



## Transparency International New Zealand

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# Members' Update

Issue 3/2008

12 November 2008

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## Auditor General comments

Following the AGM the Auditor General, Kevin Brady, addressed the meeting. Some of the key messages from his address were;

- **The size of the public audit role:** there are over 4,000 entities within the public sector and 87% of the Office of the Auditor General's time is involved in auditing of financial statements.
- **Good practice guidelines:** there is a need for the development of good practice guidelines. The Auditor General has published a number of these.
- **Ethics Training:** NZ needs to consider more ethics training. Mr Brady acknowledged the current ethics training being undertaken in a number of NZ universities but felt there was room to further develop our commitment in this area.
- **Fraudulent behavior:** The cost is often considered too high for entities to pursue prosecution when dealing with fraudulent behavior. He suggested that the extent of NZ's corrupt or fraudulent behavior was higher than prosecutions indi-

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Transparency International is a not-for-profit, non-government organisation, which aims to counter corruption in international and national business transactions and government decision making.

Transparency International is politically non-partisan and does not undertake direct investigation of alleged corruption or expose individual cases.

There are over 90 National Chapters of TI worldwide. Each chapter is an autonomous body supported by a global Secretariat based in Berlin

## Financial Crisis a Betrayal of Public Trust

*(media release from Transparency International Secretariat)*

World leaders need to recognise that the global financial crisis is the result of, "an enormous mismanagement of funds entrusted by the public to financial institutions", according to a statement by Transparency International (TI), at its 2008 Annual Membership Meeting in Athens.

"What is particularly problematic is the broad economic and humanitarian impact of the crisis. Leaders must ensure that the poor do not suffer even more," said TI Chair, Huguette Labelle.

A resolution, issued at the TI annual meeting and approved by delegates from over 90 TI national chapters and individual members, called the crisis, "a failure by public authorities to ensure the integrity and stability of the system and the safety and soundness of banking."

"We are calling on the leaders of the Group of 20 (G-20) industrialised nations, meeting on the crisis on 14-15 November in Washington D.C., USA, to ensure that transparency, integrity and public accountability become the foundation of the vital reforms needed to rebuild the world's financial system," added Labelle.

Transparency International outlined seven priority areas for action by the leaders of the G-20:

- 1) **Regulation and supervision:** Secure greater transparency and public accountability in order to restore public trust and adopt a far more consistent and internationally coordinated framework for regulation and supervision of all financial institutions.
- 2) **Rescue measures:** Ensure effective safeguards with transparency and accountability at the forefront, in all aspects of public management of taxpayers' funds, in support of

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## Financial Crisis a Betrayal of Public Trust

efforts to restore the sound functioning of financial institutions and markets.

**3) Offshore havens:** Halt evasion of all tax and financial regulations and the facilitation of illicit activities through use of “offshore havens” and ensure that these centres cooperate fully with other national and international authorities on the exchange of information.

**4) Governance:** Build strong corporate governance, including board accountability, with emphasis on executive compensation, risk management and disclosure on financial products.

**5) Conflicts of Interest:** Take measures to prevent conflicts of interest in the activities of credit rating agencies, auditing firms, and in relationships between financial firms and the public sector.

**6) Investigations and Sanctions:** Pursue appropriate criminal investigations in compliance with existing laws and regulations, and impose strong sanctions where corruption, insider trading and other abuses are found.

**7) Aid:** Take urgent action to address rising global poverty resulting from the current crisis by increasing official development assistance, with particular emphasis on those in greatest need and with the necessary accountability mechanisms

The full text of the resolution can be viewed at: [www.transparency.org/news\\_room/in\\_focus/2008/tj\\_2008\\_amm#AMM\\_resolutions](http://www.transparency.org/news_room/in_focus/2008/tj_2008_amm#AMM_resolutions)

## AGM Report (23 October 2008)

There was a good turn out of Members and Guests at the AGM.

**Annual Report:** The Annual Report and the audited Annual Financial Report were tabled and accepted. TINZ acknowledges the continued generous support of KPMG in the provision of auditing services and their regular provision of meeting facilities for the Board.

The Chair’s address to the AGM was a summary of the details included in the Annual Report. The Chair highlighted the limited resources TINZ has available and the need to continue to build our human and financial resource capacity.

### Election of Officers

The following Members were elected unopposed to TINZ’s Board;

<i>Gerald McGhie (Chair)</i>	<i>Claire Johnstone (Dep Chair)</i>
<i>David MacDonald</i>	<i>Murray Petrie</i>
<i>Alex Tan</i>	<i>Sefton Darby</i>
<i>David Binning</i>	

## Board Members

This month we introduce Board members appointed for the first time at the 2007 or 2008 AGM.

Over the next two issues we will include similar coverage of our Board Members who have been involved for a longer period - Gerald McGhie, Claire Johnstone, David Macdonald, Hugh Templeton, Trevor Roberts, Murray Petrie and Rodger Spiller.

### Marcus Peltó

Marcus is a governance and development consultant who has worked with governments, multilateral organizations and NGOs in the Pacific since 1999. He was previously the Executive Officer of Transparency International Papua New Guinea, and acted as Executive Officer of TINZ in 2007. Marcus provides technical assistance to the Board and TINZ Executive in relation to the management of the NZAID-funded TI Pacific Support Programme. Marcus has a Master of Laws with Honours from the University of Canterbury in Christchurch and currently lives with his wife and two (almost) children in Tonga.

### Alex Tan

Alex is a Director within PricewaterhouseCoopers' Forensic Services practice. He has spent 9 years with the Royal Hong Kong Police followed by 8 years with the NZ Serious Fraud Office. Alex joined PwC in March 2005. Throughout his career, Alex has advised upon and investigated matters involving corruption, bribery and unethical behaviour. He is currently part of PwC's global team of experts on corruption and has recently delivered anti-corruption training in China to employees of a major multinational corporation facing alleged breaches of the US Foreign & Corrupt Practices Act.

### Sefton Darby

Sefton Darby established his consulting company – S.E.B. Strategy Ltd – in early 2008. Previously he has worked for the World Bank in Washington D.C.; as a policy analyst in the UK Department for International Development; and as an Assistant Director in the UK Cabinet Office. Present clients include the World Bank, the German and British governments, the International Secretariat of the Extractive Industries Transparency Initiative in Oslo, and the Revenue Watch Institute in New York. His work experience has been largely focused on public sector reform, and more recently on improving transparency and accountability in developing countries with significant oil or mineral resources. He is a graduate of the Universities Otago and St Andrews (Scotland).

### David Binning

David’s had an extensive career in international marketing and senior management in Shell’s Chemical sector. After accepting early retirement in 1996 his work is now in Business Management Consulting & Mentoring with an emphasis on Small to Medium Businesses. David’s consulting encompasses general management with particular focus on governance, development and expansion of businesses, business acquisition, managing companies out of receivership, reviewing financial processes and company performance

Voluntary work has included, until recently, Senior Vice President of Export New Zealand. He is a past president of both the Wellington region and national body.

He is also Chairman of Trustees of the Cancer Voices Charitable Trust, an organisation focused on the provision of advocacy for people affected by cancer.



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## Auditor General comments (continued)

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- **Quality of information:** For audit processes to be effective there needs to be clarity in agencies' objectives and they should cover the quality of performance reporting..
- **NZ Positives:** From an international perspective our police, judiciary, politicians, media and public sector are comparatively free from corruption.
- **NZ Negatives:** complacency! We only have one way to go if we become complacent. We are currently not doing enough to ensure we retain our high standing and Mr Brady again stressed the importance of ethics training and the development of good practice guidelines.

## Transparency International Secretariat Working Papers

There are always a range of Policy and Research issues being considered within the global Transparency International community. In the Members' Update we will provide a brief summary of papers that are open for comment and discussions. In most cases a discussion draft document is available for review and comment. If you are interested in making comment on any issue please email us ([admin@transparencynz.org.nz](mailto:admin@transparencynz.org.nz)) and we will send you the appropriate paper.

This month we highlight the following working papers;

### Corruption and Paying for Healthcare

Every year, the world spends more than US \$3.1 trillion on health services. However, growing evidence indicates that corruption results in significant losses and denial of good quality health services to millions of people. *Working Paper No. 1/2006*.

### Corruption and Renewable Natural Resources

There is important evidence to suggest that corruption is a key contributing factor to the degradation of renewable natural resources. Corrupt forestry officials or law enforcement officers who are in the pockets of unscrupulous logging firms will turn a blind eye to illegal forestry activities, threatening sustainable management of the forest's biodiversity storehouse. Similarly, fisheries inspectors endanger the sustainability of fish stocks by accepting bribes from trawling companies intent on ignoring official quotas. *Working Paper No. 1/2007*

### Using the OECD Guidelines to tackle Corporate Corruption

The Guidelines for Multinational Enterprises, adopted by the Organisation for Economic Co-operation and Development (OECD), provide a set of corrupt accountability standards that offer great potential for civil society to effectively combat private sector corruption. *Working Paper No 3/2008*

## Transparency International Annual Members' Meeting

### Athens 28 & 29 October 2008

Our Executive Officer, Paul Browne, recently attended the Annual Members' Meeting (AMM) of Transparency International on behalf of the New Zealand chapter. Some of the themes which came out of the annual meeting and the International Anti-Corruption Conference (IACC) which was held immediately after the AMM were;

- The need to think and act both "totally local and thoroughly global". Recognise that a major strength of the TI movement is the autonomy of the chapters, but to also recognize the increasing need to efficiently and effectively leverage the combined resources of the movement on a global scale.
- The need to work more effectively with other NGOs. The direct link that is now known to exist between corruption and human rights issues and the importance of organizations such as TI and Amnesty International working more closely, was raised by Irene Khan, Secretary General of Amnesty International and keynote speaker at the IACC.
- The need to recognise the supply side of corruption - the image is too often that corruption only happens in developing country but the meetings were regularly reminded that it is largely developed countries (including New Zealand) who are the supply side of the corruption cycle. There were also constant reminders that banking institutions in developed countries (and New Zealand is not excluded) are the vehicles by which corruptly derived funds are laundered and invested.



## Issues from New Zealand

## News

### **New Zealand Export Credit Office Bribery Policy**

The New Zealand Export Credit Office (NZECO) does not guarantee transactions where bribery is involved. The guarantee-holder could find that the guarantee ceases to be valid if it later emerges that the export transaction involved bribery.

The NZECO requires everyone who applies for a guarantee to verify that no bribes have been paid in connection with the transaction in question. The NZECO's guarantee will cease to be valid should it later emerge that bribes have been paid.

### **OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions**

New Zealand signed the agreement in 1997 and ratified it in 2001. The Convention criminalises the;

- Intentional offering, promising or giving of a bribe ...to a foreign official...for them to do something (or not do something)... So that the briber can get business, keep their business or so that they can get another advantage in the conduct of international business
- New Zealand's criminal offence of bribing a foreign public official carries a maximum penalty of seven years imprisonment.

The Convention also requires that:

- the proceeds of bribery should be able to be seized or confiscated; and
- countries consider imposing additional sanctions on a person who engages in bribery such as fines or being barred from entering into contracts.

In order to combat bribery, the Convention requires that countries prohibit:

- the establishment of off-the-books accounts
- the recording of non-existent expenses
- the entry of incorrect debts in accounts for the purpose of bribing foreign public officials or hiding bribes

Due to the political nature of international business and international relations, the Convention makes it clear that countries should not take into account what affect the investigation or prosecution of bribery might have on their economic interests or the affect it might have on the person involved, for example if they were a Member of Parliament or the Judiciary.

Because the focuses of the offences in the Convention are international in nature, the Convention also requires countries to establish control over bribery offences when they are committed abroad. To assist this, the Convention provides that countries must provide prompt and effective legal assistance to other countries in respect of criminal and non-criminal investigations and proceedings. Bribery offences should also be extraditable offences.

### **Siemens**

The Wall Street Journal (6 Nov 2008) reports that Siemens AG will set aside 1 billion euros in estimated fines from U.S. and German authorities investigating alleged bribery.

The disclosure by Europe's largest engineering company by revenue suggests Siemens is nearing legal settlements with prosecutors -- and is possibly in line for a record U.S. fine for overseas bribery -- after German police raided Siemens's offices on suspicion of corruption two years ago. Fallout from the November 2006 German raid has triggered criminal probes in more than 10 countries amid growing evidence that Siemens bribed customers to win big infrastructure projects abroad.

In addition to possible fines, Siemens has acknowledged in the past that it faces the threat of bidding bans for public-sector contracts in some of the nearly 200 countries where it is active. German authorities have sentenced one former Siemens executive and indicted two other former managers since launching their criminal probe. Prosecutors are working through a list of around 300 suspects.

### **TI's Bribe Payers Index**

Transparency International's 2008 Bribe Payer's Index is due to be released on 9 December 2008.

The last BPI was released in 2006 and according to overseas bribery by companies from the world's export giants is still common, despite the existence of international anti-bribery laws criminalising this practice.

The BPI looks at the propensity of companies from 30 leading exporting countries to bribe abroad. Companies from the wealthiest countries generally rank in the top half of the Index, but still routinely pay bribes, particularly in developing economies. Companies from emerging export powers India, China and Russia rank among the worst. In the case of China and other emerging export powers, efforts to strengthen domestic anti-corruption activities have failed to extend abroad.

### **Transparency International annual meeting deplores UK government failure to fight foreign bribery**

Transparency International (TI) spoke out strongly at the close of its Annual Membership Meeting yesterday in Athens, Greece, on the UK government's failure to enforce the ban on foreign bribery by its companies under the OECD Anti-Bribery Convention, to which the UK has been a party for nearly a decade.

The statement was made in one of four resolutions approved by delegates from over 90 TI national chapters and individual members of TI. The world's leading anti-corruption organisation also condemned the rising incidence of threats against anti-corruption advocates, which included the bombing of the home of a TI national chapter director in Sri Lanka in late September.