

**Inquiry into Expenses
Incurred by
Dr Ross Armstrong
as Chairperson
of Three Public Entities**

December 2003

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Summary Report

Introduction

In November 2002, we decided to undertake an inquiry into Industrial Research Limited (IRL), New Zealand Post Limited (NZP), and Television New Zealand Limited (TVNZ) (“the entities”) in relation to expenses incurred by Dr Ross Armstrong during his terms as Chairperson of these entities.

Dr Armstrong had recently ended all his appointments. The matter of his expenses was the subject of a complaint to us by Hon Murray McCully MP following parliamentary and media comment. These events prompted us to instigate a detailed review in order to address more fully the issues raised.

Our terms of reference for the inquiry are given in Appendix 1 on page 48. Under the terms of reference, we identified and examined all expenses that were incurred by, or at the personal direction of, Dr Armstrong – including but not necessarily limited to:

- travel and accommodation, including overseas travel and expenses;
- entertainment;
- communications; and
- professional services.

We reviewed whether the expenditure examined had been incurred lawfully and appropriately, and any other matters that we were to consider it desirable to report on.

The period covered by the inquiry was from 1 January 2000 until the dates of Dr Armstrong’s resignations.

The Scope of the Inquiry

The inquiry was extensive and time-consuming. It involved an audit of approximately 1200 transactions involving the three entities. We also examined particular issues arising from some transactions.

The depth of the audit exceeded what would normally be undertaken in the course of an annual audit. However, the circumstances of Dr Armstrong’s resignation and the nature of the parliamentary and media comment about his expenses justified a comprehensive review.

Expenditure Incurred

Dr Armstrong was an energetic, hands-on Chairperson who worked full time on the business of the entities during the period covered by the inquiry. As part of his personal approach, he:

- kept in close contact with his CEOs, fellow board members, and shareholding Ministers; and
- was involved in numerous meetings, both formal and informal, and networked extensively with many different people – often in conjunction with travel and various forms of hospitality.

Dr Armstrong also took his business responsibilities seriously, and often took the lead in preparing and implementing business strategies. As a result, he also made extensive use of professional advisers (in his capacity as Chairperson), and in some situations would personally initiate their engagement.

The expenditure incurred by, or at the direction of, Dr Armstrong fell into five broad categories:

- remuneration and other benefits as Chairperson and, in the case of IRL, acting CEO;
- expenses incurred personally in the course of carrying out his official duties, and either charged directly to the entities (usually by corporate credit card) or reimbursed to him after the event;
- expenditure on hospitality which he incurred on behalf of the entities in his capacity as their Chairperson;
- a range of miscellaneous other expenditure which he incurred on behalf of the entities in his capacity as Chairperson; and
- assets and services which he purchased on behalf of the entities in his capacity as Chairperson, but not for his personal use or benefit.

The amounts involved were as follows.

Remuneration and Other Benefits

Dr Armstrong received remuneration totalling \$584,365 during the period covered by the inquiry. This included fees as Chairperson of the entities (including, in the case of NZP and TVNZ, subsidiary entities), together with fees for acting as CEO of IRL for part of the period, as shown in the table on the next page.

Expense Category	IRL	NZP	TVNZ	Total
	\$	\$	\$	\$
Director's Fees	115,062	178,843	155,584	449,489
Board Committee Fees	–	30,000	59,876	89,876
Acting CEO Fees	45,000	–	–	45,000
Totals	\$160,062	\$208,843	\$215,460	\$584,365

Expenses Incurred in the Course of Official Duties

Expenses which Dr Armstrong incurred personally in the course of his official duties fell into the following categories:

Expense category	IRL	NZP	TVNZ	Total
	\$	\$	\$	\$
Accommodation – private residence	4,560	26,640	8,460	39,660
Accommodation – other	3,911	12,526	21,166	37,603
Telephone costs	–	20,244	4,085	24,329
Travel – air international	7,079	57,866	6,420	71,365
Travel – air domestic	10,396	36,263	28,401	75,060
Travel – private car costs	2,985	8,364	5,885	17,234
Travel – other	265	15,427	11,464	27,156
Totals	\$29,196	\$177,330	\$85,881	\$292,407

Hospitality Expenses

Hospitality expenses comprised the following:

- Expenditure related to events at corporate boxes, which was either personally authorised by Dr Armstrong or which resulted from invitations issued by him to guests.
- Other hospitality expenditure, from a range of corporate events through to meal-type expenses incurred while Dr Armstrong was transacting official business.

The amounts of hospitality expenses are:

<i>Expense category</i>	<i>IRL</i>	<i>NZP</i>	<i>TVNZ</i>	<i>Total</i>
	\$	\$	\$	\$
Corporate box	–	59,804	32,483	92,287
Other	773	12,303	40,511	53,587
Totals	773	72,107	72,994	145,874

Other Expenses

Dr Armstrong incurred a substantial amount of other miscellaneous expenditure, which we could not place in any of the preceding categories. The amounts of this expenditure were:

<i>Expense category</i>	<i>IRL</i>	<i>NZP</i>	<i>TVNZ</i>	<i>Total</i>
	\$	\$	\$	\$
Other expenses	19,089	19,264	5,476	43,829

We discuss specific issues relating to each type of expense in the remaining sections of this summary.

Remuneration and Other Benefits

Dr Armstrong received remuneration totalling \$584,365 during the period covered by the inquiry. This included fees as Chairperson of the entities (including the subsidiary entities), together with fees for acting as CEO of IRL for part of the period. He also received a number of benefits and entitlements from the entities, including office and home communications and computer equipment, car parks, airline club memberships, and membership fees.

We are satisfied that all remuneration received by Dr Armstrong was in accordance with the relevant entity resolutions.

Expenses Incurred in the Course of Official Duties

We considered the following issues in relation to these expenses:

- allowances and expenses claimed from more than one entity;
- expenses for which the business purpose was unclear from the documentation supplied to our auditors by the entities;
- expenses which were authorised in a manner that was different from the relevant company policies and procedures; and
- expenses that were not correctly authorised.

Allowances and Expenses Claimed From More Than One Entity

We identified a number of instances where Dr Armstrong made accommodation allowance and other expense claims from more than one entity. The double claims arose in respect of:

- a private residence allowance claimed for business trips to Wellington during the period that Dr Armstrong was resident in Auckland; and
- a small number of other business expenses.

Dr Armstrong acknowledged the double claims and has made the necessary reimbursements.

In respect of the private residence allowance, Dr Armstrong was resident in Auckland from before the beginning of the period under review until 9 December 2001. He owned a flat in Wellington, and had an arrangement with each of the entities that he would be paid a fixed allowance for each overnight stay at the flat that was required for business purposes.

Over the review period Dr Armstrong claimed an allowance for 225 nights.

Before we began our audit field work, Dr Armstrong identified a number of double claims he had made (i.e. involving a claim for the same night's accommodation, made to more than one entity), and made voluntary repayments to the affected entities. He also identified some nights for which he had not claimed. Our field work identified other differences (some in Dr Armstrong's favour), which we discussed with Dr Armstrong before completing a full reconciliation, which is shown as Appendix 3 on pages 50-53.

Dr Armstrong agreed to adjust the repayments he made to the entities, to bring them into line with the final reconciliation. The total adjusted amounts are shown in the table on the opposite page.

<i>Entity</i>	<i>Reimbursed by Dr Armstrong following his own review</i>	<i>Reimbursed by Dr Armstrong following our reconciliation</i>	<i>Refunded to Dr Armstrong</i>
	\$	\$	\$
IRL	190.00	43.78	–
NZP	7,380.00	540.00	–
TVNZ	2,112.47	–	257.50
Totals	\$9,682.47	\$583.78	\$257.50

Dr Armstrong maintained that:

- the entitlement with each of the entities to a private residence allowance was contractual;
- there was nothing in any of the relevant board resolutions that prevented a claim to more than one entity for the same night;
- it was nevertheless not his intention to make such claims, notwithstanding that he had on many occasions attended to business on behalf of more than one entity on the same day; and
- it would have been inappropriate to make such claims given the public sector nature of the businesses.

Dr Armstrong gave us a detailed explanation about how:

- he managed his travel arrangements to take account of his multiple duties;
- he made his accommodation and expense claims; and
- the double claims came to be made.

This explanation is recorded at paragraphs 3.16-3.26 on pages 29-31. We summarise his explanation in respect of his accommodation claims as follows:

- The nature of Dr Armstrong's duties required him frequently to be in Wellington. It was inevitable that he would often be required to transact business for more than one company during a particular visit. Indeed, he attempted to maximise the benefit from each visit by doing so.
- The accommodation and expense claims procedures were different for each of the entities. Dr Armstrong made claims from each company at different times, relying on his personal diary records to identify what business he had transacted and where, and what any other expense receipts in his possession related to. He would then decide from that information which entity he should claim from.
- Dr Armstrong did not keep a record of the claims he had made, and accordingly was unable to cross-check his claims between the three entities.

- Dr Armstrong took personal responsibility for making his accommodation and expense claims, had no secretarial support for that purpose, and gave the reimbursement and claim work lower priority than carrying out actual entity business. This meant that there was often a delay of some months between the event giving rise to the entitlement and the claim itself.

Dr Armstrong accepted that, in hindsight, having to make claims himself when he was already busy increased the risk of delay and error. However, he maintained that the errors identified represented only a small proportion of the overall amount claimed, and were understandable given the circumstances outlined above.

The double claims were inappropriate. Dr Armstrong accepted that was so, but also assured us that they were unintentional. We do not doubt either that assurance or the honesty of his explanation as to how the claims occurred. And we acknowledge that Dr Armstrong could have claimed an allowance for an overnight stay on at least four occasions, but did not do so.

However, we were concerned about the relatively significant number of double claims and the amount of money involved. We were also surprised at:

- Dr Armstrong's failure to cross-check his claims between the three entities; and
- the lack of any arrangement between Dr Armstrong and the entities in respect of multi-purpose business trips to Wellington – such as would have allowed him to apportion his claims and notify the entities that he had done so.

We agreed that the entitlements to the accommodation allowances were contractual in nature, but did not need to reach a firm view on whether the double claims were lawful, given Dr Armstrong's acceptance that they were inappropriate and the reimbursements he made.

We were also surprised to learn that Dr Armstrong had no dedicated secretarial support paid for by the entities for the meeting of accommodation and other expense claims. In our view, this was unsatisfactory, given the busy life that Dr Armstrong led and the need to balance the competing demands of his personal business with those of the entities with which he was involved.

The lack of secretarial support not only increased the administrative burden on Dr Armstrong himself but also heightened the risk of delay and error in making expense claims – especially for those activities involving more than one entity.

Business Purpose or Private Benefit

In a large proportion of transactions the business purpose or private benefit of the expenditure was not apparent from the documentation provided to our auditors by the entities. The details are set out in the table on page 32.

We were surprised at the high proportion of transactions falling into this category. The source documentation did not enable us to form a view on the business purpose of the expenditure, and on whether any private benefit that Dr Armstrong may have derived from the expenditure had been excluded.

To compensate for the lack of documentation held by the entities, Dr Armstrong provided us with explanations to indicate the business purpose of each significant item.

We are concerned that the entities may not always have subjected Dr Armstrong's expenditure to an appropriate level of scrutiny. Dr Armstrong himself was reliant on the entities requiring him to produce the necessary documentation to comply with their policies and procedures.

Hospitality Expenses

Hospitality expenditure is a feature of NZP's and TVNZ's businesses. We are generally satisfied as to the business purpose of the expenditure that Dr Armstrong incurred, and that it was properly authorised.

Dinner on 16 October 2002

We examined the circumstances in which Dr Armstrong charged the cost of a dinner (\$492) on 16 October 2002, involving the Prime Minister and other guests, to TVNZ. We did so in light of a public statement made by the Chief Executive Officer of TVNZ, Mr Ian Fraser, after Dr Armstrong had resigned as Chairperson, that the expenditure was an inappropriate use of TVNZ's corporate credit card.

We report on this transaction in paragraphs 4.7-4.22 on pages 41-43. In summary, we accepted that Dr Armstrong believed he had received Mr Fraser's agreement (in an informal sense) to TVNZ meeting the cost of the dinner during a discussion on the morning of 16 October 2002. However, the procedure for formally approving the expenditure would have involved Dr Armstrong submitting his expenses to the Chairperson of TVNZ's Finance and Risk Committee for sign-off. We found no evidence of that having happened, although we note that Dr Armstrong's credit card statement (containing evidence of the expenditure) would not have been received before he resigned on 21 October 2002.

Dr Armstrong reimbursed TVNZ the full cost of the dinner before we began our inquiry.

Other Expenses

Policy and Authorisation Issues

There were a number of areas where we noted inconsistencies between the entities' stated policies and procedures and the actual practices followed.

The types of these transactions included:

- private car usage; and
- expenditure on corporate credit cards.

We address these issues on pages 38-39 and 43-44, respectively.

Expenses That Had Not Been Correctly Authorised

We noted three items of TVNZ expenditure, and one item of NZP expenditure, where the correct signatories had not approved the documentation. This was no fault of Dr Armstrong's.

Dr Armstrong's Involvement in the Purchase of Assets and Services

We found two types of assets and services that Dr Armstrong purchased, or was personally involved in purchasing, on behalf of the entities in his capacity as Chairperson, but not for his personal use or benefit:

- the acquisition of an interest in a corporate box by TVNZ at the Westpac Stadium in Wellington; and
- the purchase of a number of professional services, including external communications and legal services, on behalf of NZP, TVNZ and IRL, to the total value of \$248,884.

Acquisition of Interest in Corporate Box

In June 2002, TVNZ acquired a licence to occupy a corporate box at the Westpac Stadium in Wellington. We reviewed the acquisition of the facility – given the central role that Dr Armstrong had in it, including personally negotiating the terms.

We accepted that Dr Armstrong acted in the interests of TVNZ, and with the knowledge and agreement of management, and that he was able to secure favourable terms for the acquisition of the box. However, involving the Chairperson in such a manner was an unusual way to proceed.

A corporate box has potential to be used for business advantage, and provides a useful means of developing stakeholder relationships. But the potential for personal benefit for board members and senior executives – and the associated perceptions – hardly needs to be stated. Those incentives make it especially important that an acquisition of this nature be subjected to rigorous assessment through a full business case, and that proper approval processes be followed. We were shown no evidence of that having happened in this case.

Engagement of Professional Services

Dr Armstrong accepted that the engagement of professional services is a management responsibility – even if the services are for the primary benefit of the board. He also acknowledged that, on some occasions, he was personally involved in procuring such services.

His explanation for those occasions was that, as Chairperson, he was the nearest thing to a full-time board member, and that, when matters arose urgently that required both board involvement and professional advice, he would take the initiative of engaging advice directly. However, he said that he always acted with the authority of the board (obtained either before or after the engagement took place). We have no reason to doubt that statement.

We accept that it may sometimes be necessary for a chairperson to engage professional services directly, without prior board authority or management involvement. There are, nevertheless, risks in such an approach. Good practice would require a formal, transparent, and (where appropriate) contestable method of selection.

Direct engagement by a chairperson should, in our view, occur only for services that the board itself requires, and in circumstances where it is either impracticable or inappropriate to involve the board and/or management (including, where applicable, in-house counsel) in the decision.

We would also expect the engagement to be confirmed by written instructions by management (and, specifically, in the case of legal services, by the company's in-house counsel), unless the matter is confidential to the board and it is inappropriate for management to be involved at all.

Concluding Comment

The inquiry has been a major and time-consuming exercise. Given the circumstances surrounding Dr Armstrong's resignation, we considered it important to undertake an in-depth review of his expenses. We intended that the inquiry would provide assurance to Parliament, the entities and their shareholding Ministers, and the public on whether the expenditure examined had been incurred lawfully and appropriately. We hope this report achieves that end.

The focus of the report is on the results of the inquiry itself. We have not seen necessary to consider any of the wider implications for corporate governance in the public sector. Doubtless, however, there are lessons to be learned – especially in respect of:

- the arrangements for directors of state-owned entities who hold multiple appointments, as regards expenses incurred in respect of more than one entity;
- the need for directors and the entities in which they serve to document the business purpose of all expenditure they incur in the course of performing their duties; and
- the principles that should guide a board chairperson who, for legitimate reason, incurs expenses on behalf of the board or becomes involved in management functions.

We accordingly commend this report to the Crown Company Monitoring and Advisory Unit, the Institute of Directors, and other interested organisations.

A handwritten signature in black ink, consisting of a long horizontal stroke followed by a large, looped flourish that curves upwards and then back down to the right.

K B Brady
Controller and Auditor-General

18 December 2003

Chapter 1

Introduction

Purpose of the Inquiry

- 1.1 In November 2002, the Auditor-General decided to undertake an inquiry into Industrial Research Limited (IRL), New Zealand Post Limited (NZP), and Television New Zealand Limited (TVNZ) (“the entities”) in relation to expenses incurred by Dr Ross Armstrong during his terms as Chairperson of these entities.
- 1.2 Dr Armstrong had recently ended all his appointments. The matter of his expenses was the subject of a complaint to us by Hon Murray McCully MP, following parliamentary and media comment. These events prompted us to instigate a detailed review in order to address more fully the issues raised.
- 1.3 The Auditor-General considered that he was best placed to undertake this work given that he is the auditor of each of the entities, with powers to independently audit, carry out an inquiry, and report.
- 1.4 The work was conducted under section 16(1)(d) and (2) and section 18 of the Public Audit Act 2001.

Scope of the Inquiry

- 1.5 Our terms of reference for the inquiry are given in the Appendix on page 00. Under the terms of reference, we identified and examined all expenses that were incurred by, or at the personal direction of, Dr Armstrong – including but not necessarily limited to:
 - travel and accommodation, including overseas travel and expenses;
 - entertainment;
 - communications; and
 - professional services.
- 1.6 We reviewed whether the expenditure examined had been incurred lawfully and appropriately, and any other matters that we were to consider it desirable to report on.
- 1.7 We did not inquire into the tax treatment of any of the expenses we identified.

The Period Covered

- 1.8 We looked at expenditure that related to, or was incurred by, Dr Armstrong during the period 1 January 2000 through to his resignations – a period approaching three years. We chose this period because he was at the same time Chairperson of the Board of each entity.
- 1.9 Previously, Dr Armstrong had been a Board member and Chairperson of NZP, and for four months Chairperson of IRL, but we did not feel it necessary to look at expenses from that time.
- 1.10 During the period covered by the inquiry Dr Armstrong was also:
- a trustee of the New Zealand Post Superannuation Plan, but acting in a separate capacity; and
 - Chairperson of the TVNZ Millennium Superannuation Scheme.
- 1.11 We did not differentiate between the different roles performed by Dr Armstrong, since expense claims were made on a single basis through the parent entities. We did not consider it necessary to cover his role as trustee of the two superannuation schemes in our review.

What We Did

- 1.12 We asked our auditors of each of the three entities to:
- identify and document the terms of Dr Armstrong’s appointment, together with details of his approved benefits and entitlements;
 - identify all expenses incurred by, or at the direction of, Dr Armstrong; and
 - identify and document the entities’ internal policies and procedures relevant to the expenses.
- 1.13 We also asked the auditors to review the expenses and the supporting documentation, compare them against the entities’ stated policies and procedures, and ascertain the business purpose.
- 1.14 We aggregated details of the expenses into a database, which contained approximately 1200 transactions.
- 1.15 We subjected this combined data to additional analysis and checking. For example, we specifically looked for occasions of potential double claims – where more than one entity had met the same expenses.
- 1.16 We compiled a list of questions that we considered our analysis and checking raised, and that we considered should be addressed.

- 1.17 We met with Dr Armstrong and his legal adviser to obtain answers to those questions, and to establish his understanding of the business processes for incurring and processing the expenses.
- 1.18 We confirmed the results of our meeting with Dr Armstrong and provided the minutes to our auditors to identify any inconsistencies in our results.
- 1.19 In addition, we interviewed the Chief Executive Officer and General Counsel of TVNZ in respect of some specific issues.
- 1.20 We gave Dr Armstrong, the entities, the auditors, and some other affected parties an opportunity to comment on a draft of this report.
- 1.21 We received full co-operation from all the entities and from Dr Armstrong throughout the inquiry, and thank them all for their assistance.

Our Expectations

- 1.22 To assess whether the expenses incurred by, or at the direction of, Dr Armstrong were lawful and appropriate, we expected that the expenses would have:
- supporting documentation;
 - a clear business purpose;
 - approval by the relevant authority; and
 - complied with the entity's policies and procedures.
- 1.23 It is a matter of professional judgement whether a specific activity or transaction can be said to have been undertaken with proper authority. The judgement is primarily dependent upon the lawfulness of the purpose, although other factors – including the way in which the activity or transaction is carried out – can also be relevant.
- 1.24 In order to determine whether the expenses had lawful authority, we examined the supporting documentation to establish that:
- there was an explanation of the business purpose for the expenditure, and that the stated purpose was consistent with the activities of the entity; and
 - the expenditure was approved by someone having the appropriate authority in accordance with the entity's policies.

1.25 In order to determine whether the expenses had been incurred appropriately, we examined the supporting documentation to establish that:

- there were adequate representations as to the business purpose of the expenditure (such as a business case supporting the need for the expenditure), or that sufficient explanation of the business purpose could be provided or corroborated;
- the expenditure had been incurred in accordance with the purpose for which it had been approved; and
- the expenditure was appropriate in the circumstances.

Chapter 2

The Expenses We Identified and Their Administration

2.1 In this chapter we:

- describe the nature of the three businesses of which Dr Armstrong was the Chairperson;
- summarise the policies and procedures of each of the three entities;
- describe Dr Armstrong's personal approach as Chairperson, which influenced the range of expenses incurred; and
- identify the types of expenses incurred by him or at his direction.

The Nature of the Businesses

2.2 Dr Armstrong held the following offices:

- **IRL** – appointed Chairperson on 17 September 1999 and resigned on 28 October 2002. Dr Armstrong was also the acting Chief Executive Officer from 16 December 2001 to 26 March 2002 while a new CEO was being recruited.
- **NZP** – first appointed to the Board in April 1991, and appointed Chairperson in December 1994. Dr Armstrong completed his term on 30 June 2002.
- **TVNZ** – appointed Chairperson on 23 February 2000. Dr Armstrong resigned all his offices on 28 October 2002.

2.3 Dr Armstrong described the nature of the businesses, and their strategic priorities, as follows.

Industrial Research Limited

2.4 IRL is a Crown Research Institute established under the Crown Research Institutes Act 1992. Dr Armstrong did not have a scientific background, and his role was largely confined to governance. As would be expected, he was extensively involved in the recruitment of a new CEO in early-2002.

New Zealand Post Limited

- 2.5 NZP is a large State-owned Enterprise, primarily responsible for running the postal system. Particular NZP activities in which Dr Armstrong was extensively involved included:
- An overseas consultancy business, which NZP ran through its subsidiary Transend Worldwide Limited (Transend) . Although not directly involved in Transend, Dr Armstrong occasionally attended business meetings on its behalf, and in his capacity as Chairperson of the parent entity, while overseas on other business.
 - Establishment of a banking service, which resulted in the formation of Kiwibank Limited, a wholly owned subsidiary of NZP. Dr Armstrong was extensively involved in the establishment, including obtaining political and financial support from the Government and the selection of a chairperson.
- 2.6 Dr Armstrong also chaired the New Zealand Post Superannuation Plan from 1992. The Plan is managed by the entity's management team under the supervision of the board of trustees. The Plan had more than 4700 members and assets of \$72.5 million as at October 2002.

Television New Zealand Limited

- 2.7 TVNZ was at the relevant time a State-owned Enterprise, comprising a group of companies which ran a public television network and transmission facilities. Dr Armstrong chaired the parent entity, TVNZ, and three subsidiaries – Broadcast Communications Limited (BCL), the Millennium Superannuation Scheme, and TVNZ Australia Pty Limited.
- 2.8 Dr Armstrong told us that he joined TVNZ at a difficult time, following the resignation of its previous chairperson. He had no previous broadcasting or telecommunications experience, but became extensively involved in:
- matters to do with the Government's public television charter;
 - the development of broadband infrastructure by BCL and TVNZ Australia Pty Limited in conjunction with Telecom New Zealand Limited; and
 - a Government-initiated restructuring of the TVNZ group, which was to result in the separation of BCL from the parent entity.
- 2.9 The Millennium Superannuation Scheme was established at Dr Armstrong's initiative, based on his experience with the New Zealand Post Superannuation Plan.

Summary of Policies and Procedures

Industrial Research Limited

- 2.10 IRL had policies that related to and covered the Chairperson's direct expenditure and reimbursements. The policies required that either the Chief Financial Officer or the Chief Executive approve all expenditure related to Dr Armstrong.
- 2.11 IRL had no documented procedure for the engagement of independent advisers, and no formal documented procedure for expense claims.

New Zealand Post Limited

- 2.12 NZP had policies that related to and covered the Chairperson's direct expenditure, reimbursements, and expense claims. NZP's policy on the engagement of consultants applied to all its employees and directors.
- 2.13 NZP's policies required that the Company Secretary (up to a set limit), the Chief Executive, or (where required) the Board, approve all expenditure related to Dr Armstrong.

Television New Zealand Limited

- 2.14 TVNZ had policies that related to and covered the Chairperson's direct expenditure, reimbursements, and expense claims. In addition, TVNZ's policy manual provided for the engagement by the Board of independent advisers.
- 2.15 TVNZ changed its policy on 20 May 2002 so that all of the Chairperson's expenses were to be authorised by the Chairperson of the Board's Finance and Risk Committee. Previously, the policy required authorisation by the Chief Executive.

Dr Armstrong's Personal Approach

- 2.16 The following paragraphs summarise Dr Armstrong's approach to his role as Chairperson of the three entities, as he described it to us, to give context to the inquiry.
- 2.17 Dr Armstrong is a businessman with extensive experience in the export sector (having run his own business for many years) and in national politics (having been Vice-President of a major political party). He was an energetic, 'hands-on' Chairperson, who worked full-time on the business of the entities (including the various subsidiaries) during the period covered by our inquiry. Two of the three entities were among the biggest State-owned Enterprises, competing in a fully commercial environment.

- 2.18 His approach was to lead the respective boards to ensure that entity growth and entity value was maximised at all times (to which he regarded good governance as fundamental) – always consistent with the requirements of the State-owned Enterprises Act 1986 and the Crown Research Institutes Act 1992. He saw his role as Chairperson as needing to come to grips with the complexities of the businesses while at the same time manage (with the board) all governance issues – whether those issues pertained to matters political, social, or financial.
- 2.19 Dr Armstrong was an extremely busy man. As part of his personal approach, he:
- kept in close contact with his CEOs, fellow board members, and shareholding Ministers; and
 - was involved in numerous meetings, both formal and informal, and networked extensively with many different people – often in conjunction with travel and various forms of hospitality.
- 2.20 Dr Armstrong also took his business responsibilities seriously, and often took the lead in preparing and implementing business strategies. As a result, he also made extensive use of professional advisers (in his capacity as Chairperson), and in some situations would personally initiate their engagement.

Types of Expenses Incurred by, or at the Direction of, Dr Armstrong

- 2.21 Expenses incurred by, in relation to, or at the direction of Dr Armstrong fell into five broad categories:
- remuneration and other benefits as Chairperson and, in the case of IRL, acting CEO;
 - expenses incurred personally in the course of carrying out his official duties, and either charged directly to the entities (usually by corporate credit card) or reimbursed to him after the event;
 - expenditure on hospitality which he incurred on behalf of the entities in his capacity as their Chairperson;
 - a range of miscellaneous other expenditure which he incurred on behalf of the entities in his capacity as Chairperson; and
 - assets and services which he purchased on behalf of the entities in his capacity as Chairperson, but not for his personal use or benefit.

Remuneration and Other Benefits

2.22 Dr Armstrong received remuneration totalling \$584,365 during the period covered by the inquiry. This included fees as Chairperson of the entities (including, in the case of NZP and TVNZ, subsidiary entities), together with fees for acting as CEO of IRL for part of the period, as shown in the following table.

Expense Category	IRL	NZP	TVNZ	Total
	\$	\$	\$	\$
Director's Fees	115,062	178,843	155,584	449,489
Board Committee Fees	–	30,000	59,876	89,876
Acting CEO Fees	45,000	–	–	45,000
Totals	\$160,062	\$208,843	\$215,460	\$584,365

2.23 We are satisfied that all remuneration received by Dr Armstrong was in accordance with the relevant entity resolutions.

2.24 Dr Armstrong also received a number of benefits and entitlements from the entities, in addition to his remuneration as Chairperson:

- All three entities provided office telephone, fax and postage facilities, and NZP and TVNZ provided computer equipment.
- NZP and TVNZ provided Dr Armstrong with home telephone and fax facilities. We address this issue in paragraphs 3.49-3.52 on page 34.
- NZP and TVNZ each provided a car park space (in Wellington and Auckland, respectively), and all three entities provided some form of membership that entitled Dr Armstrong to the use of airport facilities (such as Air New Zealand Koru Club membership).
- NZP paid for Dr Armstrong's membership fees for the Institute of Directors and the Royal New Zealand Yacht Squadron. We address the latter issue in paragraphs 3.41-3.44 on page 33.

Expenses Incurred in the Course of Official Duties

- 2.25 Expenses which Dr Armstrong incurred personally in the course of his official duties fell into the following categories:

<i>Expense category</i>	<i>IRL</i>	<i>NZP</i>	<i>TVNZ</i>	<i>Total</i>
	\$	\$	\$	\$
Accommodation – private residence	4,560	26,640	8,460	39,660
Accommodation – other	3,911	12,526	21,166	37,603
Telephone costs	–	20,244	4,085	24,329
Travel – air international	7,079	57,866	6,420	71,365
Travel – air domestic	10,396	36,263	28,401	75,060
Travel – private car costs	2,985	8,364	5,885	17,234
Travel – other	265	15,427	11,464	27,156
Totals	\$29,196	\$177,330	\$85,881	\$292,407

- 2.26 The nature of these categories and the basis on which they were incurred is set out below. We address specific issues in respect of these expenses in Chapter 3.

Accommodation

Private residence allowance

- 2.27 Each of the entities agreed with Dr Armstrong, who was resident in Auckland until 9 December 2001, that he could claim an overnight private residence allowance for the use of his Wellington flat for nights spent in Wellington on business.

Other accommodation

- 2.28 Other accommodation comprises hotel accommodation, both overseas and in New Zealand, required on business trips undertaken by Dr Armstrong.

Telephone Costs

- 2.29 Dr Armstrong was reimbursed the cost of business telephone calls made on his mobile and domestic telephones.

Travel

2.30 Travel expenditure comprised the following:

- International and domestic business flights taken or booked by Dr Armstrong.
- Private car usage reimbursed by the entities at predetermined rates per kilometre for business use of Dr Armstrong's car.
- Other ground transport, largely taxi expenses.

Hospitality Expenses

2.31 Hospitality expenses comprised the following:

- Expenditure related to events at corporate boxes, which was either personally authorised by Dr Armstrong or which resulted from invitations issued by him to guests. A summary of the events is given in Appendix 4 on pages 54-55.
- Other hospitality expenditure, from a range of corporate events through to meal-type expenses incurred while Dr Armstrong was transacting official business.

2.32 The amounts of hospitality expenses are:

<i>Expense category</i>	<i>IRL</i>	<i>NZP</i>	<i>TVNZ</i>	<i>Total</i>
	\$	\$	\$	\$
Corporate box	–	59,804	32,483	92,287
Other	773	12,303	40,511	53,587
Totals	773	72,107	72,994	145,874

2.33 We address some specific hospitality issues in Chapter 4.

Other Expenses

2.34 Dr Armstrong incurred a substantial amount of other miscellaneous expenditure, which we could not place in any of the preceding categories. The amounts of this expenditure were:

<i>Expense category</i>	<i>IRL</i>	<i>NZP</i>	<i>TVNZ</i>	<i>Total</i>
	\$	\$	\$	\$
Other expenses	19,089	19,264	5,476	43,829

2.35 We address some specific issues on the other expenses in Chapter 4.

***Assets and Services Purchased by, or at
the Direction of, Dr Armstrong***

2.36 Dr Armstrong purchased, or was personally involved in purchasing, two types of assets and services on behalf of the entities in his capacity as Chairperson, but not for his personal use or benefit.

Corporate Box

2.37 Dr Armstrong was personally involved in TVNZ's acquisition of a licence to occupy a corporate box at the Westpac Stadium in Wellington.

Professional Services

2.38 Dr Armstrong personally initiated the purchase of a number of professional services, including external communications and legal services, on behalf of NZP, TVNZ and IRL. The total value of those services was \$248,884.

2.39 We discuss both of these matters in Chapter 4.

Chapter 3

Specific Issues

3.1 In this chapter we address a number of specific issues which arose from our audit of the expenses incurred by Dr Armstrong in the course of carrying out his official duties. Four types of issues are involved:

- allowances and expenses claimed from more than one entity;
- expenses for which the business purpose was unclear from the documentation supplied to our auditors by the entities;
- expenses which had been authorised in a manner that was different from the relevant entity policies and procedures; and
- expenses that had not been correctly authorised.

Allowances and Expenses Claimed from More than One Entity

3.2 We identified a number of instances where Dr Armstrong made accommodation allowance and other expense claims from more than one entity. The double claims arose in respect of:

- the private residence allowance claimed for business trips to Wellington during the period that Dr Armstrong was resident in Auckland; and
- a small number of other business expenses.

3.3 Dr Armstrong acknowledged the double claims and made the necessary reimbursements. In the following paragraphs, we:

- identify the claims in question and record Dr Armstrong's explanations for them; and
- express our comments and conclusions.

Private Residence Allowance

3.4 Dr Armstrong was resident in Auckland from before the start of the period under inquiry until 9 December 2001. In 1994 he had purchased a flat in Wellington, and he had an arrangement with each of the entities that he would be paid a fixed allowance for each overnight stay that was required for business purposes.

3.5 The agreed rates were \$180 per night for NZP and TVNZ and \$190 per night for IRL. The arrangements were approved by resolution in each case. The text of the resolutions is in Appendix 2 on page 49.

- 3.6 Over the inquiry period Dr Armstrong claimed an allowance for 225 nights.
- 3.7 After our first meeting with Dr Armstrong (before our audit fieldwork began), he undertook his own review of his accommodation claims, based on his personal diary records and such information as he had retained from the entities. He then disclosed to us that he had:
- made double claims for 47 nights and a triple claim for one night;
 - made one claim for a night that he had not stayed in Wellington; and
 - not claimed for four nights when he was entitled to.
- 3.8 He provided a schedule of the claims and made voluntary repayments to the affected entities.
- 3.9 During our inquiry, we then compared Dr Armstrong’s schedule with the information we had obtained from entity records. This review revealed some further discrepancies – some of which were in Dr Armstrong’s favour. We then met with Dr Armstrong and completed a full reconciliation, which is shown in Appendix 3 on pages 50-53.
- 3.10 Dr Armstrong agreed to adjust the repayments he made to the entities, to bring them into line with the final reconciliation. The total adjusted amounts are:

<i>Entity</i>	<i>Reimbursed by Dr Armstrong following his own review</i>	<i>Reimbursed by Dr Armstrong following our reconciliation</i>	<i>Refunded to Dr Armstrong</i>
	\$	\$	\$
IRL	190.00	43.78	–
NZP	7,380.00	540.00	–
TVNZ	2,112.47	–	257.50
Totals	\$9,682.47	\$583.78	\$257.50

The Legal Position

- 3.11 Each of the three entity resolutions referred to “accommodation” costs. The IRL resolution linked the costs to the equivalent costs of overnight hotel accommodation. The NZP and TVNZ resolutions were silent as to how the amount of the allowance had been calculated, although NZP confirmed to us that it understood the amount approved was based on hotel accommodation costs.
- 3.12 Dr Armstrong used his flat as both private residence and office accommodation. It was equipped with a computer, fax and photocopier, and we were told that he used it extensively for carrying on company business while in Wellington, as well as for overnight stays.

- 3.13 We consider that the allowances were, in effect, a form of subsidy for Dr Armstrong’s costs of maintaining a separate residence in Wellington, which reimbursed him for using the accommodation for entity business on particular occasions – whether overnight or otherwise. Nevertheless the subsidy was payable only for overnight stays.
- 3.14 Each of the resolutions is entity-specific. No provision was made for situations where Dr Armstrong stayed overnight for the purpose of transacting business for more than one entity.
- 3.15 Dr Armstrong maintained that:
- the entitlement with each of the entities was contractual;
 - there was nothing in any of the resolutions that prevented a claim to more than one entity for the same night;
 - it was nevertheless not his intention to make such claims, notwithstanding that he had on many occasions attended to business on behalf of more than one entity on the same day; and
 - it would have been inappropriate to make such claims given the public sector nature of the businesses.

Dr Armstrong’s Explanation for the Double Claims

- 3.16 Dr Armstrong gave us a detailed explanation about how:
- he managed his travel arrangements to take account of his multiple duties;
 - he made his accommodation and expense claims; and
 - the double claims came to be made.

Travel Arrangements

- 3.17 The nature of Dr Armstrong’s duties required him to be in Wellington frequently. Two of the three entities had their head offices there. There was also a need for regular meetings with shareholding Ministers, business partners, and others. Particular activities – such as the preparation of the TVNZ charter and the formation of Kiwibank – would also have made frequent visits to the capital necessary.
- 3.18 It was inevitable, on this basis, that Dr Armstrong would often be required to transact business for more than one entity during a particular visit. Indeed, he told us that he attempted to maximise the benefit from each visit by doing so. When business needed to be transacted on successive days, his “rule of thumb” was to assess whether staying overnight was less costly in time and effort than returning home – taking account of the cost of travel and the risk of fatigue. A door-to-door journey from Dr Armstrong’s home to Wellington (or return) took on average three hours.

How Accommodation and Expense Claims Were Made

- 3.19 The accommodation and expense claims procedures were different for each of the entities. Dr Armstrong told us that he made claims from each entity at different times, relying on his personal diary records to identify what business he had transacted and where, and what any other expense receipts in his possession related to. He would then decide from that information which entity he should claim from.
- 3.20 Dr Armstrong's approach in respect of the accommodation allowance was to identify from his diary the nights he had been in Wellington, and to claim for an overnight stay from the entity whose work had occupied the predominant part of his time and effort on the relevant days. This would not necessarily have been the entity that had paid for his travel.

How the Double Claims Arose

- 3.21 The double claims arose, Dr Armstrong told us, because he completed accommodation and expense claims for each entity at different times and in different ways. It appears that he did not keep a record of the claims he had made and, consequently, was unable to cross-check his claims between the three entities.
- 3.22 Dr Armstrong told us that he:
- took personal responsibility for making his accommodation and expense claims;
 - had no secretarial support for that purpose; and
 - gave the reimbursement and claim work lower priority than carrying out actual entity business.
- 3.23 The result was that sometimes there was a delay of some months between the event giving rise to the entitlement and the claim itself.
- 3.24 Dr Armstrong believed the errors in respect of the expense claims (for other than accommodation costs) might have arisen when:
- expenses were charged to a corporate credit card (and approved on receipt and confirmation of the expenses on the monthly statement), and subsequently claimed a second time based on the receipts; or
 - two dockets existed – for example, EFTPOS and the actual invoice – which became separated and were claimed separately.
- 3.25 Dr Armstrong accepted that, in hindsight, having to make claims himself when he was already busy increased the risk of delay and error. He acknowledged that he should have attached all his receipts to the relevant corporate credit card statement, when submitting it for approval, to avoid the risk of claiming against the receipt a second time. Similarly, he should have ensured that duplicate dockets did not become detached from each other and used as the basis of separate claims.

3.26 However, he maintained that the errors identified represented only a small proportion of the overall amount claimed, and were understandable given the circumstances outlined above.

Comments and Conclusions

3.27 The object of the accommodation allowances was to reimburse Dr Armstrong for the use of his flat for overnight stays – i.e. on those occasions when the entity in question would otherwise have borne the cost of hotel accommodation. That object was explicit in the case of the IRL resolution, and (in our view) implicit in the NZP and TVNZ resolutions.

3.28 The double claims were inappropriate. Dr Armstrong accepted that was so, but also assured us that they were unintentional. We do not doubt either that assurance or the honesty of his explanation as to how the claims occurred. And we acknowledge that Dr Armstrong could have claimed an allowance for an overnight stay on at least four occasions, but did not do so.

3.29 However, we were concerned about the relatively significant number of double claims and the amount of money involved. We were also surprised at:

- Dr Armstrong’s failure to cross-check his claims between the three entities; and
- the lack of any arrangement between Dr Armstrong and the entities in respect of multi-purpose business trips to Wellington – such as would have allowed him to apportion his claims and notify the entities that he had done so.

3.30 We agree that the entitlements to the accommodation allowances were contractual in nature, but do not need to reach a firm view on whether the double claims were lawful, given Dr Armstrong’s acceptance that they were inappropriate and the reimbursements he has made.

3.31 We were also surprised to learn that Dr Armstrong had no dedicated secretarial support paid for by the entities for the meeting of accommodation and other expense claims. In our view, this was unsatisfactory, given the busy life that Dr Armstrong led and the need to balance the competing demands of his personal business with those of the entities with which he was involved.

3.32 Dr Armstrong told us of an initiative by the CEO of one of the entities to engage a part-time personal assistant to help him with his claims, the costs of which would be met by the three entities. However, that initiative was not supported by the board of one of the entities and was taken no further.

3.33 The lack of secretarial support not only increased the administrative burden on Dr Armstrong himself but also heightened the risk of delay and error in making accommodation and expense claims – especially for those activities involving more than one entity.

Identifying Business Purpose or Private Benefit

3.34 In a large proportion of transactions the business purpose or private benefit of the expenditure was not apparent from the documentation provided to our auditors by the entities.

3.35 The proportionate dollar values of these transactions are set out below.

<i>Expense Category</i>	<i>IRL</i>		<i>NZP</i>		<i>TVNZ</i>	
	\$	%	\$	%	\$	%
Accommodation – private residence	950	21	7,920	30	3,600	43
Accommodation – other	373	10	11,938	95	6,458	31
Telephone Costs	–	–	15,513	77	3,925	96
Travel – air international	–	–	25,132	43	4,798	75
Travel – air domestic	466	4	5,534	15	8,168	29
Travel – private car costs	2,447	82	8,364	100	5,885	100
Travel – other	42	16	7,037	46	1,271	11
Totals	\$4,278	15	\$81,438	46	\$34,105	40

3.36 We were surprised at the high proportion of transactions falling into this category. The source documentation did not enable us to form a view on the business purpose of the expenditure, and on whether any private benefit that Dr Armstrong may have derived from the expenditure had been excluded.

3.37 To compensate for the lack of documentation held by the entities, Dr Armstrong provided us with explanations to indicate the business purpose of each significant item.

Our Conclusion on this Expenditure Generally

3.38 We acknowledge that a realistic approach is needed to documenting business purpose, and that to some extent reliance must be placed on:

- the person who incurred the expenditure certifying business purpose (for example, in respect of individual mobile telephone calls); and
- the person approving the expenditure being satisfied that the business purpose has been adequately established.

- 3.39 We also accept that:
- with the exception of specific items noted below, the entities approved and paid for the expenditure in question under their applicable policies and procedures; and
 - in some cases, the information existing at the time a transaction took place might no longer have been available to us, because it has been lost or forgotten.
- 3.40 However, we consider that the standard of documentation held by the entities should have been higher than what we found. We are therefore concerned that the entities might not always have subjected Dr Armstrong's expenditure to an appropriate level of scrutiny. Dr Armstrong himself was reliant on the entities requiring him to produce the necessary documentation to comply with their policies and procedures.

Royal New Zealand Yacht Squadron – \$449

- 3.41 NZP bore the cost of Dr Armstrong's membership of the Royal New Zealand Yacht Squadron for the year ended 30 April 2001.
- 3.42 Dr Armstrong told us that NZP requested him to retain his personal membership and agreed to reimburse the cost, given the unavailability of memberships and the business benefit to be gained by the entity arising in connection with the America's Cup. He understood that NZP and Transend used the membership on several occasions for hospitality purposes, but he did not attend any of the events.
- 3.43 NZP was unable to confirm that it asked Dr Armstrong to retain his membership. However, the former Chief Executive of NZP recalled several NZP functions being held at the Royal New Zealand Yacht Squadron.

Our Conclusion

- 3.44 We are generally satisfied in relation to this matter.

Private Account with Taxi Company – \$7,037

- 3.45 Dr Armstrong held an account with a Wellington taxi company, in the name of his private company (the Far East Export Company).
- 3.46 Dr Armstrong told us that he had originally used this account for other purposes but that, following his appointment to the NZP board, he used it exclusively for NZP-related taxi journeys. With NZP's agreement, it reimbursed Dr Armstrong on the basis of invoices from the taxi company to Dr Armstrong's company.

3.47 We saw no documentation to support the specific business purpose for NZP of individual journeys travelled and charged to NZP, although Dr Armstrong assured us that most of the journeys were to and from Wellington Airport, and that he incurred no private or inappropriate expenses on this account. The former Chief Executive of NZP had no recollection of the approval to use the account.

Our Conclusion

3.48 We have no reason to question Dr Armstrong's assurance in relation to the use of the account.

Mobile and Domestic Telephones – \$19,438

3.49 Dr Armstrong told us that he agreed with the CEOs of TVNZ and NZP that the cost of his mobile telephone would be shared equally between the two entities and himself, with IRL not being charged at all. TVNZ and NZP reimbursed Dr Armstrong on this basis. Dr Armstrong told us that he included the business-related costs of his home telephone and fax in his expense claims to each of the entities.

3.50 We did not see the telephone invoices to support the expense claims for Dr Armstrong's mobile telephone or domestic telephone usage, and he told us that this detailed documentation was not provided to the entities for privacy reasons.

3.51 The former Chief Executive of NZP confirmed that he had discussed the apportionment of mobile phone costs with Dr Armstrong, and agreed that the process was an efficient one, based on Dr Armstrong's own assessment of what apportionment was appropriate.

Our Conclusion

3.52 We are satisfied with the explanations in respect of this item.

International Travel and Expenses – \$98,125

3.53 The cost of international travel – including travel, accommodation and other associated expenses – was borne by the entities as follows:

Entity	\$
IRL	11,183
NZP	63,727
TVNZ	23,215
Total	\$98,125

3.54 We identified expenditure incurred in relation to travel to the following countries:

Country	Date of trip	Entity
Malaysia	April 2000	NZP
South Africa	April 2000	NZP
Turkey	April 2000	NZP
Australia	September 2000	TVNZ
Germany	October 2000	NZP
France	October 2000	NZP/TVNZ
United Kingdom	October 2000	TVNZ
Germany	October 2000	NZP
Greece	March 2001	NZP
Japan	April 2001	IRL
Italy	May 2001	TVNZ
Greece	May 2001	NZP/TVNZ
United Kingdom	May 2001	TVNZ
Thailand	May 2001	TVNZ
United States	July 2001	NZP
Australia	July 2001	TVNZ
Malaysia	November 2001	NZP
Australia	December 2001	TVNZ
Singapore	March 2002	TVNZ
Italy	March/April 2002	TVNZ/NZP
Switzerland	April 2002	IRL
Malta	April 2002	NZP
France	April 2002	TVNZ
Australia	August 2002	TVNZ

- 3.55 In most cases, the itineraries were prepared by the respective entities. However, there were some exceptions in relation to TVNZ. On several occasions Dr Armstrong undertook side trips or conducted business for TVNZ while he was in Europe (or on his way to Europe) on private business or on travel funded by NZP.
- 3.56 TVNZ expressed concern to us about the arrangements for approving this travel. In particular, we were told that it was not approved by the TVNZ Board. The trips in question were:
- France – October 2000
 - Italy/Greece/United Kingdom/Thailand – May 2001
 - Singapore/Italy/France – March/April 2002.
- 3.57 Dr Armstrong told us that all of the side trips were made at the request of the then CEO of TVNZ, Mr Rick Ellis. Dr Armstrong provided us with a copy of his itinerary for the trip in March/April 2002, which indicated a number of television-related meetings and, therefore, confirmed the business nature of the trip relevant for TVNZ.
- 3.58 We saw no formal business cases for all of the trips listed in the table on page 35.
- 3.59 We discussed with Dr Armstrong the nature of a sample of the international travel expenses identified. For these, Dr Armstrong was able to give us broad explanations as to the purpose of the trips and the nature of any business connection that they had. He did this from his diary and from his recollections, although he could not remember the details in all cases.
- 3.60 Dr Armstrong told us that he occasionally diverted from private holidays while overseas, in order to attend business events.
- 3.61 The following are examples of what Dr Armstrong and the entities confirmed to us in relation to the above trips.

Malaysia – April 2000

- 3.62 Dr Armstrong told us that this trip related to the ongoing NZP contract with Post Malaysia, and that he agreed the visit with the CEO at the time. In addition, Dr Armstrong noted that another NZP-related reason for travelling to Malaysia was to attend a Board meeting (held once a year in Malaysia) of the trustees of Malay Studies at Victoria University in his capacity as Chairperson of NZP.

Australia – September 2000

- 3.63 Dr Armstrong told us that this trip was arranged by TVNZ. He also told us that the then CEO of TVNZ considered it standard practice for the Chairperson to take one overseas trip to visit other broadcasters, but Dr Armstrong did not do so.

- 3.64 Dr Armstrong confirmed that he met a number of Australian broadcasters during the visit, as well as investigating the plan by the Australian Federal Government to pass new legislation on broadcasting. He also told us that he had declined to take the trip three times previously because he could not fit it into his schedule.

Greece – March 2001

- 3.65 Dr Armstrong told us that he was a member of the New Zealand delegation for a State Visit to Greek Post, accompanying the Minister for State-Owned Enterprises and the CEO of NZP. The visit centred on a potential partnership that would allow Transend Worldwide Ltd to provide consulting assistance to Greek Post on reforms in relation to the expansion of the European Union.

Japan – April 2001

- 3.66 Dr Armstrong made this trip for IRL, to lead a delegation of scientists to Japan. IRL confirmed that the Board had sanctioned his involvement (for protocol reasons) and that his presence had created opportunities which might not otherwise have been available.

United States – July 2001

- 3.67 Dr Armstrong made this trip to Washington DC to meet with Rt Hon Jim Bolger, who was at that time the Ambassador to the United States, in respect of Kiwibank Ltd, of which Mr Bolger was subsequently appointed Chairperson. The Acting Chief Executive of NZP, in the absence of the Chief Executive, authorised the travel due to urgency and confidentiality considerations.

Australia – December 2001

- 3.68 Dr Armstrong told us that the purpose of visiting Melbourne was in relation to recruitment for the vacant TVNZ CEO position.

Europe – April 2002

- 3.69 Dr Armstrong made three side trips while on holiday in Europe in April 2002. They were:

- to Florence, to deal with issues concerning Transend's contract with Malta Post;
- to Zurich, to meet the CEO designate of IRL; and
- to Paris, to undertake meetings for TVNZ.

- 3.70 We requested an explanation from Dr Armstrong about the side trip between Rome and Paris on 17-19 April 2002, because we had evidence of expenditure in both cities but none in relation to how he travelled between them.

3.71 Dr Armstrong told us that he travelled by train between Florence and Paris (not Rome and Paris) after meeting the New Zealand Ambassador to Italy (who had responsibility for relations with Malta) on the Malta postal contract. Dr Armstrong travelled to Florence to meet the Ambassador because the Ambassador was due to leave Florence for Rome and it would have been too late for them to meet. After the meeting, Dr Armstrong caught the night train to Paris rather than return to Rome for a late-evening flight to Paris – which avoided backtracking south, and saved the cost of an extra night’s accommodation in Paris.

Our Conclusion

- 3.72 The entities approved all international travel in accordance with their policies and procedures, with the exception of:
- The NZP trip to Washington DC in July 2001. We note however that the trip was confidential at the time, and that the then CEO of NZP approved the expenditure on Dr Armstrong’s return to New Zealand.
 - The business conducted for TVNZ as side trips to other European travel – which was, however, approved by the then CEO of TVNZ.

Policy and Authorisation Issues

3.73 We found a number of inconsistencies between the entities’ stated policies and procedures, and the actual practices followed, as set out below.

Private Car Usage – \$11,271

- 3.74 Claims for reimbursement of motor vehicle costs for travel in Dr Armstrong’s private car were at rates per kilometre for IRL and NZP that differed from the rates specified in the entities’ stated policies. Dr Armstrong told us that the rates he claimed were the rates advised to him by the entities. He claimed:
- Some usage from IRL at a rate of 66 cents per kilometre, while the policy stated a rate of 62 cents. A total of \$2,447 was claimed from IRL. Applying the policy rate, Dr Armstrong should have been reimbursed approximately \$147 less.
 - Usage from NZP at a rate of 70 cents per kilometre, while the policy stated a rate of 58 cents. A total of \$8,364 was claimed from NZP. Applying the policy rate, Dr Armstrong should have been reimbursed approximately \$1,434 less.
- 3.75 Our auditors were unable to confirm what rates Dr Armstrong was told to claim on.

- 3.76 In the case of NZP, rates are clearly outlined in the travel and expense policy, which applies to all NZP staff (including the Chairperson). However, NZP thought it possible that the rate of 70 cents could have been the policy at an earlier stage in Dr Armstrong's term as Chairperson, or alternatively that there was no policy at all when the claims started and Dr Armstrong continued with a practice that had been agreed at the time.
- 3.77 In the case of IRL, we noted that that some of Dr Armstrong's claims were at the rate of 62 cents and others were at 66 cents.

Our Conclusion

- 3.78 The amounts claimed were incorrect, and not in accordance with the entities' policies and procedures. We are concerned that IRL and NZP did not scrutinise Dr Armstrong's claims against the relevant policies before approving them.

Chapter 4

Other Matters

- 4.1 Our terms of reference entailed examining all expenses incurred by or at the personal direction of Dr Armstrong and paid for by the entities. Chapter 3 addressed those business expenses that Dr Armstrong incurred himself in the course of carrying out his official duties on behalf of the entities, and which he either charged to the company or obtained reimbursement for.
- 4.2 In this chapter we:
- comment on hospitality and other expenses incurred by Dr Armstrong; and
 - examine the acquisition of assets or the purchase of services in the normal course of company business, of which we identified two such categories –
 - the acquisition of a licence to occupy a corporate box at Westpac Stadium, Wellington on behalf of TVNZ – which Dr Armstrong personally negotiated; and
 - the engagement of professional services.

Hospitality Expenses

Hospitality Expenses Generally

- 4.3 Dr Armstrong told us that all corporate box and similar hospitality was organised by the management of NZP or TVNZ (as the case may be). The management would make bookings and invite Dr Armstrong to contribute names to a guest list. He would attend if asked or required to do so. On some occasions he would issue invitations himself, for protocol reasons.
- 4.4 TVNZ told us that Dr Armstrong would take the lead in identifying guests.
- 4.5 Other hospitality expenses were incurred in Dr Armstrong's capacity as the Chairperson, while carrying out his official duties. He told us that, on occasions when he signed off the expenditure, the relevant Chief Executive or Chief Financial Officer almost invariably countersigned it.

Our Conclusion

- 4.6 Hospitality expenditure is a feature of NZP's and TVNZ's businesses. We are generally satisfied as to the business purpose of the expenditure that Dr Armstrong incurred, and that it was properly authorised.

*Dinner on 16 October 2002, Involving the Prime Minister
and Hon Paul Keating – \$492*

- 4.7 On 16 October 2002 Dr Armstrong hosted a dinner at an Auckland restaurant, the cost of which he charged to TVNZ on his corporate credit card. The dinner was attended by, among others, the Prime Minister of New Zealand and Hon Paul Keating, a former Prime Minister of Australia.
- 4.8 On 7 November 2002 (after Dr Armstrong had resigned as Chairperson of TVNZ), the CEO of TVNZ, Mr Ian Fraser, said publicly that the payment for the dinner had been an inappropriate use of a TVNZ corporate credit card.
- 4.9 Dr Armstrong told us that he had discussed the dinner with Mr Fraser on the morning of 16 October 2002. The discussion had taken place at an informal meeting between the two, during which a number of issues had been canvassed. Dr Armstrong was in the habit of meeting regularly with the CEOs of the entities he chaired, and this meeting followed a typical format.
- 4.10 Dr Armstrong produced a copy of a handwritten agenda that he told us he had prepared for the meeting with Mr Fraser. We reproduce this document in Appendix 5 on page 56. It includes the following text –
- Keating – Clark dinner 16/10 Akl.*
- Med Bill – TVNZ
- PPP
- Security
- 4.11 Dr Armstrong explained this text by saying that he told Mr Fraser that he would be hosting a dinner that evening to be attended by the Prime Minister and Mr Keating, and that three items would likely dominate the discussion:
- the Media Ownership Bill which was at that time before the Australian Parliament;
 - high-level issues on public-private-partnerships; and
 - matters of regional security that Mr Keating intended to raise following a visit to the Philippines.
- 4.12 Dr Armstrong told us that he regarded the dinner as an opportunity to discuss the Media Ownership Bill with Mr Keating, who had recognised expertise on media ownership matters. As such, the dinner would have had relevance to TVNZ and, accordingly, he proposed to Mr Fraser that the cost of the dinner should be shared on a 50:50 basis between TVNZ and himself. Mr Fraser's reaction, Dr Armstrong told us, was that it was appropriate that TVNZ carry the full cost.

- 4.13 Opposite the agenda item is a tick with the words “100% OK’d tonite”. Dr Armstrong told us that the note confirmed that he had received Mr Fraser’s agreement for TVNZ to meet the full cost of the dinner – although not, he said, in the sense of any formal authorisation. He told us that he reconfirmed this understanding with Mr Fraser before the discussion ended.
- 4.14 We asked Mr Fraser to confirm these events in the light of his subsequent public statement. Mr Fraser told us that he made the statement at an impromptu media conference about Dr Armstrong, and that he had no recollection, at that time, of having discussed the dinner with Dr Armstrong. However, he accepted that he had in fact met with Dr Armstrong on the morning of 16 October 2002. It appears that his memory may have been prompted by a telephone message from Dr Armstrong about the matter soon after the media conference and before his statement was broadcast.
- 4.15 Although he had only a vague recollection of the discussion, Mr Fraser accepted that:
- Dr Armstrong may have mentioned a dinner which he was to host involving the Prime Minister and Mr Keating;
 - it was not impossible (although he did not recall it) that mention was made of the Media Ownership Bill;
 - there was mention of Dr Armstrong using his corporate credit card for the dinner; and
 - he may have expressed a view as to the appropriateness of Dr Armstrong doing so.
- 4.16 Mr Fraser told us that he recalled Dr Armstrong mentioning an “infrastructure project” in a number of meetings, including the one on 16 October 2002. He assumed that the project related to BCL’s commercial strategy to become involved in a roll-out of broadband infrastructure across New Zealand, which was at that time under consideration by BCL.
- 4.17 However, as CEO of TVNZ, Mr Fraser was responsible only for the television arm of TVNZ’s business and was not familiar with the detail of that project. He made his later public statement on the basis of what he then knew about the full circumstances of the dinner. When the media conference took place, he believed that the main purpose of the dinner had been to work towards preparation of a policy relating to public-private-partnerships for the improvement of New Zealand infrastructure.
- 4.18 Mr Fraser said that he was certain that the phrase “public-private-partnership” was not mentioned in any of his discussions with Dr Armstrong, and that had he known of the full circumstances of the dinner at the time of the discussion, he would have expressed a different view about it.

- 4.19 Mr Fraser also told us that he was not responsible for approving Dr Armstrong's business expenses, and the most he would have done was to express an opinion on whether it was appropriate for TVNZ to meet the cost of the dinner.
- 4.20 Dr Armstrong confirmed that the media ownership issue received a significant amount of attention during the dinner.

Our Conclusion

- 4.21 We accept that Dr Armstrong believed he had received Mr Fraser's agreement (in an informal sense) to TVNZ meeting the cost of the dinner on the basis of the proposed discussion with Mr Keating about media ownership issues. The procedure for formally approving the expenditure would have involved Dr Armstrong submitting his expenses to the Chairperson of TVNZ's Finance and Risk Committee for sign-off. We found no evidence of that having happened, although Dr Armstrong's corporate credit card statement including the cost of the dinner would not have been received before he resigned on 21 October 2002.
- 4.22 Dr Armstrong reimbursed TVNZ for the full cost of the dinner before we began the inquiry.

Other Expenses

Personal Expenditure on Corporate Credit Cards – \$5,900

- 4.23 There was a small number of instances where Dr Armstrong incurred personal expenditure on his NZP and TVNZ corporate credit cards. He subsequently reimbursed the expenditure, but the practice contradicted the entities' stated policies.
- 4.24 Upon Dr Armstrong's resignation from TVNZ, the entity undertook a review of the expenditure he had incurred on his corporate credit card, which resulted in Dr Armstrong making a number of reimbursements.

Our Conclusion

- 4.25 The practice of charging personal expenditure to corporate credit cards was not in accordance with the entities' policies and procedures.

Unusual Expenditure on Corporate Credit Cards – \$18,378

- 4.26 The following expenditure was incurred using the IRL and TVNZ corporate cards:
- Dr Armstrong purchased a gift for a retiring director of IRL amounting to \$707. This was approved by the CEO.
 - Dr Armstrong booked a business class return flight ticket between Zurich and New Zealand to bring to New Zealand the CEO designate, using the IRL corporate credit card. The cost was \$17,325. He told us that he used his personal corporate card in order to preserve confidentiality (at that point) as to the identity of the new CEO. The need for business class travel was unavoidable given the tight timetable required by the recruitment process and the need for confidentiality. IRL confirmed that this expenditure was discussed and minuted at the following Board meeting.
 - One flight, between Auckland and Wellington return, was charged to TVNZ. The entity normally booked Dr Armstrong's flights, and we understand that this flight was booked personally because it was urgent.

Our Conclusion

- 4.27 These expense items, while unusual, were duly authorised.

Expenses That Were Not Correctly Authorised

- 4.28 The correct signatories did not approve the documentation for three items of TVNZ expenditure and one item of NZP expenditure.
- 4.29 The TVNZ items involved a gift and two sets of New Zealand Symphony Orchestra concert catering expenses incurred in July and August 2002.
- 4.30 The NZP item was a claim for private residence allowance for four nights in June 2001.
- 4.31 Dr Armstrong told us that the entities' procedures required him to initially certify items of expenditure relating to him. Thereafter, it was a matter for the management to make any required additional approval arrangements before payment.

Our Conclusion

- 4.32 These expenses were not correctly authorised, and in this sense did not comply with the entities' policies and procedures. However, this was no fault of Dr Armstrong's.

Assets and Services Purchased by, or with the Involvement of, Dr Armstrong

Acquisition of Licence to Occupy a Corporate Box

- 4.33 In June 2002, TVNZ acquired a licence to occupy a corporate box at the Westpac Stadium in Wellington. The box was subsequently used for a number of events hosted or attended by Dr Armstrong and other TVNZ executives and guests. We have addressed in paragraphs 4.3-4.6 the expenses incurred by Dr Armstrong on those occasions. However, we also reviewed the acquisition of the facility – given the central role that Dr Armstrong had in it.
- 4.34 The box was acquired soon after Mr Fraser took up his responsibilities as CEO of TVNZ in late-April 2002. TVNZ already had corporate boxes at the Ericsson Stadium and Eden Park in Auckland, which were mostly used by its sales division. TVNZ was also involved in arts sponsorship – an activity which had more of a Wellington focus. Nevertheless, Mr Fraser took the view that TVNZ had become unduly focused on maintaining functional relationships in Auckland, and needed a greater presence in Wellington for the purpose of developing relationships with stakeholders and business partners.
- 4.35 We found a sharp division of view between Dr Armstrong and Mr Fraser as to who had first suggested that a corporate box be acquired as a strategy for increasing TVNZ’s presence in Wellington. Each claimed it had been the other’s idea. However, it was clear that once the idea was on the table they both agreed that the proposal should be implemented.
- 4.36 Dr Armstrong told us that he considered that the acquisition and use of a corporate box were operational matters, but that he agreed to make enquiries on behalf of TVNZ with NZP (which had a double box at the stadium). An opportunity then arose to take over an existing licence for another box, on favourable terms. With the agreement of TVNZ management, Dr Armstrong personally negotiated the terms of its acquisition.
- 4.37 Dr Armstrong told us that he kept the CEO and other managers informed of his actions, and that he also told the Minister of Broadcasting of the intended acquisition. TVNZ confirmed that:
- its management was aware the licence was being acquired;
 - the matter was taken over by management once Dr Armstrong had completed the negotiations; and
 - the documentation regarding the licence was countersigned by another Board member.
- 4.38 However, no business case was prepared to support the acquisition of the licence, and the board never formally approved the acquisition.

4.39 The costs incurred in the course of the acquisition were:

- rentals for the period 29 June 2002 to 15 November 2002 of \$32,436.16; and
- fit-out costs of \$22,213.33.

Comment

4.40 We accept that Dr Armstrong acted in the interests of TVNZ, and with the knowledge and agreement of its management, and that he was able to secure favourable terms for the acquisition of the licence. However, involving the Chairperson in such a manner was an unusual way to proceed.

4.41 A corporate box has potential to be used for business advantage, and provides a useful means of building stakeholder relationships. But the potential for personal benefit for board members and senior executives – and the associated perceptions – hardly needs to be stated. That potential makes it especially important that an acquisition of this nature by a public entity be subjected to rigorous assessment through a full business case, and that proper approval processes be followed. We were shown no evidence of that having happened in this case.

Engagement of Professional Services

4.42 Dr Armstrong accepted that the engagement of professional services is a management responsibility – even if the services are for the primary benefit of the board. He also acknowledged that on some occasions he was personally involved in obtaining such services.

4.43 The value of the professional services Dr Armstrong purchased was as follows:

IRL	\$34,221
NZP	\$62,210
TVNZ	\$152,453
Total	\$248,884

4.44 His explanation for those occasions was that, as Chairperson, he was the nearest thing to a full-time board member, and that when matters arose urgently that required both board involvement and professional advice he would take the initiative of engaging advice directly. However, he said that he always acted with the authority of the Board (obtained either before or after the engagement took place). We have no reason to doubt that statement.

- 4.45 We accept that it may sometimes be necessary for a chairperson to engage professional services directly, without prior board authority or management involvement.* There are, nevertheless, risks in such an approach. Good practice would require a formal, transparent, and (where appropriate) contestable method of selection.
- 4.46 Direct engagement by a chairperson should, in our view, occur only for services that the board itself requires, and in circumstances where it is either impracticable or inappropriate to involve the board and/or management (including, where applicable, in-house counsel) in the decision.
- 4.47 We would also expect the engagement to be confirmed by written instructions by management (and, specifically, in the case of legal services, by the company's in-house counsel), unless the matter is confidential to the board and it is inappropriate for management to be involved at all.

* The NZP procedures, for example, require a director or the Chairperson who engages professional services to discuss the matter first with the Chairperson or Company Secretary (as appropriate).

Appendix 1

Terms of Reference for the Inquiry

The Auditor-General has decided to undertake an inquiry into Television New Zealand, New Zealand Post and Industrial Research Limited (“the entities”) in relation to expenses incurred by Dr Ross Armstrong during his terms as Chairperson of these entities. The actual time periods covered will be finalised when our audit planning is further developed.

The Auditor-General considers that he is best placed to undertake this work given that he is the auditor of each of the entities, with powers to independently audit, inquire and report.

The work will be conducted under section 16(1)(d) and (2) and section 18 of the Public Audit Act 2001, and will involve an examination of all expenses incurred by or at the personal direction of Dr Armstrong and paid for by the entities – including but not necessarily limited to:

- travel and accommodation, including overseas travel and expenses;
- entertainment;
- communications; and
- professional services.

The Auditor-General will report to the House of Representatives on whether the expenses examined were incurred lawfully and appropriately, and on any other matters that the Auditor-General considers it desirable to report on.

Appendix 2

Resolutions Approving Accommodation Allowance

Industrial Research Limited: 4 November 1999

Chairman's accommodation costs

Mr Harrison sought Board approval to reimburse the Chairman for his accommodation costs at the rate of \$190 per night. This rate was the cost of staying at the Plaza International at the corporate rate plus a \$20 breakfast allowance.

The Board resolved (44/99) to set the daily rate at \$190 for reimbursing the Chairman for his accommodation costs.

New Zealand Post: 22 March 1995

It was agreed that the Chairman be authorised a daily rate accommodation allowance (whilst on company business in Wellington) at \$180 per diem.

Television New Zealand: 30 March 2000

Chairman's expenses

It was RESOLVED that the Chairman, Dr RA Armstrong, should be paid the sum of \$180 per day on account of accommodation costs incurred by him when he is in Wellington on the company's behalf.

Appendix 3

Reconciliation of Claims for Accommodation Allowance

Date	Our Review			Dr Armstrong's Schedule			Discrepancies
	IRL	NZP	TVNZ	IRL	NZP	TVNZ	
5-Jan-00		Y			Y		
12-Jan-00		Y			Y		
25-Jan-00		Y			Y		
31-Jan-00		Y			Y		
5-Feb-00		Y			Y		
7-Feb-00		Y			Y		
8-Feb-00		Y			Y		
14-Feb-00		Y			Y		
15-Feb-00		Y			Y		
21-Feb-00		Y			Y		
29-Feb-00	Y	Y		Y	Y		1
3-Mar-00		Y	Y		Y	Y	1
6-Mar-00		Y			Y		
11-Mar-00		Y			Y		
12-Mar-00		Y			Y		
15-Mar-00	Y			Y			
17-Mar-00		Y			Y		
18-Mar-00		Y			Y		
21-Mar-00		Y			Y		
22-Mar-00		Y			Y		
24-Mar-00		Y			Y		
25-Mar-00		Y			Y		
29-Mar-00		Y	Y		Y	Y	1
11-Apr-00		Y	Y		Y	Y	1
16-Apr-00		Y			Y		
2-May-00		Y			Y		
9-May-00		Y	Y		Y	Y	1
11-May-00		Y			Y		
15-May-00		Y			Y		
16-May-00		Y			Y		
23-May-00		Y			Y		
29-May-00	Y	Y		Y	Y		1
30-May-00		Y			Y		
5-Jun-00		Y			Y		
6-Jun-00		Y			Y		
11-Jun-00		Y			Y		
12-Jun-00		Y	Y		Y	Y	1
20-Jun-00		Y			Y		
21-Jun-00		Y	Y		Y	Y	1
26-Jun-00	Y	Y		Y	Y		1
3-Jul-00		Y			Y		

<i>Date</i>	<i>Our Review</i>			<i>Dr Armstrong's Schedule</i>			<i>Discrepancies</i>
	<i>IRL</i>	<i>NZP</i>	<i>TVNZ</i>	<i>IRL</i>	<i>NZP</i>	<i>TVNZ</i>	
10-Jul-00		Y			Y		
11-Jul-00		Y	Y		Y	Y	1
18-Jul-00		Y	Y		Y	Y	1
19-Jul-00	Y	Y		Y	Y		2
20-Jul-00		Y			Y		
21-Jul-00		Y			Y		
22-Jul-00		Y			Y		
25-Jul-00		Y			Y		
29-Jul-00			Y			Y	
4-Aug-00		Y	Y		Y	Y	1
5-Aug-00		Y	Y		Y	Y	1
8-Aug-00		Y			Y		
16-Aug-00		Y			Y		
21-Aug-00		Y	Y		Y	Y	1
22-Aug-00		Y			Y		
28-Aug-00	Y	Y	Y	Y	Y	Y	1
29-Aug-00		Y			Y		
4-Sep-00		Y	Y		Y	Y	1
5-Sep-00		Y			Y		
11-Sep-00		Y			Y		
19-Sep-00		Y			Y		
25-Sep-00	Y	Y		Y	Y		1
2-Nov-00		Y			Y		
6-Nov-00	Y	Y		Y	Y		1
7-Nov-00		Y			Y		
8-Nov-00		Y	Y		Y	Y	1
11-Nov-00			Y			Y	
14-Nov-00		Y			Y		
15-Nov-00			Y			Y	
23-Nov-00		Y			Y		
26-Nov-00		Y			Y		
14-Dec-00		Y			Y		
15-Dec-00		Y			Y		
18-Dec-00	Y	Y		Y	Y		1
19-Dec-00		Y	Y		Y	Y	1
14-Jan-01			Y			Y	
16-Jan-01	Y			Y			
25-Jan-01		Y			Y		
26-Jan-01		Y			Y		
27-Jan-01			Y			Y	
30-Jan-01		Y			Y		
6-Feb-01	Y	Y		Y	Y		1
7-Feb-01		Y			Y		
13-Feb-01	Y	Y		Y	Y		1
14-Feb-01		Y			Y		
19-Feb-01		Y			Y		
20-Feb-01		Y			Y		
21-Feb-01			Y			Y	
22-Feb-01			Y			Y	

<i>Date</i>	<i>Our Review</i>			<i>Dr Armstrong's Schedule</i>			<i>Discrepancies</i>
	<i>IRL</i>	<i>NZP</i>	<i>TVNZ</i>	<i>IRL</i>	<i>NZP</i>	<i>TVNZ</i>	
23-Feb-01			Y			Y	
28-Feb-01	Y	Y		Y	Y		1
5-Mar-01		Y	Y		Y	Y	1
6-Mar-01	Y	Y		Y	Y		1
14-Mar-01		Y			Y		
20-Mar-01	Y	Y		Y	Y		1
2-Apr-01		Y			Y		
9-Apr-01			Y			Y	
26-Apr-01					Y		2
1-May-01		Y			Y		
7-May-01		Y			Y		
28-May-01				Y			2
29-May-01	Y			Y			
30-May-01			Y			Y	
19-Jun-01		Y			Y		
20-Jun-01		Y			Y		
25-Jun-01	Y	Y		Y	Y		1
26-Jun-01	Y	Y		Y	Y		1
27-Jun-01	Y			Y			
15-Jul-01		Y			Y		
16-Jul-01		Y			Y		
17-Jul-01		Y			Y		
23-Jul-01	Y	Y			Y		2
24-Jul-01		Y	Y		Y	Y	1
25-Jul-01			Y			Y	
30-Jul-01						Y	2
6-Aug-01		Y			Y		
7-Aug-01			Y			Y	
13-Aug-01		Y			Y		
14-Aug-01		Y			Y		
15-Aug-01		Y			Y		
20-Aug-01		Y			Y		
21-Aug-01		Y			Y		
27-Aug-01	Y	Y		Y	Y		1
28-Aug-01		Y			Y		
29-Aug-01		Y	Y		Y	Y	1
2-Sep-01		Y			Y		
3-Sep-01		Y			Y		
4-Sep-01		Y			Y		
10-Sep-01		Y			Y		
11-Sep-01		Y			Y		
12-Sep-01		Y			Y		
18-Sep-01		Y			Y		
19-Sep-01		Y			Y		
20-Sep-01			Y			Y	
24-Sep-01		Y			Y		
25-Sep-01	Y	Y		Y	Y		1
26-Sep-01			Y			Y	

Date	Our Review			Dr Armstrong's Schedule			Discrepancies
	IRL	NZP	TVNZ	IRL	NZP	TVNZ	
27-Sep-01			Y			Y	
1-Oct-01		Y			Y		
2-Oct-01		Y			Y		
3-Oct-01		Y	Y		Y	Y	1
7-Oct-01		Y			Y		
10-Oct-01		Y			Y		
11-Oct-01		Y			Y		
16-Oct-01		Y	Y		Y	Y	1
17-Oct-01		Y	Y		Y	Y	1
18-Oct-01		Y			Y		
21-Oct-01					Y		2
22-Oct-01		Y			Y		
23-Oct-01		Y	Y		Y	Y	1
25-Oct-01		Y			Y		
26-Oct-01		Y			Y		
28-Oct-01		Y			Y		
29-Oct-01	Y			Y			
30-Oct-01		Y			Y		
1-Nov-01		Y			Y		
5-Nov-01		Y			Y		
6-Nov-01		Y	Y		Y	Y	1
7-Nov-01		Y	Y		Y	Y	1
8-Nov-01		Y			Y		
13-Nov-01		Y			Y		
14-Nov-01		Y	Y		Y	Y	1
15-Nov-01		Y			Y		
19-Nov-01		Y			Y		
20-Nov-01		Y	Y		Y	Y	1
21-Nov-01		Y			Y		
25-Nov-01		Y			Y		
26-Nov-01					Y	Y	2
27-Nov-01		Y	Y		Y	Y	2
28-Nov-01		Y	Y		Y	Y	2
30-Nov-01			Y			Y	
3-Dec-01		Y			Y		
5-Dec-01			Y			Y	
10-Dec-01	Y			Y			2
11-Dec-01		Y					2
17-Dec-01		Y					2

Explanation of Discrepancies –

1. These double claims were resolved as part of Dr Armstrong's reimbursement to the three entities on 17 December 2002.
2. These claims were resolved as part of Dr Armstrong's final reconciliation as outlined in paragraph 3.10.

3.

Appendix 4

Corporate Box Events

Date	Event	Location	Entity
8 Jan 2000	ODI Cricket, NZ v West Indies	Wellington, Westpac Stadium	NZP
5 Feb 2000	Rugby Union International Sevens	Wellington, Westpac Stadium	NZP
16 Feb 2000	ODI Cricket, NZ v Australia	Wellington, Westpac Stadium	NZP
10 Mar 2000	Rugby Union Super 12, Crusaders v Blues	Christchurch, Jade Stadium	NZP
10 Mar 2000	Edinburgh Military Tattoo	Wellington, Westpac Stadium	NZP
11 Mar 2000	Edinburgh Military Tattoo	Wellington, Westpac Stadium	NZP
12 Mar 2000	Edinburgh Military Tattoo	Wellington, Westpac Stadium	NZP
13 Mar 2000	Edinburgh Military Tattoo	Wellington, Westpac Stadium	NZP
5 Aug 2000	Rugby Union Test, NZ v Australia	Wellington, Westpac Stadium	NZP
12 Jan 2001	ODI Cricket, NZ v Zimbabwe.	Auckland, Eden Park	NZP
27 Feb 2001	ODI Cricket, NZ v Pakistan	Auckland, Eden Park	NZP
19 Mar 2001	Rugby Union Super 12, Blues v Crusaders	Auckland, Eden Park	NZP
21 May 2001	Rugby Union Super 12, Blues v Hurricanes	Auckland, Eden Park	NZP
30 Jun 2001	Rugby Union Test, NZ v France	Wellington, Westpac Stadium	NZP
11 Sep 2001	Rugby Union Test, NZ v South Africa	Auckland, Eden Park	NZP
16 Feb 2002	ODI Cricket, NZ v England	Wellington, Westpac Stadium	NZP
22 Feb 2002	Rugby Union Super 12, Hurricanes v Blues	Wellington, Westpac Stadium	NZP
8 Mar 2002	NBR Spectacular	Wellington, Westpac Stadium	NZP
4 May 2002	Rugby Union Super 12, Hurricanes v Blues	Wellington, Westpac Stadium	NZP

Date	Event	Location	Entity
29 Jun 2002	Rugby Union Test, NZ v Fiji	Wellington, Westpac Stadium	TVNZ
20 Jul 2002	Rugby Union Test, NZ v South Africa	Wellington, Westpac Stadium	TVNZ
16 Aug 2002	Rugby Union NPC, Wellington v Canterbury	Wellington, Westpac Stadium	TVNZ
30 Aug 2002	Rugby Union NPC, Wellington v Northland	Wellington, Westpac Stadium	TVNZ
14 Sep 2002	Rugby Union NPC, Wellington v Waikato	Wellington, Westpac Stadium	TVNZ
22 Sep 2002	Rugby Union NPC, Wellington v Taranaki	Wellington, Westpac Stadium	TVNZ
11 Oct 2002	Rugby Union NPC, Wellington v Auckland	Wellington, Westpac Stadium	TVNZ
12 Oct 2002	Rugby League Test, NZ v Australia	Wellington, Westpac Stadium,	TVNZ

Appendix 5

Agenda for Meeting on 16 October 2002 Between Dr Armstrong and the CEO of TVNZ

Agenda paper / Meeting - Wed 16/10

* Update MIV - have final decision choice

* MIV - propose SEL - update lan. ✓ discl.

* Charter:

Start date - on air ? - further info,
 Team readiness ? - get it move out.
 Handing stamp → discl. S1.

✓ Telecom, SEL contract, media int.

* Kenup - discl. during 16/10 Act.

Med SEL - 10/10 ✓ Pop or'd links
 ← PPP
Security

* Head Programs - candidate proposal accepting?
for - discl. Post Entry

* Asset Count 27/10, preferred parts. invest

* Asset Review - split opening

