

# Compliance Review Report

Family First Party Victoria

March 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:	Ralph Fayed, Paul Lau
Party staff involved:	Darren Buller (Current party agent) Aaron D'Orival (Former party agent)

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## Background

Registered political parties are required under the provisions of the *Commonwealth Electoral Act 1918* (the Act) to lodge disclosure returns, annually. 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 Family First Party Victoria (the Party) complies with disclosure obligations as set out in the Act.

## Records examined

During the review, AEC staff examined financial records of the Party for the 2010/11 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, except for a copy of the audited financial statements. The Party initially advised that its auditors were unable to provide an opinion due to the irrevocable loss of some source documentation. Accordingly, a compliance review report was issued in November 2012, which required amendment to the Party's original disclosure return.

Subsequently, the former party agent Mr Aaron D'Orival resigned in January 2013 and a new party agent, Mr Darren Buller was appointed in February 2013. Further, the Party's auditors later provided a 'qualified' 2010/11 set of financial statements, in March 2013, a copy of which was passed on the AEC.

In view of the clarification provided it was considered appropriate to accommodate the minor changes revealed, update the report, and reissuing it.

## Review findings requiring amendment

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

### Total receipts and total 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 must account for all transactions that result in cash receipts from and cash payments to external bodies. These transactions would include payments due to asset purchases and receipts from loans taken out during the relevant financial year. These cash 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. Accordingly, the cash concept of receipts and payments required for disclosure purposes under the Act does not embrace the accrual concepts of '*total revenue*' and '*total expenditure*' embodied in profit and loss statements. Further, for larger political parties the profit and loss statements are usually net of GST.

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 banks statements (ANZ Bank account number 4964-01886, refers) were reconciled to the total receipts amount and total payments amount derived by the Party in its general ledger (general ledger account number 1-1001, refers).

The AEC identified total receipts of **\$250,031.47**, from total cash deposits reported in the Party's general ledger. The Party disclosed total receipts of \$178,844.00. The discrepancy resulted in an under-disclosure of \$71,187.47 (Table 1 below and Attachment A, refer).

Similarly, the AEC identified total payments of **\$282,814.41**, from total cash payments reported in the general ledger. The Party disclosed total payments of \$208,090.00. The discrepancy resulted in an under-disclosure of \$74,724.41 (Table 1 below and Attachment A, refers).

**Table 1** – Comparison of total receipts and total payments derived from the general ledger (and reconciled to the bank statements) – financial year 2010/11

Source document	\$ Total receipts	\$ Total payments
Disclosure Return amounts	178,844.00	208,090.00
General ledger amounts	<b>250,031.47</b>	<b>282,814.41</b>
Difference (under disclosed)	<b>-71,187.47</b>	<b>-74,724.41</b>
See Attachment A for more details.		

To correct the omission outlined above, Parts 1 and 3 of the *'Request for Amendment – Political Party Disclosure Return'* form for the financial year 2010/11 should be completed to include amended total receipts and amended total payments.

### Required amendments

Amended total receipts	<b>\$250,031</b>
Amended total payments	<b>\$282,814</b>

### Receipts above the threshold

Section 314AC of the Act provides that if the sum of all amounts received by, or on behalf of, the party 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 indexed threshold was for sums of more than \$11,500.

To comply with this provision, the details of any amount above the threshold received from any external sources must be disclosed in the return regardless of the nature of the receipt.

The AEC identified from the Party's general ledger (account number<sup>6</sup> [REDACTED]) and bank statements (ANZ Bank account number<sup>6</sup> [REDACTED]) a total of three (3) receipts that were not reported in the disclosure return (Table 2 below and Attachment B, refers).

**Table 2** – Receipts above the threshold identified in the general ledger and bank statements but not disclosed – financial year 2010/11

Description in the General ledger	Date recorded in G/L	\$ Amount
FFP Fed refund	21/10/2010	28,880.00
Fed FFP	17/11/2010	20,000.00
VEC State Election refund	14/02/2011	32,467.34

The three (3) receipts listed above were above the indexed disclosure threshold of \$11,500, for the financial year 2010/11 but were not disclosed.

To correct the omission outlined above, Part 2 of the '*Request for Amendment – Political Party Disclosure Return*' form for the financial year 2010/11 should be completed to include the details of these additional receipts.

### Required amendment

Name	Address	Amount
Family First Party	77 Fullarton Rd, Kent Town, SA, 5067	28,880
Family First Party	77 Fullarton Rd, Kent Town, SA, 5067	20,000
Victorian Electoral Commission	530 Collins St, Melbourne, VIC, 3000	32,467

## Matters requiring future action

An evaluation of the Party's records identified the following issues that will require future action.

- The loss of source documentation covering the financial years 2010/11 and 2011/12.
- A continuing pattern of findings resulting in material discrepancy for this and the last compliance review.
- A need for hand over procedures from one party agent to another robust enough to assure the Party's disclosure obligations, at any time but particularly through dormant periods.

In the light of these findings the Party was requested to re-calculate total receipts and total payments disclosed in its 2011/12 return. The re-calculation resulted in an amending return for 2011/12.

### Party agent handover

The former party agent, Mr Aaron D'Orival, advised that the Party's auditors had ventured no opinion as to the veracity of the accounts for 2010/11, in view of some missing source documents which would have confirmed material payments. These problems had

persisted into the first half of 2011/12 when Mr D'Orival took charge of record keeping responsibilities (see also *Disclosure return for 2011/12* below).

The Mr D'Orival was only appointed on 27 July 2012, that is, in the financial year 2012/13. However, he signed-off the 2011/12 disclosure return on the 19 October 2012 and had accordingly assumed responsibility for its accuracy and completeness.

The Party went into a dormant phase between the 2010 federal election, when it failed to get its candidate into Parliament, and early 2012 when it revived. During this period the Party closed its offices and put most of its documentation into storage in a number of locations around Melbourne. It is during this period that some of the Party's documentation was lost.

Adequate handover procedures should be put in place to safeguard records and ensure the Party is able to fulfil its disclosure obligations on an ongoing basis, as these responsibilities pass from one party agent to the next. These procedures should also be robust enough to carry the Party through dormant periods.

A compliance review was undertaken and a report issued in November 2012. The report had findings and called for an amending disclosure return. However, Mr D'Orival resigned as party agent in January 2013 before these required amendments could be effected. In February 2013 Mr Darren Buller was appointed as party agent. It is understood that he undertook more work with the Party's auditors and they have subsequently provided sets of audited financial statements for both 2010/11 and 2011/12. They qualified both sets of financial statements.

The AEC noted that the hand over between Mr D'Orival and Mr Buller was more successful.

### Pattern of findings

Findings in the last compliance review of the Party, completed in July 2009, covering the 2007/2008 disclosure return was compared with findings made in the current compliance review, covering the 2010/2011 disclosure return (Attachment B refers). The comparison reveals a continuing pattern of findings, resulting in material discrepancies, which suggests, at the least, that the legal responsibility of lodging complete and accurate disclosure returns is not being accorded adequate priority within the Party. Any further continuation of the same failures in disclosure will oblige the AEC to consider enforcement through the offences provisions of the Act. However, the AEC acknowledges that progress is being made in the development of procedures that will ensure the ongoing accuracy and completeness of records maintained, in compliance with the Party's disclosure obligations, under the Act.

## Record keeping

The suggestions for general record keeping improvements outlined below should assist the Party to more easily meet its disclosure obligations under the Act. The suggestions centre around maintaining a cash book and/or a general ledger, together with the features outlined below (comments made below should be read in conjunction with Attachment B, to this report).

- All, but only, those transactions from the relevant financial year are subject to disclosure. Once an end of financial year cut-off practice is adopted it should be consistently applied, from year to year.
- All receipts and all payments are recorded with the aid of receipts and cheques written, either electronically or manually.
- Retain all source documentation giving rise to receipts and payments.
- Pass all transactions through a bank account.
- All transactions are recorded with sufficient details to identify not only the amount of these transactions but also with whom and when these transactions occurred.
- Create additional revenue accounts with the Party's accounting system to enable donations to be separately identified from other income sources.
- There is no netting-off of any receipts or payments against each other.
- All transactions are inclusive of taxes, such as, Goods and Services Tax (GST) and all other charges.
- Bank deposit records include details of all the individual receipts they are made up of.
- Copies of all bank statements are retained.
- A formal reconciliation of the relevant bank statements against the cash book and/or the general ledger occurs on at least a quarterly basis.
- A separate register should be maintained of all gifts-in-kind recording details such as date of receipt, value, valuation method and the identity of the donor.

## Disclosure return for 2011/12

In light of the AEC's concerns with regard to the pattern of errors in previous disclosure returns the party agent was asked to provide assurance that the Party's disclosure return for 2011/12 had been correctly compiled or prepare the necessary amendment.

While the party agent was unable to provide assurance as to the veracity of the records kept prior to his assuming those responsibilities (noting the concerns expressed by the Party's auditors) he did confirm that he had re-calculated total receipts and total payments on the basis of gross cash receipts and gross cash payments, as required under the Act. Accordingly, this re-calculation has resulted in an amendment to the 2011/12 disclosure return.

## Conclusion

The AEC acknowledges that the Party is developing a sound system of financial record keeping and has exercised effort in preparing complete and accurate disclosures as is required under the Act. However, it also notes with some concern that a pattern of findings has continued. To ensure full compliance with the Act, the matters noted above should be remedied.

For your convenience, a '*Request for Amendment – Political Party Disclosure Return*' form for the financial year 2010/11 has been completed and enclosed. The form incorporates all the agreed amendments, as outlined in the report above. Please return the amendment form, signed by the party agent, to the AEC, by **Monday, 1 April 2013**.

## 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](mailto:fad@aec.gov.au)

## Attachment A

Comparison of total receipt and total payments derived from the bank statements, general ledger and the financial statements with the Party's disclosure amounts - financial year 2010/11

Source document	\$ Total receipts)	\$ Total payments
1. Total banks statement amounts	250,031.47	282,568.72
2. Total general ledger amounts	250,031.47	282,814.41
3. Financial statements amounts	180,919.36	208,590.00
4. Party's original disclosure return amounts	178,844.00	208,090.00
Comparison of Party's disclosure amounts (4) with general ledger amounts (2) ( <b>under-disclosed</b> )	<b>-71,187.47</b>	<b>-74,724.41</b>
5. Amended disclosure return amounts	250,031.47	282,814.41

## Notes

1. Bank statement amounts for total receipts and total payments were derived from bank statements supplied by the Party (6, refers)
2. General ledger amounts were derived directly from the 'MYOB' electronic general ledger records provided by the Party (general ledger account number 6, refers).
3. Financial statements amounts were derived from the audited and signed Statements of Comprehensive Income provided by the Party in March 2013.
4. The Party's original disclosure return amounts for total receipts and total payments are set out here for comparison.
5. The bank statements amounts for total receipts and total payments were used as a benchmark because they are provided from an independent corroborative source and are consistently cash based. These amounts were reconciled to the general ledger amounts generated by the Party. Accordingly, the AEC accepts these general ledger amounts as a suitable basis for amendment of the Party's original disclosure return amounts.

## Attachment B

## Comparison of findings in the current with the immediate prior compliance review

Legal Obligation	2010/2011 Disclosure Return	2007/2008 Disclosure Return
Total Amount Received s.314AB(2)(a)	Disclosed: \$178,844 Amended: \$250,031 <b>Under-disclosed: \$71,187</b>	Disclosed: \$284,758 Amended: \$330,588 <b>Under-disclosed: \$45,830</b>
Threshold Receipts s.314AC	<b>\$28,880</b> from the Party's H/O <b>\$23,200</b> from the Party's H/O <b>\$32,467</b> from Victorian Electoral Commission <b>Not disclosed</b>	<b>\$32,203</b> from ATO  <b>Not disclosed</b>
Total Amount Paid s.314AB(2)(b)	Disclosed: \$208,090 Amended: \$282,814 <b>Under-disclosed: \$74,724</b>	Disclosed: \$421,411 Amended: \$495,028 <b>Under-disclosed: \$73,617</b>
Total Debt s.314AB(2)(c)	Disclosed: \$5,545 Amended: n/a <b>Under/over disclosure: n/a</b>	Disclosed: \$1,530 Amended: \$33,261 <b>Under-disclosed: \$31,731</b>
Threshold Debt s.314AE	Disclosed: \$0 Amended: \$0 <b>Under/over disclosure: n/a</b>	Disclosed: \$0 Amended: \$31,261 <b>Not disclosed: \$31,261</b>

## **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.