



## **MEMORANDUM**

To: State Council  
From: Richard Wilson, State President  
Date: 8 June 2022  
Re: **MEMBERSHIP AUDIT**

This memo seeks to do three things:

1. Outline the steps taken since the Road to Reform report first recommended a membership audit be conducted;
2. Detail the findings of the membership audit that has been conducted, including attaching the report; and,
3. Summarise the steps being taken to implement the audit findings.

### **Steps taken since the Road to Reform Report**

The Road to Reform report was released in late August 2021. The recommendation to conduct a membership audit was endorsed by State Council in early September.

In late September, SME resolved to seek proposals for an audit from the appropriate firms.

In early November, SME accepted a proposal from BDO to audit the Party's membership records. The final report was received in late December 2021. The findings of the BDO report are detailed in the next section of this memo, and the report itself is available at Appendix A.

Following receipt of the BDO report, legal advice was sought on whether matters raised in the report were violations of the Party's Constitution and Rules, or presented any legal problems.

The legal advice was provided by Herbert Smith Freehills on 30 March 2022, the day after the Federal Budget and the week before former Prime Minister Morrison called the 2022 Federal Election. A summary of the legal advice is provided in the next section.

It was decided not to release the BDO report or the summary of the legal advice until after the election was held. This was to prevent the impression the WA Liberal Party was talking about itself at a time when we should have been talking about matters and policies important to the Australian people.

With the election now over, this memo now fully details the findings of the membership audit.

### **Findings of the membership audit**

In short, the audit of membership records from 2019/20 and 2020/21 made five findings relating to the following issues:

1. Multiple membership renewals paid with the same card
2. Multiple non-family members registered at the same address
3. Multiple branch transfers in a 12 month period
4. Members not residing in registered division
5. Members not residing in registered branch area

Firstly, from the data examined by BDO, multiple membership renewals on the same card do appear to be frequent and widespread across Party branches.

Secondly, from the data examined by BDO, the practice of multiple non-family members registered at the same address does not appear to be widespread. However, it does appear likely that there is attempted manipulation of the local component of state pre-selections in a handful of cases.

Thirdly, from the data examined by BDO, there appears to be very limited use of multiple transfers across Party Branches. While I was, frankly, a bit surprised at this finding, I have reviewed BDO's methodology for how they analysed the data and am satisfied that it is exactly what I would have done if I was asked to perform the same task in my day job as a management consultant. I therefore accept the finding.

Lastly, BDO found there appears to be widespread Party enrolment outside Division and Branch boundaries. The reason why this is an issue is that under the current rules is that Branches can be ruled as ineligible to send delegates to a preselection if the Branch membership is not sufficiently local. My hope is that this issue will be rectified if we adopt the proposed preselection reforms, which reward local members with a vote in preselections.

### **Findings and recommendations from the legal advice**

The advice provided by Herbert Smith Freehills identified possible technical breaches of the Party's Constitution & Rules and the Associations Incorporation Act 2015 (WA), and consequently, recommended action the Party should take to mitigate the risk of breaches in the future.

The legal advice received, recommended that the Party:

1. Conducts an audit to ensure all renewed memberships have been validly renewed and that each Member's details are correct, and ensure that, if member changes are identified:
  - a. All Branches remain constitutional based on the correct member numbers;
  - b. All entitlements are calculated using correct member numbers; and
  - c. The Register of Members is updated accordingly, within 28 days of receiving any updated details.
2. Implements processes for ensuring that membership engagements and renewals are undertaken properly. For example a process for ensuring that members consent should be introduced.
3. Prohibits the practice of paying membership subscriptions either directly or indirectly using Party funds.

Further, to ensure ongoing compliance with the Party's Constitution and Rules, and The Act, that the Party:

4. Ensures that for each Branch transfer by a Member the Party has a completed and signed membership transfer form and that it follows the process prescribed in the Constitution.
5. Ensures that it has the substantiating documentation confirming the Branch preference for each member not currently residing in their registered Division or Branch area.
6. Ensures that it has the required contact details for each member. If a member's contact details do not include a residential address then the Party should also ensure that member's Branch preference is recorded in their membership application form or a membership transfer form.
7. Complies with its continuing registration obligations under the Electoral Act, including making an application for continued registration to the Electoral Commissioner prior to 24 November 2022 if it has not already done so, with correct Member details.

Finally, the advice recommended that the Party develop educational material or internal guidelines to promote ongoing compliance within the Party of the Membership requirements set out in the advice.

The recommendations made by Herbert Smith Freehills are practical steps the Party can take to address the matters raised in the audit. In consultation with the State Director on administrative points, my response to each recommendation is as follows:

1. As part of the Party's upcoming 1 July 2022 membership renewal campaign, the Party will request a declaration from each person making the renewal, which determines the relationship to member being renewed. Failure to make a declaration will mean a payment cannot be made.

Further, during this process, Party members will be prompted to update their details for the Register of Members. The Party's OMMS membership database, which records and stores member details, is used to calculate entitlements based on the number of members. This can be done close to real-time as members renew and update their details.

2. With any renewal or new membership application, the Party will require the individual to make a declaration prior to payment being made.
3. The Party's Constitution and Rules should be amended where required to bring this recommendation into effect. This matter is being dealt with by the Organisation and Constitutional Committee chaired by the Senior Vice-President.
4. This recommendation is already in effect.
5. This recommendation is already in effect.
6. This recommendation is already in effect. The Party works to ensure that correct details for each member are recorded in the Register of Members and prompts members to update their details on a regular basis. Further, an online application for membership cannot be submitted without an address. The same process is applied with hard copy applications.

7. The Party has lodged its 2022 Annual Return for Continuing Registration and intends to have the process completed prior to the 24 November deadline.

Further, I agree training and educational materials should be provided as we put programs in place to build the capability of our membership base.

I will be looking for support for these rule and constitutional changes at the upcoming State Conference to be held on 30-31 July 2022.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'RW', enclosed within a large, loopy blue oval stroke.

**Richard Wilson**  
State President

Private & Confidential

Mr Stuart Smith  
Liberal Party of Australia (WA Division)  
Unit 2  
12 Parliament Place  
West Perth WA 6005

22 December 2021

Dear Stuart

## Examination of Membership Records

We refer to our engagement letter dated 29 October 2021 in relation to the desktop examination of the membership records for the Liberal Party of Australia (WA Division), (the 'Party'). BDO were instructed to examine available records held by the Party for the 2019/20 and 2020/21 years to identify:

- Multiple membership renewals paid with the same credit card (or same person);
- Multiple non-family members registered at the same address; and
- Multiple branch transfers in 12 months period.

The below summarises the work undertaken and observations by BDO Advisory (WA) Pty Ltd ('BDO').

## 1. Work Undertaken

### 1.1. Information provided

BDO has undertaken the following work:

#### 1.1.1 Examined the following information provided by the Party on 9 November 2021;

- Nightly Membership Dumps (Membership Listings) as at the following dates:
  - 30 June 2019;
  - 1 July 2019;
  - 30 June 2020;
  - 1 July 2020;
  - 30 June 2021; and
  - 1 July 2021.
- Transactions Reports for the following periods:
  - 1 June 2019 through to 30 May 2020;
  - 1 June 2020 through to 31 May 2021; and
  - 1 June 2021 through to 8 November 2021.

- 1.1.2 Examined Membership Listings and Transactions Reports and where possible, linked payment transactions to individual members.
- 1.1.3 Examined a listing of branch transfers for the period 4 June 2019 to 8 November 2021, provided by the Party on 11 November 2021.
- 1.1.4 Examined a listing of division and branch records and where possible, linked these to the member's registered branch and division. (Refer Sections 2.4 and 2.5)
- 1.1.5 Examined the Party's Membership Database to determine whether any credit card transactions were for family members of the cardholder. (Refer paragraph 2.1.5)
- 1.1.6 Conducted discussions with the following Party staff on 19 November 2021:
  - Mr Stuart Smith ('Mr Smith'), State Director; and
  - Mr Jesse Wotton ('Mr Wotton'), Deputy State Director.

## **2. Observations**

### **2.1. Multiple membership renewals paid with the same card**

- 2.1.1 BDO were provided with Transaction Reports for the period 1 June 2019 through to 8 November 2021, outlining the details of all registered members.
- 2.1.2 As per the requirements of the engagement, BDO specifically examined the records for each of the financial years ending 30 June 2020 and 30 June 2021.
- 2.1.3 BDO identified 6,927 transactions for the period 1 July 2019 through to 30 June 2021.
- 2.1.4 BDO excluded the following transactions from the Transaction Reports provided:
  - Transactions totalling \$21.00 - Mr Smith confirmed that transactions to this value were recurring monthly donations by members upon membership renewal.
  - Transactions exceeding \$300.00 - BDO confirmed with Mr Smith that transactions exceeding \$300.00 do not relate to membership renewals but rather function and fundraising payments.
  - Failed Transactions - Transactions that had a 'Failed' result as per the Transaction Reports provided.
  - Refunds and their corresponding transactions - Amounts paid by members and subsequently refunded by the Party.
  - Partial refunds - Instances in which a member processed a payment that was subsequently partially refunded, commonly due to overpayment. BDO included only the net value of these transactions.
- 2.1.5 In analysing transactions from the Transaction Reports, BDO were advised that each payment transaction related to a single membership renewal.
- 2.1.6 BDO identified 152 credit cards in which more than one transaction used a common/same email address. BDO cross-referenced these transactions to the Party's Membership Database to confirm whether any of these transactions were for family members of the cardholder. For this purpose, a member was classed as a family member if they had the same surname as the cardholder.



- 2.1.7 Where BDO identified that all transactions on a single credit card were for family members, BDO did not class this as a multiple membership renewal on a single card or include in the testing and subsequent observations.
- 2.1.8 BDO identified 590 transactions where the ‘Email Address’ field of the Transaction Report was left blank. Thus, BDO could not determine whether the transaction was for a family member of the cardholder. (Refer paragraph 2.6.1)
- 2.1.9 Table 1 below summarises credit cards that processed 10 or more transactions for both the 2019/20 and 2020/21 financial years.

**Table 1: 10 or more transactions processed on a single credit card**

Credit Card	Transactions in 2019/20 FY	Value (2019/20)	Transactions in 2020/21 FY	Value (2020/21)	Total	Total Value
Credit Card 1	66	\$660.00	-	-	66	\$660.00
Credit Card 2	35	\$445.00	-	-	35	\$445.00
Credit Card 3	33	\$1,045.00	-	-	33	\$1,045.00
Credit Card 4	26	\$670.00	-	-	26	\$670.00
Credit Card 5	22	\$242.00	-	-	22	\$242.00
Credit Card 6	21	\$650.00	-	-	21	\$650.00
Credit Card 7	19	\$380.00	-	-	19	\$380.00
Credit Card 8	19	\$250.00	-	-	19	\$250.00
Credit Card 9	18	\$475.00	17	\$575.00	35	\$1,050.00
Credit Card 10	17	\$550.00	-	-	17	\$550.00
Credit Card 11	16	\$1,155.00	-	-	16	\$1,155.00
Credit Card 12	15	\$1,015.00	12	\$660.00	27	\$1,675.00
Credit Card 13	13	\$200.00	-	-	13	\$200.00
Credit Card 14	13	\$425.00	-	-	13	\$425.00
Credit Card 15	12	\$435.00	-	-	12	\$435.00
Credit Card 16	11	\$355.00	-	-	11	\$355.00
Credit Card 17	11	\$255.00	16	\$360.00	27	\$615.00
Credit Card 18	10	\$375.00	11	\$455.00	21	\$830.00
Credit Card 19	10	\$310.00	15	\$720.00	25	\$1,030.00
Credit Card 20	10	\$145.00	-	-	10	\$145.00
Credit Card 21	10	\$335.00	-	-	10	\$335.00
Credit Card 22	-	-	52	\$1,240.00	52	\$1,240.00
Credit Card 23	-	-	38	\$530.00	38	\$530.00
Credit Card 24	-	-	23	\$500.00	23	\$500.00
Credit Card 25	-	-	15	\$240.00	15	\$240.00
Credit Card 26	-	-	14	\$240.00	14	\$240.00
Credit Card 27	-	-	11	\$245.00	11	\$245.00
Credit Card 28	-	-	11	\$230.00	11	\$230.00
Credit Card 29	-	-	10	\$400.00	10	\$400.00
<b>Total</b>	<b>407</b>	<b>\$10,372.00</b>	<b>245</b>	<b>\$6,395.00</b>	<b>652</b>	<b>\$16,767.00</b>

### Results for the 2019/20 financial year

- 2.1.10 BDO identified 165 credit cards that had processed more than one transaction for the period 1 July 2019 through to 30 June 2020. 889 transactions totalling \$28,868.01 were identified in relation to these credit cards.
- 2.1.11 BDO identified 21 of the 165 credit cards had processed 10 or more transactions for the period 1 July 2019 through to 30 June 2020. 407 transactions totalling \$10,372.00 were identified in relation to these credit cards. (Refer Table 1)

### Results for the 2020/21 financial year

- 2.1.12 BDO identified 176 credit cards that had processed more than one transaction for the period 1 July 2020 through to 30 June 2021. 805 transactions totalling \$26,810.80 were identified in relation to these credit cards.
- 2.1.13 BDO identified 13 of the 176 credit cards that had processed 10 or more transactions for the period 1 July 2019 through to 30 June 2021. 245 transactions totalling \$6,395.00 were identified in relation to these credit cards. (Refer Table 1)

### Summary of results

- 2.1.14 From the data examined by BDO, multiple membership renewals on the same card appear to be frequent and widespread across Party branches for the period examined.

## 2.2. Multiple non-family members registered at the same address

- 2.2.1. BDO were provided with Membership Listings as at 30 June 2020 and 30 June 2021. BDO specifically examined the Membership Listings for each of the 2019/20 and 2020/21 financial years.
- 2.2.2. Table 2 summarises the quantity of each category of member, as per their 'Membership Status' in the Membership Listings provided as at 30 June 2020 and 30 June 2021.

**Table 2: Membership numbers by category**

Membership Status	Membership Listing as at 30 June 2020	Membership Listing as at 30 June 2021
'Due'	287	117
'Financial'	6,754	6,341
'Pending New'	1	3
'Recent Lapsed'	2,370	1,845
'Unfinancial'	825	1,310
<b>Total</b>	<b>10,237</b>	<b>9,616</b>

- 2.2.3. BDO could not test, and therefore excluded, a number of members due to incomplete records in the Membership Listings provided. (Refer Section 2.6)
- 2.2.4. For the purposes of the engagement, and as agreed, where three or more unique or different surnames were identified by BDO at the same address, it was classed as an address with multiple 'non-family members'.

- 2.2.5. Further information is required in order to conclude that these members were ‘non-family members’.
- 2.2.6. As instructed by Mr Smith, any instances in which two unique and different surnames were identified at a single address were excluded from the results.
- 2.2.7. BDO identified 22 addresses in which three or more members with unique and different surnames were identified from the Membership Listing as at 30 June 2020. In total, 100 members were identified across these addresses.
- 2.2.8. BDO identified 21 addresses in which three or more members with unique and different surnames were identified from the Membership Listing as at 30 June 2021. In total, 89 members across these addresses.

#### **Summary of results**

- 2.2.9. From the data examined by BDO, this practice does not appear to be widespread. However, following conversations with Mr Smith, it appears likely that there is attempted manipulation of the local component of state pre-selections.

### **2.3. Multiple branch transfers in a 12 month period**

- 2.3.1. BDO were provided with a listing of all transfers between branches for the period 4 June 2019 through to 8 November 2021. BDO examined the full scope period 1 July 2019 through to 30 June 2021 to include transfers that occurred across two financial years.
- 2.3.2. BDO identified 461 transfers between branches in relation to 410 members throughout the period 1 July 2019 through to 30 June 2021.
- 2.3.3. BDO identified 22 (19 members) of the 461 transfers had transferred branches twice in a twelve-month period between 1 July 2019 and 30 June 2021.
- 2.3.4. BDO did not identify any members that transferred more than twice in a twelve-month period.

#### **Summary of results**

- 2.3.5. From the data examined by BDO, there appears to be very limited use of multiple transfers across Party branches.

### **2.4. Members not residing in registered division**

- 2.4.1. BDO were additionally instructed to identify instances in which members were registered in a division that was not consistent with their ‘Home Suburb’ as per Membership Listings provided.
- 2.4.2. BDO cross-referenced the ‘Home Suburb’ of members with division and branch listings provided to determine the division in which the member was geographically located.
- 2.4.3. BDO recorded the instances where the registered division of a member varied from the division relevant to their ‘Home Suburb’.
- 2.4.4. For the purposes of testing, BDO excluded members registered in the WA Union of Liberal Students Division, as this Division, and its accompanying branches, do not relate to specific

geographical boundaries. BDO identified 1,182 members registered in this branch, 625 in the 2020 financial year and 557 in the 2021 financial year.

- 2.4.5. BDO examined the membership records of 9,612 members (including recently lapsed members) for the year ending 30 June 2020.
- 2.4.6. BDO identified 3,634 of the 9,612 members were residing in a division different to that of their registered division for the year ending 30 June 2020.
- 2.4.7. BDO examined the membership records of 9,059 members (including recently lapsed members) for the year ending 30 June 2021.
- 2.4.8. BDO identified 3,350 of the 9,059 members were residing in a division different to that of their registered division for the year ending 30 June 2021.

#### **Summary of results**

- 2.4.9. From the data examined by BDO, there appears to be widespread Party enrolment outside division boundaries.

### **2.5. Members not residing in registered branch area**

- 2.5.1. BDO were additionally instructed to identify instances in which members were registered in a branch that was not consistent with their 'Home Suburb' as per Membership Listings provided.
- 2.5.2. BDO cross-referenced the 'Home Suburb' of members with division and branch listings provided to determine the branch area in which the member was geographically located.
- 2.5.3. BDO recorded the instances where the registered branch of a member varied from the branch area relevant to their 'Home Suburb'.
- 2.5.4. For the purposes of testing, BDO excluded members registered in the WA Union of Liberal Students Division, as this Division, and its accompanying branches, do not relate to specific geographical boundaries. BDO identified 1,182 members registered in this branch, 625 in the 2020 financial year and 557 in the 2021 financial year.
- 2.5.5. BDO examined the membership records of 9,612 members (including recently lapsed members) for the year ending 30 June 2020.
- 2.5.6. BDO identified 6,180 of the 9,612 members were residing in a branch area different to that of their registered branch for the year ending 30 June 2020.
- 2.5.7. BDO examined the membership records of 9,059 members (including recently lapsed members) for the year ending 30 June 2021.
- 2.5.8. BDO identified 5,802 of the 9,059 members were residing in a branch area different to that of their registered branch for the year ending 30 June 2021.

#### **Summary of results**

- 2.5.9. From the data examined by BDO, there appears to be widespread member enrolment outside branch boundaries.

## **2.6. Other observations**

### **Credit card transactions with no email address**

2.6.1. BDO identified 332 credit card transactions totalling \$207,736.28 that did not have an associated email address for the year ending 30 June 2020.

2.6.2. BDO identified 258 credit card transactions totalling \$163,875.46 that did not have an associated email address for the year ending 30 June 2021.

2.6.3. Thus, these transactions were excluded from testing, as BDO could not link the email address to the corresponding member as per the Membership Listing provided. (Refer paragraph 2.1.8)

### **No phone number in Membership Listings**

2.6.4. BDO identified 445 members that did not have a phone number listed, as per the Membership Listing at 30 June 2020.

2.6.5. BDO identified 323 members that did not have a phone number listed, as per the Membership Listing at 30 June 2021.

### **No email address in Membership Listings**

2.6.6. BDO identified 1,644 members that did not have an email address listed, as per the Membership Listing at 30 June 2020.

2.6.7. BDO identified 1,336 members that did not have an email address listed, as per the Membership Listing at 30 June 2021.

2.6.8. Thus, BDO excluded these members from testing in Section 2.2.

### **No email address and no phone number in Membership Listings**

2.6.9. BDO identified 171 members that did not have a phone number and an email address listed, as per the Membership Listing as at 30 June 2020.

2.6.10. BDO identified 120 members that did not have a phone number and an email address listed, as per the Membership Listing as at 30 June 2021.

### **'NEW ADDRESS REQUESTED' in the 'Home Address' field of Membership Listing**

2.6.11. BDO identified 18 members that had their 'Home Address' listed as "NEW ADDRESS REQUESTED" as per the Membership Listing at 30 June 2020.

2.6.12. BDO identified 16 members that had their 'Home Address' listed as "NEW ADDRESS REQUESTED" as per the Membership Listing at 30 June 2021.

2.6.13. Thus, BDO excluded these members from testing in Section 2.2.

### **3. Important Information**

#### **3.1. Limitations**

- 3.1.1. The scope of our work and this report is limited by the engagement dated on 29 October 2021.
- 3.1.2. Our work has relied upon information we have received to date from the Party.
- 3.1.3. Our work will not provide all the evidence that is required in an audit, thus the level of assurance (limited assurance) will be less than that given in an audit. Our work is not an audit and accordingly we will not express an audit opinion.
- 3.1.4. Unless otherwise stipulated in this report, BDO has assumed that the records and information it has received, or that which has been made available to BDO, both paper based and electronic, are reliable, complete and not misleading.
- 3.1.5. BDO has not contacted any of the account holders in connection with any observations made in this report.
- 3.1.6. BDO's conclusions are limited to the extent that it may not have been provided with, or had access to, information that is relevant to the conclusions made in this report. BDO reserves the right to change, amend or update our findings, opinions and report should information additional to that available at the time of preparing our report becomes available.
- 3.1.7. BDO are unable to conclude as to whether any actions or breaches of policy and practice are unlawful. This will need to be determined by the relevant regulatory authority and the judicial system.
- 3.1.8. Where applicable, BDO has not corrected or amended any spelling or grammatical errors that may appear within any referenced document, record or transaction, including those that have been detailed in this report.

#### **3.2. Basis of Preparation**

- 3.2.1. This report has been prepared on the basis of information made available to BDO since 29 October 2021. We reserve the right to amend the conclusions drawn in this report should more detailed, more accurate or further information become available which would have a material effect on the matters considered herein.
- 3.2.2. We have not carried out any work in the nature of an audit in respect of the information contained in the analysis in this report, nor have we attempted to independently confirm the information therein and accordingly express no opinion as to its truth or accuracy.
- 3.2.3. Furthermore, whilst we have no reason to doubt that any of the information provided is reliable, complete and not misleading, and that no material facts have been withheld, we do not warrant that my enquiries have revealed all matters which a more extensive investigation may have disclosed.

### **3.3. Restrictions on Use**

- 3.3.1. This report has been prepared for use by the Party and is subject to the terms of engagement that include confidentiality conditions limiting the extent to which this document may be disclosed to individuals and the purposes for which it may be used.
- 3.3.2. BDO disclaims liability to any other person relying upon this report. This report may not be disclosed or copied to any other person other than listed above without BDO's express written authority, and may not be used other than for the purpose for which this report has been prepared.

### **3.4. Disclaimers**

- 3.4.1. Statements and opinions contained in this report are given in good faith but, in the preparation of the report, BDO Australia has relied upon the information provided which we understand and believe to be reliable, complete and not misleading.
- 3.4.2. Other than as specifically set out herein, BDO does not warrant or imply, nor should it be construed, that it has carried out a formal audit or due diligence of the information supplied to it or relied upon.
- 3.4.3. Unless it has been stipulated otherwise, BDO has assumed that all financial transactions and related records were in Australian Dollar (AUD). As such, and unless stipulated otherwise in this report, all transaction and reported amounts should be taken as to have occurred in AUD.

### **3.5. Independence**

- 3.5.1. BDO will receive a fee based on the time spent in respect of the preparation of this report, and neither I nor BDO will receive a fee or remuneration that is contingent upon the outcome of this assignment. Therefore, neither BDO nor any director or executive or employee thereof have any pecuniary or other financial interest with any party to this matter that could be capable of affecting our ability to give an unbiased opinion in relation to the matters addressed in this report.