

Integrity, Anti-Corruption & the G20

An Australian integrity system update

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‘Anti-corruption’, ‘integrity’ or just plain ‘good governance’ and ‘smart regulation’? Why anti-corruption remains a vital element of the G20 leaders’ agenda

A J Brown

G20 Monitor No. 13 (forthcoming, September 2014)

G20 Studies Centre, Lowy Institute for International Policy

<http://www.lowyinstitute.org/>



G20 Anti-Corruption Working Group - Proposal for 2015-16 priorities

I) Cooperation for greater transparency in business, government and financial affairs:

1. Enhanced **transparency of corporate ownership** and interests (shell companies)
2. Cooperation for **greater public revenue reporting** ('publish what you pay' & Industry Transparency Initiatives) in fields of high development significance and corruption risk

II) Cooperation for stronger and more efficient financial regulation (including self-regulation):

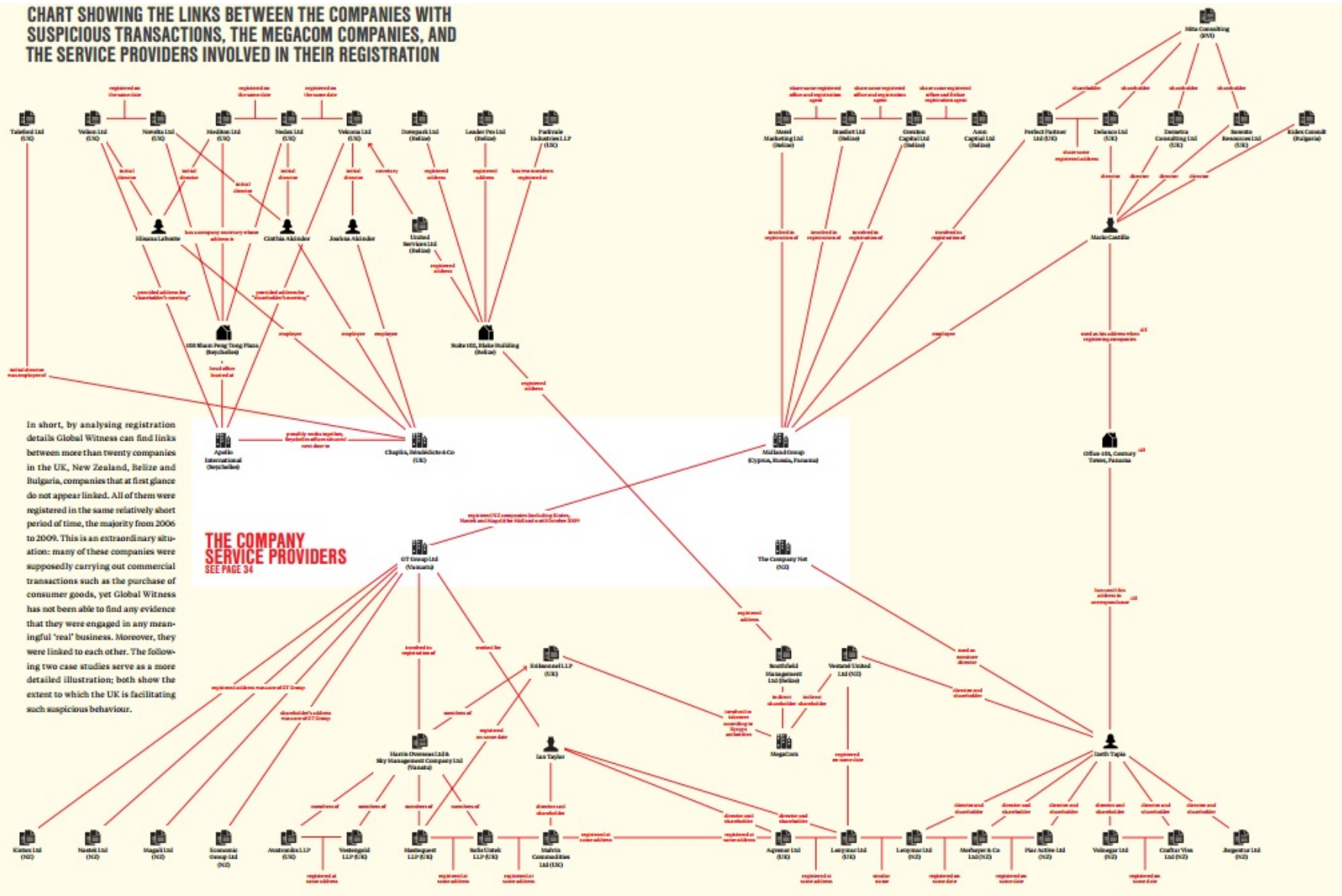
3. Consistent and efficient **protection for corporate and financial system whistleblowers**
4. Support for **best practice business integrity systems** through preferential treatment
5. Consistent **foreign bribery regulation** and strengthened enforcement cooperation
6. Joint implementation of realistic principles for **denial of entry** to corrupt / allegedly corrupt persons
7. Cooperation for more efficient **stolen asset recovery**

III) Cooperation for reducing and removing corruption risks from collective growth strategies:

8. Enhanced cooperation for **transparency and integrity in infrastructure & other procurement**
9. Principles for consistent, real-time **asset & interest disclosure systems** for decision-makers
10. Streamlined, agreed **integrity system assessment frameworks** for more efficient monitoring and verification of country, sector and IGO performance (accountability).

Anonymous shell companies (beneficial ownership)

CHART SHOWING THE LINKS BETWEEN THE COMPANIES WITH SUSPICIOUS TRANSACTIONS, THE MEGACOM COMPANIES, AND THE SERVICE PROVIDERS INVOLVED IN THEIR REGISTRATION



In short, by analysing registration details Global Witness can find links between more than twenty companies in the UK, New Zealand, Belize and Bulgaria, companies that at first glance do not appear linked. All of them were registered in the same relatively short period of time, the majority from 2006 to 2009. This is an extraordinary situation: many of these companies were supposedly carrying out commercial transactions such as the purchase of consumer goods, yet Global Witness has not been able to find any evidence that they were engaged in any meaningful 'real' business. Moreover, they were linked to each other. The following two case studies serve as a more detailed illustration; both show the extent to which the UK is facilitating such suspicious behaviour.

THE COMPANY SERVICE PROVIDERS
SEE PAGE 34



Foreign bribery (& other international law enforcement)



Brian Hood
Note Printing Australia

James Shelton
Securrency Ltd

Richard M. Bowen III
Citigroup



Whistleblowing policies & rules

Whistleblower Protection Rules in G20 Countries: The Next Action Plan

Simon Wolfe
Mark Worth
Suelette Dreyfus
A.J Brown

September 2014

blueprint for
FREE SPEECH



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TRANSPARENCY INTERNATIONAL AUSTRALIA



Table 2. G20 countries – public sector laws

 Rating 1 Very / quite comprehensive 2 Somewhat / partially comprehensive 3 Absent / not at all comprehensive

	S. Ar	Max	Tur	Arg	Rus	It	Ger	Brz	Jpn	Indo	S. Af	Fra	Chn	India	Kor	UK	Can	US	Aus	Tot '3'
	Pu	Pu	Pu	Pu	Pu	Pu	Pu	Pu	Pu	Pu	Pu	Pu	Pu	Pu	Pu	Pu	Pu	Pu	Pu	
9 Internal disclosure procedures	3	3	3	3	2	3	3	3	3	3	3	3	2	3	3	3	1	2	1	14
7 Anonymity	3	3	3	2	3	3	2	3	3	3	3	3	2	3	3	3	3	1	1	14
5 External reporting channels (third party / public)	3	3	3	3	3	2	3	2	2	3	1	3	3	3	3	2	2	2	2	11
14 Transparency	3	3	3	3	3	3	3	3	3	3	2	2	3	2	1	2	1	1	1	11
13 Oversight	3	2	3	3	3	3	3	3	3	2	3	2	3	1	1	3	1	1	1	11
8 Confidentiality	3	3	2	2	3	1	3	2	3	3	3	3	2	1	1	2	1	1	1	8
12 Sanctions	3	2	2	2	3	3	3	3	3	2	3	2	2	2	1	2	1	1	1	7
11 Remedies	2	3	3	3	3	3	2	3	2	3	1	2	2	2	1	1	1	2	2	7
6 Thresholds	3	3	3	3	3	2	2	2	1	2	2	2	2	1	2	1	1	1	1	5
2 Wrongdoing	3	3	3	3	2	2	3	2	1	2	1	2	1	2	1	1	1	1	1	5
10 Breadth of retaliation	3	3	2	3	3	1	2	2	1	2	2	2	2	1	1	1	1	1	1	4
1 Coverage	3	3	3	3	2	1	1	2	1	2	1	2	1	1	1	2	2	1	2	4
3 Definition of whistleblowers	3	2	2	2	2	3	3	2	2	2	2	2	1	1	1	2	2	1	1	3
4 Reporting channels (Internal & regulatory)	3	3	2	2	2	2	2	2	2	2	2	2	2	2	1	1	2	1	1	2

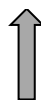


Table 3. G20 countries – private sector laws

Rating **1** Very / quite comprehensive **2** Somewhat / partially comprehensive **3** Absent / not at all comprehensive

	Rus	It	Can	S.Ar	India	Mex	Brz	Arg	Aus	Ger	Tur	Indon	Jpn	Chn	Fra	S.Afr	Kor	UK	US	Tot '3'
	Pr	Pr	Pr	Pr	Pr	Pr	Pr	Pr	Pr	Pr	Pr	Pr	Pr	Pr	Pr	Pr	Pr	Pr	Pr	Pr
7 Anonymity	3	3	3	3	3	3	3	2	3	2	3	3	3	2	3	3	3	3	1	15
9 Internal disclosure procedures	3	3	3	3	2	3	2	3	3	3	3	3	3	2	3	2	3	3	2	14
14 Transparency	3	3	3	3	3	3	3	3	3	3	3	3	3	3	2	2	1	2	1	14
5 External reporting channels (third party / public)	3	3	3	3	3	3	2	3	3	3	3	3	2	3	2	1	3	2	2	13
13 Oversight	3	3	3	3	3	2	3	3	3	3	3	2	3	2	2	3	1	3	1	13
8 Confidentiality	3	3	3	3	3	3	2	2	2	3	2	3	3	2	3	3	1	2	1	11
12 Sanctions	3	3	3	3	3	2	3	2	3	3	2	2	3	3	2	3	1	2	1	11
11 Remedies	3	3	3	2	3	3	3	3	2	2	3	3	2	3	2	1	1	1	2	10
1 Coverage	3	3	3	3	3	3	3	3	2	3	3	2	1	2	2	1	1	2	1	10
2 Wrongdoing	3	3	3	3	3	3	3	3	3	2	3	2	1	2	2	1	1	1	1	10
6 Thresholds	3	3	3	3	3	3	3	3	2	2	3	2	1	2	2	2	2	1	1	9
10 Breadth of retaliation	3	3	2	3	3	3	3	3	3	2	2	2	1	3	2	2	1	1	1	9
3 Definition of whistleblowers	3	3	3	3	3	3	2	2	3	3	2	2	1	1	2	1	2	1	1	8
4 Reporting channels (internal & regulatory)	3	2	3	3	3	3	3	2	2	3	2	2	2	2	1	1	2	1	1	7



Conclusions

1. Whistleblower protection should remain a **key priority area** in G20 leaders' integrity and anti-corruption commitments;
2. High level commitment is needed to address weakness, fragmentation and inefficiency in **corporate governance and private (e.g. financial and corporate) sector** whistleblowing rules, as well as continued work on the public sector laws; and
3. G20 co-operation for more comprehensive whistleblower protection should focus on the three areas of greatest challenge:
 - clear rules for when whistleblowing to the **media or other third parties** is justified or necessitated by the circumstances;
 - clear rules that encourage whistleblowing by ensuring that **anonymous** disclosures can be made and will be protected; and
 - clear rules for defining the **internal disclosure procedures** that can assist organisations to manage whistleblowing, rectify wrongdoing, and prevent costly disputes, reputational damage and liability in the manner best suited to their needs.



FINANCIAL
STABILITY
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Guidance on Supervisory Interaction with Financial Institutions on Risk Culture (2014)

Key indicators of financial institution accountability

- ‘mechanisms... for the sharing of information on **emerging, as well as low probability, high impact risks**, both horizontally across business lines and vertically up the institution’
- ‘mechanisms... for employees to elevate and report **concerns when they feel discomfort about products or practices**, even where they are not making a specific allegation of wrongdoing’
- ‘appropriate **whistleblowing procedures**... to be utilised by employees without any reprisal, to support effective compliance with the risk management framework.’

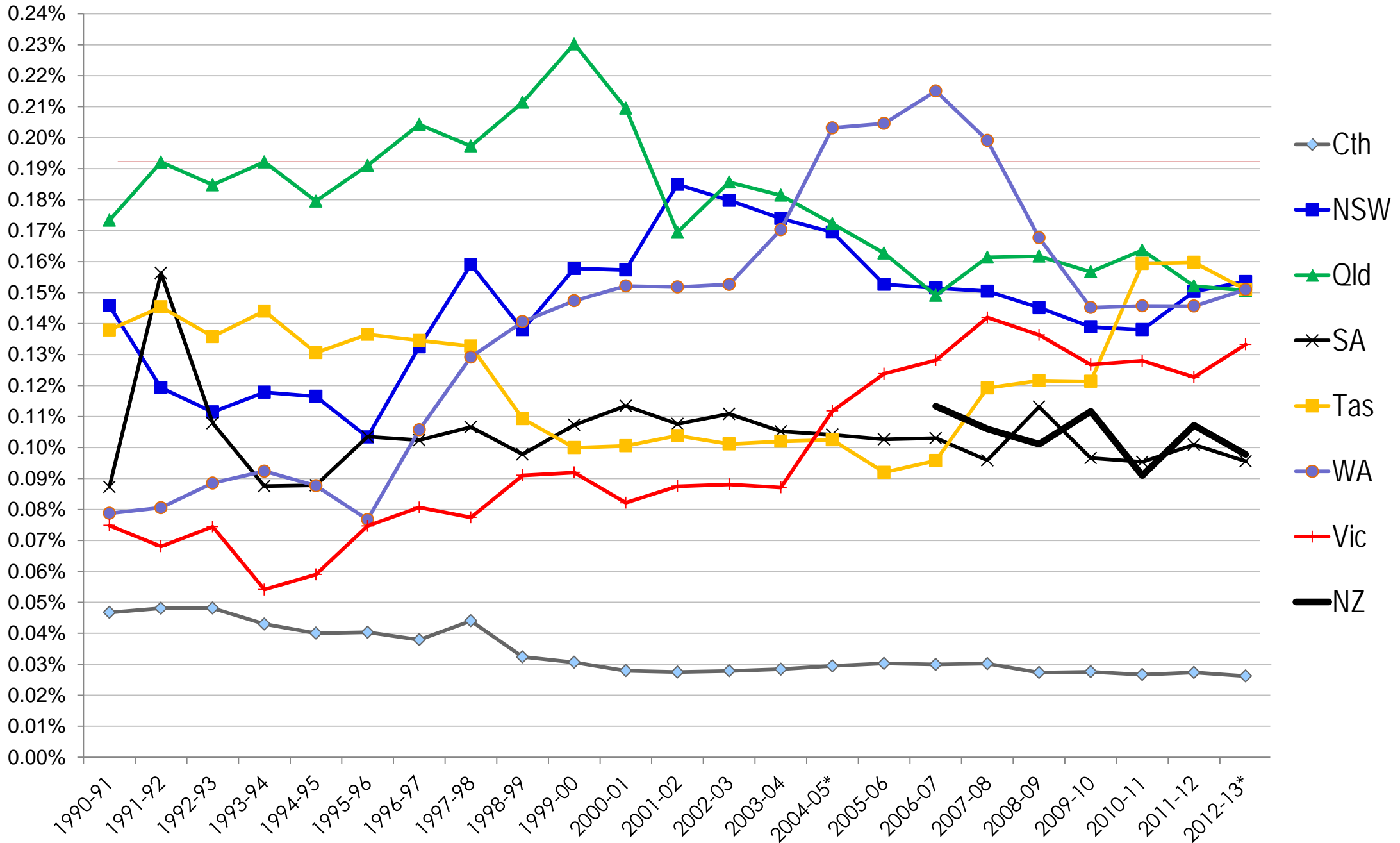
Priority policy actions / issues for Australia

- 1. Beneficial ownership / shell companies**
 - Public register
 - 'Know your customer' licensing and enforcement
- 2. Foreign bribery law reform – 'facilitation payment' defence**
- 3. Whistleblowing rules**
 - Public sector gaps (parliamentary, intelligence)
 - Private sector (Senate Economics Committee report on the Performance of ASIC)
- 4. Open Government Partnership**
- 5. Extractive Industries Transparency Initiative**
- 6. Parliamentary integrity & political finance regimes**
- 7. Anti-Corruption Agencies**
 - Monitoring, powers, performance, federal gaps remain?

Some 'Core' Public Integrity Institutions in Australia, 2014

	Auditor-General	Ombudsman	Police Complaint Authority	Police Integrity Com ⁿ	Anti-Corruption Com ⁿ	Crime Com ⁿ
N S W	1	2		3	4 (ICAC)	5
AUST GOVT	1	2		3 (ACLEI) →		4
Queensland	1	2	3 (Crime & Corruption Commission)			
West Aust	1	2	3 (Corruption & Crime Commission)			
Tasmania	1	2		3 (Integrity Commission)		
Victoria	1	2		3 (IBAC)		
Sth Aust	1	2	3 (Police Omb)	4 (ICAC + Office of Public Integrity)		

Core public integrity agency expenditure as a ratio of total public expenditure (1990-2013)



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