
- 6 Business information (Bank Account details) redacted.
- 7 Business information (Billing Account details) redacted.
- 8 Legal Professional Communication redacted.
- 9 Deliberative material redacted.
- 10 Irrelevant material redacted.