

# *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 2024/25 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, and
- 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	2023/24		2024/25
	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.	17,407	16,907	<b>16,953</b>
<b>Total Departmental Output Expenses</b>	17,407	16,907	16,953
<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.	250	250	140
<b>Total Departmental Capital Expenditure</b>	250	250	140
<b>Total Annual Appropriations and Forecast Permanent Appropriations</b>	17,657	17,157	17,093

### Capital Injection Authorisations

	2023/24		2024/25
	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	2023/24 Final Budgeted \$000	2024/25 Budget \$000	2025/26 Estimated \$000	2026/27 Estimated \$000	2027/28 Estimated \$000
Baseline Reduction	Prevention, Investigation and Prosecution of Serious Financial Crime (M51)	-	(600)	(600)	(600)	(600)
Shared Approach to Back Office Transformation	Prevention, Investigation and Prosecution of Serious Financial Crime (M51)	-	(15)	(15)	(15)	(15)
<b>Total New Initiatives</b>		-	<b>(615)</b>	<b>(615)</b>	<b>(615)</b>	<b>(615)</b>

## 1.2 - Trends in the Vote

### Summary of Financial Activity

	2019/20	2020/21	2021/22	2022/23	2023/24		2024/25			2025/26	2026/27	2027/28
	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	9,690	12,129	13,873	16,589	17,407	16,907	16,953	-	16,953	16,953	16,953	16,953
Benefits or Related Expenses	-	-	-	-	-	-	N/A	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Capital Expenditure	146	205	904	240	250	250	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>	<b>9,836</b>	<b>12,334</b>	<b>14,777</b>	<b>16,829</b>	<b>17,657</b>	<b>17,157</b>	<b>17,093</b>	<b>-</b>	<b>17,093</b>	<b>17,093</b>	<b>17,093</b>	<b>17,093</b>
<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>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>N/A</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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 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 was 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 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 2024/25 and ongoing.

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 2024/25 and ongoing. 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 2024/25 and ongoing.

In 2024/25, support is given to the central government Baseline Reduction initiative and Department of Internal Affairs led Shared Approach to Back-Office Transformation initiatives, with ongoing baseline reductions of (\$600,000) and (\$15,000) respectively.

## 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*

	2023/24		2024/25
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	17,407	16,907	16,953
Revenue from the Crown	16,879	16,879	16,868
Revenue from Others	528	528	85

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

This appropriation is intended to ensure that serious fraud 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; New Zealand's reputation as a safe place to do business 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*

	2023/24		2024/25
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Quantity: Number of Part 1 enquiries and Part 2 investigations commenced (see Note 1)	28-45	30	28-45
Quality: Percentage of Part 2 investigations commenced that are of high complexity (in category A) (see Note 2)	40%	70%	40%
Quality: Percentage of Part 2 investigations commenced that are within published focus areas (see Note 3)	40%	57%	40%
Quantity: Number of cases brought to prosecution (see Explanation of Changes in Performance Measures)	8-10	3	Measure removed
Quantity: Number of prosecutions before the courts (see Note 4(a) and Explanation of Changes in Performance Measures)	New measure	New measure	10-20
Quality: Percentage of prosecutions that are high complexity (in Category A) (see Note 4)	40%	66%	40%
Quality: Percentage of prosecutions that are within published focus areas (see Note 3)	40%	33%	40%

Assessment of Performance	2023/24		2024/25
	Final Budgeted Standard	Estimated Actual	Budget Standard
<b>Prevention</b>			
Quantity: Number of prevention publications or guidelines published (see Note 5)	6-8	15	6-8
Quantity: Number of fraud capability or risk assessments completed (see Note 6)	8-10	8	8-10
<b>Connections</b>			
Quantity: Number of proactive Part 1 enquiries commenced (see Note 7)	3-6	6	3-6
Quantity: Number of referrals from other government agencies	10-12	20	10-12
Quantity: Number of presentations to external audiences (see Note 8)	15-20	28	15-20
<b>Future-Proofing Capability</b>			
Timeliness: Percentage of complaints evaluated within 30 working days	90%	90%	90%
Timeliness: Percentage of Part 1 enquiries completed within four months	60%	50%	60%
Timeliness: Percentage of Part 2 investigations completed within targeted time (see Note 2)	Cat.A: 60% in <24 mths Cat.B: 70% in <18 mths	Cat.A: 66% in <24 mths Cat.B: 50% 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%	100%	90%
Quality: Percentage of formal post-prosecution reviews that meet SFO quality criteria (see Note 9)	90%	100%	90%
Quality: Percentage of SFO employees being engaged (see Note 10)	>75%	76%	>75%

Note 1 - Part 1 enquiries align with Part 1 of the Serious Fraud Office Act 1990, 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 publishes a list of focus areas for cases on its website, which are amended as required. The focus areas are used for case selection purposes to ensure the SFO is focusing its efforts effectively.

The current list of focus areas was published in 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 are 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 defense)
- 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 4(a) - Prosecutions before the courts are those prosecutions where a charging document has been filed and the prosecution has not been disposed of, including appeal periods.

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.

For 2024/25, a single Output Measure has been identified as requiring amendment. Specifically, the current measure called *Number of cases brought to prosecution* is replaced with *Number of prosecutions before the courts*. The new measure is an expansion of the previous measure to include all active prosecutions currently before the courts. We consider this new combined measure of commenced and current prosecutions provides a more accurate account of the SFO's resourcing demands and performance.

The SFO has adopted the PBE FRS 48 service reporting standard, and this standard has been applied to the 2024/25 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 2024/25 Annual Report.

*Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2023/24 Final Budgeted \$000	2024/25 Budget \$000	2025/26 Estimated \$000	2026/27 Estimated \$000	2027/28 Estimated \$000
<b>Current Government</b>						
Baseline Reduction	2024/25	-	(600)	(600)	(600)	(600)
Shared Approach to Back-Office Transformation	2024/25	-	(15)	(15)	(15)	(15)
<b>Previous Government</b>						
Preventing Fraud and Corruption	2022/23	2,897	3,338	3,338	3,338	3,338
Addressing Non-Discretionary Remuneration Cost Pressure	2022/23	1,138	1,274	1,274	1,274	1,274
Addressing Non-Discretionary Accommodation and Facilities Cost Pressure	2022/23	532	550	550	550	550
Improving ICT Cyber Security and Resilience Capability	2022/23	269	278	278	278	278
Protecting New Zealand as a Safe Place to do Business	2020/21	2,522	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*

	2023/24		2024/25
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	250	250	140
Intangibles	-	-	-
Other	-	-	-
<b>Total Appropriation</b>	<b>250</b>	<b>250</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.

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

	2023/24		2024/25
	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 2023	Completed by 1 July 2023	Capital plan for implementation by 1 July 2024

#### *End of Year Performance Reporting*

Performance information for this appropriation will be reported in the SFO's 2024/25 Annual Report. Expenditure is in accordance with the SFO's capital expenditure plan.

#### *Reasons for Change in Appropriation*

The decrease in this appropriation for 2024/25 is due to a one-off increase in budget of \$110,000 in 2023/24 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	2023/24 Estimated Actual \$000	2024/25 Projected \$000	Explanation of Projected Movements in 2024/25
Opening Balance	1,040	1,040	
Capital Injections	-	-	
Capital Withdrawals	-	-	
Surplus to be Retained (Deficit Incurred)	-	-	
Other Movements	-	-	
<b>Closing Balance</b>	<b>1,040</b>	<b>1,040</b>	