

Compliance Review Report

Altum Pty Ltd ATF The HQ Trust

April 2013



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: Brad Edgman
Anna Jurkiewicz
Warren Kelly

Entity staff involved: 1 [REDACTED]
Angela Awabdy
1 [REDACTED]
1 [REDACTED]

Background

Registered Political Parties and Associated Entities 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 Altum Pty Ltd ATF The HQ Trust (the Entity) complies with disclosure obligations as set out in the Act.

Compliance and co-operation with the notice

The compliance review of the Entity was conducted under the authority of s.316(2A) of the Act by a notice served on the Entity's financial controller. In accordance with s.316 (2A)(c), the financial controller of an associated entity is required to produce the documents requested in the notice within the period and in the manner specified in the notice.

As is standard practice, the AEC provided four weeks for the delivery of records, this deliberately generous timeframe being designed to allow easy accommodation of this task in the normal course of the Entity's operations. Nonetheless, the AEC met difficulty in obtaining the full set of requested records by the due deadline of 12 June 2012. The then Financial Controller, Mr James Martin, provided the documents a week later following a number of reminders about the missed deadline with some missing bank statements not provided until 2 July 2012.

The review was further delayed by changes in the Entity's personnel with a new financial controller appointed not until October 2012. Following appointment of the new financial controller, the new s.316(2A) notice was issued to Ms Angela Awabdy on 24 October 2012.

Review findings requiring amendment

Total receipts and gifts-in-kind

Section 314AEA(1)(a) of the Act requires the financial controller of an associated entity to report the total amount received by, or on behalf of the entity during the financial year. The amount received must be reported on a gross basis, inclusive of GST, and must include the value of any gift, loan or bequest in accordance with s.314AA of the Act.

This means that the Entity must include in its calculations all amounts received from any external sources regardless of the nature of those transactions. All amounts received must be accounted for, including the value of non-monetary gifts received.

An examination of the Entity's bank statements and accounting records revealed a discrepancy between the total receipts reported in the disclosure return and the documentation provided. The discrepancy relate to the under-reporting of the total receipts figure by \$57,398.

The figure of \$1,313,127 reported in the return appears to have been derived from the total income following the increase adjustments made to the two income accounts titled *Cattle Drive Income* and *Sale of Cattle*. The nature of those adjustments could not be determined in absence of the relevant supporting documentation. However, it is likely that the adjustments made incorporated the GST component to reflect the figures on a gross rather than net basis.

The table below provides a summary of the total receipts as identified in the Entity's bank statements and general ledger contrasted against the figure reported in the disclosure return.

Table 1. Total receipts - comparison

	Disclosure return	Bank statements	General ledger
	\$1,313,127.00	1,370,525.15	\$1,316,247.26
Difference from disclosure		(57,398.15)	(3,120.26)

Attachment A provides the details of our calculations derived from the Entity's bank statements rather than general ledger given that the general ledger entries included net rather than gross amounts in relation to the account held with Elders.

The Entity's working papers provided indicate that a gift-in-kind amounting to \$19,939 was incorporated into the calculation of the total amount received. This amount, however, was not reported in Part 1 of the disclosure return as required.

To correct the discrepancies outlined above, the disclosure return needs to be amended with Part 1 of the *Request for Amendment* form showing the amended total receipts amount and the component of *gift-in-kind* as set out below:

Required amendment		
Amended total receipts	\$	1,370,525
Gift-in-kind	\$	19,939

Receipts above the disclosure threshold

Section 314AC of the Act provides that if the sum of all amounts received by, or on behalf of, an entity from a person or organisation during a financial year is more than the threshold, the return must include the particulars of that sum. For the 2010/11 financial year the threshold was the sum of the relevant amounts in excess of \$11,500.

In calculating the sum, an amount of \$11,500 or less need not be counted (s. 314AC (2)).

In its disclosure return the Entity reported two receipts above the disclosure threshold. The one reported as received from Elders for the amount of \$1,007,586.90 was under-stated by \$36,313. This appears to be due to reporting the amount on a net rather than gross basis.

Attachment B provides the details of the gross amount totalling \$1,043,900 that should have been reported.

To correct this discrepancy, Part 3 of the *Request for Amendment* form is required to be corrected to reflect the gross amount received from Elders as set out in the table below.

Required amendment		
Received from	Amount	Donation or Other receipt
Elders	\$ 1,043,900	

Total payments

Section 314AEA(1)(b) of the Act requires the financial controller of an associated entity to report the total amount paid by, or on behalf of, the entity during the financial year.

To comply with this provision of the Act, an entity must account for all transactions that result in payments to external sources regardless of the nature of those payments. The amount paid must be reported on a gross basis inclusive of GST.

The Entity's records examined during the review indicate that the total payment amount was over-stated by \$648,010.93.

The working papers provided indicate that the reported figure in the disclosure return was based on the total expenses derived from the *Profit and Loss Statement* following the increase adjustments to a number of expense accounts. The absence of the relevant supporting documentation makes it difficult to determine the nature of those adjustments. As stated before, the GST component is the likely cause of those adjustments so that the total payments would reflect gross rather than net figure.

The Entity's working papers listing the payment of \$200,000 described as loan payments could not be verified and supported by records provided. No transaction records contained in the bank statements and the accounting records indicate that loan repayments amounting to \$200,000 took place.

Attachment C provides the details of our calculations based on the records provided. In view of the above, Part 4 of the *Request for Amendment* form should be completed to show the total amount of payments as set out below:

Required amendment

Amended total payments	\$ 625,921
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Matters for future action

Accounting practices: offsetting

The review identified an accounting practice issue reflected in the way a number of liability accounts had been recorded in the Entity's accounting records.

The Entity's trial balance indicates that the total liability accounts amounted to \$718,400.94, therefore, the total debt of the Entity should be reflected by this figure. However, the Entity's calculations of the total debts incorporated only two liability accounts, excluding the remaining two listed in the trial balance.

The table below contrasts the Entity's calculation of debt with those contained in the trial balance.

Table 2 – Total liabilities as per trial balance

GL Account	Liabilities - trial balance	Entity's calculations
6	85,901.14	85,901.14
6	446,088.00	446,088.00
6	180,000.00	-
GL GST payable*	6,411.80	-
Total	718,400.94	531,989.14

* GST collected [GL 2-9161] \$100,321.68 less GST paid [GL 2-9162] \$ 93,878.63 less GST Adjustments [GL 2-9165] \$31.25
= Total GST payable \$6,411.8

Whilst the GST payable account seems to have been inadvertently omitted, the liability account showing a loan to LNP Nominees for \$180,000 apparently does not represent the actual debt.

This appears to be consistent with the approach adopted in reflecting debts by the other Entity, *LNP Nominees ATF 6 St Paul's Terrace Trust*, where this amount was reflected in the asset account showing debit of \$180,000 described as *Loan – Altum ATF the HQ*. This asset then was offset against *6 St Paul's Terrace Trust* liability account of \$1,590,000 to report the actual value of the debt of \$1,410,000.

To maintain consistency, the review does not propose amending the total debts given that the amount of \$180,000, whilst reported as a liability account, does not appear to reflect the true value of the actual debt.

The issue of the approach used to reflect the liability accounts was raised with the Entity during which it was agreed that accounting practices adopted at the time were not optimal. Such offsetting of liabilities with assets diminishes the ability of user of the information to understand the disclosures made in the return as the financial information is being reported on an inconsistent basis.

To achieve greater clarity and consistency in the Entity's accounting records, we suggest adopting the requirements of Australian Accounting Standard AASB 101 *Presentation of Financial Statements* that does not permit offsetting in the reporting of assets, liabilities, income and expenses in financial statements. This means that the liability accounts in the trial balance should reflect the actual balances without the need to perform additional calculations to arrive at the actual balance.

Conclusion

Except for the matters noted above, based on the records presented nothing has come to our attention that causes us to believe that the Entity 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.

Enquiries and Assistance

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

Attachment A

Table 1. Total receipts – bank statements

Details	Account	\$ Amount
6		544,256.12
Less: Transfers from 6 Facility		-252,658.82
Less: Reversals		-2,594.19
6		1,061,583.04
Gifts-in-kind		19,939.00
	Total	1,370,525.15

Table 2. Summary of deposits on 6 statements: gross versus net amounts

Statement date	Sale proceeds	Add GST	Total sale proceeds	Less sale charges	Add GST	Total sale charges	Net sale proceeds
22-Sep-10	703.89	70.39	774.28	38.29	3.33	41.62	732.66
31-Oct-10	13,622.90		13,622.90	-	-		13,622.90
20-Nov-10	3,492.36	349.24	3,841.60	139.34	11.43	150.77	3,690.83
20-Nov-10	3,277.00	327.70	3,604.70	341.70	31.17	372.87	3,231.83
20-Nov-10	543,587.98	54,358.80	597,946.78	22,990.01	1,872.51	24,862.52	573,084.26
20-Nov-10	393,027.62	39,302.77	432,330.39	17,734.06	1,371.91	19,105.97	413,224.42
21-Nov-10	796.64	79.66	876.30	53.23	4.82	58.05	818.25
22-Nov-10	1,350.00	135.00	1,485.00	47.13	3.71	50.84	1,434.16
22-Nov-10	48.18	4.82	53.00				53.00
26-Nov-10	4,815.54	481.55	5,297.09	252.03	20.20	272.23	5,024.86
29-Nov-10	1,640.00	164.00	1,804.00	55.10	4.51	59.61	1,744.39
Totals	966,362.11	95,273.93	1,061,636.04	41,650.89	3,323.59	44,974.48	1,016,661.56

Table 1: Amounts above the threshold received from Elders – gross *

Date	Details	Net sale proceeds	GST	Total Proceeds
31 Oct 2010	Interest Adjustment	13,622.90	0.00	13,622.90
20 Nov 2010	853 Cattle Sale	543,587.98	54,358.80	597,946.78
20 Nov 2010	803 Cattle Sale	393,027.62	39,302.77	432,330.39
Total grossed up proceeds				1,043,900.07
Amount reported				1,007,586.90
Difference				36,313.17

* For grossed up amounts refer to Attachment A - Table 2

Table 1. Total payments – bank statements

Details	\$ Individual amounts	\$ Total amount
6	540,578.71	
Less: Reversals	-2,594.19	
Add: Deductions from 6*	340,648.37	
Less: Reversal Adjustment	-53.00	
Internal transfers (From 6 To 6)	-252,658.82	
Total calculated by AEC		625,921.07
Total reported by Entity		1,273,932.00
Difference		648,010.93
		(over-reported)

* Refer to Attachment D containing extract of payments from Elders statements

Table 2. Extraction of 6 GST grossed-up' payments recorded on statements

Statement Date	Sale / Due Date	Charges	add GST	Total Charges
06-Jul-10	31-Aug-10	1,240.00	124.00	1,364.00
13-Jul-10	31-Aug-10	2,524.50	252.45	2,776.95
13-Jul-10	31-Aug-10	285.67	28.57	314.24
15-Jul-10	31-Aug-10	4,398.55	439.86	4,838.41
31-Jul-10	31-Aug-10	10,639.76	0.00	10,639.76
6-Aug-10	30-Sep-10	1,008.00	100.80	1,108.80
31-Aug-10	30-Sep-10	11,059.30	0.00	11,059.30
22-Sep-10	15/09/2010	38.29	3.33	41.62
30-Sep-10	31-Oct-10	10,805.61	0.00	10,805.61
20-Nov-10	10/11/2010	139.34	11.43	150.77
20-Nov-10	10/11/2010	341.70	31.17	372.87
20-Nov-10	10/11/2010	22,990.01	1,872.51	24,862.52
20-Nov-10	10/11/2010	17,734.06	1,371.91	19,105.97
21-Nov-10	11/11/2010	53.23	4.82	58.05
21-Nov-10	11/11/2010	818.25	0.00	818.25
22-Nov-10	12/11/2010	47.13	3.71	50.84
22-Nov-10	12/11/2010	1,434.16	0.00	1,434.16
22-Nov-10	31-Dec-10	243,692.16	0.00	243,692.16
22-Nov-10	31-Dec-10	48.18	4.82	53.00
22-Nov-10	Adjustment	-48.18	-4.82	-53.00
22-Nov-10	31-Dec-10	50.00	5.00	55.00
26-Nov-10	16/11/2010	252.03	20.20	272.23
26-Nov-10	16/11/2010	4,969.86	0.00	4,969.86
29-Nov-10	19/11/2010	55.10	4.51	59.61
29-Nov-10	19/11/2010	1,744.39	0.00	1,744.39
Total		336,321.10	4,274.27	340,595.37

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.