

Compliance Review Report

Labor Holdings Limited

July 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: Ralph Fayed
Paul Lau

Entity staff involved: 1
Mr Abhijit Kharkar

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 2011-12 financial year lodged on behalf of Labor Holdings Limited (the Entity) complies with disclosure obligations as set out in the Act.

Compliance and cooperation

During the review, AEC staff examined financial records of the Entity for the 2011-12 financial year. The Entity fully complied with the s.316(2A) notice in delivering requested records to the AEC by the due date.

Review findings requiring amendment

Recognition of external bodies

The disclosure of total receipts, total payments, receipts above the threshold, total debts and debts above the threshold must include all relevant financial transactions that have occurred between the Entity and all external bodies during the financial year.

The Entity should be aware that its affiliate political party, namely the Australian Labor Party (State of Queensland) is recognised under the Act as a separate reporting entity, and therefore, all financial dealings with this Entity/Party must be disclosed accordingly.

As a result of the elimination of all transactions with the party the following errors are entirely the result of this mistake and will require 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 paid by, or on behalf of, the Entity during the financial year.

To satisfy disclosure requirements under the Act, the Entity must account for all transactions that result in receipts from and payments to external bodies. The Act prescribes that the Entity and the affiliated political party are separate and distinct legally. Accordingly, the movement of funds between them must be disclosed by each of them.

These disclosures must also include any taxes and charges such as 'Goods and Services Tax' (GST) and brokerage fees for the trading of shares and other financial assets. Further, no netting-off of either receipts or payments against each other should be undertaken.

The AEC calculations using the **bank statements** are available at Attachment A and the AEC calculations using the Entity's **general ledger** are available at Attachment B.

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 Entity.

The amounts calculated as total receipts and total payments by the AEC, using the Entity's **bank statements** (6, 6, 6, 6 and 6) matched those corresponding amounts calculated using the Entity's **general ledger** (general ledger account numbers 1-1100, 1-1200, 1-2658, 1-1300 and 2-6935, respectively). The total amounts calculated using both the bank statements and general ledger were adjusted for internal transfers that occurred between those cash accounts.

The AEC identified total receipts of **\$9 641 529**, from total cash receipts reported in both the bank statements and general ledger as a net amount following the elimination of internal transfers. The Entity disclosed total receipts of **\$4 840 767**. The discrepancy resulted in an under-disclosure of **\$4 800 762** (See Table 1).

Similarly, the AEC identified total payments of **\$9 041 871**, from total cash payments reported in both the bank statements and general ledger as a net amount following the elimination of internal transfers. The Entity disclosed total payments of **\$3 744 365**. The discrepancy resulted in an under-disclosure of **\$5 297 506** (See Table 1).

Table 1 – Comparison of total receipts and total payments reported in the Entity's disclosure return with the AEC calculated amounts based on the bank statements and the general ledger.

Labor Holdings Limited	Total Receipts \$	Total Payments \$
Annual Disclosure Return	4,840,767	3,744,365
Bank statements*	9,641,529	9,041,871
Difference	-4,800,762	-5,297,506
General ledger*	9,641,529	9,041,871
Difference	-4,800,762	-5,297,506

* See Attachment A & B to this report for full details.

To correct the omissions outlined above, Part 2a and Part 4 of the 2011-12, 'Request for Amendment – Associated Entity Disclosure Return' form should be completed to show the amended total receipts amount and the amended total payments amount, as set out below.

Required amendments

Amended total receipts	\$9 641 529
Amended total payments	\$9 041 871

Receipts above the disclosure threshold

Section 314AC of the Act provides that if the sum of all amounts received by, or on behalf of, the Entity from a person or organisation during a financial year is more than the indexed threshold, the return must include the particulars of that sum. For the 2011-12 financial year this indexed threshold for disclosure was set at any amount more than \$11 900. In calculating that sum, an amount of \$11 900 or less need not be counted.

To correct this omission, Part 3 of the 2011-12, 'Request for Amendment – Associated Entity Disclosure Return' form should be completed as set out below.

Required amendments

Name	Address	Amount received \$	Donation of Other Receipt
Australian Labor Party (State of Queensland)	PO Box 5032 West End QLD 4101	4 800 000	Other Receipt

* See Attachment D for full details.

Total debts

Section 314AEA(1)(c) of the Act requires the financial controller of an associated entity to report the total outstanding amount of all debts incurred by or, on behalf of, the Entity as at the end of the financial year.

The AEC identified total debts of \$12 258 123 in both the financial statements and general ledger. However, the entity disclosed a total debt figure of \$11 858 123 resulting in an under-disclosure of \$400 000. (See Table 2)

Table 2 – Comparison of total debts reported in the Entity's disclosure return with the AEC calculated amounts based on the financial statements and the general ledger.

Labor Holdings Limited	Total Debts \$
Annual Disclosure Return	11,858,123
Financial statements*	12,258,123
Difference	-400,000
General ledger*	12,258,123
Difference	-400,000

* See Attachment C to this report for full details.

To correct the omission outlined above, Part 5 of the 2011-12, 'Request for Amendment – Associated Entity Disclosure Return' form should be completed to show the amended total debts amount, as set out below.

Required amendment

Amended total debts	\$12 258 123
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Debts above the disclosure threshold

Section 314AEA(5) of the Act provides that if the sum of all amounts owed by, or on behalf of, the Entity from a person or organisation at the end of the financial year is more than the indexed threshold, the return must include the particulars of that sum. For the 2011-12 financial year this indexed threshold for disclosure was set at any amount more than \$11 900. In calculating that sum, an amount of \$11 900 or less need not be counted (s.314AEA(5) refers).

Receipts above the \$11 900 indexed threshold omitted from the Entity's disclosure return will now be included in Part 6 of the 2011-12, 'Request for Amendment – Associated Entity Disclosure Return' form, as set out below.

Required amendments

Creditor name	Address	Amount owed \$	Financial or Non-financial institution
Australian Labor Party (State of Queensland)	PO Box 5032 West End QLD 4101	400 000	Non-financial

Matters requiring future action

It is recommended that consideration be given to addressing the following matters before lodgement of disclosure returns in the future.

Financial records supporting disclosure

The AEC acknowledges the high quality and completeness of the financial records maintained by the Entity, though would like to recommend that similar efforts be applied in the maintenance of work papers to support future disclosures. Although the amendments required were material in amount they were few in number, technical in nature and easily identified.

Recognition of external bodies

As noted in the findings of this report, the errors identified as a outcome of this compliance review are entirely the result of transactions between the Entity and the Australian Labor Party (State of Queensland) being eliminated.

Labor Holdings Pty Ltd and the Australian Labor Party (State of Queensland) Branch are two separate reporting bodies and all financial dealings between each much be included in their respective annual return totals.

Conclusion

The AEC acknowledges that the Entity has a sound system of financial record keeping that is highly professional and in general, provided complete and accurate disclosures as is required under the Act.

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 by the lodgement of an amended electronic return to the AEC by **Friday, 8 August 2014**.

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.

Attachment A

Total receipt and total payments derived from the **bank statements** with the Entity's disclosure amounts - financial year 2011-12

Item No.	Item Description	Total Receipts	Total Payments
1	6	17,380,682.58	17,252,218.79
2	<i>Less:</i> Internal transfers between the Party's bank accounts	-7,105,000.00	-6,542,446.29
3	<i>Less:</i> Internal transfers to 6	-2,488,108.75	-2,500,000.00
4	<i>Add:</i> Borrowing fees for 6	0.00	11,891.25
5	1-1200: 6	1,407,755.19	1,342,760.81
6	<i>Less:</i> Internal transfers between the Party's bank accounts	-75,000.00	-1,205,000.00
7	1-2658 / 1-1300: 6	1,705,323.17	1,600,000.00
8	<i>Less:</i> Internal transfers between the Party's bank accounts	-1,700,000.00	-1,600,000.00
9	2-6935: 6	5,283,323.01	4,982,446.29
10	<i>Less:</i> Internal transfers between the Party's bank accounts	-4,767,446.29	-4,300,000.00
11	GRAND TOTAL (bank statements)	9,641,528.91	9,041,870.85
12	Amount shown in Entity's Disclosure Return	4,840,676.00	3,744,365.00
13	VARIANCE	-4,800,761.91	-5,297,505.85
		under-disclosed	under-disclosed

Attachment B

Total receipt and total payments derived from the **general ledger** with the Entity's disclosure amounts - financial year 2011-12

Item No.	Item Description	Total Receipts	Total Payments
1	1-1100:6 [REDACTED]	14,892,573.87	14,706,604.02
2	<i>Less:</i> Internal transfers between the Party's bank accounts	-7,105,000.00	-6,484,940.23
3	1-1200:6 [REDACTED]	1,407,755.19	1,342,760.81
4	<i>Less:</i> Internal transfers between the Party's bank accounts	-75,000.00	-1,205,000.00
5	1-2658 / 1-1300:6 [REDACTED]	1,705,323.17	1,600,000.00
6	<i>Less:</i> Internal transfers between the Party's bank accounts	-1,700,000.00	-1,600,000.00
7	2-6935:6 [REDACTED]	4,615,876.72	4,315,000.00
8	<i>Less:</i> Internal transfers between the Party's bank accounts	-4,100,000.00	-4,300,000.00
9	<i>Add:</i> Margin lending interest for month-end 30/06/12	0.00	57,506.06
10	<i>Add:</i> Interest for COMMSEC Margin lending	0.00	609,940.23
11	GRAND TOTAL (general ledger)	9,641,258.95	9,041,870.89
12	Amount shown in Entity's Disclosure Return	4,840,767.00	3,744,365.00
13	VARIANCE	-4,800,761.95	-5,297,505.89
		under-disclosed	under-disclosed

Attachment C

Comparison of total debts derived from the financial statements and general ledger with the Entity's disclosure amounts, as at 30 June 2012

Item No.	Item Description	Total Debts as per	
		Financial statements	General ledger
1	GST collected - Australian Taxation Office	16,968	16,968
2	Trade creditors	3,002	3,002
3	Rental bonds - Security Hynh & Bond Sables Destiny Pty Ltd	21,812	21,812
4	Options held	5,025	5,025
5	Loan - Commonwealth Bank of Australia	9,311,316	9,311,316
6	Commercial bills - Commonwealth Bank of Australia	2,500,000	2,500,000
7	Loan in Credit as at 30/06/12 - ALP Queensland	400,000	400,000
8	GRAND TOTAL	12,258,123	12,258,123
9	Amount shown in Entity's Disclosure Return	11,858,123	11,858,123
10	VARIANCE	-400,000 under-disclosed	-400,000 under-disclosed

Attachment D

Total receipts received from ALP(QLD) - financial year 2011-12

Name	Address	Amount received \$	Donation of Other Receipt
Australian Labor Party (State of Queensland)	PO Box 5032 West End QLD 4101	3 200 000	Other Receipt
Australian Labor Party (State of Queensland)	PO Box 5032 West End QLD 4101	1 000 000	Other Receipt
Australian Labor Party (State of Queensland)	PO Box 5032 West End QLD 4101	500 000	Other Receipt
Australian Labor Party (State of Queensland)	PO Box 5032 West End QLD 4101	100 000	Other Receipt
	TOTAL	4 800 000	

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.