

Transparency International (New Zealand) Inc

2010¹

Annual Report

and Financial Statements

¹ For the period 1 July 2009 – 30 June 2010

Co-Chairpersons' Statement

TINZ's activities in 2009-2010 were largely focused on managing the Pacific Support Programme (PSP), although our initiative to publicize weaknesses in how New Zealand companies are managing bribery and corruption risks showed both the need for and the potential value added from a greater focus by TINZ on accountability and transparency in this country.

The PSP is a contract between TINZ and NZAID that provides core funding for the four TI chapters in the South Pacific (Fiji, Papua New Guinea, the Solomon Islands and Vanuatu). It has also funded activities such as chapter capacity development, civics education, and cross-chapter activities. The PSP, which TINZ initiated in 2004, is a major success story for us in that it has provided vital support for core funding (staff salaries, rent, and other core operating expenses) which is not readily available from other sources.

TINZ managed the PSP by contracting for the services of a programme manager (for up to 188 days per year) and a finance manager. The full project ended in mid-2009, and following a very positive independent evaluation commissioned by NZAID, TINZ was invited to prepare a successor programme for the period 2010-2013. During the transition period the PSP was extended through a series of partial roll-overs that provided only for the core funding component.

Paul Browne, our PSP manager (until he was succeeded by Julie Browne in early 2010), lead the development of the new PSP, in collaboration with the four chapters and NZAID. TINZ hosted a meeting of the chapters in Wellington in December 2009, and the final project proposal was presented to NZAID in the first quarter of 2010. Unfortunately, although positive about the draft PSP, NZAID was not in a position to decide on the new project by mid-2010, and at the end of June also decided unexpectedly not to continue extending the partial roll-overs beyond 30 June. This meant the chapters abruptly lost their core funding support, and highlighted for TINZ that the project exposed us to considerable financial and operational risks. We had no alternative but to close the PSP project office in Boulcott Street in August 2010. The end of the PSP also resulted in the loss of the voluntary services of the PSP program managers as TINZ executive officers. This was a significant setback given the large amount and high quality of the voluntary inputs Paul Browne (and Julie Browne from early 2010) had provided to the running of TINZ.

An interim six month arrangement (for core funding only) has since been put in place with NZAID for the period October 5 2010 – April 4 2011, again managed by TINZ and requiring us to contract only for the services of a finance officer. At the current time we are actively exploring options for a new three year PSP to follow after the interim arrangement expires, but one which more effectively leverages TINZ resources and reduces our exposure to risk. This could involve TINZ again managing the PSP, or it may involve a partnership with another NGO that would take over responsibility for the bulk of the project management, with TINZ playing a more strategic role.

Whichever approach is adopted for the future management of the PSP, the TINZ Board is determined to re-balance our work programme towards more effort on transparency and accountability in NZ. While NZ remains at the top of TI's Corruption Perceptions Index for good reason, there are nevertheless many areas that are cause for concern when judged against the high standards of transparency and accountability that New Zealanders have a right to expect. These include, in the public sector, weaknesses in the management of conflicts of interest, political party funding, MP's pay and allowances, the operation of the Official Information Act, and tardiness in fully meeting our international obligations i.e. weak efforts in implementing the OECD Anti-Bribery Convention, and failure to ratify UNCAC.

In the private sector, the "As Good As We Are Perceived?" project, lead by Board members Rodger Spiller and Alex Tan, found evidence that NZ businesses are not taking the risks of bribery and corruption seriously when operating in overseas markets where bribery to win business is the norm. Drawing on research data provided by the Australian NGO CAER, the study showed that only 44% of companies in the NZX50 have policies prohibiting bribery and corruption (compared with 72% in the UK and 68% in the US). Alex Tan presented the findings of the project at seminars in Wellington on 1 June (co-hosted by the Institute of Policy Studies) and in Auckland on 3 June (hosted by PricewaterhouseCoopers). Duncan Patterson, CEO of CAER, flew in from Australia to co-host the events. Although disappointingly few of the invited NZX50 companies invited to attend did so, the seminars and report were well covered in the media.

The failure of finance companies in NZ and the associated unethical practices of some managers provide further evidence that all is not well with private sector governance. That we are not alone in seeing a risk of increased corruption in NZ is illustrated by the welcome move by the Serious Fraud Office this year to identify bribery and corruption as one of its top three priority areas. We look forward to learning more about the SFO's views and activities in the address by Director Adam Feeley at our AGM.

Other activities in the year to 30 June include:

- Written and oral TINZ submissions were presented in August 2009 to the Parliamentary Defence, Trade and Foreign Affairs Select Committee considering new Anti-Money-Laundering legislation, and a supplementary submission provided further cross-jurisdiction information requested by the Committee. This work was lead by Board member Trevor Roberts with input from Alex Tan and TI members Ash Johnstone, Natalie Shaw, and Aaron Lloyd.
- Completion by TI member Aaron Lloyd of a further annual TINZ assessment of NZ's compliance with the OECD Anti-Bribery convention. TINZ is one of the 36 TI chapters in 38 of the signatory countries that produce this annual assessment, which is a formally recognized part of the OECD's process for monitoring implementation of the Convention. NZ was assessed as one of the 21 countries that has undertaken little or no enforcement of the Convention.

- In July 2009 the Minister of Local Government, Hon Rodney Hide, was the guest speaker at a TINZ breakfast held at the Wellington Club. The breakfast was attended by approximately 40 members and guests and was successful in its aim of promoting discussion on matters relating to local government in New Zealand.
- In October 2009, to mark the publication of the 2009 TI Global Corruption Report, TINZ and Ernst & Young held a lunchtime Seminar in Wellington. The guest speaker at the event was TINZ member Liz Brown, who spoke from her experience as the former NZ Banking Ombudsman.
- We were proud to announce our first Life Memberships at the 2009 AGM. The award is given to members in recognition of their continual commitment, support and contribution to TINZ. The Life Memberships were presented to two founding members, Michael Morris (the first chair, from 1999-2006), and Hon. Hugh Templeton.
- In January 2010 TINZ released the “*As Good as we are Perceived?*” Report.
- Completion by Board member Murray Petrie of the third bi-annual assessment of budget transparency in NZ, as part of the 90 country *Open Budget Index* run by the Center on Budget and Policy Priorities (CBPP) in Washington DC. The results were released in October 2010, with NZ rated second on the index (which mainly comprises developing countries). More importantly, NZ has improved its practices in two areas that TINZ had noted as concerns in previous assessments (monitoring of responses to recommendations of the Auditor General, and transparency of tax expenditures).
- Completion by Jenny Browne, the editor of the TINZ Newsletter, of the Six Questions project, an international assessment of the availability of public information on selected aspects of public expenditure, also run by the CBPP. The preliminary results suggest that NZ ranked in top place amongst the mainly developing countries. There were some issues, however, around the way some of the information requests were handled, and, resources permitting, we would like to design our own assessment targeted more closely on the NZ situation.

Looking ahead, the Board held a strategic planning retreat in May 2010, and a draft Strategic Plan 2011-2015 has since been prepared that identifies five programmes and associated activities:

- 1) Promoting greater transparency and accountability in the NZ public sector.
- 2) Promoting greater transparency and accountability in the NZ private sector.
- 3) Contributing to the Pacific agenda on transparency and good governance.
- 4) Contributing to the global TI transparency and good governance effort.
- 5) Building TINZ capacity, reputation and sustainability.

Members will be aware that the Board is seeking their views on where TINZ should focus its limited resources, and the types of activities it should be undertaking. We will provide feedback on this when it is available, and will then move to finalize the Strategic Plan and put in place an annual work plan for 2011.

On the subject of resources, the Financial Statements for the year ended 30 June 2010 that accompany this report show a net surplus of \$12,065 for the year, and net assets at 30 June 2010 of \$57, 329 (nearly all of which is untied cash). Our Operating Statement is dominated by PSP revenues and (almost exactly off-setting) PSP expenditures, which reveals that the way in which the PSP has been structured generated no net income for TINZ to compensate us for the very large amount of voluntary Board time (chiefly that of former Chair Gerald McGhie) and risk that management of the PSP entailed. The interim six month arrangement to April 2011, in contrast, contains an explicit charge to compensate TINZ for its time and risk, and the Board intends to pursue this general approach in the next full three year PSP.

The income available to finance our non-PSP activities in 2009 was confined to \$6,591 in subscriptions (a small increase over 2008), \$12,278 in grants, and \$4,392.38 in donations (details of donors are in a separate spreadsheet accompanying this report). We would like to thank Luke Gaskin for his generous donations in the last two years.

Our very narrow core revenue base continues to seriously inhibit our domestic activities. To rectify this, the Board intends to focus on a combination of producing a small number of new research and operational products; new membership, fundraising and publicity strategies; targeted approaches for project funding and co-hosting of events; the injection of new Directors to the Board; and an expanded involvement of TI members in our operational activities.

Finally, we would like to acknowledge a number of individuals and organizations that have contributed significantly to our activities in 2009-2010. First, Gerald McGhie, who served as Chair from 2006, resigned from the Board in June 2010. As noted, Gerald took the lead in oversight of the PSP and in managing the relationship with NZAID and the Pacific chapters. He also led TINZ through a difficult period and oversaw an improvement in our public profile. The Board records its thanks to Gerald and wishes him well for the future.

David Macdonald has decided not to seek re-election at the 2010 AGM after a long and distinguished period of service since joining the Board in 2002. David has made a major contribution to our activities at crucial points, and was always a key source of advice to his chairs. We thank him sincerely for his contributions.

I also wish to acknowledge Paul Browne who served as programme manager for the PSP, and as voluntary executive officer for TINZ from 2008-2010. Paul's experience in private sector management, his knowledge of the Pacific, and his relationship management skills, enabled him to make an extremely valuable contribution to our activities both in NZ and in the Pacific. Julie Browne continued the good work in the first half of 2010. The Board records its sincere thanks to Paul and Julie.

Jenny Browne produced our regular Newsletter, maintained our website, and assisted with a number of other activities, all on a voluntary basis. In completing the Six Questions Project, Jenny earned US\$2,000 from the CBPP for TINZ, for which we are very grateful. We look forward to continuing to work with Jenny on the Newsletter.

Alison Smith, who provides accounting and finance services to TINZ on contract, continues to make an important contribution both to the PSP and to our non-PSP activities, and we are very grateful for the continuity she has provided.

Finally, our thanks to KPMG, who since our establishment in 1999 have provided the premises and teleconference services for our Board meetings, and who are our honorary auditors. This support is greatly appreciated.

Murray Petrie and Claire Johnstone

Co-Chairs

10 November 2010

Appendix 1:

Governance

The members of the TINZ Board of Directors, and the date their terms of office expire (in parenthesis) are:

Claire Johnstone – Co-chair (2010)

Murray Petrie – Co-chair (2010)

Sefton Darby (2010)

John Luxton (2011)

Trevor Roberts (2011)

Rodger Spiller (2011)

Alex Tan (2010)

Hugh Templeton (2011)

During the period July 1 to 30 June three Board members resigned from the Board: Chairman Gerald McGhie at the end of June; Deputy-Chair Claire Johnstone in April 2010, and David Binning in April 2010. Claire Johnstone subsequently re-joined the Board as Co-Chair in September 2010.

Nine Board meetings were held during the year, at the offices of KPMG in Wellington, with Directors from outside Wellington participating by teleconference. The dates of the meetings were as follows:

20 August 2009	09 October 2009	19 November 2009
09 December 2009	21 January 2010	18 February 2010
18 March 2010	15 April 2010	20 May 2010

Membership

The full membership of the society as at 30 June 2010 comprised a total of 50 members, in the following categories:

Individual Members (42)

Andrews, John	Binning, David	Browne, Julie
Bedggood, Margaret	Bradford, Hon Max	Browne, Paul
Bell, Brian	Brown, Liz	Clarke, Tim

Cook, Ian	Lawrence, Judy	Nicholas, Mark
Eichbaum, Dr. Chris	Liyanarachchi, Gregory	Petrie, Murray
Ferguson, Lindo	Lloyd, Aaron	Picot, Brian
Gaskin, Luke	Luxton, Hon. John	Roberts, Trevor
Harris, Paul	Macdonald, David	Sayers, Guy
Hooper, Antony	Martin, John	Simpkins, Kevin
Irwin, Ken	McGhie, Gerald	Spiller, Rodger
Jenkins, Simon	McKee, Juliet	Templeton, Hon Hugh*
Johnstone, Ash	McKinnell, Tim	Whitcombe, Judy
Johnstone, Claire	Moore, Howard	Wikaira, Chris
Kidd, Hon Doug	Morris, Michael*	Zirker, Dan

* Life Time Member

Small Business Members (2)

SEB Strategy Ltd

Momentum Consulting Group

Corporate Members (6)

Brother (NZ) Ltd

NZ Post Ltd

Finchley Holdings Ltd

Office of the Auditor General

Pricewaterhouse Coopers

Serious Fraud Office

Temporary Individual Members²

Alhourani, Max

Baskerville, Rachel

Beylefield, Marnus

Chen, Mai

Cogan, Simon

Cowden, Marian

Edwards, Diane

Harris, Bernie

Shaw, Natalie

Tregonning, Fiona

Temporary Business Member (1)

Serious Fraud Office

The Temporary Members, as approved by the Board will become full members if approved at the 2010 AGM.

Secretariat and International

During the report period there were two TI Secretariat meetings attended by TINZ representatives, with travel and accommodation costs met by the Secretariat. The first was the Annual Members Meeting in Berlin in October 2009, which was attended by the Chair Gerald McGhie. In May 2010 Julie Browne, the TINZ Executive Officer, attended a TI Asia Pacific Regional Meeting in Delhi.

In both cases the Secretariat meetings provided the opportunity to hold a Pacific Advisory Group meeting of chapters involved in the *TINZ Pacific Support Programme*.

² Includes three who have joined since 30 June 2010.