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TI-NZ Members Calendar

7 May 2012 - Wellington

[Mai Chen - Accountability and Transparency in Government and Business](#)

2 July 2012 - Auckland and Wellington

Adam Feeley and Nick Paterson - Serious Fraud Office

3 September 2012

Topic to be determined

November 2012 - Wellington

Annual General Meeting

Outreach Events

14 - 16 May 2012 - Seoul, South Korea

Sir Anand Satyanand and Suzanne Snively will attend the TI Asia Pacific annual Regional Programme Meeting

21 and 22 May 2012 - New Zealand

Srirak Phipat the newly appointed Director of the Asia Pacific Division of Transparency International visits New Zealand

24 May 2012 - Wellington

The work of Transparency International in the global fight against bribery and corruption
TI-NZ Director Fiona Tregonning will present during the New Zealand Institute of Chartered Accountants Forensic Accounting Conference

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

Chair's Message

Digging Out the Root Causes of Corruption

Our mission at Transparency International New Zealand is to prevent systemic corruption. We intend to prove an influential and trusted catalyst in limiting corruption and promoting openness and accountability in governance—public, private and NGO—both in our parish and in the world.

Underpinning our work is the conviction that the absence of bribery and corruption are essential if we are to maintain a strong economy and society. Our focus is on identifying solutions to the root causes of corruption and providing non-partisan thought leadership on these issues.

Involving ourselves in the many controversies that crop up as part of an accelerating news cycle may garner headlines but it also has the potential to divert TI-NZ from its main focus, which is to build trust and prevent systemic corruption. Rather than adding just one more voice and one more perspective on the alleged abuse, we prefer to offer thought leadership and contribute to finding solutions that make these abuses less possible.



Complacency is our Challenge

New Zealand's consistent ranking at or near the top of the CPI and a general feeling that corruption and fraud are not significant in New Zealand do not make us immune to such crime. The antidote to any complacency on this score is the fact that there have been a number of high profile fraud prosecutions against company directors and public servants over the past two years, the latest KPMG fraud report highlights a significant jump in the dollar value of fraud and the Serious Fraud Office will shortly release a report exposing a surprising level of financial crime across New Zealand.

Particular risks include misplaced trust in employees working on their own while responsible for major transactions, poor procurement policies, inconsistent corruption awareness training, and the need for improved whistle-blowing processes. The Christchurch earthquake recovery emergency situation is vulnerable to corruption and bribery with an extremely high risk of fraud and artificially inflated prices.

Building the TI-NZ Brand - Please Help!

Part of our mission is to work cooperatively with individuals, corporations, governments and international organisations in the fight against corruption. To accomplish this we are striving to partner with like-minded organizations and significantly expand our individual membership.

You can demonstrate your commitment to the fight against corruption in New Zealand by:

- Joining TI-NZ and encouraging other like-minded colleagues and friends to join
- Assisting with one of our current projects or undertake one on your own
- Donating to help fund initiatives
- Encouraging your organisation to join or become a partner
- Using and recommending corruption prevention tools available through TI-NZ.

We are Engaged on Many Fronts

We are contributing on many fronts; this newsletter highlights just some of them. Help us in the fight against corruption by engaging where you are interested and help promote the Transparency International brand.

Regards,

Suzanne Snively

Chair, Transparency International New Zealand

Calling all Exporters

Transparency International New Zealand has commissioned UMR Research, an independent market research company, to conduct a series of qualitative interviews with representatives of New Zealand companies which export to Asia and / or the Pacific Islands. TI-NZ is looking for exporters to interview who can provide useful information about their experience in overseas markets with regard to corruption and bribery,

The research will focus strictly on the extent to which exporters have encountered corrupt practices, NOT on whether or not exporters have engaged in corrupt practices themselves. No individuals or companies will be identified in the report; participants will receive a copy of the report.

Few other countries have conducted similar investigations, so this research will help to promote New Zealand's reputation as a country which takes good business practice seriously.

If you know of any exporters we should interview, please contact Claire Johnstone by the May 20th at clairehelen.johnstone@gmail.com

TI-NZ and OAG form Strategic Partnership

Transparency International New Zealand and the Office of the Auditor-General have formally agreed to a partnership approach to work jointly in areas of common interest between the organisations.

They will work together to engage public entities and the wider public in maintaining the values and practices of integrity and transparency.

Areas in which TI-NZ and the OAG will advance mutually beneficial work include:

- joint research projects focusing on ways to promote transparency and accountability to protect and sustain public sector integrity
- disseminating and communicating to the public sector and the public, work by others about integrity and transparency matters (such as in surveys, research and analysis)
- joint seminars and presentations (for example at the public sector's CEO's meetings) to encourage shared knowledge about integrity and transparency trends, challenges and risks

Several joint projects are in the discussion and planning stage.

Both organisations value their respective roles in independently and objectively reporting and will not compromise their roles as a result of this agreement.

New Members

Transparency International New Zealand welcomes the following new members:

The Right Honourable Sir Anand Satyanand
Ian Tuke - Counter Fraud Service for the NZ Deloitte Forensics Team
Geoff Owen - Manager within PwC's Forensic Services team
Steven Price - Lecturer at VUW/Barrister
Claudia Geiringer - Lecturer at VUW School of Law
Michael Leon - Wellington Websites Ltd
Cameron Sumpter - Student

Sir Anand Satyanand becomes TI-NZ Patron



We are delighted to announce we have a patron for the first time. Former Governor-General, The Right Honourable Sir Anand Satyanand has agreed to take up this role – and in doing so emphasizing his commitment to promoting good governance. He was previously a TI-NZ board member before resigning when he was appointed Governor-General. Alongside former roles as an ombudsman, judge and legal practitioner, Sir Anand has maintained associations with many community organisations to do with the law, local government and sport - often in a governance role.

We are excited to welcome Sir Anand to the position of Patron of Transparency International New Zealand. We applaud his commitment to low corruption and good governance, which he has demonstrated by so quickly re-establishing his relationship with TI-NZ. We expect Sir Anand to be much more than a figurehead. He is already actively involved in the direction and activities of TI-NZ as we continue to champion transparency throughout New Zealand, the Pacific and the world.

Sir Anand has maintained a long term interest in the progress of our New Zealand Transparency International chapter in relation to its work locally as well as in the Pacific. This association developed particularly from his role as an Ombudsman between 1995 and 2005.

Sir Anand said he agreed to be a patron because he sees Transparency International as an organisation with a respected name that helps encourage high standards in governance in organisations everywhere in the world.

"This is work with which I have had an association in the past and with which I can perhaps play a helpful role in the future. This may be in our country as well as among neighbouring countries in the Pacific."

UNCAC Approval Update

TI-NZ continues to call for New Zealand to ratify the United Nations Convention against Corruption (UNCAC).

Chair Suzanne Snively observes "Successive New Zealand governments have swept the issue of UN Convention against Corruption ratification under the mat for almost a decade. The result is that New Zealand law lacks adequate alignment with international standards and carries only weak penalties for those convicted of bribery in the private sector."

Writing in the Sunday Star Times (edition 25 March 2012, page A16) Anthony Hubbard identified a worrying level of political and public complacency about corruption in New Zealand. As Hubbard says, New Zealand's failure to ratify the UN Convention (despite signing it back in 2003) is an embarrassment for a country that prides itself on its 'clean' international image. More than that, however, it is bad for NZ business. The full [Anthony Hubbard article](#) is available on our website; as is a [TI-NZ press release](#).

We are having conversations with the Ministry of Justice and will be in contact with the Foreign Affairs and Defence select committee to determine the steps considered necessary for approval.

Mai Chen Seminar 7 May 2012

Taking on the Titan: Accountability and Transparency in Government and Business

TI-NZ member Mai Chen will be speaking to members and their guests at an exclusive event on 7th May 2012 at 5:30pm at PricewaterhouseCoopers, 16th floor, 113 The Terrace, Wellington.

Coinciding with the release of her new book, *"The Public Law Toolbox"*, Mai will present an inter-active seminar on the increasing expectations of accountability and transparency from government and business.



Themes of the discussion will include:

- Is the age of 're-regulation' really delivering accountability and transparency in government and business?
- What do increasing complaints to statutory complaints bodies and officers of parliament mean? Are these actions effective?
- Why are complaints to government becoming more complex and who is making them?

Mai is a founding partner of Chen Palmer New Zealand and is an Adjunct Professor in Commercial and Public Law at the University of Auckland Business School.

Mai's considerable expertise includes administrative law, regulation and judicial review. She's prepared to address your thorniest questions!

Join us and take the opportunity to engage with Mai on topics that go to the heart of democracy. Please RSVP to Geoff Owen at Geoff.w.owen@nz.pwc.com

OECD Anti-Bribery Convention Progress

During March 2012, TI-NZ completed the Transparency International Questionnaire on foreign bribery cases in New Zealand for the purposes of the annual TI Progress Report on Enforcement of the OECD Anti-Bribery Convention.

The OECD Convention requires each State Party to make foreign bribery a crime, and TI each year publishes a report on the status of enforcement in each of the signatory countries by collecting data on foreign bribery cases, investigations and allegations.

This year for the first time TI-NZ lodged Official Information Act (OIA) requests with the Ministry of Justice, the Serious Fraud Office and the NZ Police to gather the data for the report. Responses were received from each of the agencies, but the data shows that there have been no material developments in New Zealand since last year's report, with:

- No new investigations begun, concluded or underway since 1 January 2011; and
- No new concluded or pending foreign bribery court cases during that period.

What was news to TI-NZ (and others within the sector with whom we have conferred) was that one of the OIA responses stated that a person was convicted in 2009 on charges of bribery of a foreign public official under section 105C of New Zealand's Crimes Act. The outcome was apparently a sentence of 18 months' imprisonment. TI-NZ is attempting to obtain from the District Court more information about this case, which appears to be New Zealand's first and only prosecution for bribery of a foreign public official. We're surprised to come across this case only now, and will give an update on details about it as and when they are released.

Last year's TI Progress Report can be found here http://www.transparency.org/publications/publications/conventions/oecd_report_2011. TI-NZ will have links to and will comment on the 2012 version of the report once released later this year.

TI-NZ wishes to thank member Aaron Lloyd of Minter Ellison Rudd Watts for his assistance again this year in working with TI-NZ director Fiona Tregonning to prepare the New Zealand response to the TI questionnaire for the Progress Report.

Pacific Region Update

TI-NZ continues to play an active role in the Transparency International Pacific Region.

TI-NZ will chair the TI Pacific Advisory Group who advise the field officer managing the TI Pacific Network Strengthening Programme with a particular focus on areas of improvement or extension into other Pacific nations. TI-NZ will also play a role in liaising with MFAT, the funder of the programme. The PAG also overviews other programs funded by AusAID such as the Law Advisory Centers.

Transparency International Papua New Guinea

Transparency International Papua New Guinea was "humbled and honoured" to have 110 corporate teams, 80 school teams and five civil society organisations participating in their Walk against Corruption in held in May 2011. Planning is now underway for this year's walk which will be held on May 26th 2012. TI PNG are hoping to attract even more walkers to the event that they have organised for the past six years.

The event known as the Sir Anthony Siaguru Walk against Corruption was last year held in the four regional centres of Kokopo, Kimbe, Alotau and Madang. Sir Anthony, who died in 2004, was a leading PNG statesman, lawyer, diplomat, sportsman and fearless anti-corruption warrior. He was the founding chairman of Transparency International in Papua New Guinea.

Director of the TIAPD will visit New Zealand

Srirak Phipat, the newly appointed Director of the Asia Pacific Division of Transparency International, will visit New Zealand on May 21st and 22nd.

During his time in New Zealand he will meet with the New Zealand Board of Transparency International, The Auditor General Lyn Provost and the Deputy Secretary of the International Development Group along with some of her officials.

Before joining Transparency International, Srirak Phipat was Director of the International Mobilization Programme at Amnesty International (AI) International Secretariat in London. Srirak was also a member of the Sub-Committee for Human Rights Protection of the Thailand National Human Rights Commission, and a member of the Working Group for the Establishment of the ASEAN Human Rights Mechanism. Srirak holds a Ph.D. in Public and International Affairs from the University of Pittsburgh.

Transparency International New Zealand will be discussing with Mr Phipat the Pacific Network Institutional Strengthening (PINSP) programme which is funded by MFAT to assist Transparency International chapters operating in Fiji, the Solomon Islands, Vanuatu and Papua New Guinea. It is hoped that the programme in the future may be extended to other parts of the Pacific.

Mr Phipat will be accompanied by Jeremy Cole the Field officer who is managing the PINSP. Mr Cole has a long background of working on aid programmes including working for World Vision. He joined Transparency International in January and is located in Austral

Member Spotlight - Ferdinand Balfort

Ferdinand C Balfort



Ferdinand Balfort (BCA.CA.CIA) is a post-graduate academic and managing director of an international professional consulting firm focusing on governance, risk and compliance. Ferdinand divides his time between Asia and New Zealand consulting on both subjects.

Educated and professionally qualified in Wellington, New Zealand, he has managed and led professional services globally in senior executive positions on five continents. A predominant focus of his professional career has been auditing and investigating multinational organisations, institutions and the public sector. Ferdinand currently provides professional advisory services to a New Zealand listed company with operations in China, while completing his Masters in Commerce and Accounting (MCA) at Victoria University Wellington. We interviewed him recently and asked the following questions.

How do you think corruption affects New Zealand?

I am currently completing a MCA. My thesis, which will form the basis for further PhD research from 2013, is focused on identifying the way culture and corruption (including fraud and bribery) are linked, and their impact on financial accounting in Asia. I am concentrating, specifically China, India, Malaysia and Indonesia. I decided on this topic because I could draw on a life-long practical and theoretical interest in ethics and unethical acts which I am aware of through my professional roles as an auditor and fraud investigator. One of the conclusions I have drawn from my

twenty-plus years as a professional in these fields, is that corruption is a cancer and prevents civil society and the individual members of a nation from fulfilling their potential. A key reason for this is that corruption affects equity and fairness, both perceived and actual. From a purely economic perspective, corruption distorts the market, because ideas and solutions created are prevented from an equal chance of succeeding and adding benefit to society.

Corruption is subdivided into many academic sub groupings, including private sector, public sector, cronyism, kleptocracy, nepotism and so forth. Unfortunately, the public at large or our national leaders are not always cognisant of these distinctions or even of the standard definitions of corruption are. Academic research has confirmed, and this is supported by my personal observations, the term corruption is often wrongly attached in some cases, and not referred to in others where the term would be applicable.

The term corruption should be interpreted in its broadest sense, as the noun derives from the verb “to corrupt”. This encompasses any activity that erodes and destroys the honesty, integrity, values and ethics of individuals and society and thereby reducing fairness and equity. Having defined this as this basis, it is much easier to answer the question as to how corruption affects New Zealand. Based on my research to date, and my experience as an immigrant 30 years after my arrival as a teenager - corruption in New Zealand exists and is both homegrown and imported.

The homegrown variety of corruption, notwithstanding the public perception, goes to the heart of what makes New Zealand society so interesting and workable, which is its size. This is both a blessing and a challenge because it increases the potential for several of the sub-classifications of corruption to occur, which are cronyism and nepotism. We are all faced with such challenges each day, due to our close proximity from birth throughout our development into New Zealand

adults. This process starts at kindergarten!

With this in mind, is there much difference between the following cases? One involved the appointment of a daughter of a senior executive at a New Zealand government department tasked with responsibilities around earthquakes, reported last year. Another is one part of the sorry tale of nepotism and corruption that resulted from the Suharto family being the first family in Indonesia over three decades, whereby Suharto children were given privileged positions in public and private sector organisations. Not much of a difference I would say. Appointing family members and bending rules to allow them to benefit from a parent’s position, as was alleged in the New Zealand case, is evidently a universal problem and a moral challenge that all of us who are parents face.

I see corruption, whether home grown or imported, as having serious potential to erode the quality of our civil society, our shared values and norms, and, thus, our culture as New Zealanders. We cannot be complacent and point to our own perception of corruption which puts us consistently in one of the best spots in the Transparency International Corruption Perception Index (CPI) rankings. That ranking may unfortunately be based on what may be our own limited definition of corruption and a continued belief that it doesn’t happen here. It is already here and rears its head with greater frequency. I recall an older well-known New Zealand advertisement punch line around vehicle security, “rust never sleeps”. And neither does corruption.

What steps do you think we can take to safeguard us from corruption in New Zealand?

I believe the most important safeguards to corruption are education and a free media. A free and unfettered media allows us to challenge any deficiencies in leadership and publicise actual

corruption cases. Education develops the personal moral frameworks required to ensure individual citizens will react in the appropriate manner when faced with their personal challenges. The inculcation of virtues should ideally be done at home and supported by education at primary school level, based on findings from neuroscience about the development of human brains.

The only difference in outcome at any particular point in time is the ethical framework of the persons concerned, to allow them to recognise the potential issue and deal with it comprehensively before it becomes a real matter of concern.

How do you think we minimise corruption in New Zealand?

In addition to the two points mentioned earlier, there is a growing understanding by the New Zealand public of what constitutes corruption and other irregular behavior that is out of synch with our shared cultural values or just plain illegal. We need to continue working on improving this understanding, both at home and when we go overseas.

It is also necessary for the leadership of the country, at whichever level of society both in public and private sectors, to understand and accept clearly their critical role in re-emphasising the virtues. Cases involving personal favours to friends such as happened when a minister intervened in an ACC case, or the MP that sold concert tickets on Trade Me for a profit, do not necessarily set the right example to the public and call into question the moral fibre of those who lead us. Moral leadership means recognising that even the hint or appearance of impropriety can erode public trust and undermine the social values we hold dear.

Why do you feel that Transparency International is an important organisation?

Transparency International has a stable and effective track record over the past nearly 20 years in raising the awareness of the public as regards

corruption. I have witnessed firsthand the constructive reactions of national governments to any material changes in their national CPI index rankings, based on its annual publication. That may not always be applicable as some choose to ignore the results or their impact, but in general I believe TI is a key actor in the debate and the effort to make government and society more accountable and transparent.

What do you think the focus of Transparency International New Zealand should be in New Zealand?

TI-NZ should focus on education and raising awareness, in support of other society members and organisations. Some of the critical areas TI-NZ should support are the ratification of United Nations Convention against Corruption (2003) also known as UNCAC. New Zealand is one of the 11 countries with a population over 1,000,000 who signed but did not ratify the Convention as compared to 158 countries that have done so. This is unfortunate and embarrassing as it puts New Zealand in the same category as countries such as North Korea, Syria and Myanmar. This is not where we would want to be in my opinion, and totally inconsistent with our ranking in the aforementioned CPI.

A second area of focus should be the development of a national and comprehensive framework on corruption and other related irregularities, with support and involvement of public, private and NGO sectors. It is great to see that TI now has a written memorandum of understanding with an agency such as the Office of the Auditor General, while other such strategic and mutually beneficial agreements and relationships are being developed and cemented with both private and public sector actors.

How does corruption in other countries impact on New Zealand?

Globalisation and our increasing connectedness to the rest of the world via trading, financial, educational and immigration flows also has a direct potential impact on corruption in New

Zealand. There are two recent cases of irregularities with a connection to corruption. One is the Sky City Casino money laundering that was investigated and reported on in 2011. New Zealanders Liang Han Shih and Tac Kin Voong had been involved in the laundering of criminal proceeds from drug trading to the value of NZ\$19 million, through the Sky City Casino poker machines, in the space of six months. At the same time, Sky City Entertainment, the owner of the casino, would have earned around 12% of the money laundered as a throughput fee, representing around NZ\$2.3 million of earnings. Similar to Macau's reputation, it is not inconceivable that the Sky City Casino is also frequented by overseas tourists with more on their mind than visiting local natural attractions. In fact, media reports quoted Sky City's CEO as referring to "the number of VIP gamblers - hundreds of whom arrive each year generally from Asia with upwards of \$100,000 in their pocket". Recently it has also been reported that political parties and individuals have been supported with donations from the owners of Sky City Casino.

Another article recently reported that Director A.P. Singh from the Indian Central Bureau of Investigation (CBI), the equivalent of our Serious Fraud Office (SFO), noted that "53 per cent of countries said to be least corrupt by the Transparency International Index are offshore tax havens, where most of the corrupt (Indian - sic) money goes. The tax havens include New Zealand ranked the least corrupt country..." He also noted that some US\$500 billion is involved globally, not an inconsequential sum.

One does not need to be an Einstein to work out that the high value of the sums of money involved creates a temptation and possible override of our own perceived and actual value systems, especially during times of economic pressures. This will apply both at individual and at national levels. In some cases it appears that government policies and laws are deliberately altered to benefit certain interested parties, at the expense of society at large, and thereby setting in motion its gradual erosion.

Open Government Partnership

Founded in September 2011, the Open Government Partnership acknowledges "that people all around the world are demanding more openness in government. They are calling for greater civic participation in public affairs, and seeking ways to make their governments more transparent, responsive, accountable, and effective."

We encourage New Zealand to join the OGP and continue to demonstrate leadership in transparency to the world. For more about the OGP, visit the [Open Government Partnership](#) website and this news article about the [Open Government Partnership: First High Level Meeting](#).

The New Zealand Open Government Data and Information Programme is consistent with the Open Government Partnership.

In March Keitha Booth, Programme Leader, NZ Open Government Data and Information Programme described the programme and its achievements at a presentation to TI-NZ members and guests. Keitha's presentation "[Opening up New Zealand Government Public Held Data](#)" is available here. Information about the Open Government Data and Information programme is available at www.ict.govt.nz/programme/opening-government-data-and-information.

KPMG Study Reveals Record Levels of Fraud

Record levels of fraud have been brought before New Zealand courts in the last six months according to a recent KPMG Study. See [Super frauds help set record value for NZ](#) cases from the NZ Herald.

Money-Laundering

The [Government recently moved to close a money-laundering loophole](#)

New Global Initiative on Fiscal Transparency

Dr Murray Petrie, TI-NZ founding member and former Chairman of TI-NZ, is involved in the launch of the Global Initiative on Fiscal Transparency-- [GIFT](#). Murray has impeccable academic credentials and the highest integrity.

Growing With China

Tony Alexander provides economic commentaries for BNZ including a monthly publication of "[Growing With China](#)". TI-NZ member Ferdinand Balfourt is featured in the May issue.

Sky City Auckland Convention Center

We are monitoring the progress with and debate around the Sky City proposal to build the much needed convention center in Auckland in exchange for an expansion of the Sky City Casino.

We are concerned that the negotiations have been conducted in a less than transparent manner.

With the high corruption risks associated with casino gambling, any expansion of the Sky City Casino could represent a step backward from an open, uncorrupt and transparent New Zealand.

Christchurch Recovery

We are pleasantly surprised at the low levels of corruption and bribery reported to date in the rebuilding of Christchurch. We remain vigilant, however because the environment is potentially a breeding ground for graft and corruption.

For example, according to Transparency International's [Bribe Payers Index](#), companies engaged in public works and construction projects are seen as the most likely to bribe. The BPI is a survey of more than 3,000 business executives in 30 countries.

Lobbying Transparency

We believe there is a legitimate public interest in knowing who is presenting themselves as a government lobbyist. New Zealand is one of the few countries that do not have legislation requiring identification of lobbyists.

WalMart Bribery in Mexico

New Zealand businesses take note. WalMart allegedly spent millions of dollars in bribes to expand business in Mexico. WalMart has a strong anticorruption policy but has not adequately monitored the effectiveness of its policy. Managers within Mexico may have acquiesced to the prevailing culture even though their actions were clearly illegal in both Mexico and the United States. Cobus de Swardt, Managing director for Transparency International posted this article to [The Huffington Post](#)