

# 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, related entities, publishers, broadcasters and candidates during the 2012-13 and 2013-14 financial years.**

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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, related entities, publishers, broadcasters and candidates during the 2012-13 and 2013-14 financial years and for the 2013 Wanguri by-election and 2014 Blain by-election.

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);
  - Australian Sex Party NT;
  - Citizens Electoral Council (NT Division);
  - Country Liberals;
  - Palmer United Party NT;
  - The Greens; and
  - Australian First National Political Party.
- 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.
- Broadcasters and publishers through their respective annual returns.

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

- a. All candidate elections returns were lodged within the stipulated period being 15 weeks after the relevant polling day.
- b. 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*.
- c. In the financial year ended 30 June 2013, all but one political party failed to lodge their annual returns by the deadline date (being 16 weeks after the end of the financial year). In the financial year ended 30 June 2014, three political parties failed to lodge their annual returns by the due date.
- d. There is a real possibility that the political party and branch annual returns lodged did not accurately represent the financial affairs of the political parties selected for review.
- e. Documentation to support the valuation of gifts-in-kind was not retained at all times as required by the Northern Territory Electoral Commission Disclosure Handbook.
- f. Not all broadcasters and publishers are lodging their broadcasters/publisher annual returns so as to comply with the requirement of Part 10 of the *Northern Territory Electoral Act*.

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. A follow up compliance review should to be conducted for the returns of the year ending 30 June 2015 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 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* to penalise instances of noncompliance.

# 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 NT *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, individual donors and broadcasters and publishers for compliance with political disclosure returns in relation to election contributions and annual political party returns, as relevant, during the 2012-13 and 2013-14 financial years and for the Blain by-election.
- b. Establish whether the disclosures are compliant with Part 10 of the Northern Territory Electoral Act.

### 3. METHODOLOGY

In conducting the review the following key tasks were performed:

1. Preparation of the review file incorporating political party annual returns, candidate election returns, donor annual returns, associated entity returns, broadcasters and publishers returns, NT Electoral Act and the NTEC Disclosure Handbook.
2. Matching amounts of donation received by candidates to the amounts recorded in the individual donor returns.
3. For a sample of donor annual returns for 2013 and 2014 financial years, reviewing the returns for compliance with the lodgement timelines.
4. Matching donation amounts to the corresponding amount in the candidate/political party returns on a sample of donor annual returns.
5. From the comprehensive list of Political Party & Branch Annual Returns lodged for the 2012-13 and 2013-14, we generated a sample size appropriate to test the receipts and payments as disclosed in the political party annual returns.
  - a. The samples selected for detailed testing of donations/receipts were generated using a Data Analysis Tool from the list of receipts in the annual returns.
  - b. The sample for electoral expenditure was selected from the general ledger details provided by the political parties.
6. Obtaining and verification of financial records and documentation covering the financial periods ended 30 June 2013 and 2014. The tests included:
  - a. By inspection, review of bank statements for the financial years ended 30 June 2013 and 2014;
  - b. By inspection, reviewed the cash books and general ledger details covering the financial years ended 30 June 2013 and 2014;
  - c. By inspection, reviewed the supporting documentation, including invoices, receipts, vouchers covering the financial years ended 30 June 2013 and 2014.
7. Discussing the preliminary findings with the reviewed political parties, associated entities and the Northern Territory Electoral Commissioner and his staff.

### 4. OVERALL CONCLUSION

In relation to the level of compliance with Part 10 of the NT Electoral Act the conclusion of this review is that there were some material issues identified and the level of compliance achieved by donors and political parties was unsatisfactory.

## KEY FINDINGS

### SPECIFIC OBJECTIVE 1

We reviewed all candidate elections returns for the 2013 Wanguri by-election and 2014 Blain by-election to check for compliance with Part 10 of the *Northern Territory Electoral Act* (NTEA).

#### Findings

The following are points which indicate the level of compliance from our review of all candidate election returns for the 2013 Wanguri By-election and 2014 Blain By-election:

- All candidate election returns were lodged within the stipulated period being 15 weeks after the polling day.
- Substantially, all donations in the candidate election returns were matched to individual donor returns, with the exception of one instance where the donor had not yet lodged their return.
- There were two candidates who lodged candidate election returns with incomplete information.

#### Recommendations

The Northern Territory Electoral Commission should continue to reinforce the message of strict compliance with the NTEA provisions to political candidates.

## SPECIFIC OBJECTIVE 2

We obtained from Northern Territory Electoral Commission a complete list of Donor Annual Returns lodged for the 2012-13 and 2013-14 financial years. We determined sample sizes for the 2012-13 and 2013-14 financial years deemed appropriate to adequately test the donor annual returns compliance with Part 10 of the *Northern Territory Electoral Act*.

### 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 donor returns selected for testing for the financial year ended 30 June 2013 were lodged after the deadline of 20 weeks after the end of the financial year.
- In the financial year ended 30 June 2014, 78% of the sampled donors did not lodge their donor annual returns by the deadline date.
- All donation amounts recorded in the selected donor annual returns matched with the figures recorded in the political party and branch returns with the exception of the financial year ended 30 June 2014 where 4 donor returns had different amounts to the political party and branch returns.
- In the year ended 30 June 2013, 4 donors omitted the details of either the date when the donation was made or their contact address on completion of the donor annual returns.

In addition to the above process, we went through the candidate/political party and branch returns for both 30 June 2013 and 2014 to ascertain the completeness of donor annual returns lodged. As a result of this review, we noted the following exceptions:

- 33 donors did not lodge their donor annual returns in the year ended 30 June 2013 as required under Part 10 of the *Northern Territory Electoral Act*.
- 20 donors did not lodge their annual returns in the year ended 30 June 2014 as required under Part 10 of the *Northern Territory Electoral Act*.

### Recommendations

The Northern Territory Electoral Commission should embark on a community outreach program to educate individuals and organisations about their responsibilities under the *Northern Territory Electoral Act* when donations above the \$1,500.00 threshold have been made to political parties and candidates.

In addition to the above political parties should 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.

### SPECIFIC OBJECTIVE 3

We obtained from NTEC a complete list of Political Party & Branch Annual Returns lodged for the 2012-13 and 2013-14 financial years. We reviewed all political party and branch annual returns' overall compliance with Part 10 of the *NT Electoral Act*.

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 *Northern Territory Electoral Act*:

- With the exception of one political party, all other political parties lodged their annual returns after the deadline date of 16 weeks after the end of the financial year ended 30 June 2013.
- In the financial year ended 30 June 2014, 3 political parties did not lodge their political party annual returns by the deadline date of 16 weeks after the end of the financial year.
- 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. The noted variances applied to both financial years ended 30 June 2013 and 2014.
- In the year ended 30 June 2013, 32% 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.
- In the year ended 30 June 2014, 25% of the receipts recorded in the sampled political party and branch returns could not be cross checked to the donor annual returns as the relevant donors had not yet lodged their annual 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.
- Receipts were not always issued for donations received from people and organisations.
- There was no supporting documentation prepared and/or retained by political parties selected for testing in relation to valuation and recording of gifts-in-kind as required by the Northern Territory Electoral Commission Disclosure Handbook.
- 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. The noted variances applied to both financial years ended 30 June 2013 and 2014.
- 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 major reasons for these differences were were omissions of transactions in the relevant periods and unknown/unreconciled variances.
- In the financial year ended 30 June 2013, the total value of underreported debt from the selected political parties was \$14,689.48.
- In the financial year ended 30 June 2014, the selected political parties underreported the details of their debt by \$22,635.46.
- For loans provided to political parties selected for review, there was no documentation to which provided details of the terms and conditions of the loan as required by Section 190 (1) and (2) of the *Northern Territory Electoral Act*.

- As a result of the variances and exceptions noted above, there is a real possibility that the political party and branch annual returns lodged did not accurately represent the financial information/affairs of the political parties selected for review.

In addition to the above process, we went through the political party and branch annual returns for both 30 June 2013 and 2014 to ascertain the completeness of information included in the annual returns lodged. As a result of this review, we noted the following exceptions:

- In completing Section 2 of the Political Party and Branch Annual Return, the addresses of donors were not always included as required under Part 10 of the *Northern Territory Electoral Act*.

## Recommendations

The Northern Territory Electoral Commission should conduct a follow up compliance review for the returns of the year ending 30 June 2015 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, the Northern Territory Electoral Commission should consider stricter application of the provisions of the *Northern Territory Electoral Act* to penalise instances of noncompliance.

## **SPECIFIC OBJECTIVE 4**

We reviewed all associated entity annual returns for the 2012-13 and 2013-14 financial years to check for compliance with Part 10 of the *Northern Territory Electoral Act*.

### **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 *Northern Territory Electoral Act*:

- Two of the three associated entity returns which were tested for the financial year ended 30 June 2013 were lodged after the deadline date of 20 weeks after the end of the financial year.
- In the financial year ended 30 June 2014, all associated entity returns were lodged by the deadline date.
- 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.
- There were significant variances noted between the total payments recorded in the associated entity return for one entity and the total payments recorded in the financial records of the relevant entity.
- In the year ended 30 June 2013, one of the associated entities incorrectly recorded the figure of total debt and when this was compared to the detailed listing of debt owing a variance of \$95,602.93 was noted.
- Details in the donor annual returns completed by the associated entities were matched with the recipient political parties' annual returns for the year ended 30 June 2013.
- In the financial year ended 30 June 2014, one associated entity omitted to include the details of significant donations it made to a related party in the associated entity return. An amended return had not yet been lodged at the time of finalising this report.

### **Recommendations**

In relation to the late lodgements and inaccurate and inadequate information provided by associated entities, the Northern Territory Electoral Commission should consider stricter application of the provisions of the *Northern Territory Electoral Act* to penalise instances of noncompliance.

## SPECIFIC OBJECTIVE 5

We reviewed selected broadcaster/publisher annual returns for the 2012-13 and 2013-14 financial years to establish the level of compliance with Part 10 of the *Northern Territory Electoral Act*.

### Findings

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

- In the year ended 30 June 2013, there were 18 publishers/broadcasters selected for review and 61% of them lodged their returns by the deadline date.
- In the financial year ended 30 June 2014, there were 10 publishers/broadcasters selected for review and 30% of them lodged their returns by the deadline date.
- All donations amounts recorded in the selected donor returns agreed to the figures recorded in the political party returns with the exceptions of the financial year ended 30 June 2014 whereby 4 donor returns had different amounts to the political party returns.
- The publisher/broadcaster returns reviewed did not always include all required information as required by the *Northern Territory Electoral Act*.

### Recommendations

In relation to the late lodgements and inadequate information provided by broadcasters and publishers, the Northern Territory Electoral Commission should consider stricter application of the provisions of the *Northern Territory Electoral Act* to penalise instances of noncompliance.

## 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, related entities, publishers, broadcasters and candidates during the 2012-13 and 2013-2014 financial years and for the 2013 Wanguri by-election and 2014 Blain by-election.

### Approach

This review was conducted by BDO (NT) between March and May 2015.

The methodology used to conduct the audit was:

1. Preparation of the review file incorporating political party annual returns, candidate election returns, donor annual returns, associated entity returns, broadcasters and publishers returns, NT Electoral Act and the NTEC Disclosure Handbook.
2. Matching amounts of donation received by candidates to the amounts recorded in the individual donor returns.
3. For a sample of donor annual returns for 2013 and 2014 financial years, reviewing the returns for compliance with the lodgement timelines.
4. Matching donation amounts to the corresponding amount in the candidate/political party returns on a sample of donor annual returns.
5. From the comprehensive list of Political Party & Branch Annual Returns lodged for the 2012-13 and 2013-14, we generated a sample size appropriate to test the receipts and payments as disclosed in the political party annual returns.
  - a. The samples selected for detailed testing of donations/receipts were generated using a Data Analysis Tool from the list of receipts in the annual returns.
  - b. The sample for electoral expenditure was selected from the general ledger details provided by the political parties.
6. Obtaining and verification of financial records and documentation covering the financial periods ended 30 June 2013 and 2014. The tests included:
  - a. By inspection, review of bank statements for the financial years ended 30 June 2013 and 2014;
  - b. By inspection, reviewed the cash books and general ledger details covering the financial years ended 30 June 2013 and 2014;
  - c. By inspection, reviewed the supporting documentation, including invoices, receipts, vouchers covering the financial years ended 30 June 2013 and 2014.
7. Discussing the preliminary findings with the reviewed political parties, associated entities and the Northern Territory Electoral Commissioner and his staff.