



TRANSPARENCY INTERNATIONAL

NEW ZEALAND

Annual Report 2007

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2007 Chairman 's Report
Mr Gerald McGhie, QSO

The last year has seen TINZ increase its activity significantly, adding domestic campaigning on electoral spending and political party funding to our now well established support for the Pacific chapters of Transparency International as well as completing our annual review of New Zealand 's implementation of its commitments under the OECD anti-bribery convention.

TINZ has over the past year been fortunate to have two new corporate members: Brother International and Finchley Holdings Limited and a number of other individual members. Like so many voluntary organisations we always need more members.

The integrity that regularly marks New Zealand as one of the least corrupt countries in the world is by no means an assured part of our future but it is this integrity which TINZ wants to protect and nurture. One look at the mayhem and inequality of much more corrupt countries, where bribes and cronyism and secretive self-interest leave the law in their wake, makes it clear why we should value honesty and integrity. It is the upholding and cultivation of this sense of integrity which TINZ sees as its *raison d ' etre*.

NZ no. 1 on the Global Corruption Perceptions Index 2007

While New Zealand is currently first equal on the annual Corruption Perceptions Index, published by the Transparency International Secretariat in Berlin, recent events here indicate that conflicts of interest are increasingly ignored. Last year the decision making process in the science funding body the Marsden Fund and then the much disputed Auckland District Health Board 's laboratory services tender process, both revealed a startling lack of appreciation of the need to avoid being in a position to use public funds in one 's own interest.

Against this background members of TINZ who can fund or provide suggestions, advice, direction and contacts are a rare and valuable part of this organisation. This was evident at the members evening in Wellington. We received very helpful advice on the Electoral Funding Symposium we ran in June, about which we have more to say later in this report. It seems inconceivable that we could get too many members, so we would ask current members and other supporters to rejoin or join and to get colleagues and like-minded organisations to join.

TINZ activities for 2007
Electoral Spending and Political Party Funding

TINZ has had a long-standing concern over the transparency of donations to political parties and spending on electoral campaigns, dating back to our 2003 National Integrity System Report. This concern was heightened last year by the Auditor General's report on the use of public funds during the 2005 election. The Auditor General found that all the parties represented in Parliament, with the exception of Jim Anderton's Progressive Party, had misspent public money during the 2005 election. Issues of transparency relating to donations to political parties, raised by TINZ in 2003 and by the Electoral Commission after several elections, were also raised in Nicky Hager's book *The Hollow Men*.

TINZ calls for an independent umpire to address political finance rules

In November 2006 the TINZ Board resolved to call for an independent body to address these issues on the basis that the politicians who compete in the electoral system, and who had been shown to have seriously breached its rules, should not rewrite those rules. TINZ accepted that ultimately Parliament would have to consider and implement such a framework but considered that the initial framework should not emerge from a system the politicians controlled, in much the same way that the 1986 Royal Commission on the Electoral System set the framework for subsequent electoral reform.

TINZ conveyed its position in writing to all the leaders of the political parties in Parliament, Jim Anderton included, and received prompt and enthusiastic support from Act's Rodney Hide and the Greens' Jeannette Fitzsimons. TINZ's public campaign was lead by then board member Mel Smith and his presentation of TINZ's case was widely reported in the news media.

June 2007 Electoral Finance symposium

In the new year TINZ continued to push for greater transparency in electoral spending and political party funding, and joined with Victoria University 's Institute of Policy Studies (IPS) to mount a symposium on this issue. An evening for TINZ Members to provide suggestions on the symposium played a major role in shaping what proved to be a very successful event.

The symposium was held in Victoria University' s Council Room on June 15 . TINZ was able to obtain public endorsement for the Symposium from some of New Zealand 's most respected senior judicial and political figures:

Dame Silvia Cartwright - former Governor General

Mike Moore - former Prime Minister

Doug Kidd - former Speaker of Parliament

Sir Douglas Graham - former Minister of Justice and Treaty Settlements

Russell Marshall - former Minister of Education and Foreign Affairs

Ted Thomas - former Judge of the Court of Appeal and Acting Supreme Court Judge.

The symposium was chaired by Dr Paul Harris, former Chief Executive of the Electoral Commission, and addressed by his successor Dr Helena Catt along with the party presidents of New Zealand First, United Future, The Greens, Act, National and Labour as well as a senior figure from National and Labour with considerable hands-on experience of running previous electoral campaigns. Academic observers with key note speaking slots included the author of a recent book on electoral spending and party funding in Australia and New Zealand, experts in the field from Auckland and Otago Universities and from the Coalition for Open Government.

The audience of around 80 included the current Speaker of the House Margaret Wilson, Doug Kidd, Ted Thomas, several MPs and other parliamentary staff along with observers from around the country and students from Victoria University. The symposium was funded by TINZ and the New Zealand Political Science Association, while Victoria University provided its elegant Council Chamber for the event.

Continued from page 4...

The day was marked by excellent speeches and an attentive audience that remained engaged throughout the symposium. Since the symposium a government-sponsored Bill has entered Parliament that seeks to further regulate election funding and spending. TINZ made a formal submission, based on the expressed views of members and those of the symposium, to the Parliamentary Select Committee that is considering this issue. TINZ was later invited and gave verbal evidence before the same committee.

Perhaps the biggest disappointment of the day was the lack of interest in the symposium by journalists who gave extensive coverage of the critical findings of the Auditor-General but showed not the slightest interest in an event aimed at finding a solution to these problems, an event which included the country's most senior political party office holders.

New Zealand's implementation of its anti foreign bribery legislation

Long standing TINZ member Colin Hicks completed TINZ's annual review of the country's implementation of its anti foreign bribery legislation. In 2001 Parliament made the payment of bribes by New Zealanders to foreign public officials a criminal offence, even if the bribe was paid overseas. This legislation followed New Zealand's signing of the OECD anti foreign bribery convention. This convention prompted all other OECD nations to pass similar legislation. This year's report found more action by government departments and professional bodies such as the Institute of Chartered Accountants to publicise the liabilities arising from the amendment to New Zealand's Crimes Act. Despite this however the report reiterated the main criticism of the last two reports which found little knowledge among New Zealand exporters of their legal liabilities for paying offshore bribes. The report also notes anecdotal indications that New Zealand exporters are willing to pay bribes to get foreign market access. The report was included in the TI Secretariat's annual report on the implementation of the OECD anti bribery convention. This was presented to the OECD by a delegation from the TI Secretariat in Berlin.

Again we were saddened to note that New Zealand's news media showed little interest in this issue.

TINZ in the Pacific

TINZ has continued to provide support to the four Pacific Chapters of TI in Papua New Guinea, Fiji, Vanuatu and the Solomon Islands and to a group which is now establishing a chapter in Tonga. With funding from the TI Secretariat in Berlin I was able to attend the 2007 annual TI Pacific Regional Conference in Honiara along with the then Executive Officer Shane Cave.

The chapters have shown a significant growth in professionalism and confidence with the substantial support TINZ is able to provide from New Zealand 's international aid agency, NZAID.

This provides a proportion of their core operating costs and allows TINZ to provide advice and share information between chapters by phone, email and telephone conference calls, as well as allowing TINZ 's Executive Officer to visit the chapters. Chapter staff are also able to visit each other to share experiences and illustrate their own approaches to the fight against corruption. The funding allows high profile Pacific Island speakers to visit chapters in other countries to promote good governance.

TINZ also provides the services of a consultant, Tauranga-based Simon Jenkins, to help the chapters develop civic education programmes, a service which the chapters place particular value on.

A tough year for TI Pacific chapters

2006 was especially problematic for the chapters in the Solomon Islands and Fiji. In the Solomon Islands riots and a new Government posed challenges to the chapter which has re-established itself with a new Chairman and Chief Executive and which has begun assembling a coalition of groups to campaign for transparent and accountable governance.

In Fiji the December coup placed the chapter in a very difficult situation with one Director being roughed up and threatened by the military and another resigning from the Board to become Attorney-General in the interim government. Invitations to TI Fiji from the interim government to join various ad hoc committees to promote good governance were rejected by the TI Fiji Board.

Civic education still a top priority for TI in the Pacific

In Papua New Guinea and Vanuatu the chapters continued to devote considerable time to the development of civic education campaigns through each country. With PNG having a general election under a new voting system the chapter there devoted considerable energy to campaigns explaining how the new system worked and what voters in the often turbulent Highlands region should look for in campaigns. Candidates have in the past offered food and other bribes in return for votes.

In Tonga the riots of 2006 also shocked the nation and prompted concerned citizens into accelerating plans to form a chapter to promote good governance. They requested help from TINZ which saw our former Executive Officer Shane Cave visit the country in January to help them with the chapter formation process. They are now liaising with TI 's Berlin Secretariat over the formal chapter establishment process that all TI chapters must go through. We look forward to working with them, especially as New Zealand has such close links to Tonga though its own expatriate Tongan community.

Board and Executive Changes

The TINZ Board saw a change of leadership with founding chairman Michael Morris standing down at the 2006 AGM. We greatly value the contribution Michael made as Chairman from the founding of the chapter in 1998 and are fortunate that he has stayed on as a Director through 2007. I would like to thank my fellow Directors for electing me in his place. We sadly farewelled temporarily Mel Smith who returned to work as an Ombudsman and Chris Wikaira who left because of increased work commitments, in which we wish him the very best. On the plus side we welcomed senior Wellington lawyer Trevor Roberts and Pamela Jefferies, a Director of the BNZ for over 20 years and a former Chief Human Rights Commissioner. We are very fortunate to have such people on our Board and we look forward to their contribution to our activities.

This last year saw the departure in August of one of our founders, Executive Officer Shane Cave who left to work in Bhutan, and the arrival of his temporary replacement Marcus Pelto from TI PNG via Canterbury University, who will be with us until mid January. The Board management committee is currently in the final stages of negotiation with the successor Executive Officer who we plan will take TINZ to a new level.

Thank you for your ongoing support.

Gerald McGhie, QSO.

**Transparency International
(New Zealand)
Incorporated**

Financial Statements

For the year ended 30 June 2007

Transparency International (New Zealand) Incorporated

Statement of Financial Performance
For the year ended 30 June 2007

| | Note | 2007 \$ | 2006 \$ |
|--|------|------------------|-----------------|
| REVENUE | | | |
| Pacific Support Programme (NZ Aid) | | 362,693 | 248,568 |
| Grants (TI Berlin) | | 13,398 | - |
| Subscriptions | | 4,711 | 2,350 |
| Interest | | 737 | 937 |
| Other | | 3,135 | - |
| Total Revenue | | 384,674 | 251,855 |
| EXPENSES | | | |
| Pacific Support Programme (NZ Aid) | | | |
| Operational & Programme Activity Costs | 2 | 378,016 | 232,103 |
| Depreciation | 3 | 1,054 | 1,480 |
| Other Expenses | | 14,595 | 4,075 |
| Depreciation - Other | 3 | 383 | - |
| Total Expenses | | 394,048 | 237,658 |
| NET (DEFICIT)/ SURPLUS FOR YEAR | | \$(9,374) | \$14,197 |

Statement of Movements in Equity
For the year ended 30 June 2007

| | 2007 \$ | 2006 \$ |
|---|-----------------|-----------------|
| Accumulated Funds at Beginning of Year | 49,250 | 35,053 |
| <i>Total Recognised Revenues & Expenses</i> | | |
| Net (Deficit)/ Surplus for Year | (9,374) | 14,197 |
| Accumulated Funds at End of Year | \$39,876 | \$49,250 |

Transparency International (New Zealand) Incorporated

Statement of Financial Position
As at 30 June 2007

| | Note | 2007 \$ | 2006 \$ |
|--|------|-----------------|-----------------|
| ACCUMULATED FUNDS | | 39,876 | 49,250 |
| CURRENT LIABILITIES | | | |
| Income in Advance | | 222 | 2,400 |
| Advance from TI Berlin (Island States) | | - | 7,505 |
| Creditors | | 48,204 | 37,756 |
| GST | | 6,803 | - |
| Total Current Liabilities | | 55,229 | 47,661 |
| TOTAL ACCUMULATED FUNDS & LIABILITIES | | \$95,105 | \$96,911 |
| <i>Represented by:</i> | | | |
| CURRENT ASSETS | | | |
| Cash at Bank | 4 | 15,332 | 20,447 |
| Debtors | | 76,054 | 74,774 |
| Undispersed Grant | | 265 | - |
| Total Current Assets | | 91,651 | 95,221 |
| NON-CURRENT ASSETS | | | |
| Fixed Assets | 3 | 3,454 | 1,690 |
| TOTAL ASSETS | | \$95,105 | \$96,911 |


 Gerald McGhie
 Chairman
 Date: ~~5 xi 07~~ 9 xi 07


 David Macdonald
 Board Member
 Date: 9 November 2007

Transparency International (New Zealand) Incorporated

Notes to the Financial Statements For the year ended 30 June 2007

1. ACCOUNTING POLICIES

(A) Basis of Preparation

Transparency International (New Zealand) Incorporated (the Society) was incorporated under the Incorporated Societies Act 1908 (as last amended in 1993) on 4 April 2001.

The financial statements of the Society have been prepared in accordance with generally accepted accounting practice in New Zealand.

The financial statements are prepared on the basis of historical cost.

(B) Revenue Recognition

Subscription income is recognised in the statement of financial performance as it accrues.

(C) Goods and Services Tax

The financial statements have been prepared on a GST exclusive basis for the year ended 30 June 2007, but on an GST inclusive basis for the preceding year.

(D) Taxation

The Society is a charitable organisation and is exempt from income tax under Section CB4(1) of the Income Tax Act 1994.

(E) Differential Reporting

The Society qualifies for exemptions from certain reporting requirements under the New Zealand Institute of Chartered Accountants Reporting Framework for Differential Reporting, on the basis that, as defined under the Framework:

- it has no public accountability; and
- it is not large.

All available exemptions have been applied.

(F) Comparatives

Comparative figures shown are for the 12 month period ended 30 June 2006.

(G) Changes in Accounting Policies

GST is now reported on an exclusive basis.

| 2. PACIFIC SUPPORT PROGRAMME (NZ Aid) | 2007 | 2006 |
|---------------------------------------|------------------|-------------------|
| | \$ | \$ |
| Operational Costs | | |
| Contractors | 93,790 | 59,207 |
| Travel (In-country Visits) | 10,179 | - |
| Rent | 2,700 | 1,309 |
| Administration | 8,182 | - |
| | 114,851 | 60,516 |
| Programme Activity Costs | | |
| Core Funding | 148,284 | 83,342 |
| Civics Education | 71,032 | 65,976 |
| Newsletter | 5,439 | - |
| Speakers Tour | 29,486 | 22,269 |
| Inter-chapter Visits | 8,924 | - |
| | 263,165 | 171,587 |
| Total Costs | \$378,016 | \$ 232,103 |

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Transparency International (New Zealand) Incorporated

Notes to the Financial Statements (continued)
For the year ended 30 June 2007

3. FIXED ASSETS & DEPRECIATION

| Fixed Assets | Cost | Accum Depn | Book Value |
|----------------------|--------------|---------------|---------------|
| | \$ | \$ | \$ |
| 2007 | | | |
| Furniture & Fittings | 1,302 | 428 | 874 |
| Computer Equipment | 5,069 | 2,489 | 2,580 |
| | 6,371 | 2,917 | 3,454 |
| 2006 | | | |
| Furniture & Fittings | 1,033 | 198 | 835 |
| Computer Equipment | 2,137 | 1,282 | 855 |
| | 3,170 | 1,480 | 1,690 |

Depreciation

Depreciation is calculated on a straight line basis using the following rates:

| | |
|----------------------|-----|
| Furniture & Fittings | 20% |
| Computer Equipment | 48% |

| | 2007 | 2006 |
|--|--------------|--------------|
| | \$ | \$ |
| Depreciation Expense for the Year is as follows: | | |
| Pacific Support Programme | 1,054 | 1,480 |
| Other | 383 | - |
| | 1,437 | 1,480 |

4. CASH AT BANK

Consists of:

| | | |
|----------------------------|---------------|---------------|
| National Bank No.1 account | 4,477 | 11,698 |
| National Bank No.2 account | 4,894 | 1,993 |
| National Bank No.3 account | 5,811 | 6,756 |
| Petty Cash | 150 | - |
| | 15,332 | 20,447 |

5. RELATED PARTIES

TINZ is affiliated as a chapter of Transparency International, which has its headquarters in Berlin. TI Berlin provides financial assistance for attendees from New Zealand at its AGM and at some regional meetings.

TINZ also acts as an agent for DFID-UK to distribute funding to support the operations of TI chapters in various Pacific Island States. No funds were distributed during 2007.

6. SUBSEQUENT EVENTS

There are no subsequent events requiring disclosure in the financial statements.

7. COMMITMENTS

TINZ has a 3 year fixed term lease for the rent of office space. The lease commenced on 13 February 2006 and the annual charge is \$2,700 excluding GST.



Audit report

To the readers of the financial statements of Transparency International (New Zealand) Incorporated

We have audited the financial statements on pages 1 to 4. The financial statements provide information about the past financial performance of the Incorporated Society and its financial position as at 30 June 2007. This information is stated in accordance with the accounting policies set out on page 3.

Board of Directors' responsibilities

The Board of Directors is responsible for the preparation of financial statements which give a true and fair view of the financial position of the Incorporated Society as at 30 June 2007 and the results of its operations for the year ended on that date.

Auditors' responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgments made by the Board of Directors in the preparation of the financial statements;
- whether the accounting policies are appropriate to the Incorporated Society's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditors we have no relationship with or interests in the Incorporated Society.



Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the Incorporated Society as far as appears from our examination of those records;
- the financial statements on pages 1 to 4:
 - comply with New Zealand generally accepted accounting practice;
 - give a true and fair view of the financial position of the Incorporated Society as at 30 June 2007 and the results of its operations for the year ended on that date.

Our audit was completed on 9 November 2007 and our unqualified opinion is expressed as at that date.

Wellington