



SERIOUS FRAUD OFFICE

Te Tari Hara Tāware

ANNUAL

REPORT 2020

CONTENTS

HIGHLIGHTS OF 2019/20

\$210 million in alleged fraud

- prosecutions brought by the SFO

SFO has significant value beyond its core functions

- PIF review

SFO produces COVID-19 counter-fraud guidance

New Zealand first in the world for perceived low levels of public sector corruption

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Director's Overview

VISION

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

CORE PRINCIPLES

EXCELLENCE

We strive to be a world-class financial crime and corruption agency

PRIDE

In the work we do and our contribution to New Zealand

CONNECT

Recognising our own strengths and opportunities, and those arising from close collaboration with and connections across agencies and sectors

The Serious Fraud Office (SFO) has had another outstanding year in relation to the investigation and prosecution of serious and complex financial crime. The agency had 35 defendants before the courts during 2019/20, including appeals, with a total of \$210 million in alleged fraud. Convictions were secured and upheld where appealed in all matters concluded. Further details about our cases can be found later in this report.

SFO 30 years old

The SFO was established 30 years ago during a time of unprecedented financial instability and turmoil. A stock market crash and the ensuing economic recession at the end of the 1980s had destroyed people's livelihoods and exposed fraud on a magnitude never seen before in New Zealand. The total sum thought to be involved in corporate fraud schemes in New Zealand increased dramatically to \$50-70 million in 1989 from \$10-15 million before 1988.¹

The passing of the Serious Fraud Office Act in 1990 created a specialist law enforcement agency capable of identifying and stemming the growth in serious fraud offending. Since its establishment, the SFO has investigated and prosecuted the most serious

and complex fraud cases in the country. It has continued to prove its value particularly in times of crisis when the country has needed its services the most.

Our response to COVID-19

The coronavirus pandemic could have a similar or greater impact on the fraud landscape than any other event since the SFO was established. We are likely to see more serious financial crime over the coming years because of the COVID-19-related economic downturn and recovery. More financial crime is also likely to emerge because of fraudsters exploiting government emergency relief programmes and financial assistance packages rolled out in the wake of the pandemic.

The SFO responded quickly to the increased risk of fraud after lockdown restrictions were imposed in March by producing guidance for government agencies and setting up a public sector advisory group. The initiatives were specifically designed to ensure counter-fraud measures across government were aligned to international best practice in terms of the provision of emergency relief and associated services. More generally, the initiatives would act to counter criminal activity to defraud the government's relief programmes and opportunistic targeting of those in need.

PIF review

A Performance Improvement Framework (PIF) review of the SFO, commissioned by the State Services Commission, was conducted in 2019 and published in March. The lead reviewers concluded that the SFO provides strong value to customers and New Zealanders in terms of investigating and prosecuting serious and complex fraud. The reviewers said that there was general agreement amongst the SFO's stakeholders about the quality of our prosecutions. Further, they said, making visible the prosecution of large, complex high-profile fraud and corruption cases was "a powerful signal that fraud is not tolerated" in New Zealand.

Increasing our capacity

The Senior Leadership Team approved a plan in May to significantly expand the SFO's operations after receiving additional funding for investigating and prosecuting serious financial crime, as well as preventing it. Integral to the plan is a new organisational structure that includes 26.5 new positions, or about a 50-percent increase in our headcount. The new structure will come into force in 2020/21. Recruitment for the new positions commenced shortly after the plan was finalised.

Recommendations from the PIF were taken into consideration in designing the new structure. The reviewers said the SFO needed to focus more on prevention while also strengthening its investigative and prosecutorial capabilities. The new structure addresses both these recommendations. An essential part of the structure is a new Strategy and Prevention team that will focus on deterrence initiatives, while 13 new investigative positions will bolster the SFO's more traditional line of work.

Other improvements to the SFO's structure include a new management layer and the strengthening of the corporate services function to build organisational resilience, boost the agency's capability to manage its expanded workforce and enable it to better deliver on strategic priorities. The SFO has also opened a Wellington office to assist, among other things, in creating better connections with other government agencies.

Julie Read
Chief Executive and Director

¹ Doone P. (1990) 'Commercial Fraud in New Zealand: Contemporary Legal and Investigative Issues' in N. Cameron and S. France (eds) 'Essays on Criminal Law in New Zealand: Towards Reform?' p. 159



What We Do

Our vision is a productive and prosperous New Zealand, safe from financial crime, bribery and corruption.

We are the lead law enforcement agency for investigating and prosecuting serious financial crime, including bribery and corruption.

The presence of an independent agency dedicated to combatting serious financial crime is integral to New Zealand's reputation for transparency, integrity and low levels of corruption.

We administer the Vote: Serious Fraud, reporting to the Minister of Police, who is responsible for the Serious Fraud Office, with the core purpose of detecting, investigating and prosecuting cases of serious financial crime. This includes activities directed at making the commission of financial crimes more difficult, and its detection and prosecution more effective.

Our work also includes the investigation and prosecution of instances of corruption and bribery, which make up an increasing volume of our investigations and prosecutions. The SFO investigation teams are made up of

investigating lawyers, forensic accountants, investigators, electronic forensic investigators and document management specialists. This team structure is based on the 'Roskill Model', which is also used by the UK Serious Fraud Office and is considered international best practice for the type of complex investigations we undertake. The SFO has developed strong technical competence related to forensic accounting, electronic forensics and financial investigations and prosecutions.

We focus on a relatively small number of cases that have a disproportionately high impact on the economy and the financial wellbeing of New Zealanders. We generally have about 30-40 investigations and prosecutions open at any one time. In the case of bribery or corruption, we investigate crimes that could undermine confidence in the public sector or are of significant public interest. Cases are prioritised using criteria that address the scale of the crime and its impact on victims, the complexity and degree of public interest.

How we achieve our vision

Investigation and prosecution

We employ a highly experienced team of financial crime investigation specialists who investigate possible instances of financial crime and where appropriate, prosecute to hold the offenders to account. We have statutory independence. Operational decisions are made without ministerial direction and we have statutory powers to assist our investigations.

Prevention of financial crime

We play a role in preventing financial crime, including corruption, and making the commission of financial crimes more difficult:

- We are the operational lead of a Cabinet approved Anti-Corruption Work Programme aimed at addressing the threat of corruption.
- We will lead work on the prevention of financial crime arising from COVID-19.

Our investigations and prosecutions also present an opportunity to make our prevention strategies more effective by sharing our expertise on the causes and consequences of complex financial crime. Our international connections enable us to leverage international experience for prevention activities.

Contribution to justice sector policy

We use our expertise to contribute to financial crime and corruption policy as required. We also contribute to non-financial crime policy initiatives across the justice sector and wider government.

Meeting New Zealand's international obligations

We actively participate in international fora and networks to maintain New Zealand's international reputation as a country with low levels of corruption and to keep up to date with global trends in financial crime. As part of this work, we will chair the Asia Pacific Economic Cooperation (APEC) Anti-Corruption and Transparency Working Group in 2021 when New Zealand hosts APEC.

We work collaboratively

In carrying out our roles we work with our justice sector partners, including:

- New Zealand Police
- Ministry of Justice
- Crown Law Office.

We also work with other agencies, including:

- Office of the Auditor-General
- Financial Markets Authority
- Commerce Commission.

We maintain strong partnerships with private sector interests, such as accounting firms and banks, and with our international counterparts in Australia, the United States and the United Kingdom. We have an SFO investigator based at the International Anti-Corruption Coordination Centre in London. In addition, we work closely with members of the International Public Sector Fraud Forum, including the UK Cabinet Office and the Australian Attorney-General's Office, to prevent financial crime.

We work with our justice sector partners

The work of the justice sector affects each of the sector partners and we recognise the need to be well connected with each other. Our Director/Chief Executive sits on the Justice Sector Leadership Board and other senior leaders and employees contribute to various sector strategy and operational groups.

2020 - Milestones & Events

Celebrating 30 Years

Charles Sturt (Director) 1990-1997

Rt Hon. David Lange (Minister) 1990

1990 - SFO established with Charles Sturt as the first Director.

Hon. Paul East (Minister) 1990-1997

- 1992** - One of New Zealand's richest men of the day and founding director of Equiticorp, Allan Hawkins, sentenced to six years' imprisonment for fraud. Equiticorp was one of the largest share market-listed companies of the 1980s.
- 1994** - The Winebox Inquiry set up to investigate claims made by MP Winston Peters of corruption and incompetence by the SFO and Inland Revenue.
- 1996** - Graeme Thompson, CEO of Fortex - a large South Island meat company - jailed for falsifying the company's accounts.
- 1997** - Winebox Inquiry finds no grounds to support the allegations against the SFO or Inland Revenue.
- Former Auditor-General and ACC boss, Jeff Chapman, jailed for fraudulently using documents.

Ron Jamieson (acting Director) 1997

1997 - Charles Sturt stands down as SFO Director for health reasons. Retired Judge Ron Jamieson appointed acting Director, until David Bradshaw appointed.

David Bradshaw (Director) 1997-2007

Hon. Doug Graham (Minister) 1997-1999

Hon. Margaret Wilson (Minister) 1999 - 2005

- 2000** - Ex-Citibank executive Graeme Rutherford jailed for stealing \$7 million from several investors in a Nigerian bank scam.
- 2003** - Former Work and Income property manager, Grant Griffiths, and property developer Roger Giles jailed for corruption. Biggest public sector bribery case in New Zealand history at the time.
- 2004** - American evangelist Donald Allen and others prosecuted for defrauding 154 people of \$8.5 million through a high-yield investment fraud.

Hon. Michael Cullen (Minister) 2005

- 2005 ◊ Former MP Donna Awatere Huata jailed for defrauding a government-funded trust.

Hon. David Parker (Minister) 2005-2006**Hon. Michael Cullen (Minister) 2006-2008****Grant Liddell (Director) 2007-2009**

- 2007 ◊ David Bradshaw retires. Grant Liddell appointed as Director. Government announces SFO to be replaced by a new organised crime agency.
- 2008 ◊ Investigation into donations to NZ First concludes. SFO says no basis for fraud charges to be filed relating to the donations that were channelled through the Spencer Trust.
- ◊ Change of Government. Bill to replace SFO fails to become law.

Hon. Chris Finlayson (Minister) 2008**Hon. Judith Collins (Minister) 2008-2011****Adam Feeley (Director) 2009-2012**

- 2009 ◊ Commencement of the finance company cases. Adam Feeley appointed as Director. Ministerial responsibility for SFO transferred to Minister of Police from Attorney-General. As a result, Hon. Judith Collins becomes Minister responsible for SFO.
- 2010 ◊ South Canterbury Finance collapses. ASB investment advisor Stephen Versalko admits \$17.7 million fraud against bank clients and is jailed for six years.
- 2011 ◊ SFO relocates to 21 Queen Street from 120 Mayoral Drive.
- ◊ Malcolm Mason, former ACC National Property Manager, sentenced following conviction on corruption charges.
- ◊ DataSouth goes into liquidation. Charges amounting to \$103 million filed against CEO Gavin Bennett and result in an eight-year jail term.

Hon. Anne Tolley (Minister) 2011-2014

- 2012 ◊ Adam Feeley resigns and Simon McArley designated acting Director until Julie Read is appointed.

Simon McArley (acting Director) 2012-2013

- 2013 ◊ Ross Asset Management case concludes with David Ross sentenced to nearly 11 years' imprisonment.

Julie Read (Director) 2013 - date

- 2014 ◊ South Canterbury Finance director Edward Sullivan - last of 20 individuals convicted for finance company fraud.
- ◊ First Performance Improvement Framework (PIF) review of SFO followed by an expenditure review to determine the right level of funding for SFO.

Hon. Michael Woodhouse (Minister) 2014 -2015

- 2016 ◊ Auckland Transport bribery and corruption case concludes with Stephen Borlase and Murray Noone jailed.

Hon. Judith Collins (Minister) 2015 - 2016**Hon. Paula Bennet (Minister) 2016 - 2017**

- 2017 ◊ Joanne Harrison jailed for fraud she committed while employed by the Ministry of Transport.
- ◊ Systems Transformation Project completed. New case and evidence management systems introduced to manage increasing volumes and complexity of evidentiary documents and data.

Hon. Stuart Nash (Minister) 2017 - 2020

- 2018 ◊ \$54 million mortgage case concludes with three of the defendants sentenced to imprisonment.
- ◊ Collapse of \$740 million CBL Insurance. SFO launches an investigation and later files charges.
- 2019 ◊ Second PIF review of the SFO. Concludes SFO has significant value beyond its core functions.
- 2020 ◊ Charges filed in the National Party Donations case. SFO opens four other electoral funding investigations, which include investigations into the New Zealand First Foundation and Labour Party.
- ◊ Dunedin Ponzi operator Barry Kloogh jailed for \$15.7 million fraud.
- ◊ SFO secures a funding increase. Work begins to increase headcount by about 50 percent and open a Wellington office.
- ◊ Two defendants in the New Zealand First Foundation case charged.

Hon. Poto Williams (Minister) 2020 -

The PIF review

The Performance Improvement Framework (PIF) is designed to support and drive organisational improvement in state sector organisations.

The 2019 PIF, published in March 2020, set out the new challenges facing the agency and New Zealand, and the SFO supports its recommendations. The independent reviewers' conclusions can be seen as a call to arms to address complacency and ambivalence towards the risk of financial crime and corruption in our public sector.

The PIF identified the need to combat serious financial crime through both law enforcement work and proactive prevention activities. It also stressed that government agencies needed to work in a coordinated way to reduce systemic vulnerabilities and maintain high levels of trust and confidence in public institutions and the financial system.

New Zealand faces complex and rapidly changing threats of financial crime and corruption requiring leadership of a multi-agency public and private sector response. This has been a key focus for the SFO, as we have continued to develop and broaden our relationships and interaction with domestic and international partners, particularly through the Anti-Corruption Work Programme and the International Public Sector Fraud Forum.

The impact of COVID-19 accelerated this process, with us leading the COVID-19 Fraud Advisory Group, conceived and administered by the SFO. We have delivered through this group a toolkit, a high-level risks assessment,

focus papers on types of fraud and advice on implementing fraud-identification and prevention.

The PIF concluded that we are regarded as 'best-in-class' for our core functions of investigation and prosecution of serious and complex fraud and as the lead agency for corruption investigation. However, we must continue to evolve.

A new Statement of Strategic Intentions through to 2024 has been developed and addresses the increased risk to New Zealand of fraud and corruption in the public and private sectors and need for an end-to-end multi-agency anti-corruption and financial crime education, prevention, detection and prosecution system.

The PIF reviewers concluded that as a nation we face three interconnected system challenges:

Retaining our reputation in the world

The challenge for New Zealand is to retain and strengthen its reputation as a safe, corruption-free country with strong public institutional settings that ensure our democratic processes and our public and private sectors operate free from financial crime, including corruption and fraud.

1

Unifying behind a National Financial Crime and Corruption Strategy

A multi-agency effort is required to develop the strategy in the first instance. The design of an end-to-end anti-corruption and financial crime education, prevention, detection and prosecution system, needs to be a key part of the strategy.

2

Everyone understands the risk

New Zealand cannot rely on holding to account (prosecution) as the only deterrent and control in our system. New Zealand needs to be awake to, and acknowledge, the weaknesses in our own systems and the risk to our businesses of being complacent about corruption and financial crime.

3

COVID-19

We expect to see significantly more financial crime and corruption because of the COVID-19 pandemic.

International and local experience indicates that public sector fraud increases following a natural disaster, such as the COVID-19 pandemic. Addressing the increased levels of offending will require an innovative system-wide approach that includes both public and private sector interests, together with an awareness of overseas trends and experiences.

While New Zealand's cultural norms and statutory frameworks will impact on the scale of financial crime, international experience shows that early and effective incorporation of fraud prevention and detection measures as part of the recovery process are also critical to minimising losses from financial crime. The SFO's international counterparts have been working on their response to COVID-19-related fraud for some time and have produced a body of work, which we have been adapting to New Zealand's circumstances.

Disaster recovery, which is accompanied with unusually high levels of investment and often with lower levels of controls, creates opportunities for large-scale fraud. Following the Canterbury earthquakes, we investigated eight additional cases (related to the earthquakes) worth a total of \$257 million. In addition, we investigated and prosecuted two large-scale Ponzi schemes based in Christchurch following the earthquakes, with the fraud valued at \$31 million. These schemes targeted investors who were looking

for non-property investments, following the loss of value in the city's real estate market. Our experience shows that investors seek higher returns for their investments in difficult financial times, while not properly appreciating the accompanying risk - which may include the risk of fraudsters exploiting their trust and goodwill.

The impact of COVID-19 on the economy will likely be long-lasting. More financial crime is expected to be revealed because of the economic downturn and recovery, and fraudsters will look for new opportunities in the changing environment. During the Global Financial Crisis, many finance companies in New Zealand collapsed, resulting in the investigation of 16 companies and the prosecution of 29 individuals.

The increase in reported criminal activity in such circumstances is predominantly due to:

- Targeting of government financial stimulus packages by fraudsters and organised crime networks
- Relaxation of controls on the payment of government monies to facilitate rapid response to financial hardship
- Collapse of Ponzi schemes and other fraudulent investment schemes, which rely on new investments to pay out old ones, as investors seek to extract their investments to respond to their financial circumstances
- Reduction in tolerance for unacceptable behaviour.

Addressing the increased levels of offending will require an innovative system-wide approach that includes both public and private interests

Key Investigation Results

The SFO focuses on a relatively small number of cases that have a disproportionately high impact.

A total of 35 defendants appeared before the courts last year in prosecutions brought by the SFO and appeals.

\$210 million

A combined total of fraud alleged in the cases.

Guilty pleas were obtained in nine cases and a conviction was secured in one case following a trial.

100%

Conviction rate during the year.

6 Prosecutions

Commenced last year, down from seven in the previous financial year.

We received...

981

Complaints

22 Complaints

Became Part 1 enquiries

To determine whether the allegation should progress to a full investigation.

11 Enquiries

Advanced to a full Part 2 investigation, the same as the previous year.

To determine whether the allegation should progress to a full investigation.

Safeguarding the integrity of the electoral system

Electoral funding has come under the spotlight recently with the SFO opening four investigations into such matters over the past year and another electoral funding matter progressed to prosecution. Four of the five matters were referred to the SFO from Police.

The integrity of New Zealand's electoral funding regime is key to the health of our democratic system. Behaviour that undermines this integrity could be hugely consequential.

Not only can it damage the reputation of our public sector as one of the least corrupt in the world, but it can harm the way our democratic system functions as set out by law and undermine trust in our public institutions. It is in the public interest that allegations of electoral funding fraud be treated seriously and given due attention. In a representative democracy, voters must have confidence that those who make electoral donations do not unduly influence Government decisions. Without transparency in relation to electoral donations, voters do not have that reassurance.

TIMELINE



Protecting New Zealanders' wellbeing

Serious financial crime can impact personal, family and community wellbeing. It is insidious, everchanging and disproportionately affects the most vulnerable groups in society.

When considering whether to take on a case, the SFO looks at the nature and consequences of the alleged offending, its scale, complexity of the alleged offending and public interest factors.

Barry Kloogh

For more than 20 years, Barry Edward Kloogh of Dunedin operated a Ponzi scheme - which is one of the most common types of investment fraud in New Zealand. The fraud impacted thousands of people and resulted in a financial loss of at least \$15.7 million. Mr Kloogh's selfish and criminal actions destroyed people's retirement plans and jeopardised their financial wellbeing. The defendant was sentenced to eight years and ten months' imprisonment, with a minimum non-parole period of five years and four months. He has appealed his sentence.

Mr Kloogh provided financial advisory services through several companies of which he was the sole director and shareholder. The Financial Markets Authority referred the matter to the SFO and assisted the agency in its investigation.



"At our many meetings and during email exchanges, Kloogh enthusiastically and blatantly lied as he discussed our fictitious portfolio options and progress."

- Victim impact statement

About Ponzi schemes

Named after the Italian con artist Charles Ponzi, Ponzi schemes are constructed to appear like finance companies, foreign exchange brokerages or any other successful business. They depend on a steady cashflow from new investors to pay out investors who want to withdraw their investment or any profits.

Ponzi schemes exploit trusting clients. In some cases, the victims are long-term clients of the Ponzi operator. Their confidence is often gained over many years, sometimes starting with a legitimate business that later turns into a fraudulent enterprise. Others invest their money on the recommendation of family, friends and neighbours. Ponzi schemes can flourish in New Zealand where people are trusting and make decisions based on word-of-mouth recommendations.

Russell Maher

Russell Angus Maher of Auckland was a foreign exchange broker who abused his position of trust to create the illusion that his business was successful when it was not. The defendant sought to maintain client confidence in his business by forging documents, which misrepresented the timing of foreign currency transactions he conducted on behalf of his clients. In doing so he concealed the deteriorating financial position of his business and defrauded his clients of approximately \$1.55 million.

Mr Maher's business, Forex Brokers Limited (FBL), was initially successful and over the years attracted a variety of clients from different backgrounds. When the business failed, the defendant resorted to using false documents to maintain his clients' confidence. Mr Maher used a total of 80 false documents to deliberately misrepresent the status of the transactions he was meant to carry out. By disguising FBL's insolvency, the business continued to operate and receive client money. Financial losses to the defendant's clients could have been avoided if Mr Maher had behaved honestly and accepted that his business had failed.

Mr Maher was sentenced to three years and four months' imprisonment.

Christopher Wright

As a chartered accountant Christopher George Wright of Auckland misappropriated refunds from his clients on whose behalf he filed tax returns and received refunds. The tax refunds intended for the defendant's clients were deposited in Mr Wright's accounting practice's trust account. Many of the clients would have been unaware they were entitled to such refunds.

The defendant spent the refunds on gambling, friends and family, school fees and loan repayments. He defrauded about 245 clients over a six-year period from January 2010 to April 2016.

Mr Wright breached his professional duties and deceived his clients for personal gain of more than \$1 million. He was sentenced to three years and nine months' imprisonment for the theft of the funds. Mr Wright has appealed his sentence.



"Your offending had multiple victims. They were clients of yours. Some of them were people that considered you to be their friend."

- Judge Collins when sentencing Mr Wright

Combatting public sector fraud and corruption

Fraud and corruption in the public sector divert public funds from those who most need the support of public services. This type of offending is a high priority for the SFO. Our public sector's corruption-free reputation delivers to the economy a competitive advantage, through business confidence, as the real and perceived cost of doing business here is lower than for many of our trading partners and competitors. New Zealand has always been ranked at or near the top of the

Transparency International Corruption Perceptions Index, for its low levels of public sector corruption. However, there is a growing consensus that the risk of corruption in New Zealand is increasing and that it may be more pervasive than is generally acknowledged. While numbers remain minimal overall, the number of bribery and corruption-related complaints and investigations has increased in recent years.

Rasila & Chand

This corruption case involved the manipulation of an Auckland Council procurement process for financial gain. The defendants' actions were corrupt and deceitful. Their criminal behaviour jeopardised the reputation of the council and the wider public sector.

As an employee of the council, Sundeep Rasila accepted a bribe to secure a \$140,000 Auckland Council contract for businessman Sunil Chand, who Mr Rasila previously knew. As a result of the offending, Mr Chand's business On Time Print, which was awarded the contract, made a profit of approximately \$58,000. Mr Rasila accepted a \$7,500 kickback from Mr Chand for helping On Time Print to secure the contract for the delivery of computer accessories (USBs) to the council. As a council employee, Mr Rasila was required to disclose the nature of his relationship with Mr Chand and his business, but he never did this.

Mr Rasila pleaded guilty to corruptly accepting a kickback as a council employee, while Mr Chand admitted paying the bribe in return for his company being awarded the Auckland Council contract. Mr Rasila was sentenced to five and a half months' home detention for corrupting a council procurement process for financial gain. Mr Chand was sentenced to six months' community detention.



"Corruption in the public sector diverts public funds from those who most need the support of public services. For this reason, public sector corruption is a high priority for the SFO."

- SFO Director, Julie Read

Donna Grant

This case involved a prominent Māori performing arts educator using her leadership positions in several organisations to fraudulently obtain \$1.3 million of public funds. Donna Mariana Grant defrauded Tertiary Education Commission, a Crown agency, and Te Whare Wānanga o Awanuiārangi, a tertiary education provider. The offending was a significant breach of trust. The defendant's actions were criminal and damaged the reputation of several organisations. Mrs Grant did not use the misappropriated funds to benefit herself financially, but to help charitable organisations that she was involved in.

Mrs Grant was sentenced to 12 months' home detention, which was a significant reduction from a starting point of four years' imprisonment. The starting point was discounted due to several mitigating factors which included that Mrs Grant had demonstrated genuine remorse, had pleaded guilty and during her lifetime she had made an enormous positive contribution to the community.



“The real loser in financial terms (of the offending) was the Tertiary Education Commission. It provided funds in the belief that they were to be used for specific projects. The funds were not used for those projects and were diverted elsewhere.”

- Justice Lang when sentencing Mrs Grant

Paniparewhakaro Rangiuiia

Paniparewhakaro Elizabeth Rangiuiia abused her position to steal a significant amount of charitable funds while she was employed by the New Zealand Defence Force (NZDF). The former NZDF administrator embezzled approximately \$225,000 over seven years from accounts holding social club funds raised by army personnel.

Ms Rangiuiia used the money she stole while employed at Waiouru military camp for her own benefit, spending most of it on gambling. She was sentenced to 12 months' home detention and 250 hours of community work.



“The people whose lives you touched, the people whose money you took, the people who were supposed to benefit from the money you took are large in number.”

- Judge Krebs when sentencing Ms Rangiuiia

Fraud and corruption in the public sector divert public funds from those who most need the support of public services

Strategic Plan and Objectives

2016 - 2020 Strategic Plan

The SFO developed a Strategic Plan to 2020 that guided the agency's strategic delivery. The Strategic Plan identified how the agency sought to position itself to make a strong contribution to improving New Zealand's wellbeing and to become a stronger and more capable agency well positioned for the future. An updated Strategic Plan and new Statement of Strategic Intentions will take effect from 2020/21.

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.

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

Conduct investigations and prosecutions of the highest quality and effectiveness

Align our 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 sector

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

Contribute to financial crime law reform and policy

Prevent financial crime and corruption 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 community

Achieving Our Goals

1

Prevent financial crime and corruption through education and advice; Lead the understanding of financial crime, bribery and corruption in the private and public sector

STRATEGIC GOALS: Educate and interact with the community; Enhance connections with overseas agencies; Achieve more through effective collaboration with our NZ partners.

Educational activity the SFO leads is typically focused on the deterrence and prevention of

financial crime and corruption. The work we do in this area is hugely valuable to a wide range of organisations from not-for-profit through to public sector agencies.

COVID-19 Fraud Advisory Group

The Performance Improvement Framework (PIF) review and the subsequent COVID-19 pandemic has seen the SFO working to assist stakeholders across the public sector through the COVID-19 Fraud Advisory Group, conceived and administered by the agency. We have delivered guidance on implementing fraud detection and prevention through the group, which is made up of representatives from 25 public sector agencies. One of the aims of the group is to encourage the sharing of intelligence between agencies in response to the COVID-19 event. This has included providing guidance to ensure post-event recovery is not hampered by fraud and error.

After providing initial guidance to public sector agencies in the form of a toolkit, we secured a one-off funding increase of \$3.9 million over three years from 2020/21 -

2023/24 to strengthen the agency's response to an expected rise in serious financial crime during the COVID-19 related economic downturn and recovery. We will use the funds to lead fraud prevention activities across government and to increase our investigative capacity to meet an expected demand in our services.

These prevention activities will also be aimed at improving the public sector's general resilience to financial crime beyond COVID-19. Increasing the government's capacity to prevent an anticipated rise in financial crime is important. Through prevention initiatives, activity is directed towards avoiding harm rather than reacting to it once the damage has been done. A reactive-only response is less optimal, as losses from fraud and corruption

COVID-19 Fraud Advisory Group

contd.

are not often recovered.

This work sits alongside and is complementary to the aims of the Hapaitia

Justice Sector Reform work, particularly in terms of prevention of offending and victimisation.

COVID-19 Counter-Fraud Toolkit

We produced a counter-fraud toolkit in April to help the public sector mitigate the risk of COVID-19 emergency relief funds being defrauded. We used our expertise in investigating and prosecuting public sector fraud to develop the toolkit, as well as intelligence gained from our membership of the International Public Sector Fraud Forum (IPSFF), where the agency has access to the collective experience of our Five Eyes partners. That experience included issues which arose in the context of these jurisdictions' COVID-19 responses.

Guiding principles of the toolkit:

1. Accept there is an inherent risk of fraud and it is likely to happen
2. Where possible, integrate fraud control personnel into the policy and process design to build awareness of fraud risks
3. Work together with fraud control personnel to implement low friction countermeasures to prevent fraud where possible
4. Carry out targeted post-event assurance to check for instances of fraud
5. Be mindful of the shift to longer-term services (from emergency payments) and revisit the control framework at this point.

Specific actions proposed in the toolkit included:

- Establishing a clear channel both within the agency and for the public to report fraud.
- As far as possible, use existing processes and delegations. Short cutting these processes in an emergency can risk sending a message that controls have been relaxed and there are opportunities for fraud.
- Randomly allocating requests or claims that removes the option for staff to select which claims to process and thereby reducing the opportunity for fraudulent collusion between agency staff and applicants.
- Sending system generated notifications to known contact points to reduce identity theft fraud. These notifications may alert customers or staff to fraudulent activity.

Five Eyes forum to prevent fraud

The SFO is New Zealand's representative on the IPSFF, which was founded in 2017. Its founding members are Australia, Canada, New Zealand, United Kingdom and United States. The collective aim of the IPSFF is to share best practice in fraud and corruption prevention and control. The practical focus of the forum is the reduction of risk and harm of fraud and corruption in the public sector, to help focus public money in the right places and to protect the services that people rely on.

Our involvement in the forum has been particularly useful in supporting our COVID-19 fraud prevention work. We have used intelligence shared between IPSFF members and our own experience to produce COVID-19 counter-fraud guidance for New Zealand government agencies. Emergency procurement and disruption to normal financial controls and processes were areas of focus in this guidance.

Working with the IPSFF provides New Zealand with the opportunity to maximise international best practice through the free exchange of tools and practice. The IPSFF has refocused its efforts on the risk of fraud in the context of government responses to the COVID-19 pandemic. This provides us with crucial support for our COVID-19 financial crime prevention activities.

We also have used our place on the IPSFF to connect relevant agencies within New Zealand with their counterparts overseas to share lessons learned in terms of achieving the rapid design and delivery of upfront and low friction fraud/integrity checks.

The products produced in the last year by the IPSFF have included:

Guide to understanding the total impact of fraud.

The use of artificial intelligence to combat public sector fraud.

Guide to designing counter-fraud and corruption awareness training for public bodies.

Fraud in emergency management and recovery: principles for effective fraud control.

Local government webinar



Paul O'Neil and Kim Wheeler hosted an SFO webinar for local government officials

As part of the Anti-Corruption Work Programme, the SFO hosted a webinar in December 2019 to raise awareness of the risks of public sector corruption. The webinar was hosted in partnership with Local Government New Zealand and attended by local government officials. The SFO presenters emphasised during the 50-minute event that complacency was one of the greatest risks to New Zealand's corruption-free reputation.

In her introduction, the Director of the SFO, Julie Read, emphasised that corruption

was a threat to both the wellbeing of New Zealanders and to the nation's fair way of doing business. SFO General Counsel, Paul O'Neil, and Senior Investigator, Kim Wheeler, discussed the types of corrupt behaviour that occur in New Zealand and ways to prevent it from happening. Principal Investigating Lawyer, Rose Rehm, talked about the slippery slope of corruption. Ms Rehm used an example of a well-known Auckland Transport corruption case to illustrate how corruption practises can infiltrate an organisation.

Fraud Film Festival



Fraud Hurts - documentary produced by the CFFC, with assistance from the SFO

The SFO played a critical role in supporting the third International Fraud Film Festival which drew attention to the harm caused by fraud and corruption. Apart from helping to organise the two-day event held in November 2019, we assisted the Commission of Financial Capability (CFFC) in producing

a documentary about elder fraud that was premiered at the festival. *Fraud Hurts* was part of a free public session to promote fraud awareness and can be viewed on the CFFC's website.

2

Align our role, objectives, functions and activities with those of our key stakeholders; Contribute to financial crime law reform and policy

STRATEGIC GOALS: Achieve more through effective collaboration with our NZ partners; Support the creation of a financial crime policy forum; Use intelligence to understand the financial crime landscape.

To provide an all-of-government response to financial crime, the SFO collaborates with other law enforcement and regulatory agencies at both the operational and strategic level.

Developing a National Financial Crime and Corruption Strategy

Planning commenced on the National Financial Crime and Corruption Strategy in April 2020, shortly after the publication of the PIF, which recommended such a strategy be developed. The PIF stated that the creation of a multi-agency strategy was critical to maintaining New Zealand's reputation for low levels of financial crime and corruption. The strategy would also, it suggested, form part of the Government's efforts to protect New Zealand's reputation as a high-trust society and would help to fix systemic weaknesses.

The SFO will work closely with the Ministry of Justice and Police to develop the All-of-

Government strategy. Public and private sector stakeholders will be consulted. Their views and ideas will be used to make the National Financial Crime and Corruption Strategy as comprehensive and inclusive as possible - including understanding where it intersects with existing strategies or work programmes.

A commissioning workshop with the Ministry of Justice and Police to commence work on the strategy was held in August 2020.

Progressing the Anti-Corruption Work Programme

The commencement of Phase 2 of the Anti-Corruption Work Programme (ACWP) was delayed because of COVID-19. It was scheduled to commence in March 2020 when multi-year funding of \$1.3 million was

secured. However, because of the impact of the COVID-19 lockdown on employee recruitment for the programme, Phase 2 was rescheduled to begin in the first quarter of 2020/21.

	TASK	STATUS
PHASE 1	Identification of systemic weaknesses which allow corruption to take root.	Concluded March 2020
PHASE 2	Assessment of public money controls. Production of guidance and tools for agencies.	Scheduled to commence July 2020

About the ACWP

Delivered by the SFO in conjunction with the Ministry of Justice, the ACWP was approved by Cabinet in July 2018. It is the outcome of a growing awareness that the risk of corruption in New Zealand is growing and, as a nation, we need to be proactive in responding to that risk. Building on the work of the strategic assessment in identifying risks, the programme has begun mapping the response to corruption across New Zealand to identify priority gaps. Work assessing public money controls has been scoped and will assist public sector agencies in mitigating risks stemming from COVID-19 funding programmes. The ACWP has already identified corruption risks and developed some initial responses, including the development of training, as well as specific awareness raising events, while also demonstrating the viability of a cross-agency approach.

The ACWP will likely become a workstream of the National Financial Crime and Corruption Strategy.

The SFO initiative to develop and embed a cross-agency financial crime intelligence system was halted in 2017/18 to focus on the ACWP. As a consequence, there was nothing to report against the strategic goal 'Lead in the sharing of financial crime intelligence between agencies to identify and prevent threats'.

The SFO also did not hold workshops with partner agencies to explore options for a financial crime and policy forum. Since the Integrated Statement of Strategic Intent 2016-20 was approved four years ago, the SFO's focus has changed. The agency is now focused more on financial crime prevention and developing a National Financial Crime and Corruption Strategy.

Expanding information sharing between agencies

The SFO has been working with Inland Revenue, Police and Customs to expand the Approved Information Sharing Agreement (AISA). The agreement enables the sharing of information related to serious crime investigated by the SFO and Customs, including fraud and corruption, and cross-border serious crime. The expanded AISA means the agencies are able to work together to provide an all-of-government response to serious crime.

The expanded AISA was approved in August and came into force on 1 October 2020.

An AISA is a legal mechanism enabled under the Privacy Act 1993 authorising the sharing of information between, or within, agencies for delivering efficient and effective public services. Under the Tax Administration Act 1994, the Commissioner of Inland Revenue may share information under an AISA, despite the secrecy rules. AISAs provide a robust and transparent process for sharing information while providing certainty about the purpose of information sharing, the use of information, and the management of privacy risks.

Refining our case and evidence management systems

Like many of our international counterparts, we have seen a significant increase in electronic evidence in recent years in parallel with the exponential increase in personal electronic devices. As a result, efficient systems for managing and analysing vast amounts of evidential data are essential to our investigation and prosecution work.

The SFO has continued to refine and adjust its case and evidence management software to streamline and standardise processes, reduce risk of failure and provide greater case and resource visibility to SFO management. During 2019/20 the agency has specifically:

- Implemented enhancements to the case management software, ServiceNow, which has allowed the SFO to better understand the costs and effort undertaken per case.
- Commenced a trial of a Software as a Service platform (SaaS) for Relativity. Adopting a SaaS version will future proof the SFO's evidence management system, ensuring our systems are constantly up to date while minimising in-house administration of infrastructure.
- Accelerated the process of evidence tracking during search warrants through the purchase of a new mobile app.
- Moved the document management system, SharePoint, to the cloud, to give users a much more modern experience and increased flexibility to work from outside the office.

Integral to the SFO's ability to efficiently manage electronic evidence is its Electronic Forensic Unit (EFU). To improve its performance, over the past 12 months the EFU has made investments in computer software and hardware that have enabled:

- Faster processing of data and enhanced forensics capability
- Faster simultaneous cloning of multiple devices and seamless acquisition and analysis of forensic data
- Improvements in the way the EFU examines data extracted from phones.

3

Conduct investigations and prosecutions of the highest quality and effectiveness

STRATEGIC GOALS: Invest in the right tools and systems; Have a culture of continuous improvement.

We are committed to improving our case progression systems and processes. This includes developing a new strategic model

for case resourcing that is designed to complement the effective multidisciplinary matrix model for conducting investigations.

The resourcing model is developed to ensure the case teams are equipped to progress cases effectively and efficiently.

Our People

Our people's work underpins the great results we consistently achieve and our reputation as a highly trusted and reliable government agency.

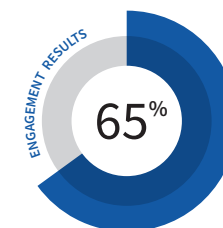
STRATEGIC GOALS: Attract and retain the best people; Challenge and support our team to be the best; Have a culture of continuous improvement.

Our success in achieving our priorities within

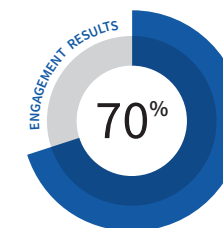
a limited budget and delivering our Strategic Plan relies in large part on retaining and continually enhancing the capabilities of our small, streamlined workforce, 88 percent of whom perform frontline activities.

Employee engagement

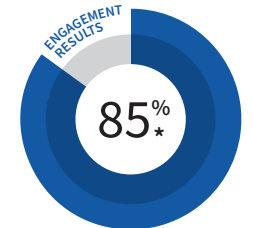
2017/18



2018/19



2019/20



*COVID-19 Response Survey

As a result of COVID-19, the SFO replaced its usual annual Ask Your Team (AYT) survey in 2019/20 with a COVID-19 Response - Remote Working and Wellbeing Survey. This was conducted between 14-20 April 2020. The SFO felt the need to understand and provide the support our people needed in these most unusual times was more urgent than completing a generic annual survey.

Success factors covered in the survey were leadership, psychological wellbeing, team processes and personal wellbeing. Eighty-two percent of our people felt connected to the leadership and knew what was expected of them, despite working remotely.

Our custom questions focused on areas around understanding immediate concerns, what the senior leadership team needed to consider over the coming weeks/months, that our people knew where to get help and support if they needed it and that information that was being communicated was appropriate and relevant.

Post COVID-19 survey(s) will be run as required and it is intended our normal AYT annual survey will resume in 2020/21

Training and development opportunities

To retain our people and continue to upskill and grow, the SFO continues to offer development and training opportunities that meet our specialist needs. We have also provided employees opportunities to act in more senior roles, including at senior leadership level and advanced four high performing people into permanent senior operational roles. Other opportunities included leadership development and coaching for members that had demonstrated the aspiration and potential to develop into future leaders.

Three employees this year participated in international training opportunities in specialised areas:

- **Senior Investigator** - Operational Leadership Course (Canberra)
- **Senior Investigator** - Australian Federal Police Serious Crime Command Course (Canberra)
- **Systems Architect** - Relativity Fest (Chicago)

2017/18

1.28%

Of appropriation spent on training

2018/19

1%

Of appropriation spent on training

2019/20

0.7%

Of appropriation spent on training

Reviewing specialist workforce needs

The SFO has continued to review its specialist workforce needs. We have improved the internal working groups for each of the four disciplines within the SFO (investigators, forensic accountants, lawyers and electronic forensics investigators) so the specific needs of each group are addressed. We have also reviewed the specialist database

management needs required to administer our evidence management platform Relativity and invested in administrator training.

We intend to establish new roles with responsibility for the specialist disciplines in 2020/21.

Unplanned turnover

2017/18

22.6%

Unplanned turnover

2018/19

15.6%

Unplanned turnover

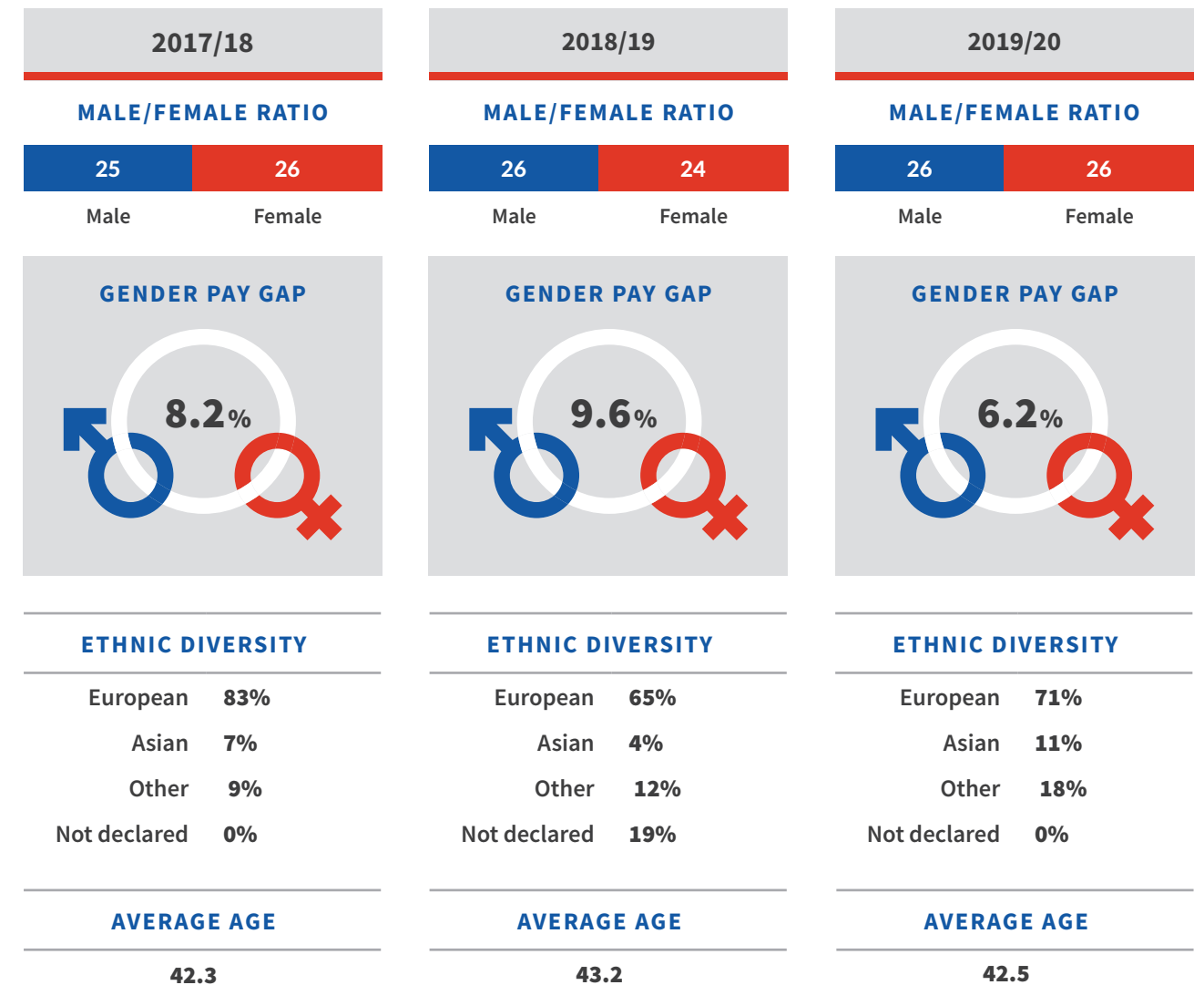
2019/20

11.5%

Unplanned turnover

To retain our people and continue to upskill and grow, we continue to offer development and training opportunities that meet our specialist needs

Diversity and Inclusion



The SFO is developing and implementing a diversity and inclusion strategy with key focus areas on:

- Maintaining gender balance and our female representation in leadership positions.
- Implementing recruitment practices that attract a diverse range of candidates to reflect our community.
- Building capability in the understanding of unconscious bias and cultural intelligence.
- Ensuring our services and workplace are accessible to all abilities.
- Ensuring our workplace is a safe and inclusive environment from a health, safety and wellbeing perspective.
- Enabling flexible work practices that support our people to work in ways allowing them to balance their work and home life.

Gender / ethnic pay gap

We are a small agency, so minor changes in our headcount can impact significantly on our gender pay gap, causing fluctuations with any employee movement, new recruit or resignation. To ensure we are able to take the right action to address pay gaps that occur, quarterly analysis is undertaken and reported. We share this information with our people.

The SFO continues to be conscious of having a workforce that reflects New Zealand's

multi-cultural diversity and factors this into recruitment decisions whenever possible.

Managers and people leaders responsible for recruitment will over the next year receive unconscious bias training and all staff will receive cultural intelligence training. All people-related policies will be reviewed by the end of 2020/21 to ensure all language and practice is inclusive and free of bias.

Our commitment to the Accessibility Charter

The SFO has signed the Accessibility Charter and is committed to working over the next five years towards ensuring all its information intended for the public is accessible to

everyone and that everyone can interact with our services in a way that meets their individual needs and promotes their independence and dignity.

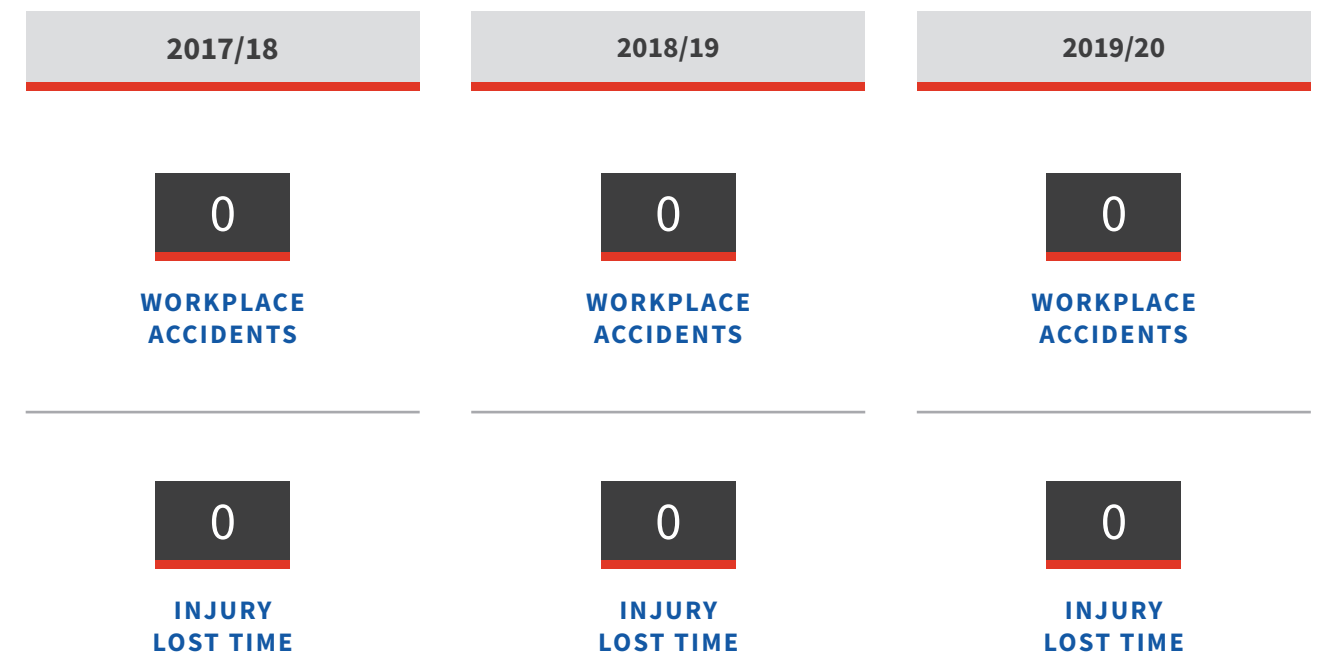
*The SFO
continues to
be conscious
of having a
workforce
that reflects
New Zealand's
multi-cultural
diversity*

Health & Safety

The SFO is committed to providing and maintaining a safe and healthy environment for all employees, contractors and visitors.

The SFO has a Health and Safety Committee that manages the agency's healthy and safety activities. Close links have been maintained with the Government Health and Safety Lead to ensure best practice.

The SFO established an Audit and Risk Committee in 2020, with an external chair, to oversee the agency's risk frameworks, which include health and safety.



Key Capabilities

The table below lists the indicators and associated measures that we use to check our progress on achieving our Integrated Statement of Strategic Intent.

CAPABILITY	INDICATORS	MEASURE AND TARGET	TREND RESULTS
Leadership and organisational culture	Have a culture of continuous improvement	Ask Your Team Level of engagement	2019/20: 85%* 2018/19: 70% 2017/18: 65% 2016/17: 70% 2015/16: 60% (baseline)
	Attract and retain the best people	Unplanned turnover	2019/20: 11.5% 2018/19: 16.6% 2017/18: 22.6% 2016/17: 16.98% 2015/16: 5.9% 2014/15: 19.3%
	Challenge and support our team to be the best	Ask Your Team A 3% annual improvement in leadership and culture baseline score	2019/20: Not completed** 2018/19: 85% 2017/18: 65% 2016/17: 71% 2015/16: 63% (baseline)
Technology, systems and processes	Invest in the right tools and systems (question changed to “We have technology to effectively support our processes” in 2017/18)	Ask Your Team “We have the technology to support our business”	2019/20: Not completed* 2018/19: 67% 2017/18: 63% 2016/17: 58%* 2015/16: 66% (baseline)
Relationships and partnerships	Partner agencies indicate satisfaction with their relationship with SFO to demonstrate effective communication and collaboration	Biennial SFO Stakeholder Survey Rating is 8 out of 10 or higher	2018/19: Not completed** 2016/17: 7.9 2014/15: 8.3 2012/13: 7.2

*The SFO did not conduct the AYT survey as planned in 2020 because it was due during the Covid-19 lockdown. Instead the SFO conducted a Pulse survey of employees work experience during the lockdown. The AYT survey will be conducted again in 2021.

**SFO did not complete the survey because of financial constraints.



Statement of Responsibility

As Chief Executive and Director of the Serious Fraud Office, I am responsible for:

- the preparation of the SFO's financial statements, and statements of expenses and capital expenditure, and for the judgements expressed in them
- having in place a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting
- ensuring that end-of-year performance information on each appropriation administered by the SFO is provided in accordance with sections 19A to 19C of the Public Finance Act 1989, whether or not that information is included in this annual report
- the accuracy of any end-of-year performance information prepared by the Serious Fraud Office, whether or not that information is included in the annual report.

In my opinion:

- the financial statements fairly reflect the financial position of the Serious Fraud Office as at 30 June 2019 and its operations for the year ended on that date
- the forecast financial statements fairly reflect the forecast financial position of the Serious Fraud Office as at 30 June 2020 and its operations for the year ending on that date.



Julie Read
Chief Executive and Director
26 November 2020

Statement of Performance

The SFO provided services within Vote Serious Fraud in order to support the outcomes of:

- a confident business environment that is largely free of serious financial crime
- a just society that is largely free of fraud, bribery and corruption.

Strategic measures and results

The tables below summarise the outcomes we aim to achieve and how we measure our performance against our strategic goals.

OUTCOME 1

A confident business environment that is largely free of serious financial crime

IMPACTS	INDICATORS	MEASURES	TREND RESULTS
New Zealand is a safe place to invest and do business ¹	Businesses say that law enforcement action is maintaining or improving the integrity of our financial and commercial markets	Biennial SFO Stakeholder Survey “How effective have SFO investigations and prosecutions been?” Maintain or improve on 7.1 (scale of 10)	2018/19: N/A ² 2016/17: 7.7 ³ 2014/15: 7.3 2012/13: 7.7 2010/11: 7.1
	The public have trust and confidence that financial criminals will be prosecuted and sentenced	Biennial Public Survey ⁴ Public feel that “New Zealand is a safe place to invest”	2019/20: 63% 2017/18: 67% 2015/16: 63% (baseline)

Strategic measures and results

contd.

IMPACTS	INDICATORS	MEASURES	TREND RESULTS
Our reputation for low levels of financial crime, bribery and corruption provides a global competitive advantage to New Zealand businesses ⁵	New Zealand's ranking of corruption-free nations	Transparency International Corruption Perception Index Achieve ranking within the top three	2019: 1st
			2018: 2nd
			2017: 1st
			2016: 1st equal Denmark
			2015: 1st equal Denmark
			2014: 2nd
			2013: 1st equal Denmark
			2012: 1st equal Finland, Denmark
			2011: 1st

¹The measures and trend results remain the same as the SOI 2016/2017, however the wording of the impact and indicator statement has been altered in the ISSI to align with the outcomes in the SFO's Strategic Plan 2016-2020. Previous wording read: "Business and investor confidence in the integrity of our financial and commercial markets is maintained or increased" and "Those who say that law enforcement action is maintaining or improving the integrity of our financial and commercial markets". The biennial public survey result is a new measure for this impact.

²The SFO would normally measure the effectiveness of its investigations and prosecutions by surveying stakeholders every two years. No survey was conducted in 2018/19 due to financial constraints. The effectiveness of the SFO's investigations and prosecutions was considered by the lead reviewers of the SFO's Performance Improvement Framework review undertaken in 2019.

³The 2017 independent survey requested the participation of 55 key SFO stakeholders in New Zealand. Of these, 39 were interviewed about their perceptions of the SFO's performance, using a rating scale of 1-10. This survey is qualitative research with no margin of error.

⁴MMResearch manage this Public Trust and Confidence survey. The survey is conducted every second year and in accordance with the Code of Practice established by the Research Association of New Zealand. A nationwide sample of New Zealand citizens/residents, who are at least 18 years old, are randomly selected. In 2020, initially 1,019 people were contacted to achieve a sample of 601 people who were aware of the SFO. The agreed minimum sample for this survey is 600. The survey has a margin of error of $\pm 4.0\%$. The research was conducted in good faith and with due regard to standards set by the Market Research Association of New Zealand.

⁵ Now in Outcome 1 rather than Outcome 2 to reflect the increased focus on the business sector in the SFO's Strategic Plan 2016-2020. The wording of the impact statement has also changed to align with the outcomes in the SFO's Strategic Plan 2016-2020. In the SOI 2016/2017 it read: "New Zealand maintains its international reputation for very low levels of bribery and corruption."

OUTCOME 2

A just society that is largely free of fraud, bribery and corruption

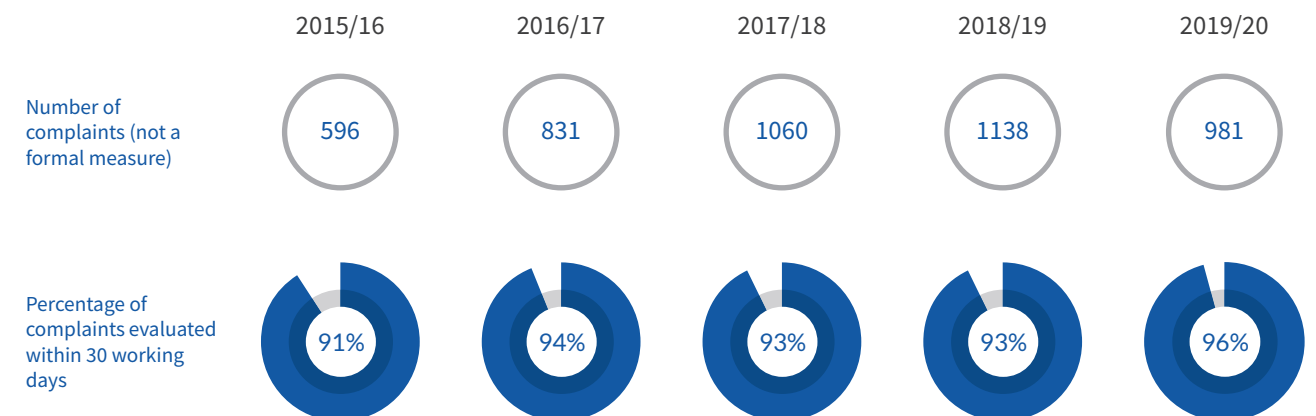
CAPABILITY	INDICATORS	MEASURE AND TARGET	TREND RESULTS
Increase cross-agency capability to achieve Justice Sector shared goals	Collaboration across the justice sector and other agencies	Number of joint investigations	2019/20: 1 2018/19: 1 2017/18: 2 2016/17: 2 (baseline)
	Educate and interact with the community	Biennial Public Survey Public agree the SFO "does a good job in demonstrating the consequences of serious financial crime"	2019/20: 64% 2017/18: 61% 2015/16: 53%
Confidence increases that the main defendant in financial crime cases is held to account	Frequency of custodial sentences being ordered where a conviction against the main defendant was obtained	Annual analysis, including trends compiled by the SFO Maintain or increase from 75% of cases	2019/20: 100% 2018/19: 100% 2017/18: 100% 2016/17: 100% (baseline)

Operational Performance Measures and Results

Performance measures and standards have been established to monitor the efficiency and effectiveness of managing the three key activities of complaints, investigations and prosecutions within the output expense.

Statistical trends

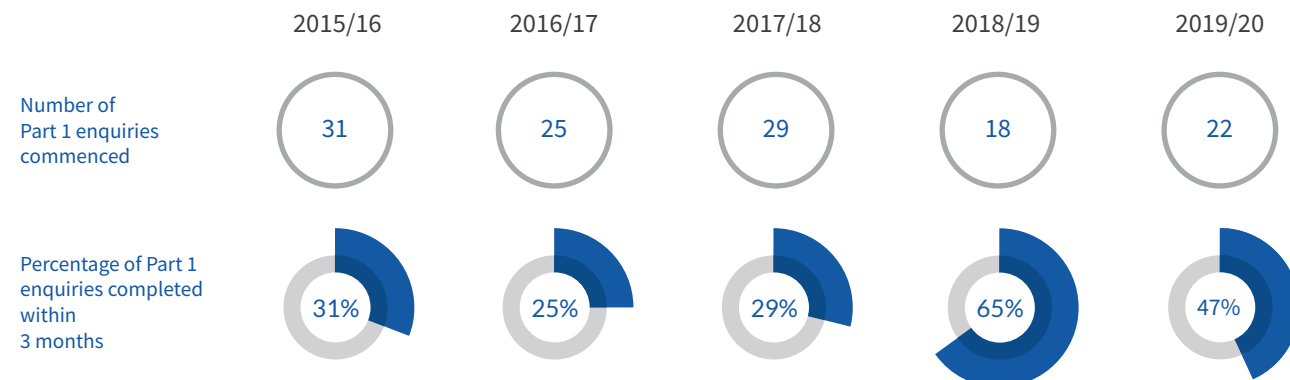
COMPLAINTS: Statistical trends



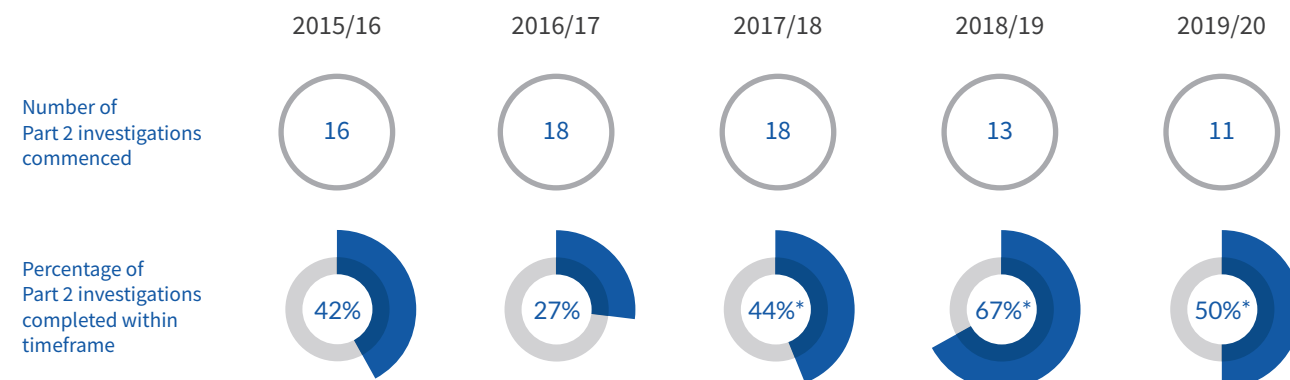
Statistical trends

contd.

PART 1 ENQUIRIES: Statistical trends

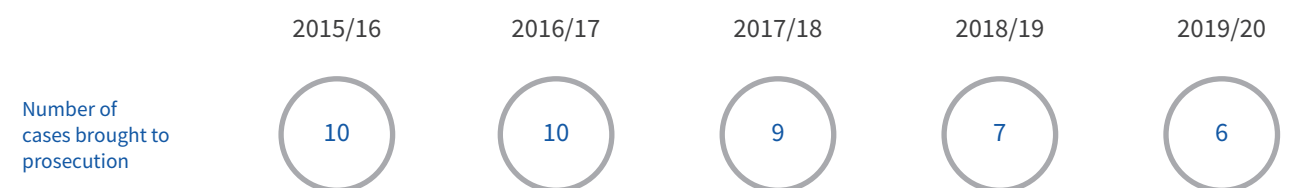


PART 2 INVESTIGATIONS: Statistical trends



* Complex investigations completed within 18 months.

PROSECUTIONS: Statistical trends



The SFO is the lead law enforcement agency for investigating and prosecuting serious or complex financial crime, including bribery and corruption



Covid-19 Impacts

The Government declared a state of national emergency on 25 March to curtail the spread of COVID-19.

The global outbreak of COVID-19 was characterised as a pandemic by World Health Organization on 11 March. New Zealand was 'in lockdown' at alert level 4 from 26 March to 27 April, and then remained at alert level 3 until 13 May. The SFO implemented a 'work from home' operating model during this period, which was effective from 25 March to 8 June when alert level 1 was declared. Due to investment in the right technology and tools, the SFO's operations were largely uninterrupted while the agency's employees worked from home.

The overall impact on SFO operations was minimal during this period. Fewer Part 1 enquiries were completed because of the

COVID-19 event. While there was an increased focus on opening more enquiries during the year, this was undermined somewhat by the impact of the COVID-19 lockdown which saw fewer complaints (from which enquiries are derived) from March to May.

Investigation and prosecution work was only limited by the ability to undertake face-to-face interviews and undertake search warrants and serve certain notices under the SFO Act.



Output Expense: Investigation and Prosecution of Serious Financial Crime

This output expense provides for services by the SFO to detect, investigate and prosecute serious financial crime, including activities directed at making the commission of financial crimes more difficult, and detection and prosecution more effective.

Complaints

The number of complaints decreased in 2019/20. This can be attributed in part to the impact of the Covid-19 lockdown. Compared to the corresponding March to May period in the previous financial year, there were approximately 120 fewer complaints. Additionally, the SFO has dedicated greater effort into the quality control of complaints to ensure a matter is appropriately recorded as a complaint.

Complaints are first evaluated by the Evaluation and Intelligence team to determine whether or not they fit the criteria

set for enquiries and investigations by the SFO. If the matter meets the criteria set out in Part 1 of the SFO Act, the complaint is moved to the Part 1 enquiry phase or directly to a Part 2 investigation in some cases. If not, every effort is made to refer the complaint to the appropriate agency or to close the complaint and notify the complainant. The SFO is not restricted to acting on complaints and can act on its own initiative to undertake investigations. The number of complaints is not a performance target.

Complaints

contd.

ACTUAL 2018/19	PERFORMANCE MEASURE	BUDGET STANDARD 2019/20	ACTUAL 2019/20
93%	Timeliness Percentage of complaints evaluated within 30 working days	80%	96%

Actual performance

The SFO received 981 complaints in 2019/20. The SFO exceeded its standard for timeliness in evaluating complaints. This has been consistently achieved over the last five years.

Part 1 enquiries

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 enquiry 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.

ACTUAL 2018/19	PERFORMANCE MEASURE	BUDGET STANDARD 2019/20	ACTUAL 2019/20
18	Part 1 enquiries quantity Number of Part 1 enquiries commenced	30 - 40	22
65%	Timeliness Percentage of Part 1 enquiries completed within 3 months	80%	47%

Actual performance

While the SFO did not meet the performance measure for the number of Part 1 enquiries opened, we improved on the 2018/19 performance - when the opening of Part 1 enquiries was used to manage limited resources available for investigations. There was an increased focus on opening more enquiries in 2019/20, however this was undermined somewhat by the impact of the COVID-19 lockdown which saw fewer complaints (from which enquiries are derived) from March to May 2020. In 2019/20 we only opened five enquiries during March, April and May 2020. In the corresponding period of previous years, we opened the following number of enquiries: 2018/19 - six, 2017/18 - 10, 2016/17 - 11.

The SFO did not meet the standard for the timeliness of Part 1 enquiries. Increased focus will be placed on this measure in 2020/21 as we restructure our evaluation team.

Investigations

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

involving serious or complex fraud may have been committed. Once a Part 1 enquiry meets the criteria, the formal investigation is undertaken by an investigation team.

ACTUAL 2018/19	PERFORMANCE MEASURE	BUDGET STANDARD 2019/20	ACTUAL 2019/20
13	Quantity Number of Part 2 investigations commenced	14 - 16	11
67%	Timeliness Percentage of Part 2 investigations completed within targeted time ¹	Category A (50% within 18 months)	50%
50%		Category B (60% within 12 months)	43%
100%	Percentage of formal post-investigation reviews that meet SFO quality criteria ²	90%	100%

¹ Category A cases are those that involve high complexity. They may contain one or all of 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. Category B comprises all other cases.

² Formal written quality assurance reviews are conducted following each investigation and prosecution, and include: a summary of issues arising during the course of the case; any recommendations for changes to improve SFO policies, case management procedures or external issues; an overall assessment of the quality of the conduct of the investigation or the prosecution. Recommendations from the quality assurance reviews are considered by the senior leadership team within two months of the completion of the review.

Actual performance

The SFO opened 11 investigations this year, slightly under the target of 14-16 investigations. This result was primarily due to decisions taken to manage the pressure of the high volume and complexity of investigations in the SFO's existing caseload. A higher threshold was applied so that a new investigation was only opened when it well exceeded our statute-based criteria for investigation and was of a higher priority than cases already within the existing caseload.

The Part 2 timeliness target for complex investigations was met, while the target for non-complex investigations was not met.

Given the size of the SFO's caseload and its limited investigative resources, in any given year, a handful of large or complex cases can have a disproportionate impact on timeliness across all cases (due to resource limitations). Evaluation of timeliness targets over a longer timeframe would arguably more accurately reflect the nature of the SFO's work and caseloads.

Prosecutions

A decision on whether or not to commence a prosecution is made by applying the Prosecution Guidelines issued by the Solicitor-General. The decision is also supported by the advice of Prosecution Panel

Counsel and the SFO team assigned to the investigation. The Panel member provides the Director with their opinion on the proposed prosecution and reviews proposed charges.

ACTUAL 2018/19	PERFORMANCE MEASURE	BUDGET STANDARD 2019/20	ACTUAL 2019/20
7	Quantity Number of cases brought to prosecution	10 - 12	6
100%	Quantity Percentage of defendants convicted	80%	100%
100%	Quantity Percentage of formal post-prosecution reviews that meet the SFO quality criteria	90%	100%

Actual performance

The prosecution target was not met in 2019/20. This was largely due to the SFO's decision in the previous financial year to reduce its case load to manage the pressures caused by a heavy case load including matters of high complexity, impacting on investigation delivery. Given a reduced investigation caseload, fewer cases progressed to prosecution.

Capital Performance

Actual 2019	Performance Measure	Budget Standard 2020	Actual 2020
Completed 1 July 2018	The capital plan is developed and managed throughout the year	Capital plan for implementation by 30 June 2019	Completed 1 July 2019

Financial Performance

	2019 Actual \$000	2020 Main estimates \$000	2020 Supp estimates \$000	2020 Actual \$000	2021 Main estimates \$000
REVENUE					
Crown	10,104	9,534	9,819	9,819	12,424
Other	456	85	345	271	85
TOTAL REVENUE	10,560	9,619	10,164	10,090	12,509
Expenditure	10,185	9,619	10,164	9,690	12,509
Net surplus/ (deficit)	375	0	0	400	0

There have been no material changes between New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Public Sector Accounting Standards (IPSAS).



Financial

Statements

Statement of comprehensive revenue and expense

for the year ended 30 June 2020

Actual 2019 \$000	Notes	Actual 2020 \$000	Unaudited Budget 2020 \$000	Unaudited Forecast 2021 \$000
REVENUE				
10,104	Revenue Crown	9,819	9,534	12,424
456	Other revenue	271	85	85
10,560	TOTAL REVENUE	10,090	9,619	12,509
EXPENSES				
6,211	Personnel costs	6,066	6,362	8,186
3,613	Other expenses	3,242	2,996	3,933
294	Depreciation and amortisation expense	307	194	316
67	Capital charge	75	67	74
10,185	TOTAL EXPENSES	9,690	9,619	12,509
375	Surplus/(deficit)	400	0	0
0	Other comprehensive revenue and expense	0	0	0
375	TOTAL COMPREHENSIVE REVENUE AND EXPENSE	400	0	0

Explanations of major variances against original the 2019/20 budget are provided in note 17.

The accompanying notes form part of these financial statements.

Statement of financial position

for the year ended 30 June 2020

Actual 2019 \$000	Notes	Actual 2020 \$000	Unaudited Budget 2020 \$000	Unaudited Forecast 2021 \$000
ASSETS				
CURRENT ASSETS				
1,985	Cash and cash equivalents	2,171	1,642	1,960
8	Receivables	0	25	25
44	Prepayments	34	77	77
2,037	TOTAL CURRENT ASSETS	2,205	1,744	2,062
NON-CURRENT ASSETS				
450	Property, plant and equipment	407	368	365
553	Intangible assets	433	675	414
1,003	TOTAL NON-CURRENT ASSETS	840	1,043	779
3,040	TOTAL ASSETS	3,045	2,787	2,841
LIABILITIES				
CURRENT LIABILITIES				
1,012	Payables and Deferred Revenue	854	1,139	1,067
375	Return of operating surplus	400	0	0
367	Employee entitlements	487	396	396
1,754	TOTAL CURRENT LIABILITIES	1,741	1,535	1,463
NON-CURRENT LIABILITIES				
57	Employee entitlements	56	20	20
117	Provisions	136	120	120
174	TOTAL NON-CURRENT LIABILITIES	192	140	140
1,928	TOTAL LIABILITIES	1,933	1,675	1,603
1,112	NET ASSETS	1,112	1,112	1,238
EQUITY				
1,112	Taxpayers' funds	1,112	1,112	1,238
1,112	TOTAL EQUITY	1,112	1,112	1,238

Explanations of major variances against original the 2019/20 budget are provided in note 17.

The accompanying notes form part of these financial statements.

Statement of changes in equity

for the year ended 30 June 2020

Actual 2019 \$000	Notes	Actual 2020 \$000	Unaudited Budget 2020 \$000	Unaudited Forecast 2021 \$000
1,112	BALANCE AT 1 JULY	1,112	1,112	1,112
375	Total comprehensive revenue and expense	400	0	0
OWNER TRANSACTIONS				
0	Capital injection	0	0	126
(375)	Return of operating surplus to the Crown	(400)	0	0
1,112	BALANCE AT 30 JUNE	1,112	1,112	1,238

Explanations of major variances against original the 2019/20 budget are provided in note 17.
The accompanying notes form part of these financial statements.

Statement of cash flows

for the year ended 30 June 2020

Actual 2019 \$000		Actual 2020 \$000	Unaudited Budget 2020 \$000	Unaudited Forecast 2021 \$000
CASH FLOWS FROM OPERATING ACTIVITIES				
10,148	Receipts from Revenue Crown	9,819	9,534	12,424
583	Receipts from other revenue	275	85	85
(3,828)	Payments to suppliers	(3,549)	(3,318)	(4,083)
(6,193)	Payments to employees	(5,752)	(6,040)	(8,036)
(67)	Payments for capital charge	(75)	(67)	(74)
13	Goods and services tax (net)	(17)	0	0
656	NET CASH FLOW FROM OPERATING ACTIVITIES	703	194	316
CASH FLOWS FROM INVESTING ACTIVITIES				
0	Receipts from sale of property and equipment	4	0	0
(188)	Purchase of property and equipment	(140)	(90)	(164)
(70)	Purchase of intangible assets	(6)	(10)	(62)
(258)	NET CASH FLOW FROM INVESTING ACTIVITIES	(142)	(100)	(226)
CASH FLOWS FROM FINANCING ACTIVITIES				
0	Capital Injection	0	0	126
(325)	Return of operating surplus	(375)	0	0
(325)	NET CASH FLOW FROM FINANCING ACTIVITIES	(375)	0	126
73	Net (decrease)/increase in cash	186	94	216
1,912	CASH AT THE BEGINNING OF THE YEAR	1,985	1,548	1,744
1,985	CASH AT THE END OF THE YEAR	2,171	1,642	1,960

Explanations of major variances against original 2019/20 budget are provided in note 17.
The accompanying notes form part of these financial statements.

Statement of cash flows

contd.

for the year ended 30 June 2020 (continued)

Actual 2019 \$000		Notes	Actual 2020 \$000
375	NET SURPLUS/(DEFICIT)		400
ADD/(LESS) NON-CASH ITEMS:			
294	Depreciation and amortisation expense	7,8	308
294	TOTAL NON-CASH ITEMS		308
ADD/(LESS) ITEMS CLASSIFIED AS INVESTING OR FINANCING ACTIVITIES:			
(1)	(Gains)/losses on disposal of property and equipment		(4)
(1)	TOTAL ITEMS CLASSIFIED AS INVESTING OR FINANCING ACTIVITIES		(4)
ADD/(LESS) MOVEMENTS IN STATEMENT OF FINANCIAL POSITION ITEMS:			
36	(Inc)/dec in receivables	6	8
42	(Inc)/dec in prepayments		10
(110)	Inc/(dec) in payables and deferred revenue	9	(158)
18	Inc/(dec) in employee entitlements	12	119
3	Inc/(dec) in provisions	11	19
(12)	NET MOVEMENT IN WORKING CAPITAL ITEMS		(1)
656	NET CASH FLOW FROM OPERATING ACTIVITIES		703

The accompanying notes form part of these financial statements.

Statement of commitments

as at 30 June 2020

Capital commitments

The SFO has no capital commitments as of 30 June 2020 (2019: \$nil).

Non-cancellable operating lease commitments

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee. Lease payments under an operating lease are recognised as an expense on a

straight-line basis over the lease term. Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

The SFO leases property in the normal course of its business operation. The financial impact of this lease, which relates to the current office accommodation on Level 6 at 21 Queen Street in Auckland, is in the form of a non-cancellable operating lease that expires 3 March 2023, with no restrictions.

Actual 2019 \$000		Actual 2020 \$000
OPERATING LEASE AS LESSEE		
	The future aggregate minimum lease payments to be paid under this non-cancellable operating lease are as follows:	
520	Not later than one year	550
1,387	Later than one year and not later than five years	916
0	Later than five years	0
1,907	TOTAL NON-CANCELLABLE OPERATING LEASE COMMITMENTS	1,466

Sublease arrangement

During 2015/16, the SFO entered into a co-location agreement whereby office space on Level 6, 21 Queen Street, Auckland was allocated to Crown Law for their sole use, the terms and conditions of which are recorded

in a Memorandum of Understanding. The Memorandum of Understanding is deemed to contain a lease. The Agreement expires on 3 March 2023; however, it can be terminated on giving 12 months' notice.

Actual 2019 \$000		Actual 2020 \$000
OPERATING SUBLEASE AS A LESSOR		
	The future aggregate forecasted lease payments to be received under this cancellable operating sub-lease are as follows:	
85	Not later than one year	85
227	Later than one year and not later than five years	142
0	Later than five years	0
312	TOTAL NON-CANCELLABLE OPERATING SUB-LEASE COMMITMENTS	227

The SFO does not hold any finance leases (2019: nil).

Statement of contingent liabilities and contingent assets

as at 30 June 2020

Contingent liabilities

The SFO has no quantifiable or unquantifiable contingent liabilities as at 30 June 2020 (2019: \$nil).

Contingent assets

The SFO has no contingent assets as at 30 June 2020 (2019: \$nil).

Clause 35(1) of the SFO Act 1990 states: “The Serious Fraud Office and every member of the Serious Fraud Office shall be indemnified by the Crown in respect of any liability relating to the exercise of, or purported exercise of, or the omission to exercise, any power conferred by this Act unless it is shown that the exercise or purported exercise of, or the omission to exercise, the power was in bad faith.”

The accompanying notes form part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

1

Statement of accounting policies

Reporting entity

The SFO is a government department as defined by section 2 of the Public Finance Act 1989 and is domiciled and operates in New Zealand. The relevant legislation governing the SFO’s operations includes the Serious Fraud Office Act 1990, Public Finance Act 1989 and the State Sector Act 1988.

The SFO’s ultimate parent is the New Zealand Crown.

The SFO’s primary objective is to provide services to the New Zealand public. The SFO does not operate to make a financial return.

The SFO has designated itself as a public benefit entity (PBE) for financial reporting purposes of complying with generally accepted accounting practice.

The financial statements of the SFO are for the year ended 30 June 2020 and were approved for issue by the Chief Executive and Director on 26 November 2020.

Basis of preparation

The financial statements have been prepared on a going-concern basis, and the accounting policies have been applied consistently throughout the year.

Statement of compliance

The financial statements of the SFO have been prepared in accordance with the requirements of the Public Finance Act 1989, which include the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP) and Treasury instructions.

These financial statements have been prepared in accordance with and comply with PBE Tier 2 Standards Reduced Disclosure Regime (RDR) concessions applied on the basis that expenditure exceeds \$2 million but is less than \$30 million.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

Changes in accounting policies

The SFO has adopted PBE IPSAS 39 Employee Benefits, this has replaced PBE IPSAS 25. The objective of this standard is to prescribe the accounting and disclosure for employee benefits. The Serious Fraud Office expects there will be no effect in applying these amendments.

Standards issued and not yet effective and not early adopted

An amendment to PBE IPSAS 2 Statement of Cash Flows requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flow changes. This amendment is effective for annual reports beginning on or after 1 January 2021, with early application permitted. The SFO does not intend to early adopt the amendment.

The XRB issued PBE IPSAS 41 Financial Instruments in March 2019. This standard supersedes PBE IFRS 9 Financial Instruments, which was issued as an interim standard. It is effective for reporting periods beginning on or after 1 January 2022. Although the SFO has not assessed the effect of the new standard, it does not expect any significant changes.

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for reporting periods beginning on or after 1 January 2021. The New Zealand Accounting Standards Board has recently issued an exposure draft that proposes to defer the adoption date of PBE FRS 48 by one year to reporting periods beginning on or after 1 January 2022. The SFO has not yet determined how application of PBE FRS 48 will affect its statement of performance.

Summary of significant accounting policies

Significant accounting policies are included in the notes to which they relate. Significant accounting policies that do not relate to a specific note are

outlined below.

Foreign currency transactions

Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into New Zealand Dollars (the functional currency) using the spot exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

Cash and cash equivalents

Cash and cash equivalents include cash on call with the bank.

The SFO is only permitted to expend its cash and cash equivalents within the scope and limits of its appropriations.

Goods and services tax

Items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Income tax

The SFO is a public authority and consequently is exempt from income

tax. Accordingly, no provision has been made for income tax.

Statement of cost accounting policies

The SFO has a single operating appropriation for all its activities and therefore no cost allocation methodology is required.

There have been no changes in cost accounting policies since the date of the last audited financial statements.

Critical accounting estimates and assumptions

Management were not required to make any critical accounting estimates and assumptions this year.

Critical judgements in applying accounting policies

Management did not require any critical judgement in applying accounting policies.

Budget and forecast figures

Basis of the budget and forecast figures

The 2020 budget figures are for the year ended 30 June 2020 and were published in the Annual Report 2019. They are consistent with the SFO's best estimate financial forecast information submitted to the Treasury for the Budget Economic and Fiscal Update (BEFU) for the year ending 2019/20.

The 2021 forecast figures are for the year ending 30 June 2021 and are consistent with the best estimate financial forecast information submitted to the Treasury for the BEFU for the year ending 30 June 2021.

The forecast financial statements have been prepared as required by the Public

Finance Act 1989 to communicate forecast financial information for accountability purposes.

The budget and forecast figures are unaudited and have been prepared using the accounting policies adopted in preparing these financial statements.

The 30 June 2021 forecast figures have been prepared in accordance with and comply with PBE FRS 42 Prospective Financial Statements.

The forecast financial statements were approved for issue by the Chief Executive on 9 April 2020.

The Chief Executive is responsible for the forecast financial statements, including the appropriateness of the assumptions underlying them and all other required disclosures.

While the SFO regularly updates its forecasts, updated forecast financial statements for the year ending 30 June 2021 will not be published.

Significant assumptions used in preparing the forecast financial information

The forecast figures contained in these financial statements reflect the SFO's purpose and activities and are based on a number of assumptions on what may occur during the 2020/21 year. The forecast figures have been compiled on the basis of existing government policies and ministerial expectations at the time the Main Estimates were finalised. The main assumptions, adopted as at 9 April 2020, were as follows:

- The SFO's core activities and output expectations will remain substantially the same as the previous year focusing on the government's priorities.

- Additional appropriation has been provided for the Anti-Corruption Work Programme (phase 2)
- Personnel costs were based on 64 full-time equivalent employees, which takes into account employee turnover.
- Operating costs are based on historical experience and other factors that are believed to be reasonable in the circumstances and are the SFO's best estimate of future costs that will be incurred.
- Remuneration rates are based on current wages and salary costs, adjusted for anticipated remuneration changes.
- Estimated year-end information for 2019/20 was used as the opening position for the 2020/21 forecasts.

The actual financial results achieved for 30 June 2021 are likely to vary from the forecast information presented, and the variations may be material.

Significant future changes approved after the forecast

Since approval of the forecast, the possibility of future COVID-19 Related Serious Financial Crime has resulted in a strengthened focus on planned prevention activities. Specifically, \$3.9 million has been appropriated for the period 2020/21 through to 2022/23.

The effect of this post forecast change is not reflected in these financial statements.

2

Revenue

Accounting policy

The specific accounting policies for significant revenue items are explained below:

REVENUE CROWN

Revenue from the Crown is measured based on the SFO's funding entitlement for the reporting period. The funding entitlement is established by parliament when it passes the appropriations act for the financial year. The amount of revenue recognised takes into account any amendments to appropriations approved in the Appropriation (Supplementary Estimates) Act for the year and certain other unconditional funding adjustments formally approved prior to balance date.

There are no conditions attached to the funding from the Crown. However, the SFO can incur expenses only within the scope and limits of its appropriations.

The fair value of Revenue Crown has been determined to be equivalent to the funding entitlement.

RENTAL REVENUE

Rental revenue under an operating sublease is recognised as revenue on a straight-line basis over the lease period.

RECOVERY FOR EMPLOYEES ON SECONDMENT OR SHARED WITH OTHER AGENCIES

Recovery of cost from the host agency for seconded or shared SFO employees, whose salary is paid by the SFO, is recorded as revenue in the month that the services are provided.

RECOVERY FOR OVERSEAS ASSISTANCE ON FRAUD ISSUES

Recovery of cost from the Ministry of Foreign Affairs and Trade for assistance to the Vanuatu Office of Public Prosecutions.

CONFERENCE FEES

The SFO Fraud and Corruption Conference is a biennial event from which fee revenue is recognised in the year that the conference is held.

RECOVERY OF TRAVEL EXPENSES

International fora where attendance includes recovery of travel and/or accommodation costs.

Breakdown of other revenue and further information

Actual 2019 \$000		Actual 2020 \$000
140	Recovery for employees on secondment or shared with other Agencies	135
128	Recovery for overseas assistance on fraud issues	43
100	Attendance fees received for the Fraud and Corruption Conference	0
87	Rental revenue from subleases	85
1	Gain on disposal of property and equipment	4
0	Recovery of travel expenses	4
456	TOTAL OTHER REVENUE	271

Recovery for employees on secondment or shared with other Agencies

During 2019/20 there were no outward secondment arrangements in place (2019: one).

An Electronic Forensic Investigator employed by the SFO during 2018/19 had duties shared between multiple agencies. Recovery of costs were

received from Immigration New Zealand, the Financial Markets Authority and the Commerce Commission.

Asset disposals

During the year, the SFO disposed of assets with a residual value of \$nil (2019: \$nil). The net gain on disposals was \$4,230 (2019: \$750).

3 Personnel costs

Accounting policy

The specific accounting policies for significant expense items are explained below:

SALARIES AND WAGES

Salaries and wages are recognised as an expense as employees provide services.

SUPERANNUATION SCHEMES

Defined contribution schemes

Employer contributions to the State Sector Retirement Savings Scheme, KiwiSaver and the Government Superannuation Fund are accounted for as defined contribution superannuation schemes and are expensed in the surplus or deficit as incurred.

Defined benefit schemes

The SFO does not contribute to any defined benefit schemes.

Breakdown of personnel costs

Actual 2019 \$000		Actual 2020 \$000
6,008	Salaries and wages	5,839
0	Defined contribution plan employer contributions	0
18	Increase/(decrease) in employee entitlements	81
102	Employee training and development	66
83	Other	80
6,211	TOTAL PERSONNEL COSTS	6,066

4 Capital charge

Accounting policy

The capital charge is recognised as an expense in the financial year to which the charge relates.

Further information

The SFO pays a capital charge to the Crown on its equity (adjusted for memorandum accounts) at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2020 was 6% (2019: 6%).

5 Other expenses

Accounting policy

OPERATING LEASES

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of the asset. Lease payments under and operating lease are recognised as an expense on a straight-line basis over

the term of the lease. Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the term of the lease.

OTHER EXPENSES

Other expenses are recognised as goods and services when they are received.

Breakdown of other expenses and further information

Actual 2019 \$000		Actual 2020 \$000	Unaudited Budget 2020 \$000	Unaudited Forecast 2021 \$000
47	fees to Audit New Zealand for audit of financial statements	48	48	45
425	Rental and operating leases	431	436	467
58	Other occupancy expenses	49	63	55
112	Legal fees on panel prosecutions	209	120	176
498	Consultancy	72	75	135
380	Travel	215	327	313
1,536	IT and telecommunications	1,731	1,549	1,944
46	Professional services	51	47	83
246	Specialist advice - case related	197	198	260
265	Other expenses	239	133	455
3,613	TOTAL OTHER EXPENSES	3,242	2,996	3,933

Receivables

Accounting policy

Short-term receivables are recorded at the amount due, less an allowance for credit losses. The SFO applies the simplified expected credit-loss model of recognising lifetime expected credit losses for receivables. A receivable is

uncollectable when there is evidence that the amount will not be fully collectable. The amount that is uncollectable is the difference between the carrying amount due and the present value of the amount expected to be collected.

Breakdown of receivables and further information

Actual 2019 \$000		Actual 2020 \$000
8	Debtors (gross)	0
0	Less: provision for impairment	0
8	NET DEBTORS	0
TOTAL RECEIVABLES		
TOTAL RECEIVABLES COMPRISE		
0	Receivables from supplier refunds (exchange transactions)	0
8	Receivables (non-exchange transactions)	0

All receivables are considered current.

Property and Equipment

Accounting policy

Property and equipment are comprised the following asset classes: office furniture, fixtures and fittings (includes leasehold improvements), office equipment, computer equipment and motor vehicles. The SFO does not own any land or buildings.

Individual assets are capitalised if their cost is greater than \$2,000 (excluding GST). The value of an individual asset that is less than \$2,000 (excluding GST) and is part of a group of similar assets purchased collectively may be capitalised.

ADDITIONS

The cost of an item of property and equipment is recognised as an asset only when it is probable that the future economic benefits or service potential associated with the item will flow to the SFO and the cost of the item can be measured reliably.

Work-in-progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

DISPOSALS

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the surplus or deficit. When a revalued asset is sold, the amount included in the property revaluations reserve in respect of the disposed asset is transferred to taxpayers' funds.

SUBSEQUENT COSTS

Costs incurred subsequent to the initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the SFO and

the cost of the item can be measured reliably.

The costs of day-to-day servicing of property and equipment are recognised in the surplus or deficit as they are incurred.

DEPRECIATION

Depreciation is provided on a straight-line basis on all property and equipment at rates that will write-off the cost of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of property and equipment have been estimated as follows:

	Useful life	Depreciation rate
Computer Equipment	3-4 years	25%-33%
Office Furniture, Fixtures and Fittings and Office Equipment	3-5 years	20% - 33%
Leasehold Improvements*	7-12 years	8% - 14%
Motor vehicles	6 years	17%

*Leasehold improvements are categorised elsewhere as part of *Office Furniture, Fixtures and Fittings and Office Equipment* but have been separated in this table to show their different useful life and corresponding rates of depreciation

Leasehold improvements are depreciated over the shorter of the unexpired period of the lease or the estimated remaining useful lives of the improvements.

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each balance date.

IMPAIRMENT

The SFO does not hold any cash-generating assets. Assets are considered cash generating where their primary objective is to generate a commercial return.

Non-cash-generating assets

Property, plant and equipment held at cost have a finite useful life are reviewed for impairment at each balance date whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value less costs to sell and its value in use.

Value in use is determined using

a depreciated replacement cost approach.

If an asset's carrying amount exceeds its recoverable service amount, the asset is considered to be impaired and the carrying amount is written down to the

recoverable service amount. The total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss is recognised in the surplus or deficit.

Breakdown of property, plant and equipment and further information

	Office furniture, fixtures and fittings, leasehold improvements \$000	Office equipment \$000	Computer equipment \$000	Motor vehicles \$000	Total \$000
COST					
BALANCE AT 1 JULY 2018	724	123	564	48	1,459
Additions	0	0	188	0	188
Disposals	0	0	0	0	0
BALANCE AS AT 30 JUNE 2019	724	123	752	48	1,647
Balance at 1 July 2019	724	123	752	48	1,647
Additions	0	50	90	0	140
Disposals	(2)	(80)	(350)	0	(432)
BALANCE AT 30 JUNE 2020	722	93	492	48	1,355
Accumulated depreciation and impairment losses					
Balance at 1 July 2018	424	99	506	0	1,029
Depreciation expense	71	6	83	8	168
Eliminate on disposal	0	0	0	0	0
BALANCE AS AT 30 JUNE 2019	495	105	589	8	1,197
Balance at 1 July 2019	495	105	589	8	1,197
Depreciation expense	71	15	87	8	181
Eliminate on disposal	(2)	(80)	(349)	0	(431)
BALANCE AT 30 JUNE 2020	564	40	327	16	947
Carrying amounts					
At 1 July 2018	300	24	58	48	430
At 30 June and 1 July 2019	229	16	163	40	448
At 30 June 2020	158	51	166	32	407

Restrictions: There are no restrictions over the title of the SFO's property and equipment, nor are any property, plant and equipment pledged as securities for liabilities. (2019: \$nil)

8

Intangible assets

Accounting policy

SOFTWARE ACQUISITION AND DEVELOPMENT

Acquired computer software licenses are capitalised based on the costs incurred to acquire and bring to use the specific software. Software is capitalised if its cost is \$2,000 (excluding GST) or more.

Costs that are directly associated with the development of software for internal use by the SFO are recognised as an intangible asset.

Direct costs include the cost of services, software development employee costs and an appropriate portion of relevant overheads.

Employee training costs are recognised as an expense when incurred. Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs of software updates or upgrades are capitalised only when they increase the usefulness or value of the software.

Costs associated with the development and maintenance of the SFO's website are recognised as an expense when incurred.

AMORTISATION

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each financial year is recognised in the surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

	Useful life	Depreciation rate
Acquired computer software	3-6 years	17% - 33%

Critical accounting estimates and assumptions

USEFUL LIFE OF SOFTWARE

The useful life of software is determined at the time the software is acquired and brought into use and is reviewed at each reporting date for appropriateness. For computer software licenses, the useful life represents management's view of the

expected period over which the SFO will receive benefits from the software. For *off-the-shelf* software that is purchased and then modified by the SFO, this is considered to be acquired computer software and the useful life is based on historical experience with similar systems as well as anticipation of future events that may impact the useful life, such as changes in technology.

Breakdown of intangible assets and further information

	Acquired Software \$000
COST	
BALANCE AT 1 JULY 2018	824
Additions	70
Disposals	0
BALANCE AS AT 30 JUNE 2019	894
Balance at 1 July 2019	894
Additions	6
Disposals	(30)
BALANCE AT 30 JUNE 2020	870
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES	
BALANCE AT 1 JULY 2018	215
Amortisation expense	126
Eliminate on disposal	0
BALANCE AS AT 30 JUNE 2019	341
Balance at 1 July 2019	341
Amortisation expense	126
Eliminate on disposal	(30)
BALANCE AT 30 JUNE 2020	437
CARRYING AMOUNTS	
At 1 July 2018	609
At 30 June and 1 July 2019	553
AT 30 JUNE 2020	433

Restrictions: There are no restrictions over the title of the SFO's intangible assets, nor are any intangible assets pledged as securities for liabilities. (2019: \$nil)

9

Payables and deferred revenue

Accounting policy

Short-term payables are recorded at the amount payable.

Breakdown of payables and deferred revenue and further information

Actual 2019 \$000		Actual 2020 \$000
PAYABLE AND DEFERRED REVENUE UNDER EXCHANGE TRANSACTIONS		
170	Creditors	235
127	Income in advance	99
285	Accrued expenses	125
354	Accrued rent payable	258
936	TOTAL PAYABLES	717
PAYABLES AND DEFERRED REVENUE UNDER NON-EXCHANGE TRANSACTIONS		
76	Taxes payable (e.g. GST and rates)	137
1,012	TOTAL PAYABLES	854

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Return of operating surplus

Actual 2019 \$000		Actual 2020 \$000
375	Net surplus	400
375	TOTAL RETURN OF OPERATING SURPLUS	400

The return of operating surplus to the Crown is required to be paid by 31 October of each year. Payment will be later this year because of an extended statutory timeframe.

Provisions

Accounting policy

A provision is recognised for future expenditure of uncertain amount or timing when:

- there is a present obligation (legal or constructive) as a result of a past event
- it is probable that an outflow of resources embodying economic benefits or service will be required to settle the obligation, and
- a reliable estimate can be made of the amount of the obligation.

Provisions are not recognised for net deficits from future operating activities.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate based on market yields on government bonds at balance date with terms of maturity that match, as closely as possible, the estimated timing of the future cash outflows. The increase in the provision due to the passage of time is recognised

as an interest expense and is included in a separate finance costs note when applicable. The SFO has not incurred any finance costs in 2020 (2019: \$nil).

Lease make-good provision

In respect of 21 Queen Street leased premises, the SFO is required at the expiry of the lease term to make-good any damage caused to the premises and to remove any fixtures or fittings installed by the SFO.

The Queen Street lease expires on 3 March 2023.

The value of the make-good provision for Queen Street was increased by \$19,000 this year to reflect an independent assessment of the present value of the estimated total cost of 'make good' works required based on current industry standards. As there is no right of renewal on the lease, it is expected that the timing of the expected cash outflow to make-good will occur at the expiry of the lease.

Breakdown of provisions and further information

Actual 2019 \$000		Actual 2020 \$000
NON-CURRENT PORTION		
117	Lease make-good	136
117	Total non-current portion	136
117	TOTAL PROVISIONS	136

MOVEMENTS FOR EACH CLASS OF PROVISION ARE AS FOLLOWS:

	Lease make-good \$000	Total \$000
Balance at 1 July 2018	114	114
Additional provisions made	3	3
BALANCE AT 1 JULY 2019	117	117
Balance at 1 July 2019	117	117
Additional provisions made	19	19
BALANCE AT 30 JUNE 2020	136	136

Employee entitlements

Accounting policy

SHORT-TERM EMPLOYEE ENTITLEMENTS

Employee benefits that are expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service are measured based on accrued entitlements at the current rates of pay. These include salaries and wages accrued up to balance date, annual and long service leave earned but not yet taken at balance date, and sick leave.

LONG-TERM EMPLOYEE ENTITLEMENTS

Employee benefits that are not expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service, such as long service and retirement gratuities have been calculated on an actuarial basis. The calculations are based on:

- Likely future entitlements accruing to employees, based on years of service, years to entitlement, the likelihood that employees will reach the point of entitlement, and contractual entitlement information; and

- The present value of the estimated future cash flows

Continuous public-sector service prior to becoming an SFO employee is also considered.

PRESENTATION OF EMPLOYEE ENTITLEMENTS

Sick leave, annual leave, vested long service leave are classified as a current liability. Non-vested long service leave and retirement gratuities expected to be settled within twelve months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

Critical accounting estimates and assumptions

LONG SERVICE LEAVE AND RETIREMENT GRATUITIES

Measurement of the long service obligation was based on assessment of 51 employees as at 30 June 2020 (2019: 50).

The SFO has no retirement gratuities obligations (2019: \$nil) and no sick leave liability (2019: nil).

Equity

Accounting policy

Equity is the Crown's investment in the SFO and is measured as the difference between total assets and total liabilities. Equity is disaggregated

and classified as taxpayers' funds, memorandum accounts and property revaluation reserves. Memorandum accounts and property revaluation reserves do not apply to the SFO.

Breakdown of equity and further information

Actual 2019 \$000		Actual 2020 \$000
TAXPAYERS' FUNDS		
1,112	Balance at 1 July	1,112
375	Surplus/(deficit)	400
0	Capital Injection	0
(375)	Return of operating surplus to the Crown	(400)
1,112	BALANCE AT 30 JUNE	1,112
1,112	TOTAL EQUITY	1,112

Capital management

The SFO's capital is its equity, which comprises of taxpayers' fund. Equity is represented by net assets.

The SFO manages its revenues, expenses, assets, liabilities, and general financial dealings prudently. The SFO's equity is largely managed as a by-product of managing revenue,

expenses, assets, liabilities, and compliance with the government budget processes, Treasury Instructions and the Public Finance Act 1989.

The objective of managing the SFO's equity is to ensure that the SFO effectively achieves its goals and objectives for which it has been established, while remaining a going concern.

Related Party Transactions

Accounting policy

The SFO is a wholly owned entity of the Crown. Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the SFO would have adopted if dealing with an entity at arms-length, in the same circumstances. Further, transactions with other government agencies (for

example, government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

RELATED PARTY TRANSACTIONS REQUIRED TO BE DISCLOSED

The SFO has no related party transactions to disclose in 2020 (2019: 1).

KEY MANAGEMENT PERSONNEL COMPENSATION

Actual 2019 \$000		Actual 2020 \$000
SENIOR LEADERSHIP TEAM, INCLUDING THE CHIEF EXECUTIVE		
1,198	Remuneration	1,174
4.2 FTEs	Full time equivalent members	5.0 FTEs

Key management personnel of the SFO comprised the Director / Chief Executive and four members of the senior leadership team, namely the General Manager Evaluation and Intelligence, the General Manager Investigations, the General Manager Business Services and General Counsel. Employees held these roles in an acting capacity from time to time to cover absence during the year.

There were no senior managers seconded to another government department in 2020 (2019: nil).

The above key management personnel disclosure excludes the Minister responsible for the SFO. The Minister's remuneration and other benefits are not received only for his role as a member of key management personnel of the SFO. The Minister's remuneration and other benefits are set by the

Remuneration Authority under the Members of Parliament (Remuneration and Services) Act 2013 are paid under Permanent Legislative Authority, and not paid by the SFO.

RELATED PARTY TRANSACTIONS INVOLVING KEY MANAGEMENT PERSONNEL (OR THEIR CLOSE FAMILY MEMBERS)

- There were no close family members of key management personnel who were employed in 2019/20 by the SFO (2019: nil).
- There were no related party transactions involving key management personnel or their close family members in 2020. In 2019 there was one related party transaction to a value of \$173, this related to building maintenance.

15 Events after the balance date

There are no significant events after the balance date.

16 Financial instruments

16A. Financial instrument categories

The carrying amounts of financial assets and financial liabilities in each of the financial instrument categories are as follows:

Actual 2019 \$000	Note	Actual 2020 \$000
LOANS AND RECEIVABLES		
1,985	Cash and cash equivalents	2,172
8	Receivables	0
1,993	TOTAL LOANS AND RECEIVABLES	2,172
FINANCIAL LIABILITIES MEASURED		
885	Payables (excluding revenue in advance)	752

16B. Financial instrument risks

The SFO's capital is its equity, which comprises of taxpayers' fund. Equity is represented by net assets. The SFO manages its revenues

CREDIT RISK

Credit risk is the risk that a third party will default on its obligation to the SFO, causing the SFO to incur a loss. In the normal course of its business, credit risk arises from receivables, deposits with banks and derivative financial instrument assets.

The SFO is permitted to deposit funds only with Westpac (Standard and Poor's credit rating of AA-), a registered bank, and enter into foreign exchange forward contracts with the New Zealand Debt Management Office (Standard and Poor's credit rating of AA). These entities have high credit ratings.

For its other financial instruments, the SFO does not have significant concentrations of credit risk.

The SFO's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents. There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

The SFO has a letter of credit facility with Westpac of \$175,000 in 2020 (2019: \$175,000) to allow for the payment of employee salaries by direct credit.

LIQUIDITY RISK

Management of liquidity risk

Liquidity risk is the risk that the SFO will encounter difficulty raising liquid funds to meet commitments as they fall due. As part of meeting its liquidity requirements, the SFO closely monitors its forecast cash requirements with expected cash drawdowns from the New Zealand Debt Management Office. The SFO maintains a target level of available cash to meet liquidity requirements.

Contractual maturity analysis of financial liabilities

The table below analyses the SFO's financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date.

The amounts disclosed are the contractual undiscounted cash flows. The SFO has no committed finance leases (2019: nil).

	Carrying amount \$000	Contractual cashflows \$000	Less than 6 months \$000	6 months - 1 year \$000	1-5 years \$000	More than 5 years \$000
2020						
Payables	235	235	235	0	0	0
2019						
Payables	170	170	170	0	0	0

17 Explanation of major variances against budget

Explanations for major variances from the SFO's original 2019/20 budget figures are as follows:

Statement of comprehensive revenue and expense

REVENUE CROWN

Revenue received from the Crown was greater than budget by \$285,000 due to:

- \$100,000 to fund completion of a national Anti-Corruption Work Programme (initial phase)
- \$185,000 to fund the Anti-Corruption Work Programme (Phase 2).

REVENUE OTHER

Revenue other was greater than budget by \$186,000 due to:

- \$134,000 for the shared utilisation of

an SFO employed Electronic Forensic Investigator from Immigration New Zealand, the Financial Markets Authority and the Commerce Commission

- \$43,000 assistance provided to the Vanuatu Office of Public Prosecutions, funded by the Ministry of Foreign Affairs and Trade
- \$9,000 profit on sale of fixed assets and cost recovery on travel expenses.

PERSONNEL COSTS

Personnel costs were less than budget by \$284,000. Primarily this is due to:

- \$210,000 savings from vacancies from staff turnover,
- \$155,000 due to delay in recruitment of new staff required for a National

Anti-Corruption Work Programme (phase 2) as impacted by COVID-19 lockdown.

- \$81,000 In partial offset, less annual leave was utilised during the COVID-19 lockdown.

OTHER EXPENSES (INCLUDING DEPRECIATION, AMORTISATION AND CAPITAL CHARGE)

Other expenses were greater than budget by \$364,000.

- \$295,000 ICT investment to move the document management system to the cloud and invest in additional planned asset replacement such as mobile phones.
- \$112,000 less travel due to travel restrictions due to COVID-19
- \$89,000 higher legal fees associated with panel prosecutions
- \$57,000 ACWP (phase 1) completion
- \$35,000 higher other expenses such as inter-agency support and stakeholder relations research

Statement of financial position

ASSETS

The value of assets was greater than budget by \$259,000, due to the increased cash position from the year-end surplus.

LIABILITIES

The value of liabilities was more than budget by \$259,000, because of the operating surplus payable back to the Crown which was not budgeted for.

Statement of cash flows

Additional net cash flow of \$509,000 received from operating activities, which included additional expenditure funded by additional initiatives, noted in Revenue comments.

Appropriation Statements

The following statements report information about the expenses and capital expenditure incurred against each appropriation administered by the SFO for the year ended 30 June 2020. They are prepared on a GST exclusive basis.

Impact of the COVID-19 pandemic

The financial impact on core business operations was not material. Income was not impacted. There are no indicators of asset impairment due to COVID-19. There was a reduction in expenditure across multiple accounts:

- Less staff took leave during this time resulting in a \$79,000 increase in the provision for employee entitlement to annual leave in comparison to the preceding four-year average.
- Chief Executive remuneration reduced by 20% effective 11 May 2020 through to 10 November 2020.

- Minimal training, very limited domestic travel, and no international travel since lockdown restrictions began on 27 March 2020.
- No expenditure committed for a programme of work on Anti-Corruption (ACWP phase 2) that was planned to start in March 2020 (now deferred to 2020/21).

The effect on our operations of COVID-19 is reflected in these financial statements.

Statement of budgeted and actual expenses and capital expenditure

Statement of budgeted and actual expenses and capital expenditure incurred against appropriations

for the year ended 30 June 2020

Annual and permanent appropriations for Vote Serious Fraud

Expenditure after remeasurements 2019 \$000	Appropriation title	Expenditure after remeasurements 2020 \$000	Approved appropriation 2020 ¹ \$000	Location of end-of-year performance information ²
DEPARTMENTAL OUTPUT EXPENSES				
10,185	Investigation and prosecution of serious financial crime	9,690	10,164	Pages 50 to 64 on the printed version of the Annual Report
10,185	Total departmental output expenses	9,690	10,164	
DEPARTMENTAL CAPITAL EXPENDITURE				
205	Serious Fraud Office - Permanent Legislative Authority under section 24(1) of the PFA	146	175	Pages 63 to 64 on the printed version of the Annual Report

There were no remeasurements of expenditure during the year (2019: \$nil).

¹ These are the appropriations from the Supplementary Estimates, adjusted for any transfers under section 26A of the Public Finance Act 1989.

² The numbers in this column represent where the end-of-year performance information has been reported for each appropriation administered by the SFO in this Annual Report on these specific pages

Statement of expenses and capital expenditure incurred without, or in excess of, appropriation or other authority

for the year ended 30 June 2020

Expenses and capital expenditure approved under section 26B of the Public Finance Act 1989. (2020: \$nil) (2019: \$nil)

Expenses and capital expenditure incurred in excess of appropriation. (2019: \$nil)

Expenses and capital expenditure incurred without appropriation outside the scope or period of appropriation 2020: \$nil (2019: \$nil)

Statement of expenses and capital expenditure incurred without, or in excess of, appropriation or other authority

for the year ended 30 June 2020

Expenses and capital expenditure approved under section 26B of the Public Finance Act 1989.
(2020: \$nil) (2019: \$nil)

Expenses and capital expenditure incurred in excess of appropriation. (2019: \$nil)

Expenses and capital expenditure incurred without appropriation outside the scope or period of appropriation 2020: \$nil (2019: \$nil)

Statement of departmental capital injections

for the year ended 30 June 2020

No capital injections in 2020. (2019: \$nil)

Statement of departmental capital injections without, or in excess of, authority

for the year ended 30 June 2020

The SFO has not received any capital injections during the year without, or in excess of, authority (2019: \$nil).

Independent Auditor's Report

To the readers of the Serious Fraud Office's Annual Report for the year ended 30 June 2020

The Auditor-General is the auditor of the Serious Fraud Office. The Auditor-General has appointed me, J R Smail, using the staff and resources of Audit New Zealand, to carry out, on his behalf, the audit of:

- the financial statements of the Serious Fraud Office on pages 67 to 93, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2020, the statement of comprehensive revenue and expense, statement of changes in equity, and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information;
- the performance information prepared by the Serious Fraud Office for the year ended 30 June 2020 on pages 26 to 34, page 46 and pages 50 to 64; and
- the statement of budgeted and actual expenses and capital expenditure of the Serious Fraud Office for the year ended 30 June 2020 on pages 94 and 95.

Opinion

In our opinion:

- the financial statements of the Serious Fraud Office on pages 67 to 93:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2020; and
 - its financial performance and cash flows for the year ended on that date; and
 - comply with generally accepted accounting practice in New Zealand in accordance with PBE Standards Reduced Disclosure Regime;
- the performance information of the Serious Fraud Office on pages 26 to 34, page 46 and pages 50 to 64:
 - presents fairly, in all material respects, for the year ended 30 June 2020:
 - what has been achieved with the appropriation; and
 - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure; and
 - complies with generally accepted accounting practice in New Zealand; and
- the statement of budgeted and actual expenses and capital expenditure of the Serious Fraud Office on pages 94 and 95 are presented fairly, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.

Our audit was completed on 26 November 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to the impact of Covid-19 on the Serious Fraud Office. In addition, we outline the responsibilities of the Chief Executive and our responsibilities relating to the information to be audited, we comment on other information, and we explain our independence.

Emphasis of matter - impact of Covid-19

Without modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the Serious Fraud Office as set out in Note 18 to the financial statements and pages 26 to 28 and page 58 of the performance information.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the Chief Executive for the information to be audited

The Chief Executive is responsible on behalf of the Serious Fraud Office for preparing:

- financial statements that present fairly the Serious Fraud Office's financial position, financial performance, and its cash flows, and that comply with generally accepted accounting practice in New Zealand;
- performance information that presents fairly what has been achieved with each appropriation, the expenditure incurred as compared with expenditure expected to be incurred, and that complies with generally accepted accounting practice in New Zealand;
- statement of budgeted and actual expenses and capital expenditure of the Serious Fraud Office, that are presented fairly, in accordance with the requirements of the Public Finance Act 1989; and
- the Chief Executive is responsible for such internal control as is determined is necessary to enable the preparation of the information to be audited that is free from material misstatement, whether due to fraud or error.

In preparing the information to be audited, the Chief Executive is responsible on behalf of the Serious Fraud Office for assessing the Serious Fraud Office's ability to continue as a going concern. The Chief Executive is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Serious Fraud Office, or there is no realistic alternative but to do so.

The Chief Executive's responsibilities arise from the Public Finance Act 1989.

Responsibilities of the auditor for the information to be audited

Our objectives are to obtain reasonable assurance about whether the information we audited, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of the information we audited.

For the budget information reported in the information we audited, our procedures were limited to checking that the information agreed to the Serious Fraud Office's Integrated Statement of Strategic Intent 2016-2020 and Estimates and Supplementary Estimates 2019/20 for Vote Serious Fraud.

We did not evaluate the security and controls over the electronic publication of the information we audited.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the information we audited, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Serious Fraud Office's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive.
- We evaluate the appropriateness of the reported performance information within the Serious Fraud Office's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Chief Executive and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Serious Fraud Office's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the information we audited or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Serious Fraud Office to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the information we audited, including the disclosures, and whether the information we audited represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Chief Executive regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Chief Executive is responsible for the other information. The other information comprises the information included on pages 1 to 25, 35 to 45, 47 to 49, 65 to 66 and 96 to 97, but does not include the information we audited, and our auditor's report thereon.

Our opinion on the information we audited does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the information we audited or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Serious Fraud Office in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests, in the Serious Fraud Office.



J R Smaill

Audit New Zealand

On behalf of the Auditor-General

Auckland, New Zealand



SERIOUS FRAUD OFFICE

Te Tari Hara Tāware

SERIOUS FRAUD OFFICE

PO Box 7124, Victoria Street West,
Auckland 1141

Level 6, 21 Queen Street, Auckland 1010

Phone: 09 303 0121

Fax: 09 303 0142

Email: sfo@sfo.govt.nz

www.sfo.govt.nz

COMPLAINTS

Email: complaints@sfo.govt.nz

Freephone: 0800 109 800



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