

Audit New Zealand Update

The future of fighting fraud in the public sector

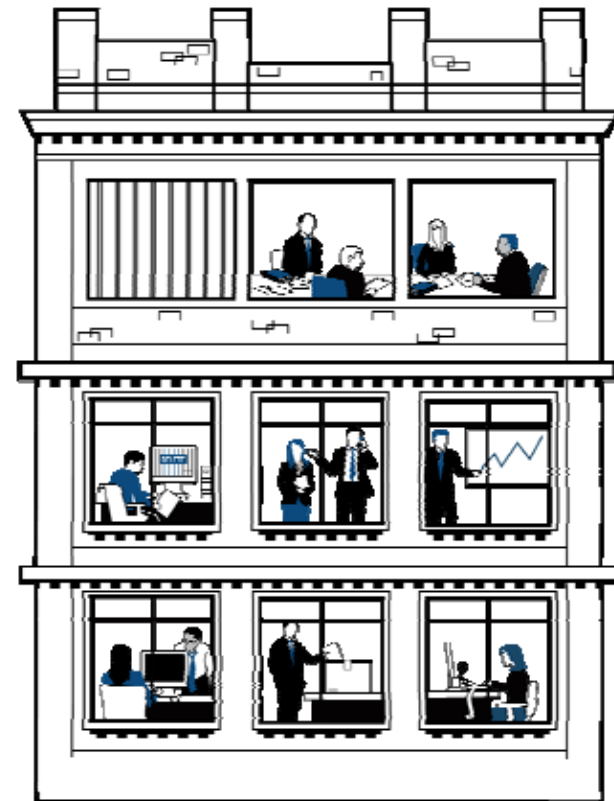
Paul O'Neil, General Counsel
Serious Fraud Office
New Zealand

19 March 2019



Who we are

- Approximately 50 employees:
 - Investigators, Lawyers, Forensic Accountants, Electronic Forensic Investigators and Business support
- Evaluation and Intelligence team
- Investigations team
- Business Services
- General Counsel
- Director / Chief Executive
- External advisors and specialists:
 - Panel Counsel and Secondees





Our vision is...

A productive and prosperous New Zealand safe from financial crime, bribery and corruption

So that...

- New Zealand is a safe place to invest and do business
- Our reputation for low levels of financial crime, bribery and corruption provides a global competitive advantage to New Zealand businesses

We will become a stronger, more capable agency that will:

Conduct investigations and prosecutions of the highest quality and effectiveness

Align the SFO's role, objectives, functions and activities with those of our key stakeholders

Lead the understanding of financial crime, bribery and corruption in the private and public sectors

Lead in the sharing of financial crime intelligence sharing between agencies to identify and prevent threats

Contribute to financial crime law reform and policy

Prevent financial crime through education and advice

To do this we need to:

Attract and retain the best people

Challenge and support our team to be the best

Invest in the right tools and systems

Have a culture of continuous improvement

Achieve more through effective collaboration with our NZ partners

Enhance connections with overseas agencies

Use intelligence to understand the financial crime landscape

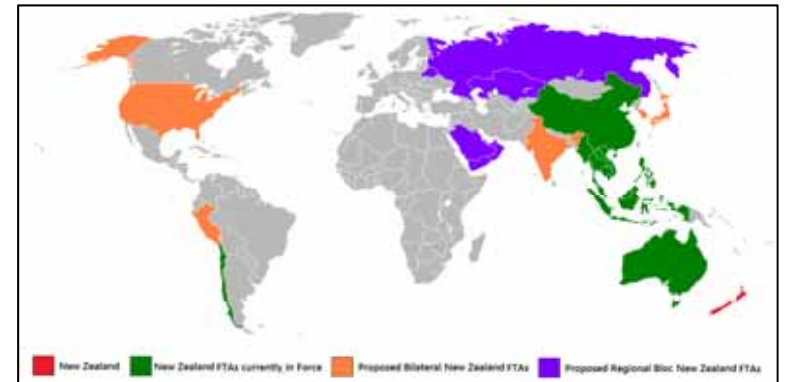
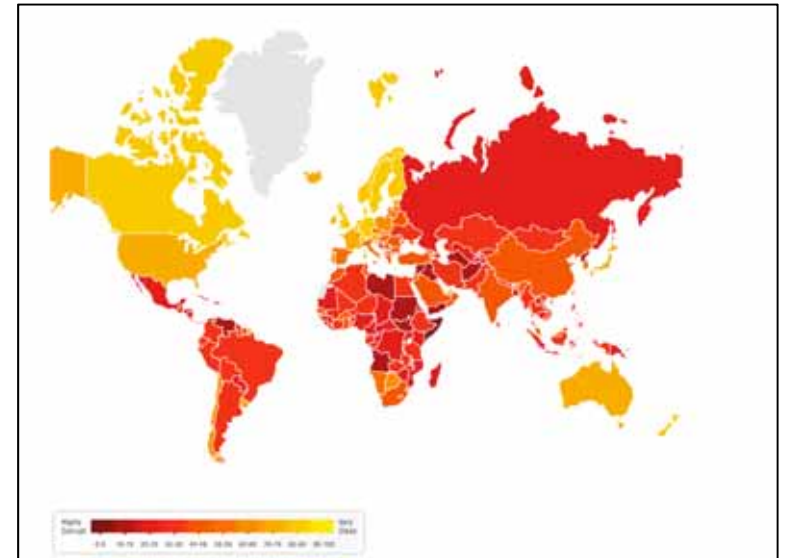
Support the creation of a financial crime policy forum

Educate and interact with the community



Emerging risks and vulnerabilities

- Population growth
 - New Zealand's population density at 30 June was 18/km compared with 13 in 1991
 - up to 18,000/km in Central Auckland
- Wealth distribution
- Diversity of cultural norms
 - willingness to engage in corruption reflects universalistic social norms internalised by people where they grew up (*Barr and Serra 2010, Fisman and Miguel 2008*)
- Increase in diversity of trading partners



Systemic challenges

- Complacency in addressing corruption
- Difficulty in really understanding the scale and extent of corruption in New Zealand
- Insufficient linkages and consistency of action across anti-corruption and integrity efforts in New Zealand
- The changing size and nature of complex fraud cases

What we are seeing

Ex-Waitangi Treaty Grounds trust finance head jailed for fraud



Sir Howard Morrison's daughter Donna Grant faces lengthy wait for trial in High Court at Rotorua



Home detention for man who defrauded government-funded disabilities trust



pts received secret cash payments via

Fraud investigation after Auckland cake decorator wins contract to build Franz Josef's new sewage plant



Couple blew \$500k of disability charity's money on overseas holidays, concerts, diamond earrings

David Clarkson and Joel Ineson - 19:56, Jul 19, 2018



Red flags

- Isolated responsibility
- Avoiding decision making, approval or delegation processes
- Failure to address (not manage) conflicts of interest
- Unexplained wealth
- People who don't take time off
- Missing documents or records
- Lack of detail in invoices

Legal response - Modernisation of New Zealand's bribery and corruption framework

- Removing the public-private distinction
- Defining what constitutes corrupt conduct
- Clarifying corporate liability for all bribery and corruption offences
- Creating a new offence for 'abuse of public office'
- Responding to international trends and recommendations, including:
 - Removing 'facilitation payment' exception from the foreign bribery offence
 - Amending the requirement for the Attorney-General's consent to prosecute
- Taking a consistent approach to penalties
- Adopting a non-prosecutorial mindset

Systemic response – The Anti-Corruption Work Programme

- Develop a shared understanding of corruption in New Zealand;
- Review controls for the allocation and expenditure of public money (central and local government);
- Work with Auckland Council to test procurement controls following recent changes to their procurement procedures;
- Design a framework to measure the value of the savings and non-economic benefits to government (central and local) that can be attributed to prevention efforts; and
- Implement an engagement programme with private sector industry groups.

Stealing ideas - International Public Sector Fraud Forum

- Changing the counter fraud culture within the public sector
- Finding (and measuring) fraud in order to fight it
- Centralising the approach
- Establishing a counter fraud profession
- Moving to a model that focuses on prevention

