

Compliance Review Report

The 500 Club

April 2015



AEC

Australian Electoral Commission

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Investigation details

Location of review:	Australian Electoral Commission West Block, Queen Victoria Terrace PARKES ACT 2600
AEC review officers:	Ms Anna Jurkiewicz – Assistant Director Mr Warren Kelly – Compliance Officer
Entity staff involved:	Ms Kate O'Hara – Chairman Ms Sally Healy – Administration Manager

Purpose of the investigation

The purpose of the compliance investigation was to assess whether the disclosure return for the 2012-13 financial year lodged on behalf of the 500 Club (the Entity) complies with disclosure obligations as set out in Part XX of the *Commonwealth Electoral Act 1918* (the Act).

The Australian Electoral Commission (AEC) has power under s.316(2A) of the Act to review records and gather relevant information to assess whether the disclosure obligations have been met. Section 316(2A) requires any officer of the union to produce documents requested in a notice from the AEC within the period and in the manner specified in the notice.

Disclosure obligations

Registered political parties and associated entities are required under the provisions of the Act to lodge annual disclosure returns. The disclosure obligation is to disclose accurately and report, as required under s.314AEA of the Act, after the end of each financial year:

- the total amount received by, or on behalf of, the entity;
- the total amount paid by, or on behalf of, the entity; and
- the total outstanding amount of all debts incurred by or on behalf of, the entity.

Section 314AC of the Act further 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 threshold, the return must include the particulars of that sum.

Similarly s.314AE of the Act provides that if the sum of all outstanding debts incurred by, or on behalf of, the associated entity to a person or an organisation during a financial year is more than the threshold, the return must include the particulars of that sum.

Scope of the investigation

The AEC's investigation was limited to those financial records held by the Entity that were considered to be relevant and sufficient to determine the completeness and accuracy of the information disclosed in the Entity's return. Under the Act the AEC does not have specific authority to, and did not, examine any other aspects of the Entity's financial operations such as the existence or effectiveness of internal controls.

The AEC's investigated the extent to which the financial information reported in all parts of the Entity's disclosure return was complete and accurate. As part of this process, the AEC issued one notice to the Chariman under s.316(2A):

The Chairman responded to each notice by the due date providing the full set of records specified in the notice.

Records examined

The key financial records requested from the Associated Entity included:

- bank statements for all bank accounts;
- transaction reports for all accounts from the Associated Entity's accounting system;
- audited financial statements; and
- working papers supporting financial disclosures made by the Entity in its disclosure return.

Investigation Findings: Overview

The compliance investigation identified two amendments necessary to correct the Entity's 2012-13 disclosure return.

Lodgement requirement

Section 314AEA(1) of the Act requires if an entity is an associated entity at any time during a financial year, the entity's financial controller must furnish a return to the Electoral Commission, in the approved form, within 16 weeks after the end of the financial year, which for the 2012-13 financial year was 20 October 2013.

The Entity lodged its 2012-13 annual disclosure return by the due date.

Amendments required

Under s.319(A)(2) of the Act a person who has furnished a return may request the permission of the Electoral Commission to make a specified amendment of the claim or return for the purpose of correcting an error or omission.

In order to meet its disclosure obligations under the Act the 500 Club will need to submit a request under s.319(A)(2) to amend its disclosure return. The details of the requested amendments are set out below.

Total receipts and gifts-in-kind

Disclosure requirements

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. The total amount received must also include the value of a *gift* (donation), loan or bequest in accordance with s.314AA.

Section 287 defines *gift* as being the disposition of property made by a person to another person without adequate consideration in money or money's worth. Therefore, goods or services provided free of charge or at less than commercial rates constitute a gift that must be disclosed as a receipt by the entity.

To satisfy this, the entity must account for all transactions, including any in-kind amounts (gifts), which result in receipts from external sources. These transactions must be reported on a gross basis inclusive of GST and all internal transfers between the entity's own bank accounts are to be eliminated.

Investigation finding

A discrepancy was identified between the figure reported for Total Receipts and the amount determined by the investigation with regard to the gift-in-kind associated with rent waived for premises occupied by the Entity. Whilst the amount of \$23 000 was disclosed on the Entity's return as a separate item, its value was omitted from the figure reported for Total Receipts.

During the course of the review the Entity also advised a further gift amount of \$8 500 representing pro-bono services with regard to a formal audit of its financial statement.

Details are set out below surmising that the amount reported for Total Receipts in the disclosure return is under-reported by \$31 500.

Source Document	Item	\$ Amount
Statement of Cash Receipts and Payments	Total Receipts - Income	756 122
Reported – gift-in-kind	Rent waived	23 000
Under advice – pro-bono service	Audit of Statement	8 500
Total Receipts required to be reported		787 622
Annual Disclosure Return 2012–13	Total Receipts reported	756 122
Difference		31 500

Action required

In view of the above, Part 2a and Part 2b of the *Request for Amendment* form need to be corrected to reflect the amounts listed below.

Required amendment

Part 2a: Total Receipts — amended total	\$787 622
Part 2b: Value of gifts-in-kind — amended value	\$31 500

Opinion

On the basis of the financial information provided by the Entity, the AEC is of the opinion that the Entity has not fully complied with s.314AEA of the Act.

To amend the return, the Chairman may now request under s.319A(2) of the Act, the permission of the Electoral Commission to make a specified amendment of the return for the purpose of correcting an error or omission

Compliance in future returns

Total debts

Requirements of the Act

Section 314AEA(1)(c) of the Act requires 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 together with the details required by s.314AE. Under s.314AE (1) an entity is required to provide the particulars of the sum, 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 \$10 000, subject to indexing. For the 2012–13 financial year the indexed amount is \$12 100.

The entity, therefore, is required to disclose its total debts accurately and subsequently be able to produce sufficient appropriate evidence to substantiate the disclosure made in the annual return.

Investigation finding

The Entity reported the amount of \$9 252 for Total Debts outstanding as at 30 June 2013. This amount was disclosed as owing to the Australian Taxation Office. On the basis of the records provided, the AEC has not been able to ascertain that this amount is accurate and reflects the sum of all of the entity's outstanding debts.

Our reasoning is based on our examination of various financial records provided to the AEC by the Entity for the purpose of the compliance investigation, which included:

- *Independent Auditor's Report* dated 2nd December 2013 prepared by Peter Rupp of Deloitte Touché Tohmatsu;
- *Cash Book July 2012 – June 2013*, an Excel workbook depicting details of monthly receipts and payments, together with monthly reconciliations with the bank account;
- *Audit 2013*, a comprehensive Excel workbook that provided various separate work-sheets for the financial year ended 30 June 2013 including Creditors/Accrued Expenses, BAS Payments and Statement of Receipts and Payments; and
- *MYOB accounting system*, wherein the General Ledger Summary report indicates that no transactions were processed in account GL 2-0200 Trade Creditors.

Action recommended

Given that none of the financial records mentioned above appear to be able to support the amount reported for Total Debt in its disclosure return, the Entity's compliance with its

disclosure obligations under the Act with regard to Total Debts owing is unable to be ascertained.

It is recommended that the Entity implement procedures so that sufficient and appropriate evidence can be produced to substantiate outstanding amounts owed with regard to future reporting of Total Debt.

Conclusion

The 500 Club should request an amendment under s319A(2) of the Act in order to correct the errors and omissions outlined in this report so as to ensure full compliance with its disclosure obligations under the Act.

Enquiries and Assistance

Should the Entity require any assistance regarding its disclosure obligations under the Act, please contact the AEC's, Funding and Disclosure Branch either by telephone on (02) 6271 4552, or by email at: fad@aec.gov.au.



Request for Amendment Associated Entity Disclosure Return



FINANCIAL YEAR 2012–13

Completing the amended return:

- This request for amendment should be used to amend a 2012–13 *Associated Entity Disclosure Return* lodged with the AEC.
- This request for amendment is to be completed with reference to the *Financial Disclosure Guide for Associated Entities 2012-13 financial year*.
- Further information is available at www.aec.gov.au.
- The request for amendment will be available for public inspection from Monday 3 February 2014 at www.aec.gov.au.
- Any supporting documentation included with this request for amendment may be treated as part of a public disclosure and displayed on the AEC website.
- The information on this request for amendment is collected under the *Commonwealth Electoral Act 1918*.

Name of associated entity	The 500 Club		
Postal address	PO Box 7556, CLOISTERS SQUARE		
	Suburb/town	PERTH	State WA Postcode 6850
With which political party, or parties, is the entity associated?	Liberal Party of Australia (WA Division)		

2012–13 Return details

Is this the first amendment to the return? Yes No How many other Request for Amendments have been lodged?

Financial controller details

Name of financial controller	Kate O'Hara		
Capacity or position	Chairman		
Postal address	PO Box 7556, CLOISTERS SQUARE		
	Suburb/town	PERTH	State WA Postcode 6850
Telephone number	(08) 9481 2500	Fax number	(08) 9481 4878
Email address	admin@the500club.com.au		

Financial controller's request and certification

I request the Electoral Commission amend the Associated Entity Disclosure Return as detailed in this request for amendment.

I certify that the information contained in this request for amendment and its attachments is true and complete.

I understand that giving false or misleading information is a serious offence.

Signature

Date

Enquiries and returns should be addressed to:

Funding and Disclosure
Australian Electoral Commission
PO Box 6172
Kingston ACT 2604

Phone: 02 6271 4552
Fax: 02 6293 7655
Email: fad@aec.gov.au

Office use only

Date received

Part 2a: Total receipts for financial year 1 July 2012 to 30 June 2013

No change to previous information OR

Previous total receipts \$ 756,122 .00

Amended total receipts \$ 787,622 .00

Part 2b: Amount calculated to be value of gifts-in-kind

No change to previous information OR

Previous gifts-in kind \$ 23,000 .00

Amended gifts-in kind \$ 31,500 .00

Part 3: Amounts of more than \$12 100 received in financial year 1 July 2012 to 30 June 2013

No change to previous information OR

Provide details of changes or amendments to the information previously provided.

Received from		Amount received (GST inclusive)	Donation or Other Receipt*
Original Entry	Name	\$.00	
	Postal address		
	Suburb/Town State Postcode		
Amended Entry	Name	\$.00	
	Postal address		
	Suburb/Town State Postcode		
Original Entry	Name	\$.00	
	Postal address		
	Suburb/Town State Postcode		
Amended Entry	Name	\$.00	
	Postal address		
	Suburb/Town State Postcode		
Original Entry	Name	\$.00	
	Postal address		
	Suburb/Town State Postcode		
Amended Entry	Name	\$.00	
	Postal address		
	Suburb/Town State Postcode		

If insufficient space, please attach additional sheets.

* Please indicate whether this was a 'Donation' or 'other receipt'. The AEC contacts donors to ensure they are aware of their disclosure obligations and unnecessary contact with other persons is avoided if the nature of the receipt is shown.

Part 7: Capital contributions

No change to previous information OR

Provide details of changes or amendments to the information previously provided.

Note: All amounts are GST inclusive.

Contributor details				Gross amount contributed (GST inclusive)
Original Entry	Name			\$.00
	Street/postal			
	Suburb/Town	State	Postcode	
Amended Entry	Name			\$.00
	Street/postal			
	Suburb/Town	State	Postcode	
Original Entry	Name			\$.00
	Street/postal			
	Suburb/Town	State	Postcode	
Amended Entry	Name			\$.00
	Street/postal			
	Suburb/Town	State	Postcode	
Original Entry	Name			\$.00
	Street/postal			
	Suburb/Town	State	Postcode	
Amended Entry	Name			\$.00
	Street/postal			
	Suburb/Town	State	Postcode	
Original Entry	Name			\$.00
	Street/postal			
	Suburb/Town	State	Postcode	
Amended Entry	Name			\$.00
	Street/postal			
	Suburb/Town	State	Postcode	
Original Entry	Name			\$.00
	Street/postal			
	Suburb/Town	State	Postcode	
Amended Entry	Name			\$.00
	Street/postal			
	Suburb/Town	State	Postcode	

If insufficient space, please attach additional sheets.