

Compliance Review Report

LNP Nominee Pty Ltd ATF 6 St Paul's Terrace Trust

May 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: Anna Jurkiewicz
Warren Kelly

Entity staff involved: 1 [REDACTED]
Harry Charlton

1 [REDACTED]

Background

Federally 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 compliance review of the 2011-12 return was conducted in support of the review of the 2012-13 disclosure return. As such, the documents relating to the 2011-12 financial year were examined to help identify the cause of the apparent discrepancies in the 2012-13 disclosure return. During the review of the 2012-13 return, however, material discrepancies were noted between the information reported in the 2011-12 return and the records provided. The discrepancies are discussed in the report below.

Compliance and cooperation

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.

Part of the records requested in the notice was provided five days after the deadline of 12 December 2013. Difficulties in obtaining all the records following separation of the Entity from the Liberal National Party of Queensland appears to have contributed to the delay in responding to the notice.

Review findings requiring amendment

Total Receipts and Payments

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. Similarly, s.314AB (2)(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 satisfy this, the Entity must account for all transactions that result in receipts from and payments to external sources including those received from and paid to other associated entities or parties. These transactions must be reported on a gross basis inclusive of GST.

Any internal transactions within the Entity should be eliminated in the process of consolidation of all transactions to avoid over-reporting of the total amounts.

Based on the records provided, the review concluded that the Entity has significantly over-reported total receipts and payments. It appears that the total amount received was calculated by incorporating the amounts identified in the Entity's bank bill loan facility and General Journal entries. Specifically, the amount of \$720,274.77 withdrawn from the Entity's bank bill loan facility [REDACTED] and three credit transaction entries identified in the General Journal totalling \$4,290,374.86 were treated as part of the total receipts.

As a bank bill loan facility represents a form of debt similar to that of an overdraft or credit card facility rather than actual receipt of money, the amounts withdrawn from the loan facility to make payments on behalf of the Entity does not represent receipt of money. However, should the Entity receive a loan that resulted in money being deposited into the Entity's account then this amount should be incorporated into the calculations of the total receipts for the disclosure purposes under the Act.

With regard to the total amount of payments reported in the return, the review was unable to ascertain methodology used in deriving the amount based on the records presented.

In the absence of the Entity's supporting working papers showing how the total amounts reported in the return were arrived at, the review based its calculations on transactions contained in the records limited to two bank accounts [REDACTED] and [REDACTED].

The table below contrasts the total amounts recorded in the Entity's bank statements against the figures reported in the disclosure return.

Table 1: Total amounts received - comparison

Details	Total receipts (\$)	Total payment (\$)
Disclosure Return	5,757,728.00	5,271,610.00
Bank Statements/ General Ledger	886,899.94	873,105.26
Difference	4,870,828.06	4,398,504.74

Unless further evidence is presented to support the figures reported in the return, Part 2a and Part 4 of the *Request for Amendment* form should reflect the amounts listed below.

Required amendment

Amended total receipts	\$886,900
Amended total payments	\$873,105

Receipts above the threshold

Section 314AC of the Act, requires disclosure of the particulars of the sum of individual amounts received by, or on behalf of, an entity from a person or organisation during the 2011-12 financial year of more than \$ 11,900.

In calculating the sum, an amount of \$11,900 or less need not be counted (s. 314AC (2)).

To comply with this provision, details of any amount above the threshold received from any external sources must be disclosed in the disclosure return regardless of the nature of the receipt, including the amount, name and address of the person or organisation. In the case of an unincorporated association or trust/foundation, the names and addresses of the executive committee or of the trustees of the trust/foundation must also be provided.

The Entity reported four receipts above the threshold. However, the Entity's records, including bank statements and the MYOB accounting reports do not support one of the receipts reported as received from Westpac Banking Corporation for the total amount of \$5,010,649.

Unless the Entity provides evidence to support this receipt, Part 3 of the *Request for Amendment* form should be corrected to show the details as set out below.

Required amendment

Name		Address	Amount
Original Entry:	Westpac Banking Corporation	PO Box 7430 LOGANHOLME QLD 4129	\$5,010,649
Amended Entry:	-	-	-

Total debts

Section 314AEA (1)(c) of the Act requires the financial controller of an associated entity 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 if the sum of all outstanding debts is more than the threshold amount.

In its disclosure return, the Entity reported a total debt of \$8,428,996. However, the *Balance Sheet* extracted from the Entity's MYOB accounting system indicates the Entity had debts totalling \$14,222,041.26.

In the absence of any other supporting documentation such as the Entity's working papers showing how the total debt amount was arrived at, the review was unable to examine methodology used to derive the amount reported in the return.

Unless further evidence is presented to support the total debt figure reported in the return, Part 5 of the *Request for Amendment* should reflect amount identified in the Entity's accounting records as set out below.

Required amendment

Amended total debts	\$14,222,041
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Debts above the threshold

Section 314AE of the 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 for that year, the return must include the particulars of that sum. The threshold for 2011-12 was for amounts totalling in excess of \$11,900.

In its disclosure return, the Entity reported two debts above the disclosure threshold including the amount of \$1,410,000 owed to Altum Pty Ltd ATF The Headquarters Trust and the amount of \$7,011,020 owed to Westpac Banking Corporation.

However, the examination of the Entity's accounting records indicates that the reported debt owed to Westpac Banking Corporation requires correction and additional debt was identified as not reported. Details of the amount requiring amendment are outlined below.

Westpac Banking Corporation

Outstanding balances reflected in the Entity's MYOB accounting records for the *General Ledger* liability accounts (GL 2-7000, 2-7010 and 2-8010) show outstanding balances to Westpac bank totalling \$8,489,881.85. The sum comprises outstanding balances of:

- \$2,697,000.00 on bank bill loan facility [REDACTED];
- \$5,739,063.64 on the bank bill loan facility [REDACTED]; and
- \$53,818.21 described as [REDACTED].

The recently completed review of the 2012-13 return confirmed that the outstanding balance described in the records as [REDACTED] represents an amount owed to [REDACTED].

To reflect the full amount outstanding to the Westpac bank, Part 6 of the *Request for Amendment* form should reflect the amended amount as indicated below.

Required amendment

Name		Address	Amount
Original Entry:	Westpac Banking Corporation	PO Box 7430 Loganholme QLD 4129	\$7,011,020
Amended Entry:	Westpac Banking Corporation	PO Box 7430 Loganholme QLD 4129	\$8,489,882

Conclusion

The findings in this report are based on the two Entity's records including bank statements and records contained in the MYOB accounting system. The Entity's supporting documentation justifying the departure from the figures contained in the records was not available to the review and therefore could not be examined.

If it is your contention that our findings are incorrect or you wish to request amendments that are different or additional to those we have listed above, please also provide an explanation along with any supporting working papers and documents by this due date.

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 on telephone number (02) 6271 4552 or by email at fad@aec.gov.au.

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.