

Vote Serious Fraud

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 2023/24 financial year covering the following:

- a total of just under \$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 to ensure that the Serious Fraud Office's assets are maintained.

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	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Departmental Output Expenses			
Prevention, Investigation and Prosecution of Serious Financial Crime (M51) (A37) This appropriation is limited to preventing, detecting, investigating and prosecuting serious financial crimes by the Serious Fraud Office.	16,807	16,807	16,964
Total Departmental Output Expenses	16,807	16,807	16,964
Departmental Capital Expenditure			
Serious Fraud Office - Capital Expenditure PLA (M51) (A37) 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.	290	290	140
Total Departmental Capital Expenditure	290	290	140
Total Annual Appropriations and Forecast Permanent Appropriations	17,097	17,097	17,104

Capital Injection Authorisations

	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Serious Fraud Office - Capital Injection (M51) (A37)	150	150	-

Supporting Information

Part 1 - Vote as a Whole

This part provides trend information for the vote.

1.2 - Trends in the Vote

Summary of Financial Activity

	2018/19	2019/20	2020/21	2021/22	2022/23		2023/24			2024/25	2025/26	2026/27
	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
Appropriations												
Output Expenses	10,185	9,690	12,129	13,873	16,807	16,807	16,964	-	16,964	17,568	17,568	17,568
Benefits or Related Expenses	-	-	-	-	-	-	N/A	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Capital Expenditure	205	146	205	904	290	290	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	-	-	-	-	-
Total Appropriations	10,390	9,836	12,334	14,777	17,097	17,097	17,104	-	17,104	17,708	17,708	17,708
Crown Revenue and Capital Receipts												
Tax Revenue	-	-	-	-	-	-	N/A	-	-	-	-	-
Non-Tax Revenue	-	-	-	-	-	-	N/A	-	-	-	-	-
Capital Receipts	-	-	-	-	-	-	N/A	-	-	-	-	-
Total Crown Revenue and Capital Receipts	-	-	-	-	-	-	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

Additional expenditure of \$490,000 in 2018/19 was due to the implementation of a national Anti-Corruption Work Programme. The Serious Fraud Office (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 cost \$91,000. Other items of additional expenditure included assistance to the Vanuatu Office of Public Prosecutors and provision of an Electronic Forensic Investigator for multi-agency utilisation; both of these have continued through to 2022/23.

Additional baseline funding from 2020/21 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 concluded in 2021/22 at a cost of less than \$600,000 per annum. The SFO received funds 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. This additional expenditure from the CRRF allowed the SFO to respond to the increase in serious and complex financial crime resulting from the COVID-19 pandemic related economic downturn. This capability is retained to the end of 2022/23, at a cost of \$1.450 million in 2021/22 and \$1.480 million in 2022/23.

The SFO's focus on counter-fraud is continued from 2022/23 with increased baseline funding. This funding for the SFO's Counter Fraud and Strategy team includes the Counter Fraud Centre which enhances counter-fraud and anti-corruption capability within the public sector and enables the development of a national counter-fraud and corruption strategy jointly with partner agencies. Further baseline funding targets the alleviation of existing cost pressures. This includes additional remuneration costs that helps to ensure that the SFO can continue to attract and retain employees with specialist financial crime expertise, \$650,000 from mid-2022/23 rising to \$1.274 million in 2025/26. Additional accommodation costs cover the cost of fit-for-purpose offices in Auckland and Wellington, \$463,000 in 2022/23 rising to \$550,000 in 2025/26. Also, there has been an investment in improved cyber security capability and computing and information technology resilience at a cost 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

	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	16,807	16,807	16,964
Revenue from the Crown	16,450	16,450	16,879
Revenue from Others	357	357	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

	2022/23		2023/24
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Quantity: Number of proactive Part 1 enquiries commenced (see Note 1)	28-32	15-20	Measure removed
Quantity: Number of Part 2 investigations commenced (see Note 1)	11-15	8-10	Measure removed
Quantity: Number of Part 1 enquiries and Part 2 investigations commenced (see Note 1)	New measure	New measure	28-45
Quality: Percentage of Part 2 investigations commenced that are of high complexity (in Category A) (see Note 2)	New measure	New measure	40%
Quality: Percentage of Part 2 investigations commenced that are within published focus areas (see Note 3)	New measure	New measure	40%
Quantity: Number of cases brought to prosecution	8-10	8-10	8-10
Quality: Percentage of defendants convicted	80%	100%	Measure removed
Quality: Percentage of prosecutions that are high complexity (in Category A) (see Note 4)	New measure	New measure	40%
Quality: Percentage of prosecutions that are within published focus areas (see Note 3)	New measure	New measure	40%

Assessment of Performance	2022/23		2023/24
	Final Budgeted Standard	Estimated Actual	Budget Standard
Quantity: Number of prevention publications or guidelines published (see Note 5)	6-8	16-18	6-8
Quantity: Number of fraud capability or risk assessments completed (see Note 6)	New measure	New measure	8-10
Quantity: Number of Part 1 enquiries commenced (see Note 7)	3-6	2-4	3-6
Quantity: Number of referrals from other government agencies	New measure	New measure	10-12
Quantity: Number of presentations to external audiences. (see Note 8)	New measure	New measure	15-20
Timeliness: Percentage of complaints evaluated within 30 working days	80%	90%-95%	90%
Timeliness: Percentage of Part 1 enquiries completed within four months	60%	47%	60%
Timeliness: Percentage of Part 2 investigations completed within targeted time (see Note 3)	Cat.A: 60% in <24 mths Cat.B: 70% in <18 mths	Cat.A: 70-80% in <24 mths Cat.B: 70-80% in <18mths	Cat.A: 60% in <24 mths Cat.B: 70% in <18mths
Quality: Percentage of formal post-investigation reviews that meet SFO quality criteria (see Note 9)	90%	90%	90%
Quality: Percentage of formal post-prosecution reviews that meet SFO quality criteria (see Note 9)	90%	90%	90%
Quality: Percentage of SFO employees being engaged (see Note 10)	New measure	New measure	>75%

Note 1 - Part 1 enquiries align with Part 1 of the Serious Fraud Office Act 1990 (SFO Act), which provides the agency with limited powers to carry out an enquiry into the affairs of any person where the Director suspects that the investigation may disclose serious or complex fraud. The Part 1 enquiries enable the SFO to better determine whether allegations of fraud should progress to a full investigation and the scope of that investigation.

Part 2 of the SFO Act provides the SFO with more extensive and coercive powers to investigate matters where there are reasonable grounds to believe that an offence may disclose serious or complex fraud. Once a Part 1 enquiry meets the criteria, the formal investigation is undertaken by an investigation team.

Note 2 - Category A investigations are those that involve high complexity or seriousness. For example, an investigation 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 investigations are all other matters.

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 3 - The SFO will publish a list of focus areas for cases, which will be amended as required. The focus areas will be used for case selection purposes to ensure the SFO is focussing its efforts effectively.

The initial list of focus areas will be published before 1 July 2023. The SFO expects that the percentage target for focus areas will increase over out-years.

Note 4 - Category A prosecutions are those that assessed, at the time of commencing prosecution, as involving high complexity. For example, the prosecution may contain one or all the following:

- multiple accused
- complex charging strategy, including a significant number of charges
- a significant number of witnesses
- international aspects including the need for extradition, pending mutual legal assistance requests and/or overseas based witnesses (including experts)
- legal complexity (including significant anticipated or known pre-trial challenges by defence)
- high volumes of evidence to manage and present in court
- highly complex technical evidence (such as legal arguments, forensic accounting or electronic forensics)
- above average SFO prosecution resource or prosecution panel member commitment
- anticipated trial length of four weeks or greater.

Note 5 - The SFO's Counter Fraud Centre (CFC) undertakes counter-fraud and corruption activities. Prevention publications or guidelines are published primarily for government agencies, but also for wider use.

Note 6 - The SFO's CFC undertakes fraud capability and fraud risk assessments with public sector agencies.

Note 7 - 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 8 - This includes external presentations undertaken by the SFO but does not include those undertaken by the CFC as part of delivering the core activities of its work programme.

Note 9 - 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), and
- 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 10 - The SFO conducts an annual employee engagement survey which measures employee engagement.

Explanation of Changes in the Performance Measures

The Output Performance Measures have been reviewed so that they align with the strategic priorities as presented in the Statement of Intent 2023-27. In determining our output performance measures, we have also considered the purpose of the Vote Serious Fraud appropriation as well as considering expectations from the Minister and other key stakeholders. These measures are consistent with the measures used by the SFO for internal decision-making purposes.

The Output Performance Measures reflect that the SFO undertakes a limited number of cases each year with a focus on those cases that have a disproportionately high impact on the economy, trust in institutions and a significant impact on the financial well-being of New Zealanders. The key changes to the output performance measures are:

- To better align with our strategic priority of increasing the impact of our cases, we will be publishing a list of strategic focus areas. New performance measures will show the percentage of cases that fall within these focus areas. Again, the SFO expects that the percentage target will increase over out-years.
- We have created new measures for the number of cases that are assessed as being of high complexity. This measure will better align with our strategic priority of increasing the impact of our cases, ensuring the SFO is focusing on the most serious cases, maximising our specialist resources. We expect that the percentage target will increase over out-years.
- The separate performance measures for Part 1 enquiries and Part 2 investigations have now been merged as we feel this better reflects our mode of operation and having separate measures could, at times, reduce our impact.
- With the increasing strategic focus on the SFO's Counter Fraud Centre activities, a new performance measure for undertaking fraud capability or risk assessments has been established. This also aligns with the strategic priority of enhancing stakeholder engagement.

The SFO has adopted the PBE FRS 48 service reporting standard, and this standard has been applied to the 2023/24 Output Measures. We have sought to balance quantitative and qualitative indicators.

End of Year Performance Reporting

Performance information for this appropriation will be reported by the Serious Fraud Office's 2023/24 Annual Report.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2022/23 Final Budgeted \$000	2023/24 Budget \$000	2024/25 Estimated \$000	2025/26 Estimated \$000	2026/27 Estimated \$000
Preventing Fraud and Corruption	2022/23	1,794	2,897	3,338	3,338	3,338
Addressing Non-Discretionary Remuneration Cost Pressure	2022/23	650	1,138	1,274	1,274	1,274
Addressing Non-Discretionary Accommodation and Facilities cost pressure	2022/23	463	532	550	550	550
Improving ICT Cyber Security and Resilience Capability	2022/23	257	269	278	278	278
Strengthening the Response to COVID-19 Related Serious Financial Crime	2020/21	1,480	-	-	-	-
Protecting New Zealand as a Safe Place to do Business	2020/21	2,435	2,522	2,522	2,522	2,522

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

	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	290	290	140
Intangibles	-	-	-
Other	-	-	-
Total Appropriation	290	290	140

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.

How Performance will be Assessed and End of Year Reporting Requirements

	2022/23		2023/24
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
The capital plan is developed and managed throughout year	Capital plan for implementation by 1 July 2022	Completed by 1 July 2022	Capital plan for implementation by 1 July 2023

End of Year Performance Reporting

Performance information for this appropriation will be reported in the SFO's 2023/24 Annual Report. Expenditure is in accordance with the SFO's capital expenditure plan.

Reasons for Change in Appropriation

The decrease in this appropriation for 2023/24 is due to a one-off increase in budget of \$150,000 in 2022/23 to cover new office furniture and ICT network requirements for the new SFO Wellington office.

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

Details of Net Asset Schedule	2022/23 Estimated Actual \$000	2023/24 Projected \$000	Explanation of Projected Movements in 2023/24
Opening Balance	890	1,040	
Capital Injections	150	-	
Capital Withdrawals	-	-	
Surplus to be Retained (Deficit Incurred)	-	-	
Other Movements	-	-	
Closing Balance	1,040	1,040	