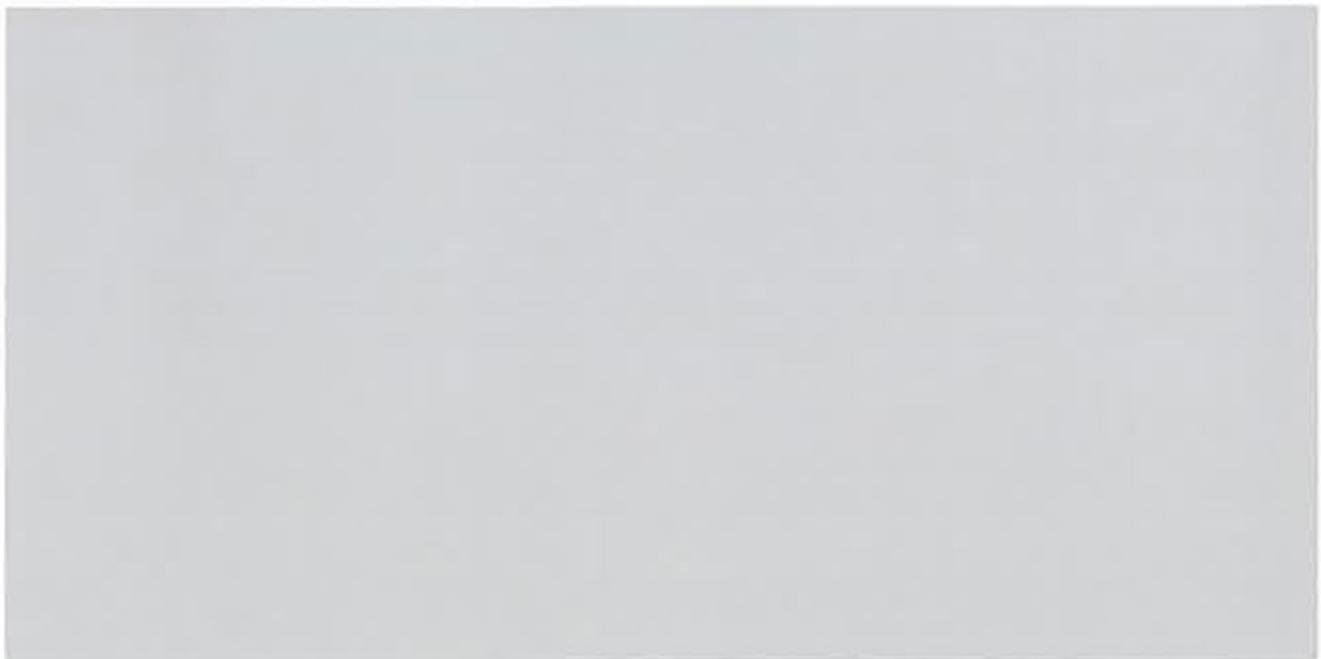


# Compliance Review Report

LNP Nominees ATF 6 St Paul's Terrace Trust

April 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: Anna Jurkiewicz  
Warren Kelly

Entity staff involved: 1 [REDACTED]  
Angela Awabdy  
1 [REDACTED]  
1 [REDACTED]

## Background

Federally 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 LNP Nominees ATF 6 St Paul's Trust (the Entity) complies with disclosure obligations as set out in the Act.

## Compliance and co-operation with the notice

The compliance review of the Entity was conducted under the authority of s.316(2A) of the Act by a notice served on the Entity's financial controller. In accordance with s.316 (2A)(c), the financial controller of an associated entity is required to produce the documents requested in the notice within the period and in the manner specified in the notice.

As is standard practice, the AEC provided four weeks for the delivery of records, this deliberately generous timeframe being designed to allow easy accommodation of this task in the normal course of the Entity's operations. Nonetheless, the AEC met difficulty in obtaining the full set of requested records by the due deadline of 12 June 2012. The then Financial Controller, Mr James Martin provided the documents a week later following a number of reminders about the missed deadline with some missing bank statements not provided until 2 July 2012.

The review was further delayed by changes in the Entity's personnel with a new financial controller appointed not until October 2012. Following appointment of the new financial controller, the new s.316(2A) notice was issued to Ms Angela Awabdy on 24 October 2012.

## Review findings requiring amendment

### Total payments

Section 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. The amount paid must be reported on a gross basis, inclusive of GST.

To satisfy this, the Entity must account for all transactions that result in payments to external sources. Any movement of funds between the Entity's accounts need to be eliminated to avoid over-reporting.

The review identified a discrepancy between the total amount of payments reported in the disclosure return and the documentation provided.

The table below contrasts the total amount of payments reported in the disclosure return against the financial information contained in the Entity's bank statements/accounting records and working papers provided.

Table1: Total Payments - summary

	Disclosure return	Bank & accounting records	Entity's working papers
\$ Amount	\$11,579,513.00	\$7,574,211.48	\$8,681,090.65
Difference from disclosed amount		\$4,005,301.52	\$2,898,422.35

As illustrated in the table above, the amount reported in the Entity's disclosure return appears to be over-stated by \$4,005,301.52 compared to the financial information contained in the bank and accounting records and by \$2,898,422.35 compared to the Entity's own working papers.

In the absence of working papers demonstrating clearly how the figures reported in the return were arrived at, any specific conclusions on the derivation of the figures or recommendations on preventing similar inaccuracies in the future could not be made by the review. For example, it is not clear whether eliminations of internal transactions between the Entity's accounts were performed.

Attachments A and B provide the details of our analysis listing all payment transactions identified in the Entity's bank accounts including internal transactions.

In view of this, Part 4 of the *Request for Amendment* form should be completed to show the total amount of payments as set out in the table below:

#### Required amendment

Amended total payments \$7,574,211

### 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 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 threshold was the sum of the relevant amounts in excess of \$11,500

In calculating the sum, an amount of \$11,500 or less need not be counted (s. 314AC (2)).

The Entity reported five receipts above the threshold in its disclosure return. One of those receipts totalling \$2,911,911.82 was reported as received from LNP (associated entity).

We traced the individual entries comprising this amount in the Entity's general ledger and bank statement records as listed in the table below.

Table 1: Details of the receipt

Date	Recipient Account	Amount \$	Source of Funds
6/10/2010	6 [REDACTED]	2,880,281.07	Liberal Party of Aust. (Fed Sec)
15/10/2010	6 [REDACTED]	29,095.10	Liberal Party of Aust. (Fed Sec)
1/11/2010	6 [REDACTED]	1,475.50	LNP
30/11/2010	6 [REDACTED]	1,060.15	LNP

Based on the above information, the funds reported as received from LNP, erroneously described as associated entity, amounted to \$2,909,376 (\$2,880,281.07+ \$29,095.10) were received from the Liberal Party of Australia . The source of funds is evidenced in the Entity's bank statements for the 6 [REDACTED] showing two deposits of \$2,880,281.07 and \$29,095.10 made by the Liberal Party of Australia on 6 October 2010 and 15 October 2010 respectively.

The remaining two amounts listed in the table above (\$1,475.50 and \$1,060.15) do not meet the relevant disclosure threshold of more than \$11,500 and therefore should not be counted as part of the sum. This means that the amount of \$2,909,376 should be reported.

To comply fully with the provisions under s.314AC, Part 3 of the *Request for Amendment* form needs to be corrected and the details to be amended as shown in the table below.

## Required amendment

Received from	Amount	Donation or other receipt
Liberal Party of Australia	\$2,909,376	[specify]

## Matter for future action

### Accounting practices: offsetting

The review identified an accounting practice issue reflected in the way a number of debts above the threshold had been recorded in the Entity's accounting records.

This is illustrated in the Entity's trial balance showing the outstanding amount of \$1,590,000 owing to the Altum ATF the HQ Trust (GL 2-2040) yet reporting in the disclosure return the amount of \$1,410,000.

During the review, the Entity confirmed that the actual debt amounted to \$1,410,000 as it was offset by an asset account (GL1- 4050) labelled as Loan – Altum ATF the HQ Trust reflected in the trial balance with the debit balance of \$180,000.

Whilst such an approach to reporting of debts may be appropriate from the Party's internal perspective, it does not provide sufficiently comprehensive information to satisfy the disclosure obligations under the Act. Such offsetting of liabilities with assets diminishes the ability of user of the information to understand the disclosures made in the return as the financial information is being reported on an inconsistent basis.

To achieve greater clarity and consistency in the Entity's accounting records, we suggest adopting the requirements of Australian Accounting Standard AASB 101 *Presentation of Financial Statements* that does not permit offsetting in the reporting of assets, liabilities, income and expenses in financial statements. This means that the liability accounts in the trial balance should reflect the actual balances without the need to perform additional calculations to arrive at the actual balance.

Following the discussion with the Entity's current financial controller regarding this issue, it was agreed that the accounting methodology used at the time was not optimal. In future, the Entity should consider adopting the best accounting practices used by the accounting profession.

## Conclusion

Except for the matters noted above, based on the records presented 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 by calling us on (02) 6271 4552 or by email at [fad@aec.gov.au](mailto:fad@aec.gov.au).

Table 1: Total Payments – consolidated amount

Details	\$ Amount
6 [REDACTED] – GL 1-1140	1, 586, 264.53
<i>Add: Loans from</i> 6 [REDACTED]	
6 [REDACTED] - GL 2-2070	0.00
6 [REDACTED] - GL 2-2070	2,909,376.17
6 [REDACTED] GL 2050	5,041,045.78
<b>Total bank</b>	<b>9,536,686.48</b>
<i>Less: Transfers between accounts</i>	
Transfers from 6 [REDACTED] to 6 [REDACTED]	-939,400.00
Transfers from 6 [REDACTED] to 6 [REDACTED]	-1,023,075.00
<b>Total transfers *</b>	<b>-1,962,475.00</b>

\* Refer to Attachment B for internal transfer details

Table 1: Total payments – summary of internal & external transactions

Account	Date	External transactions	Internal transaction	Transaction Details
6	09/07/2010		100,000.00	Payment from loan to 6
	14/07/2010		30,000.00	Payment from loan to 6
	19/07/2010		100,000.00	Payment from loan to 6
	26/07/2010		165,000.00	Payment from loan to 6
	30/07/2010		100,000.00	Payment from loan to 6
	05/08/2010		150,000.00	Payment from loan to 6
	10/08/2010		24,400.00	Payment from loan to 6
	12/08/2010		200,000.00	Payment from loan to 6
	01/11/2010	50,000.00		Transfer to Altum HQ Trust
	18/11/2010		153,675.00	Business Chq Acct - 22-2863
	31/01/2011	2,898,421.92		Purchase of Bowen St property
	27/05/2011	1,069,548.86		Transfer to LNP General Account
\$1m Loan acc. # 46 1443	19/08/2010	1,000,000.00		Transfer to LNP Campaign Account
	15/10/2010		939,400.00	Transfer to 6
	15/10/2010	940,881.07		Transfer to LNP Campaign Account
	20/10/2010	29,095.10		Transfer to LNP Campaign Account
Business Chq Acct # 22-2863		1,586,264.53	-	
	<b>Total</b>	<b>7,574,211.48</b>	<b>1,962,475.00</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.