

## Corruption in Sport



*It seems fitting as New Zealand basks in the glory of the 2011 Rugby World Cup that we pause to think about the enormously positive impact sport has on our society.*

It brings families, communities and countries together and promotes a culture of fun and excellence. And while competition is foremost, it has the ability to break down barriers and enable people to rise above the day-to-day conflicts which divide them.

This was certainly the case with the Rugby World Cup. The obvious good-natured rivalry between nations, spilling into the streets with little sign of trouble, was a joy to see.

Disturbingly though, in some sports, corruption has occurred and been proven. It has involved both well-known sports administrators, players and senior members of sporting organisations who are supposed to practice good governance, accountability, transparency and fair play.

This brings into disrepute not only the reputation of their own sport, but sport in general. In sport, 'fair play' is usually understood to mean using only tactics that are in accord with the spirit of the sport. The sport, or the game, will collapse if all players (and the referee) do not follow the rules. Corruption distorts this. When the leadership of a sporting body is corrupted, this can rapidly permeate the whole system.

Transparency International (TI) drafted a report for the International Federation of Association Football (FIFA) to start an open discussion about good governance in sport, drawing in all those involved. The recommendations have been discussed with FIFA, and TI acknowledged FIFA's openness and willingness to provide detailed information. Among the recommendations are: zero tolerance for bribery, a review of the code of ethics and strengthening existing transparency measures.

While the recommendations draw on years of experience of helping private companies to combat corruption, TI recognises that FIFA is a special case, as a non-political body answerable to football federations around the world. No reform of FIFA will succeed without the support and participation of all stakeholders, including those in New Zealand.

Last month the Board of Transparency International New Zealand wrote to the President of the New Zealand Football Association, Frank van Hattum, drawing his attention to the anti-corruption recommendations put forward by Transparency International. We asked the New Zealand Football Association for support for these recommendations and the reform process that needs to follow. We were very pleased to learn this month that Mr van Hattum (pictured) was appointed as Co-chair of the International Football Association's taskforce, Transparency and Compliance. The other co-chair is Juan Ángel Napout, President of the Paraguay Football Association. The Taskforce will supervising FIFA's necessary reforms.

## New Zealand tops Corruption Perception Index

Transparency International has just released its annual Global Corruption Perceptions Index. The Index, compiled by the Transparency International Secretariat in Berlin, shows that New Zealand is perceived as the least corrupt country internationally. It ranks 182 countries across the world, and has consistently shown New Zealand as a country with a strong reputation for clean government. Transparency International New Zealand Co-chair Claire Johnstone said New Zealand's ranking in the Corruption Perceptions Index is testament to the integrity and performance of all of those involved in New Zealand's public sector.

"New Zealand's reputation for clean government is an important driver of economic prosperity, but it is important that we do not squander or take for granted this reputation."

Transparency International New Zealand warns that the country's performance on the Index should not be an excuse for complacency. They urges the incoming Government to expedite necessary reforms in order to maintain New Zealand's reputation. Transparency International New Zealand Director Suzanne Snively said the Corruption Perceptions Index is a measure of perceived public sector corruption only, and that assessment is made by experts and members of the business community.

"It does not address private sector corruption, nor does it serve as a measure of the broader public perception of corruption issues. Several other recent Transparency International publications have shown that there remains cause for concern in New Zealand."

For full information on the CPI go to our website [www.transparency.co.nz](http://www.transparency.co.nz)

## Annual General Meeting 2010-2011

The speakers at this year's Annual General Meeting of Transparency International New Zealand provided interesting insights into two entirely different subjects. Ferdinand Balfourt spoke about doing business in China—the opportunities, the bureaucracy and the corruption. Ignite Consulting provided insights into the Corruption Perceptions Index (CPI). [Cont. page 3...](#)

# Safeguarding Malaysia's Timber



**Michel Gary is Programme Coordinator in TI's Forest Governance Integrity Programme. In the wake of a new report by TI Malaysia, he discusses the urgent need for transparent forest governance to safeguard the country's timber.**

Logging is big business in Malaysia. Stretching across more than half of the country, Malaysia's vast forests don't just define the landscape, they also drive the economy. But they're shrinking fast. Taking advantage of poor oversight mechanisms, loggers have felled 8.6% of the total forest in the last twenty years. According to reports, as much as 25% of this was extracted illegally.

For those battling climate change, these figures are worrying. Deforestation is already responsible for 18 per cent of annual greenhouse emissions, and illegal logging is speeding up the process. It is estimated that, should a future REDD (Reducing Emissions from Deforestation and Degradation) mechanism be agreed, over US\$28 billion per year could be channelled to developing countries for REDD (Reducing Emissions from Deforestation and Degradation) activities. Without addressing corruption in the forest management sector, they may reap little return on their investment.

In response to these concerns, Transparency International has created a Forest Governance Integrity Programme.

Its latest report, produced with Transparency International Malaysia, calls for strong transparency and integrity rules to make sure that sensitive forest areas in the country are properly protected.

Take, for example, Belum forest in the Malaysian state of Perak. Belum forest is often cited by the local press in reports on illegal logging and land clearing.

However, such illegality applies only to the Royal Belum State Park which hosts lush biodiversity and is known as a haven for wildlife. While the park is a protected area, logging is allowed in the majority of the southern part of the valley.

A local newspaper reported that logging operations were taking place in state-land forest in Perak for conversion into oil palm plantations. It seems, however, that this occurred outside of the State Park, where logging is actually legal, although the whole Belum Valley could arguably be considered as a sensitive area due to its biodiversity and the risks that deforestation entail, such as soil erosion. This raises the question of how the environmental impact of such activities are assessed, and how this is factored into decisions on whether logging is allowed or not. The case of the Belum valley shows that the zoning of forests – defining what can be logged and what should be left untouched – and the issuance of logging licenses – deciding what companies have the right to log – are particularly crucial issues. These are two of the major governance risks identified in the report, which also comprises concrete recommendations to support anti-corruption efforts in forestry in Malaysia – such as using open tenders to award logging concessions.



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<http://www.facebook.com/pages/Transparency-International-New-Zealand/272488876121801>

## Where is New Zealand on this issue?

In December 2006, the New Zealand government agreed a policy on Illegal Logging and Associated Trade. The policy sets out goals and objectives focused on international and national engagement. The government also developed a timber and wood products procurement policy which requires government departments and agencies to seek legally sourced timber and to take steps to ensure products are from sustainably managed forests.

However, there has been much criticism of continuing imports, particularly in the private sector, of kwila from countries such as Papua New Guinea and Malaysia, much of which is believed to have been logged illegally and to have resulted in destruction of areas of tropical rainforest. Following a long campaign, a number of companies have stopped importing kwila, used mainly for decking.

The New Zealand government is exploring the possibilities of working with the Malaysian government on measures to combat illegal logging and promote reforestation, and on collaboration in scientific and technological research.

In 2009 the New Zealand Green Party introduced a Bill under the Customs and Excise Act 1996 (the Act) to prohibit the import into New Zealand of timber and wood products produced illegally and unsustainably. This was defeated on its first reading.

Across the ditch, the Australian Government is also considering introducing a policy to combat illegal logging and associated trade by establishing systems that will promote trade in legally logged timber and, in the long term, trade in timber and wood products from sustainably managed forests. The proposed policy includes restricting importation of illegally logged timber and thereby assisting in reducing the environmental, social and financial damage caused by it to Australia and other countries in the region. It also includes action to require disclosure of species, country of harvest and any certification at point of sale.

[www.thecie.com.au/content/news/Illegal\\_logging.pdf](http://www.thecie.com.au/content/news/Illegal_logging.pdf)

## Pacific

It was with reluctance this year that Transparency International New Zealand had to withdraw from its role of managing the Pacific Support Programme. This was a contract between TINZ and NZAID that provided vital core funding and capacity development to the four TI chapters in the South Pacific (in Fiji, Papua New Guinea, the Solomon Islands and Vanuatu). TINZ had initiated the project in 2004 and it had been a major success story for the NZ chapter.

Our withdrawal was largely because managing the PSP exposed TINZ to unacceptable levels of financial, operational and reputational risk. However, rather than see the programme disappear, or put at risk the work we have done over the past seven years, we were able to work with NZAID and the Transparency International Secretariat - based in Berlin - to successfully broker the latter taking over management of the programme. Pascal Fabie, manager of the Asia-Pacific region in the TI Secretariat, visited NZ in September 2010 for discussions with ourselves and NZAID, as a result of which TI-S will manage this programme in conjunction with two other programmes that they also manage in the Pacific on behalf of aid funders.

## Solomon Islands Olympic Scandal

The Solomon Islands has so far avoided suspension from the Oceania Olympic committee, as the regional group's chief calls for investigations into allegations of fund mismanagement.

The Oceania National Olympic Committee says it's looking into alleged mismanagement of funds by the Olympic committee in Solomon Islands and unresolved cases involving past board members.

The Secretary General of Oceania National Olympic Committee, Ric Blas, says authorities have neglected to take action against those at the centre of allegations involving the management of Olympic funding.

## Taito Phillip Field update

Former Labour MP Taito Phillip Field has had his appeal against his sentence unanimously dismissed by the Supreme Court.

In 2009 at the High Court in Auckland Field was found guilty on 11 counts of corruptly accepting benefits in connection with acts carried out by him as an MP. He was also found guilty of 15 counts of attempting to pervert the course of justice. He was sentenced to six years in jail, but was released on parole in October 2011 after serving two years in prison.



**Cont. from Page 1....** The meeting was attended by around 40 people and included some robust questioning on the Corruption Perceptions Index and New Zealand's place at the top of the index. Interest in the difficulties with trading in China also drew much comment. Prior to these presentations the Co-chairs highlighted the work the Board has undertaken this past year.

Transparency International New Zealand has had a busy year with a number of events, conferences and meetings, the development of a new growth and development strategy, and the transition to a new role in supporting the TI chapters in the South Pacific. Some of the highlights were:

- ⇒ NZ was included for the first time in 2010 in TI's *Global Corruption Barometer (GCB)*. The GCB is a survey of members of the public in 86 countries of the actual *incidence* of corruption (in contrast to TI's Corruption Perceptions Index, which is a measure of *perceived* levels of corruption amongst businessmen and experts). In the survey, 3.6% of New Zealanders reported they or someone in their household had paid a bribe to a service provider in the last year. We got some very good publicity around this event. Presentations on the survey and a report by Ben Kriebel (TINZ summer intern) report are on our website : [www.transparencynz.org.nz](http://www.transparencynz.org.nz)
- ⇒ Developing a Strategic Business Development Plan. We have four key objectives: (1) the articulation of our role in enhancing political and economic outcomes for New Zealand and the South Pacific; (2) the attraction of two or three significant (financial) partners with this common aim; (3) engaging existing organisations to assist in attracting SME and NGO organisations as members; and, (4) using a web-based strategy to widen our individual membership base.
- ⇒ Work on a new ,more active website has begun and members should already be starting to see a significant difference in what you will be able to find on our website and in the way we interact with you.
- ⇒ In July, Co-chair Murray Petrie attended a preparatory meeting in Washington DC for the Open Government Partnership (OGP) as a civil society representative . The OGP was subsequently launched by President Obama at the UN General Assembly in New York in September. NZ has been invited to join the OGP, and the issue will be raised with the new government. Further information can be found at: [www.opengovpartnership.org](http://www.opengovpartnership.org)
- ⇒ TI member Aaron Lloyd completed a further annual TINZ assessment of NZ's compliance with the OECD Anti-Bribery Convention. NZ was again assessed as one of the large number of signatories that has undertaken little or no enforcement of the Convention. New Zealand has still not ratified the OECD Anti-Bribery Convention which TINZ intends to lobby on next year.

- ⇒ TINZ member Mai Chen gave a presentation in October 2010 at a joint TI-NZ/Institute of Policy Studies seminar in Wellington called The Public Law Toolbox. The event was very well attended. Mai is completing a book with the same title.
- ⇒ Board member Suzanne Snively attended the TI Annual Members' Meeting in Berlin in October 2011. En route (with funding from the TI-Secretariat) she met with a number of business contacts in the US that have affiliates or subsidiaries in NZ in an attempt to generate possible financial support for TINZ.
- ⇒ Suzanne also attended the Asia-Pacific Regional Meeting of TI in Malaysia in August, and in addition sat on a TI International Taskforce which was established to investigate the concept of TI setting up a separate legal entity providing paid consultancy.
- ⇒ We completed the three-yearly process of reaccreditation with the Secretariat in Berlin. This requires considerable work on our part satisfying the requirements to be reaccredited as the official chapter of TI in NZ, and we are grateful to Board member Sefton Darby for leading this work.
- ⇒ During the year the Board farewelled Director Rodger Spiller after many years of valuable contributions, especially in the areas of private sector governance and business ethics. John Luxton also stood down this month due to the pressure of other commitments, but will remain involved with our activities.
- ⇒ Hugh Templeton, who was instrumental in founding TINZ in 1999 and who has served on the Board continuously since then, has also decided to scale back his input. Hugh, who was made a Life Member of TINZ at the 2009 AGM, will continue, however, as an Ex-Officio member of the Board. We are extremely grateful to Hugh for his contribution, and for his willingness to remain engaged.
- ⇒ Trevor Roberts stepped down from the Board this month after many years of service. Trevor provided valuable insights from his legal expertise, and led the work on TINZ's Parliamentary Submission on Anti-Money Laundering. His robust contributions to Board discussions will be missed..
- ⇒ The Board appointed three new interim Directors during the year – Michael Vukcevic, Murray Sheard and Dr Peter Perry – who bring a variety of fresh perspectives to the Board. Murray, Peter and Michael have now been formally appointed to the Board.
- ⇒ The TINZ balance sheet is in a healthy position but the challenge will be to generate sufficient income in future to increase the current level of operations. For this financial year the Board negotiated a small management fee for the interim Pacific Support Programme and consequently we were able to achieve a surplus of around \$15,000 for the year.
- ⇒ Lastly our thanks to both the Board and members for your support this year. We will be stepping down as co-chairs this term and look forward to supporting our new chair person (still to be elected by the Board) over the next 12 months. We will however remain on the Board.
- ⇒ Have a safe Christmas and a Happy New Year.

Murray Petrie and Claire Johnstone (co-chairs)

## Fraud Survey Results

PriceWaterhouseCooper has recently completed a survey of fraud in the public sector on behalf of the Office of the Auditor General. The survey was an online fraud awareness survey targeting New Zealand public sector organisations. Some 1,968 individuals across 20 sectors were surveyed with 1,472 completing the survey - a 74% return.

The key objective of the survey was to establish a baseline understanding of the awareness within the public sector as to:

- Fraud risk factors, prevention, detection and response mechanisms and awareness/use of these.
- Specific incidents of fraud and quantification/evaluation of the impact of fraud.

PWC said the incidence of known fraud in the public sector appeared to be relatively low, with 22.5% of respondents indicating that they were aware of at least one fraud that had occurred in the last two years. Local government respondents reported a higher incidence of fraud (33%) than central government respondents (28%). Schools reported a very low (8%) incidence of fraud. Half of the organisations with more than 500 employees reported incidences of fraud. Nine percent of the organisations with fewer than 25 employees reported incidences of fraud. In this survey, of those 22.5% of respondents who reported at least one incident of fraud or corruption, 26.5% involved theft of cash while 17.1% involved fraudulent expenses claims. Interestingly, more respondents identified payroll fraud occurring than false invoicing.

Of those respondents who said that their organisation suffered from fraud in the previous two years, most (61.2%) reported that the total value of losses was less than \$10,000. Most fraud (77.4%) was internal and committed by one person acting alone. This was consistent across central government (76%), local government (83%) and schools (71%).

Transparency International New Zealand welcomed the results of the survey but questions if an incidence of 22.5% , was indeed low. While it may be low compared to other countries, it seems to us an unacceptably high number considering that public officials are dealing with tax and ratepayer money.

The full report can be seen on [www.oag.govt.nz/2011/public-sector-fraud/fraud-awareness-survey/docs/fraud-survey-findings.pdf](http://www.oag.govt.nz/2011/public-sector-fraud/fraud-awareness-survey/docs/fraud-survey-findings.pdf)

### Welcome to New Members

- ◆ Marnus Beylefeld,
- ◆ Murray Sheard
- ◆ Gerard Dunne
- ◆ Helen Sutch
- ◆ Fabio Morato
- ◆ Ferdinand Balfoort
- ◆ Michael Vukcevic
- ◆ Peter Perry

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