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Compliance Review Report

Mehring Books Pty Ltd

14 May 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: Alan Page
Paul Lau

Entity staff involved: Mr Richard Phillips

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 Mehring Books Pty Ltd (the Entity) complies with disclosure obligations as set out in the Act.

Compliance and co-operation

During the review, AEC staff examined financial records of the Entity for the 2010-11 financial year. The Entity fully complied with the s316(2A) notice in delivering requested records to the AEC by the due date.

Review findings

Detailed examination of the Entity's records identified one minor discrepancy that, in our opinion, does not require an 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.314AEA(1)(b) 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.

To satisfy this, the Entity must account for all transactions that result in receipts from and payments to external entities. These transactions must be reported on a gross basis inclusive of GST.

Conversely, movements of funds within the Entity 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 disclosure return.

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.

It appears that the Entity under-disclosed the total debts compared to the information recorded in the Entity's records such as trial balance and the audited financial statements. The Entity disclosed total outstanding debts to the amount of \$19,365, whilst the audited financial statements indicated liabilities in the amount of **\$23,696** (Table 1 below refers).

As the value of this discrepancy for total debts at \$4,331 is considered immaterial in the overall context of the Entity's disclosures, the Entity will not be required to lodge a amended disclosure return on this occasion.

Table 1: -- AEC's reconciliation supporting amount reported in the Balance Sheet

Source Document	\$	\$
Disclosure Return – Total debts as at 30 June 2011		19,365
Trade Creditors	23,522.82	
Add: Import Duty Payable	157.84	
Add: Import Duty Payable	<u>15.00</u>	
Total Debts		23,696
Difference (under-disclosure)		-4,331

Matters requiring future action

The following matters need to be addressed before lodgement of disclosure returns in the future.

Accuracy of reporting

Transactions made between the Entity's own cash accounts are internal transfers and should be eliminated when calculating total receipts and total payments for the disclosure purposes of the Act. The AEC identified instances of transfers of funds between the Entity's⁶ [REDACTED] and the PayPal account which should have been eliminated as internal transfers.

As these over-disclosures for total receipts and total payments totalled only \$258.57, they were not considered to be significant amounts and the Entity will not be required to lodge a disclosure return amendment on this occasion.

Conversely, total receipts and total payments should include all gross inflows and outflows of funds. For example, any amounts deposited into the Entity's PayPal account from book sales, which were subsequently withdrawn directly from the account to pay an invoice should be included in total payments (as was reported in the general ledger on 18/02/2011, where \$135 was paid to a trade creditor).

Again, given the sum involved is considered immaterial, no amendment is required to the disclosure return.

Conclusion

Except for the matters noted above, 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 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.