



The Treasury

Review of Gifts and Hospitality Policy

Enterprise Risk Services

5 October 2011

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1. Executive Summary

Introduction

- 1.1 As the Treasury's appointed internal auditor, Deloitte was requested to conduct a review of its gifts and hospitality policy. This report has been prepared in accordance with our terms of reference dated 2 August 2011. Further information in relation to the scope of our review and approach are detailed in Appendix A: Terms of Reference.

Background

- 1.2 The Treasury's current policy on gifts and hospitality is contained within the Sensitive Expenditure Policy, which was approved by the Executive Leadership Team in November 2010 and then ratified in December 2010 by the Treasury's Risk and Audit Committee. The section on gifts and hospitality is brief and a more comprehensive policy has been under development but due to other work deliverables, has not been concluded. The purpose of the more comprehensive policy is to provide more detail around when hospitality may be acceptable compared to gifts, and also to outline the real or perceived cumulative risk of accepting a number of low-value items.
- 1.3 The Treasury's current policy requires that gifts and hospitality over \$50 are recorded in a register, with those over \$100 requiring management approval to reduce the risk of real or perceived conflict of interest. The New Zealand Debt Management Office (NZDMO) has further guidance set out in: Additional Guidance for NZDMO Staff on Receiving Hospitality and Gifts.
- 1.4 In June 2011, three Official Information Act ("OIA") requests were received seeking the release of the Treasury's gift and hospitality register ("register"). As this was contained in separate portfolio registers, Finance was responsible for the co-ordination and consolidation of these registers for release. Where it was identified that registers were not up to date or incomplete, those at manager level and above were asked to bring them up to standard for OIA release purposes. Managers were asked to retrospectively update the register to 1 July 2010. A register had been maintained by the NZDMO. Information from 2007 to 2011 was released for the OIA requests.

1.5 Specific hospitality and gifts policy and guidance covering the Treasury since 2002 is summarised as follows:

	Treasury-wide Entertainment Policy (2002 – Nov 2010)	Treasury-wide Sensitive Expenditure Policy (Dec 2010 to date)	NZDMO Additional Guidance on Hospitality and Gifts (in place prior to 2007)	Gifts and Hospitality Policy Draft 2011 (not yet applicable)
All Treasury Personnel	Applicable in period	Applicable currently	N/A	N/A
NZDMO staff	Applicable in period	Applicable currently	Applicable to date	N/A

1.6 These are supported by the Treasury Code of Conduct (current version effective since 18 July 2011, another version was in place prior) which also contains explicit consideration of gifts and hospitality.

Objectives

1.7 Our review had four inter-related objectives:

- Alignment of Treasury policy to good practice:
 - Assess the alignment of the current Gifts and Hospitality Policy with State Services Commission (SSC) and Office of the Auditor-General (OAG) guidance and principles
 - Identify any improvements required in the policy to obtain enhanced alignment with acceptable public sector principles (and other good practices).
- Compliance with Treasury policy and guidance:
 - Assess compliance with the policy by Treasury staff since 2007, with a primary focus on the period December 2010 – June 2011
 - Identify any improvements required in the supporting processes and procedures to obtain improved levels of compliance by staff.

Conclusion and Key Recommendations

1.8 Overall, we conclude that current Treasury policy is generally consistent with OAG and SSC guidance and principles but there are some areas of non-compliance with policy. There are a number of opportunities to enhance policies, guidance and procedures when compared with other public sector agencies' policies which would improve compliance going forward across the following broad areas:

- Clarity of expectations supported by definitions and guidance
- Documentation of gifts and hospitality
- Approvals and review
- Oversight and monitoring.

- 1.9 A principles-based policy, supported by useful guidance that brings to life how the principles are operationalised, are important considerations in enhancing the Treasury's policy and guidance.

Alignment of Current Policy to Good Practice

- 1.10 At the time of our review, the Treasury's policy and guidance in place for gifts and hospitality were:

- Sensitive Expenditure Policy
- Additional Guidance for NZDMO Staff on Receiving Hospitality and Gifts
- Code of Conduct.

OAG / SSC Guidance:

- 1.11 We assessed the alignment of Treasury policy to SSC and OAG guidance and other policy examples from public sector agencies both in New Zealand and overseas.
- 1.12 From our review of promulgations by the SSC and OAG, we note that apart from the SSC's expectation that public servants should not accept Rugby World Cup hospitality (because it is unlikely such hospitality would meet the trustworthy principle), guidance for core public sector agencies is primarily principles based. For example, some key expectations include:
- "The requirement to decline gifts or benefits that place us under any obligation or perceived influence" (Standards of Integrity and Conduct)
 - "It is expected that gifts will only be accepted following a transparent process of declaration and registration...it is essential that the process is public" (Understanding the code of conduct – Guidance for State servants)
 - "Clear processes for registering conflicts, declaring gifts and benefits, and proper use of organisational resource should, for example, be the accepted and expected way things are done" (Implementing the Code of Conduct – Resources for Organisations).
- 1.13 Overall, we conclude that current Treasury policy, Code of Conduct and NZDMO guidance taken as a whole are generally consistent with SSC and OAG guidance. NZDMO guidance was found to generally provide greater clarity around expectations. To strengthen the Treasury's policy, explicit reference to SSC and OAG guidance within policy should be made.

Good Practice:

- 1.14 When compared to other public sector agency policies (refer Section 2 and Appendix C), the following key areas for improvement to current Treasury policy (or supporting procedures and guidance) were identified:
- Provision of clear definitions, in particular around "hospitality", "gifts", and what constitutes "excessive"
 - Better guidance and examples of the nature and type of hospitality and gifts that are deemed appropriate and when these are not likely to be acceptable

- Clear specification of information to be recorded within the register as well as the process for centralised consolidation of registers
- Explicit requirement to implement processes to address perceived influence or conflicts of interest risk and to actively review and monitor gifts and hospitality received.

1.15 We noted some inconsistencies (and lack of clarity) between existing Treasury policy and guidance. For example, NZDMO guidance specifies the requirement to capture within the register **all** hospitality regardless of value and all gifts received **over \$100** whereas the Sensitive Expenditure Policy specified a threshold of \$50 for recording, and for \$100 for approval purposes.

Key Recommendations:

1.16 We consider that implementation of the following recommendations would improve the quality of the Treasury's policy and guidance and enhance the level of transparency, accountability and consistency of practice:

- 1) The Treasury should implement one set of policy and guidance that applies Treasury wide (one set of expectations).
- 2) The policy, and supporting guidance and procedures should address the following:
 - a) Provision of clear examples and guidance on what gifts and hospitality are acceptable considering the nature of the specific risks to the Treasury's activities, operations and public perception
 - b) The minimum requirements for documenting the nature, value and other pertinent information in registers as well as the requirement for regular reporting (within defined timeframes) of business unit registers
 - c) Make explicit the requirement to consider the frequency of gifts and hospitality and other relevant factors consistent with the NZDMO guidance. Additional definitions and clarification as to what constitutes "infrequent", "not excessive" and "not misconstrued" as set out in the NZDMO guidance should also be provided if these terms are retained
 - d) The requirement for the regular review of registers on a timely basis at relevant and appropriate levels is made explicit
 - e) The requirement for all declined offers of gifts and hospitality (over a specific threshold) to be recorded within registers
 - f) Enabling register information to be accessible and viewed by all Treasury staff (intranet).
- 3) The architecture of the policy for gifts and hospitality should cover the following key areas:
 - a) Purpose and scope of the policy (including applicability to Treasury Board, Committee members, and employee family members)
 - b) Key principles and references to central agency expectations and guidance

- c) Expected practices including when gifts and hospitality should be accepted or declined
- d) Procedures including the documenting, approving, reporting, and monitoring of gifts and hospitality offered
- e) Roles and responsibilities
- f) Definitions.

1.17 We note that the draft Gifts and Hospitality Policy does address many of the recommendations above. Recommendations that need further attention are 1, 2 b), 2 c) and 2 f).

1.18 In Section 2: Alignment with OAG / SSC Guidance and Good Practice, we identified specific examples of good practice from other agencies / jurisdictions that we believe are relevant for the Treasury to consider in improving its policy.

Compliance with Treasury Policy and Guidance

1.19 A total of 646 items with a value of \$50 or more were listed in the register from 2007 to 2011. Given NZDMO's market-facing role and activities, the majority of hospitality entries were recorded by NZDMO staff, which accounted for 84% of total gifts and hospitality recorded across the Treasury.

1.20 NZDMO guidance specifies the requirement to capture within the register **all** hospitality regardless of value, and all gifts received over \$100. Accordingly, the NZDMO's register recorded hospitality at a lower level of threshold than other parts of the Treasury (Sensitive Expenditure Policy for recording is \$50). For OIA purposes, only those gifts and hospitality with an assessed value of \$50 or more recorded in NZDMO and other Treasury registers were reported in response to the OIAs, consistent with the Sensitive Expenditure Policy.

1.21 Interviews conducted with Treasury staff identify several business reasons for accepting hospitality, which include:

- The NZDMO's need to maintain effective market and counterparty connectivity and relationships that enable and support the Treasury's ongoing marketing of the Crown's debt programme
- The Treasury's role in developing and maintaining its international reputation
- Networking with key New Zealand businesses (including major exporters) to understand their role and impact on the economy
- To enable market intelligence to be gathered.

1.22 An analysis of register entries valued greater than \$50 showed:

- Six employees had 50 or more hospitality entries (valued at \$50 or more) and in 2011 they each had between 15 and 36 entries. The same six employees had fewer entries for hospitality of \$100 or more, with two having 14 hospitality entries in 2011
- A staff member had 107 entries (\$50 or more) within the register from 2007, with 36 being for FY2011. 30 of the 107 entries within the register were associated with one bank

- A staff member had 79 entries (\$50 or more) within the register from 2007, with 31 being for FY2011. 22 of the 79 entries within the register were associated with one bank
- The majority of hospitality entries since 2007 related to entries recorded as “lunches” and “dinners” (74%) and the majority of entries in FY2011 also related to “lunches” and “dinners” (72%)
- Other hospitality accepted included a mix of networking business or conference events and entertainment-related events, for example, Rugby Sevens, theatre shows, Wellington Cup, golf, and Toast Martinborough. Entertainment-related events account for approximately 19% of all register entries since 2007.

1.23 The Treasury’s Code of Conduct expects hospitality: *“must not be accepted if it might place the employee under an obligation or a perceived influence”* and Public Service Standards of Integrity and Conduct states: *“The requirement to decline gifts or benefits that place us under any obligation or perceived influence”*.

1.24 We understand and accept there is a need for Treasury personnel to develop and maintain business networks and relationships to carry out its functions, and enhance its market intelligence and influence. However, as the Treasury is a public sector organisation, any public perception test applied to “appropriateness” of hospitality would be a higher one. Acceptance of hospitality and gifts should accordingly be assessed in light of relevant public sector principles and guidance, having regard to the nature, extent and timing of such hospitality.

1.25 As noted above, there were several instances where hospitality was accepted with a level of frequency and nature that could be perceived as frequent, excessive or misconstrued. The nature of some of the hospitality (such as entertainment-related events) and frequency leave the Treasury open to public and / or media perception that there have been shortfalls in the Treasury’s compliance with its policy and guidance. This has arisen because of the subjective nature of policy and guidance, and the lack of regular review of judgements and practices by people independent of the areas in question.

1.26 We also identified the following key compliance risks or issues:

- Lack of formal approval and evidence of approval for hospitality received and lack of regular review and monitoring (other than NZDMO where a register is tabled at regular NZDMO management meetings). Both the Sensitive Expenditure Policy and NZDMO guidance notes the requirement for manager approval
- After the OIA requests were received by the Treasury, an exercise was undertaken across all portfolios to review and update registers. This involved the inclusion of gift entries and / or details not previously recorded on the register to ensure full reporting. We were unable to quantify the extent of the retrospective updating of entries as previous versions of registers (spreadsheet based) were overwritten as new entries were updated
- Some lack of general policy awareness around gifts and hospitality until recently, partially attributable to the fact some areas of the Treasury do not regularly receive offers of gifts and hospitality, and so there being no need to refer to policy on a regular basis
- We were unable to determine whether conflicts in relation to any gifts and hospitality received were appropriately managed as the management of conflict risks was not documented or evidenced. We expected to find potential conflict risks discussed and documented.

Key Recommendations:

1.27 Improving the quality of policy and guidance will go a long way to improving staff understanding and compliance. The Treasury should address the compliance shortfalls identified by implementing the following practices:

- 1) The requirement for adequate, timely and consistent recording of the value and business rationale or purpose for gifts and hospitality received in the registers is reinforced by specifying this requirement more explicitly. The names of the individuals providing the hospitality as well as the organisation should be recorded within the register.
- 2) Making clear the responsibility for one up approval, and the regular review and oversight by the heads of each portfolio.
- 3) Central monitoring of register compliance by Finance through monthly (completeness) confirmation from heads of portfolios and deputy chief executives should be embedded as part of other business as usual policy compliance attestation.
- 4) Processes should be developed for formal consideration of potential conflict situations and documentation of how any conflicts of interest in relation to gifts and hospitality were managed. The register could be expanded to incorporate this. Regular review of register entries against known high-risk events or situations such as tenders and procurement activities should be undertaken.
- 5) Increase awareness training and providing more clarity of expectations through additional guidelines including hospitality nature and frequency thresholds, scenario examples, and the requirement for clarity around the business purposes for the hospitality received.
- 6) Other suggested areas for improvement that would support policy implementation and compliance include:
 - a) Implementation of an online register allowing ease of access and viewing by all staff which also facilitates the collation of portfolio level registers into an organisational view
 - b) Flow charting the process so as to enable staff to quickly and easily understand the proper process to follow
 - c) Assigning a central contact point within the Treasury for staff to raise or clarify any questions or concerns around gifts and hospitality policy and guidance
 - d) Making policy, procedures and guidelines around gifts and hospitality easily accessible by publishing prominently on the intranet.
- 7) Finally, we note that the Treasury has reported all gifts and hospitality valued at \$50 or more in response to the OIA requests. Some public sector agencies have used a \$100 threshold for recording and reporting. The Treasury should consider what an adequate dollar threshold should be for recording and reporting in future policy revisions.

1.28 Detailed findings and recommendations are set out in Sections 2 and 3 of the report.

Acknowledgment

1.29 We wish to place on record our appreciation for the co-operation we obtained from the Treasury staff and management throughout the review.

Report Clearance

1.30 The contents of this report have been discussed and agreed with Gabriel Makhoulf, Chief Executive.

Management Comment

1.31 The Treasury accepts and will adopt all recommendations made in the report by Deloitte, which concluded that overall, Treasury policy, is generally consistent with SSC and OAG guidance.

1.32 The recommendations have informed the finalisation of our Gifts and Hospitality Policy, and we will use them to strengthen our policy and practices.

1.33 Management responses to each recommendation in this report are provided in Appendix D: Management Comment on Recommendations.

2. Detailed Findings – Alignment with OAG / SSC Guidance and Good Practice

Overview and Conclusion

- 2.1 This section sets out the detailed findings associated with the following review objectives:
- **Assess the alignment of the current Gifts and Hospitality Policy with SSC and OAG guidance and principles**
 - **Identify any improvements required in the policy to obtain enhanced alignment with acceptable public sector principles (other good practices).**
- 2.2 In assessing these objectives we assessed the alignment of Treasury policy to SSC and OAG guidance and other policy examples from 13 public sector agencies both in New Zealand and overseas.
- 2.3 At the time of our review, the Treasury's policy and guidance in place for gifts and hospitality were:
- Sensitive Expenditure Policy
 - Additional Guidance for NZDMO Staff on Receiving Hospitality and Gifts
 - Code of Conduct.
- 2.4 The Sensitive Expenditure Policy that applies Treasury-wide includes a brief section on gifts and hospitality received and a general standard of expectation around the acceptability of gifts and hospitality and the risks around these. The policy also provided specific monetary thresholds and expectations of approval and disclosure.
- 2.5 The document "Additional Guidance for NZDMO Staff on Receiving Hospitality and Gifts" provides guidance for the NZDMO staff and is used as additional guidance over and above the Sensitive Expenditure Policy. This guidance sets out a statement of expectations on the acceptability of gifts and hospitality and the risks.
- 2.6 These two documents provide different levels of expectations (e.g. criteria and process) and different dollar thresholds for recording gifts and hospitality within the register (\$50 for recording, or \$100 for approved items for the Sensitive Expenditure Policy versus NZDMO guidance which specifies the requirement to capture within the register all hospitality regardless of value, and all gifts received over \$100).

OAG / SSC Guidance:

- 2.7 Overall, we conclude that current Treasury policy, Code of Conduct and NZDMO guidance taken as a whole are generally consistent with SSC and OAG guidance. To strengthen the Treasury's policy, explicit reference to SSC and OAG guidance within policy should be made.
- 2.8 NZDMO guidance (which has been in place prior to 2007) was found to generally provide greater clarity around expectations.

Other Agencies:

- 2.9 When comparing the existing NZDMO guidance and Sensitive Expenditure Policy to other public sector agency policies, the following areas for improvement to Treasury policy (or supporting procedures and guidance) were noted:
- Provision of definitions, in particular around "hospitality", "gifts", and what constitutes "excessive"
 - Better guidance and examples of the nature and type of hospitality and gifts that are deemed appropriate
 - Clear specification of information to be recorded within the register as well as the process for centralised consolidation of registers
 - The explicit requirement to actively review and monitor gifts and hospitality.
- 2.10 Detailed findings supporting these conclusions are provided below and in Appendix C.

Alignment of Current Policy to SSC and OAG Guidance

Finding

- 2.11 We assessed the alignment of the current and proposed Treasury gifts and hospitality policy with guidance and principles promulgated by the SSC and OAG. In particular we compared these policies with the following promulgations:

Name of New Zealand Public Sector Guidance	Published By	Date Released	Applicable to the Following Public Sector Agencies
Standards of Integrity and Conduct	State Services Commission	June 2007	Public Service departments and to Crown entities
Understanding the Code of Conduct	State Services Commission	April 2010	Public Service departments and to Crown entities
Implementing the Code of Conduct	State Services Commission	October 2010	Public Service departments and to Crown entities
Managing Conflicts of Interest: Guidance for Public Entities (Good Practice Guide)	Controller and Auditor-General	June 2007	All public entities
Controlling Sensitive Expenditure: Guidelines for Public Entities (Good Practice Guide)	Controller and Auditor-General	February 2007	All public entities

2.12 From our review of promulgations by the SSC and OAG, we note that apart from the SSC's expectation that public servants should not accept Rugby World Cup hospitality (because it is unlikely such hospitality would meet the trustworthy principle), guidance for core public sector agencies is primarily principles based. For example, some key expectations include:

- "The requirement to decline gifts or benefits that place us under any obligation or perceived influence" (Standards of Integrity and Conduct)
- "There will usually be perceptions of influence or personal benefit if we accept gifts, hospitality or "quid pro quo" exchanges of favours" (Understanding the code of conduct – Guidance for State servants)
- "It is expected that gifts will only be accepted following a transparent process of declaration and registration...it is essential that the process is public" (Understanding the code of conduct – Guidance for State servants)
- "Offers of hospitality, as with gift offers, must always be assessed in terms of the purpose of the donor" (Understanding the code of conduct – Guidance for State servants)
- "Receiving hospitality is usually inappropriate if it extends beyond courtesy" (Understanding the code of conduct – Guidance for State servants)
- "Clear processes for registering conflicts, declaring gifts and benefits, and proper use of organisational resource should, for example, be the accepted and expected way things are done" (Implementing the Code of Conduct – Resources for Organisations)
- "Public servants must not...solicit or accept gifts, rewards or benefits which might compromise, or be seen to compromise, their integrity and the integrity of their department and the public service" (Public Service Code of Conduct (previous version of the Code of Conduct)).

2.13 Overall, we conclude that current Treasury policy, Code of Conduct and NZDMO guidance taken as a whole are generally consistent with SSC and OAG guidance. To strengthen the Treasury's policy, explicit reference to SSC and OAG guidance within policy should be made.

Alignment of the Treasury’s Policy to other Good Practice

Finding

2.14 We reviewed gifts and hospitality policies from 13 New Zealand and overseas public sector agencies:

Agency	Jurisdiction	Name of Policy
Agency 1	Australia	Policy on the Receipt of Hospitality
Agency 2	Australia	Gifts and Entertainment Policy
Agency 3	Australia	Gifts and Benefits Policy
Agency 4	United Kingdom	Anti-Bribery and Acceptance of Gifts and Hospitality Policy
Agency 5	New Zealand	Gift and Gratuities policy
Agency 6	New Zealand	Gifts and Hospitality Policy
Agency 7	New Zealand	Gifts and Fees Policy
Agency 8	New Zealand	Gifts Policy
Agency 9	New Zealand	Fees, Rewards and Gifts Policy
Agency 10	New Zealand	Hospitality Policy
Agency 11	New Zealand	Gifts, Benefits, and Hospitality Policy
Agency 12	Australia	Gift Policy
Agency 13	Australia	Gifts, Benefits and Hospitality to Employees or Directors

2.15 We benchmarked these to the Treasury current and draft policy (refer Appendix C). Aspects of policy that we identified as being useful for the Treasury to adopt are set out below. These are generally absent in the Treasury’s draft Gifts and Hospitality Policy.

Definitions:

2.16 A number of agencies included within their policy key definitions that would assist the user to interpret and comply with policy. For example, Agency 1 defines what constitutes “excessive” hospitality and outlines particular factors that should be considered in assessing whether hospitality is excessive, such as:

- Likely cost of providing the hospitality (higher the cost, the more likely it will be judged as being excessive)
- Nature of the hospitality (e.g. provision of travel and accommodation seen as not acceptable, whereas business lunches are)
- The frequency (e.g. having a business lunch paid for by the same external party each week would be seen as excessive).

2.17 Other factors that also play a role include:

- The nature of the relationship between the staff member and the person or organisation offering the hospitality
- The timing of the hospitality relative to any current or prospective dealings between the organisation, and the person or organisation offering the hospitality
- If the hospitality falls within working hours, the impact this has on the employee's duties.

2.18 Some guidance also provides clarity around what is entertainment (and hospitality) and gifts for the purposes of policy application, noting that in some circumstances this can be difficult to determine. We believe a clear distinction drawn between "gifts" and "hospitality" can assist staff in assessing the appropriateness of gifts and hospitality. For example, Agency 2 policy notes an example where if tickets to a sporting event are offered, and the employee is not seated with the host, it is classified as a gift, whereas if the employee is attending specifically with the host, then it is classified as entertainment (or hospitality).

2.19 A strength noted with Agency 5's policy was the explicit mention of the expected standards of public servants contained within the Public Service's Code of Conduct. Given this is a core expectation of all state sector employees we believe this should be referred to in the Treasury's policy around gifts and hospitality. This reinforces staff that higher level principles should always prevail and support decision making.

Guidance on Acceptability of Gifts and Hospitality:

2.20 A key weakness of the Treasury's policy compared to other agencies is the lack of clear guidance on what position the Treasury takes on the acceptability of certain forms and types of gifts and hospitality.

2.21 The Treasury's policy has limited high level requirements around not being seen as accepting gifts as inducements. We note that the draft Gifts and Hospitality Policy refers to some higher risk situations such as around procurement but could be extended to cover NZDMO and Crown Ownership Monitoring Unit (COMU) and other operational areas.

2.22 A number of other agencies' policies were positive and clear in this respect. We do note caution around the risks of being too prescriptive, allowing the key principles within a policy to guide employee judgement (highlighting the principles is key). Some key examples from other agencies policies include:

- A number of agencies highlight specific high risk situations where gifts and hospitality should not be accepted. These included Agency 13, and Agency 6. Agency 13 policy stated that any offers should be refused if the employee is involved in decision-making around the following: tender processes; procurement; enforcement; licensing; regulation
- Agency 6 policy notes that it is very unlikely that it will be regarded as appropriate to accept an invitation to a sporting or general entertainment event, but the employee may elect to attend such events at their own expense
- Agency 2 policy noted that entertainment (or hospitality) that is received more than once every three months with the same individuals would be considered excessive

- Agency 4 guidance provides that working lunches and annual dinners for trade associations is acceptable, but attendance at opera, theatre, or sporting events is not, as it is unlikely that “serious work will be done” at these events. The only exception is where networking with contacts could be beneficial in the future, or part of a business-related trip. The policy goes on to note that any hospitality that goes beyond lunch or evening reception must be approved and reasons justified
- Agency 2 policy notes the provision of travel and accommodation outside the city of the entity’s location is considered inappropriate (e.g. travel and accommodation provided free by a host).

2.23 These specific examples should be considered when re-setting Treasury policy and guidance.

Register:

2.24 Generally, other agencies had greater specification and procedural requirements around the maintenance of registers. We believe the following key areas should be incorporated within Treasury policy or supporting procedures to ensure consistency in the recording of gifts and hospitality and facilitate the management and oversight of gifts and hospitality offered and received.

2.25 Both Agency 5 and Agency 2 included within policy the requirements of the nature of the information to be captured within registers. Agency 2 noted the following details required (Agency 5 was similar): date; name; organisation / person providing the gift / entertainment; reason for gift or entertainment; description of gift or entertainment; estimated value; and other comments. Both the Sensitive Expenditure Policy and NZDMO guidance require the recording of gifts and hospitality within a register. In particular, the Sensitive Expenditure Policy notes the requirement for each portfolio to maintain their own register. However, there is no stipulation of the minimum information required to be recorded for each gift or hospitality. The documentation requirements are similarly not expressly stated within the draft Gifts and Hospitality Policy.

2.26 Agency 1 policy required the register information to be accessible and viewed by all staff. This provides for another level of transparency with the agency and would likely help ensure compliance where employees are cognisant that their gifts and hospitality received are easily open to scrutiny not just by their immediate managers but by also other employees within the organisation.

2.27 Agency 2 policy imposes a timeframe for when registers must be updated – being within 4 weeks of receiving the gift or hospitality. It expects gifts and hospitality to be recorded as soon as practical to enable the effective monitoring and help ensure the accurate recording of gifts and hospitality received (as time progresses it becomes increasingly difficult to accurately record all the details in relation to the gift or hospitality received).

2.28 We noted that some agencies required any declined offers to be recorded (Agency 5, Agency 4, Agency 8, and Agency 12). The benefit of recording declined offers includes the ability to monitor those making the offers and any trends in the offers versus those accepted. This enables the more active management of risks around gifts and hospitality (e.g. ability to take action against potential suppliers who offer gifts or gratuities during a procurement process). Although we understand that (based on interviews conducted) the documentation of declined offers would be too onerous and administratively costly, we believe if reasonable thresholds are put in place, the benefits would outweigh the costs.

2.29 Agency 5 policy incorporated the requirement for each business unit to forward the gift register to a centralised organisational register on a monthly basis. We encourage the Treasury to incorporate, either within the policy itself, or supporting procedures the requirement to centrally collate registers, as well as all other procedures for approvals, recording, reporting, and monitoring.

Monitoring of Gifts and Hospitality:

2.30 Some agencies policies included specific requirements for reviewing and monitoring gifts and hospitality received. For example, Agency 5's policy required the monthly check of the organisational gift register against current procurement projects. On a six monthly basis, an organisational wide register is also reported to the CEO for review. In addition to these requirements, Agency 5 policy also requires employees to report any unethical behaviour to their managers. We believe these elements should be incorporated within policy requirements so as to obtain the maximum benefit for recording gifts and hospitality within registers and to reinforce compliance.

2.31 Existing NZDMO guidance has the expectation of regular review of gifts and hospitality recorded. The Treasury policy however has no such requirement. The review and oversight of gifts and hospitality received enables scrutiny over the nature and frequency of gifts and hospitality received by individuals over time. We note that the draft Gifts and Hospitality Policy incorporates this by noting that the register will be available for review by the Deputy Secretary, Risk Advisor and external auditors on a periodic basis. The Deputy Secretary will be required to sign off the register on a quarterly basis.

Policy Architecture:

2.32 The structure of policies we reviewed varied across the agencies however the stronger policies included the following key broad areas:

- Purpose and scope of the policy (including applicability to Board and employee family members)
- Key principles and references to central agency expectations and guidance
- Expected practices including when gifts and hospitality should be accepted or declined
- Procedures including the documenting, approving, reporting, and monitoring of gifts and hospitality offered
- Roles and responsibilities
- Definitions.

Criteria

2.33 Current and proposed gifts and hospitality policy were benchmarked against those of the agencies above. Key broad areas of comparison were: definitions; roles and responsibilities; procedures; gift registers; monitoring and reporting; and guidance.

Cause

2.34 The Treasury's current policy is not up to date and has not been benchmarked against other agencies previously. Some differences are to be expected as other agencies' policies are developed based on their own unique structure, risks, and externally imposed requirements.

Risk

2.35 If Treasury policy does not reflect best practice examples of what other agencies have implemented around gifts and hospitality, the Treasury will not be seen as an "exemplar", leading to perception that practices fall short of expected standards and reputational damage.

Recommendations

2.36 The following requirements should be incorporated within Treasury policy, guidance, or procedures (leveraging the specific examples identified above):

- 1) Make explicit the requirement to consider the frequency of gifts and other relevant factors consistent with the NZDMO guidance. Additional definitions and clarification as to what constitutes "infrequent", "not excessive" and "not misconstrued" as set out in the NZDMO guidance should also be provided if these terms are retained.
- 2) Specific reference to the standards contained with the public service's Code of Conduct.
- 3) Clear examples and guidance on what gifts and hospitality are acceptable considering the nature of the specific risks to the Treasury's activities and operations and potential perception from an external party. In particular around:
 - Gifts and hospitality offered in "high risk situations" such as tendering and relevant NZDMO, NZECO, and COMU activities and transactions
 - Frequency considerations
 - Sporting and other general entertainment
 - Provision of travel and accommodation outside Wellington.
- 4) The minimum requirements for documenting the nature, value and other pertinent information in the registers are specified as well as the requirement for regular reporting (within defined timeframes) of business unit registers.
- 5) Enabling register information to be accessible and viewed by all Treasury staff.
- 6) Active monitoring of registers against organisational events that may give rise to risks (e.g. tender situations) to enable action to be taken and to enhance compliance.
- 7) Requirement for regular review of registers on a timely basis at relevant and appropriate levels is made explicit. We suggest at the Heads of portfolio and Deputy Chief Executive level. We note that the draft Gifts and Hospitality Policy incorporates this by noting that the register will be available for review by the Deputy Secretary, Risk Advisor and external auditors on periodic basis.

- 8) Regular reporting of the organisational register to the Chief Executive for review and oversight purposes, in addition to the regular review of registers by Heads of portfolios and Deputy Chief Executives noted above.
- 9) The requirement for all declined offers of gifts and hospitality (over a specific threshold) to be recorded within registers.
- 10) We also recommend the architecture of any new policy around gifts and hospitality incorporate the following key sections:
 - Purpose and scope of the policy (including applicability to the Treasury Board, Committee members, and employee family members)
 - Key principles and references to central agency expectations and guidance
 - Expected practices including when gifts and hospitality should be accepted or declined
 - Procedures including the documenting, approving, reporting, and monitoring of gifts and hospitality offered
 - Roles and responsibilities
 - Definitions.

Consistency between Sensitive Expenditure Policy, NZDMO Guidance, and Code of Conduct

Finding

2.37 We noted the following differences between existing Treasury policy and guidance:

- NZDMO guidance provides more requirements (criteria and process) than the Sensitive Expenditure Policy
- We note that the thresholds for recording gifts and hospitality within the register are different. The Sensitive Expenditure Policy has a recording threshold of \$50, or \$100 for approved items, and NZDMO guidance specifies the requirement to capture within the register all hospitality regardless of value, and all gifts received over \$100. This inconsistency can give rise to a different level of standard being applied and could lead to potential confusion and under recording of gifts and hospitality
- The Treasury Code of Conduct included some elements that were not specifically mentioned within policy (e.g. non solicitation of gifts and hospitality).

2.38 We note that the draft Gifts and Hospitality Policy will provide the opportunity to ensure there is one set of policy and guidance for gifts and hospitality across the Treasury.

Criteria

2.39 We expected to find consistency between relevant Treasury policy and guidelines for gifts and hospitality.

Cause

2.40 The Sensitive Expenditure Policy has not been regularly reviewed and updated for consistency.

Risk

2.41 Where requirements and expectations are captured within different policy or guidance documents, there is a risk of inconsistent interpretation and application.

Recommendations

2.42 We recommend:

- 11) The Treasury should implement one set of policy and guidance that applies Treasury-wide (one set of expectations and standard). This would ensure consistency of interpretation and application of policy across the Treasury. The requirement to record all gifts and hospitality should be aligned in policy and guidance.
- 12) An annual review and update of gifts and hospitality policy to ensure ongoing relevance and consistency with good practice.

3. Detailed Findings – Compliance

Overview and Conclusion

3.1 This section sets out the detailed findings associated with the following review objectives:

- **Assess compliance with the policy by Treasury staff since 2007, with a primary focus on the period December 2010 – June 2011**
- **Identify any improvements required in the supporting processes and procedures to obtain improved levels of compliance by staff.**

3.2 The hospitality and gifts policy and guidance covering the Treasury since 2002 is summarised below:

	Treasury - wide Entertainment Policy (2002 – Nov 2010)	Treasury - wide Sensitive Expenditure Policy (Dec 2010 to date)	NZDMO Additional Guidance on Hospitality and Gifts (in place prior to 2007)	Draft Gifts and Hospitality Policy 2011 (not yet applicable)
All Treasury Personnel	Applicable in period	Applicable currently	N/A	N/A
NZDMO staff	Applicable in period	Applicable currently	Applicable to date	N/A

3.3 These are supported by the Treasury Code of Conduct (current version effective since 18 July 2011, another version was in place prior) which also contains explicit consideration of gifts and hospitality.

3.4 We assessed compliance with the policy and guidance with a primary focus on the period December 2010 – June 2011. Compliance was assessed primarily through interviews, review of registers and corroborative enquiry.

3.5 The Treasury-wide Entertainment Policy (applicable from 2002 – November 2010) only provided expectations around the factors needed to be considered by staff in accepting gifts and hospitality and had no requirement within some areas such as around the approval, the recording of gifts and hospitality and regular review. Accordingly, actual compliance was difficult for us to assess given the passage of time apart from the enquiries we made of interviewees.

3.6 NZDMO guidance has applied to the NZDMO prior to 2007 and this guidance continues to apply to date.

3.7 We concluded that, notwithstanding our acceptance of the appropriateness of accepting some hospitality (particularly in NZDMO), the **nature** of some of the hospitality (such as entertainment-related events) and **frequency** leave the Treasury open to public and/or media interpretation that there have been shortfalls or gaps in the Treasury's compliance with its policy and guidance. This is due to the subjective nature of that policy and guidance, and the lack of regular review of judgements and practices by people independent of the areas in question.

Compliance Strengths:

3.8 We noted a number of areas of compliance strengths:

- The NZDMO and several other portfolios maintained registers (notwithstanding some accuracy and completeness issues)
- Interviewees appeared to have a good level of awareness of probity risks around gifts and hospitality given their respective roles and responsibilities
- In some cases hospitality was declined due to perceived conflict of interest or probity reasons.

Compliance Weaknesses:

3.9 Key compliance weaknesses noted were:

- We identified some instances where, in our view, the gifts and hospitality received may be perceived to be inconsistent with policy requirements
- Lack of formal approval and evidence of approval for hospitality received and lack of regular review and monitoring (other than the NZDMO where a register is tabled at regular NZDMO management meetings). Both the Sensitive Expenditure Policy and NZDMO guidance note the requirement for manager approval
- After the OIA requests were received by the Treasury, an exercise was undertaken across all portfolios to review and update registers. This involved the inclusion of gift entries and / or details not previously recorded on the register to ensure full reporting. We were unable to quantify the extent of the retrospective updating of entries as previous versions of registers (spreadsheet based) were overwritten as new entries were updated
- Some lack of general policy awareness around gifts and hospitality until recently, partially attributable to the fact some areas of Treasury do not regularly receive offers of gifts and hospitality, and so there being no need to refer to policy on a regular basis
- We were unable to determine whether conflicts in relation to any gifts and hospitality received were appropriately managed as the management of conflict risks was not documented or evidenced. We expected to find potential conflict risks discussed and documented.

3.10 Detailed findings from our assessment of compliance and identification of improvements to existing policy, procedures, and guidance to enhance compliance are set out below. Also relevant are the various good practices identified from our consideration of other agencies' policies for gifts and hospitality captured within the Section: Alignment of Treasury Policy to other Good Practice.

Acceptance of Gifts and Hospitality

Finding

Background:

- 3.11 We interviewed 25 Treasury personnel covering all portfolios with a particular focus on the NZDMO, as the majority of gifts and hospitality in the register reviewed related to this team. The register entries for the sample personnel we selected represented 298 of a total of 646 items with a value of \$50 or more listed in the register from 2007. Given the NZDMO's market-facing role and activities, the majority of hospitality entries were recorded by NZDMO staff, which accounted for 84% of total gifts and hospitality recorded across the Treasury.
- 3.12 NZDMO guidance specifies the requirement to capture within the register **all** hospitality regardless of value, and all gifts received over \$100. Accordingly, the NZDMO's register recorded hospitality at a lower level of threshold than other parts of the Treasury (Sensitive Expenditure Policy for recording is \$50). For OIA purposes, only those gifts and hospitality with a value of \$50 or more recorded in NZDMO and other Treasury registers were reported in response to the OIAs, consistent with the Sensitive Expenditure Policy.
- 3.13 Current NZDMO guidance specifies the expectation that: *"You may accept hospitality such as meals, social functions or entertainment as long as it is infrequent, does not imply an obligation, is not excessive and is unlikely to be misconstrued."*
- 3.14 The Treasury Code of Conduct specifies the expectation: *"Hospitality and gifts must not be accepted if it might place the employee under an obligation or a perceived influence."*

Reasons for Accepting Hospitality:

- 3.15 Our interviews conducted with Treasury staff identify several business reasons for accepting hospitality, which include:
- The NZDMO needing to maintain effective market and counterparty connectivity and relationships that enable and support the Treasury's ongoing marketing of the Crown's debt programme. Relationship development and management with counterparties through hospitality and networking is seen as part of the norm in the financial sector. We understand this has become increasingly important as borrowing has increased substantially over the period from \$2 billion to \$20 billion
 - The Treasury's role in developing and maintaining its international reputation. This includes being hosted overseas with New Zealand officials and participating in overseas marketing / development trips to promote investment in New Zealand where hospitality from counterparties can occur across different countries many times over a short period of time
 - Networking with key New Zealand businesses (including major exporters), which enable better understanding of these key businesses, their role and impact within the New Zealand economy and the role banks play in their funding of these businesses
 - To enable market intelligence to be gathered to inform Treasury operations and enable the Treasury to provide advice to Ministers.

- 3.16 Three of the major banks indicated to us that their reasons for providing hospitality were primarily to share and obtain market updates and to gather information. They also noted that the NZDMO is one of the major players in the New Zealand financial market and that frequent contact is very important. Banks stated that hospitality provided is not specifically offered to secure new business. One bank commented on their need to comply with various bribery and anti-corruption legislation and the requirement for the bank to record when a public servant is hosted by the bank.
- 3.17 Treasury (including NZDMO) staff asserted that for each instance of hospitality offered and accepted, there was clear business rationale for acceptance, although the reasons were not documented in the registers at the time (as this was not a requirement within Treasury policy and guidance). Due to the passing of time, and the lack of an audit trail for each event recorded, we cannot confirm or challenge this. We do note, however, that a process exists within the NZDMO of regular management review of the register, although, formal explicit one up approval is not expected or performed.

Nature and Amount of Hospitality:

- 3.18 Since 2007, the trend and frequency of gifts and hospitality across the Treasury, including the top six hospitality recipients, are illustrated below. This analysis is based on information released by Treasury in response to an OIA request. It should be noted that a \$50 threshold was applied to this information, and to the analysis below. Other agencies have higher thresholds (e.g. \$100), which would result in a smaller number of gifts and hospitality events being recorded and disclosed. Also, as discussed below, the value of each entry was not recorded at the time. This has required an estimate to be made of values, which could potentially result in over-reporting of entries where actual values are less than \$50 (e.g. lunches), but also potentially result in under-reporting where actual values are higher.
- 3.19 Total register entries recorded from 2007 for gifts and hospitality with an estimated value of \$50 or more:

2007	2008	2009	2010	2011	Total
7	120	110	179	230	646

3.20 The top six hospitality recipients from 2007 greater than or equal to \$50 (estimated value) are:

\$50 or more:	2007	2008	2009	2010	2011	Total	Attended with same organisation	Organisation	Entries > \$100 (from 2007)	Entries > \$100 (FY11)
Person 1 (NZDMO)	1	10	15	24	21	71	9	ANZ	18	9
Person 2 (NZDMO)	0	17	10	21	31	79	22	Westpac	38	14
Person 3 (NZDMO)	0	12	24	35	36	107	30	ANZ	60	14
Person 4 (NZDMO)	0	2	12	24	18	56	14	ANZ	37	4
Person 5 (NZDMO)	0	15	14	21	15	65	15	ANZ	27	7
Person 6 (NZDMO)	6	7	15	7	15	50	12	ANZ	15	3

3.21 The seventh highest recipient had 25 entries recorded on the register from 2007. During this time only two gifts were recorded with an estimated value at \$50 or more in the register, the rest being hospitality received.

3.22 Key points to note from our review are that:

- Six employees had 50 or more hospitality entries (valued at \$50 or more) and in 2011 they each had between 15 and 36 entries. The same six employees had less entries for hospitality of \$100 or more, with two having 14 hospitality entries in 2011
- Five banks provided approximately 58% of all gifts and hospitality recorded within the register, these being ANZ (97), Westpac (112), BNZ (82), Deutsche Bank (48), Barclays (36)
- A staff member had 107 entries (\$50 or more) within the register from 2007, with 36 being for FY2011. 30 of the 107 entries within the register were associated with one bank
- A staff member had 79 entries (\$50 or more) within the register from 2007, with 31 being for FY2011. 22 of the 79 entries within the register were associated with one bank
- The majority of hospitality entries since 2007 related to entries recorded as “lunches” and “dinners” (74%) and the majority of entries in FY 2011 also related to “lunches” and “dinners” (72%)
- Other hospitality accepted included a mix of networking business or conference events and entertainment related events, for example, Rugby Sevens, theatre shows, Wellington Cup, golf, and Toast Martinborough. Entertainment related events account for approximately 19% of all register entries since 2007.

3.23 We note that the value for each hospitality event was not recorded at the time they were registered as this was not explicitly required in past and current Treasury policy and guidance. Therefore values were retrospectively estimated to enable OIA reporting of hospitality events that were \$50 or more. We have not assessed the values assigned to gifts and hospitality, given the difficulty in accurately determining these given the passage of time, and the limited

description of the hospitality recorded within registers. There is accordingly some inherent uncertainty in the values assigned.

Conclusion:

- 3.24 The Treasury's Code of Conduct expects hospitality: *"Must not be accepted if it might place the employee under an obligation or a perceived influence"* and Public Service Standards of Integrity and Conduct states: *"The requirement to decline gifts or benefits that place us under any obligation or perceived influence"*.
- 3.25 We understand and accept there is a need for Treasury personnel to develop and maintain business networks and relationships to carry out its functions, and enhance its market intelligence and influence. However, as the Treasury is a public sector organisation, any public perception test applied to "appropriateness" of hospitality would be a higher one. Acceptance of hospitality and gifts should accordingly be assessed in light of relevant public sector principles and guidance, having regard to the nature, extent and timing of such hospitality.
- 3.26 As noted above, there were several instances where hospitality was accepted with a level of frequency and nature that could be perceived as frequent, excessive or misconstrued. The nature of some of the hospitality (such as entertainment-related events) and frequency leaves the Treasury open to public and / or media perception that there have been shortfalls in the Treasury's compliance with its policy and guidance. This has arisen because of the subjective nature of the policy and guidance, and the lack of regular review of judgements and practices by people independent of the areas in question.

Criteria

- 3.27 A key requirement of the Sensitive Expenditure Policy is the requirement not to accept gifts where it could compromise **perceptions** of public service impartiality **or be seen by others** as an inducement or a reward that might place the employee under an obligation.
- 3.28 The NZDMO guidance also notes the requirement that hospitality may be accepted as long as it is infrequent, does not imply an obligation, is not excessive and is **unlikely to be misconstrued**.

Cause

- 3.29 Risks identified are potentially caused by a lack of:
- Clear definitions and examples of what meets the criteria of "infrequent", "not excessive", and "not misconstrued"
 - Formal approval of gifts and hospitality received by managers. We acknowledge the regular tabling and discussion of registers by NZDMO management, but note there is no formal approval which is documented for each gift and hospitality event received, nor any independent or managerial review by people not directly working in the areas of the Treasury where gifts and hospitality are accepted and recorded.
- 3.30 Given the risks in determining accurate values for hospitality provided where significant time has elapsed, the estimated values applied to the hospitality retrospectively by Finance could cause misreporting of items greater than \$50.

Risk

3.31 There is a risk that gifts and hospitality accepted by staff are perceived by the public as frequent and / or excessive, leading to reputational damage.

Recommendations

3.32 We recommend the following:

- 13) Provision of better clarity of expectations through clearer guidelines including hospitality nature and frequency thresholds, scenario examples covering what is acceptable and not acceptable, clarity of business purpose, and reinforcing these expectations with awareness training and communication.
- 14) Requirement for adequate, timely and consistent recording of the value and business rationale or purpose for gifts and hospitality received in the registers is reinforced by specifying this requirement more explicitly. The names of the individuals providing the hospitality as well as the organisation should be recorded within the register.
- 15) Making clear the responsibility for one up approval, and the regular review and oversight by the Heads of each portfolio.
- 16) The consequences for not meeting gifts and hospitality policy requirements are made explicit within the policy.

Policy Awareness and Understanding

Finding

3.33 As part of the interviews with staff we considered the level of awareness of current Treasury and / or NZDMO guidance (where relevant) around gifts and hospitality. We found that 25% of those interviewed said they had referred to the Sensitive Expenditure Policy and NZDMO guidance on a regular basis. We note that this relatively low ratio is partially due to the fact that some interviewees said they do not regularly receive and accept gifts or hospitality, and so there was no need to refer to policy on a regular basis.

Criteria

3.34 We expected to find a higher degree of policy awareness across the Treasury.

Cause

3.35 The cause appears to be a lack of regular and consistent reinforcement of policy and process requirements and lack of procedural guidance to support the operationalisation of the policy.

Risk

3.36 There is risk of non-compliance with policy as a result of the lack of awareness leading to perceptions of excessive or inappropriate gifts and hospitality being accepted.

Recommendations

3.37 We recommend:

- 17) Increased awareness training, and providing more clarity of expectations through additional guidelines including hospitality nature and frequency thresholds, and scenario examples.
- 18) Flow charting the process so as to enable staff to quickly and easily understand the proper process to follow.
- 19) Assigning a central contact point within the Treasury for staff to raise or clarify any questions or concerns around gifts and hospitality policy and guidance.
- 20) Making policy, procedures, and guidelines around gifts and hospitality easily accessible by publishing prominently on the intranet.

Approvals and Oversight

Finding

3.38 The Sensitive Expenditure Policy and NZDMO guidance note the requirement for manager approval of gifts over \$100 by the relevant manager. We found no evidence of formal approval and our interviews noted that approval is not regularly and consistently sought from relevant managers.

Criteria

3.39 We expected to find formalised approval for gifts over \$100. As stated in the Sensitive Expenditure Policy: *“Ensure all gifts received over \$100 (GST inclusive) are approved by the relevant manager”*.

Cause

3.40 A weakness in the current guidance is the lack of a supporting procedures and documentation to operationalise assessment and decision outcomes for gifts and hospitality received.

3.41 Some interviewees noted that approval was not formally obtained for hospitality events where their respective managers also attended the same event.

Risk

3.42 There is a risk that managers and staff are not aware of the nature and extent of gifts or hospitality received which may lead to staff accepting gifts or hospitality outside policy requirements.

3.43 There is a risk that approvals are not documented to evidence manager approvals.

Recommendations

- 21) We recommend that appropriate processes and supporting records are implemented to improve compliance and transparency of approvals and declines of gifts or hospitality received. This could be achieved by expanding the register to note formal approval by respective managers of gifts and hospitality received by staff. Supporting procedures should be documented (either within the policy or elsewhere) that give clarity around the process to follow for approving gifts and hospitality. Processes should be communicated (along with policy) to enhance compliance.

Conflict Management

Finding

- 3.44 Based on interviews conducted, personnel were aware of the potential conflicts that could arise through receipt of gifts and hospitality given their respective roles and responsibilities within the Treasury. However, we were unable to determine whether conflicts in relation to any gifts and hospitality received were appropriately managed as the management of conflict risks was not evidenced by documentation.

Criteria

- 3.45 Current Treasury gifts and hospitality policy notes the requirement for staff to identify and disclose to their manager real or perceived conflicts of interest with respect to gifts and hospitality. The manager is responsible for managing any real or perceived conflicts of interest. Requirements around conflict of interest are also captured within the Treasury's wider Code of Conduct and Conflicts of Interest Policy. The Conflicts of Interest Policy in particular captures processes to support the management of conflicts including record keeping.

Cause

- 3.46 Current gift and hospitality guidance does not include a process for formal consideration of potential conflict situations around gifts and hospitality offered (including declines) and documentation of how any conflicts of interest in relation to those gifts and hospitality were managed. There is also no reference within the gift and hospitality guidance to the processes for managing conflicts of interest contained within the wider Conflicts of Interest Policy.

Risk

- 3.47 In the absence of supporting documentation that evidences how potential conflicts of interest have been managed, there is a risk that conflict management is inadequate or could be seen as being inadequate.

Recommendations

- 3.48 We recommend:

- 22) A better process is developed for formal consideration of potential conflict situations and documentation of how any conflicts of interest in relation to gifts and hospitality were managed. The register content could be expanded to achieve this objective or the Treasury's wider conflict management (administered by Legal) process should be used.

Regular review of register entries against known high risk events or situations such as tenders and procurement activities should be undertaken.

Register Entries

Finding

- 3.49 We understand that after the OIA requests were received by the Treasury, an exercise was undertaken across all portfolios to review and update registers to ensure completeness. This involved the inclusion of gift entries and / or details not previously recorded on the register. We were unable to quantify the extent of the retrospective updating of entries as previous versions of register spreadsheets were overwritten (open access).
- 3.50 To assess the completeness of register entries we obtained from three banks the details of hospitality and gifts provided to Treasury staff in the past year. From the information provided by the three banks, the hospitality and gift items disclosed had been appropriately recorded.

Criteria

- 3.51 We expected to find audit trails and document versions of all changes made to the register documents prior to issuing for OIA purposes.
- 3.52 We expected registers to have had all gifts recorded and no additional entries made on the register for OIA purposes.

Cause

- 3.53 The register is an open access system and record versions are not maintained or controlled.
- 3.54 Not all portfolios were consistently and completely updating registers on a timely basis.
- 3.55 There was no monitoring or regular review of registers on a regular basis (other than the NZDMO regularly tabling registers at management meetings).

Risk

- 3.56 There is a risk that management are not fully aware of the nature and extent of gifts and hospitality received. This could potentially lead to gifts or hospitality received that is not consistent with policy and that the register is not accurate and complete.

Recommendations

- 3.57 We recommend the Treasury:
- 23) Implements version controls around registers and regular review of changes made.
 - 24) Implements an online register allowing ease of access and viewing by all staff which also facilitates the collation of portfolio level registers into an organisational view.
 - 25) Reinforces with managers the requirement to update registers on a timely (specified) basis and that nil "returns" are required for all portfolios. The consequences for not updating registers should be stated within policy.

- 26) Implements central monitoring of register compliance by Finance through monthly (completeness) confirmation from Heads of portfolios and Deputy Chief Executives. This should be embedded as part of other business as usual policy compliance attestation.

Appendix A: Terms of Reference

Objectives

The objectives of the review were to:

- Assess the alignment of the current Gifts and Hospitality Policy with SSC and OAG guidance and principles
- Assess compliance with the policy by Treasury staff since 2007, with a primary focus on the period December 2010 – June 2011
- Identify any improvements required in the policy to obtain enhanced alignment with acceptable public sector principles (and other good practices)
- Identify any improvements required in the supporting processes and procedures to obtain improved levels of compliance by staff.

Scope

The scope of the review included:

- Identifying guidance provided by State Services Commission and Office of the Auditor General on the receipt, recording and monitoring of gifts and hospitality
- Providing advice on alignment of the Treasury's policy for gifts and hospitality as outlined in the Sensitive Expenditure policy, with the guidance identified in 1) above
- Providing advice on the alignment of NZDMO's more specific gifts and hospitality guidelines with the Treasury's overall policy
- Assessing the compliance levels by staff since 2007, with a primary focus on the period December 2010 – June 2011, to the Treasury's policy through interviews with a sample of staff and senior management across the various portfolios within Treasury
- Ascertaining key reasons for any failure to comply
- Identifying best practice in policies used by other agencies (including overseas as appropriate) that govern the acceptance of gifts or hospitality
- Providing advice on any recommended changes to the Treasury's policy - balancing the need for on-going transparency with the cost effective external engagement with stakeholders
- Providing recommended actions to obtain improved levels of compliance if compliance levels are not high.

Approach

Procedures undertaken during the review included:

- Reviewing of current and proposed Treasury policies
- Identify external central agency guidance
- Assessing levels of compliance with current policy
- Developing recommended improvements to current policy after reviewing a sample of policies used by other agencies (including overseas as appropriate) and taking into account different business activities and contexts of those agencies
- Discussing the rationale / reasons with a sample of those organisations that provided gifts or hospitality to the Treasury
- Developing recommended actions to improve compliance
- Drafting an assurance report for management review and feedback
- Finalise and issue report
- Attendance at the Risk and Audit Committee meeting to present key findings.

Appendix B: Interviewees

The following Treasury personnel were interviewed during the review:

Name	Position at time of review
Gabriel Makhlof	Chief Executive and Secretary to the Treasury
David Taylor	Executive Director (Acting), National Infrastructure Unit
Phil Combes	Deputy Secretary Financial Operations / Head of NZ Debt Management Office
Cath Atkins	Deputy Secretary, Strategy, Change and Performance
Fergus Welsh	Chief Financial Officer/ Chief Accountant
John Crawford	General Manager, Crown Ownership and State Sector Performance
David Wood	Deputy Secretary, Sector Performance
Struan Little	Deputy Secretary, Macroeconomic & Fiscal Environment
Vicky Robertson	Deputy Secretary, Business Environment, People and Skills
Andrew Turner	Head of Portfolio Management, NZ Debt Management Office
Neil Bain	Head of Accounting and Transactional Services, NZ Debt Management Office
Elizabeth Ashton	Head of Risk Policy & Technology, NZ Debt Management Office
John Park	Manager, Deposit Guarantee Schemes, Financial Operations
Carmen Moana	Manager, NZ Export Credit Office, Financial Operations
Sian Roguski	Manager, International, Macroeconomic & Fiscal Environment
Franz Ombler	Chief Information Officer (Manager, Knowledge Infrastructure Services)
Ken Warren	Chief Accounting Advisor, Fiscal Reporting
Steve Rich	Manager, Appointments and Governance, Crown Ownership and State Sector Performance
Brian McCulloch	Director, Commercial Transactions Group, Crown Ownership and State Sector Performance
Richard Forgan	Acting Deputy Chief Executive
Andrew Kibblewhite	Deputy Chief Executive
Sara Brownlie	Finance Manager
Tufitafao Auelua	Procurement and Finance Officer , Finance
Colleen McCarthy	Senior Portfolio Manager, NZ Debt Management Officer
Jeremy Salmond	Treasury Solicitor and Manager, Legal Group

Appendix C: Benchmarking Against other Public Sector Agencies

The following table sets out material difference identified when benchmarking Treasury policy to 13 New Zealand, Australian, and United Kingdom public sector agencies:

Benchmarking Agency	Material Differences Identified	Page Reference	Addressed in Treasury Sensitive Expenditure Policy?	Addressed in NZDMO Guidance?	Addressed in DRAFT Gifts and Hospitality Policy?
Definitions					
Agency 1	Definition of “excessive” hospitality including consideration of: <ul style="list-style-type: none"> Likely cost Nature Frequency. 	Page 1	No	No	No
Agency 1	Consideration of: <ul style="list-style-type: none"> Relationship between parties Timing & current dealings Impact when it falls within working hours. 	Page 2	No	No	Partially. No mention of when it falls in working hours.
Agency 5	Includes detail of expectations from the public service code of conduct – how public servants are expected to act.	Page 1	No	No	No
Agency 2	Distinguish between gift and entertainment. E.g. tickets to sporting event, if you are not seated with the host, it is a gift, if you are, then it is entertainment.	Page 1	No	No	No

Benchmarking Agency	Material Differences Identified	Page Reference	Addressed in Treasury Sensitive Expenditure Policy?	Addressed in NZDMO Guidance?	Addressed in DRAFT Gifts and Hospitality Policy?
Procedures, Roles and Responsibilities					
Agency 1	Approval – Hospitality with excess of \$200 to be approved by CEO.	Page 2	No	No	No
Agency 2	Employees are permitted to keep gifts with retail value up to \$200.	Page 1	No	No	No
Agency 2	Offers not permitted: <ul style="list-style-type: none"> Product or service discounts not available to employees Preferential access to an IPO. 	Page 2	No	No	No
Agency 13	Refuse all offers and gifts where making decisions involving: <ul style="list-style-type: none"> Tender processes Procurement Enforcement Licensing Regulation. 	Page 3	Partially but not explicit.	Partially but not explicit.	Yes
Agency 2	Rule of thumb – more than once every three months with the same individuals would be considered excessive.	Page 2	No	No	No
Agency 3	Employees may accept where an open / general invitation has been extended, such as Christmas parties, new product launches, office opening.	Page 2	No	No	No
Agency 4	Rule of thumb – Working lunch / annual dinner of trade association is acceptable. But attendance at opera, theatre, or sporting events is not – unlikely that serious work will be done, the only exception is networking with contacts that could be beneficial in the future (or part of the business related trip).	Page 2	No	No	No
Agency 4	Hospitality that goes beyond lunch or evening reception must be approved and reason justified.	Page 2	No	No	No
Agency 2	Provision for travel outside the city / accommodation is considered inappropriate.	Page 2	No	No	No
Agency 6	Employees must not accept: <ul style="list-style-type: none"> Equity holdings Gifts or hospitality during a tender, due diligence procurement or appointment situation. 	Page 1	No	No	No

Benchmarking Agency	Material Differences Identified	Page Reference	Addressed in Treasury Sensitive Expenditure Policy?	Addressed in NZDMO Guidance?	Addressed in DRAFT Gifts and Hospitality Policy?
Agency 6	It is unlikely that attendance at a sporting / general entertainment event is appropriate. If unavoidable, rather elect to do it at their own expense.	Page 1	No	No	No
Agency 6	Record offers >\$50, register to also note the date it was approved.	Page 1	No	No	No
Agency 2	Person who offers gift / benefit to public official, who accepts, under some corrupted circumstances, might be guilty of offence under Crimes Act.	Page 3	No	No	No
Agency 3	Prior to the acceptance of offers of substantial gifts or benefits, employees must complete a Gift or Benefit Form and submit it to Director Corporate Support for processing.	Page 3	No	No	No
Agency 5	Must not solicit gifts or gratuities.	Page 1	No	Yes	No
Agency 5	Report unethical behaviour to manager.	Page 3	No	No	No
Gift Register					
Agency 7	Governor oversees the register and determines what should happen to the gifts register.	Page 1	No	No	No
Agency 5	Manager to be informed of all gifts received / declined.	Page 2	No	Yes	No
Agency 5	Details in register: <ul style="list-style-type: none"> • Details of gift • Total value • Supplier • Date and recipient. 	Page 2 & 3	No	No	No
Agency 2	Gift register must be updated in a timely manner, within 4 weeks of receiving the gifts / entertainment.	Page 3	No	No	No
Agency 2	Details on the register should include: <ul style="list-style-type: none"> • Date • Name • Organisation / person providing the gift/entertainment • Reason for gift or entertainment • Description of gift or entertainment • Estimated value 	Page 2	No	No	No

Benchmarking Agency	Material Differences Identified	Page Reference	Addressed in Treasury Sensitive Expenditure Policy?	Addressed in NZDMO Guidance?	Addressed in DRAFT Gifts and Hospitality Policy?
	<ul style="list-style-type: none"> Other comments. 				
Agency 1	Published spreadsheet should be open to all employees.	Page 2	No	No	No
Agency 5	Each month, a schedule of all gifts and gratuities, accepted and declined to manager to approve.	Page 3	No	Partially. No mention of recording of declined items.	Partially. No mention periodic recoding / approval.
Agency 12	Declined offers should be recorded, using standardised template from intranet.	Page 1	No	No	No
Reporting and Monitoring					
Agency 5	Schedule for each business unit is forwarded to centralised organisational register, on the 5 th day of each month.	Page 3	No	Partially	No
Agency 5	Each month, register is checked against current procurement projects; action is taken against suppliers who offer gifts and gratuities during procurement process.	Page 3	No	No	No
Agency 5	Every 6 months, organisation wide report is submitted to CEO.	Page 3	No	No	No

Appendix D: Management Comment on Recommendations

The following responses to recommendations have been provided by Treasury management:

No	Recommendation	Agreed?	Agreed Action / Comments	Responsibility for Implementation	Completion Date
Alignment of the Treasury's Policy to other Good Practice					
1	Make explicit the requirement to consider the frequency of gifts and other relevant factors consistent with the NZDMO guidance. Additional definitions and clarification as to what constitutes "infrequent", "not excessive" and "not misconstrued" as set out in the NZDMO guidance should also be provided if these terms are retained.	Yes	<p>The Treasury has determined in the updated policy that:</p> <ul style="list-style-type: none"> Staff should not accept gifts or hospitality unless there is clear business benefit to the Treasury that exceeds any personal benefit Treasury staff must refuse all gifts or hospitality that could reasonably be seen as undermining the integrity of individual Treasury staff, the Treasury or the wider state sector. <p>If those principles are met (including consideration of frequency), the updated policy outlines processes around recording offers and accepting and approving gifts and hospitality.</p>	<p>ELT approval of policy</p> <p>Finance own development and maintenance of policy</p>	30 September 2011
2	Specific reference to the standards contained with the public service's Code of Conduct.	Yes	The updated policy expressly refers to the principles of the SSC's Standards of Integrity and Conduct, and encourages Treasury staff to refer to related SSC and OAG guidance material.	<p>ELT approval of policy</p> <p>Finance own development and maintenance of policy</p>	30 September 2011
3	Clear examples and guidance on what gifts and hospitality are acceptable considering the nature of the specific risks to the Treasury's activities and operations and potential perception from an external	Yes	The updated policy identifies the principles underpinning all offers of gifts, or hospitality, and describes unacceptable gifts and hospitality.	<p>ELT approval of policy</p> <p>Finance own the development and maintenance of policy</p>	30 September 2011

No	Recommendation	Agreed?	Agreed Action / Comments	Responsibility for Implementation	Completion Date
	<p>party. In particular around:</p> <ul style="list-style-type: none"> • Gifts and hospitality offered in “high-risk situations” such as tendering and relevant NZDMO, NZECO, and COMU activities and transactions • Frequency considerations • Sporting and other general entertainment • Provision of travel and accommodation outside Wellington. 				
4	<p>The minimum requirements for documenting the nature, value and other pertinent information in the registers are specified as well as the requirement for regular reporting (within defined timeframes) of business unit registers.</p>	Yes	<p>The Treasury has developed an intranet solution. Details on the register include:</p> <ul style="list-style-type: none"> • Date • Name • Title • Team • Portfolio • External party offering the gift/hospitality • Gift or hospitality • Description of gift or hospitality • Reason for gift or hospitality being offered (if known) • Estimated value • Accepted/declined • Reason for accepting/declining and person giving approval (if approval required) • If a gift was accepted, how the gift has been dealt with • Confirmation that the policy has been read and that acceptance is in compliance with the policy • Other comments • iManage link for manager’s and / or Deputy Chief Executive’s approval • iManage link for review. <p>(Should there be any delay in implementing this</p>	<p>Finance has developed business requirements for Knowledge, Information and Systems team to build solution.</p>	<p>Development completed by 30 September 2011 Implementation by 31 October 2011</p>

No	Recommendation	Agreed?	Agreed Action / Comments	Responsibility for Implementation	Completion Date
			solution, the current Excel spreadsheets will be used.)		
5	Enabling register information to be accessible and viewed by all Treasury staff.	Yes	All Treasury staff will be able to access the gift and hospitality register in real time through the intranet.	Finance has developed business requirements for Knowledge, Information and Systems team to build solution.	30 September 2011
6	Active monitoring of registers against organisational events that may give rise to risks (e.g. tender situations) to enable action to be taken and to enhance compliance.	Yes	<p>Finance will provide monthly to each Deputy Secretary a list of entries made by those in their portfolios, for review and sign-off that they have perused the entries, are satisfied that the entries are in compliance with the policy or, if any entries are not in compliance with the policy, that appropriate action has been taken. Any action taken should be noted on the scanned iManage file. These signed-off lists will be scanned and saved into iManage and a link held on the gift and hospitality register. Managers also monitor entries made into the gift and hospitality register, through the approvals process. The updated policy has outlined that anyone involved in procurement processes and other highly sensitive processes must not accept gifts or hospitality while those processes are underway. The restriction has been limited to those in a decision-making position or position of influence to ensure the updated policy is workable. However there may be occasions whereby the significance of the procurement or tender process precludes all Treasury staff accepting gifts or hospitality during that period. These will be notified by the Chief Executive to all Treasury staff if required.</p> <p>The monthly reviews will involve assessing whether this issue has been complied with through reference with</p>	<p>ELT approval of policy</p> <p>Finance own development and maintenance of policy</p> <p>Finance</p>	<p>1st review – completed 30 November 2011 for October 2011</p> <p>1st review – completed 30</p>

No	Recommendation	Agreed?	Agreed Action / Comments	Responsibility for Implementation	Completion Date
			Legal by Finance as to contractual processes underway.		November 2011 for October 2011
7	Requirement for regular review of registers on a timely basis at relevant and appropriate levels is made explicit. We suggest at the Heads of portfolio and Deputy Chief Executive level. We note that the draft Gifts and Hospitality Policy incorporates this by noting that the register will be available for review by the Deputy Secretary, Risk Advisor and external auditors on periodic basis.	Yes	Finance will provide monthly to each Deputy Secretary a list of entries made by those in their portfolios, for review and sign-off that they have perused the entries, are satisfied that the entries are in compliance with the policy or, if any entries are not in compliance with the policy, that appropriate action has been taken. Any action taken should be noted on the scanned iManage file. These signed off lists will be scanned and saved into iManage and a link held on the gift and hospitality register. The full version of the gift and hospitality register will be provided to the Executive Leadership Team for their information after Deputy Secretaries have signed off entries. The gift and hospitality register will also be available for review by internal and external auditors.	Finance	1st review – completed 30 November 2011 for October 2011
8	Regular reporting of the organisational register to the Chief Executive for review and oversight purposes, in addition to the regular review of registers by Heads of portfolios and Deputy Chief Executives noted above.	Yes	The full version of the gift and hospitality register will be provided to the Executive Leadership Team for their information and review after Deputy Secretaries have signed off entries.	Finance	December ELT meeting
9	The requirement for all declined offers of gifts and hospitality (over a specific threshold) to be recorded within registers.	Yes	All offers of gifts or hospitality with a value of \$50 or more will be recorded on the gift and hospitality register, irrespective of whether they are accepted or declined.	N/A	30 September 2011
10	We also recommend the architecture of any new policy around gifts and hospitality incorporate the following key sections:	Yes	Purpose, scope and coverage are set out in the updated policy. A principles-based approach is taken throughout the	ELT approval of policy Finance own development and maintenance of policy	30 September 2011

No	Recommendation	Agreed?	Agreed Action / Comments	Responsibility for Implementation	Completion Date
	<ul style="list-style-type: none"> • Purpose and scope of the policy (including applicability to Treasury Board, Committee members, and employee family members) • Key principles and references to central agency expectations and guidance • Expected practices including when gifts and hospitality should be accepted or declined • Procedures including the documenting, approving, reporting, and monitoring of gifts and hospitality offered • Roles and responsibilities • Definitions. 		<p>updated policy.</p> <p>The updated policy expressly refers to the principles of SSC's Standards of Integrity and Conduct, and encourages Treasury staff to refer to related SSC and OAG guidance material.</p> <p>Description of expected practices for accepting/declining gifts or hospitality, thresholds for declaring gifts or hospitality on the gift and hospitality register and for seeking approval.</p> <p>The updated policy describes the procedure for declaring gifts and obtaining approval.</p> <p>The updated policy outlines the roles of the Treasury staff member accepting the gift or hospitality, the manager (if approval is required), Finance, Deputy Secretaries, Deputy Chief Executive and the Executive Leadership Team.</p>		
Consistency between Sensitive Expenditure Policy, NZDMO Guidance, and Code of Conduct					
11	The Treasury should implement one set of policy and guidance that applies Treasury wide (one set of expectations and standard). This would ensure consistency of interpretation and application of policy across Treasury. The requirement to record all gifts and hospitality should be aligned to \$50 in policy and guidance.	Yes	The approved updated policy will be applicable to all Treasury staff.	ELT approval of policy Finance own development and maintenance of policy	30 September 2011
12	An annual review and update of gifts and hospitality policy to ensure ongoing relevance and consistency with good practice.	Yes	An annual review of the policy will be completed as part of wider policy development framework.	Finance	30 September 2012

No	Recommendation	Agreed?	Agreed Action / Comments	Responsibility for Implementation	Completion Date
Acceptance of Gifts and Hospitality					
13	Provision of better clarity of expectations through clearer guidelines including hospitality nature and frequency thresholds, scenario examples covering what is acceptable and not acceptable, clarity of business purpose, and reinforcing these expectations with awareness training and communication.	Yes	The updated policy will be sent out to all managers who will sign off that they are aware of and have read the policy and that they have discussed with their staff.	Finance	31 October 2011
14	Requirement for adequate, timely and consistent recording of the value and business rationale or purpose for gifts and hospitality received in the registers is reinforced by specifying this requirement more explicitly. The names of the individuals providing the hospitality as well as the organisation should be recorded within the register.	Yes	In the updated policy it will be a requirement to record the value and business rationale or purpose for gifts and hospitality received in the gift and hospitality register. This must be done prior to receipt of the gift or hospitality, or, if it cannot practically be done prior to receipt or if the offer is declined, within a week of receipt of or declining the gift or hospitality. The names of the business unit (rather than the individuals associated with an organisation) that is providing the gift or hospitality will be recorded where the offers are made on behalf of organisations as it will provide a more meaningful and complete indicator of where offers are coming from.	ELT approval of policy Finance own development and maintenance of policy	30 September 2011
15	Making clear the responsibility for one up approval, and the regular review and oversight by the Heads of each portfolio.	Yes	Deputy Secretaries will review and sign off on entries made by those in their portfolios on a monthly basis.	Finance	1st review – completed 30 November 2011 for October 2011
16	The consequences for not meeting gifts and hospitality policy requirements are made explicit within the policy.	Yes	The updated policy outlines that disciplinary action may be taken where a staff member fails to comply with the principles of the policy.	ELT approval of policy Finance own development and maintenance of policy	30 September 2011

No	Recommendation	Agreed?	Agreed Action / Comments	Responsibility for Implementation	Completion Date
Policy Awareness and Understanding					
17	Increased awareness training, and providing more clarity of expectations through additional guidelines including hospitality nature and frequency thresholds, and scenario examples.	Yes	The updated policy will be sent out by Finance to all managers who will sign off that they are aware of the policy and that they have discussed with their staff. Examples have been provided in the updated policy.	ELT approval of policy Finance own development and maintenance of policy Finance responsible for Finance distribution and communication	30 September 2011 1st review – completed 30 November 2011 for October 2011
18	Flow charting the process so as to enable staff to quickly and easily understand the proper process to follow.	Yes	A decision tree has been included in the updated policy to assist Treasury staff.	ELT approval of policy Finance own development and maintenance of policy	30 September 2011
19	Assigning a central contact point within the Treasury for staff to raise or clarify any questions or concerns around gifts and hospitality policy and guidance.	Yes	Management accountants in the Finance team will provide centralised advice on application of the updated policy. They will be trained to ensure they fully understand the updated policy and its application.	Finance	31 October 2011
20	Making policy, procedures, and guidelines around gifts and hospitality easily accessible by publishing prominently on the intranet.	Yes	The Treasury's Intranet site has recently been upgraded to enable easier access to its corporate policies.	Risk Advisor	Completed
Approvals and Oversight					
21	We recommend that appropriate processes and supporting records are implemented to improve compliance and transparency of approvals and declines of gifts or hospitality received. This could be achieved by expanding the register to note formal approval by respective managers of gifts and hospitality received by staff. Supporting procedures should be documented (either within the policy or elsewhere) that give clarity around the process to follow for approving gifts and hospitality. Processes	Yes	The updated policy requires approval by one-up managers or the Deputy Chief Executive, and for that approval to be saved in iManage and the iManage link to be saved onto the gift and hospitality register. The policy has been updated to ensure clarity of process. The updated policy will be rolled out during October 2011 including a process whereby managers sign off that they are aware of and have read the updated policy	ELT approval of policy Finance own development and maintenance of policy	30 September 2011

No	Recommendation	Agreed?	Agreed Action / Comments	Responsibility for Implementation	Completion Date
	should be communicated (along with policy) to enhance compliance.		and that they have discussed with their staff.		
Conflict Management					
22	A better process is developed for formal consideration of potential conflict situations and documentation of how any conflicts of interest in relation to gifts and hospitality were managed. The register content could be expanded to achieve this objective or the Treasury's wider conflict management (administered by Legal) process should be used. Regular review of register entries against known high risk events or situations such as tenders and procurement activities should be undertaken.	Yes	The updated policy outlines that anyone involved in procurement processes or in the decision making chain must not accept gifts or hospitality while those processes are underway. As part of the monthly reviews, Finance will liaise with Legal to assess whether any gifts or hospitality have been accepted while a tender or procurement process is underway.	ELT approval of policy Finance own development and maintenance of policy Finance	30 September 2011 1st review – completed 30 November 2011 for October 2011
Register Entries					
23	Implement version controls around registers and regular review of changes made.	Yes	Knowledge Infrastructure Services (KIS) team has built a solution that records date of entry and last date of amendments. It will not record all amendments made. (Should there be any delay in implementing this solution, the current Excel spreadsheets will be used, which do not provide version control.)	Finance has developed business requirements for Knowledge, Information and Systems team to build solution.	Development completed by 30 September 2011 Implementation by 31 October 2011
24	Implement an online register allowing ease of access and viewing by all staff which also facilitates the collation of portfolio level registers into an organisational view.	Yes	As noted above, the Treasury has developed an intranet solution.	Finance has developed business requirements for Knowledge, Information and Systems team to build solution.	Development completed by 30 September 2011 Implementation by 31 October 2011

No	Recommendation	Agreed?	Agreed Action / Comments	Responsibility for Implementation	Completion Date
25	Reinforce with managers the requirement to update registers on a timely (specified) basis and that nil "returns" are required for all portfolios. The consequences for not updating registers should be stated within policy.	Yes	All Deputy Secretaries will be asked to review and sign off entries for their portfolios on a monthly basis, including confirming appropriateness if a 'nil' return. The updated policy outlines that non compliance with the policy may result in disciplinary action.	ELT approval of policy Finance own development and maintenance of policy	30 September 2011 1st review – completed 30 November 2011 for October 2011
26	Implement central monitoring of register compliance by Finance through monthly (completeness) confirmation from Heads of portfolios and Deputy Chief Executives. This should be embedded as part of other business as usual policy compliance attestation.	Yes	All Deputy Secretaries will be asked to review and sign off entries for their portfolios on a monthly basis. The combined list will then be provided to ELT for their information.	Finance	1st review – completed 30 November 2011 for October 2011

Appendix E: Statement of Responsibility

This report has been prepared in accordance with our engagement letter dated 2 August 2011 and the New Zealand standard on Assurance Engagements ISAENZ3000, "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and is subject to the following limitations:

- Our procedures were designed to provide limited assurance regarding the specific scope of the work, as defined by ISAENZ3000. Our procedures were limited primarily to inquiries of relevant personnel, inspection of evidence, and observation of, and enquiry about, the operation of procedures for a small number of transactions or events
- Because of the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur and not be detected. Our procedures were not designed to detect all weaknesses in control procedures as they were not performed continuously throughout the period and the tests performed are on a sample basis
- Any projection of the evaluation of the control procedures to future periods is subject to the risk that the systems may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate
- The matters raised in this report are only those which came to our attention during the course of performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, management should not rely on our report to identify all weaknesses that may exist in the systems and procedures under examination, or potential instances of non-compliance that may exist
- This report has been prepared for distribution to the Treasury. We disclaim any assumption of responsibility for any reliance on this report to any other persons or users, or for any purpose other than that for which it was prepared
- Suggestions for improvement should be assessed by management for their full commercial impact before they are implemented
- This report is provided solely for The Treasury's exclusive use and solely for the purpose of The Treasury. Our report is not to be used for any other purpose, copied or made available (in whole or in part) to any other person without our prior written express consent unless its release is to meet legislative requirements. We accept or assume no duty, responsibility or liability to any other party in connection with the report or this engagement, including without limitation, liability for negligence in relation to the factual findings expressed or implied in this report.

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