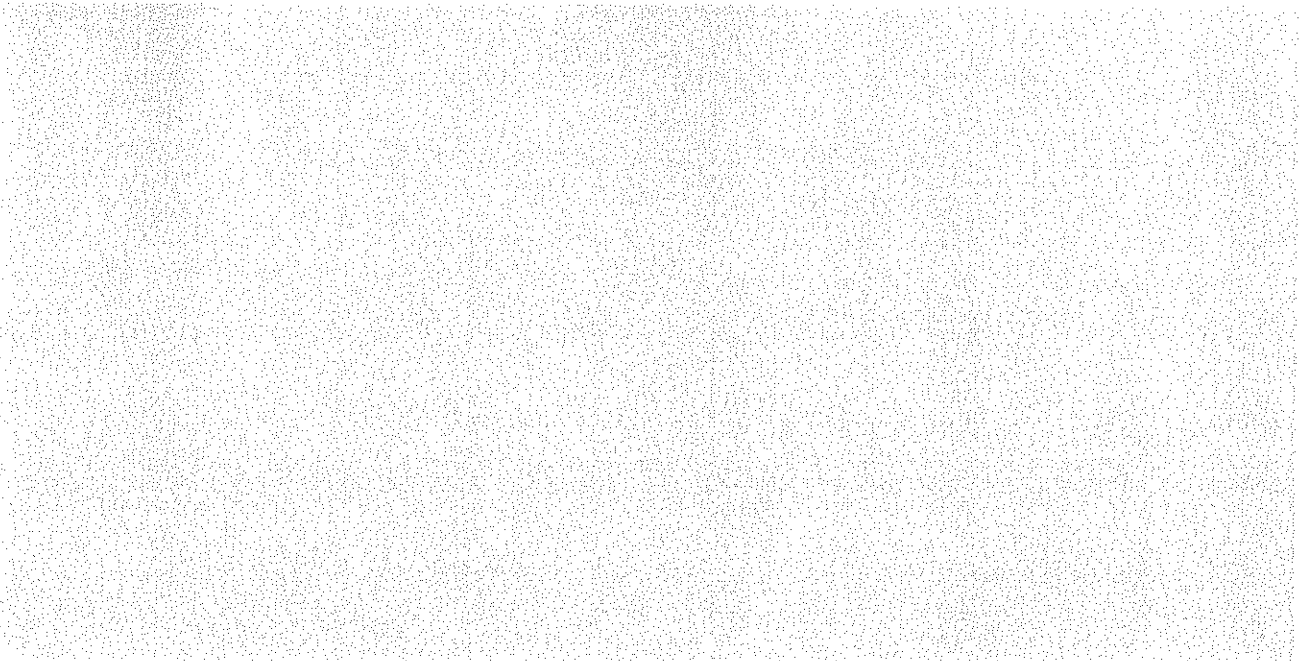
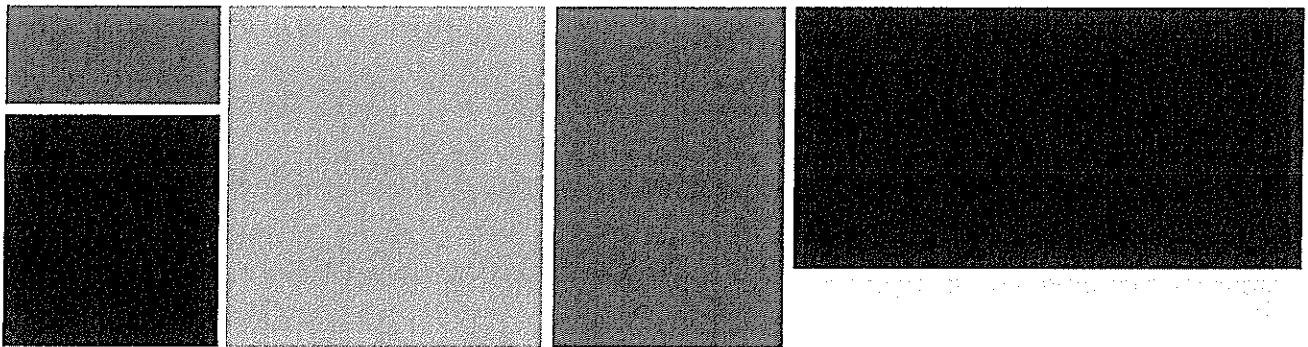


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Compliance Review Report

The Warringah Club

February 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: Peter Polgar, financial controller

Background

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 The Warringah Club (the Entity) complies with disclosure obligations as set out in the Act.

Compliance and cooperation with the review

The compliance review was conducted under the authority of a notice served on the financial controller of the Entity in accordance with s.316(2A) of the *Commonwealth Electoral Act 1918*. In accordance with s.316(2A)(c), it is a legal obligation that person upon whom a notice has been served 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 a generous timeframe of four weeks for the delivery of records to allow the easy accommodation of the request that normally should not take longer than 2 to 3 hours. Nonetheless, the AEC met difficulty in obtaining the full set of requested records by the due deadline of 7 November 2012.

The financial controller provided the key documents such as transaction records from the Entity's accounting system and bank statements five days after the deadline. However,

the accounting records from the Entity's accounting system QuickBooks were provided in hard copy rather than in electronic format as required by the notice. Due to the relatively small volume of transaction records, the review team did not insist on provision of the records in electronic format. Such concessions, however, are not standard AEC practice and will not be afforded in the future regardless of the volume of the Entity's financial activities.

Whilst the financial controller provided the key documents such as the general ledger and bank statements only five days after the deadline, the delivery of the remaining records and responses to the remaining information listed in the s. 316(2A) notice were not provided until 25 January 2013 following email reminders of 13 November 2012, 14 January and 24 January 2013 sent by the review team. The records and information received after the deadline related to:

- gifts-in-kind;
- financial statements; and
- terms and conditions of loans.

The Entity's working papers to support the figures reported in the return were not provided. No explanation was provided to the AEC.

Review findings requiring amendment

Total Receipts and Payments

Section 314AEA(1)(a) of the Act requires the financial controller of an associated entity to report the total amount received by, or on behalf of, the entity during the financial year. Similarly, s.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.

To satisfy this, the Entity must account for all transactions that result in receipts from and payments to external sources. These transactions must be reported on a gross basis inclusive of GST.

The review identified discrepancies between the total amounts of receipts and payments reported in the disclosure return and the documentation provided. Our analysis of the Entity's financial records revealed that total receipts and payments were both over-stated by \$10,909. The Entity quoted "clerical error" as the reason for these discrepancies, but, without providing any indication as to where or how that error occurred and so how it might be prevented in future.

The table below contrasts the total amounts reported in the disclosure return against the records identified in the bank statements and general ledger.

Table: 1 Total Receipts and Payments

	Total Receipts \$	Total Payments \$
Disclosure Return	127,142.00	168,096.00
Bank Statements/ General Ledger	116,233.91	157,187.00
Difference	10,908.09	10,909.00

As the discrepancies in relation to *Total Receipts and Payments* are considered significant, the return should be amended to reflect the financial information contained in the Entity's records accurately.

In view of this, Part 2 and Part 4 of the *Request for Amendment* form should be completed to show the total amount of receipts and payments as set out below.

Required amendment

Amended Total Receipts	\$127,142
Amended Total Payments	\$157,187

Receipts above the disclosure threshold

Section 314AC(1) 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)).

In its return the Entity reported the amount of \$96,534 as received from the Liberal Party of Australia (NSW Division). However, an examination of the details recorded in the Entity's bank statements and general ledger indicate that that the total amount received from the Liberal Party of Australia (NSW Division) amounted to \$83,443.

The table below provides the transaction records above the disclosure threshold identified in the Entity's bank statements and its general ledger.

Table2: Amounts above the threshold

	\$ Amounts received	Source of deposit
Disclosure Return	96,534	Liberal Party of Australia (NSW Division)
Bank Statements/ General Ledger	83,443	Liberal Party of NSW

As shown above, both the bank statement and general ledger transaction records show the amount of \$83,443 received from the Liberal Party of NSW. According to the bank statements the deposit was made on 9 August 2010. The Entity also received the amount of \$1,090.91 from the Liberal Party of NSW on 25 August 2010. However, as the amount of \$1,090.91 falls below the disclosure threshold of \$10,500, it does not need to be counted in calculating the sum received from the NSW Division of the Liberal Party.

This means that although, in total, the Entity received from the Liberal Party of NSW the amount of \$84,533.91 (\$83,443.00 + \$1,090.91), only \$83,443 requires to be reported as the receipt above the disclosure threshold.

To comply fully with the provisions under s.314AC, Part 4 of the Disclosure Return needs to be amended to show the correct amount about as set out below.

Required amendment

Name	Address	\$ Amount
Liberal Party of Australia (NSW Division)	Level 9/140 William Street, Sydney	83,443

Matters requiring future attention

In the course of the review, the financial controller, Mr Peter Polgar informed the AEC that the Warringah Club had ceased its financial operations in the 2011/12 financial year and as such would no longer operate under that name.

Mr Polgar advised that he had become the financial controller of the newly formed entity called The Sydney Small Business Club for which he lodged a return for the 2011/12 financial year.

Given that Mr Polgar took on the role of the financial controller of the new entity, issues that came to our attention during the review of the Warringah Club are considered likely to be relevant with respect to the disclosures to be made on behalf of the new entity. The nature and a brief summary of those issues are outlined below.

Accuracy of reporting

The discrepancies outlined in the report above are of some concern given the otherwise apparent professional approach to the record keeping undertaken by the financial controller of the Warringah Club. This approach is evidenced by the use of an accounting system to record the transactions as well as the performance of periodic bank reconciliations in addition to the financial controller's skills as a professional accountant.

Given the relatively small scale of financial operations and professional approach to the recording system, we expect any inaccuracy of the reporting should be eliminated in the future.

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 AEC. However, the Entity should consider documenting all the transactions used in deriving the total amounts as part of its working papers, appropriately referenced to the relevant source documents. Whilst unspecified clerical error was quoted as the reason for the discrepancies, the inability of the financial controller to account for the error, particularly as he is a practising accountant, raises concerns about the approach to compiling the return in meeting the requirements of the Act. A more robust approach to documenting the derivation of figures reported in the return is recommended to reduce the likelihood of such errors happening in the future and to ensure an appropriate level of transparency.

Gifts-in-kind

In response to the issues of gifts-in-kinds, the financial controller confirmed that none was received in the course of the 2010/11 financial year.

Whilst the review did not provide any exhaustive list of possible gifts-in-kind for the financial controller to comment on, and nor is it considered possible for the AEC to provide an exhaustive list, the response received from Mr Polgar to the issue described as *Staffing Details*, warrants further consideration with regard to the meaning of *gift* as defined in s.287 of the *Commonwealth Electoral Act 1918*.

The Act defines *gift* as any disposition of property made by a person to another person without adequate consideration in money or money's worth. In other words, goods and

services provided free of charge or at less than commercial rates constitute a gift (donation) that must be disclosed.

In the case of services provided by staff, it may mean that any professional services provided on a voluntary basis 'free of charge', or at a cost lower than market consideration, may constitute a gift-in-kind.

The response provided by the financial controller to the *Staffing Details* issue stated that:

No paid staff are employed at all.

This response implies, therefore, that whilst no paid services were made by the Entity's staff, some unpaid services may have been provided. If this has been the case or is likely to be in the future, the value of the unpaid services provided by staff should be accounted for and reported as a gift that then should be incorporated into the total receipts.

More information regarding various examples of possible gifts-in-kind may be found on the AEC's website in the guide for associated entities on <http://www.aec.gov.au/Parties and Representatives/financial disclosure/guides/associated-entities/information.htm#part2b>

Conclusion

Except for the matters noted above, nothing has come to our attention that causes us to believe that the Warringah Club 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 on telephone number (02) 6271 4552 or by email at fad@aec.gov.au.