

Compliance Review Report

National Party of Australia – New South Wales
Branch

June 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: Maryann Waters
Alan Page
Brad Edgman

Party staff involved: Carron Elvin

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 the National Party of Australia – New South Wales Branch (the Party) complies with disclosure obligations as set out in the Act.

Compliance and Cooperation

State Office

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

Party Units

The AEC also selected fifteen (15) party units from a list of 309 constituent units (71 of which were notated as being inactive) provided by the State Office to examine the accuracy of the returns these units lodged with the State Office.

Table 1 – Constituent units selected for review

Name of unit	Name of unit
Hunter FEC	Upper Hunter State Campaign
Lismore SEC	Burrinjuck SEC
Casino Branch	Richmond FEC
Myall Lakes State	Oxley State Account
Bellingen Branch #	Northern Tablelands SEC #
Wagga Wagga SEC #	Goulburn Branch #
Southern Highlands SEC #	Port Macquarie Branch #
Barwon SEC #	

units that lodged a nil return or did not lodge the return

The seven units marked with a hash reported nil financial activity. As a consequence, the AEC was not provided with any financial records from those constituent units. Their nil activity was confirmed by a signed declaration from each party unit treasurer.

The majority of the information from the selected constituent units was provided by the due date except for the Richmond FEC account which was not received until 12 March 2013, some two weeks overdue.

Review findings requiring amendment

Detailed examination of the Party's records, including records from the party units we selected, identified a discrepancy that in our opinion requires correction on the 2010-11 disclosure return.

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, s314AB(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 this, the entire Party, that is, the State Office and all its party units, must account for all transactions that result in receipts from and payments to external entities including to other State Branches or associated entities of the party. These transactions must be accounted for on a gross basis without any offsetting, including of GST.

Transactions within the Party, including those between the State Office and party units and between the party units themselves, represent internal transfers. Such transactions

should be eliminated from the calculation of total receipts and payments to avoid inflating the total amounts reported in the return.

Transactions within the Party including those between the Party's separate bank accounts represent internal transactions. Such transactions should be eliminated from the calculations of total receipts and payments to avoid inflating the total amounts reported in the return.

Our examinations of records documenting these movements between the three separate databases being maintained by the party at the time and together with the use of party unit totals (being the disclosure amounts required by the State legislation), no guarantee can be given that all of these entries were included or eliminated in full. Attachment 'A' provides the details of our calculations of the totals for receipts and payments based on the actual bank account statements.

Table 2 – Total Receipts & Payments

Source document	Total Receipts \$	Total Payments \$
Annual Return	8 978 799	8 375 997
Bank account movement	8 777 199	7 816 851
Difference (over disclosed)	-201 600	-559 146

Total Debt

Section 314AB(2)(c) of the Act requires the agent of a registered political party to report the total outstanding amount, as at the end of the financial year, of all debt incurred by, or on behalf of, the party.

Following our analysis of information included in the balance sheet, we identified inconsistencies between the total amount of debt reported in the annual return and the documentation provided. Attachment 'B' provides the details of the total amount of debt based on the information in the Party's balance sheet record.

Table 3 – Total Debt

Source document	Total Debt \$
Annual Return	2 732 844
Balance sheet	2 896 426
Difference (under disclosed)	163 582

Based on these incomplete calculations and the inability to verify party unit totals, it is our opinion that in this instance an amended return will not be required to reduce these amounts.

Receipts above the disclosure threshold

Section 314AC of the Act requires disclosure of the particulars of the sum of individual amounts received by, or on behalf of, a party from a person or organisation during the 2010/11 financial year of more than \$11,500.

On examination of the party's produced reports listing all transactions recorded in the Party's general ledger together with a visual inspection of individual credit amounts in the bank statements revealed several amounts above the threshold that were not individually disclosed. This amount is listed below.

Required amendment (Amended Entry)		
Name	Address	Original amount amended to
Natpar Pty Ltd	P.O. Box 4558 SYDNEY NSW 2001	\$327,392

In view of the above, it is our opinion that an amended amount should be reported in Part 2 of the amended annual return.

Party Units

The most significant discrepancy identified was due to the failure to eliminate all internal transfers when consolidating figures for disclosure in the annual return, in particular those involving movement of funds between individual party units and between State Office to party units. Not eliminating such transactions resulted in them being disclosed as if they were transactions with external entities. This leads to the over-stating of the Party's total amounts.

The table below illustrates the discrepancy between the various records of the party units individually reviewed. The table contrasts the figure reported by the State Office in its summary spread-sheet with those reported by the party units in their individual records and those arrived at following the AEC's review.

Generally, the financial information reported by party units in their disclosure returns to the State Office was complete and supported by sufficient records, but only for NSW legislation purposes. From the records provided the AEC was not able to verify the amounts listed by the State Office in its summary spread-sheet.

Table 4 – Selected Party Units; Receipts & Payments

Party Unit	Receipts			Payments		
	SO Listing	Bank Account	PU disclosure	SO Listing	Bank Account	PU disclosure
Myall Lakes State	13,870.00	11,537.76	0	0.00	14,283.12	0.00
Upper Hunter State	10,000.00	51.00	51.19	0.00	1,000.00	1,000.00
Burrinjuck State	12,160.10	8,897.94	8,997.94	0.00	4,045.14	4,045.14
Richmond FEC	63,060.31	287,485.06	63,060.31	296,714.82	323,490.00	296,714.82
Oxley State	23,600.00	24,824.36	24,824.36	600.00	12,053.70	12,076.95
Bellingen Branch	0.00	4,923.81	2,884.00	0.00	3,341.28	1,206.28
Hunter FEC	23,710.00	23,071.49	23,071.49	16,278.07	26,892.00	26,892.00
Lismore State	8,680.00	9,944.70	10,004.37	0.00	38,980.45	2,240.00
Casino Branch	1,616.00	2,083.27	1,820.01	802.00	3,726.40	3,696.40
TOTALS	156 696	372 819	134 714	314 395	427 812	347 872
Diff to SO Listing & Bank Account			216 123			113 417

Matters requiring future action

The following matter needs to be addressed before lodgement of disclosure returns in the future.

Party units

Accuracy of reporting – consolidation of financial information

To ensure more accurate reporting of the total figures in the disclosure return, the Party must ensure that the party units reported figures are the totals of receipts and payments amounts, irrespective of whether the funds were used for election purposes or not, and

the totals then adjusted for any intraparty transactions. The consolidation process, therefore, should involve the elimination of any transactions that involve movement of funds between:

- the State Office and party units;
- within a party unit if more than one bank account is held; and
- between various party units.

There are indications in the Party's working papers that some adjustments were performed and the recognition of selected funds transfers between State Office and party units. The process involving the elimination of the movement of funds between party units needs to be reviewed and refined so that all internal transfers are identified and eliminated in the future.

The primary cause of these errors is that the party unit return form does not capture all the information necessary to correctly discharge the Commonwealth disclosure obligations.

Financial information collected by the State Office from its party units plays a crucial role in the party's financial disclosures. Based on the financial data provided in the course of the review, it is noted that party units' net financial activities contributed approximately 7% to the overall Party's total receipts and 5% of payments

It may not be material at this stage, but it is foremost that the information collected from and reported by individual party units is complete and accurate. The quality of the data reported by the party units has a direct impact on the accuracy of the financial disclosures on the Party's return.

One issue identified during this review, is the reporting differences between the disclosures requirements under Commonwealth and State legislation. In Table 3 on page 6, you will note a comparison of different totals derived from the records forwarded to the AEC of the individual party units selected during this review. From these records the AEC is unable to verify the amounts disclosed for the party in the 2010-11 financial year. From the records provided it was also noted that the individual party units recorded data according to the guidelines included in the return with a reasonably high degree of accuracy.

Retention of working documentations

The party should ensure that all documents which were used or created in the calculation of the total figures disclosed in the annual return are returned for a period of at least 3 years.

Recommendations

To satisfy Commonwealth legislation, it is essential that the State Branch of the party collects all the relevant information from the party units including the total of all receipts and payments received and made during the financial year and the outstanding debt amount from all of its party units, including the movement of funds between the party units' accounts and across party units, so as to eliminate these interparty transfers which would amount to double counting.

All documents prepared and utilised in the establishment of the totals disclosed in the party's annual returns must be retained for a period of three years. (section 317)

Conclusion

Except for the matters mentioned 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. It should also be noted that there has been a change in the staffing personnel in this Head office since the completion of this return, and following a meeting with the new party agent it was brought to our notice that new accounting changes have already been executed, which will help ensure that the above mentioned shortcomings will not happen in the future.

Please return the signed and completed amendment form to the AEC by **Friday, 2 August 2013**.

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 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'

Total Receipts

Data Source	Individual amounts \$	Total amounts \$
6	5,063,225.33	
Less Internal transfers	-45,167.95	5,018,057
6		1,096
6	4,022,875.93	
Less Internal transfers	-1,062,354.55	2,960,521
6	154,436.64	
Less Internal transfers	-2,950.00	151,487
Less Reversal & Returns		-12,489
NPA NSW Candidates	10,450.00	
Less Internal transfers	-950.00	9,500
Add AMEX difference		9,563
Add Gifts in Kind		70,613
Add Party Units (State disclosure totals)	700,949.00	
Internal transfers - Party units	-132,098.08	568,851
Total		8,777,199

Total Payments

Data Source	Individual amounts \$	Total amounts \$
Bank Statements - consolidated amounts		
6	4,756,312.05	
Less Internal Tfr's	-1,082,309.28	3,674,003
6		50.00
6	3,766,176.46	
Less Internal Tfr's	-18,667.95	3,747,509
6	11,194.36	
Less Internal Tfr's	-10,445.27	749
NPA NSW Candidates		618
Less Reversal & Returns		-23,274
Add Party Units (State disclosure totals)	577,493.08	
Less Internal transfers - Party units	-160,296.29	417,197
Total		7,816,851

ATTACHMENT 'B'

INDIVIDUAL RECEIPTS:

Name	Account	Amount
Natpar Pty Ltd	NPA General Account	27,324.42
Natpar Pty Ltd	State Campaign Account	25,179.96
Natpar Pty Ltd	State Campaign Account	177,931.68
Natpar Pty Ltd	State Campaign Account	46,955.57
Natpar Pty Ltd	State Campaign Account	50,000.00
Sub Total		327,391.63

TOTAL DEBT:

Data Source	Individual amount \$	Total amount \$
Balance Sheet & Notes		
Current Liabilities		
Trade and other payables (Sundry Creditors)	161,504	1,755,440
Provisions (Provision for annual leave)	93,936	
Borrowings (Bank Loan)	1,500,000	
Non-Current Liabilities		
Borrowings		904,411
National Free Enterprise Foundation	588,401	
Nationals Building Foundation	316,010	
Add Party Unit Debt		
Ballina-Lennox Heads Branch	6,227	236,575
Richmond FEC	230,348	
Total		2,896,426

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.