



Compliance Review of Political Party Disclosure Returns in relation to the year ended 30 June 2017

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1. EXECUTIVE SUMMARY

BDO (NT) performed a compliance review with a focus on political disclosure returns in relation to annual political party returns made by political parties and their donors and related entities during the 2016/17 year.

The compliance review selected a sample of documents from across the following areas.

- Political Parties registered in the Northern Territory incorporating:
 - Australian Labor Party (NT);
 - Citizens Electoral Council of Australia (NT Division);
 - Country Liberals NT;
 - 1 Territory Party;
 - Shooters, Fishers and Farmers Party (NT); and
 - The Greens.
- Entities associated with Political Parties incorporating:
 - NT ALP Investment Trust; and
 - CLP Gifts and Legacies Pty Ltd.
- Individual Donors through the Donor Annual Returns.

The overall findings in relation to the compliance review are as follows:

- a. The level of compliance in relation to Donor Annual Returns has not improved since the last audit as we noted a number of donors who were yet to lodge their returns. (Refer to Appendix 2)
- b. All political parties lodged their political party annual returns before the deadline date (being 16 weeks after the end of the financial year).
- c. There have been improvements in the accuracy of political party and branch returns when compared to previous reporting years. However, we note that there are still some concerns on how some political parties compile the information which is included in the returns.
- d. Amended returns, to remedy the matters identified during this compliance review had been lodged by 1 Territory Party and the Country Liberals (NT).

The key recommendations for the overall finding above include the following:

- a. The Northern Territory Electoral Commission should continue to conduct some education/awareness initiative to ensure that more people and organisations are versed in the provisions of the *Northern Territory Electoral Act* especially on the lodgement of requisite annual returns in a timely manner and whilst ensuring that the details included therein are complete and accurate.
- b. The Northern Territory Electoral Commission should continue to engage the political parties with a view to working with them to address the matters arising from this compliance review so as to achieve a higher level of compliance in future periods.

- c. The Northern Territory Electoral Commission should consider revising upwards the minimum threshold for donation reporting so as to ensure that the likely benefit of this process is comparable to the cost of enforcement undertaken
- d. The Northern Territory Electoral Commission should work to reduce the length of time it takes to report donations and other funding for political parties during an election period so that the public is informed of who are the major contributors to the political parties. This will, hopefully, increase transparency of donations to voters.
- e. The timeframes between lodgement and publication of disclosure returns should be shortened now that the process political parties have moved to an electronic platform. Prompt publication of lodged returns helps to increase transparency to the public on party financing.

MAIN REPORT

INTRODUCTION

1. BACKGROUND

The Northern Territory Electoral Commission (NTEC) is an independent government agency responsible for the impartial conduct of Northern Territory Legislative Assembly and local government (Council) elections.

Other functions include:

- Assistance with maintenance of electoral rolls;
- Provision of information and advice on election matters to the Minister, Cabinet, political parties, candidates and Territory authorities;
- Undertaking public awareness to educate and provide information to the public including school children on electoral matters;
- Researching electoral matters;
- Registration of political parties;
- Administration of financial disclosure by political parties, candidates and related entities; and
- Assistance towards redistribution of electoral boundaries.

The *Northern Territory Electoral Act* (NTEA) embodies the legislation which gives the NTEC its powers.

As noted above, one of the NTEC functions is to administer the disclosure of information following an election regarding political contributions and electoral expenditure above prescribed thresholds by:

- candidates in the election;
- broadcasters, publishers; and
- donors.

In addition to election event reporting, annual reporting requirements are placed on registered political parties, their associated entities and donors.

Such financial disclosure increases accountability, transparency and information in the public domain about the financial dealings of those involved in the electoral process. The onus is on the person disclosing to get it right.

The NTEA Part 10 sets out who should disclose, what should be disclosed, by when and how. It defines the terms used in the legislation and details offences under the legislation and the kind of records that should be maintained in order to comply with requirements. Unlike the *Commonwealth Electoral Act*, there are no provisions for public funding in the Northern Territory.

2. COMPLIANCE REVIEW OBJECTIVES

The specific objectives of the compliance review were to:

- a. Review the political parties, associated entities and donors for compliance with political disclosure returns in relation to annual political disclosure returns, as relevant, during 2016/17 financial year.
- b. Establish whether the disclosures are compliant with Part 10 of the NTEA.

3. METHODOLOGY

In conducting the review the following key tasks were performed:

1. Preparation of the review file incorporating political party annual returns, donor annual returns, associated entity returns, NTEA and the NTEC Disclosure Handbook.
2. Matching amounts of donation received by political parties to the amounts recorded in the individual donor returns.
3. For a sample of donor annual returns, reviewing the returns for compliance with the lodgement timelines.
4. Matching donation amounts to the corresponding amount in the political party returns on a sample of donor annual returns.
5. From the comprehensive list of Political Party Annual Returns lodged for the 2016/17 financial year, we generated a sample size appropriate to test the receipts and payments as disclosed in the political party annual returns.
 - a. The samples for detailed testing of donations/receipts were randomly selected from the list of receipts in the annual returns; and
 - b. The samples for electoral expenditure were randomly selected from the general ledger details provided by the political parties.
6. Obtaining and verification of financial records and documentation covering the financial year ended 30 June 2017. The tests included:
 - a. By inspection, review of bank statements for the financial year ended 30 June 2017;
 - b. By inspection, reviewed the cash books and general ledger details covering the financial year ended 30 June 2017; and
 - c. By inspection, reviewed the supporting documentation, including invoices, receipts, and vouchers covering the financial year ended 30 June 2017.
7. Discussing the preliminary findings with the reviewed political parties, associated entities and Northern Territory Electoral Commissioner and his staff.

4. OVERALL CONCLUSION

All political parties complied with Section 205 of the NTEA as they lodged the 2016-17 annual disclosure returns with the NTEC within 16 weeks after the end of the financial year.

There have been improvements in the accuracy of political party and branch returns when compared to previous reporting years. However, we note that there are still some concerns on how some political parties compile the information which is included in the returns.

Based on our findings, amended returns had to be lodged by 1 Territory Party and the Country Liberals (NT) to remedy matters identified during the compliance review.

In relation to donors, the level of compliance with the NTEA could be improved as we noted a number of donors who were yet to lodge their returns. The NTEC could also consider revising upwards the minimum threshold for donation reporting so as to ensure that the likely benefit of this process is comparable to the cost of enforcement undertaken.

SPECIFIC OBJECTIVE 1

We obtained from NTEC a complete list of Donor Annual Returns lodged for the 2016/17 financial year. We determined a sample size deemed appropriate to adequately test the donor annual returns compliance with Part 10 of the NTEA.

Findings

In going through the donor annual returns, we noted the following points which indicate the level of compliance with Part 10 of the *Northern Territory Electoral Act*:

- All of the sampled donors lodged their donor annual returns by the deadline date.
- Two donations in the selected donor annual returns did not match with the figures recorded in two political party returns.
- A donation in the selected donor annual return did not indicate the date when the donation was made.
- One donation selected was not recorded in the relevant political party return.

In addition to the above process, we went through the political party and branch returns, ledgers and cashbooks to ascertain the completeness of donor annual returns lodged. As a result of this review, we noted that there were several donors who had not lodged their annual returns for the year ended 30 June 2017 as required under Part 10 of the NTEA. The list of outstanding donor returns not lodged is included in Appendix 2.

We were advised by the political parties that they had informed donors of their obligation to lodge a donor return. Follow up e-mails were sent by NTEC to remind identified donors of their outstanding obligations; however, no responses had been received up to the date of concluding this report.

One area of concern was the repeat donors who have not complied with obligations on an ongoing basis. While donor returns for a number of donations were not received the compliance review process enabled independent verification of donations by cross referencing against bank statements and ledgers of political parties subjected to the review.

Recommendations

We acknowledge that NTEC has made efforts to reach out to the community so as to educate individuals and organisations about their responsibilities under NTEA when donations above the \$1,500.00 threshold have been made to political parties. We encourage NTEC to continue with these efforts so as to ensure that their message remains visible in the public domain.

Political parties should continually be reminded of their responsibility under NTEA to advise donors of the need to complete donor annual returns in instances where donations are above \$1,500.00. In addition, the political parties should also ensure that the office/home and e-mail addresses of the donors on their databases are up to date so as to ensure that letters and e-mails sent to donors reach them.

The NTEC could also consider revising upwards the minimum threshold for donation reporting so as to ensure that the likely benefit of this process is comparable to the cost of enforcement undertaken.

SPECIFIC OBJECTIVE 2

We obtained from NTEC a complete list of Political Party Annual Returns lodged for the 2016/17 financial year. We reviewed all political party annual returns' overall compliance with Part 10 of the NTEA.

We generated a sample size deemed appropriate to test the receipts, payments and debts section of the political party annual returns.

Findings

In going through the political party annual returns, we noted the following points which indicate the level of compliance with Part 10 of the NTEA:

- All six political parties lodged their annual returns before the due date of 16 weeks after the end of the financial year, being 23rd October 2017.
- In one of the selected political party annual returns, there were minor variances noted between the total receipts reported and the total receipts recorded in the respective political party's financial records. We were advised by the relevant party that the variances were attributed to inter branch transactions that were to be eliminated in compiling the annual return and this was clarified through an amended return.
- Two political parties omitted disclosing a number of receipts of \$1,500 or more covering the period under review in the annual return. This was subsequently corrected in the amended returns during the compliance review.
- 20% of the donation receipts or gifts-in-kind selected for verification from the sampled political party annual returns could not be cross checked to the donor annual returns as the relevant donors had not yet lodged their returns. However, it should be noted that these donations were verified against the bank statements and accounting records of the relevant political parties.
- With minor exceptions, all selected donations were traced from the political party annual returns to the respective political parties' accounting records.
- All sampled donations were processed in the correct reporting period. We noted that the dates the donations were credited into the political parties' bank accounts matched with the processed/recorded dates in the financial records.
- There were minor variances noted between the total payments reported in a selected political party annual return and the total payments recorded in the respective political party's financial records. We were advised by the relevant party that the variances were attributed to inter branch transactions that were to be eliminated in compiling the annual returns.
- With minor exceptions, all sampled electoral expenditure was supported by tax invoices and receipts.
- All sampled electoral expenditure was processed in the correct reporting period and they met the definition of "Electoral Expenditures".
- There were differences in the total debt figure disclosed in one of the political party annual return to that which was recorded in the financial records. This was subsequently corrected in the amended return.
- As a result of the procedures undertaken above, we noted that there have been improvements in the level of compliance when compared to the previous reporting years. However, there are still some concerns on the accuracy of political party returns in representing the financial information/affairs of the political parties selected for review.

In addition to the above process, we went through the political party annual returns to ascertain the completeness of information included in the annual returns lodged. As a result of this review, we noted that all sections of the political annual return were duly completed and contained information required under Part 10 of the NTEA.

Recommendations

Based on our findings, amended returns had to be lodged by 1 Territory Party and the Country Liberals (NT) to remedy matters identified during the compliance review.

NTEC should continue to engage the political parties with a view to working with them to address the matters arising from this compliance review so as to achieve a higher level of compliance in the future periods.

The Northern Territory Electoral Commission should work to reduce the length of time it takes to report donations and other funding for political parties during an election period so that the public is informed of who are the major contributors to the political parties. This will, hopefully, increase transparency of donations to voters.

The timeframes between lodgement and publication of disclosure returns should be shortened now that the process political parties have moved to an electronic platform. Prompt publication of lodged returns helps to increase transparency to the public on party financing.

SPECIFIC OBJECTIVE 3

We reviewed associated entity annual returns for the 2016/17 financial year to check for compliance with Part 10 of the NTEA.

Findings

In going through the selected associated entity annual returns, we noted the following points which indicate the level of compliance with Part 10 of the NTEA:

- The associated entity returns which were tested were lodged before the deadline date of 20 weeks after the end of the financial year.
- All sampled total payments recorded in the associated entity returns agreed to the figures recorded in the financial records of the associated entities reviewed.
- Total debt figures recorded in the associated entity returns agreed to the figures recorded in the financial records of the associated entities being reviewed.

Recommendations

No specific recommendation for this area as compliance matters were in line with expectations.

APPENDICES

Appendix 1

Terms of Reference

Compliance review of political disclosure returns in relation to election contributions and annual political party returns, as relevant, made by political parties and their donors and related entities during the 2016/17 financial year.

Approach

1. Preparation of the review file incorporating political party annual returns, donor annual returns, associated entity returns, NTEA and the NTEC Disclosure Handbook.
2. Matching amounts of donation received by political parties to the amounts recorded in the individual donor returns.
3. For a sample of donor annual returns, reviewing the returns for compliance with the lodgement timelines.
4. Matching donation amounts to the corresponding amount in the political party returns on a sample of donor annual returns.
5. From the comprehensive list of Political Party Annual Returns lodged for the 2016/17 financial year, we generated a sample size appropriate to test the receipts and payments as disclosed in the political party annual returns.
 - a. The samples for detailed testing of donations/receipts were randomly selected from the list of receipts in the annual returns.
 - b. The samples for electoral expenditure were randomly selected from the general ledger details provided by the political parties.
6. Obtaining and verification of financial records and documentation covering the financial year ended 30 June 2016. The tests included:
 - a. By inspection, review of bank statements for the financial year ended 30 June 2017;
 - b. By inspection, reviewed the cash books and general ledger details covering the financial year ended 30 June 2017; and
 - c. By inspection, reviewed the supporting documentation, including invoices, receipts, vouchers covering the financial year ended 30 June 2017.
7. Discussing the preliminary findings with the reviewed political parties, associated entities and NTEC and his staff.

Appendix 2

Donors who have not lodged their Annual Donor Returns as identified from the Political Party Annual Returns

Country Liberals (NT)

	Name	Amount Received
1	Willem Pty Ltd	\$10,000.00
2	Alice Springs Advocate	\$10,000.00
3	Paul and Sarah Investments Pty Ltd	\$10,000.00
4	Transcontinental Resources Group	\$10,000.00
5	Gunter Gshwenter	\$10,000.00
6	Thrifty Rent-a-Car	\$10,073.00
7	NT House Pty Ltd	\$5,000.00

Australian Labor Party NT

	Name	Amount Received
1	SRA and Associates	\$4,500.00
2	Markus Spazzapan	\$2,000.00
3	AWU Qld NT	\$5,000.00
4	Alem Investments Pty Ltd	\$10,000.00
5	Gulf Transport	\$30,000.00
6	Jape Kong Su Nominees	\$10,000.00
7	Yap Property Investments	\$10,000.00

1 Territory Party

	Name	Amount Received in kind
1	AM Constructions	35,090.00