

## Shining light on political finance for the next federal election

Briefing paper

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### Summary

Recently-released data from the Australian Electoral Commission (**AEC**) for the 2020/21 financial year reveal that \$68,265,479 – or 38.6% – of political parties' declared income over the period is of unexplained origin ('hidden money'). This brings the total hidden money identified over the period 1998/99 - 2020/21 to \$1.38 billion.

The Commonwealth has the weakest donation laws in the country. Parties are able to hide the source of donations because of the high threshold of \$14,500 for the disclosure of donations, the fact that multiple donations under the threshold to different branches need not be aggregated and disclosed, and the fact that the definition of 'gift' under the *Commonwealth Electoral Act 1918* (Cth) (**the Act**) is unjustifiably circumscribed. They also include what the Australian National Audit Office (**ANAO**) has described as the partial effectiveness of the AEC in administering the financial disclosure scheme established under Part XX the Act: as one of Australia's key accountability institutions, the AEC requires adequate resourcing and powers in order to fulfil its mandate.

### Hidden money

The term 'hidden money' refers to party income of unexplained origin. It is calculated by determining the difference between declared party income, and the portion of that income which is of identifiable provenance, such as public funding, subscriptions and intra-party transfers.

Figure 1 shows the total income disclosed to have been received by political parties in the 2020/21 financial year.<sup>1</sup> Of this, 38.6% is of unexplained origin.

**Figure 1: Total party income 2020/21**

Party Income \$m	Donations \$m	Other Receipts \$m	Public Funding \$m	Subscriptions & Unspecified \$m	Loans, Capital transfers & Intra-party transfers \$m	Unexplained ('Hidden money') \$m
176.7	15.5	30.6	55.4	2	5	68.3

<sup>1</sup> All amounts reported in this paper are in real dollars. The technical assistance required to perform the analysis in this paper is provided by Melbourne Law School researcher, Malcolm Anderson.

Figure 2 shows that over the period 1998/99 - 2020/21, Australian political parties disclosed almost \$4.5 billion in income. Of this, the source of almost \$1.38 billion – or 30.8% – is unexplained.

**Figure 2: Total party income over the period 1998/99 – 2020/21**

Party Income \$m	Donations \$m	Other Receipts \$m	Public Funding \$m	Subscriptions & Unspecified \$m	Loans, Capital transfers & Intra-party transfers \$m	Unexplained ('Hidden money') \$m
4,490	887.8	624.2	1,163	80.4	351.8	1,382.7

There is a substantial difference in unexplained income disclosed by the major parties: some 35.9% of the more than \$2 billion reported as income by the Coalition is of unexplained origin (Figure 3), whereas of the almost \$1.8 billion received by the ALP, the source of 24.5% is unexplained (Figure 4).

**Figure 3: Coalition reported income over the period 1998/99-2020/21**

Party Income \$m	Donations \$m	Other Receipts \$m	Public Funding \$m	Subscriptions & Unspecified \$m	Loans, Capital transfers & Intra-party transfers \$m	Unexplained ('Hidden money') \$m
2,113	372.1	257.7	529.4	18.4	177.6	<b>757.8</b>

**Figure 4: ALP reported income over the period 1998/99-2020/21**

Party Income \$m	Donations \$m	Other Receipts \$m	Public Funding \$m	Subscriptions & Unspecified \$m	Loans, Capital transfers & Intra-party transfers \$m	Unexplained ('Hidden money') \$m
1,772.6	317.2	342.2	483.9	58.9	136.5	<b>433.9</b>

### Why is political finance opaque?

The Commonwealth has the weakest donation laws in the country. Limitations in the *Commonwealth Electoral Act 1918* (Cth) (**the Act**) include the high disclosure threshold for donations; the fact that donations are not required to be aggregated for the purposes of disclosure (meaning multiple donations of under-threshold amounts can be made to different party branches without disclosure); and the fact that donations made through

attendance at party fundraisers, priced at \$10,000-20,000 per person, are currently not categorised as gifts under the Act. The rise of hidden money may also be partially attributable to limitations in the effectiveness of the AEC in administering the Act, as the 2020 performance audit of the Australian Electoral Commission (**AEC**) by the Australian National Audit Office (**ANAO**) identified.<sup>2</sup>

**Figure 5: Commonwealth has weakest laws in the country**

	QLD	NSW	VIC	ACT	SA	WA	Fed
<b>Disclosure threshold</b>	\$1000	\$1000	\$1040	\$1000	\$5,576	\$2500	\$14500
<b>Disclosure during elections</b>	7 days	21 days	21 days	7 days	7 days	30 days	No
<b>Non-election disclosure</b>	7 days	Half-yearly	Annual	Annual	Half-yearly	Annual	Annual
<b>Donation caps<sup>3</sup></b>	Yes - \$4000	Yes - \$6700	Yes - \$4160	No	No	No	No
<b>Expenditure caps</b>	Yes - \$95,964 per seat	Yes - \$132,600 per seat	No	Yes - \$42,750 per seat	Yes - \$83,635 per seat	No	No

Sources: Commonwealth Parliamentary Library 2018, Victorian Electoral Commission 2021, WA Electoral Commission 2021, Queensland Electoral Commission 2021, NSW Electoral Commission 2021, ACT Electoral Commission 2021, SA Electoral Commission 2021.

## Transparency reforms needed

Beyond reinforcement of the AEC's powers and resources, further reform of our regulatory system is required to promote transparency and accountability of political finance. Specifically, these reforms include:

<sup>2</sup> Australian National Audit Office, "Administration of Financial Disclosure Requirements under the Commonwealth Electoral Act", 17 September 2020 <<https://www.anao.gov.au/work/performance-audit/administration-financial-disclosure-requirements-under-the-commonwealth-electoral-act>> accessed 9 February 2021.

<sup>3</sup> These are the party caps: other amounts may apply for candidates, associated entities and third parties.

- A reduction in the reporting threshold for donations, with individual donations over \$1,000 and aggregated donations of \$3,000 over 3 years to political parties, candidates, associated entities, third parties and political campaigners being required to be disclosed;
- A broadening of the definition of 'donation' to include income from party fundraisers, corporate sponsorship of business forums, membership fees over \$2,000 per year, and any gift that is spent on electoral expenditure (see section 5 of the *Electoral Funding Act 2018 (NSW)*);
- Real time disclosure of donations, plus quarterly reports providing categorisation and aggregates of donations;
- A single dedicated campaign account to facilitate auditing and enforcement;
- Related companies to be categorised accordingly, and aggregated for any donation or expenditure caps (see for example section 9(8) and section 24(6) of the *Electoral Funding Act 2018 (NSW)*); and
- Enforcement through a strengthened and appropriately resourced enforcement division within the Australia Electoral Commission, and serious or systemic breaches to be investigated by an independent National Integrity Commission.

### **About The Centre for Public Integrity**

The Centre for Public Integrity is an independent think tank dedicated to preventing corruption, protecting the integrity of our accountability institutions, and eliminating undue influence of money in politics in Australia. Board members of the Centre are the Hon Tony Fitzgerald AC QC, the Hon Stephen Charles AO QC, the Hon Anthony Whealy QC, Professor George Williams AO, Professor Joo Cheong Tham and Geoffrey Watson SC. More information at [www.publicintegrity.org.au](http://www.publicintegrity.org.au).