

# *Vote Serious Fraud*

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APPROPRIATION MINISTER(S): Minister of Police (M51)

DEPARTMENT ADMINISTERING THE VOTE: Serious Fraud Office (A37)

RESPONSIBLE MINISTER FOR SERIOUS FRAUD OFFICE: Minister of Police

## *Overview of the Vote*

The Minister of Police is responsible for appropriations in Vote Serious Fraud for the 2022/23 financial year covering the following:

- a total of almost \$17 million for preventing, detecting, investigating and prosecuting cases of serious financial crime, including corruption. This includes activities directed at making the commission of financial crimes more difficult, and its detection and prosecution more effective
- a total of \$140,000 for capital expenditure.

Details of these appropriations are set out in Parts 2-4.

## Details of Appropriations and Capital Injections

### Annual Appropriations and Forecast Permanent Appropriations

Titles and Scopes of Appropriations by Appropriation Type	2021/22		2022/23
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
<b>Departmental Output Expenses</b>			
<b>Prevention, Investigation and Prosecution of Serious Financial Crime (M51) (A37)</b> This appropriation is limited to preventing, detecting, investigating and prosecuting serious financial crimes by the Serious Fraud Office.	14,804	14,804	<b>16,685</b>
<b>Total Departmental Output Expenses</b>	14,804	14,804	16,685
<b>Departmental Capital Expenditure</b>			
<b>Serious Fraud Office - Capital Expenditure PLA (M51) (A37)</b> This appropriation is limited to the purchase or development of assets by and for the use of the Serious Fraud Office, as authorised by section 24(1) of the Public Finance Act 1989.	894	894	140
<b>Total Departmental Capital Expenditure</b>	894	894	140
<b>Total Annual Appropriations and Forecast Permanent Appropriations</b>	15,698	15,698	16,825

### Capital Injection Authorisations

	2021/22		2022/23
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Serious Fraud Office - Capital Injection (M51) (A37)	-	-	-

# Supporting Information

## Part 1 - Vote as a Whole

### 1.1 - New Policy Initiatives

Policy Initiative	Appropriation	2021/22 Final Budgeted \$000	2022/23 Budget \$000	2023/24 Estimated \$000	2024/25 Estimated \$000	2025/26 Estimated \$000
Preventing Fraud and Corruption	Prevention, Investigation and Prosecution of Serious Financial Crime (M51)	-	1,794	2,897	3,338	3,338
Addressing Non-Discretionary Remuneration Cost Pressure	Prevention, Investigation and Prosecution of Serious Financial Crime (M51)		650	1,138	1,274	1,274
Addressing Non-Discretionary Accommodation and Facilities cost pressure	Prevention, Investigation and Prosecution of Serious Financial Crime (M51)		463	532	550	550
Improving ICT Cyber Security and Resilience Capability	Prevention, Investigation and Prosecution of Serious Financial Crime (M51)		257	269	278	278
Total Initiatives			3,164	4,836	5,440	5,440

## 1.2 - Trends in the Vote

### Summary of Financial Activity

	2017/18	2018/19	2019/20	2020/21	2021/22		2022/23			2023/24	2024/25	2025/26
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Final Budgeted \$000	Estimated Actual \$000	Departmental Transactions Budget \$000	Non- Departmental Transactions Budget \$000	Total Budget \$000	Estimated \$000	Estimated \$000	Estimated \$000
<b>Appropriations</b>												
Output Expenses	10,099	10,185	9,690	12,129	14,804	14,804	16,685	-	16,685	16,964	17,568	17,568
Benefits or Related Expenses	-	-	-	-	-	-	N/A	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Capital Expenditure	825	205	146	205	894	894	140	-	140	140	140	140
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	N/A	-	-	-	-
Multi-Category Expenses and Capital Expenditure (MCA)												
<i>Output Expenses</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Other Expenses</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Capital Expenditure</i>	-	-	-	-	-	-	N/A	-	-	-	-	-
<b>Total Appropriations</b>	10,924	10,390	9,836	12,334	15,698	15,698	16,825	-	16,825	17,104	17,708	17,708
<b>Crown Revenue and Capital Receipts</b>												
Tax Revenue	-	-	-	-	-	-	N/A	-	-	-	-	-
Non-Tax Revenue	-	-	-	-	-	-	N/A	-	-	-	-	-
Capital Receipts	-	-	-	-	-	-	N/A	-	-	-	-	-
<b>Total Crown Revenue and Capital Receipts</b>	-	-	-	-	-	-	N/A	-	-	-	-	-

Note - where restructuring of the vote has occurred then, to the extent practicable, prior years information has been restated as if the restructuring had occurred before the beginning of the period covered. In this instance Total Appropriations for the Budgeted and Estimated Actual year may not equal Total Annual Appropriations and Forecast Permanent Appropriations and Multi-Year Appropriations in the Details of Appropriations and Capital Injections.

## Adjustments to the Summary of Financial Activity Table Due to Vote Restructuring

There have been no restructuring adjustments to prior year's information in the Summary of Financial Activity.

### 1.3 - Analysis of Significant Trends

#### *Total Vote: All Appropriations*

Output expenses in 2017/18 included the development and introduction of a new Case and Evidence Management System where the Serious Fraud Office (SFO) received \$730,000 operating and \$660,000 capital, with an additional \$284,000 operating budget in each outyear thereafter.

Additional expenditure of \$490,000 in 2018/19 was due to the implementation of a national Anti-Corruption Work Programme. The SFO hosted the biennial Fraud and Corruption Conference, and an Economic Crime Agencies Network meeting with a combined cost of \$133,000. The New Zealand contribution to the International Anti-Corruption Co-ordination Centre (IACCC) cost \$91,000. Other items of additional expenditure included assistance to the Vanuatu Office of Public Prosecutors and provision of a multi-agency Electronic Forensic Investigator.

In 2019/20, multi-agency commitments to an initial national Anti-Corruption Work Programme continued. The multi-agency funded Electronic Forensic Investigation service was also continued. Assistance was provided to the Vanuatu Office of Public Prosecutors, this support has continued through to 2021/22.

Additional expenditure in 2020/21 and 2021/22 has enabled the SFO to meet existing demand for increasingly complex financial crime investigations, and to facilitate organisational resilience. The national Anti-Corruption Work Programme (phase 2) started in 2020/21 and will conclude in 2021/22 at a cost of less than \$600,000 per annum. The SFO has been funded from the COVID-19 Response and Recovery Fund (CRRF) Foundational Package to lead prevention activities in the public sector, and to reduce losses due to fraud and corruption in COVID-19 recovery activities. Additional expenditure from the CRRF is responding to the increase in serious and complex financial crime resulting from the COVID-19 pandemic related economic downturn. This capability is planned to be retained to the end of 2022/23, at a cost of \$1.450 million in 2021/22 and \$1.480 million in 2022/23.

From 2022/23 through to 2025/26, the SFO focus on the prevention of fraud and corruption will be continued. Additional expenditure will fund the SFO's Strategy and Prevention team (including the Counter Fraud Centre) which will increase counter fraud and anti-corruption capability within the public sector. Expenditure will also target the alleviation of existing cost pressures. This includes additional remuneration costs of \$650,000 in 2022/23 rising to \$1.274 million in 2025/26, helping to ensure that the SFO can continue to attract and retain employees with specialist financial crime expertise. Also, accommodation costs of \$463,000 in 2022/23 rising to \$550,000 in 2025/26, and improved ICT and cyber security capability of \$257,000 in 2022/23, rising to \$278,000 in 2025/26.

## Part 2 - Details of Departmental Appropriations

### 2.1 - Departmental Output Expenses

#### Prevention, Investigation and Prosecution of Serious Financial Crime (M51) (A37)

##### *Scope of Appropriation*

This appropriation is limited to preventing, detecting, investigating and prosecuting serious financial crimes by the Serious Fraud Office.

##### *Expenses and Revenue*

	2021/22		2022/23
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	14,804	14,804	16,685
Revenue from the Crown	14,506	14,506	16,600
Revenue from Others	298	298	85

##### *What is Intended to be Achieved with this Appropriation*

This appropriation is intended to ensure that financial crime and corruption is addressed through prevention, detection, investigation and prosecution; a high level of trust in New Zealand's public institutions and financial system is maintained; and New Zealand's international reputation in the fight against financial crime and corruption is maintained.

##### *How Performance will be Assessed and End of Year Reporting Requirements*

	2021/22		2022/23
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Timeliness: Percentage of complaints evaluated within 30 working days	80%	90%-95%	80%
Quantity: Number of Part 1 enquiries commenced	28-32	28-32	28-32
Quantity: Number of proactive Part 1 enquiries commenced (see Note 2)	New measure	New measure	3-6
Timeliness: Percentage of Part 1 enquiries completed within three months	80%	40%-60%	Revised measure
Timeliness: Percentage of Part 1 enquiries completed within four months	Revised measure	Revised measure	60%
Quantity: Number of Part 2 investigations commenced	10-14	16-18	Revised measure
Quantity: Number of Part 2 investigations commenced	Revised measure	Revised measure	11-15
Timeliness: Percentage of Part 2 investigations completed within targeted time (see Note 1)	Cat.A: 50% in <18 mths Cat.B: 60% in <12 mths	Cat.A: 40-60% in <18 mths Cat.B: 40-60% in <12 mths	Revised measure

Assessment of Performance	2021/22		2022/23
	Final Budgeted Standard	Estimated Actual	Budget Standard
Timeliness: Percentage of Part 2 investigations completed within targeted time (see Note 1)	Revised measure	Revised measure	Cat.A: 60% in <24 months Cat.B: 70% in <18 months
Quality: Percentage of formal post-investigation reviews that meet SFO quality criteria (see Note 3)	90%	90%	90%
Quantity: Number of cases brought to prosecution	8-10	7-9	8-10
Quality: Percentage of defendants convicted	80%	100%	80%
Quality: Percentage of formal post-prosecution reviews that meet SFO quality criteria (see Note 3).	90%	90%	90%
Quantity: Number of prevention publications or guidelines published (see Note 4)	6-8	16-18	6-8

Note 1 - Category A cases are those that involve high complexity. For example, a case that may contain one or all the following:

- a significant number of victims, large scale loss or a long period of alleged offending
- multiple alleged suspects
- inter-agency cooperation
- international assistance
- legal complexity (including significant challenges by defence or complex privilege issues)
- high volumes of information to collect and review

Category B cases are all other cases.

Investigations may be suspended for a range of reasons, including the inability to progress due to COVID-19 restrictions, with the period the matter is suspended not counting towards the overall completion time.

Note 2 - Proactive Part 1 enquiries are those self-initiated by the SFO. This measure reflects a proactive detection approach with Part 1 enquiries commenced from a range of sources other than a formal complaint.

Note 3 - Formal quality assurance reviews will be conducted for each investigation and prosecution and will include:

- a summary of issues arising during the case
- any recommendations for changes to improve SFO policies, case management procedures or external issues (ie, matters pertaining to the involvement of other agencies or any legislative policy issues)
- an overall assessment of the quality of the conduct of the investigation or the prosecution.

Recommendations from the quality assurance reviews will be formally assessed by the senior leadership team.



Post-investigation reviews (PIR) will be completed within two (2) months of the investigation closing or moving to prosecution

Post-prosecution reviews (PPR) will be completed within two (2) months of sentencing or acquittal. In the event of multiple defendants, the PPR will be completed following the sentencing, acquittal of the last defendant or the matter being otherwise ceased by the Court, under that SFO prosecution case.

Note 4 - The SFO's Counter Fraud Centre undertakes counter-fraud and corruption activities. Prevention publications or guidelines are published primarily for government agencies, but also for wider use.

### Explanation of Changes in the Performance Measures

The number of proactive Part 1 enquiries commenced is a new measure. This recognises the wider range of sources of information from which an SFO enquiry may commence, in particular those enquiries arising from the increasing interaction with the public sector by the SFO Counter Fraud Centre.

The timeliness measure for Part 1 enquiries has been revised downwards so that 60% of enquiries will be completed in four months. This change is to better reflect the actual timeframes involved in evaluating Part 1 enquiries.

The number of Part 2 investigations commenced, and the percentage of Part 2 investigations completed, recognises a modest increase in capacity and has been changed to better align with the actual investigation completion times. The new measures are more relevant to the factors faced by the SFO in investigating complex financial crimes, including the increased volume of information to process and collateral challenges to our cases from suspects or defendants.

### End of Year Performance Reporting

Performance information for this appropriation will be reported by the Serious Fraud Office's 2021/22 Annual Report.

### *Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2021/22 Final Budgeted \$000	2022/23 Budget \$000	2023/24 Estimated \$000	2024/25 Estimated \$000	2025/26 Estimated \$000
Preventing Fraud and Corruption	2022/23		1,794	2,897	3,338	3,338
Addressing Non-Discretionary Remuneration Cost Pressure	2022/23		650	1,138	1,274	1,274
Addressing Non-Discretionary Accommodation and Facilities cost pressure	2022/23		463	532	550	550
Improving ICT Cyber Security and Resilience Capability	2022/23		257	269	278	278
Strengthening the Response to COVID-19 Related Serious Financial Crime	2020/21	1,450	1,480	-	-	-
Protecting New Zealand as a Safe Place to do Business	2020/21	2,376	2,435	2,522	2,522	2,522
Anti-corruption Work Programme	2018/19	579	-	-	-	-
Case and Evidence Management System	2017/18	295	295	295	295	295

## 2.3 - Departmental Capital Expenditure and Capital Injections

### Serious Fraud Office - Capital Expenditure PLA (M51) (A37)

#### *Scope of Appropriation*

This appropriation is limited to the purchase or development of assets by and for the use of the Serious Fraud Office, as authorised by section 24(1) of the Public Finance Act 1989.

#### *Capital Expenditure*

	2021/22		2022/23
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	894	894	140
Intangibles	-	-	-
Other	-	-	-
<b>Total Appropriation</b>	<b>894</b>	<b>894</b>	<b>140</b>

#### *What is Intended to be Achieved with this Appropriation*

This appropriation is intended to ensure that assets and intangibles required to support the delivery of the Serious Fraud Office's services are routinely renewed and maintained. Expenditure is in accordance with the SFO's capital expenditure plan.

#### *How Performance will be Assessed and End of Year Reporting Requirements*

	2021/22		2022/23
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
The capital plan developed and managed throughout year	Capital plan for implementation by 1 July 2021	Completed by 1 July 2021	Capital plan for implementation by 1 July 2022

#### *End of Year Performance Reporting*

Performance information for this appropriation will be reported by the Serious Fraud Office's 2023 Annual Report that will cover the 2022/23 financial year.

#### *Reasons for Change in Appropriation*

The decrease in this appropriation for 2022/23 is due to prior year's one-off increased expenditure of \$754,000 to cover new office furniture and ICT network requirements for the new SFO Auckland office.

*Capital Injections and Movements in Departmental Net Assets***Serious Fraud Office**

Details of Net Asset Schedule	2021/22 Estimated Actual \$000	2022/23 Projected \$000	Explanation of Projected Movements in 2022/23
Opening Balance	1,319	1,319	
Capital Injections	-	-	
Capital Withdrawals	-	-	
Surplus to be Retained (Deficit Incurred)	-	-	
Other Movements	-	-	
<b>Closing Balance</b>	<b>1,319</b>	<b>1,319</b>	