

Table of Contents

- [National Integrity Study, 2012/13](#)
- [TI Asia Pacific Regional Meeting South Korea](#)
- [Integrity Pledge by 15 South Korean Parliamentarians](#)
- [Korean Integrity Pledge](#)
- [Director TI-APD Visits New Zealand in May](#)
- [TI-NZ Members Contribute to New Zealand Prosperity](#)
- [Sir Kenneth Keith will Lead Special TI-NZ Seminar in August](#)
- [New Zealand Corruption - The SFO's View](#)
- [Recap Mai Chen: "Taking on the Titan"](#)
- [The Cost of Corruption and Fraud: Ferdinand Balfour](#)
- [New Members July 2012](#)
- [News Watch](#)

TI-NZ Members Calendar of Events

- 2 July 2012 - Auckland and Wellington
[New Zealand Corruption - The SFO's View](#). Adam Feeley and Nick Paterson - Serious Fraud Office
- 6 August 2012 – Wellington [Sir Kenneth James Keith will conduct a Special Seminar in August](#)
- 3 September 2012 - Auckland and Wellington. Doing Business in Asia Legally
- November 2012 – Wellington. Annual General Meeting, Transparency International New Zealand Ltd

Other Events

- 26 July 2012 – Wellington. Murray Petrie will present at the Australia and New Zealand School of Government conference
- Spring 2012 – Various. Institute of Directors Four Pillars Program
- Annual General Meeting 22 November 2012 – Wellington

National Integrity Study 2012/13

Transparency International New Zealand will be facilitating a new National Integrity Study for release in 2013 on the tenth anniversary of the initial study conducted in 2003. The National Integrity System evaluates key 'pillars' in a country's governance system, both in terms of their internal corruption risks and their contribution to fighting corruption in society at large. For New Zealand's 2013 study, TI-NZ will be supplying the independent oversight and project management to this effort, which is to be jointly funded by several government agencies.

A very high level of integrity and trust is a fundamental underpinning to the successful functioning of New Zealand's democracy and the health of our communities. We live in an increasingly globalised world where corruption remains the norm in many countries and where national borders are increasingly porous. It is in our national interest to manage the risks these factors pose to a high integrity society in a highly proactive fashion.

The concept of the National Integrity System (NIS) has been developed and promoted by the Transparency International Secretariat as part of its holistic approach to countering corruption. The 2003 *National Integrity Systems Study of New Zealand* published by Transparency International New Zealand was part of a multi-country project lead by the TI Secretariat in Berlin.

The 2003 New Zealand NIS Study assessed the quality of governance across the three main branches of government – the legislature, the judiciary and the executive - and covered the key institutions, laws and practices that contribute to integrity, transparency and accountability in a society. Since publication, many of the recommendations have been implemented, a number of risks become real, while others remain unresolved and new ones have been identified.



The methodology proposed for the new INS study will be broadly similar to that used for the 2003 report. Importantly, though, it will follow a far more comprehensive approach in its consultation to analyse governance with regard to the key pillars of integrity. The Office of the Auditor General, a TI-NZ cornerstone partner, has invested in the scoping work for the updated NIS. It is anticipated that a number of other key public sector agencies will join in as investors and become part of the Advisory Group managing the government's involvement. Discussions are taking place about the appointment of an independent project manager.

TI Asia Pacific Regional Meeting in South Korea

by Sir Anand Satyanand, TI-NZ Patron



Each year, a number of Transparency International regions undertake meetings where officials from the Secretariat in Berlin (TI-S) can exchange material with people from country offices. This year's Asia Pacific Region meeting in Seoul presented that kind of opportunity accompanied by notable hospitality from TI Korean hosts. Suzanne Snively and I attended this year's conference representing TI-NZ.

Senior people from some twenty chapters attended ranging from large jurisdictions such as India and China down to small operations in places like Vanuatu and the Maldives. The matter of supporting accountability in business and government world-wide, presents a number of inherent difficulties for an international civil society organisation like TI – language, culture, distance, variance in government styles and approaches – and likewise for business.

The meeting between central executive in Berlin and people in the Asia-Pacific world proved useful, particularly because it enabled the former group (TI-S) to demonstrate some of the work that has been done in recent times to upgrade the Corruption Perception Index and other materials produced in Berlin, many of which are available on-line - such as worksheets and template documents. Among other things, these enable chapters to assess needs for anti-corruption measures in a country and show how plans can be developed to deal with this. It was important for these to be described and explained.

The delegates were presented with the opportunity to exchange ideas and to discuss various anti-corruption strategies in different countries. Vital in this were experiences of the global financial crisis and revelations about governments about media methods and banking practices. Having five minute reporting sessions each country provided excellent information as well as less pressure on individual delegates speaking to a group of seventy. Delegates were thus able to learn how TI in Cambodia had secured in a two year period \$2.5 million in funding, and how a successful youth programme has progressed in China under the Chapter's auspices. It was clear to delegates that countries such as Nepal and Pakistan provide hugely difficult circumstances within which TI can flourish but that the chapters work hard and well in combating corruption.

Next, there was ample opportunity for delegates to discuss their individual country plans and practices such as those for fundraising. Actions in the future called for discussions about the uses of technology and emerging areas of debate regarding the presence of corruption – in defence procurement and forest governance for example. Considerable emphasis was laid on the delivery of efficient sessions with Berlin based staff, under Director Dr Srirak Plipat facilitating constructive and quick moving discussions.

Finally, there was opportunity for what can be called the New Zealand world view to be advanced within Transparency International in a number of sessions. New Zealand TI is different from many other chapters in being self supporting locally and responsible through liaison with the Ministry of Foreign Affairs for coordinating activities in some Pacific countries. The present

plan to raise the New Zealand chapter from a small ginger group of concerned and active citizens into a broadly based and supported group underpinned by business and government was able to be explained cogently by TI-NZ Chair, Suzanne Snively.

Integrity Pledge by 15 Elected South Korean Parliamentarians



On 14th May 2012, 11 elected parliamentarians from the Republic of Korea signed an Integrity Pledge at the National Assembly in Seoul, witnessed by young South Koreans and representatives of Transparency International. Four other MPs signed at another time.

Organised by the Transparency International (TI) Korea Chapter, the event was part of their outreach programme to bring together newly elected members of Parliament, representatives from civil society and young students to forge multi stakeholder coalitions. It also serves as an advocacy campaign to monitor the overall performance of parliamentarians in the context of integrity and good governance.

The signing event was held during the Transparency International Asia Pacific Region meetings. TI-NZ's Patron Sir Anand Satyanand and Chair Suzanne Snively were in attendance.

Korean Integrity Pledge

As an elected member of the 19th National Assembly of the Republic of Korea, in order to promote the integrity of Korean politics I solemnly promise the following in front of the witnesses of Transparency International and Korean youth:

1. As a member of the National Assembly, I will do my best to be a role model in conducting legislative activities for youth and to promote transparency, accountability and integrity.
2. I will enact the Korean Pact on Anti-corruption and Transparency which was signed on March 9, 2005 and make every effort to accomplish the below task:
 - Reestablishment of an independent anti-corruption commission according to the UNCAC
 - Establishment of an independent investigation agency into corrupt senior officials
 - Strengthening of the parliamentarians' ethical code and ethical practice regulation.
3. Active participation of the One Percent Movement as a member of TI-Korea.
4. Make every effort in order to re-establish the Korean chapter for the Global Organization of Parliamentarians Against Corruption (GOPAC).
5. Work as a mentor for youth and accept evaluation, opinions and feedback on my legislative activities.

May 14, 2012

Signatures:

An Elected Parliamentarian

Youth Witness

Transparency International Witness

TI-NZ Seminar Series

Sir Kenneth Keith Leads Special TI-NZ Seminar, August 6

We are honoured to welcome International Court Judge, Sir Kenneth Keith, for a special talk and discussion on Monday, August 6th at 5:30pm at Bell Gully's offices 171 Featherston Street Wellington.

His discussion titled *"Bringing the lamp of scrutiny to dark places"* will look the historical landmarks as is appropriate during the centenary of the Official Secrets Act.

He will highlight the progress made over the century including 50 years of the Ombudsman Act and 30 years of the Official Act, discussing what work still needs to be done to create a more transparent public sector. This discussion is particularly timely in regards to the timing of TI-NZ's National Integrity Survey, 2012/13 and the International Ombudsmen's November Conference in Wellington, hosted by Dame Beverley Wakeham, New Zealand's Chief Ombudsman.

Sir Kenneth will be back home in New Zealand from Brussels for his August holidays.

Please RSVP nicola.sceats@bellgully.com.

New Zealand Corruption - The SFO's View

As this newsletter is being released we are preparing for two simultaneous seminars from the Serious Fraud Office.

These will provide members and attendees in both Auckland and Wellington with a chance to hear from the SFO and be part of the conversation about corruption in New Zealand.

The seminars - "New Zealand Corruption - The Serious Fraud Offices' View. Can the perception that New Zealand is the least corrupt be maintained?" - will be led by Adam Feeley in Auckland and Nick Paterson in Wellington. Adam Feeley is Chief Executive and Director of the Serious Fraud Office and Nick Paterson is General Manager, Fraud & Corruption.

Adam and Nick will discuss:

- * What factors lead to our #1 rating in the CPI
- * How do we compare to other like nations
- * What's hidden beneath the surface
- * What does it all mean and what's the potential impact on the wider NZ 100% Pure brand

They will also speak about the future in the corruption area including the proposed actions for the next year, during which time NZ can expect further assessment by the OECD.

Recap Mai Chen: Taking on the Titan

At the TI-NZ Seminar, 7th May 2012, Mai talked about "Taking on the Titan: accountability and transparency in government and business"

Mai opened her presentation by asserting that *"The future is coming to Transparency International New Zealand."* Her new book, *The Public Law Toolbox*, was, Mai said, mainly about



transparency and accountability in government. One of the key drivers of policy and law is increasing expectations amongst the public of transparency in government and business - for example the Members of Parliament Remuneration Bill, which will establish an independent remuneration authority to replace the current arrangements in which MPs are seen to set their own terms and conditions. This is no longer viewed as publicly acceptable, and all sides of the political spectrum have come to realise that it is in their interest to introduce greater transparency and accountability. Similarly s109, the Local Government Electoral Act, covering donations is being described as out of date, yet is only 11 years old. Where do the increased public expectations of transparency and accountability end?

Mai discussed the private member's Lobbyists Bill. She described the Australian approach as lighter-handed, being a Code of Conduct embodied within a statute. The US has a legislative approach - but then they have clear "cash for access" issues. Is this the experience in NZ? We are small, and our consistently high ranking on TI's Corruption Perceptions Index suggests we are free of corruption - although Mai wonders if there is an element of self-reporting in the CPI; she does not think enough people in NZ are aware of what constitutes a conflict of interest. Mai is not sure we need a Lobbyists Bill, but she expects that we will get one, partly a reflection of the impact of the global financial crisis on public opinion.

She considers that businesses in NZ still think they can do private sector deals with the government; "they don't realise that they cannot and that the government is like no other entity business does business with."

Mai sees a clear trend toward heavier regulation in NZ. Professions are no longer trusted to regulate themselves, with very few self-regulatory arrangements left in place - for example the Law Society is now subject to co-regulation.

Returning to the theme that the future is coming to TI-NZ, Mai noted that the government is putting out more and more information and social media are making it easier to organise public opinion, and hold officials to account. IT developments, therefore, have levelled the playing field, reducing the extent to which government is the leviathan. While big business is still influential, it is harder for it to influence policy than in the past.

Looking at the Public Toolbox overall, Mai stated she considers that NZ needs a constitution. She also considers the Official Information Act should be extended to cover the information held by the Speaker, the Office of the Clerk and the Parliamentary Service Commission (as recommended by the Law Commission).

There are not many gaps in NZ's public law toolbox. However a key issue is the need to fund the entities that do exist, rather than setting up new ones: for example the Ombudsman's Office cannot process all the complaints it receives. The Judicial Conduct Commissioner comprises one person and a tiny budget. The Protected Disclosures Act is hardly ever used - despite the fact that the OAG Fraud Survey found that 22% of respondents observed fraud in their workplace and did not report it. Perhaps the thresholds in the Protected Disclosures Act are too high.

Mai's view is that there is merit in considering a one stop shop approach to public complaints. Members of the public do not know where to go with their various complaints. Too often they end up going to a lawyer, to court, and fail at great cost. Small agencies confront critical mass issues and it could be more effective to set up coordinated responses rather than the knee-jerk reaction of setting up yet another small complaints body.

One Member's View: The Cost of Corruption and Fraud



Ferdinand C Balfort (BCA.CA.CIA)

Two critical areas of focus to prevent corruption are education and raising awareness. It is important to quantify

the cost of corruption to our society, both in New Zealand and internationally. The insidious nature of corruption, facilitated by the increasingly globalized financial systems, is sometimes overlooked.

Corruption in India

The Indian press reported earlier this year that the Indian Central Bureau of Investigation estimates that around US\$ 500 billion of funds are hidden offshore by Indians. New Zealand is allegedly one of the key locations where such “hot” money finds a home.

The BBC reports that over one third of all Indian food production goes to waste each year, enough to feed the entire Indian population and allow India to become a major food exporter. The under investment in infrastructure hampers the development of the Indian economy. The lack of suitable roads, bridges and food storage facilities in India is the main culprit. What impact would the US\$ 500 billion that is currently “invested” overseas have on this picture?

Due to the likely corrupt source of the funds it is not a major leap of thinking to causally link the poverty and hunger of a large segment of the Indian population directly to corruption, and as noted, the impact is also on New Zealand.

The Global Picture

Numerous calculations relating to specific corruption cases such as the one above have been publicized in the past, but a complete global picture is lacking.

The global Association of Certified Fraud Examiners (ACFE) reported in 2012 that the total cost of fraud, based on an extensive global fraud survey carried out in 2011, is around 5 % of gross revenues of companies. They extrapolated this percentage to Gross World Product (GWP), estimated at around US\$ 70 trillion and determined that an estimated US\$ 3.5 trillion of fraud costs are borne by the world.

The World Bank reported in 2012 that around US\$ 20 – US\$ 40 billion of the estimated US\$ 72 billion it lends to poorer countries is siphoned off by corruption each year. Corruption researchers, as confirmed by my own experiences and observations, put the transaction costs of corruption at between 20 – 50%, with [Brazil](#), [Russia](#), [India](#), [China](#) and South Africa (BRICS), in particular, suffering corruption costs towards the higher end of this range.

A conservative mid-point between the two academically reported corruption extremes is 35%, representing average corruption costs incurred in obtaining projects and supply contracts by businesses in corrupt environments - equivalent to 35% of company gross revenues.

If we apply some adjustment based on the weighting of the Gross Domestic Product (GDP) of BRICS economies in the global context, which was estimated at around 25% in 2010, and

without doing a full mathematical calculation weighting all more or less corrupt countries according to the CPI Index, it is not inconceivable to estimate total global costs of corruption to be in the region of 20 – 25% of GWP.

The corruption impact on the gross revenues of companies, aggregate national GDP and total GWP could thus represent between US\$ 14 – 17.5 trillion. Taking the higher end figure and adding the total for fraud costs of US\$ 3.5 trillion, this potentially estimates fraud and corruption costs globally to be around US\$ 21 trillion of the US\$ 70 trillion of GWP.

Just so the financial quantum is clear, that is potentially US\$ 21,000,000,000.

This figure is not properly accounted for or reported on formally by organizations, due to factors of sensitivity, illegality and timing. It could be argued that the GWP could in fact be higher or lower than it is stated due to the uncertainty of inclusion or exclusion of corrupt money from company revenues, Gross Domestic Product and hence Gross World Product.

Companies involved in fraud and corruption disguise and siphon associated costs and losses, which could materially alter their financial ratios and valuation. Corruption and fraud related costs are either hidden under other expense headings, or are completely removed from scrutiny by means of parallel accounting systems. As a result markets are materially distorted. On an individual level, one could also ask questions as to who should bear responsibility for not reporting or safeguarding the resulting financial transactions, including professionals and financial institutions.

New Zealand Impact and Responsibilities

While NZ has a reputation for low levels of corruption, it does not mean we are immune to the effects of global corruption and fraud. The recent Sky City expansion proposal and the allegations in the Kim Dotcom case for example, demonstrate our need for on-going improvement and sceptical vigilance regarding the source of funds that are invested in New Zealand. Casinos globally are publically identified as convenient money laundering mechanisms (including those in New Zealand which had a money laundering case reported in the New Zealand media in 2010). If just 5% of the Indian “hidden” funds are in New Zealand, we could be harbouring US\$25 billion dollars of potentially corrupt money - equivalent to 18% of our GDP!

This raises the question as to who the New Zealand agents and caretakers of the corrupt Indian money are, because someone is obviously arranging for these transfers and taking care of these funds. It also begs the question how the corrupt flows enter New Zealand, whether by shell companies (as the Indian SFO suggests) or via other means such as casinos.

Take Responsibility

Corruption is not a distant issue lacking direct impact on our own communities. The anti-corruption fight is the responsibility of each member of society. Corruption is made possible by the lack of intervention and support of others amongst us, whether deliberate or the absence of asking the right questions.

If you suspect corruption and wish to discuss such matters you may contact the Serious Fraud Office. They have the responsibility for receiving concerns or complaints regarding alleged corruption and can be contacted oncomplaints@sfo.govt.nz, on 0800 109800 (within NZ) or +64 9 3010142 (from outside NZ) and at <http://www.sfo.govt.nz/>

The views, hypotheses and opinions expressed in this article are the author's. Since my research is in progress I am interested to hear your views and observations. fbalfour@hotmail.com

Director TI-APD Visited New Zealand in May

Dr Srirak Plipat the newly appointed Director of the Asia Pacific Division of Transparency International visited New Zealand on May 21st and 22nd accompanied by Jeremy Cole the Field Officer who is managing the Pacific Network Institutional Strengthening programme (PNISP).

While in New Zealand they visited NZAID, met the TI-NZ Wellington Directors and the OAG Deputy Auditor General, Ann Webster.

Extensive discussions were conducted with Dr Plipat about strengthening the PNISP which is funded by New Zealand Aid to assist Transparency International chapters operating in Fiji, the Solomon Islands, Vanuatu and Papua New Guinea. It is hoped that the programme will be extended to other parts of the Pacific in the future.

New Members July 2012

Transparency International New Zealand welcomes the following new members:

Jerry Ball, Entity Group Limited (Bronze member)

Len Cook (Individual member)

Transparency International New Zealand

Website: www.transparency.org.nz

Facebook: facebook.com/TINZ.org

Contact Us: Kayla@transparency.org.nz

TI-NZ Members Contribute to New Zealand Prosperity

A TI-NZ Membership:

- demonstrates your commitment to transparency, accountability and intolerance of corruption in New Zealand and internationally
- helps with lobbying for good governance across the private sector and all branches of government
- provides you with the latest information on corruption and governance issues in New Zealand, the Pacific Island region and globally
- gives you the opportunity to attend speaker's events, network, to keep up with TI events and TI-NZ activities and research
- is part of the global movement for the elimination of bribery and corruption
- provides you with the tools to raise awareness within your organisation about the importance of matching performance to perception creating the conditions for New Zealand to increase prosperity and wellbeing through transparency

[Membership Information](#)

[Membership Application](#)

[Join TI-NZ now!](#)

Ensure New Zealand Remains as Good as it's Perceived

Renew Your Membership or Join TI-NZ NOW!

Easier than Ever to Join

www.transparency.nz.org/online-membership-application

New Reports, Information and Links to Issues We Are Monitoring

New Zealand Transparency

UNCAC Ratification Judicial Financial Interests

Ministry of Justice - 14 May 2012: The Foreign Affairs, Defence and Trade Committee released a report regarding what needs to be done to ratify the United Nations Convention against Corruption (UNCAC). New Zealand signed up to the UN Convention almost nine years ago but is still to ratify it. Legislative impediments are being cited as the reason for the delay.

Correspondence from the Ministry of Justice to the Committee in April 2012 reveals a change made to an anti-money laundering Bill in 2009 is part of the problem. At the time, Parliament removed a requirement for prominent Politically Exposed Persons (PEPs) to be subject to enhanced due diligence around such matters. However having them subject to such scrutiny is a requirement of the UN Convention against corruption, and a recommendation of the Financial Action Task Force. The Foreign Affairs Committee report says that the Government is still considering the Convention; almost ten years' on from New Zealand signing the Convention, TI-NZ believes that now is the time for the government to make this a priority and make the legislative changes necessary to enable ratification.

3news.co.nz - 28 June 2012: [Judges bill gets through first reading](#), Judges will have to reveal details of their financial interests if a bill that has passed its first reading becomes law.

Corruption rife in pokie trusts system: Former director

nzherald.co.nz - 30 June 2012: Former Community Gaming Association executive director Francis Wevers says [the system is corrupt and needs total reform](#).

New Zealand removed from EU Banking and Corporate "white list"

stuff.co.nz - 17 May 2012: [New Zealand removed from EU "white list."](#) New Zealand and Russia have been struck off a prestigious European Union banking and corporate "white list" over this country's weak money laundering and terrorism financing controls.

Dominion Post - 7 June 2012 : [Diplomatic bid to salvage NZ's reputation](#)

interest.co.nz - 27 June 2012: [How NZ needs to overcome 'deficiencies' in bank and financial institution regulation to get back on EU anti money laundering and counter terrorist financing 'White List'](#)

SFO Bribery Prosecution

Serious Fraud Office - 15 June 2012: [Second person sentenced in SFO bribery prosecution](#).

New Zealand's [Treasury has now released all the data it can online](#)

Computeworld - 30 June 2012: Government's move to open up its stores of data to the public is proceeding steadily, with about 1700 datasets included in a directory on the data.govt.nz site, says Keitha Booth, who is in charge of the exercise. The Treasury, for example, has released all of the data it can, including all its Budget data.

[Corruption allegedly allowed William Yan to gain citizenship](#)

NZ Herald.co.nz - 5 June 2012: Corruption behind ID, claim witnesses. A Chinese millionaire with multiple identities is accused by Chinese witnesses of corruptly obtaining false identity documents which he used to gain New Zealand citizenship. The Auditor-General last week started an inquiry into how William Yan - also known as Yongming Yan and Yang Liu - was granted citizenship.

stuff.co.nz - 30 May 2012: [Auditor general Lyn Provost is to investigate](#) why Labour MP Shane Jones over-ruled officials to approve a New Zealand passport to a Chinese millionaire.

Transparency International News Stories

[Assurance Framework for Corporate Anti-bribery Programmes](#)

Transparency International - 21 June 2012: The Assurance Framework is the latest addition to a range of Transparency International tools based on the Business Principles for Countering Bribery and developed to raise the level of anti-bribery practice by business. [Press release, coverage in the Wall Street Journal](#)

New Zealand Fraud

[Fraud awareness, prevention, and detection in the public sector.](#)

Office of the Auditor General - 20 June, 2012: The Office of the Auditor General released its analysis of the results of its 2011 survey: [Fraud awareness, prevention, and detection in the public sector](#). It shows that there is a strong and effective commitment to protecting taxpayer money and confirms that the level of fraud in the New Zealand public sector is very low by international standards.

[Charities target fraud risk](#)

Voxy.co.nz - 30 May 2012: Fraud is a serious threat to New Zealand's charitable sector with potentially devastating effects - a concern reflected in the fact that charities nationwide book out fraud prevention workshops within a week of their being offered. The Charities Commission and national accounting firm BDO are jointly presenting the series of free fraud detection and prevention workshops for charities in 20 cities and towns around New Zealand during June.