

Northern Territory Electoral Commission

Compliance review with focus on 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.

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1. EXECUTIVE SUMMARY

BDO (NT) performed a compliance review with a focus on 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.

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;
 - Palmer United Party NT;
 - Shooters and Fishers Party (NT); and
 - The Greens.

- Entities associated with Political Parties incorporating:
 - NT ALP Investment Trust
 - CLP Gifts and Legacies Pty Ltd; and
 - Foundation 51 Pty Ltd.

- Individual Donors through the Donor Annual Returns.

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

- a. Not all individual donors are lodging Donor Annual Returns so as to comply with the requirement of Part 10 of the *Northern Territory Electoral Act*.
- b. One political party failed to lodge their political party annual return by 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 have to be lodged by both the Country Liberals (NT) and Australian Labor Party (NT).

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

- a. The Northern Territory Electoral Commission should 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 is complete and accurate.
- b. Ongoing compliance review should be scheduled for the returns of the year ending 30 June 2016 with the aim of ensuring that the issues arising from the current review have been addressed at all levels of stakeholders involved in the political disclosure process.
- c. In relation to the late lodgements and potential inaccurate and inadequate information provided by relevant stakeholders, the Northern Territory Electoral Commission should consider stricter application of the provisions of the *Northern Territory Electoral Act*.

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 election contributions and annual political party returns, as relevant, during 2014/15 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 & Branch Annual Returns lodged for the 2014/15 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 2015. The tests included:
 - a. By inspection, review of bank statements for the financial year ended 30 June 2015;
 - b. By inspection, reviewed the cash books and general ledger details covering the financial year ended 30 June 2015;
 - c. By inspection, reviewed the supporting documentation, including invoices, receipts, vouchers covering the financial year ended 30 June 2015.
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 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.

Based on our findings, there is a requirement to provide amended returns by both the Country Liberals Party (NT) and Australian Labor Party (NT).

In relation to donors, the level of compliance with the NTEA is still unsatisfactorily.

SPECIFIC OBJECTIVE 1

We obtained from NTEC a complete list of Donor Annual Returns lodged for the 2014/15 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*:

- 13% of the sampled donors did not lodge their donor annual returns by the deadline date.
- Two donations in the selected donor annual returns did not match with the figures recorded in the political party and branch returns. Variances noted amounted to \$18,000 and \$5,000.

In addition to the above process, we went through the political party and branch returns to ascertain the completeness of donor annual returns lodged. As a result of this review, we noted the following 20 donors who did not lodge their annual returns for the year ended 30 June 2015 as required under Part 10 of the NTEA:

	Name	Address	Amount Received
1	Ben Halliwell	11 Dolphin Ctr. Parap NT 0820	\$1,500
2	Darwin Airport Lodge	PO Box 2305 Parap NT 0804	\$10,000
3	Decket Pty Ltd	Buckley & Stone L 1 Darwin NT 0800	\$1,500
4	Dhupuma Resources Pty Ltd	1 Briggs Street Darwin NT 0800	\$1,500
5	Dolly Pty Ltd	35 Macredie St, Nakara NT 0810	\$2,000
6	Eastarm Civil	GPO Box 3444 Darwin NT 0820	\$1,818
7	Halikos Group	PO Box 138 Berrimah NT 0828	\$3,636
8	Halikos Pty Ltd	GPO Box 1511 Darwin NT 0801	\$5,800
9	Joondanna Investments	7 Parckard Place Darwin NT 0800	\$3,000
10	Morandini Investments	GPO Box 1321 Darwin NT 0801	\$6,000
11	North West Constructions	GPO Box 1306 Darwin NT 0801	\$8,500
12	Ostojic Transport Pty Ltd	GPO 818 Darwin NT 0801	\$3,100
13	Quality Plumbing and Building	7 Brooker Street Winnellie NT 0820	\$5,000
14	Randazzo C&G Developments	GPO Box 2975 Darwin NT 0801	\$5,000
15	Randazzo Properties	GPO Box 551 Darwin NT 0801	\$5,454
16	Randazzo Pty Ltd	GPO Box 551 Darwin NT 0801	\$2,800
17	Salsa Holdings Pty Ltd	GPO Box 3942 Darwin NT 0801	\$10,000
18	Sydney Stirling	13 McArthur Ct Leanyer NT 0812	\$2,000
19	Trepang Services Pty Ltd	PO Box 2305 Parap NT 0804	\$10,000
20	Vince Jeisman	7 Grevillea Drive Alice Springs NT 0870	\$2,000

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 above 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 the 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 the Act 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 database are all up to date to ensure that the letters and e-mails being sent to donors reach them.

SPECIFIC OBJECTIVE 2

We obtained from NTEC a complete list of Political Party & Branch Annual Returns lodged for the 2014/15 financial year. We reviewed all political party and branch 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 and branch annual returns.

Findings

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

- With the exception of one political party, all political party annual returns were lodged within the due date of 16 weeks after the end of the financial year.
- 2 political parties who had either cancelled their registration or had been deregistered did not lodge their annual returns to cover for the period which they were active during the period under review.
- There were variances noted between the total receipts reported in the selected political party and branch annual returns and the total receipts recorded in the respective political parties' financial records.
- 46% of the receipts recorded in 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' bank accounts.
- With minor exceptions, 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.
- With minor exceptions, receipts were always issued for donations received from people and organisations.
- 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.
- 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 parties. The total value of underreported debt from the selected political parties was \$21,676.
- As a result of the variances and exceptions noted above, 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.

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 still conduct a follow up compliance review for the returns of the year ending 30 June 2016 with the aim of ensuring that the issues arising from the current review have been addressed at all levels of stakeholders involved in the political disclosure process.

In relation to the late lodgements and inaccurate and inadequate information provided by political parties, NTEC should consider stricter application of the provisions of the NTEA.

SPECIFIC OBJECTIVE 3

We reviewed all associated entity annual returns for the 2014/15 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:

- One of the three associated entity returns which was tested was lodged after 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.
- Details in the donor annual returns completed by the associated entities matched with the recipient political parties' annual returns.

Recommendations

In relation to the late lodgements, NTEC should consider stricter application of the provisions of the NTEA.

APPENDICES

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 & Branch Annual Returns lodged for the 2014/15 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 2015. The tests included:
 - a. By inspection, review of bank statements for the financial year ended 30 June 2015;
 - b. By inspection, reviewed the cash books and general ledger details covering the financial year ended 30 June 2015;
 - c. By inspection, reviewed the supporting documentation, including invoices, receipts, vouchers covering the financial year ended 30 June 2015.
7. Discussing the preliminary findings with the reviewed political parties, associated entities and NTEC and his staff.