



Annual Report

2019

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CONTENTS

HIGHLIGHTS OF 2018/19

\$161 million in alleged fraud value
- prosecutions brought by the SFO

100% custodial sentences
- convictions achieved

SFO Conference and ECAN
- SFO holds its biennial conference and an Economic Crime Agencies Network meeting

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

01	—	Director's Overview
03	—	Our Role
05	—	Key Investigation Results
05	—	High Profile Cases
09	—	Strategic Plan and Objectives
11	—	Achieving Our Goals
17	—	Our People
19	—	Key Capabilities
20	—	Statement of Responsibility
21	—	Statement of Performance
24	—	Output Expense: Investigation and Prosecution of Serious Financial Crime
28	—	Financial Statements
36	—	Notes to Financial Statements
52	—	Statement of Budgeted and Actual Expenses and Capital Expenditure
53	—	Audit Report



Director's Overview

The Serious Fraud Office (SFO) has maintained its outstanding record in the investigation and prosecution of serious and complex financial crime throughout financial year 2018/19. The SFO had 36 defendants before the courts during the year, including appeals, with a total of \$161 million in alleged fraud value. Convictions were secured and upheld where appealed in all matters concluded. Further details about our cases can be found later in this report.

Working with partners to safeguard New Zealand

Law enforcement agencies around the globe are reporting a rise in the complexity of the fraud and corruption cases they investigate, as new technologies are increasingly used to conduct crime. New Zealand's relative isolation, in geographic terms, no longer offers the protection it once did against serious financial crime. The technologies that allow us to communicate instantly, to talk to friends, access bank accounts or buy goods anywhere in the world, also facilitate fraud and corruption. Changes to our national demographics and in our international trade partners also increase the risks of serious financial crime being perpetrated in New Zealand.

In the face of these risks, the SFO has placed an increased focus on leading in the sharing of financial crime intelligence to identify and prevent threats. At the international level, we do this through various fora, including the Economic Crime Agencies Network (ECAN), the International Anti-Corruption Coordination Centre (IACCC) and the International Public Sector Fraud Forum. We also work directly with overseas law enforcement agencies.

In March of this year, we hosted the 7th Annual Meeting of ECAN, a high-level world network of law enforcement agencies primarily involved in the investigation and prosecution of economic crimes. Anti-corruption agencies from Hong Kong, Singapore, Malaysia and Indonesia attended, as did representatives from the United Kingdom Serious Fraud Office, the Australian

Federal Police and the Federal Bureau of Investigation. Observers from Tonga, Fiji, the IACCC and the UK Cabinet Office also participated in the two-day meeting.

Discussions about responses to economic crime continued at the SFO's biennial conference that immediately followed the ECAN meeting. The Hon. Stuart Nash, the Minister responsible for the SFO, opened the conference themed 'Protecting New Zealand's taonga'. More than 250 professionals attended the event. Lyn McDonald from the UK Cabinet Office set the tone for the day in her key note address, talking about the challenges of combating fraud in government and the importance of detecting it in the first instance.

Building a national anti-corruption framework

Corruption is a threat to the wellbeing of New Zealand and to our fair way of doing business. As a nation, we are regarded as one of the least corrupt in the world. Our reputation supports our businesses trading overseas. The threats to this reputation have probably never been greater today than any other time in our history.

The Anti-Corruption Work Programme (ACWP), which is led by the SFO and the Ministry of Justice, was approved by Cabinet in July 2018. It is the outcome of a growing awareness that corruption risks need to be countered by building a national framework to safeguard against them.

The initiative has been well received by stakeholders including the State Services Commission, Local Government New Zealand, New Zealand Police, the Ministry of Justice, the Department of the Prime Minister and Cabinet and the Department of Internal Affairs. Phase one of the ACWP's implementation concluded on 31 August 2019 and is subject to be reported back to Cabinet in the coming months.

Specific work delivered over the past year has included an assessment of the nature and scope of corruption in New Zealand and guidance materials and tools to assist local government in managing procurement risk.

The SFO has had another successful year that has seen a renewed focus on international collaboration

Supporting our people

Our people's work underpins the great results we consistently achieve and our reputation as a highly trusted and reliable government agency. Our latest Ask Your Team survey results showed 89 percent of our employees were proud of the beneficial impact the agency has on the country. A further 83 percent said the SFO was a great place to work. This result has been consistently high in recent years due in part to our employee-friendly policies such as flexible working and having an active social club with regular team events.

Performance Improvement Framework review

The State Services Commission conducted a review of the SFO under the Performance Improvement Framework (PIF) late in the financial year. The SFO sought the evaluation to assess our progress since the last PIF review in 2014 and to identify opportunities for improvement. The recommendations from this year's review will guide the strategic direction and priorities of the SFO in the upcoming years.

Julie Read
Chief Executive and Director

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.

Our Role



How we determine cases to investigate

The SFO has statutory independence. Operational decisions are made without ministerial direction.

As a government agency with limited resources, our focus is on cases that could significantly impact sections of the economy or the New Zealand public. 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 a set of criteria that address the scale of the crime and its impact on victims, the complexity and the degree of public interest.

All allegations of criminality referred to the SFO are evaluated to determine whether they meet the case selection criteria. If the SFO's criteria are not met, the allegations may be referred to an appropriate agency. The SFO is not restricted to acting on complaints and can act on its own initiative to undertake investigations.

The decision to prosecute is based on sufficiency of evidence and public interest. It is not the role of the SFO to find guilt or to seek compensation for losses suffered by victims – that sits with the courts.



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

- Julie Read, Chief Executive and Director

Who we are

The SFO is 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, fair-mindedness and low levels of corruption.

The agency’s highly experienced team of about 50 employees is based in Auckland. Most are frontline financial crime investigation specialists who examine possible instances of offending and, where appropriate, prosecute to hold the offenders to account.

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 undertaken by us. The SFO has developed strong technical competence related to forensic accounting, electronic forensics and financial investigations and prosecutions.

The SFO has undergone considerable change in recent years as we have focused on investing in new technology and expanding our relationships with other agencies. We have developed close working relationships with the Financial Markets Authority, the Office of the Auditor-General and New Zealand Police - especially its fraud squads and asset recovery units. The SFO is also focused on building the agency’s international capability and helps to fulfil New Zealand’s international obligations.

Detection, investigation and prosecution of serious and complex financial crime, including corruption and bribery, is at the heart of what we do. We are also committed to preventing these crimes.

Key Investigation Results

Thirty-six defendants appeared before the courts last year in prosecutions brought by the SFO and appeals.

The combined total of fraud alleged in the cases was \$161 million.

Six cases concluded with guilty pleas and one matter was finalised with convictions following a trial.

During the year we had a 100% conviction rate.

We received the highest ever number of complaints of 1,138, a more than 100% increase over four years.

Of these, 18 became Part 1 enquiries, to determine whether the allegation should progress to a full investigation. A total of 13 enquiries subsequently advanced to a full Part 2 investigation, the same as the previous year. Seven prosecutions commenced last year, down from nine in the previous financial year.

PROTECTING NEW ZEALANDERS' WELLBEING

Serious financial crime can impact personal, family and community wellbeing. It is insidious, ever-changing and disproportionately hurts the most vulnerable groups in our society. When considering whether to take on a case, the SFO looks at the scale of the alleged crime and its impact on victims, complexity and public interest factors. The SFO regularly investigates and prosecutes people suspected of defrauding charities or who are believed to have stolen public funds.

PARENGARENGA 3G TRUST

This complex case involved a Far North Māori land trust being defrauded by two of its trustees of more than \$1 million. Stephen James Henare and his sister Margaret Janene Dixon stripped P3G Trust of its entire capital base, leaving a mere \$13 in its accounts. The funds were primarily intended for the management of a 512-hectare block of land, which was used by the trust for a commercial forestry venture. Mr Henare also sold and retained the proceeds of the trust's carbon credits.

Mr Henare maintained his innocence until the fourth day of his High Court trial in Auckland when he pleaded guilty to all charges. As the instigator of the offending, he admitted failing to deal with approximately \$1.08 million of P3G Trust's funds in accordance with the P3G Trust Order. During the time of his offending, Mr Henare lied to the Māori Land Court about the financial position of P3G Trust. An application to replace him as a trustee was subsequently dismissed. Mr Henare went on to use his position as a trustee to steal the remaining \$400,000 of the trust's cash.

His and his sister's offending has had a devastating financial, social and emotional impact on the 400 beneficial owners of P3G Trust. The current trustees are now faced with challenges in the continued maintenance of the forest and the potential future loss of a

"So, like ripples in a pond, the consequences of the thefts radiate out, intergenerationally both economically and in terms of the mana of those innocently affected."

- Justice Muir when sentencing Mr Henare

substantial portion of the remaining assets of the trust.

The offending has further negatively impacted on the mana and tikanga of the whanau, whakapapa and wider community of Te Aupouri, including lost employment opportunities, lost opportunity for financial support to the local school and community initiatives and exposure of the beneficial owners to public ridicule.

Mr Henare was sentenced to five years and two months' imprisonment on five representative charges of theft in a special relationship and one charge of attempting to pervert the course of justice.

Meanwhile Ms Dixon pleaded guilty in 2018 to theft by person in a special relationship. She was sentenced 12 months' home detention and ordered to pay \$5,000 in reparation.

WAITANGI NATIONAL TRUST

Wallace Tamamotu Te Ahuru stole approximately \$1.2 million from the Waitangi National Trust, the custodian of one of the country's most historically significant places - the Waitangi Treaty Grounds. Mr Te Ahuru's offending not only jeopardised the trust's finances and reputation, it also brought stress and shame to his former colleagues, many of whom had treated him like a family member. As a result of his offending, many local community members were denied much needed seasonal employment with the trust.

"There has been a blow to the reputation of Waitangi in the minds of the local community, the general public and the government... the harm caused by your offending goes well beyond the financial loss itself."

- Judge McNaughton when sentencing Mr Te Ahuru

Mr Te Ahuru defrauded the organisation, which was the recipient of grants and private donations, while he was employed as its corporate services manager. In this trusted role, he was responsible for the financial administration of the trust. Mr Te Ahuru, who was a highly regarded employee, was sentenced to three years and eight months' imprisonment after pleading guilty to using forged documents and obtaining by deception. This case is a reminder to all organisations about the importance of having robust internal controls, regardless of whether they consider their employees trustworthy or not.

ALPHA SUPPORT CENTRE TRUST

This was a distressing case involving some of the most vulnerable members of the Christchurch community. Alpha Support Centre was set up to care for people with intellectual disabilities and help them with their personal development. It received funding from the Ministry of Health and the Ministry of Social Development. The trust, however, was not what it should have been because of the selfish and illegal activities of its operators, Cecilia Ann Ellenbroek and her husband Alfonsus Jozef Maria Ellenbroek.

As trustees of Alpha, the couple stole nearly \$500,000 from the charity over a five-year period. They spent the funds on extensive international travel and accommodation, jewellery, household appliances and other personal expenses. Their offending was in gross breach of the trust placed on them and deprived their vulnerable clients of much needed care and support.

The Ellenbroeks each pleaded guilty to six theft charges and Mrs Ellenbroek pleaded guilty to a further six false accounting charges. In addition to being ordered to pay full reparation of \$494,545, Mrs Ellenbroek was sentenced to 12 months' home detention and 300 hours of community work. Mr Ellenbroek was sentenced to six months of community detention and 200 hours of community work, in addition to reparation.

INVESTMENT FRAUD

Ponzi schemes are one of the most common types of investment fraud in New Zealand. Named after the Italian con artist Charles Ponzi, they 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 initial 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.

Prosecuting Ponzi scheme operators and other professionals who run similar investment fraud schemes is an important part of holding to account those who fail to conduct business in accordance with the expectations of a reputable market.

KELVIN WOOD

Kelvin Clive Wood operated a foreign exchange brokerage that degenerated into a Ponzi scheme. Mr Wood earned investors' confidence over many years through his personal and professional associations. However, when his brokerage began to suffer net trading losses, he devised a scheme to keep his clients in the dark about the true nature of their investments.

Mr Wood created more than 200 false investment reports that he sent to investors. He also reported false foreign currency trades to them. Either the trades did not occur or, if they did, the actual result did not reflect the profits he reported to them.

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“You knew with your banking background that your Ponzi scheme was doomed from the outset but you kept stealing.”

- Judge Ronayne when sentencing Mr Wood

Mr Wood's offending was a significant breach of trust that resulted in 18 investors losing a total of \$7 million of their principal investment, with three of them each losing more than \$1 million. The defendant was sentenced to six years and three months' imprisonment after pleading guilty to all charges and ordered to spend a minimum period of two years and 11 months in prison before being eligible for parole.

RUSSEL MAHER

Russell Angus Maher was a foreign exchange broker whose legitimate business did not survive adverse market conditions. 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, he 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.

The quantum of any loss caused by Mr Maher's offending was still a matter before the courts when this report was published. Financial losses to the defendant's clients could have been avoided if he had behaved honestly and accepted that his business had failed. Mr Maher's arrogant and criminal actions not only jeopardised his clients' funds but put at risk New Zealand's reputation as a safe place to do business.

PROPERTY FRAUD

Defrauding banks to obtain lending on property distorts the lending market and increases the risk of the loaned funds being lost. This kind of fraud affects everyone in the property market. The offending makes banks wary of lending money and adds to costs for all borrowers. In the case of two large-scale mortgage fraud schemes that the SFO recently investigated, rising property prices meant direct losses to the banks were minimal. Had a market correction occurred, a considerable amount of money would likely have been lost.

EMILY PROJECTS LIMITED

Leonard John Ross and Michael James Wehipeihana were each sentenced to more than four years' imprisonment in September 2018 after being convicted of mortgage fraud. The two men were found guilty by a jury of making false statements and using forged documents to obtain a \$41-million credit facility from ANZ to allow their company to develop an apartment block.

The banks were only willing to lend to Emily Projects Ltd if pre-sales of the apartments had already been secured and deposits paid. As the developer could not meet these criteria, Mr Ross and Mr Wehipeihana registered the names and details of people as purchasers without their knowledge and procured false undertakings from a solicitor about deposits being held on trust for the bank's security.

KANG HUANG AND OTHERS

Gang (Richard) Chen, a defendant in this \$54-million-dollar mortgage fraud case, recently had his appeal against his conviction dismissed. The former solicitor also appealed his sentence, in which he challenged the imposition of a minimum period of imprisonment (MPI) and its scale. This resulted in his MPI being quashed. Mr Chen did not challenge his head sentence of six years' imprisonment. His co-defendant, Zhongliang (Charly) Jiang, appealed his sentence claiming it was manifestly excessive and his MPI. Mr Jiang's head sentence was upheld but his MPI was quashed.

Mr Chen was convicted last year of obtaining by deception and facilitating payment of bribes to bank employees. As a conveyancing lawyer, Mr Chen was the middleman in the scheme masterminded by the property developer, Kang Huang. The scheme relied on false documents and other information to deceive banks into lending monies at a residential mortgage rate rather than a more expensive commercial rate.

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“Mr Chen plainly acted in self-interest and never had any intention of discharging his duty of loyalty or disclosing material facts about his self-interest to his client banks. His breach of duty was egregious and only compounded by his ongoing failure to disclose his conflict of interest and the material facts alleged.”

- Court of Appeal when dismissing Mr Chen's conviction appeal

Mr Jiang was a bank employee who helped secure the loans in return for bribes. He assisted Mr Chen by knowingly inputting fraudulent information into banking systems and processing and approving loans based on it. He was jailed for four years and nine months in August 2018.

The SFO has been working with the Police Asset Recovery Unit in relation to this case. Mr Jiang negotiated a settlement of \$850,000 with the Crown, which was gained from the sale of a property he owned. Mr Huang and his wife, Kang Xu, agreed to forfeit the net sale proceeds of two properties they owned. Action against another person involved who has left the country is ongoing. All monies or other assets recovered during the asset recovery process are returned to the Crown.

Strategic Plan and Objectives

2016 - 2020 Strategic Plan

The SFO has developed a Strategic Plan to 2020 that guides our strategic delivery. It identifies how the agency seeks to position itself to make a strong contribution to improving New Zealand's wellbeing and to become a stronger and more capable agency that is well positioned for the future. We intend to update the Strategic Plan and our Integrated Statement of Strategic Intent in the upcoming year. They will be revised to reflect the outcomes of a State Services Commission review under the PIF.

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

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

STRATEGIC GOALS Use intelligence to understand the financial crime landscape; Enhance connections with overseas agencies; Achieve more through effective collaboration with our NZ partners.

International collaboration is important to the SFO as a growing number of fraud and corruption investigations involve overseas jurisdictions. In order to effectively investigate such cases, the SFO maintains relationships with key overseas agencies and organisations. A highlight of 2019 was the SFO hosting the 7th Annual Meeting of the Economic Crime Agencies Network (ECAN).

A total of 30 representatives from member and observer agencies discussed ways to develop capability between law enforcement agencies internationally. The meeting was held at the SkyCity Convention Centre on 5-6 March, six years after the SFO hosted the inaugural meeting also in Auckland.

The ECAN meeting was held in conjunction with the SFO's biennial fraud and corruption conference at which many ECAN members gave presentations. Further details about the conference can be found later in this report.

Aside from hosting the ECAN meeting, the SFO has continued to enhance the agency's connections with overseas counterparts through operational support and






participating in international fora aimed at combatting financial crime. We have provided investigation support to the Vanuatu Office of Public Prosecutions for a corruption investigation involving the national airline. This work was funded by the Ministry of Foreign Affairs and Trade. We have continued to employ a representative of the SFO at the London-based International Anti-Corruption Coordination Centre (IACCC), an initiative focused on tackling grand corruption. The IACCC representative ensures both the SFO and Police are appropriately engaged on matters relating to international corruption.

The SFO has recently taken on the role of the New Zealand lead for the International Public Sector Fraud Forum (IPSFF). A Five Eyes initiative started in 2013 and led by the UK Cabinet Office, the IPSFF facilitates the sharing of expertise to save public money by helping to prevent fraud and other economic crime. The SFO's involvement leverages the experience of IPSFF members to benefit New Zealand.

MEMBER AGENCIES WHO ATTENDED ECAN 2019

 Independent Commission Against Corruption, Hong Kong	 Corruption Practices Investigation Bureau, Singapore
 UK Serious Fraud Office	 Australian Federal Police
 Corruption Eradication Commission, Indonesia	 Federal Bureau of Investigation
 NZ Serious Fraud Office	

OBSERVER AGENCIES WHO ATTENDED ECAN 2019

 Fiji Independent Commission Against Corruption	 Attorney-General's Office, Kingdom of Tonga
 UK Cabinet Office	
 Attorney-General's Department, Australia	
 International Anti-Corruption Coordination Centre, UK	

Contribute to financial crime law reform and policy

STRATEGIC GOALS Support the creation of a financial crime policy forum; Use intelligence to understand the financial crime landscape

The SFO's main focus in contributing to financial crime law reform and policy is through the Anti-Corruption Work Programme (ACWP). The SFO is the operational lead of the programme which also involves the State Services Commission, Police, the Ministry of Justice, the Department of the Prime Minister and Cabinet, and the Department of Internal Affairs.

The programme aims to enhance New Zealand's compliance with its international obligations under the Organisation for Economic Co-operation and Development's Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and the United Nations Convention Against Corruption. Another objective is to ensure New Zealand is ready to respond to emerging threats.

The inception of the ACWP has come at a time when many developed nations recognise that corruption is not just an issue for countries at the bottom two-thirds of the Transparency International Corruption Perceptions Index. Corruption has adverse impacts on all levels of a society. It has a negative effect on wellbeing and economic growth. It damages trust in institutions and political legitimacy and leads to bureaucratic inefficiency.

The ACWP is the initial step to the SFO having a greater focus on prevention, in addition to the agency's core investigation and prosecution role. The first phase of implementation concluded on 31 August 2019 and is subject to be reported back to Cabinet in the coming months.

Cabinet has noted the ACWP would contribute to delivering a transparent, transformative and compassionate government to help build 'a more modern and fairer country'. In giving its approval in July 2018, Cabinet directed the SFO to:

- + Develop a shared understanding of corruption in New Zealand and the vulnerabilities inherent to specific sectors or spheres of economic activity.
- + Review whether controls for the allocation and expenditure of public money (central and local government) for the provision of services, grants and programmes were effective in preventing fraud and corruption.
- + Work with Auckland Council to test procurement controls following recent changes to their procurement procedures, along with a review of case examples, with a view to sharing the outcomes of that review with Local Government New Zealand.
- + Design a framework to measure the value of the savings and non-economic benefits to government (central and local) that can be attributed to prevention efforts.
- + Build on previous work the SFO has carried out in the private sector to implement an engagement programme with industry groups.

Specific work delivered since the ACWP's approval has included an assessment of the nature and scope of corruption in New Zealand and guidance materials and tools to assist local government manage procurement risks. As the government procurement lead, the Ministry of Business Innovation and Employment reviewed the suite of products for local government.

The paper 'Strategic Assessment – Corruption in New Zealand: Perception and Reality', recently produced by the SFO and Police at the request of the ACWP Governance Group, found that New Zealand's vulnerability to corruption is increasing because of 'inter-related factors', including:

- + Complacency and relatively low levels of awareness, combined with high levels of trust, creating opportunities for corruption through inadequate controls.
- + Availability of New Zealand-based shell companies to be used by overseas entities for corrupt behaviours.
- + Lack of consistency in dealing with corrupt behaviour, reactive approaches by responsible agencies and a lack of information-sharing between agencies.
- + Limited oversight of political donations and lobbying at the national level.

The engagement stream of the ACWP has been met with widespread support and cooperation from stakeholders. Agencies involved in the engagement stream included the Department of Internal Affairs, the Office of Auditor-General and the Department of Prime Minister and Cabinet. Industry groups such as the Institute of Directors, the Real Estate Institute of New Zealand and Business NZ also participated.

The SFO initiative to develop a cross-agency financial crime intelligence system, following the Performance Improvement Framework review in 2014, was halted in 2017/2018 to focus on the ACWP.

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

New case and evidence management systems introduced in late 2017 have, over the past year, continued to streamline and standardise processes, reduce risk by eliminating possible points of failure and provide greater case and resource visibility to SFO management. Our case management system, using ServiceNow software, has enabled a cross-business view of resourcing, task allocation and reporting. The evidence management system, using international standard e-discovery software Relativity, has transformed SFO evidence processing so data collected can be reviewed in a holistic and efficient manner.

The evidence management system continues to be refined. The software behind it has artificial intelligence functionality built in, including machine learning. The SFO is testing this functionality to understand what benefits it can offer in the processing of large amounts of data. To date, we have found that using it can reduce the number of electronic evidence items to be reviewed. In one sample case, the number of items to be reviewed dropped from 341,000 to 17,000. This was estimated to have reduced the review time from more than three months to 11 days.

In dollar terms, the savings was approximately \$25,000 in employee time for that case. Further efficiency benefits will be extracted from the new systems in the months and years to come.

The SFO's internal Ask Your Team survey, which was conducted earlier in 2019, showed a 17-percent improvement over two years in employees indicating the SFO had the right systems to undertake their work.

The SFO's new Human Resources Information System (HRIS) went live in July 2018 and has improved the organisation's capacity to effectively manage human resources and other business services information.

The HRIS and case management modules use the same ServiceNow platform as the case management system, providing efficiencies in both usability and system administration. The HRIS is a 'one-stop' portal for all human resources information including all SFO policies, together with automated paperless workflows for leave applications, expense claims and professional development requests. Further development is planned for next year.

Align our role, objectives, functions and activities with those of our key stakeholders

STRATEGIC GOALS

Achieve more through effective collaboration with our NZ partners; Enhance connections with overseas agencies

To provide an all-of-government response to financial crime, we collaborate with other law enforcement and regulatory agencies at both an operational and strategic level. Our main partners are:

- + New Zealand Police
- + Ministry of Justice
- + Crown Law Office
- + New Zealand Customs Service
- + Department of Internal Affairs
- + Office of the Auditor-General
- + Commerce Commission
- + Financial Markets Authority
- + Ministry of Business, Innovation and Employment
- + Inland Revenue

Operational highlights of inter-agency cooperation included leading an investigation with the assistance of the Financial Markets Authority (FMA) into a Dunedin-based financial adviser and asset recovery work with Police.

The SFO shares expertise across government, providing support to other agencies' investigations and prosecutions, both within New Zealand and the Pacific region. Assistance has included electronic forensic and forensic accounting expertise in response to agency requests.

The SFO has undertaken investigative work in Vanuatu funded by the Ministry of Foreign Affairs and Trade.

The SFO continues to lead an Auckland based cross-agency intelligence group to de-conflict financial crime complaints and investigations. This group consists of the FMA and the Police Financial Crime Unit.

The Anti-Corruption Work Programme has also formed part of the SFO's collaboration efforts over the past year. We have run stakeholder events to develop the programme, which were well attended by public sector partners, academia and representatives from local government.

We established a Forensic Accounting Combined Law Agency Group in 2018/19. One of our general managers continues to participate in the Governance Group of the

Combined Law Agency Group. We also had a secondment to the FMA over the past year.

We have maintained strategic partnerships with private sector stakeholders, such as accounting firms and insolvency practitioners.

In non-investigative related collaboration, the SFO has led a group with the FMA and the Commerce Commission to share knowledge and experience of Relativity, which is the software that the three agencies use to manage evidence. The SFO has also demonstrated the functionality of our new evidence and case management systems to multiple agencies - most recently the Ministry of Primary Industries. This was done so the agencies could learn

from the SFO's journey and find out if such systems were suitable for their purposes.

We have employed a private secretary based in Wellington to ensure good communication between the SFO and the Minister responsible for the agency. As the SFO is Auckland-based, having an employee on the ground in the capital has proved beneficial. Further, the Director of the SFO meets the Minister on a fortnightly basis and provides him with a monthly report and regular briefing papers. The meetings allow for discussions about the Minister's expectations and the strategic direction of the SFO.

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

Education activity that the SFO leads is typically focused on deterrence and prevention of fraud and corruption. The work we do in this area is hugely valuable to a vast range of organisations from not-for-profit through to publicly listed companies and banks. The standout event was our biennial conference, which focused on the prevention of financial

crime. Aside from this event which drew audiences from New Zealand and abroad, the SFO presented at a number of public events throughout 2018/19. We continued to participate in organised crime workshops and contributed to other government departments' integrity work.

SFO Fraud and Corruption Conference 2019

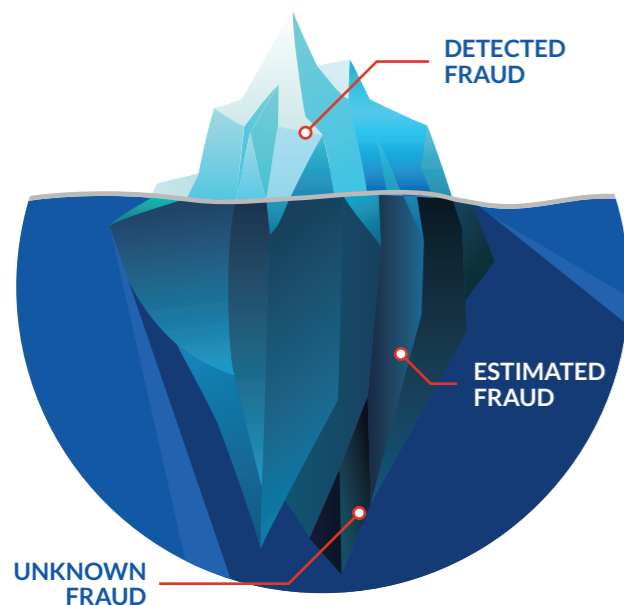
We hosted our third biennial conference on 7 March 2019, which was attended by more than 250 people from the public and private sector. The conference titled 'Protecting New Zealand's taonga' was held at the SkyCity Convention Centre.

The Minister responsible for the SFO, the Hon. Stuart Nash, opened the event by acknowledging the speakers who had travelled from overseas to participate. Their presentations, he said, would inform discussions at the conference and generate ideas about how New Zealand could best protect its valuable corruption-free reputation. Keeping the country's institutions trusted and free of corruption is in line with the government's priority of delivering a transparent, transformative and compassionate public sector.



"If we are proactive in understanding the risks and countering them, our existing strong culture of honesty and openness will serve us well in preserving our corruption-free reputation for the future."

- Minister responsible for the SFO, Hon. Stuart Nash



Minister Nash's opening remarks were followed by a keynote address by Lyn McDonald from the UK Cabinet Office about fraud prevention. Fraud and error in the UK public sector was estimated to cost the government up to £48 billion (NZ \$90 billion) every year, she told the audience. However, as fraud was a 'hidden crime' only £8.8 billion of that was detected in 2017. She used the metaphor of the iceberg (see illustration to the left) to describe the problem. Being proactive in detecting fraud was critical, Ms McDonald said quoting the UK Minister for the Constitution as saying, "If you can't find it, you can't fight it".

PRESENTATIONS AND SPEAKERS INCLUDED:

- + Reducing fraud and waste in government spending. Lyn McDonald, Director Fraud, Error, Debt and Grants team at UK Cabinet Office.
- + The future fight against fraud and corruption in New Zealand. Julie Read, Director of the Serious Fraud Office.
- + Safeguarding integrity: a private-public partnership. Hui Chen, Ethics and Compliance Advisor.
- + The future fight against fraud and corruption in the UK. Lisa Osofsky, Director of the UK Serious Fraud Office.
- + Tackling corruption in Hong Kong. Ricky Yau Shu-chun, Deputy Commissioner and Head of Operations of the Independent Commission Against Corruption (ICAC), Hong Kong.
- + Maintaining New Zealand's corruption-free reputation. Rebecca Rolls, General Manager Investigations, Serious Fraud Office.
- + Threat of corruption in New Zealand and globally. Timothy K. Kuhner, Associate Professor at Auckland Law School whose research focuses on corruption in the financing of political campaigns.
- + Singapore's anti-corruption journey over the last 70 years. Denis Tang, Director of the Corrupt Practices Investigation Bureau, Singapore.
- + The FBI's Elder Fraud Initiative. Anthony Bivona, Unit Chief, FBI Economic Crimes Unit
- + A counter-fraud profession – the UK experience. Laura Eshelby, Head of Counter Fraud Professionalisation at UK Cabinet Office.
- + Measuring the extent of fraud in Australia. Lucinda Atkinson, Assistant Secretary, Institutional Integrity Branch, Australian Government Attorney-General's Department.
- + The FBI's Money Mule Initiative and Anti-Money Laundering Program. Steven M. D'Antuono, Chief Financial Crimes Section, Criminal Investigative Division, FBI.
- + The challenges of an international response to grand corruption. Rupert Broad, Head of the International Anti-Corruption Coordination Centre.
- + Property related fraud - recent SFO cases. Paul O'Neil, General Counsel, Serious Fraud Office.



Keeping the public informed



Lyn McDonald, UK Cabinet Office, interviewed by Radio NZ (interview arranged by the SFO)

The media play a pivotal role in educating the community about fraud and corruption. The SFO engages with the media to raise awareness of the risks of such offending. The SFO does this by issuing a media release at each stage of a prosecution and having information about our cases

on the SFO website. The Director of the SFO talked to the media over the past year about the financial cost of fraud and corruption as well as the benefit of taking a preventative approach to stopping such offending.

Corruption-free reputation

Transparency International ranked New Zealand's public sector as the second-least corrupt in the world in the Corruption Perceptions Index 2018. New Zealand scored 87, falling just one point below Denmark. The previous year New Zealand scored one point higher than Denmark to top the table.

New Zealand has consistently achieved very high scores since the index's inception in 1995. This indicates that people have a high degree of trust and confidence in the public sector and supports the country's reputation as being a safe place to invest and do business. However, in an ever-changing world we cannot be complacent and must continue to be proactive in preventing corruption.

The index is compiled by Transparency International,

a non-government organisation, and ranks countries annually by their perceived levels of public sector corruption. The Corruption Perceptions Index captures the views of analysts, businesspeople and experts in countries around the world. It is a composite index of different international surveys and assessments of corruption, collected by a variety of institutions.

Our People

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

The Ask Your Team (AYT) survey that was introduced in 2015 offers a strong across-the-business view. AYT provides a comparison with other public sector agencies. Our results for leadership and culture have continued to provide valuable insights on what we are doing well and where we need to improve. Eighty-one percent of people indicated they clearly understood the agency's purpose, vision and strategy, compared to 73 percent in 2018.

Furthermore, 73 percent felt that the actions of the Senior Leadership Team were consistent with the SFO's values, compared to 61 percent the previous year.

We focused on understanding what importance our people place on flexible work practices in the latest survey to assist in improving our systems and policies around achieving employee wellbeing.

Training and development opportunities

To retain our people and continue to upskill and grow, the SFO continues to offer good development and training opportunities. We have provided employees opportunities to act in more senior roles and decided to advance four high performing people into permanent senior roles. Other opportunities have included leadership development and coaching for members showing potential to develop into future leaders and increasing our cohort on the Auckland Career Board.

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

- + Hong Kong ICAC course
- + Commonwealth Agencies Management of Serious Crime Course, Australia
- + Relativity Administrator training, Sydney
- + CAANZ Forensic Accounting Conference, Sydney
- + Foreign Bribery and Corruption Conference, Washington DC

Reviewing specialist workforce needs

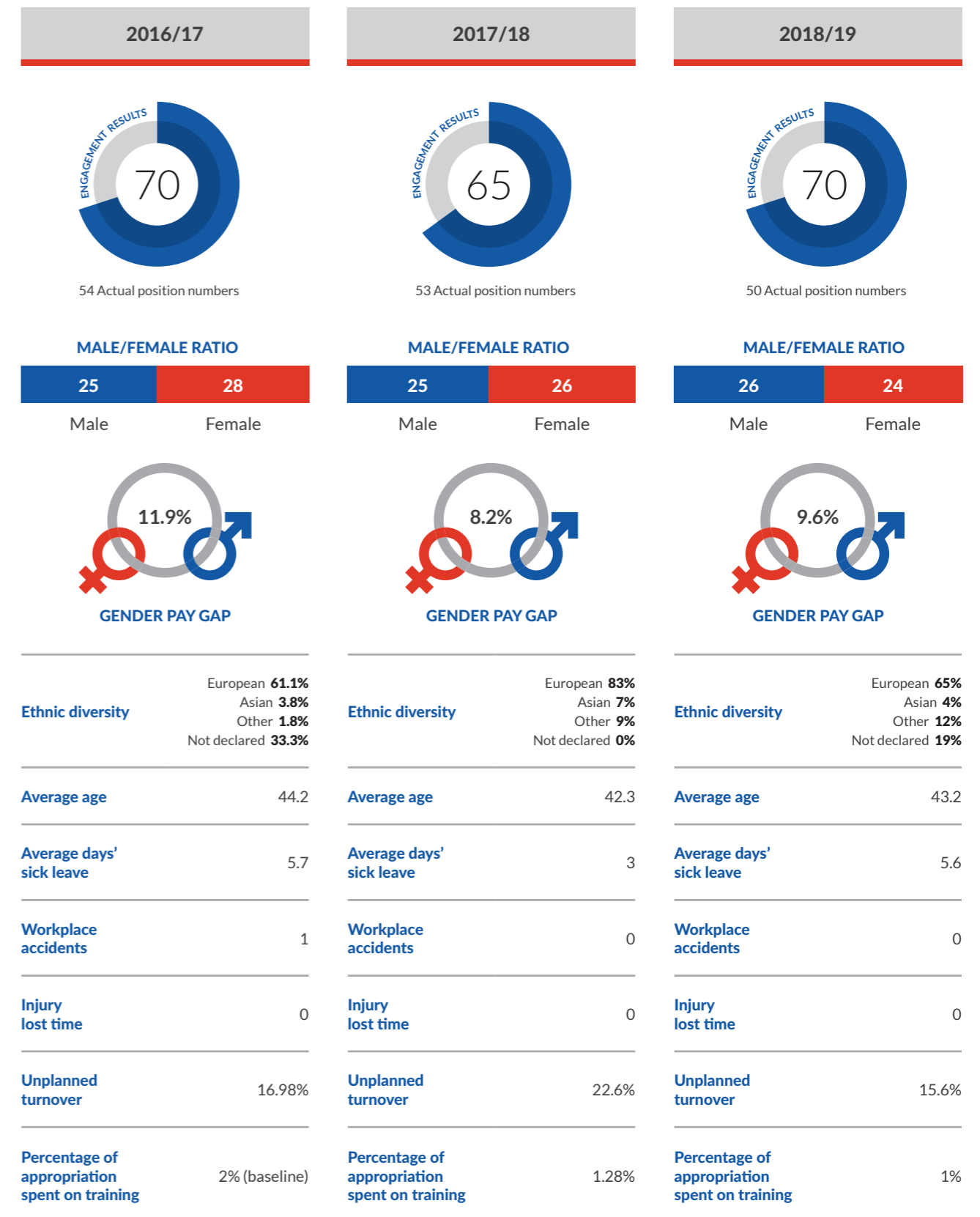
The SFO has continued to review its specialist workforce needs. We have improved the internal working groups for each of the four disciplines within the SFO (investigators, forensic accountants, lawyers and electronic forensics investigators) so the specific needs of each group are addressed. As an example, the electronic forensics investigators have this year set up regular learning sessions to improve or maintain their technology knowledge and expertise. We have also reviewed the

specialist database management needs required to administer Relativity and invested in administrator training.

We have identified the need to review and improve our induction for new employees to improve their integration into the SFO, especially from a technology point of view. A refresh of the induction programme is planned for 2019/20.

A snapshot of people performance

This overview shows workforce data trending in a positive direction across a range of indicators.



The turnover result of financial year 2018/19 was due to employees finding career opportunities outside the SFO. Half of the leavers went to other government agencies meaning the skills and experience acquired would continue to benefit the public sector.

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 (ISSI).

Capability	Indicators	Measure and Target	Trend Results
Leadership and organisational culture	Have a culture of continuous improvement	Ask Your Team	2018/19: 70%
		Level of engagement	2017/18: 65%
			2016/17: 70%
			2015/16: 60%
			baseline
Leadership and organisational culture	Attract and retain the best people	Unplanned turnover	2018/19: 16.6%
			2017/18: 22.6%
			2016/17: 16.98%
			2015/16: 5.9%
			2014/15: 19.3%
Leadership and organisational culture	Challenge and support our team to be the best	Ask Your Team	2018/19: 85%
		A 3% annual improvement in leadership and culture baseline score	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	2018/19: 67%
			2017/18: 63%
			2016/17: 58%
			2015/16: 66%
			baseline
Relationships and partnerships	Achieve more through effective collaboration with our NZ partners	Biennial SFO Stakeholder Survey	2018/19: Not completed ¹
			2016/17: 7.9
		Rating is 8 out of 10 or higher	2014/15: 8.3
			2012/13: 7.2

¹ 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; and
- + 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; and
- + 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
27 September 2019

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 ²	2018/19: N/A ³
		"How effective have SFO investigations and prosecutions been?"	2016/17: 7.7
			2014/15: 7.3
			2012/13: 7.7
Our reputation for low levels of financial crime, bribery and corruption provides a global competitive advantage to New Zealand businesses ⁵	The public have trust and confidence that financial criminals will be prosecuted and sentenced	Maintain or improve on 7.1 (scale of 10)	2010/11: 7.1
		Biennial Public Survey ⁴	2017/18: 67%
		Public feel that "New Zealand is a safe place to invest"	2015/16: 63%
			baseline
New Zealand's ranking of corruption-free nations	Transparency International Corruption Perception Index		2018: 2nd
			2017: 1st
			2016: 1st equal Denmark
			2015: 1st equal Denmark
			2014: 2nd
			2013: 1st equal Denmark

¹The measures and trend results remain the same as the SOI 2016/2017, however the wording of the impact and indicator statement have 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 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.

³The 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. The review had not been finalised when this report was published. The review's findings will be reported upon in the SFO's 2019/20 Annual Report.

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 2018, initially 1,277 people were contacted to achieve a sample of 613 people who were aware of the SFO. The agreed minimum sample for this survey is 600. The survey has a margin of error of ± 4.0%. The research was conducted in good faith and with due regard to standards set by the Market Research Association of New Zealand.

⁵Now 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

Impacts	Indicators	Measures	Trend Results
Increase cross-agency capability to achieve Justice Sector shared goals	Collaboration across the Justice Sector and other agencies	Number of joint investigations initiated	2018/19: 1
			2017/18: 2
	Educate and interact with the community	Biennial Public Survey	2016/17: 2 ¹
			baseline
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	Public agree the SFO: "does a good job in demonstrating the consequences of serious financial crime"
			2017/18: 61%
	Maintain or increase custodial sentences from 75% of cases		2015/16: 53% ¹
			2018/19: 100%
			2017/18: 100%
			2016/17: 100% ¹
			baseline

¹Results no longer directly comparable as the method of calculation changed in 2015/16 to include home detention. Although not a term of imprisonment, home detention is a custodial sentence. This measure has been amended to pertain only to conviction of the main defendant. Note that the SFO's role is to put the appropriate cases before the Courts, not to determine sentences.

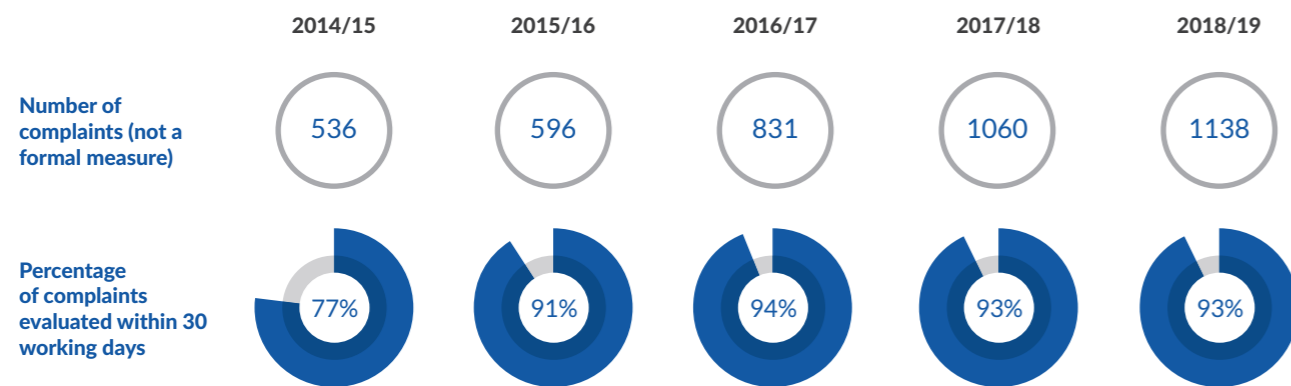
Operational Performance Measures and Results

Statistical trends

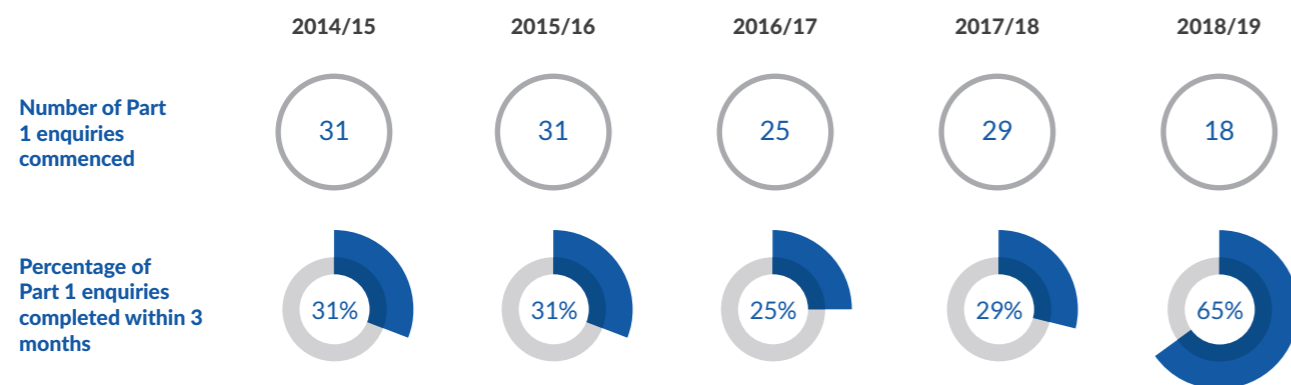
Performance measures and standards have been established to monitor the efficiency and effectiveness of managing the three key activities of complaints, investigations and prosecutions within the output expense. The measures for Part 1 enquiries were put into

effect in 2015/16 so the 2014/15 results have no direct comparison. Investigations commenced refers only to Part 2 investigations. Prior to 2015/16 results included what are now separate Part 1 enquiries which take less time to complete.

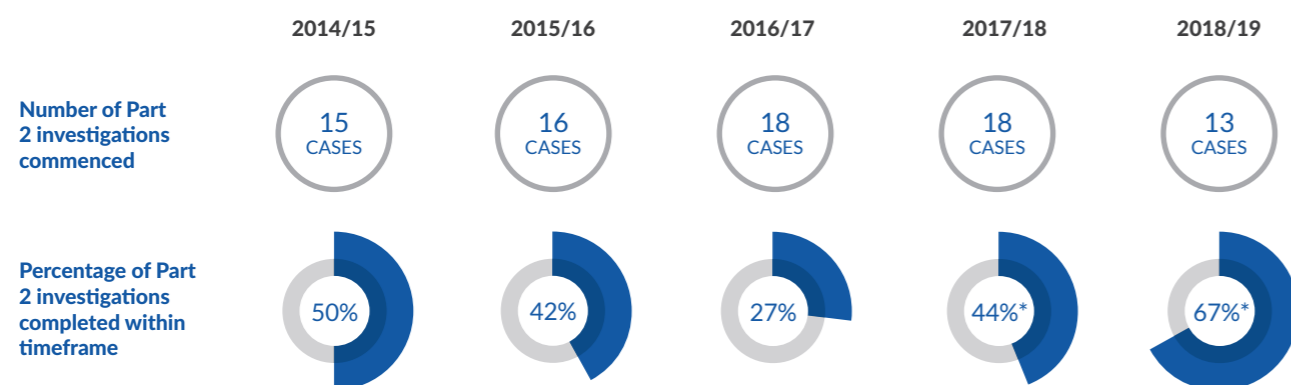
COMPLAINTS: Statistical trends



PART 1 ENQUIRIES: Statistical trends

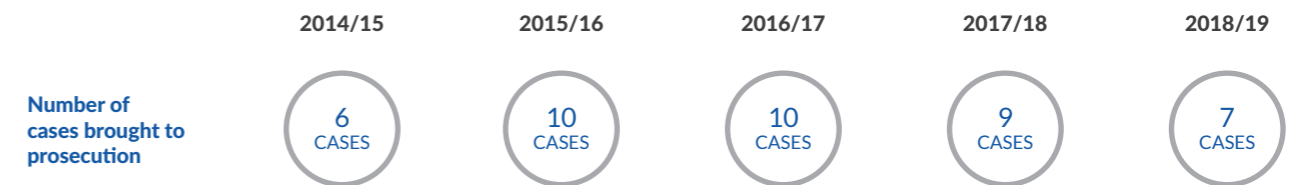


PART 2 INVESTIGATIONS: Statistical trends



* Complex investigations completed within 18 months.

PROSECUTIONS: Statistical trends



Output Expense: Investigation and Prosecution of Serious Financial Crime

Description

This output expense provides for services by the SFO to detect, investigate and prosecute serious financial crimes, including activities directed at making the commission of financial crimes more difficult, and detection and prosecution more effective. These activities include work outside our core role, such as educating private and public

sector professionals through attending events or speaking opportunities. We proactively communicate and raise awareness of our work with our stakeholders. The SFO also actively researches and gathers knowledge from international bodies to improve our effectiveness.

Complaints

The SFO has seen a significant increase in the number of complaints received in recent years, with the number more than doubling from 2014/15 (536 complaints) to 2018/19 (1,138). While it is difficult to attribute the increase to any one factor, it is possible that there are greater levels of public awareness of the SFO and its role, however our public perception survey results show this might not be the case.

Intelligence team to determine whether or not they fit the criteria set for investigations by the SFO. If the matter falls within the mandate of the SFO the complaint is moved to the Part 1 enquiry phase. If not, every effort is made to refer the complaint to the appropriate agency, or 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 are first evaluated by the Evaluation and

Actual 2017/18	Performance Measure	Budget Standard 2017/18	Actual 2018/19
93%	Timeliness Percentage of complaints evaluated within 30 working days	80%	93%

Actual performance

The SFO received 1,138 complaints in 2018/19. Despite a more than 100 percent increase in complaints in the last four years, the number of Part 1 enquiries that resulted has remained generally consistent over this time. The SFO exceeded its standard for timeliness in evaluating complaints. Those which do not meet the SFO's mandate are referred to the agency which can most appropriately assist the complainant.

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 investigation

may disclose serious or complex fraud.

The Part 1 enquiries enable the SFO to better determine whether allegations of fraud should progress to a full investigation and the scope of that investigation.

Actual 2017/18	Performance Measure	Budget Standard 2018/19	Actual 2018/19
29	PART 1 ENQUIRIES QUANTITY Number of Part 1 enquiries commenced	30-40	18
56%	TIMELINESS Percentage of Part 1 enquiries completed within 3 months	80%	65%

Actual performance

The SFO did not meet the performance measure for the number of Part 1 enquiries opened. Due to the high volume and complexity of open investigations with the SFO's existing caseload, a decision was taken to manage this pressure, in part, by limiting the number of Part 1 enquiries opened. Enquiries were only opened for matters that would clearly meet the criteria for Part 2 investigations. Matters that were unlikely to meet the criteria were referred to appropriate agencies.

The SFO also did not meet the standard for the timeliness of Part 1 enquiries but improved slightly from the previous year.

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 2017/18	Performance Measure	Budget Standard 2018/19	Actual 2018/19
18	QUANTITY Number of Part 2 enquiries commenced	14-16	13
44%	TIMELINESS Percentage of Part 2 investigations completed within targeted time*	Category A: (50% within 18 months)	67%
40%		Category B: (60% within 12 months)	50%
100%	Percentage of formal post-investigation reviews that meet the SFO quality criteria**	90%	100%

*Category A cases are 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 are all other cases.

**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 13 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 opened when it well exceeded our statute-based criteria for investigation, in particular where there was a substantial public interest in the SFO opening an investigation.

The Part 2 timeliness target for complex investigations was met and while the target for non-complex investigations was not met, there has been an improvement in timeliness from 2017/18. This reflects a focus during the year on progressing investigations by reducing the existing caseload pressure and the number of new investigations accepted.

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. 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 2017/18	Performance Measure	Budget Standard 2018/19	Actual 2018/19
9	QUANTITY Number of cases brought to prosecution	10-12	7
100%	QUALITY Percentage of defendants convicted	80%	100%
100%	QUALITY Percentage of formal post-prosecution reviews that meet the SFO quality criteria	90%	100%

Actual performance

The prosecution target was not met this year. This was largely due to the high volume and complexity of open investigations within the SFO's existing caseload that meant that some cases, which would be likely to result in prosecution, were not able to be finalised during the year. The SFO re-prioritised its caseload in the latter half of the year to ensure that cases with high levels of public interest are progressed more quickly.

Capital Performance

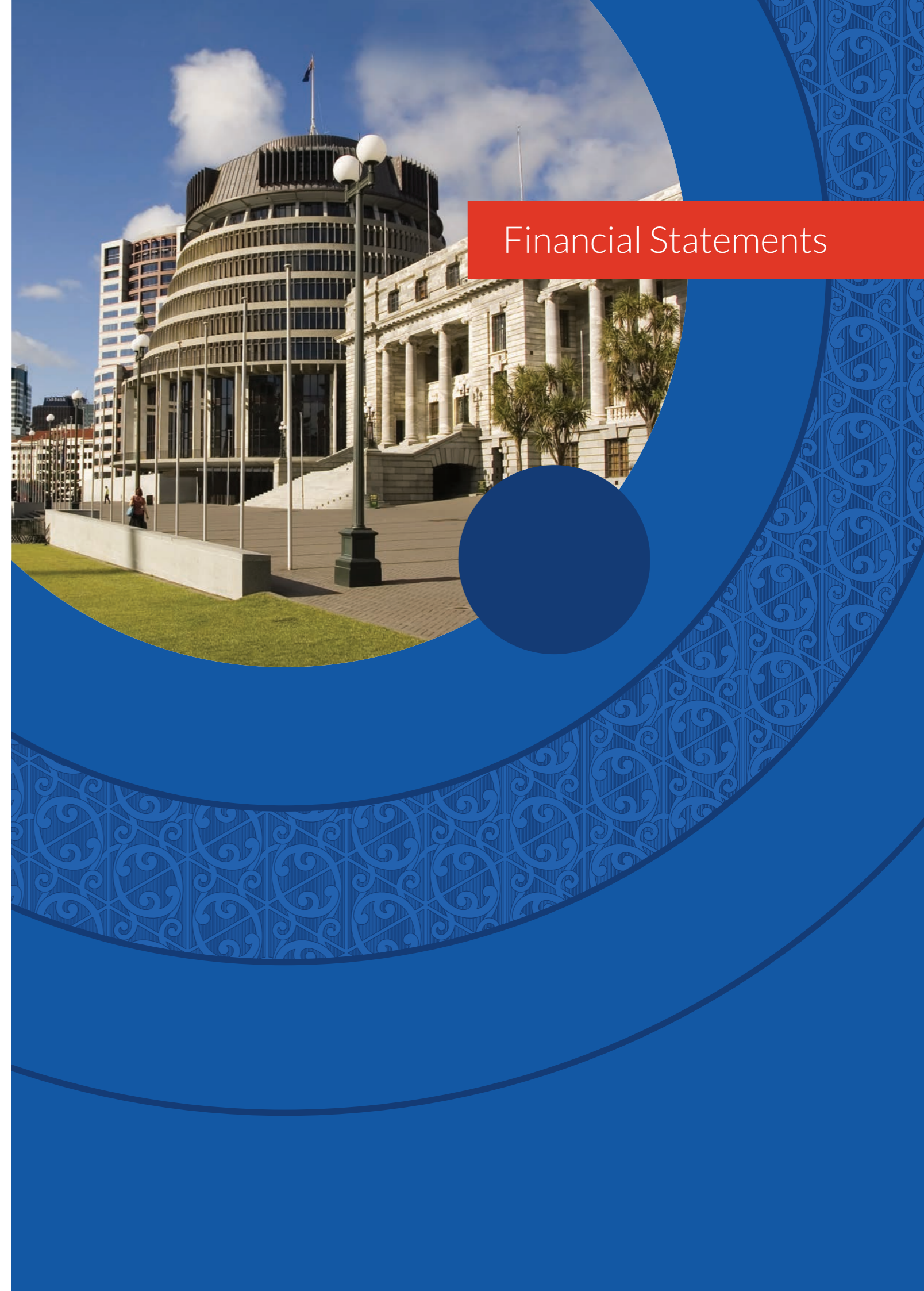
Actual 2017/18	Performance Measure	Budget Standard 2018/19	Actual 2018/19
Completed 1 July 2017	The capital plan is developed and managed throughout the year	Capital plan for implementation 30 June 2018	Completed 1 July 2018

Financial Performance

	2018 Actual \$000	2019 Main estimates \$000	2019 Supp estimates \$000	2019 Actual \$000	2020 Main estimates \$000
Revenue					
Crown	10,142	9,529	10,110	10,104	9,534
Other	282	85	632	456	85
TOTAL REVENUE	10,424	9,614	10,742	10,560	9,619
EXPENDITURE	10,099	9,614	10,742	10,185	9,619
NET SURPLUS	325	0	0	375	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 2019

Actual 2018 \$000	Notes	Actual 2019 \$000	Unaudited Budget 2019 \$000	Unaudited Forecast 2020 \$000
REVENUE				
10,142	Revenue Crown	10,104	9,529	9,534
282	Other revenue	456	85	85
10,424	TOTAL REVENUE	10,560	9,614	9,619
EXPENSES				
6,126	Personnel costs	6,211	6,398	6,362
3,734	Other expenses	3,613	2,902	2,996
202	Depreciation and amortisation expense	294	298	194
37	Capital charge	67	16	67
10,099	TOTAL EXPENSES	10,185	9,614	9,619
325	Surplus/(deficit)	375	0	0
0	Other comprehensive revenue and expense	0	0	0
325	TOTAL COMPREHENSIVE REVENUE AND EXPENSE	375	0	0

Explanations of major variances against the original 2018/19 budget are provided in note 17. The accompanying notes form part of these financial statements.

Statement of Financial Position

as at 30 June 2019

Actual 2018 \$000	Notes	Actual 2019 \$000	Unaudited Budget 2019 \$000	Unaudited Forecast 2020 \$000
ASSETS				
CURRENT ASSETS				
1,912	Cash and cash equivalents	1,985	1,467	1,642
44	Receivables	8	75	25
86	Prepayments	44	77	77
2,042	TOTAL CURRENT ASSETS	2,037	1,619	1,744
NON-CURRENT ASSETS				
429	Property, plant and equipment	450	383	368
662	Intangible assets	553	552	675
1,091	TOTAL NON-CURRENT ASSETS	1,003	935	1,043
3,133	TOTAL ASSETS	3,040	2,554	2,787
LIABILITIES				
CURRENT LIABILITIES				
1,176	Payables	1,012	835	1,139
325	Return of operating surplus	375	0	0
363	Employee entitlements	367	467	396
1,864	TOTAL CURRENT LIABILITIES	1,754	1,302	1,535
NON-CURRENT LIABILITIES				
43	Employee entitlements	57	20	20
114	Provisions	117	120	120
157	TOTAL NON-CURRENT LIABILITIES	174	140	140
2,021	TOTAL LIABILITIES	1,928	1,442	1,675
1,112	NET ASSETS	1,112	1,112	1,112
EQUITY				
1,112	Taxpayers' funds	1,112	1,112	1,112
1,112	TOTAL EQUITY	1,112	1,112	1,112

Explanations of major variances against the original 2018/19 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 2019

Actual 2018 \$000	Notes	Actual 2019 \$000	Unaudited Budget 2019 \$000	Unaudited Forecast 2020 \$000
452	BALANCE AT 1 JULY	1,112	1,112	1,112
325	Total comprehensive revenue and expense	375	0	0
OWNER TRANSACTIONS				
660	Capital injection	0	0	0
(325)	Return of operating surplus to the Crown	(375)	0	0
1,112	BALANCE AT 30 JUNE	1,112	1,112	1,112

Explanations of major variances against original the 2018/19 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 2019

Actual 2018 \$000		Actual 2019 \$000	Unaudited Budget 2019 \$000	Unaudited Forecast 2020 \$000
CASH FLOWS FROM OPERATING ACTIVITIES				
10,127	Receipts from Revenue Crown	10,148	9,529	9,534
294	Receipts from other revenue	583	85	85
(3,787)	Payments to suppliers	(3,828)	(3,185)	(3,318)
(5,848)	Payments to employees	(6,193)	(6,115)	(6,040)
(37)	Payments for capital charge	(67)	(16)	(67)
(4)	Goods and services tax (net)	13	0	0
745	NET CASH FLOW FROM OPERATING ACTIVITIES	656	298	194
CASH FLOWS FROM INVESTING ACTIVITIES				
(86)	Purchase of property, plant and equipment	(188)	(130)	(90)
(673)	Purchase of intangible assets	(70)	(10)	(10)
(759)	NET CASH FLOW FROM INVESTING ACTIVITIES	(258)	(140)	(100)
CASH FLOWS FROM FINANCING ACTIVITIES				
660	Capital Injections	0	0	0
(318)	Return of operating surplus	(325)	0	0
342	NET CASH FLOW FROM FINANCING ACTIVITIES	(325)	0	0
329	Net (decrease)/increase in cash	73	158	94
1,583	Cash at the beginning of the year	1,912	1,309	1,548
1,912	CASH AT THE END OF THE YEAR	1,985	1,467	1,642

The SFO does not hold any finance leases (2018: nil).

Explanations of major variances against original 2018/19 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 2019 (continued)

Reconciliation of net surplus/(deficit) to net cash flow from operating activities.

Actual 2018 \$000		Notes	Actual 2019 \$000
325	NET SURPLUS/(DEFICIT)		375
ADD/(LESS) NON-CASH ITEMS:			
202	Depreciation and amortisation expense	7, 8	294
202	TOTAL NON-CASH ITEMS		294
ADD/(LESS) ITEMS CLASSIFIED AS INVESTING OR FINANCING ACTIVITIES:			
(5)	(Gains)/losses on disposal of property, plant and equipment		(1)
(5)	TOTAL ITEMS CLASSIFIED AS INVESTING OR FINANCING ACTIVITIES		(1)
ADD/(LESS) MOVEMENTS IN STATEMENT OF FINANCIAL POSITION ITEMS:			
(3)	(Inc)/dec in receivables	6	36
(14)	(Inc)/dec in prepayments	9	42
213	Inc/(dec) in payables and deferred revenue		(110)
28	Inc/(dec) in employee entitlements		18
0	Inc/(dec) in provisions		3
224	NET MOVEMENT IN WORKING CAPITAL ITEMS		(12)
745	NET CASH FLOW FROM OPERATING ACTIVITIES		656

The accompanying notes form part of these financial statements.

Statement of Commitments

as at 30 June 2019

Capital commitments

The SFO has no capital commitments as at 30 June 2019 (2018: \$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 2018 \$000		Actual 2019 \$000
OPERATING LEASE AS LESSEE		
The future aggregate minimum lease payments to be paid under this non-cancellable operating lease is as follows:		
516	Not later than one year	520
1,893	Later than one year and not later than five years	1,387
0	Later than five years	0
2,409	TOTAL NON-CANCELLABLE OPERATING LEASE COMMITMENTS	1,907

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 2018 \$000		Actual 2019 \$000
OPERATING SUB-LEASE AS LESSOR		
The future aggregate forecasted sub-lease payments to be received under this cancellable operating sub-lease is as follows:		
85	Not later than one year	85
312	Later than one year and not later than five years	227
0	Later than five years	0
397	TOTAL FORECASTED OPERATING SUB-LEASE INCOME	312

The accompanying notes form part of these financial statements.

Statement of Contingent Liabilities and Contingent Assets

as at 30 June 2019

Contingent liabilities

The SFO has no quantifiable or unquantifiable contingent liabilities as at 30 June 2019 (2018: \$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.

Contingent assets

The SFO has no contingent assets as at 30 June 2019 (2018: \$nil).

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 2019 and were approved for issue by the Chief Executive and Director on 27 September 2019.

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).

Standards early adopted

In line with the Financial Statements of the Government, the SFO has elected to early adopt PBE IFRS 9 Financial Instruments. PBE IFRS 9

replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. Information about the adoption of PBE IFRS 9 is provided in Note 19.

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 as the requirements are similar to PBE IFRS 9.

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 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 from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

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.

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 2019 budget figures are for the year ended 30 June 2019 and were published in the Annual Report 2018. 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 2018/19.

The 2020 forecast figures are for the year ending 30 June 2020, which are consistent with the best estimate financial forecast information submitted to the Treasury for the BEFU for the year ending 2019/20.

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 2020 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 8 April 2019.

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 2020 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 2019/20 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, which were adopted as at 8 April 2019, were as follows:

- + The SFO's activities and output expectations will remain substantially the same as the previous year focusing on the government's priorities.
- + Personnel costs were based on 51 full-time equivalent employees, which takes into account employee turnover.
- + Operating costs were 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 2018/19 was used as the opening position for the 2019/20 forecasts.

The actual financial results achieved for 30 June 2020 are likely to vary from the forecast information presented, and the variations may be material.

Since the approval of the forecasts there have been no significant changes or events that would have a material impact on the forecasts.

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.

CONFERENCE FEES

Conference fee revenue is recognised in the year that the conference is held.

Breakdown of other revenue and further information

Actual 2018 \$000		Actual 2019 \$000
189	Recovery for employees on secondment or shared with other Agencies	140
0	Overseas assistance on fraud issues	128
0	Attendance fees received for the Fraud and Corruption Conference	100
88	Rental revenue from subleases	87
5	Gain on disposal of property, plant and equipment	1
282	TOTAL OTHER REVENUE	456

Recovery for employees on secondment or shared with other Agencies

During 2018/19 there was one outward secondment arrangement in place (2018: four). This was funded by the host agency, the Financial Markets Authority, on normal terms and conditions.

An Electronic Forensic Investigator employed by the SFO during 2018/19 had duties shared

between multiple agencies. Cost recoveries were received from Immigration New Zealand, the Financial Markets Authority and the Commerce Commission.

Asset disposals

During the year, the SFO disposed of minor assets to the value of \$750 (2018: \$8,376). The net gain on disposals was \$750 (2018: \$5,439).

3 Personnel Costs

Accounting policy

SALARIES AND WAGES

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

SUPERANNUATION SCHEMES

Defined contribution schemes

Employer contribution 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 2018 \$000		Actual 2019 \$000
5,835	Salaries and wages	6,008
3	Defined contribution plan employer contributions	0
28	Increase/(decrease) in employee entitlements	18
133	Employee training and development	102
127	Other	83
6,126	TOTAL PERSONNEL COSTS	6,211

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 2019 was 6%. (2018: 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 2018 \$000		Actual 2019 \$000	Unaudited Budget 2019 \$000	Unaudited Forecast 2020 \$000
45	Fees to auditors: fees to Audit New Zealand for audit of financial statements	47	45	48
422	Rental and operating leases	425	422	436
48	Other occupancy expenses	58	52	63
93	Legal fees on panel prosecutions	112	125	120
97	Consultancy	498	160	75
328	Travel	380	376	327
1,910	IT and telecommunications	1,536	1,152	1,600
49	Professional services	46	52	47
450	Specialist advice – case related	246	257	198
292	Other expenses	265	261	133
3,734		3,613	2,902	3,047

6 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 considered to be 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 2018 \$000		Actual 2019 \$000
44	Debtors (gross)	8
0	Less provision for impairment	0
44	NET DEBTORS	8
TOTAL RECEIVABLES		
TOTAL RECEIVABLES COMPRISE		
0	Receivables from supplier refunds (exchange transactions)	0
44	Receivables from the Crown	8

All receivables are considered current.

7 Property, Plant and Equipment

Accounting policy

Property, plant and equipment consists of 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, or groups of 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 may be capitalised.

ADDITIONS

The cost of an item of property, plant 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, plant and

DEPRECIATION

Depreciation is provided on a straight-line basis on all property, plant 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, plant and equipment have been estimated as follows:

	Useful life	Depreciation rate
Computer equipment	3 years	33%
Office furniture, fixtures and fittings, office equipment	3-5 years	20% - 33%
Motor vehicles	6 years	17%

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

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, plant and equipment are recognised in the surplus or deficit as they are incurred.

less costs to sell and its value in use.

Value in use is determined using an approach based on either a depreciated replacement cost approach, a restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

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 \$000	Office equipment \$000	Computer equipment \$000	Motor vehicles \$000	Total \$000
COST					
BALANCE AT 1 JULY 2017	722	111	535	41	1,409
Additions	2	12	37	48	99
Disposals	0	0	(8)	(41)	(49)
BALANCE AT 30 JUNE 2018	724	123	564	48	1,459
Balance at 1 July 2018	724	123	564	48	1,459
Additions	0	0	188	0	188
Disposals	0	0	0	0	0
BALANCE AT 30 JUNE 2019	724	123	752	48	1,647
Accumulated depreciation and impairment losses					
Balance at 1 July 2017	353	93	462	26	934
Depreciation expense	71	6	51	7	135
Eliminate on disposal	0	0	(7)	(33)	(40)
BALANCE AT 30 JUNE 2018	424	99	506	0	1,029
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 AT 30 JUNE 2019	495	105	589	8	1,197
Carrying amounts					
At 1 July 2017	369	18	73	15	475
At 30 June and 1 July 2018	300	24	58	48	430
At 30 June 2019	229	18	163	40	450

Restrictions: There are no restrictions over the title of the SFO's property, plant and equipment, nor are any property, plant and equipment pledged as securities for liabilities. (\$nil: 2018)

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%
Developed computer software	3 years	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, but not exceeding the license term. For internally generated software developed by the SFO, 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 2017	151
Additions	673
Disposals	0
BALANCE AT 30 JUNE 2018	824
Balance at 1 July 2018	824
Additions	70
Disposals	0
BALANCE AT 30 JUNE 2019	894
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES	
BALANCE AT 1 JULY 2017	148
Amortisation expense	67
Eliminate on Disposal	0
BALANCE AT 30 JUNE 2018	215
Balance at 1 July 2018	215
Amortisation expense	126
Eliminate on disposal	0
BALANCE AT 30 JUNE 2019	341
CARRYING AMOUNTS	
At 1 July 2017	3
At 30 June and 1 July 2018	609
At 30 June 2019	553

Work in progress: The total amount of intangibles in the course of development as at 30 June 2019 was \$nil (2018: \$52,618).

Restrictions: There are no restrictions over the title of the SFO's intangible assets, nor are any intangible assets pledged as securities for liabilities. (2018: \$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 2018 \$000		Actual 2019 \$000
PAYABLE AND DEFERRED REVENUE UNDER EXCHANGE TRANSACTIONS		
355	Creditors	170
0	Income in advance	127
308	Accrued expenses	285
450	Accrued rent payable	354
1,113	TOTAL PAYABLES AND DEFERRED REVENUE UNDER EXCHANGE TRANSACTIONS	936
PAYABLES AND DEFERRED REVENUE UNDER NON-EXCHANGE TRANSACTIONS		
63	Taxes payable (GST)	76
1,176	TOTAL PAYABLES AND DEFERRED REVENUE	1,012

10 Return of Operating Surplus

Actual 2018 \$000		Actual 2019 \$000
325	Net surplus/ (deficit)	375
325	TOTAL RETURN OF OPERATING SURPLUS	375

The return of operating surplus to the Crown is required to be paid by 31 October of each year.

11 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 2019 (2018: \$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 make-good provision for Queen Street was revalued in July 2017 following an external review of its adequacy to meet obligations when the lease expires. An incremental increase of 2.6% has been applied in 2018/19 to this valuation. 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 2018 \$000		Actual 2019 \$000
NON-CURRENT PORTION		
114	Lease make-good	117
114	Total non-current portion	117
114	TOTAL PROVISIONS	117

MOVEMENTS FOR EACH CLASS OF PROVISION ARE AS FOLLOWS:

	Lease make-good	Actual 2019 \$000
Balance 1 July 2017	114	114
Additional provisions made	0	0
BALANCE 30 JUNE 2018	114	114
Balance 1 July 2018	114	114
Additional provisions made	3	3
BALANCE AT 30 JUNE 2019	117	117

12 Employee Entitlements

Accounting policy

SHORT-TERM EMPLOYEE ENTITLEMENTS

Employee benefits that are due to be settled within 12 months after the end of the period in which the employees render the related service are measured based on accrued entitlements at 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. A liability is recognised for bonuses where the SFO has a contractual obligation or where there is a past practice that has created a constructive obligation and a reasonable estimate of the obligation can be made.

LONG-TERM EMPLOYEE ENTITLEMENTS

The long service leave liability is the result of an actuarial calculation based on several inputs including employee data. 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 and non-vested long service leave and retirement gratuities expected to be settled within 12 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 50 employees as at 30 June 2019 (2018: 44).

The SFO has no retirement gratuities obligations (2018: \$nil) and no sick leave liability (2018:nil).

Actual 2018 \$000		Actual 2019 \$000
CURRENT PORTION		
39	Accrued salaries and wages	42
305	Annual leave	294
19	Long service leave and retirement gratuities	31
363	TOTAL CURRENT PORTION	367
NON-CURRENT PORTION		
43	Long service leave and retirement gratuities	57
406	TOTAL EMPLOYEE ENTITLEMENTS	424

13 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 2018 \$000		Actual 2019 \$000
TAXPAYERS' FUNDS		
452	Balance at 1 July	1,112
325	Surplus/(deficit)	375
660	Capital injections	0
(325)	Return of operating surplus to the Crown	(375)
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.

14 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 one related party transactions to disclose in 2019 (2018: nil).

KEY MANAGEMENT PERSONNEL COMPENSATION

Actual 2018 \$000		Actual 2019 \$000
LEADERSHIP TEAM, INCLUDING THE CHIEF EXECUTIVE		
1,217	Remuneration	1,198
4.7 ¹	Full time equivalent employees	4.2 ²

Key management personnel of the SFO comprised of the Director and Chief Executive and the three members of the senior leadership team, namely the General Manager Evaluation and Intelligence and Business Services, the General Manager Investigations and General Counsel. In addition, a fourth temporary position titled GM Evaluation and Intelligence (acting) was instated in April 2019.

There were no senior managers seconded to another government department in 2019 (2018: One General Manager Investigations was seconded to the Department of Internal Affairs for the month of July 2017).

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 employed by the SFO (2018: nil).
- + There was one related party transaction involving key management personnel or their close family members in 2019 (2018: nil). This related to building maintenance to a value of \$173.

15 Events After the Balance Date

There are no significant events after the balance date.

¹ One General Manager Investigations was employed for one month only and the Business Services Manager for seven months only during the financial year.

² A Principal investigator was assigned acting General Manager Evaluation & Intelligence from April 2019.

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 2018 \$000		Note	Actual 2019 \$000
LOANS AND RECEIVABLES			
1,912	Cash and cash equivalents	18	1,985
44	Receivables	6	8
1,956	TOTAL LOANS AND RECEIVABLES		1,993
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST			
1,176	Payables (excluding income in advance)	9	885

16B. Financial instrument risks

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 2019 (2018: \$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 (2018: 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
2019						
Payables	170	170	170	0	0	0
2018						
Payables	1,176	1,176	1,176	0	0	0

17 Explanation of Major Variances Against Budget

Explanations for major variances from the SFO's original 2018/19 budget figures are as follows:

Statement of comprehensive revenue and expense

REVENUE CROWN

Revenue received from the Crown was greater than budget by \$575,000 due to:

- + \$490,000 to fund a national Anti-Corruption Work Programme
- + \$91,000 for the New Zealand contribution to the International Anti-Corruption Co-ordination Centre.

REVENUE OTHER

Revenue other was greater than budget by \$371,000 due to:

- + \$128,000 assistance provided to the Vanuatu Office of Public Prosecutions, funded by the Ministry of Foreign Affairs and Trade
- + \$107,000 for the shared utilisation of a SFO employed Electronic Forensic Investigator from Immigration New Zealand, the Financial Markets Authority and the Commerce Commission
- + \$100,000 sponsorship and attendance fee income received from attendees of the SFO International Fraud and Corruption Conference and the 2019 Economic Crime Agency Network
- + \$48,000 for an SFO employee seconded for several months to the Financial Markets Authority

PERSONNEL COSTS

Personnel costs were less than budget by \$187,000. This reflects savings from vacancies due to higher than usual staff turnover. In addition, there was limited temporary cover for staff assigned to projects for which separate funding became available during the second half of the year, being the Anti-Corruption Work Programme and assistance to the Vanuatu Office of Public Prosecutions.

OTHER EXPENSES (INCLUDING DEPRECIATION, AMORTISATION AND CAPITAL CHARGE)

Other expenses were greater than budget by \$758,000. This was due to costs associated with additional initiatives per the Revenue Crown and Revenue Other explanations.

Statement of financial position

ASSETS

The value of assets was greater than budget by \$486,000. This was primarily the result of an increased cash position due to less personnel costs and timing of capital expenditure.

LIABILITIES

The value of liabilities was more than budget by \$486,000, because of the operating surplus payable back to the Crown of \$375,000, which was not budgeted for.

Statement of cash flows

Additional net cash flow of \$358,000 was received from operating activities. This included more revenue for additional initiatives listed in Revenue Crown and Revenue Other explanations. In turn, there were additional payments to both suppliers and employees. Additional Employee costs were more than offset by staff vacancy savings per the personnel costs explanation.

Additional net cash flow from investing activities was due to the delayed timing of an office hardware refresh and a new Human Resources Information System in July 2018. This impact was reduced by the later payment for replacement interview machines and new body armour.

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 2019. They are prepared on a GST exclusive basis.

Statement of cost accounting policies

The SFO has a single 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.

18 Cash and Cash Equivalents

Accounting policy

Cash and cash equivalents includes cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original

maturities of three months or less.

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

19 Adoption of PBE IFRS 9 Financial Instruments

In accordance with the transitional provisions of PBE IFRS 9, the SFO has elected not to restate the information for previous years to comply with PBE IFRS 9. Adjustments arising from the adoption of PBE IFRS 9 are recognised in opening equity at 1 July 2018.

Accounting policies have been updated to comply with PBE IFRS 9. The main update is Note 6 Receivables: This policy has been updated to reflect that the impairment of short-term receivables is now determined by applying an expected credit-loss model.

On the date of initial application of PBE IFRS 9, being: July 2018, the classification of financial instruments under PBE IPSAS 29 and PBE IFRS 9 is as follows:

Measurement Category			Carrying Category		
Original PBE IPSAS 29 category	New PBE IFRS 9 category	Closing balance 30 June 2018 (PBE IPSAS 29)	Adoption of PBE IFRS 9 adjustment	Opening balance 1 July 2018 (PBE IFRS 9)	
		\$000	\$000	\$000	
Cash at bank and on hand	Loans and Receivables	Amortised Cost	1,912	0	1,912
Receivables	Loans and Receivables	Amortised Cost	44	0	44
TOTAL FINANCIAL ASSETS			1,956	0	1,956

The measurement categories and carrying amounts for financial liabilities have not changed between the closing 30 June 2018 and opening 1 July 2018 dates as a result of the transition to PBE IFRS 9.

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 2019

Annual and permanent appropriations for Vote Serious Fraud

Expenditure after remeasurements 2018 \$000	Appropriation title	Expenditure after remeasurements 2019 \$000	Approved appropriation 2019 ¹ \$000	Location of end-of-year performance information ²
DEPARTMENTAL OUTPUT EXPENSES				
10,099	Investigation and prosecution of serious financial crime	10,185	10,742	Pages 21-27 on printed Annual Report
10,099	Total departmental output expenses	10,185	10,742	
DEPARTMENTAL CAPITAL EXPENDITURE				
825	Serious Fraud Office – Permanent Legislative Authority under section 24(1) of the PFA	205	250	Page 27 on printed Annual Report

There were no remeasurements of expenditure during the year (2018: 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 2019

Expenses and capital expenditure approved under section 26B of the Public Finance Act 1989.	Expenses and capital expenditure incurred in excess of appropriation	Expenses and capital expenditure incurred without appropriation outside the scope or period of appropriation
\$nil (2018: \$nil)	\$nil (2018: \$nil)	\$nil (2018: \$nil)

Statement of departmental capital injections

for the year ended 30 June 2019

Actual Capital injections 2018 \$000	Actual Capital injections 2019 \$000	Approved appropriation 2019 \$000
VOTE SERIOUS FRAUD		
660	Serious Fraud Office – Capital injections	0

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

for the year ended 30 June 2019

The SFO has not received any capital injections during the year without, or in excess of, authority (2018: \$nil).

Independent Auditor's Report

To the readers of the Serious Fraud Office's annual report for the year ended 30 June 2019

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 29 to 51, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2019, 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 2019 on pages 11 to 17, 19 and 21 to 27; and
- + the statement of budgeted and actual expenses and capital expenditure of the Serious Fraud Office for the year ended 30 June 2019 on page 52.

Opinion

In our opinion:

- + the financial statements of the Serious Fraud Office on pages 29 to 51:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2019; 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 11 to 17, 19 and 21 to 27:
 - presents fairly, in all material respects, for the year ended 30 June 2019:
 - 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 page 52 is 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 27 September 2019. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. 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.

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; and
- + statements of expenses and capital expenditure of the Serious Fraud Office, that are presented fairly, in accordance with the requirements of the Public Finance Act 1989.

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, Estimates and Supplementary Estimates 2018/19 for Vote Serious Fraud, and the 2018/19 forecast financial figures included in the Serious Fraud Office's 2018/19 Annual Report.

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 10, 18, 20 and 28 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 (Revised): *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 Smail
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand

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