



Compliance Review of Political Party Disclosure Returns in relation to the year ended 30 June 2016

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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 2015/16 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 (NT Division);
 - Country Liberals;
 - 1 Territory Party;
 - Shooters and Fishers Party (NT); and
 - NT 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 could be improved as we noted a number of donors who were yet to lodge their returns.
- b. Two political parties, Country Liberals (NT) and Shooters and Fishers Party (NT), lodged their political party annual returns after the deadline date (being 16 weeks after the end of the financial year).
- c. There are still some concerns on the accuracy of political party and branch returns in representing the financial information/affairs of the political parties selected for review. However, we acknowledge that there have been improvements in the level of compliance when compared to the previous reporting years.
- d. Amended returns, to remedy the matters identified during this compliance review have been lodged by the Country Liberals (NT), 1 Territory Party and Australian Labor Party (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. In relation to the late lodgements and potential inaccurate and inadequate information provided by relevant stakeholders, it is recommended that the Northern Territory Electoral Commission be provided with the capacity to levy statutory defined fines for political parties and donors submitting incomplete or late returns.

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 2015/16 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 2015/16 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 2016. The tests included:
 - a. By inspection, review of bank statements for the financial year ended 30 June 2016;
 - b. By inspection, reviewed the cash books and general ledger details covering the financial year ended 30 June 2016; and
 - c. By inspection, reviewed the supporting documentation, including invoices, receipts, vouchers covering the financial year ended 30 June 2016.
7. Discussing the preliminary findings with the reviewed political parties, associated entities and Northern Territory Electoral Commissioner and his staff.

4. OVERALL CONCLUSION

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. However, we acknowledge that there have been improvements in the level of compliance when compared to the previous reporting years.

Based on our findings, amended returns had to be lodged by the Country Liberals Party (NT), 1 Territory Party and Australian Labor Party (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 2015/16 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.
- A donation in the selected donor annual return did not match with the figure recorded in one political party return.
- Two donations selected were not recorded in one 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 2016 as required under Part 10 of the NTEA. The list of outstanding donor returns not lodged is included in Appendix 2

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

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.

SPECIFIC OBJECTIVE 2

We obtained from NTEC a complete list of Political Party Annual Returns lodged for the 2015/16 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:

- With the exception of two political parties, namely Country Liberals (NT) and Shooters and Fishers Party (NT), all political party annual returns were lodged before the due date of 16 weeks after the end of the financial year, being 20th October 2016.
- There were variances noted between the total receipts reported in the selected political party annual returns and the total receipts recorded in the respective political parties' financial records.
- One political party omitted disclosing a material number of receipts of \$1,500 or more covering the period under review in their initial return. This was subsequently corrected when they lodged an amended return during the compliance review.
- 52% 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.
- With minor exceptions, all selected donations were traced to the respective political parties' accounting records.
- All sampled donations were processed in the correct reporting periods. 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 variances noted between the total payments reported in the selected political party annual returns and the total payments recorded in the respective political parties' financial records. We were advised by the relevant parties that the variances were attributed to branch transactions that were not included in the main accounting systems.
- With minor exceptions, all sampled electoral expenditure was supported by tax invoices and receipts.
- With minor exceptions, 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 figures disclosed in the political party annual returns to those which were recorded in the financial records of the of selected political parties. The total value of underreported debt from the selected political parties was \$109,191.19 in the initial returns lodged. This was adjusted down to \$19,111.19 after the amended returns were lodged.
- There was underreporting in the details of those people and organisations to whom \$1,500 or more was owed by selected political parties as at 30 June 2016.
- As a result of the variances and exceptions noted above, 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. However, we acknowledge that there have been improvements in the level of compliance when compared to the previous reporting years.

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

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.

In relation to the late lodgements and inaccurate and inadequate information provided by political parties, it is recommended that the Northern Territory Election Commission be provided with the capacity to levy statutory defined fines for political parties and donors submitting incomplete or late returns.

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

SPECIFIC OBJECTIVE 3

We reviewed all associated entity annual returns for the 2015/16 financial year to check for compliance with Part 10 of the NTEA.

Findings

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

- The two associated entity returns which were tested were lodged before the deadline date of 20 weeks after the end of the financial year.
- With minor exceptions, all total receipts recorded in the associated entity returns agreed to the figures recorded in the financial records of the associated entities reviewed.
- With minor exceptions, all 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.
- With minor exceptions, details in the donor annual returns completed by the associated entities matched with the recipient political parties' annual returns.

Recommendations

NTEC should continue to engage the associated entities 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.

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 2014/15 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 2015/16 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 2016;
 - b. By inspection, reviewed the cash books and general ledger details covering the financial year ended 30 June 2016; and
 - c. By inspection, reviewed the supporting documentation, including invoices, receipts, vouchers covering the financial year ended 30 June 2016.
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	Mousellis & Sons Pty Ltd	\$50,000.00
2	Morandini Investments	\$5,500.00
3	Yanda Aboriginal Arts	\$10,000.00
4	NT Link	\$2,000.00
5	Berrimah Taxis	\$5,000.00
6	NT Link	\$2,000.00
7	Brown P & C	\$4,000.00
8	JN Mousellis	\$2,000.00
9	P.Marks Investments Pty Ltd	\$30,000.00

Australian Labor Party NT

	Name	Amount Received
1	CFMEU	\$6,000.00
2	Morandini Investments	\$5,000.00
3	Phosphate Resources Limited	\$10,000.00
4	Salsa Holdings Pty Ltd	\$10,000.00
5	Prodigy Constructions and Roofing Pty Ltd	5,200.00
6	JGA Concreting Pty Ltd	3,000.00
7	Perago Coatings Pty Ltd	5,000.00
8	MUA NT	2,000.00
9	Putland Chris	1,500.00
10	Hill Karen	1,500.00

1 Territory Party

	Name	Amount Received
1	AM Constructions	27,292.22
2	AM Constructions	5,841.00
3	Elias Investments	2,000