



Annual Report

2022-2023



SFO

SERIOUS FRAUD OFFICE
TE TARI HARĀ TĀWARE

Highlights



New Statement of Intent published, including new mission



Exceeded investigation timeliness targets



Six trials



SFO political donations case catalyst for law reform



Filed charges for a combined **\$15 million** worth of alleged fraud



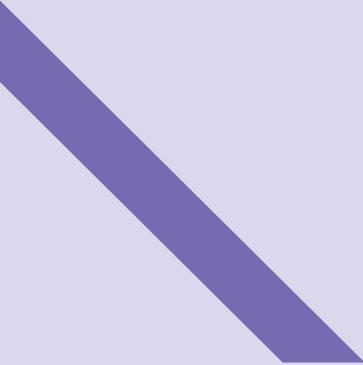
Counter Fraud Centre offers assistance post-Cyclone Gabrielle



Convictions obtained for a combined **\$32 million** of fraud committed



SFO workforce engagement score is **76%**



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Director's overview

Director's overview

As I look back on the last 12 months, I am immensely proud of what our team achieved during what has been quite an extraordinary year.

Freed from COVID-19 restrictions, the tail of the pandemic continued to make itself felt as we entered one of the busiest trial periods in SFO history while also working hard to progress investigations that had been delayed by lockdowns. New Zealand was battered by extreme weather and we saw the beginnings of a deteriorating global economy, putting extra pressure on households as well as public purse-strings. At the same time the country noted significant growth in reported fraud.

In the face of these challenges, our team delivered impressive results in a number of areas. This should perhaps not be surprising – the SFO was born from a challenging environment, after the 1987 stock market collapse exposed fraud on a level never before seen in New Zealand. History has proved it is an environment we thrive in. It is also where our value is most acute.

Disrupt and deter

The latest New Zealand Crime and Victims Survey¹ found that a year-on-year increase in crime experienced by Kiwis was primarily driven by growth in fraud and deception offences. It was the most common offence type, growing from 288,000 in the 2021 survey to 510,000 in the 2022 survey, and the only offence type that had a significantly higher incidence in 2022 than 2021.



Rapidly evolving technology and permeable international borders have helped contribute to the growing fraud problem. History has also shown that in times of economic uncertainty financial crime is likely to rise. Pressure makes people more likely to commit fraud while desperation makes vulnerable people more susceptible to being deceived.

While we expect the number of possible cases that fall within our mandate may grow in the coming years, we remain a small agency and are not designed for volume. This year we developed and started working towards a new Statement of Intent (SOI) 2023-27 which outlines how we intend to use our limited resources to the greatest effect. Our new mission, to disrupt and deter serious fraud and corruption, reflects our focus on preventing harmful behaviour, patterns and trends that may otherwise occur without the SFO's intervention.

¹ Ministry of Justice New Zealand Crime and Victims Survey. Key findings – Cycle 5 report. June 2023.

To help us achieve our mission we have developed four new strategic priorities for the coming years: Case Impact, Prevention, Connection and Future-proofing Capability.

In this Annual Report, we will report against both our new SOI and our previous Statement of Strategic Intentions, as we believe this gives the best reflection of our performance.

Case impact

The 2022/23 year is particularly marked by a heavy prosecution workload. The knock-on effect from COVID-19 on court schedules saw us conduct six trials, a significant increase on prior years and one that has a marked impact on a small team such as ours. They included a high-profile political donations trial, public servants found guilty of attempting to profit from the Christchurch rebuild, a former council executive sentenced to prison for awarding lucrative contracts to his associates and four people who conspired in an \$8.7 million mortgage fraud.

Our new Case Impact priority reflects our intention that we take cases with the greatest potential impact, maximising the SFO's expertise. They can have impact in a variety of ways beyond whether convictions are obtained at trial, and we saw this firsthand this year when an Electoral Amendment Bill introduced changes in response to the NZ First Foundation donations trial.

While managing this trial workload the Operations team also concluded 24 existing investigations, some of which had also been delayed by COVID-19 restrictions, and made great improvements in investigation timeliness. While our targeted investigation times were increased to reflect more realistic timeframes, the percentage of matters we needed to complete within these timeframes was also increased, and met, for both categories.

These are significant achievements, which reflect increased investment in our investigative capacity from Budget 2020 coming to fruition, as well as the success of our revised resourcing strategy and greater operational resilience.

Prevention

Alongside investigation and prosecution, a key priority for the SFO is helping to prevent fraud and corruption at the outset through building resilience and capability in the public sector. There is no doubt that every dollar counts in today's tight fiscal environment, and that holds true for the public purse as much as for our household budgets. The work of our Counter Fraud Centre helps ensure money is not lost to fraud and instead makes it to where it is needed - whether that is helping a community recover after a disaster, protecting vulnerable children or ensuring the success of a major piece of infrastructure.

The CFC was initially established to assist the public sector during the COVID-19 pandemic. During times of disaster recovery it is vital that relief funding is distributed as quickly as possible. This can make targeted Government funding more vulnerable to fraud, which can further exacerbate an issue and undermine what the funding was intended to achieve.

The CFC's work over the last two years proved especially valuable when New Zealand was hit by Cyclone Gabrielle and extreme flooding in the first half of 2023.

Having already built relationships, developed guidance and established a Community of Practice within the public sector, the CFC was able to move quickly to offer guidance and support to public sector agencies administering relief funding. A key focus was helping identify and implement upfront countermeasures which don't slow down the delivery of relief funds.

Connection

Our CFC team has made great strides in engaging across the New Zealand public sector, but there is more for us to do. We have made Connection a priority in recognition of our goal of strengthening our relationships both domestically and abroad. We were pleased to see stakeholders in our biannual survey this year note a positive shift in our communication style and willingness to engage, and we will continue working to enhance these relationships and build understanding of our priorities.

In May 2023 we undertook a re-organisation of the SFO's executive leadership team to improve the effectiveness and efficiency of our organisational arrangements and better align functions for greater impact and delivery of our new strategy. This included the creation of a Deputy Chief Executive - Strategy and Engagement role. Based in Wellington, this new position will lead our enhanced stakeholder engagement and reflects the importance we place on this area.

Better connections are critical in ensuring we are focusing our operations in the right areas, supporting our partners to build resilience, keeping on top of future threats and opportunities and contributing to system-wide improvements, particularly in the Justice

sector we belong to. We also want to ensure stakeholders understand where we are focusing our resources.

It's also vital we stay on top of global trends, maintain strong partnerships with our overseas counterparts and meet New Zealand's international obligations. This is key in preserving our country's reputation and contributing to the global fight against fraud. This year we welcomed delegations from the UK Public Sector Fraud Authority and Korea's Corruption Investigation Office for High-ranking Officials, attended overseas engagements including the Australian Public Sector Anti-Corruption Conference and participated in anti-corruption reviews of other countries. These engagements can put organisational pressure on our small team but are an essential part of New Zealand's role in the global fight against corruption.

Future-proofing

Our people are the backbone of the SFO and it is their skill, tenacity and drive that helps ensure we are delivering the best results for New Zealand. That skill is highly sought after and we are constantly looking for initiatives that will help us continue to attract and retain such highly specialised talent.

In Budget 2022 we received additional funding to undertake a market remuneration review and bring our people's salaries into line with the 2022 market. We also changed our approach to KiwiSaver and applied employer contributions on top of base salary. Nevertheless, we continue to be challenged as we compete for the small pool of candidates with the specialist skills and experience our work requires.

We must ensure we take a forward-looking approach to investing in our capability, including growing our people and having the right tools, systems and infrastructure in place. Fraud and corruption is more complex, investigating and prosecuting is more resource intensive and



Director and Chief Executive Karen Chang with winners of the July 2023 CE Awards.

we face increasing legal challenges by those we investigate. A key focus area is around data storage and management and we expect to see continued challenges in this area as exponential growth in electronic data continues.

The SFO is proud to have a world-recognised electronic forensics unit (EFU). With specialist electronic forensics skills in short supply, the SFO established a 'club-funded' electronic forensics programme to assist other agencies who need support in this area. This successful initiative expanded throughout 2022/23 as demand continues to rise in this incredibly specialised area.

Developing our culture

We have a highly engaged and motivated workforce, as evidenced by our latest engagement scores. They are consistently well above public sector average and this year is no different, with an average engagement score of 76%. Enhancing our culture is a key part of our efforts to attract and retain staff, and work has commenced on refreshing our values to ensure they remain relevant to our people.

We also continue to work hard to improve our cultural competency and enhance the diversity of our team. Our Ngā Kaiwhakatere team has continued to do great work in steering us on our journey towards better understanding of Te Ao Māori, and a highlight of this year was the Tiriti o Waitangi training we received from Te Arawhiti.

This year our gender pay gap dropped to 1.2% (mean). More than half of the SFO team are women, and this includes the executive leadership team. At time of writing I was proud to have three female DCEs in my team (permanent and acting) while recruitment continues.

Looking ahead

While much of the SFO's work takes place behind closed doors and away from public view, Kiwis can rest assured their wellbeing is top of mind every day and drives us to take the cases we do. This is particularly true as we navigate this period of economic uncertainty. It is critical that we tackle serious and complex fraud that undermines confidence in our businesses, regulatory systems and financial controls. We must protect the reputation of New Zealand Inc and we must ensure public funds make it to their intended destination.

Our work towards improving our operational efficiency and resilience, as well as clearing the COVID-19 backlog, has set us in good stead. We are ready to take on new cases at a time when the fight against fraud and corruption is as important as ever, and will take a proactive and strategic approach in seeking them. As we look to the next 12 months and beyond, we are confident and ready to play our part in protecting New Zealand's financial and economic wellbeing.



Karen Chang

Chief Executive and Director



What we do

What we do

Our purpose is to protect New Zealand's economic and financial wellbeing.

We do this in several ways - by preventing, investigating and prosecuting serious fraud and corruption, building resilience to harden New Zealand as a target and leading system-wide improvements.

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

The SFO is the lead agency in New Zealand for the detection, investigation and prosecution of corruption.

Our work helps to protect New Zealand's reputation for transparency, integrity and low levels of fraud. That reputation brings huge benefits. It delivers the economy a competitive advantage as it supports investor confidence in the integrity of the country's financial system and helps keep business costs down.

The SFO was created as a response to the fallout from the 1987 share market collapse and the ensuing economic recession, which exposed fraud on a magnitude never seen before in New Zealand. At the time, there was a perception that New Zealand was not equipped to deal with the investigation and prosecution of complex fraud.

Some 33 years on, the SFO continues to use its specialist expertise to tackle the most significant fraud cases, including corruption, for the benefit of New Zealanders. These cases are complex and time-consuming to investigate, and the offending can be extremely difficult to detect and successfully prosecute.

In recent years the SFO has established a Counter Fraud Centre - Tauārai Hara Tāware which focuses on prevention and builds resilience to fraud and corruption in the public sector. We are also working with partners to develop a National Counter Fraud and Corruption Strategy.

The SFO also plays a key role in meeting New Zealand's international obligations around corruption.

How we achieve our purpose

We protect New Zealand's economic and financial wellbeing by disrupting and deterring serious fraud and corruption through prevention, investigation and prosecution.

Investigation and prosecution

The SFO's core work is the investigation and prosecution of serious or complex fraud, including corruption.

The Serious Fraud Office Act 1990 provides the SFO with specialist investigative powers enabling us to effectively carry out this role. Our investigation teams are also structured differently from other law enforcement agencies. Our cases are investigated by multidisciplinary teams made up of highly skilled investigators, forensic accountants, investigating lawyers, electronic forensic investigators, document management specialists and e-discovery experts. Based on the United Kingdom's Roskill Model, this structure is considered best practice for investigating complex fraud. The SFO has developed strong technical competence related to forensic accounting, electronic forensics and overall financial crime investigation and prosecution.

We generally have about 30-40 investigations and prosecutions open at any one time. We focus our specialist resources on those cases which have the greatest potential to disrupt and deter serious fraud, including

corruption. All complaints are assessed against our statutory criteria, including the scale of the alleged crime, its impact on victims, its complexity and the degree of public interest.

To help stakeholders understand where we are prioritising our resources, we publish a list of strategic areas of focus on our website. We aim to have at least 40% of our investigations and prosecutions fall within these focus areas, which will be reviewed and updated every 12-18 months.

We encourage and receive all complaints and referrals involving suspected serious or complex fraud.

We have an established Electronic Forensic Unit, which is internationally recognised for its expertise. As technology evolves, so do the avenues for fraud and the volume of evidential data. Typical SFO cases now comprise millions of documents - requiring specialist skills to manage, examine and prepare for disclosure. Data volume is an increasing challenge for law enforcement agencies worldwide, which must all adapt to deal with the massive growth in digital evidence, the challenges in reviewing information for relevance and disclosure and the associated storage costs.



Prevention of fraud and corruption

We play a role in preventing financial crime, including corruption, and making the commission of fraud and corruption more difficult. We do this primarily by lifting the counter fraud culture and capability in the New Zealand public sector through our Counter Fraud Centre - Tauārai Hara Tāware (CFC).

Initially funded to lead public sector fraud prevention relating to COVID-19 relief packages, the CFC was funded on a permanent basis in Budget 2022.

Following considerable engagement with agencies, the CFC has identified priority areas for development. These include process improvements, understanding of risks, cross-sector collaboration, learning solutions and ensuring fraud risk is considered at the earliest stages of policy, programme and legislation development.

The CFC is strongly connected with key government agencies which have an oversight or integrity role and also works closely with members of the international counter fraud and corruption community.

Contribution to policy and work with Justice Sector partners

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

Together with Police and the Ministry of Justice, the SFO is leading development of a National Counter Fraud and Corruption Strategy.

Modernising investment in the criminal justice sector

New Zealand's public finance system has a high level of transparency and accountability by international standards, but the New Zealand Treasury sees opportunities to create a more modern, agile, flexible, innovative and joined-up public sector through its reform.

The Government has responded accordingly, establishing two cluster pilots in the lead-up to Budget 2022 as part of the work programme to modernise New Zealand's public finance system. We are participating in the Justice cluster pilot, along with the Ministry of Justice, the Department of Corrections, Police and the Crown Law Office. The Justice cluster pilot has four key priority areas identified by Cluster Ministers with the goal of improving the performance of the criminal justice system, including the experiences of those who interact with it:

- Addressing issues with remand
- Improving access to justice
- Better outcomes for victims
- Better enabled organisations and workforce.

You can find out more about these priorities in the Annual Reports of fellow Justice Cluster agencies.

Meeting New Zealand's international obligations

Despite its size, New Zealand is a key member of the international anti-corruption and counter fraud community. Membership enhances our ability to address the threat of corruption in New Zealand. Along with the benefits of membership come international obligations and commitments, which the SFO fulfils on behalf of New Zealand.

We have an employee based at the International Anti-Corruption Coordination Centre in London, United Kingdom.

Over the next two years, New Zealand will be subject to reviews under the United Nations Convention Against Corruption (UNCAC) and the Organisation for Economic Cooperation and Development's (OECD) Convention for Prevention of Bribery in International Business Transactions. The SFO will also be assisting as reviewers for the OECD reviews of Canada and Hungary, and the UNCAC review of Suriname.



Key investigation and prosecution results

Key investigation and prosecution results

The 2022/23 year was incredibly successful operationally and one in which the return on investment from our additional baseline funding in Budget 2020 was fully realised.

We completed the recruitment for our operational roles, saw our revised resourcing strategy come to fruition and COVID-19 constraints came to an end. This enabled us to complete a record number of significant criminal trials and a record number of investigations, while at the same time showing a marked improvement in our timeliness.

Our year in court

In 2022/23 we conducted six trials, with teams in various courts in Auckland and Christchurch for 36 weeks of the year. This is a demanding trial schedule for an operations team which consists of around 50 people. To give some perspective, in a typical year the SFO will conduct at most two or three criminal trials.

Our trials are complex, document-heavy and lengthy. Unlike other Government departments, the SFO does not use the services of the Crown for our prosecutions. Our operations team members are assigned to their cases from investigation planning through to the end of any appeals, including conducting our own trials with a member of the SFO's Prosecution Panel. Team members are assigned to multiple cases at any one time, meaning while they prepared for these technically challenging trials, they also advanced other investigations and prosecutions. This included several weeks of pre-trial hearings, in which several SFO personnel were required to give evidence.

In each of the trials for which verdicts have been handed down as at 30 June 2023, at least one or more of the defendants was found guilty, excluding two cases where the verdicts are subject to appeal.

Our trials included the second of our high-profile political donation trials, in which donations made to both the Labour and National parties were examined, two significant corruption cases involving public officials, an \$8.7 million mortgage fraud perpetrated on ASB and Westpac by two couples and the Auckland High Court trial against the former CEO and CFO of CBL Insurance, which collapsed in 2018 while valued at \$750 million. We discuss the significance of some of these cases in the 'Case Impact' section of this report.



Our investigations

In 2022/23 we completed 24 investigations and met our performance targets for timeliness, an outstanding achievement for our small team. We received 992 complaints, commenced 20 Part 1 enquiries, opened six new investigations and commenced eight prosecutions.

We investigated a range of matters this year, including COVID-19 Wage Subsidy Scheme abuse, fraud in relation to public sector procurement, the alleged deception of Afghan refugees, alleged misappropriation of funds intended for the care of vulnerable children, multiple corruption allegations and fraudulent investment schemes.

This year several of our cases have benefitted from co-operation with our partners from other agencies. We have highlighted below a few matters that particularly demonstrate this collaborative approach.



COVID-19 response

In 2020, the SFO received specific Government funding to tackle financial crime arising from the COVID-19 pandemic. We subsequently received referrals of multiple complex cases of potential fraud from the Ministry of Social Development (MSD) in relation to the Government's COVID-19 Wage Subsidy Scheme (WSS).

In August 2022 the SFO filed charges in its first wage subsidy fraud case, charging an Auckland man, Hun Min Im, with allegedly submitting false COVID-19 wage subsidy applications. In April 2023 the SFO filed 53 further charges against Mr Im, related to false GST returns and alleged attempts

to fraudulently claim from the Small Business Cashflow Scheme, COVID-19 Support Payments and Resurgence Support Payments. The defendant was also charged with forgery in relation to documents submitted to the NZ Companies Office. Mr Im is alleged to have fraudulently claimed over \$2.3 million, of which he allegedly received \$624,000. Mr Im faces a total of 95 charges.

The SFO's investigation into the affairs of Mr Im was aided by the co-operation and support of Inland Revenue, Police and the Companies Office; a great example of multiple agencies working together to investigate the alleged abuse of public funds.





Quick action by SFO, Police and overseas authorities in alleged corruption case

In June 2023 the SFO filed charges against former Oranga Tamariki (OT) property and facilities manager Neha Sharma and her husband Amandeep Sharma for the alleged awarding of more than \$2 million of work to Mr Sharma's construction company without OT's knowledge. Money laundering charges were also filed against Mr and Mrs Sharma in relation to nearly \$800,000 which was transferred to India. They have pleaded not guilty to all charges.

It is alleged Mrs Sharma set up her husband's company Divine Connection as a contractor on OT's system without declaring a conflict of interest. Mrs Sharma is then alleged to have worked with her husband to ensure his company was preferred over other suppliers for the work OT required.

In addition to the co-operation of OT, which assisted the SFO's swift response to these allegations, the SFO worked closely with the Police Asset Recovery Unit to initiate restraint proceedings against the Sharmas, who left New Zealand for India before being charged. They have since returned to New Zealand.

In May 2023 the High Court issued a restraint order over the couple's properties in New Zealand upon application by the Commissioner of Police, pursuant to the Criminal Proceeds (Recovery) Act 2009. In addition the Police Asset Recovery Unit, working in close collaboration with their counterparts in India, managed to locate and restrain almost \$800,000, which had been transferred to bank accounts in India.



The year ahead

Our timeline on the following pages highlights key achievements for the past year, based on matters currently in the public domain, and signals some of the court proceedings that will develop over the year ahead.

While our secrecy provisions and pending court proceedings prevent us from sharing details about most of our work, it is no secret that New Zealand is experiencing challenging economic conditions. Past experience has shown that such economic conditions often lead to growth in financial crime, and accordingly we expect to see an increase in the detection of offences that constitute serious or complex fraud and fall within the SFO's mandate to investigate. These are cases where the offending goes beyond harm on specific individuals and has the potential to impact the financial and economic wellbeing of New Zealand, such as by impugning our country's reputation as a safe place to invest and do business.

A further indication of the types of matters the SFO will work on in the coming year can be derived from our recently published Strategic Areas of Focus, detailed in the Case Impact section.



6 trials



36 weeks spent in trial



8 prosecutions commenced



21 defendants before the courts



\$15M (combined) worth of alleged fraud in charges filed

\$32M (combined) worth of fraud committed for convictions obtained



992 complaints received



20 Part 1 enquiries commenced



6 Part 2 investigations commenced

July 2022

TRIAL: Seven people stand trial in the Auckland High Court accused by the SFO of using sham donors to make political donations, in connection with donations made to both the Labour and National parties.

VERDICT: Two men charged with using a fraudulent scheme to obtain control over donations intended for the NZ First Party are found not guilty.

PLEA: Former property investor **Viki Cotter** pleads guilty to obtaining by deception in relation to an \$8.7 million mortgage fraud.

August 2022

TRIAL: **Bryan Martin** and **Joshua Grant** appear in Auckland District Court on charges they used fake employment agreements to fraudulently obtain \$8.7 million in bank loans.

PLEA: **Sian Grant** pleads guilty to five charges of obtaining or attempting to obtain by deception bank loans of approximately \$2.7 million, related to the above mortgage fraud.

APPEAL: Leave is sought to appeal the decision in the **NZ First Foundation** prosecution.

FIRST APPEARANCE: Auckland man **Hun Min Im** is charged for allegedly submitting 42 false COVID-19 wage subsidy applications totalling \$1.88 million. He has pleaded not guilty to all charges.

September 2022

NAME SUPPRESSION: Former roading contract manager **Jason Koroheke** was named after losing a bid for continued name suppression. Mr Koroheke faces fraud and corruption charges related to allegedly accepting gifts in exchange for awarding work to contractors.

October 2022

TRIAL: **Vivek Goel**, **Amar Singh** and **Ashish Singh Sevta** stand trial in Christchurch on bribery and corruption charges related to allegations that Mr Goel received bribes in exchange for helping associates secure lucrative council contracts.

VERDICT: **Yikun Zhang**, **Colin Zheng** and **Joe Zheng** found guilty under the Crimes Act of using sham donors to make political donations. **Jami-Lee Ross** and three others with name suppression were found not guilty.

November 2022

SENTENCING: **Yikun Zhang**, **Colin Zheng** and **Joe Zheng** sentenced after being found guilty of using sham donors to make donations to the National Party of \$100,000 in 2017 and \$100,050 in 2018. The defendants have appealed against their convictions. The case was heard before the Court of Appeal on 15-16 August 2023 with the judgment pending.

December 2022

VERDICT: Former Westland District Council executive **Vivek Goel** found guilty of receiving bribes in exchange for helping associates secure lucrative council contracts. Associate **Amar Singh** of ANA Group also found guilty. Ashish Sevta found not guilty.

VERDICT: **Bryan Martin** and **Joshua Grant** found guilty of \$8.7 million mortgage fraud.

FIRST APPEARANCE: **Iesha Warren** appears in Porirua District facing allegations she stole more than \$1 million of funds intended for social support services in Porirua.

2023

January 2023

TRIAL: Former Pacific Island Safety and Prevention Project Chief Executive **Betty Sio** stands trial in Manukau District Court on charges of dishonestly using a document.

SENTENCING: **Viki Cotter** sentenced to nine months' home detention for her part in an \$8.7 million mortgage fraud.

February 2023

TRIAL: Former public servants **Gerard Gallagher** and **Simon Nikoloff** stand trial in the Christchurch High Court on charges of corrupt use of official information.

March 2023

SENTENCING: Former Westland District Council executive **Vivek Goel** and associate **Amar Singh** of ANA Group sentenced to prison after being found guilty on corruption and deception charges.

SENTENCING: **Sian Grant** sentenced to 12 months home detention for her part in \$8.7 million mortgage fraud.

May 2023

FIRST APPEARANCE: Christchurch couple **Thomas Alexander Kokouri Tuira** and **Aroha Awhinanui Tuira** each face 115 charges of obtaining by deception for allegedly running a \$4.1 million Ponzi scheme using funds obtained from more than 60 investors. They have pleaded not guilty to all charges.

April 2023

TRIAL: Former CBL Insurance executives **Carden Mulholland** and **Peter Harris** stand trial in the Auckland High Court on charges related to their involvement in CBL, which was placed into liquidation in November 2018.

FIRST APPEARANCE: **Hun Min Im** appears in Auckland District Court on further charges related to false GST returns, alleged attempts to fraudulently claim from the Small Business Cashflow Scheme, COVID-19 Support Payments and Resurgence Support Payments and forgery charges related to documents submitted to the NZ Companies Office. He has pleaded not guilty to all charges.

NAME SUPPRESSION: The Court lifts name suppression for Neil Barnes, a former executive who is facing charges for allegedly fraudulently obtaining more than \$2 million from the investment company he worked for.

June 2023

FIRST APPEARANCE: Two men with name suppression appear in Hamilton District Court on allegations they took advantage of Afghan evacuees looking to flee the Taliban by seeking thousands of dollars in payment for evacuation services that were provided for free by the New Zealand Government. They have pleaded not guilty to all charges.

FIRST APPEARANCE: Charges have been filed against former Oranga Tamariki (OT) property manager **Neha Sharma** and her husband **Amandeep Sharma** for allegedly awarding more than \$2 million of work to Mr Sharma's construction company without OT's knowledge. They have pleaded not guilty to all charges.

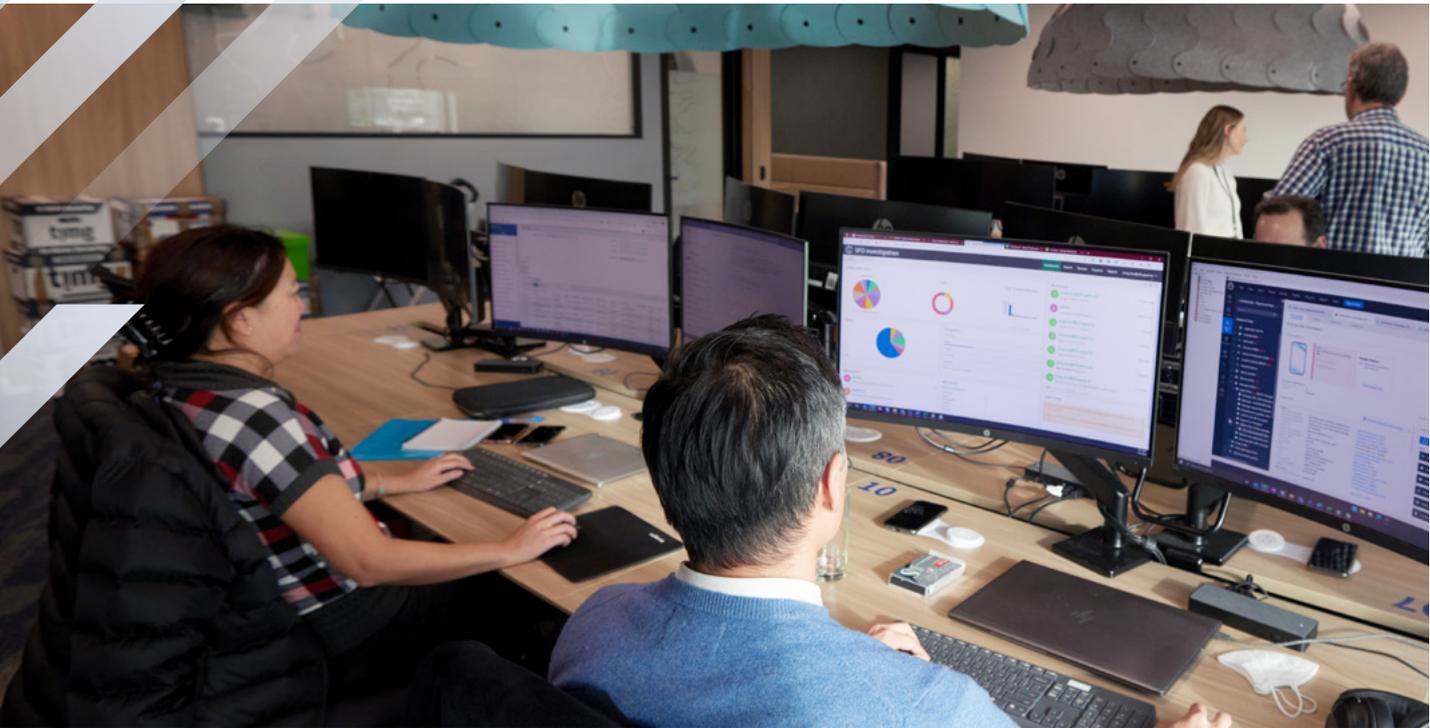
Upcoming trials

SFO trials currently scheduled for the next 12 months:

- **Roger Pikia** faces charges in relation to his role as chairman of Te Arawa River Iwi Trust (TARIT) and its investment company THL Limited (THL). His trial is scheduled for February 2024.



Reporting our performance



How we measure and report our performance

During 2022-23 the SFO developed and started to implement a new strategic direction. On 1 May 2023 we presented our new strategic priorities to staff and the Statement of Intent 2023-2027 (SOI) document was published in June 2023. The SOI sets out the new strategic direction and priority areas for the SFO for the next four years.

This year our Annual Report will include a blended performance story that reflects the transition from the SOI 2020-2024 to the new one. The SFO has been working internally towards the new strategic priorities since early 2023. A number of commitments made in our 2020-2024 priorities have also been completed in prior years.

This means that we will tell our performance story in the context of:

- Output Performance Measures for 2022/23
- Strategic Priorities and Outcomes for the SOI 2020-2024
- Strategic Priorities, Progress Indicators and Outcome Indicators for the SOI 2023-2027.

We believe this gives readers the best summary of the SFO's performance story for 2022/23.

Improving our reporting

The SFO can only take a limited number of cases and seeks to commit its specialist expertise to those which will have the greatest potential impact in disrupting and deterring serious fraud. When measuring progress towards our mission, performance measures which focus solely on quantitative results may not meaningfully reflect the wider impact of our work.

While developing the new SOI we undertook an extensive review of our performance measures to ensure they align with the new strategic direction and have identified improvements in how we measure and report on our progress.

We have added more narrative-based Outcome Indicators and will be using both qualitative and quantitative data to provide evidence and help tell our performance story.

We have also reviewed and refined the measures in our Output Performance Measures (Estimates) agreed with the Minister Responsible for the SFO. Where the SOI outlines how we will measure progress towards our strategic intentions, the Estimates set our operational performance in delivering our activities. In essence, the SOI measures strategic performance and the Estimates measures operational performance.

Our Annual Report will combine our reporting on our Output Performance Measures and the Outcome Indicators, as this provides a better story of the SFO's overall performance.

Our reporting framework

Output Performance Measures (Estimates)

Annual operational targets agreed with the Minister Responsible for the Serious Fraud Office under Vote Serious Fraud.

Statement of Intent

Four-year view. Sets out the SFO's strategic intentions for the next four years and how we will measure our success.

Annual Report

Yearly report of progress against the Statement of Intent, results against Output Performance Measures, and overview of key activities and achievements.

Our strategic priorities

Strategic priorities 2023-2027

Purpose

Protect
New Zealand's
economic
and financial
wellbeing

Mission

Disrupt and deter
serious fraud
and corruption
through prevention,
investigation and
prosecution



01 | Case impact

Target cases with the greatest potential impact, maximising the SFO's specialist expertise



02 | Prevention

Lift counter fraud culture and capability in the New Zealand public sector



03 | Connection

Enhance stakeholder engagement and system contribution - domestic and international



04 | Future-proof capability

Invest in our people and infrastructure to meet and anticipate our operating environment

Strategic priorities 2020-2024

ONE –

Conduct investigations and prosecutions of the highest quality and effectiveness

TWO –

Lead strategies to prevent financial crime and corruption

THREE –

Work with stakeholders and partners to develop a National Financial Crime and Corruption Strategy

FOUR –

Contribute to New Zealand’s international obligations in relation to financial crime and corruption

OUTCOMES

Financial crime and corruption is addressed through prevention, investigation and prosecution

New Zealand’s international reputation in the fight against financial crime and corruption is enhanced

A high level of trust in New Zealand’s institutions and financial system is maintained

Case impact



Target cases with the greatest potential impact, maximising the SFO's specialist expertise.

The SFO's core work involves the investigation and prosecution of serious or complex fraud, including corruption. We will report our performance in this area against our strategic priority for 2020-24, Conduct investigations and prosecutions of the highest quality and effectiveness, and our 2023-27 priority, Case Impact.

The SFO's potential reach is broad, with the authority to investigate matters in both the private and public sectors and across all industries. Serious and complex fraud is not limited by sector or industry, and this broad reach is essential to our effectiveness.

As a result, there are a wide range of matters that could potentially be investigated by the SFO. However, we are not designed for volume. Instead we must focus on creating a ripple effect from our cases that acts to disrupt and deter offenders.

Our Case Impact priority reflects our intention that we use our specialised resources to achieve the greatest impact.

➤ Strategic intelligence

To enable us to prioritise those cases with the greatest potential impact, we need to understand our ever-changing environment through building a strategic intelligence capability, coupled with strong connections. This will inform where we should best deploy resources. We aim to develop a function to undertake environmental scanning, detect cases and inform areas of strategic focus. Developing this function is a key part of our work programme under our new Strategic Priorities for 2023-2027.

➤ Maximising outcomes

We recognise that the impact of pursuing a case can be broader than whether convictions are ultimately obtained at trial. Our cases can have impact in a variety of ways, including through non-prosecution outcomes such as raising public awareness of a harmful trend, informing our prevention work, by sparking legislative change or by supporting another agency to take appropriate action within their remit. We have calibrated our case impact assessment and reporting to take such factors into account.

In the 2022/23 year we made referrals to a range of other agencies, including Police, the Financial Markets Authority and Inland Revenue Department, following our own investigations into allegations of serious or complex fraud.

Our investigative work determined that further action by the SFO was not justified in the context of our mandate and resourcing. However, the application of our specialist expertise during the investigation process provided a valuable platform from which other agencies could address matters that remain live and fall within their own remits, and which might otherwise not have been possible.

The wider impact of a number of our cases, including electoral law reform, is covered further in the Outcomes section.

➤ **Strategic areas of focus for investigations and prosecutions**

Within the financial crime enforcement ecosystem, the SFO's role is to focus on serious or complex fraud offending that is generally beyond the capability and mandate of other agencies. To assist stakeholders with understanding our current priorities, we have developed Strategic Areas of Focus, with the intention that at least 40% of our investigations and prosecutions fall within these areas. These will be updated every 12-24 months.

This promotes system efficiency and ensures that the SFO's specialist capabilities are available to be deployed where most needed. Our initial focus areas were developed during the first half of 2023 and published in July 2023. Any complaints or referrals we receive within the Strategic Areas of Focus will also be assessed against our statutory criteria, including the scale of the alleged crime, its impact on victims, its complexity and the degree of public interest.



They are:

- Corporate and commercial fraud that threatens New Zealand's reputation as a safe place to do business
- Misappropriation of targeted Government funding (including emergency recovery or rebuild)
- Disruption of emerging trends
- Foreign bribery or foreign influence allegations
- Fraud that targets or disproportionately harms a particularly vulnerable community or group
- Corruption of public officials where health and safety is compromised
- Frauds perpetrated or facilitated by trusted professionals or professional enablers.

2020-2024 STRATEGIC PRIORITY

Conduct investigations and prosecutions of the highest quality and effectiveness

Increased investigation and prosecution resources

In 2020 the SFO received additional funding to help improve resilience and meet expected increased demand for its work. This funding was applied through implementing a new organisational structure for investigations and prosecutions, including through:

- Establishing 13 new investigative positions. The expansion of the SFO's Operations Team was completed in the 2021/22 year.
- Building a Wellington investigation capacity. The SFO opened a Wellington office in early 2021 and its investigations team was established and operational in 2021.
- Increasing capacity in our electronic forensics team. In July 2021 we hired two Electronic Forensic Technicians. In January 2023 both were promoted to Electronic Forensic Investigators. We have also expanded the club-funded forensics unit. This is covered in more detail in the Future-Proofing Capability section of this report.
- New technical lead roles were established in late 2020. We report more about their work developing our people in the Future-Proofing Capability section of this report.
- Increasing our investigative outputs. The SFO reviewed its investigative output measures during the year and amended the Estimates of Appropriation 2022/23 for Vote Serious Fraud. These changes will be reported in this Annual Report.

Having the right tools and systems to support our operations.

The work we have done to develop and invest in our systems to ensure we meet significant and growing increases in electronic evidence is covered in the Future-Proofing Capability section of this report.

Sharing lessons from our investigations.

Our work to use lessons learned from our investigations to assist public and private sector partners to improve their resilience to financial crime has evolved into the Counter Fraud Centre, which is covered in more detail under Prevention.



Impact measures (Outcomes)

Stakeholders are aware of and understand the SFO's strategic focus areas

- The SFO's strategic focus areas were published in July 2023. This measure will be reported against in the next Annual Report.

Stakeholders believe the SFO is taking the right cases to disrupt and deter serious fraud

- As part of measuring our new Case Impact priority, our 2022/23 Stakeholder Survey asked respondents whether they think we are taking the right cases to disrupt and deter serious fraud.

This is a new measure and as such we expected this year would provide us a baseline as well as help us understand where we need to focus our efforts.

Respondents to the survey recognised that the SFO's work is very important but found it difficult to answer specifically whether we are taking the right cases. This was largely due to traditionally having little awareness of our caseload, including what we are investigating and how we select the cases we take on. Moving forward we expect our Strategic Areas of Focus and increased focus on engagement will help address this.

Cases have impact

- To have the greatest impact and to fulfil our purpose, the SFO focuses on cases that have enduring public interest. This past year we obtained guilty verdicts in several challenging prosecutions, in which the charges had been filed several years ago. Despite COVID-19 related delays and adjournments, the matters in these trials remain as relevant today as when we first initiated these investigations.

These cases are explored in more detail on the following pages.



Case impact: Electoral law reform follows SFO political donations cases

The integrity and transparency of electoral funding regimes and preservation of democracy are critical matters of public interest, in respect of which the SFO has played an important role this past year. In the past 12 months verdicts were handed down in relation to the SFO’s political donations cases, which involved donations intended for the NZ First, National and Labour parties. The verdicts were a mixture of convictions and acquittals, and the results of several appeals are pending. Regardless of the verdicts, the cases served to strengthen New Zealand’s political funding regime.

In the NZ First Foundation case the SFO had charged two people with using a fraudulent scheme to obtain control over donations intended for the NZ First Party. The SFO had alleged that the defendants deceived the NZ First Party and secretaries, and by extension the Electoral Commission and voting public, by having \$750,000 in Party donations paid into non-Party bank accounts.

In July 2022, the defendants were found not guilty following a judge-alone trial. The court concluded that the donors intended the \$750,000 in question to go to the party,

but because the funds were not deposited into the party’s account the Court held they were not party donations under the Electoral Act. Thus, the defendants were not required to transmit that money to the party and so were not guilty of failing to do so. The court acknowledged however that if they had been party donations, then there was “comprehensive evidence” that the defendants engaged in a dishonest scheme intending to deceive the party and its secretary, as charged by the SFO.

The criminal proceedings received significant media attention both in New Zealand and internationally, sparking academic discussion and ultimately acting as the catalyst for legislative reform.

In January 2023 the Electoral Amendment Bill came into force, which reduces the threshold for disclosure of donations and amends the definition of political donations. On announcing the bill had passed its third reading, the then Justice Minister Hon Kiritapu Allan said it “... responds to concerns arising from the recent High Court case involving the New Zealand First Foundation, by clarifying that a party donation is when a person donates to a political party or any other person with the intention that the donation is for the benefit of the party”.



Case impact: SFO prosecutions highlight need for controls when administering public funds

The March 2023 convictions of two former Christchurch Earthquake Recovery Authority (CERA) and Ōtākaro Limited employees, Gerard Gallagher and Simon Nikoloff, is a salient example of a case with enduring relevance and impact.

Although the offending took place in 2014-2016 and charges were filed in 2019, the trial took place in February 2023, at the same time New Zealand was early in the process of responding to another natural disaster, this time in the form of the devastation wrought by the Auckland floods and Cyclone Gabrielle.

The defendants were employed as Investment Facilitators by CERA, which was set up to encourage the rebuild and regeneration of Christchurch city. They were tasked with attracting investors to the central city, including through connecting landowners with potential purchasers and addressing any barriers to development. Later, when CERA became Ōtākaro, their roles included finding buyers for unused Crown land.

The defendants used information obtained in their official capacities to try and set up business deals which would benefit them personally. Although ultimately unsuccessful, Nikoloff and Gallagher had an unfair advantage because of their inside

knowledge. The charges filed by the SFO related to obtaining a commercial advantage from having access to this information.

Nikoloff and Gallagher were both found guilty of corrupt use of official information over a deal related to the Youth Hostel Association (YHA) building, while Gallagher was also found guilty on charges related to a piece of land known as Stonehurst. One defendant has since lodged an appeal against his conviction. Charging the conduct was legally complex and the prosecution developed the law in relation to corruption offending.

In times of emergency response and during the ensuing recovery, public servants play a trusted role in administering the Government's support packages and solutions. The verdicts in the CERA case were a timely reminder to our public sector of the risks of corruption, particularly given the response to Cyclone Gabrielle was being mustered as the trial was underway.

The CERA case demonstrated the vital need to have in place robust internal controls and clear guidance around conflicts of interest, notwithstanding the urgent need to respond to the crisis at hand. When CERA needed to get off the ground quickly following the earthquake several other Government departments came together to help CERA implement key policies and procedures. It was these policies and procedures that in due course helped to hold the defendants accountable for their actions.

SOI 2020-24: OUTCOMES

Financial crime and corruption is addressed through prevention, investigation and prosecution

Indicators	Measures	Desired trend	Result
Businesses say that law enforcement action is maintaining or improving the integrity of our financial and commercial markets	Biennial SFO stakeholder survey ^[1] How effective have SFO investigations and prosecutions been?	Maintain or increase over time	2022/23: 7.5/10 2020/21: Question not included in survey ^[2] 2018/19: No survey conducted ^[3] 2016/17: 7.7/10 ^[4]
Frequency of custodial sentences being ordered where a conviction against the main defendant was obtained	Annual analysis of case sentencing, including trends compiled by the SFO	Maintain at over 90%	2022/23: 50% ^[5] 2021/22: 100% 2020/21: 100% 2019/20: 100%
Financial crime and corruption is addressed	Percentage of investigations that result in prosecution ^[6]	Maintain over time	2022/23: 33% 2021/22: 35% 2020/21: 44%

[1] The 2022/23 Stakeholder Survey was conducted throughout June 2023 by Research First. Research First conducted in-depth 30-45 minute telephone interviews with 25 stakeholders identified randomly.

[2] The relevant question was not included in the 2020/21 SFO stakeholder survey in error. Another question in that survey reported that 96% of stakeholders more than agreed that law enforcement actions are maintaining or improving the integrity of our financial and commercial markets.

[3] No survey was conducted in 2019 as the SFO conducted its biennial public survey during that year.

[4] The 2017 independent survey used a rating scale of 1-10.

[5] As at 30 June 2023 sentencing of the main offender was complete for four prosecutions.

[6] Due to the average length of an SFO investigation and the size of the case load, this is measured on a rolling average basis over the last five years.

High level of trust in New Zealand’s public institutions and financial system is maintained

Indicators	Measures	Desired trend	Result
Businesses say that law enforcement action is maintaining or improving the integrity of our financial and commercial markets	Biennial public survey	Increase over time to 80%	2022/23: N/A ^[1]
	Public feel that New Zealand is a safe place to invest		2021/22: 56% 2019/20: 63% 2017/18: 67%
The public maintain trust in public institutions	Biennial public survey	Increase over time to 80%	2022/23: N/A ^[1]
	Public feel that law enforcement actions are maintaining or improving the integrity of our financial and commercial markets		2021/22: 47% 2020/21: N/A
	Biennial public survey	Increase over time to 80%	2022/23: N/A ^[1]
	Public feel that they trust New Zealand’s public institutions		2021/22: 53% 2020/21: N/A

[1] The biennial Public Trust and Confidence survey was conducted in 2021/22.

Output performance measures

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. 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.

Performance Measure	Actual 2021/22	Budget Standard 2022/23	Actual 2022/23
Quantity: Number of Part 1 enquiries commenced	31	28-32	20

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. Should a Part 1 enquiry meet this criteria, the Director may commence a formal investigation, which is undertaken by an investigation team.

Performance Measure	Actual 2021/22	Budget Standard 2022/23	Actual 2022/23
Quantity: Number of Part 2 investigations commenced	19	11-15	6

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 the SFO's Prosecution Panel and the SFO team assigned to the investigation. The Panel member provides the Director with their advice on the proposed prosecution and reviews proposed charges.

Performance Measure	Actual 2021/22	Budget Standard 2022/23	Actual 2022/23
Quantity: Number of prosecutions commenced	1	8-10	8
Quantity: Percentage of defendants convicted	100%	80%	71% ^[1]

[1] The Estimates of Appropriations 2023/24 for Vote Serious Fraud included an estimated actual figure of 100%. The correct figure at that date (March 2023) should have been 75%.



Summary

The 2022/23 year was heavily dominated by time in court, with more weeks devoted to trials than at any time in the last decade. This was largely a consequence of COVID-19 lockdowns on court schedules.

While dealing with the heavy trial schedule, the SFO team worked hard to progress existing investigations and concluded 24 in total, a significant increase on recent years. In 2021/22 we commenced 19 investigations, which exceeded our performance target and created a heavy caseload in 2022/23. This year we not only concluded a high number of investigations, but in doing so we met our performance measures for timeliness for the completion of cases and freed up resources for new investigations in 2023/24.

We commenced 20 Part 1 enquiries in the 2022/23 year, which is below our performance measure of 28-32, and six Part 2 investigations in the 2022/23 year, which is below our performance measure of 11-15. The results are consistent with the bottleneck of prosecutions, the higher number of investigations opened in the previous year and the fact the flow of our work does not fit neatly into a single financial year. Illustrating this flow of work, as of 30 June 2023, 14 undetermined prosecutions (excluding appeals) commenced by the SFO are before the Courts. Our investigations commence at various times throughout the year and typically take between 12-24 months to complete, depending on their complexity.

CASE IMPACT

The SFO also conducts its own prosecutions, led by members of the SFO's Prosecution Panel. Accordingly, our results vary year to year depending on the pipeline of our investigation work and number of prosecutions we are managing.

The lower number of enquiries and investigations commenced this year also reflects the lower number of complaints and referrals received that were relevant to our mandate and strategic objectives. Our focus for the year ahead will be to enhance detection of cases that have the greatest potential to disrupt and deter serious fraud, and in particular cases that come within our new Strategic Areas of Focus.

Of the 24 investigations completed this year, eight resulted in a decision to prosecute. We filed charges in relation to a variety of offending, including two cases which involve the alleged misappropriation of over \$3 million (combined) of public funds intended to care for vulnerable children, a case concerning the alleged deception of fleeing Afghan evacuees, and the SFO's first wage subsidy fraud case.

For investigations that did not proceed to prosecution, some matters were closed as the investigation findings did not support the allegations of fraud or corruption. In other matters we made referrals, for example if investigations discovered conduct a fellow agency may wish to consider in the context of their remit or learnings about a system or process.

The SFO prosecuted 21 individuals across six criminal trials in 2022/23. Subject to the outcome of appeals, multiple defendants were convicted in each of the SFO trials for which a verdict was reached before 30 June 2023.

The percentage of defendants convicted during the 2022/23 year stands at 71%. Five verdicts (three convictions and two acquittals) were under appeal as at 30 June 2023, and are therefore not included in the 71% figure as the outcome may change. Verdicts against another two people charged were still pending as at 30 June 2023 and are also not included.

Of the remaining 14 defendants prosecuted, 10 were convicted and four acquitted. One acquittal related to a corruption prosecution in which three other defendants were convicted. The three other acquittals were in a political donations prosecution. Again, three other defendants were convicted in the same prosecution, although those convictions remain under appeal.

Our operational achievements in 2022/23, including our ability to manage six criminal trials while completing a significant number of investigations, reflects the fact that the investment in our investigative capacity from Budget 2020 is now coming to fruition. It also reflects the success of our revised resourcing strategy and greater operational resilience.

In 2021 we revised our resourcing strategy to address challenges we were experiencing with the resourcing and timeliness of our investigations and prosecutions. Our revised strategy is underpinned by an emphasis on planning and forecasting, building resilience and agility, and increasing our efficiency. It was also significantly supported by the Budget 2020 increase to our baseline appropriation, which allowed us to increase our pool of expertise, including the recruitment of new specialist roles.

Since the introduction of this strategy, we have seen a noticeable decline in pinch points between cases and a significant improvement in timeliness. We have maintained and improved our high standards of work, met our performance measures, and absorbed new operational challenges without losing momentum.



Prevention

Lift counter fraud culture and capability in the NZ public sector.



In this section we will report our performance against our 2020-24 priority 'Lead strategies to prevent financial crime and corruption' and our 2023-27 priority 'Prevention'. In 2020 the SFO was funded to tackle fraud arising from the COVID-19 pandemic, including sharing our expertise with the public sector to help ensure pandemic relief funds made it to their intended target. This work evolved into the Counter Fraud Centre.

While investigation and prosecution will always be critical, effective prevention measures are also key to reducing harm from fraud and corruption. We play a role in preventing financial crime and making the commission of fraud and corruption more difficult through our Counter Fraud Centre - Tauārai Hara Tāware (CFC).

Leading counter fraud work in the public sector was a natural evolution for the SFO, which has decades of experience in investigating and prosecuting some of New Zealand's largest and most complex fraud cases. By sharing what we have learned as well as drawing on our international connections, we can help reduce the threat of financial crime and protect New Zealand's financial and economic wellbeing.

➤ Leading efforts to increase public sector resilience to fraud and corruption

As there is high public interest in reducing fraud on public funds, the CFC focuses primarily on lifting counter fraud culture and capability in the New Zealand public sector. International experience suggests a degree of complacency in public sector fraud controls. This can allow fraud on public funds to go undetected. The CFC focuses on building resilience and supporting the public sector to design and implement effective prevention systems.

Over the 2022/23 year, the centre has carried out counter fraud activities including:

- Provided customised counter fraud support to nine agencies to support their fraud risk assessment and counter fraud control activities.
- Training, including a Fraud Risk Assessment workshop helping employees practically apply theory from SFO guidance.
- Counter fraud resources have been made publicly available on the SFO website. Historically these were only accessible in a password protected portal.

“ Just wanted to pass on my thanks on behalf of the team for your help with our risk assessment work. We’re reassured to know we’re on the right track with the assessments, and you’ve convinced us that we can be more ambitious and produce a high-level risk landscape report for our senior leaders with what we already have. ”

Principal Advisor,
Ministry of Social Development

➤ **Aligning with our Operations Team to improve CFC knowledge and guidance**

The CFC works closely with the Operations team and uses lessons learned through its work to improve the guidance and advice it offers its public sector partners. CFC events where Operations team members present to attendees are often particularly well received.

In 2022/23 the CFC published a case study about a 2016 SFO prosecution where a former Mighty River Power employee and his partner were found guilty of a \$2.2 million procurement fraud. The former employee set up companies to supply goods and services to MRP at inflated prices. The case study includes red flags to look out for and countermeasures that can help prevent similar situations happening again.

Other resources published in the 2022/23 year include an Insider Threat guide, highlighting red flags and proactive steps organisations can take to protect themselves; webinar recordings; and guidance on how to use the ‘Fraudster Personas’ to drive awareness and resilience.



Helping to prevent fraud during disaster recovery

Extreme weather in early 2023 had a devastating impact on many people throughout the North Island of New Zealand. The New Zealand Government introduced a number of funding schemes to help assist people who had been impacted.

Previous experience has shown that in emergency funding situations, the need to deliver funding urgently can mean reliance on high trust, quick distribution mechanisms, which are more vulnerable to exploitation.

With this in mind, within days of Cyclone Gabrielle the CFC reached out directly to organisations involved in the relief efforts to offer guidance and support. This included providing disaster management guides as well as working with agencies during the development and implementation stages of their cyclone relief funding initiatives to consider and manage fraud and corruption risks.

While delivering funding quickly is paramount in these situations, fraud on targeted Government spending can further exacerbate an issue and undermine what the fund was intended to achieve. It is important that low-friction countermeasures are in place and that these are considered at the outset.

➤ Growth of Community of Practice strengthening public sector fraud resilience

The CFC-established Community of Practice (CoP) is a group of professionals from the public sector who are engaged in fraud prevention in their respective agencies. It provides a forum for discussion, dissemination of information, sharing of problems and pursuit of solutions for the betterment of the wider public sector. The CoP is important to the CFC's goal of shifting the culture to encourage more discussion of fraud management, as well as uplifting capability in the sector.

The CoP has 83 individual members from across 34 Government agencies (up from 69 members in 2021/22). There were nine meetings for the year with an average attendance of 26 individuals.

Although the success of the CoP is demonstrated by the growth in numbers and steady attendance of monthly meetings, the increase in agencies' cross sector counter fraud initiatives speaks to the heart of the CoP's efforts to break down silos and increase capability through knowledge sharing.

A key theme which came through in the 2022/23 stakeholder survey highlighted how widely recognised the CoP is for its role in enhancing fraud prevention collaboration and information sharing.

“ I am a member of the Counter Fraud Community of Practice that has allowed me to link up with other people in government agencies so that we can all see how we can benefit and do things better and learn from each other. ”

CoP member, Kate Oates, Senior Advisor, Integrity, Kainga Ora

“ Helpful, professional team. Great that they are not only providing the knowledge in the fraud prevention space, but also linking us in with other agencies to get the best practice that we can to learn from what's going on in other areas. ”

CoP member

➤ Growing the CFC's capability to meet demand

Over the last 12 months the CFC has grown in both size and capability, including through:

- Appointing three new advisors (including two senior advisors).
- Members also attended the International Public Sector Fraud Forum (IPSFF) Technical working group meetings to stay abreast of fraud risks and counter fraud activities.

➤ Building our international connections to improve our work

Fraud is a worldwide problem and building global capability is hugely important. New Zealand is one of a number of countries which have introduced prevention measures and the CFC works hard to build and maintain connections with its global counterparts, facilitating information sharing and helping to ensure best practice in their work.

United Kingdom Public Sector Fraud Authority (PSFA)

The CFC hosted three officials from the United Kingdom Public Sector Fraud Authority (PSFA) 17-26 October 2022, with the goal of strengthening our relationship and building fraud capability. The PSFA works with UK departments and public bodies to better understand and reduce the impact of fraud against the public sector.

The visit included meetings with senior officials from key New Zealand agencies, discussions with the Minister responsible for the Serious Fraud Office and his staff, and workshops with counter fraud practitioners. Through these meetings the PSFA was able to gain an understanding of the strengths that exist here and examine whether they can be replicated in the UK.

Public sector employees attended two workshops during this week, on Data Analytics and Digital Identity and Senior Leadership Buy-in. The PSFA also worked directly with the CFC and SFO including on a detailed examination and development of the CFC's work programme, discussion on strategic opportunities for the SFO, and exchanging intelligence and information on fraud trends and threats.

“ Thanks for the great presentations, they certainly helped with my motivation to build on the fraud awareness training and prevention work our Professional Standards Unit is delivering. ”

Anna Jackson, Manager Professional Standards Unit, Ministry for Primary Industries

Australian Public Sector Anti-Corruption Conference (APSACC)

Chief Executive Karen Chang and members of the CFC team travelled to Sydney in November 2022 for the Australian Public Sector Anti-Corruption Conference. The leading anti-corruption event brings together some of the top academics and law enforcement officials in this area from around Australia, New Zealand, the Pacific and abroad.

Ms Chang joined a panel of female Chief Executives to discuss 'Gender considerations in corruption prevention and law enforcement' and in a separate session Counter Fraud and Strategy Manager Tim Townsend led a presentation on fraud prevention in New Zealand. The event was a good opportunity to raise the profile of New Zealand's efforts in the fight against corruption.



Members of the United Kingdom Public Sector Fraud Authority visit Wellington in October 2022

2020-2024 STRATEGIC PRIORITY

Lead strategies to prevent financial crime and corruption

Our 2020-24 priority incorporated:

- COVID-19 Financial Crime Prevention
- Anti-Corruption Work Programme.

During 2021/22, the SFO combined the delivery of the COVID-19 financial crime prevention work programme and the Anti-Corruption Work Programme within the CFC to provide a unified counter fraud and corruption product for government agencies. The activities under these two headings are described in the activities of the CFC above.

The CFC was funded on a permanent basis in Budget 2022. Specific funding for the Anti-Corruption Work Programme finished on 30 June 2023 and for COVID-19 financial crime prevention on 30 June 2023.



Impact measures (Outcomes)

Community of practice find prevention products are effective in deterring offending or strengthening counter fraud and corruption systems

Indicators	Measures	Desired trend	Result
Financial crime and corruption prevention products published are effective in reducing offending	Biennial SFO stakeholder survey and targeted surveys	Increase over time to 90%	2022/23: 67% ^[1] 2021/22: N/A
	Stakeholders find prevention products are effective in deterring offending or strengthening anti-fraud and corruption systems		2020/21: 66%

[1] The biennial Stakeholder Survey is conducted every two years.

Customer satisfaction with the CFC

Many respondents in our 2022/23 Stakeholder Survey report were aware of the SFO's prevention work and believe it to be extremely important and valuable, while acknowledging it is an area that is in an early stage and its impact may not yet be widely felt. Over half of those surveyed had engaged with the CFC and all but one of these (who was neutral) agreed that the advice provided by the CFC had helped them improve their counter fraud capabilities.

The CFC's customers are another important measure of the effectiveness of our work and their feedback is regularly sought. Two particularly successful events held by the CFC this year included:



PREVENTION

Fraud Awareness Week

As part of International Fraud Awareness Week, the CFC together with Treasury's Finance Development Program hosted a series of webinars encouraging the public sector to know their fraud threats inside and out. More than 600 people attended the webinars, which raised awareness of red flag behaviours and signs of scams. They covered insider threat of fraud, external fraud (scams) and lessons learnt from SFO case studies. Presenters included individuals from The Treasury, PSC, BNZ, FMA, Netsafe and SFO.



89% rated the sessions as 'extremely useful' or 'very useful'



93% responded that the value of the event was 'excellent' or 'very good'

Fraud Risk Assessment workshops

The CFC held a Fraud Risk Assessment (FRA) workshop to help public sector employees learn how to practically apply theory from the FRA guide. The Centre has received requests for more of these sessions and will deliver more in the future.



75% of attendees indicated that their level of confidence in FRA has increased.



89% of attendees said they will be able to use the knowledge they learned in their organisations.

SOI 2020-24: OUTCOMES

Financial crime and corruption is addressed through prevention, investigation and prosecution.

This outcome is measured via a survey to the Community of Practice. Results are reported above.



Output performance measures

Prevention products

Prevention publications or guidelines are published or circulated primarily to government agencies through the Community of Practice, but also more widely.

Performance Measure	Actual 2021/22	Budget Standard 2022/23	Actual 2022/23
Quantity: Number of prevention publications or guidelines published	46	6-8	6

To establish foundational counter fraud knowledge the CFC's focus for the 2021/22 financial year was to publish a high volume of guidance material. The focus for the year 2022/23 was to promote the practical use of this guidance, recognising there is a diminishing return on continuing to produce guidance at the rate of the previous year. The CFC has focused

on engaging with the public sector and creating opportunities for public sector employees to apply the knowledge gained in the guidance by means of workshops. It provided support in 15 engagements with public sector about topics including fraud risk assessments, counter fraud strategies and counter fraud controls.

Connection

Enhance stakeholder engagement and system contribution – domestic and international.



In this section we will report our performance against our 2020-24 priorities ‘Contribute to New Zealand’s international obligations in relation to financial crime and corruption’ and ‘Work with stakeholders to develop a National Financial Crime and Corruption Strategy’, and our 2023-27 priority ‘Connection’. Meeting our international obligations and developing a National Counter Fraud and Corruption Strategy are included in our 2023-27 priority.

The SFO must balance the confidential nature of its operations against meaningful stakeholder engagement. Enhancing connection with our stakeholders helps us to better understand our operating environment, build awareness of our role, encourage referrals and support effective communication of our case outcomes.

Effective connections are critical to ensuring that we are successful in our other three strategic priorities: focusing our operations efforts in the right areas, supporting partners to build resilience against fraud and corruption and future-proofing our capability through scanning potential threats and opportunities. The SFO also plays a valuable role in promoting a system-wide approach in its areas of expertise which we will build on over the next four years.

The SFO’s shift in communication style and increased focus on engagement came through as a key theme in our 2023 stakeholder survey, which will be covered in more depth in the outcomes section.

As part of our increased focus we have created a new Deputy Chief Executive - Strategy and Engagement role, which became active from 23 June 2023.



Corruption Investigation Office for High-ranking Officials
Chief Prosecutor and Director Kim Jin-Wook
with SFO Director Karen Chang.

➤ **Meet New Zealand's international obligations relating to anti-corruption**

This addresses both our 2020-24 and 2023-27 Strategic Priorities

New Zealand has signed up to several international commitments focused on tackling corruption globally. The SFO helps to fulfil these obligations through participating in international meetings, sharing information and capacity building initiatives, and by acting as Lead Examiners for several countries that are being monitored against their own international convention commitments.

Strong global connections, mutual cooperation and the sharing of information are critical to help tackle corruption in New Zealand and around the globe. By regularly interacting with our international counterparts and by participating in global networks, we stay up to date with international trends and promote international cooperation, which is vital given financial crime and corruption increasingly feature cross-border activity.

This year we have represented New Zealand at several international fora and supported other international groups and agencies as they develop their respective capabilities. These networks also help us operationally, allowing us to further our cases by sharing information across borders and undertaking enquiries in our respective jurisdictions. Some highlights over the past year include:

International Foreign Bribery Taskforce

The SFO is a member of the International Foreign Bribery Taskforce (IFBT), a 'Five Eyes' initiative, which supports the exchange of information and technical expertise to collectively tackle the challenge of international foreign bribery. One of the SFO's Investigation Managers attended the IFBT annual meeting held in Ottawa, Canada in 2022, which included case discussions and workshops on topics such as whistleblowing, investigative techniques, money laundering channels and the use of artificial intelligence.

The SFO is chairing the IFBT in 2023 and will host the annual meeting in late 2023.

Our participation in the IFBT helps the SFO to develop its international network and cooperation for the investigation of our own foreign bribery cases. We will also leverage off experience and cooperation gained from our commitment to the IFBT to assist us in leading the development of a counter foreign bribery strategy for New Zealand, which is a strategic priority for 2023-2027.

International Anti-Corruption Coordination Centre

In 2016 New Zealand made a commitment to support the establishment and operation of the International Anti-Corruption Coordination Centre (IACCC) based in London. Hosted by the UK National Crime Agency, the IACCC aims to provide coordinated support for law enforcement agencies investigating grand corruption offences such as bribery of public officials, embezzlement, abuse of function, and the laundering of the proceeds of crime.

The SFO funds a 0.5 FTE investigator permanently based at the IACCC. The investigator's role is to coordinate requests for information and cooperation from countries which have been the victim of grand corruption. During 2022/23 the investigator oversaw 44 requests for information from the SFO. He acted as a case officer on seven IACCC cases and was deployed to Slovakia and the USA. The SFO's Evaluation Team handles inbound requests for information from the IACCC, including liaising with other New Zealand agencies when needed. Our Evaluation Team has also submitted its own information requests to the IACCC seeking intelligence in relation to active SFO enquiries.

The SFO sits on the IACCC's governance board. In December 2022 our Chief Executive attended the annual board meeting, the first in-person board meeting since 2019.

Asia Pacific Economic Cooperation (APEC)

In February 2023 a senior member of the SFO's Operations Team represented New Zealand at the APEC Anti-Corruption Transparency Experts Working Group (ACTWG) plenary sessions, which were held in Palm Springs, California as

part of the First Seniors Officials Meeting for 2023. The focus of the ACTWG discussions in Palm Springs was on how to better implement the ACTWG strategic plans, to make anti-corruption initiatives a priority across the other fora under the APEC umbrella and to enhance the efforts of member economies to effectively prevent and detect corruption offending.

Corruption Investigation Office for High-ranking Officials (CIO)

In May 2023 the SFO hosted a delegation of officials from Korea's Corruption Investigation Office for High-ranking Officials (CIO), led by the CIO's first Chief Prosecutor, Mr Jin-Wook Kim. The CIO was established in January 2021 and compared to the SFO is relatively new on its journey to develop its investigative capabilities and an international network.

During the meeting the SFO and CIO discussed their respective roles in the criminal justice system, powers, challenges and focus areas. A Memorandum of Arrangement was signed, pursuant to which both agencies will look for opportunities to share best practice, training and other opportunities to develop our respective expertise and cooperation.

2020-2024 STRATEGIC PRIORITY

Contribute to New Zealand's international obligations in relation to financial crime and corruption

International Public Sector Fraud Forum (IPSFF)

Our connections with the IPSFF during the year are described in the Prevention section.

APEC 2021

The SFO's activities in chairing the Anti-Corruption Transparency Working Group during New Zealand's 2021 host year were completed during that year. These were reported in the Annual Reports in 2021 and 2022.

➤ Our role as a Lead Examiner

During the year the SFO has participated in a variety of review work undertaken by international groups. This includes:

- **Participating as a lead examiner in the Organisation of Economic Cooperation and Development (OECD) Working Group of Bribery (WGB) Phase 4 evaluation of Canada.** One of our Investigation Managers is a Lead Examiner on behalf of New Zealand, working in collaboration with colleagues from the Ministry of Justice to evaluate Canada's compliance with the OECD's Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (known as the OECD Anti-Bribery Convention). Lead Examiners attended a week-long in-country visit in May 2023, involving extensive panel discussions. The draft Phase 4 report, to which the Lead Examiners make a significant contribution, will be presented at the OECD WGB October plenary session in Paris in October 2023. As a small agency this is a substantial contribution, but one which recognises that the SFO's operational experience is crucial to New Zealand's participation.
- **Participating as a lead examiner in the OECD WGB's Phase 4 evaluation of Hungary.** The SFO has been involved as a Lead Examiner since 2019 and the role is currently being undertaken by our Acting Deputy Chief Executive Operations, also in collaboration with the Ministry of Justice. The SFO has had ongoing participation in the evaluation process to monitor Hungary's compliance with the Phase 4 report recommendations in respect of Hungary's compliance with the OECD Anti-Bribery Convention.

- **Participating as a lead examiner of the implementation of United Nations Convention Against Corruption (UNCAC) by Suriname.** New Zealand has been selected as a Lead Examiner for Suriname in its first review cycle, which will review Suriname's implementation of UNCAC. The SFO will contribute its operational experience to the review process. This work is in its early stages, with an in-country visit expected to occur in 2023-24.
- **Responding to the OECD WGB Phase 4 evaluation of New Zealand.** Over the coming year New Zealand will undergo its Phase 4 evaluation, monitoring our compliance with the OECD Anti-Bribery Convention. The Ministry of Justice will be leading our response, supported by the SFO and other agencies. Our questionnaire responses are due mid-2024, with an in-country visit by the Lead Examiners from Israel and Ireland to follow shortly thereafter.



➤ **Contribution to development of system-wide technical capabilities**

The SFO plays a valuable role in promoting a system-wide approach in its areas of expertise. Our system contribution supplements and complements our core operations, including contributing to the New Zealand Justice sector, supporting other domestic agencies to fight financial crime, supporting the Pacific region and raising New Zealand's response to the global challenges of tackling foreign bribery.

Expansion of club-funded electronic forensics programme

With specialist electronic forensics skills in short supply, the SFO established a 'club-funded' electronic forensics programme to assist agencies who have a limited but important need for support in this area.

An SFO-employed electronic forensic investigator has supported agencies including Immigration, Commerce Commission and the Financial Markets Authority since October 2018.

The programme was expanded throughout 2022/23 to include an additional investigator fully funded by and meeting the needs of the Commerce Commission.

The programme is overseen by our internationally recognised Principal Electronic Forensic Investigator who oversees training, the ability to meet periods of high demand and peer review for work undertaken by the 'club-funded' roles. Importantly this builds resilience across the public sector where the skills and expertise are difficult to recruit and specialist hardware and software is expensive.

Bimonthly Electronic Forensics Training

The SFO's Electronic Forensics Unit (EFU) has taken the lead to provide bimonthly electronic forensics training to other New Zealand law enforcement agencies. The objective of the bimonthly training is to grow the electronic forensics capability across the entire public sector. Each session is designed to address a specific issue affecting the wider electronic forensics community.

The sessions are attended by electronic forensic examiners from various agencies including Police, Customs, Ministry for Primary Industries, New Zealand Defence Force, Inland Revenue Department and Department of Internal Affairs. One of the highlights this year was a training session delivered by a Special Agent from the FBI who presented on an open-source forensic tool he has developed.

Expert witness training

The SFO EFU designed and hosted a one-day training workshop that focused on giving expert evidence in court. Participants from across government were invited to take part with the focus being on those early in their electronic forensics careers.

The workshop required participants to prepare a statement for court and culminated in a mock courtroom session. Participants were offered the opportunity to give testimony and be cross examined by an experienced prosecutor.



International Fraud Film Festival

The SFO is a partner in the NZ International Fraud Film Festival, a two-day event featuring documentaries and discussion panels which encourage the fight against fraud. Day one of the festival is targeted at both private and public sector professionals with an interest in fraud, risk and integrity, while day two opens to the public. Around 400 participants attended the two-day event, held on 29 and 30 March in Auckland and opened by SFO Director Karen Chang. SFO Manager - Counter Fraud and Strategy Tim Townsend spoke on a panel which discussed common personality traits of fraudsters.

As well as the films and panels, a drawcard of the festival is the opportunity to network with others in the industry. Speaking at this event led directly to an invitation for the SFO to present to a local government body on the current fraud landscape in New Zealand and internationally.

The event is biennial although had been delayed by COVID-19, with the last festival held in 2019. Other partners are Meredith Connell, Deloitte, Financial Markets Authority, Accident Compensation Corporation and CERT NZ.



➤ **Work with stakeholders and partners to develop a National Counter Fraud and Corruption Strategy**

This is a 2020-24 and 2023-27 priority.

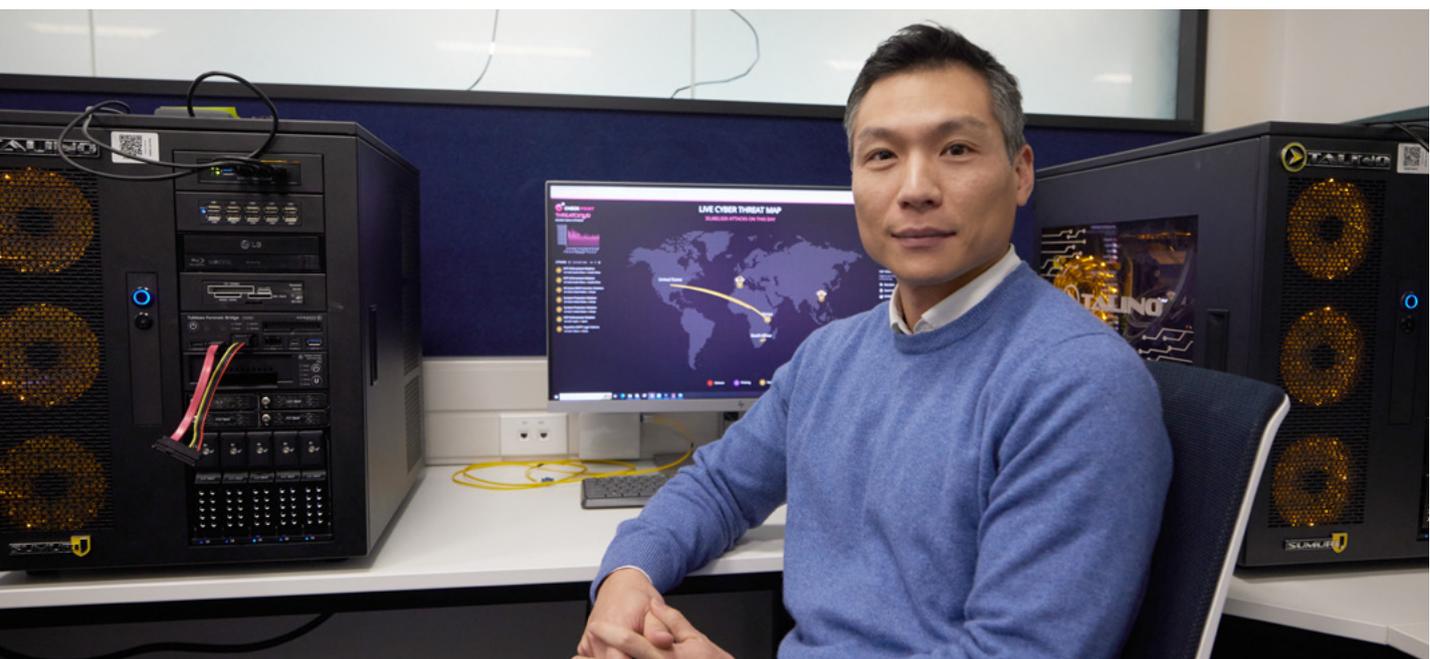
Fraud is evolving rapidly in complexity and scale, driven by technological advancements, more sophisticated offending, and larger trans-border transactions. For victims of fraud in New Zealand, it can be challenging to navigate the current system. Fraud and corruption are by nature hidden crimes, which makes it difficult to estimate the size of the problem.

In response, the SFO is leading the development of the National Counter Fraud and Corruption Strategy, together with Ministry of Justice and NZ Police. The Strategy aims to:

- Better manage reporting of fraud, and co-ordination between agencies who deal with offences
- Improve the experience of victims
- Progress prevention and awareness activities.

The strategy seeks solutions to an incredibly complex issue and significant consultation has been carried out to incorporate multiple viewpoints and priorities, and to ensure the issues the strategy is intended to address have been properly defined.

Over the past year there have been changes to the strategy's scope to maintain alignment with other Government priorities. We have developed a stronger focus on victims and recalibrated aspects of the strategy in recognition of the fact that fraud and corruption offending need to be addressed in different ways. These factors as well as the need to manage competing priorities which saw resources diverted elsewhere (for example responding to Cyclone Gabrielle and the flooding in Auckland) have contributed to the timeframe of the strategy being extended. We now anticipate a draft strategy will be presented for Ministerial consultation in 2024.



Impact measures (Outcomes)

Stakeholder feedback on connectivity with the SFO

➤ In June 2023 the SFO held its Stakeholder Survey, which involves in-depth interviews with 25 randomly selected stakeholders across the public and private sectors.

When stakeholders were asked to describe their level of engagement with the SFO, most respondents indicated good to excellent levels of engagement. Interactions are seen to be professional, reliable, and constructive.

There was a desire noted for more engagement around sharing trends or areas of focus at both a senior management and operational level, although respondents noted resourcing may be a barrier. A key theme was also a desire to better understand the case selection process and for more communication during an evaluation or investigation process where possible.

The survey results provide a good base as the SFO looks to create a formalised engagement strategy.



HIGHLIGHTS

- Professionalism of the SFO team is highly regarded.
- Positive shift towards a culture of openness and collaboration.
- Willing to contribute, listen, and assist.
- High performing team of professionals who collaborate well.
- Making a referral is easy.
- Highly positive sentiment toward the SFO's prevention focus and efforts to raise awareness and share knowledge

SOI 2020-24: OUTCOMES

New Zealand’s international reputation in the fight against financial crime and corruption is maintained

Indicators	Measures	Desired trend	Result
New Zealand’s ranking of corruption-free nations	Transparency International Corruption Perceptions Index	Maintain position in top four (1-4/180)	2022 ^[1] : Global ranking 2/180 (score 87/100)
			2021: Global ranking 1/180 (score 88/100)
			2020: Global ranking 1/180 (score 88/100)
			2019: Global ranking 1/180 (score 87/100)
			2018: Global ranking 2/180 (score 87/100)

[1] The Transparency International Corruption Perceptions Index is released annually at the beginning of the year, covering the year prior. The 2023 index will be released in early 2024

Output performance measures

Proactive Part 1 enquiries

Proactive Part 1 enquiries are those initiated by the SFO.

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. 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.

Performance Measure	Actual 2021/22	Budget Standard 2022/23	Actual 2022/23
E12. Quantity: Number of proactive Part 1 enquiries commenced	New Measure	3-6	1

The new measure records enquiries commenced at the initiative of the SFO. The rationale for this new measure is to encourage and reflect our detection efforts in contrast to the reactive nature of responding to complaints received from third parties. It is consistent with our efforts to focus on cases that are likely to have the greatest impact on our mission to disrupt and deter serious or complex fraud and to identify cases within our Strategic Areas of Focus. It is also consistent with our commitment to develop our strategic intelligence capabilities.

In the 2022/23 year the evaluation team opened six proactive matters. Of these, one moved to Part 1 stage during the year. Another two have moved to Part 1 stage since 1 July and will be counted next year. The remaining three are live at the time of writing and will either be closed or moved to Part 1 in 2023/24.

While this is below our standard of 3-6, this again reflects the flow of our work and the fact it does not fit neatly into a calendar year. Additionally, a proactive part 1 will only be opened if the Director suspects that the investigation may disclose serious or complex fraud.

Future-proof capability



Invest in our people and infrastructure to meet and anticipate our operating environment.

While none of our 2020-24 priorities directly correlate with future-proofing our capability, there are progress indicators from the priority ‘Conduct investigations and prosecutions of the highest quality and effectiveness’ that are better addressed in this section. These are around having the right tools in place and our technical lead roles, and are highlighted below.

Exponential technology growth worldwide has changed the way that fraud is perpetrated, investigated and prosecuted, with every indication that this trend is expected to continue. As a result, fraud and corruption has become inherently more complex, investigating it is more resource intensive and we face increasing legal challenges by those we investigate.

To maintain the quality and impact of our operations into the future, we must take a forward-looking and sustainable approach in the way we invest in our capabilities today.

► Developing our people and our culture

Our people are proud of the work we deliver. They are high performers, whose skill and commitment are crucial to our success. We operate in a competitive candidate market for the specialist expertise and experience needed to deter, investigate, and prosecute serious financial crime – skills which are highly sought after in both the public and private sectors. We have made considerable investment in strategies to mitigate attrition and position the SFO as an employer of choice.

Our engagement scores evidence a highly engaged workforce:

- **100%** of eligible employees participated in our annual Have Your Say engagement survey¹ (compared to public sector average of 62.9%).
- Our overall engagement score was **76%**, compared to a public sector average of 62%.

Our people overwhelmingly told us they are proud of the beneficial impact the SFO has for New Zealand, enjoy working at the SFO and think it is a great place to work.²

In August 2022 the SFO held its inaugural all-staff training event. Over 1.5 days we delivered mandatory training, sought to enhance technical expertise among the team, discussed emerging trends and strengthened

¹ To accommodate operational commitments, our annual Have Your Say engagement survey was conducted in late July.

² Our Have Your Say engagement survey asks participants to rate, on a spectrum from highly agree to highly disagree, their view on a statement. 100% represents all participants rating the statement highly agree.



88%

“I enjoy working for the SFO.”



93%

“I am proud of the beneficial impact the SFO has for our country.”



87%

“The SFO is a great place to work.”

relationships between our operations and counter fraud functions. This was repeated in July 2023, where we also presented our annual CE Award. This is given to an employee who raises the mana of others through quiet acts of kindness, collegiality and service.

Development opportunities

The SFO invests in a range of development opportunities for its people. As we continue to be challenged in recruiting candidates with the necessary skills and experience in serious and complex financial crime investigation, we are investing in upskilling the next generation of highly skilled practitioners as well as building cultural competencies. Development opportunities we have offered this year include:

- Two electronic forensics technicians completed International Association of Computer Investigative Specialists (IACIS) Certified Forensic Computer Examiner training. IACIS certification is a prerequisite for SFO staff to act as forensic examiners and give expert evidence in court.
- Four of our Forensic Accountants sat and passed the Forensic Accounting Specialisation Course through Macquarie University.



SFO all-staff training event, August 2022.

FUTURE-PROOF CAPABILITY

Career and subject matter expert pathways developed

This year we developed and implemented a structured promotion pathway to provide clear guidance and expectations for team members looking to develop into senior roles with the SFO. The promotion pathway has been very well received by our team. It is a key plank in our goal to retain and develop our staff and build the experience base that is crucial to the successful investigation and prosecution of complex fraud cases and our counter fraud initiatives. Ten of our people across both the operational and counter fraud teams were promoted to Senior positions in the year to June 2023. A key pillar of the promotion pathway is that it is headcount neutral.

We also produced a promotion readiness assessment for our Counter Fraud team Seniors to be considered as internal applicants for Principal level vacancies and one person was successfully appointed. The next step is to develop a similar promotion readiness

assessment for Senior Operations applicants to progress to Principal in a contestable process when a role materialises. In the interim, our Seniors are offered increasingly complex work to further enhance their career as an expert in their field. This is another important retention initiative.

Technical expert-led competency and development framework (includes Technical Leads)

Our technical lead roles continue to develop and deliver training and guidance for their respective disciplines in addition to their own operational obligations. Highlights in the past year are:

- The creation of a programme of modules intended to establish a consistent baseline competency for financial crime investigators at the SFO, including competence with investigative management systems.
- A pilot rollout of the module system to selected participants.
- Training on intelligence gathering and covert enquiries.
- Development and delivery of individual training sessions on evidence analysis system, Intella.
- Enhancing our training for the giving of expert evidence in court.
- Our Technical Forensic Accountant lead has been appointed to the Forensic Accounting specialisation committee of the Chartered Accountants Australia & New Zealand (CAANZ) organisation.



Organisational structure

In May the SFO undertook a re-organisation of its executive leadership team, in order to improve the effectiveness and efficiency of our organisational arrangements towards a future-focused SFO. The new structure aims to better align functions for greater impact and delivery of our new strategy, with the goal that the SFO is functionally cohesive, better connected, impact-focused and engaging. The recruitment for the new roles is expected to be completed and the new structure in place by October 2023.

➤ Enhancing our cultural competencies

The SFO introduced initiatives throughout 2022/23 to enhance and uplift our cultural competencies, particularly of Te Ao Māori. A large part of this work is within the Whāinga Amorangi framework developed by Te Arawhiti and Te Kawa Mataaho, which is covered in further detail below.

The SFO continues to deliver a programme to enhance employees' cultural awareness and capability:

- Thirty people attended Diversity Works' Understanding Unconscious Bias webinar.
- Te Arawhiti presented three workshops exploring diverse perspectives about the meaning of Te Tiriti o Waitangi/the Treaty of Waitangi and the history of the Māori Crown relationship.
- Fifteen people attended te Reo Māori lessons.
- We participated in Te Wiki o te Reo Māori and encouraged the continued regular use of te reo in the workplace.



- We introduced a Lunchtime Learning series, featuring monthly speakers from different backgrounds. The series kicked off with Gabrielle Wright, who spoke to the team about thriving with disability. A wheelchair user, Gabrielle shared her experiences as a high-performance athlete and architecture student.
- Our Electronic Forensic Investigator gave a presentation on lion dancing and staff were encouraged to bring food from their culture at a Lunar New Year celebration.

FUTURE-PROOF CAPABILITY

Whāinga Amorangi

In 2022/23 the emphasis on developing our Te Ao Māori cultural capability shifted from implementing the Whāinga Amorangi framework to solidifying its foundations. This intentional shift aimed to provide sufficient time for our capability building progress to become ingrained in our culture.

Additionally, our cultural capability program recognised the importance of comprehending the unique requirements of individuals and teams within our agency. By doing so, we aim to offer programs that not only address internal needs but also fulfill our obligations within the framework. To advance this objective, we have conducted surveys among our personnel, with the final survey results anticipated in the first quarter of 2023-2024.

Our Ngā Kaiwhakatore team remains committed to implementing the framework and actively utilises the resources and training opportunities made available by Te Arawhiti and other government agencies. Through these resources, we have been enhancing our understanding of how we can contribute to various areas including language revitalisation and strengthening the Māori-Crown relationship.

During the year we continued to make introductory te reo lessons available, with 89% of our people having now attended the introductory sessions. We partnered with Te Arawhiti to offer three workshops focused on Te Tiriti and the history of the Māori Crown relationship. While attendance at the workshop was voluntary, demand was very high with 60 staff attending.



Te Arawhiti hosted three workshops for our team focused on Te Tiriti and the history of the Māori Crown relationship.

➤ Investing in our infrastructure and building resilience

While investing in our people is critical, we must also ensure we have the right tools in place to support our work. We are a relatively small agency but we face many of the same challenges as larger organisations.

The SFO must maintain a reputation for secure management of confidential information. Failing to do so could adversely affect the trust and confidence others hold in the SFO and our ability to be effective. We also have to contend with the increasing complexity of our work. This means we must continue to invest in the right investigative tools and grow resilience in our processes (such as how we manage our evidence or manage risk) and corporate infrastructure, particularly cyber security.

Some ways we have invested to grow resilience during the 2022/23 year include:

- Additional funding from Budget 2022 in improving cyber protection. This included enhanced ICT security policies and undertaking procurement of Digital Forensics and Incident Response (DFIR) services. This work will continue in 2023/24 and beyond.
- Engaged a risk assurance consultant to review our risk management practices and build a new enterprise risk management framework, including updated policies and processes.
- Reached higher levels of maturity in the Protective Security Requirements (PSR) when compared with reporting last year.
- Developing new procurement and information archiving processes and procedures.

Wellington office move

The SFO is relocating its Wellington office with the move planned to be completed in September 2023. The project has been a key deliverable during 2022/23 and will accommodate increased headcount since our Wellington presence was established.

The move will also ensure a modern working environment for our Wellington team, including:

- Better accommodation of 'flexible by default' work practices
- Dedicated, soundproofed interview facilities
- Open-plan working environment with communal activity areas
- Quiet spaces and shared collaborative areas
- Mobile technology to enable new ways of operating and lifting productivity.

➤ Reviewing our internal processes

Through the year we have reviewed and strengthened our evidence and case management system, RelOne and ServiceNow, respectively. In particular we have:

- Reviewed the evidence management lifecycle as it pertains to digital evidence. A number of areas for improvement were identified which have been implemented over the course of the year.
- Completed a review of the information management requirements for large data sets with a focus on reducing ongoing data costs while maintaining operational efficiencies. The recommendations from this review are expected to be implemented in the first quarter of 2023/24.

Impact measures (Outcomes)

Capability is enhanced

- Our people were asked to rate, on a spectrum from highly agree to highly disagree, their view on statements about future proofing capability at the SFO. 100% represents every participant rating the statement as highly agree.



73% “The SFO invests in our people to future proof our capability.”



75% “The SFO invests in our infrastructure to future-proof our capability.”

Remuneration review and turnover

- While we have a dedicated and engaged workforce, in recent years the SFO has experienced challenges with employee retention and attracting new recruits. Other agencies and the private sector all compete for a small pool of experienced employees and can be better placed to meet salary expectations in a limited market. The work we have done to address employee turnover through building our culture and developing our people is covered above.

Additionally, in Budget 2022 the SFO received funding from the Government to address employee remuneration and undertake a market remuneration review to address attrition. The exercise was completed in November 2022 with remuneration for our employees’ specialist skills and experience brought into line with the 2022 market. We changed our approach to KiwiSaver and applied employer contributions on top of base salary. This change aligns the SFO with most other employers and will contribute to our competitiveness when attracting and retaining employees.



22.2%
turnover for 2022/23

Diversity and inclusion

- The SFO remains committed to ensuring our practices are inclusive and encourage diversity. It is important to us that our workforce reflects the New Zealand population as far as is possible.

We have strong female representation at the SFO, where more than half of our team are women, including (as at 30 June) our Chief Executive, two Acting Deputy Chief Executives and our Acting General Counsel. This year we have reduced our gender pay gap to 1.2% (compared to 5.9% in 2021/22). Salary adjustments have been made where gender pay gaps and any other inequities were identified. This coupled with the adjustments made as a result of the market remuneration benchmarking work and our change in approach to KiwiSaver has significantly reduced our gap.



Gender pay gap:

1.2%



Ethnic pay gap:

0%



Gender ratio:

40 female / **32** male

Ethnic diversity:

80.8%

New Zealander/NZ European

15.4%

Asian

2.56%

Pacific Peoples

1.28%

Other



Average age:

43

Our organisation is future-proofed

➤ **Managing the rising tide of electronic evidence**

The rapid evolution of technology and move towards a paperless society continues to pose a challenge to law enforcement agencies around the world. While large data sets continue to be the norm there is increasing burden associated with the ongoing storage and retention of the data being collected. Our electronic forensics team is kept busy collecting data from a wide variety of sources and platforms, analysing huge amounts of information, managing the long-term needs of the data as well as upskilling and staying on top of new trends and technology.

During the financial year the size of the data hosted within our Relativity evidence management system peaked at 19 terabytes. This is almost double the storage that was held only 18 months prior to this peak.

In response to the increased demands we recruited, for the first time, an e-discovery specialist who is responsible for overseeing the operation of our evidence management system. This person is one of only a handful of experts in the public sector and the only one to hold the Relativity Master certification in New Zealand. Combined with improved processes we have been able to significantly improve our information handling and reduce our storage requirements.

The combined size of the electronic devices and data sets examined by the EFU was approximately 11 terabytes. The amount of live data held by the EFU remained consistent at about 200 terabytes.

Investing in the next generation

With experienced electronic forensic investigators in high demand and scarce supply, in 2021/22 the SFO created new technician roles with the intent of developing the next generation. Two people were hired and have undergone considerable training. This year, the technicians completed the International Association of Computer Investigative Specialists (IACIS) Certified Forensic Computer Examiner training in the US and were promoted to Investigators.

IACIS certification is a prerequisite for SFO staff to act as forensic examiners and give expert evidence in court.

Output performance measures

Complaints

Complaints are first evaluated by the Evaluation Team to determine whether or not the matters alleged potentially fall within the SFO’s mandate (ie. are allegations about potential serious or complex fraud, including bribery and corruption). If the matter potentially falls within the SFO mandate the Director may initiate a Part 1 enquiry. If not, we notify each complainant of our decision not to take any steps in relation to their complaint and every effort is made to identify an appropriate agency or other party who may be able to assist them with their concerns, following which we close the complaint. The SFO is not restricted to acting on complaints from third parties and can act on its own initiative to undertake investigations. The number of complaints is not a performance target.

The Director of the SFO is an appropriate authority for the making of protected disclosures under the Protected Disclosures (Protection of Whistleblowers) Act 2022, which came into force on 1 July 2022. The SFO has received an increased number of protected disclosures this year and has put in place new training, policies and procedures to ensure we respond in accordance with the requirements of the Act and provide the best support possible to those who come to the SFO seeking these protections.

Part 1 enquiries and Part 2 investigations

For an explanation of this output please refer to Case Impact.

Post Investigation and Post Prosecution Reviews

Formal quality assurance reviews are conducted for each investigation and prosecution. Recommendations from the quality assurance reviews will be formally assessed by the senior leadership team.

Performance Measure	Actual 2021/22	Budget Standard 2022/23	Actual 2022/23
E.15: Percentage of complaints evaluated within 30 working days.	85%	80%	93%
E.16 Timeliness: Percentage of Part 1 enquiries completed within four months.	Revised Measure (32% completed within 3 months)	60%	50%

FUTURE-PROOF CAPABILITY

Performance Measure	Actual 2021/22	Budget Standard 2022/23	Actual 2022/23
	Revised Measure		
E.17 Timeliness: Percentage of Part 2 investigations completed within targeted time.	Category A ^[1] : 67% within 18 months	Category A: 60% within 24 months	Category A: 88% within 24 months
	Category B ^[2] : 50% within 12 months	Category B: 70% within 18 months	Category B: 75% within 24 months
E.18 Quality: Percentage of formal post-investigation reviews that meet SFO quality criteria.	100%	90%	100%
E.19 Quality: Percentage of formal post-prosecution reviews that meet SFO quality criteria.	100%	90%	100%

[1] Category A cases are those that involve high complexity. They may contain one or all of the following: a significant number of victims, large-scale loss or a long period of alleged offending; multiple alleged suspects; inter-agency cooperation; international assistance; legal complexity.

[2] Category B comprises all other cases.



Summary

Part 1 of the Serious Fraud Office Act 1990 provides the SFO with some limited powers to make enquiries to detect serious or complex fraud. If the Director establishes there is reason to suspect that an investigation into the affairs of any person may disclose serious or complex fraud, a Part 1 enquiry can be commenced.

Meeting timeliness targets for Part 1 enquiries has been a consistent challenge for the SFO, in a large part due to the workload of our Principals, who were responsible for making Part 1 enquiries as well as leading investigations and prosecutions. We are also affected by the time it takes to obtain documents under the powers available to us at Part 1. To address resourcing pressure, the evaluation process was modified in 2020/21 to bring responsibility for conducting Part 1 enquiries under a single Principal Evaluations, with the support of an Evaluating Lawyer. During the 2022/23 year we have added a second Evaluating Lawyer to the team.

In 2022/23 we also modified our performance measure to extend the period of enquiries from three to four months, which is a better reflection of the time it takes to obtain, analyse, and report on documents and information obtained during our enquiries.

The dedicated focus and increased team size, along with a revised performance measure of four months, has led to an improvement in our timeliness output to 50% from 32% the previous year and 27% the year before that. This is a notable improvement in our performance.

We remain below our target of 60%, however, we expect to continue the trend of improved timeliness as our Evaluating Lawyers develop their expertise. We also intend to build our capacity in the Evaluation Team by streamlining and improving our complaints process, which will free up more time for enquiry work.

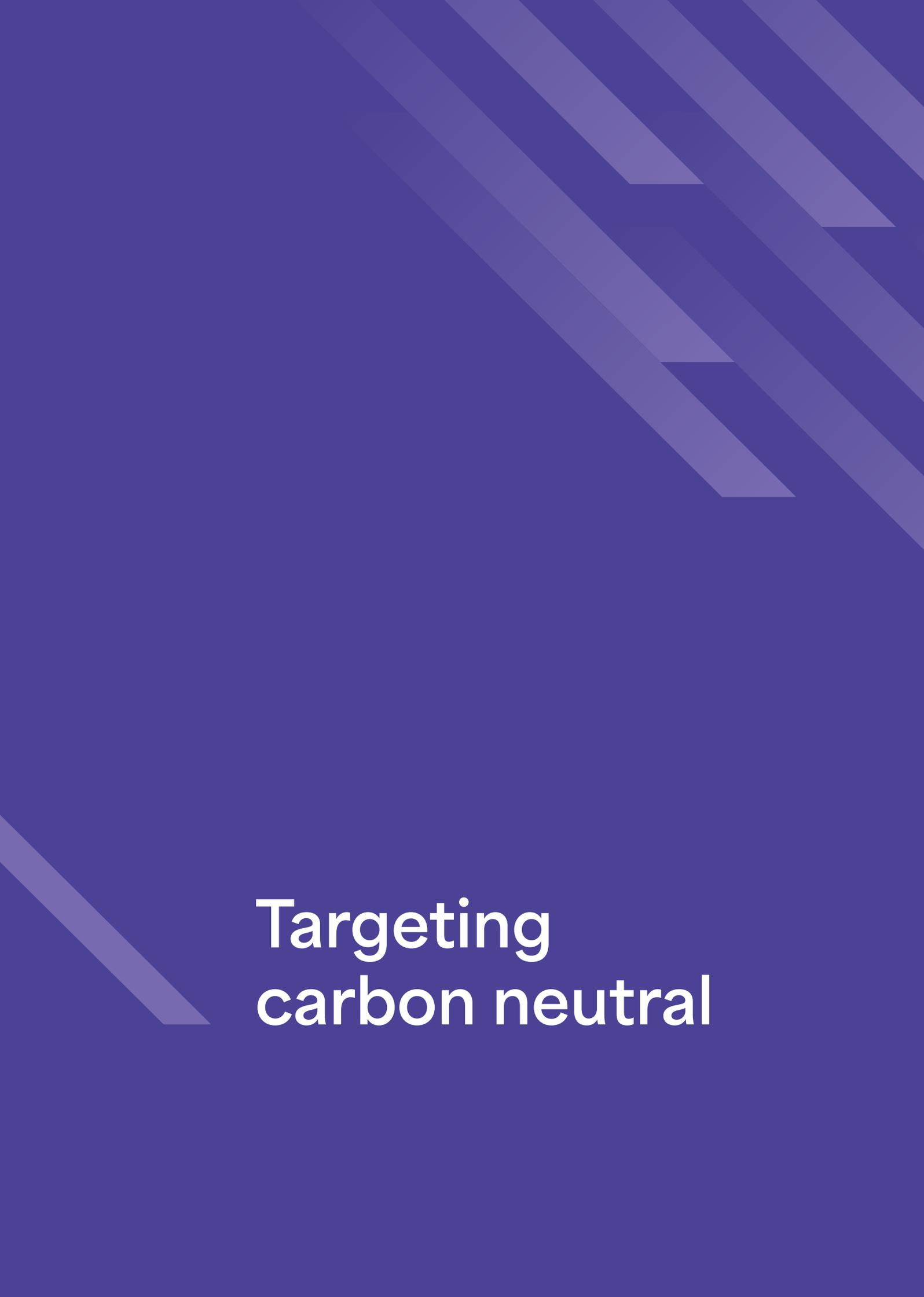
Our Operations Team completed 24 investigations in 2022/23 year. Of these, eight investigations were categorised as category A and 16 as category B. The timeliness targets for both categories of investigation were met this year. This is a significant achievement, which demonstrates that we are now reaping the benefits of the additional investment in the SFO's investigative capacity from Budget 2020, freedom from COVID-19 delays and disruptions and the efficiencies and resilience resulting from our revised resourcing strategy as outlined above.

Reviewing our work

The SFO conducts self-reviews of all investigation and prosecution phases. The purpose is to reflect upon the conduct of each phase and engage in honest, robust discussion about our decisions and actions in hindsight. To facilitate discussion and ensure consistency across investigations and prosecutions we have established templates for the review of each phase. The templates break down key aspects of each phase, highlight areas the review is to focus on and record quality measures we expect to meet.

These measures are our quality criteria. For an investigation or prosecution to successfully meet the quality criteria the review must record a score of at least 80% against those criteria. This year all our post investigation and post prosecution reviews scored 80% or higher, leading to a 100% result against the quality criteria.

We aim to have all post investigation reviews conducted within two months of them either being closed or moved to prosecution. We aim to complete all post prosecution reviews within two months of either acquittal or sentencing. This is to ensure the reviews are conducted in reasonable proximity to their completion. Nineteen post investigation and five post prosecution reviews were conducted this year. While this does not form part of the “quality criteria” against which we are measured, we note that five reviews were not completed within the two-month expected time frame.



Targeting carbon neutral

Targeting carbon neutral

The SFO is working towards carbon neutrality as part of the Carbon Neutral Government Programme (CNGP) initiative to combat climate change. While we are a small agency, we are committed to doing our part.

Our biggest challenge is in transportation and we are looking at ways we can reduce our impact in that area. The SFO is largely based in Auckland and as a government agency with a nationwide remit, including conducting trials in other cities, some degree of domestic travel is largely unavoidable.

We engaged Toitū Envirocare to guide us through this process and verify the final data and inventory. The SFO acknowledges that quantifying greenhouse gas emissions is subject to uncertainty as this is an evolving field, including associated measuring, reporting and assurance standards.

We used the financial year ending 30 June 2022 as our base year to establish an initial carbon inventory which we are seeking to reduce in the coming years. We have seen the inventory increase in this reporting period, driven largely by our base year being impacted by COVID-19 restrictions and a significant trial at the Christchurch High Court which lasted for a number of months.

There is only one vehicle in our fleet, a PHEV which we introduced in 2018. We are implementing sustainable operating practices including identifying and managing exposure to carbon risk within our operations.

177.91 tCO₂-e
is our total verified carbon
inventory for 2022/23

With 77 employees
this equates to:

2.31 tCO₂-e
per person or

9.93 tCO₂-e
per million dollars spent

In line with the CNGP our
emissions reduction targets for
2025 (21%) and 2030 (42%) are:

80.77 tCO₂-e (2025)

59.30 tCO₂-e (2030)

Most of our emissions fall into a category of indirectly created emissions categories rather than directly created emissions.

Our top sources of emissions included air travel, electricity usage, natural gas usage and working from home. As part of our road map to reduce our emissions we are putting in place initiatives to reduce our emissions further, including:

- Air travel: Continually reviewing air travel necessity and exploring video conference alternatives where possible.
- Electricity: Reduction of electricity use through energy saving awareness programmes and procurement of energy efficient electrical goods and lighting.
- Natural gas usage: Our natural gas usage arises from one leased office space. By October 2023 we will have moved from this office to new premises that does not uses natural gas a source of heating.

- Working from home: Welcoming our employees back to the office following long periods of COVID-19 lockdown in the base year, particularly in Auckland where most of our employees are located.



Table: Comparison of SFO verified baseline carbon emissions over time¹

Emission source	2021/22 tCO ₂ -e	2022/23 tCO ₂ -e	Change
Category 1: Direct emissions	5.48	5.88	↑
Category 2: Indirect emissions from imported energy	20.10	17.65	↓
Category 3: Indirect emissions from transportation	69.47	148.05	↑
Category 4: Indirect emissions from products used by organisation	7.19	6.32	↓
Total	102.24	177.91	↑

¹ We are a Toitū carbon reduce organisation, which means we are measuring, managing, and reducing our emissions according to ISO 14064-1:2018 and Toitū requirements. A copy of our Toitū carbon reduction certification disclosure can be viewed on the Toitū website.



Statement of responsibility

Statement of responsibility

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

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

In my opinion:

- the Annual Report reflects the operations, progress, and the organisational health and capability of the SFO
- the financial statements fairly reflect the financial position of the SFO as at 30 June 2023 and its operations for the year ended on that date
- the forecast financial statements fairly reflect the forecast financial position of the Serious Fraud Office as at 30 June 2024 and its operations for the year ending on that date.



Karen Chang

Chief Executive and Director

29 September 2023



Financial and capital performance

Financial performance

	Actual 2022 \$	Main estimates 2023 \$	Supp estimates 2023 \$	Actual 2023 \$	Main estimates 2024 \$
REVENUE					
Crown	14,506	16,600	16,450	16,450	16,879
Other	250	85	357	341	85
Total revenue	14,756	16,685	16,807	16,791	16,964
Expenditure	13,873	16,685	16,807	16,589	16,964
Net surplus/ (deficit)	883	-	-	202	-

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

Capital performance

	Actual 2022 \$	Budget standard 2023 \$	Actual 2023 \$
PERFORMANCE MEASURE			
The capital plan is developed and managed throughout the year	Completed 1 July 2021	Capital plan for implementation by 1 July 2022	Completed 1 July 2022





Financial statements

Statement of comprehensive revenue and expense for the year ended 30 June 2023

	Notes	Actual 2022 \$	Actual 2023 \$	Unaudited budget 2023 \$	Unaudited forecast 2024 \$
REVENUE					
Revenue Crown		14,506	16,450	16,600	16,879
Other revenue	2	250	341	85	85
TOTAL REVENUE		14,756	16,791	16,685	16,964
EXPENSES					
Personnel costs	3	9,445	11,086	11,147	11,113
Other expenses	5	4,227	5,096	4,943	5,548
Depreciation and amortisation expense	7, 8	125	361	524	232
Capital charge	4	76	46	71	71
TOTAL EXPENSES		13,873	16,589	16,685	16,964
SURPLUS		883	202	-	-
Other comprehensive revenue and expenses		-	-	-	-
TOTAL COMPREHENSIVE REVENUE AND EXPENSES		883	202	-	-

Explanations of major variances against the original 2022/23 budget are provided in note 17.
The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2023

	Notes	Actual 2022 \$	Actual 2023 \$	Unaudited budget 2023 \$	Unaudited forecast 2024 \$
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents		2,506	1,959	2,220	1,831
Receivables	6	58	17	25	58
Prepayments		479	192	317	400
TOTAL CURRENT ASSETS		3,043	2,168	2,562	2,289
NON-CURRENT ASSETS					
Property and equipment	7	973	888	607	901
Intangible assets	8	38	28	90	25
TOTAL NON-CURRENT ASSETS		1,011	916	697	926
TOTAL ASSETS		4,054	3,084	3,259	2,289
LIABILITIES					
CURRENT LIABILITIES					
Payables and deferred revenue	9	1,391	847	1,070	1,205
Return of operating surplus	10	883	202	-	-
Employee entitlements	12	826	930	650	900
TOTAL CURRENT LIABILITIES		3,100	1,979	1,720	2,105
NON-CURRENT LIABILITIES					
Employee entitlements	12	66	65	70	70
Provisions	11	-	-	150	-
TOTAL NON-CURRENT LIABILITIES		66	65	220	70
TOTAL LIABILITIES		3,166	2,044	1,940	2,175
NET ASSETS		890	1,040	1,319	1,040
EQUITY					
Taxpayers' funds	13	890	1,040	1,319	1,040
TOTAL EQUITY		890	1,040	1,319	1,040

Explanations of major variances against the original 2022/23 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 2023

	Notes	Actual 2022 \$	Actual 2023 \$	Unaudited budget 2023 \$	Unaudited forecast 2024 \$
BALANCE AT 1 JULY		890	890	1,319	1,040
Total comprehensive revenue and expense		883	202	-	-
OWNER TRANSACTIONS					
Capital injection		-	150	-	-
Return of operating surplus to the Crown	10	(883)	(202)	-	-
BALANCE AT 30 JULY	13	890	1,040	1,319	1,040

Explanations of major variances against the original 2022/23 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 2023

	Actual 2022 \$	Actual 2023 \$	Unaudited budget 2023 \$	Unaudited forecast 2024 \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Revenue Crown	14,506	16,450	16,600	16,879
Receipts from other revenue	235	301	85	85
Payments to suppliers	(5,031)	(5,658)	(5,093)	(5,698)
Payments to employees	(8,789)	(10,646)	(10,997)	(10,963)
Payments for capital charge	(76)	(46)	(71)	(71)
Goods and services tax (net)	42	20	-	-
NET CASH FLOW FROM OPERATING ACTIVITIES	887	421	524	232
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts from sale of property and equipment	10	1	-	-
Purchase of property and equipment	(603)	(240)	(140)	(140)
NET CASH FLOW FROM INVESTING ACTIVITIES	(593)	(239)	(140)	(140)
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital Injection	-	150	-	-
Return of operating surplus	(1,653)	(880)	-	-
Net cash flow from financing activities	(1,653)	(730)	-	-
Net (decrease)/increase in cash	(1,359)	(547)	384	92
CASH AT THE BEGINNING OF THE YEAR	3,865	2,506	1,836	1,739
CASH AT THE END OF THE YEAR	2,506	1,959	2,220	1,831

Explanations of major variances against the original 2022/23 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 2023 (continued)

	Notes	Actual 2022 \$	Actual 2023 \$
RECONCILIATION OF NET SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES			
NET SURPLUS/(DEFICIT)		658	202
ADD/(LESS) NON-CASH ITEMS			
Depreciation and amortisation expense	7, 8	350	333
TOTAL NON-CASH ITEMS		350	333
ADD/(LESS) ITEMS CLASSIFIED AS INVESTING OR FINANCING ACTIVITIES			
(Gains)/losses on disposal of property and equipment	2	32	(1)
TOTAL ITEMS CLASSIFIED AS INVESTING OR FINANCING ACTIVITIES		32	(1)
ADD/(LESS) MOVEMENTS IN STATEMENT OF FINANCIAL POSITION ITEMS			
(Inc)/dec in receivables	6	(58)	41
(Inc)/dec in prepayments		(106)	287
Inc/(dec) in payables and deferred revenue	9	(35)	(543)
Inc/(dec) in employee entitlements	12	182	102
Inc/(dec) in provisions	11	(136)	-
NET MOVEMENT IN WORKING CAPITAL ITEMS		229	219
NET CASH FLOW FROM OPERATING ACTIVITIES		887	421

The accompanying notes form part of these financial statements.

Statement of commitments as at 30 June 2023

Capital commitments

The SFO has no capital commitments as of 30 June 2023 (2022: \$nil).

Non-cancellable operating lease commitments

The SFO leases two properties as office space to cover the normal course of its operations:

In Auckland, the 188 Quay Street lease commenced on 24 February 2022. This is a non-cancellable 11-year operating lease, expiring 24 February 2033. It may be cancelled only with 12 months' notice from the Government Property Group (GPG) within the Ministry of Business, Innovation and Employment between 1 July 2024 to 31 December 2025, at a cost of \$250,000 plus the depreciated value of the hard-fitout paid by the landlord.

In Wellington, the 45 Johnston Street lease commenced on 1 November 2020. This is a non-cancellable operating lease that expires on 31 October 2023, with no restrictions. This lease will not be renewed, and a new lease is in the process of being finalised.

Effective 24 February 2022, the SFO entered into a 11-year co-location agreement, whereby space in the SFO's Quay Street office was allocated to Crown Law Office for their sole use, the terms and conditions of which are recorded in a Memorandum of Understanding (MOU). The MOU is deemed to contain a lease expiring on 23 February 2033, but can be terminated in advance of this date with a notice period of one year required.

	Actual 2022 \$	Actual 2023 \$
OPERATING LEASE AS A LESSEE		
The future aggregate minimum lease payments to be paid under this non-cancellable operating lease are as follows:		
Not later than one year	905	826
Later than one year and not later than five years	3,355	3,270
Later than five years	5,176	4,145
TOTAL NON-CANCELLABLE OPERATING LEASE COMMITMENTS	9,436	8,241
OPERATING SUBLEASE AS A LESSOR		
The future aggregate forecasted lease payments to be received under this cancellable operating sub-lease are as follows:		
Not later than one year	59	163
Later than one year and not later than five years	0	689
Later than five years	0	882
TOTAL NON-CANCELLABLE OPERATING SUB-LEASE COMMITMENTS	59	1,734

The SFO does not hold any current finance leases (2022: \$nil).

Statement of contingent liabilities and contingent assets as at 30 June 2023

Contingent liabilities

The SFO has no quantifiable or unquantifiable contingent liabilities as at 30 June 2023 (2022: \$nil).

Contingent assets

The SFO has no contingent assets as at 30 June 2023 (2022: \$nil).

Clause 35(1) of the SFO Act 1990 states:

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

The accompanying notes form part of these financial statements.

Notes to financial statements

1. Statement of accounting policies

Reporting entity

The SFO is a government department as defined by section 5 of the Public Service Act 2020 and is domiciled and operates in New Zealand. The relevant legislation governing the SFO's operations includes the Serious Fraud Office Act 1990, the Public Finance Act 1989 (PFA), the Public Service Act 2020, and the Public Accountability Act 1998. 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 is a Public Benefit Entity (PBE) for financial reporting purposes.

The financial statements of the SFO are for the year ended 30 June 2023 and were approved for issue by the Chief Executive and Director of the SFO on 29 September 2023.

Basis of preparation

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

Statement of compliance

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

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

Presentation currency and rounding

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

Changes in accounting policies

There are no Standards to report that are issued and not yet effective and not early adopted.

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 rate at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

Cash and Cash Equivalents

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

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

Goods and services tax

Items in the financial statements are stated exclusive of goods and services tax (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.

Commitments and contingencies are disclosed exclusive of GST.

Income tax

The SFO is a public authority and consequently is exempt from income tax. Accordingly, no provision has been made for income tax.

Statement of cost accounting policies

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

Critical accounting estimates and assumptions

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions might differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are in respect of:

- Assessing the useful lives of Plant and Equipment - refer to Note 7
- Assessing the useful lives of software - refer to Note 8
- Measuring long service leave and retirement gratuities - refer to Note 12.

Critical judgements in applying accounting policies

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

Budget and forecast figures

The basis of the budget and forecast figures are as follows.

The 2023 budget figures are for the year ended 30 June 2023 and were published in the Annual Report 2022. 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 2022/23.

The 2024 forecast figures are for the year ending 30 June 2024 and are consistent with the best estimate financial forecast information submitted to the Treasury for the BEFU for the year ending 2023/24.

The forecast financial statements have been prepared as required by the PFA 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 2024 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 29 March 2023.

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 2024 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 several assumptions on what may occur during the 2023/24 year.

The forecast figures have been compiled based on existing government policies and ministerial expectations at the time the Main Estimates were finalised. The main assumptions, adopted as at 29 March 2023, were as follows:

- The SFO's core activities and output expectations will remain substantially the same as the previous year focusing on the government's priorities.
- The 2023/24 appropriation does not include any new policy initiatives.
- Personnel costs are based on a monthly average 84.8 full-time equivalent employees, inclusive of vacant positions.
- Operating costs are based on historical experience and other factors that are believed to be reasonable in the circumstances and are the SFO's best estimate of future costs that will be incurred.
- Remuneration rates are based on current wages and salary costs, adjusted for any anticipated remuneration changes.
- Estimated year-end information for 2022/23 was used as the opening position for the 2023/24 forecasts.

The actual financial results achieved for 30 June 2024 are likely to vary from the forecast information presented, and the variations may be material.

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 shared with other agencies

Recovery from other non- government agencies for shared SFO employees, whose salary is paid by the SFO, is recorded as revenue in the month that the services are provided.

Recovery for overseas assistance on fraud issues

Recovery of SFO employee and equipment costs from the Ministry of Foreign Affairs and Trade for assistance provided to the Vanuatu Office of Public Prosecutions, is recorded as revenue in the month that the services are provided.

Breakdown of other revenue and further information

	Actual 2022 \$	Actual 2023 \$
Recovery for employees shared with other Agencies	135	152
Recovery for overseas assistance on fraud issues	7	21
Rental revenue from subleases	97	161
Gain on disposal of furniture and equipment	10	1
Payment from supplier for damaged floor	-	6
Recovery of jury duty reimbursement	1	-
TOTAL OTHER REVENUE	250	341

Asset disposals

During the year, the SFO sold surplus office equipment and furniture following a move to new premises. The net gain on disposals was \$1,474 (2022: \$9,935).

3. Personnel costs

Accounting policy

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

Salaries and wages

From time to time, the SFO seconded employees out to other government agencies or has employees seconded in from other government agencies. Where the other government agency takes responsibility for the seconded employees, receives the benefits of their outputs, and carries the risk associated with their work, the SFO does not reflect the expenditure in the financial statements. In 2022/23 there were no such secondees (2022: one).

Where the SFO takes responsibility for the seconded employees, receives the benefits of their outputs, and carries the risk associated with their work, the SFO reflects the expenditure in the financial statements. In 2022/23 there were three staff members (2022: three)

Superannuation schemes

Defined contribution schemes

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

Defined benefit schemes

The SFO does not contribute to any defined benefit schemes.

Breakdown of personnel costs

	Actual 2022 \$	Actual 2023 \$
Salaries and wages	9,048	10,603
Defined contribution plan employer contributions	-	233
Increase/(decrease) in employee entitlements	118	20
Employee training and development	121	91
Other	158	139
TOTAL PERSONNEL COSTS	9,445	11,086

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 2023 was 5% (2022: 5%).

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 an 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 2022 \$	Actual 2023 \$	Unaudited budget 2023 \$	Unaudited forecast 2024 \$
Fees for audit of financial statements	71	78	76	82
Fees for additional prior year audit services	-	29	-	-
Operating lease expense	637	914	1,237	1,123
Other occupancy expenses	(66) ^[1]	75	106	121
Legal fees on panel prosecutions	96	177	150	185
Consultancy	205	463	210	135
Travel	175	466	440	482
Information technology and telecommunications	2,306	2,257	2,121	2,620
Specialist advice - case related	402	293	383	434
Net loss on disposal of property, plant, and equipment	42	-	-	-
Other expenses	360	343	220	366
TOTAL OTHER EXPENSES	4,228	5,096	4,943	5,548

[1] Other occupancy expenses includes a credit in 2022 of \$136,459 which is the reversal of a provision for Queen Street lease that was not required by the landlord upon vacating.

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.

In measuring expected credit losses, short term receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

Short-term receivables are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation or the receivable being more than one year overdue.

All receivables are considered current and there are no expected credit losses.

Breakdown of receivables and further information

	Actual 2022 \$	Actual 2023 \$
Gross receivables	58	17
Less: allowance for credit losses	-	-
NET RECEIVABLES	58	17
TOTAL RECEIVABLES CONSIST OF:		
Receivables from supplier refunds (exchange transactions)	-	-
Receivables for SFO employee secondment (non-exchange transactions)	58	17

7. Property and equipment

Accounting policy

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

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

Additions

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

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

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

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the surplus or deficit.

Subsequent costs

Costs incurred after the initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the SFO and the cost of the item can be measured reliably.

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

Depreciation

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

	Useful life	Depreciation rate
Computer equipment	3-5 years	20% - 33%
Office furniture, fixtures and fittings and office equipment	3-5 years	9% - 33%
Fixtures and fittings - leasehold	Life of the lease	-
Motor vehicles	6 years	17%

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

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

Value in use is determined using a depreciated replacement cost approach.

If an asset's carrying amount exceeds its recoverable service amount, the asset is considered to be impaired and the carrying amount is written down to the recoverable service amount. The total impairment loss is recognised in the surplus or deficit.

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

Breakdown of property and equipment and further information

	Office furniture, fixtures and fittings, leasehold improvements \$	Office equipment \$	Computer equipment \$	Motor vehicles \$	Work-in- progress \$	Total \$
COST						
BALANCE AT 1 JULY 2021	726	112	572	48	-	1,458
Additions	395	-	509	-	-	904
Disposals	(702)	(13)	(124)	-	-	(839)
BALANCE AT 30 JUNE 2022	419	99	957	48	-	1,523
Balance at 1 July 2022	419	99	957	48	-	1,523
Additions	49	60	66	-	63	238
Reclassification	-	250	(250)	-	-	-
BALANCE AT 30 JUNE 2023	468	409	773	48	63	1,761
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES						
BALANCE AT 1 JULY 2021	633	59	387	24	-	1,103
Depreciation expense	77	23	136	6	-	242
Eliminate on disposal	(660)	(13)	(124)	-	-	(797)
BALANCE AT 30 JUNE 2022	50	69	400	30	-	549
Balance at 1 July 2022	50	69	400	30	-	549
Depreciation expense	91	94	137	4	-	325
BALANCE AT 30 JUNE 2023	141	162	536	36	-	873
CARRYING AMOUNTS						
At 1 July 2021	93	53	185	24	-	354
At 30 June and 1 July 2022	369	28	559	17	-	973
AT 30 JUNE 2023	328	247	237	13	63	888

Restrictions: There are no restrictions over the title of the SFO's property and equipment, nor are any property, plant and equipment pledged as securities for liabilities. (2022: \$nil)

8. Intangible assets

Accounting policy

Software acquisition and development

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

Costs that are directly associated with the development of software for internal use by the SFO, excluding software-as-a-solution (SaaS) arrangements, are recognised as an intangible asset. Costs associated with cloud computing arrangements which SFO does not control are expensed as incurred. Costs to configure or customise software in a cloud computing arrangement are recognised as intangible assets only if the activities create an intangible asset that the SFO controls and the intangible asset meets the recognition criteria.

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 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	5-6 years	17% - 20%

Critical accounting estimates and assumptions

Useful life of software

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

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

Breakdown of intangible assets and further information

Acquired software
\$

COST	
BALANCE AT 1 JULY 2021	173
Additions	-
Disposals	(35)
BALANCE AS AT 30 JUNE 2022	138
Balance at 1 July 2022	138
Additions	-
Disposals	-
BALANCE AS AT 30 JUNE 2023	138
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES	
Balance at 1 July 2021	125
Amortisation expense	11
Eliminate on disposal	(35)
BALANCE AS AT 30 JUNE 2022	100
Balance at 1 July 2022	100
Amortisation expense	10
Eliminate on disposal	-
BALANCE AT 30 JUNE 2023	110
CARRYING AMOUNTS	
At 1 July 2021	49
At 30 June and 1 July 2022	38
AT 30 JUNE 2023	28

Restrictions: There are no restrictions over the title of the SFO's intangible assets, nor are any intangible assets pledged as securities for liabilities. (2022: \$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 2022 \$	Actual 2023 \$
PAYABLE AND DEFERRED REVENUE UNDER EXCHANGE TRANSACTIONS		
Creditors	153	115
Income in advance for cost recovered services	89	72
Accrued expenses	570	486
Accrued capital expenses	301	-
Accrued rent payable	12	3
TOTAL PAYABLES AND DEFERRED REVENUE UNDER EXCHANGE TRANSACTIONS	1,125	676
PAYABLES AND DEFERRED REVENUE UNDER NON-EXCHANGE TRANSACTIONS		
Taxes payable (for example, GST)	266	171
TOTAL PAYABLES AND DEFERRED REVENUE	1,391	847

10. Return of operating surplus

	Actual 2022 \$	Actual 2023 \$
Net surplus	883	202
TOTAL RETURN OF OPERATING SURPLUS	883	202

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 cost note when applicable. The SFO has not incurred any finance costs in 2023 (2022: \$nil).

Lease make-good provision

There are no provisions in 2023 (2022: \$nil). The new Quay Street lease holds no current make-good obligations.

No provision has been made for the lease in Wellington, as the work done to the premises has been minimal.

Breakdown of provisions and further information

	Actual 2022 \$	Actual 2023 \$
NON-CURRENT PORTION		
Lease make-good	-	-
Total non-current portion	-	-
TOTAL PROVISIONS	-	-

Movements for each class of provision are as follows:

	Lease make-good \$	Total \$
BALANCE ON 1 JULY 2021	136	136
Addition / (reduction) of provisions	(136)	(136)
BALANCE ON 30 JUNE 2022	-	-
Balance on 1 July 2022	-	-
Addition / (reduction) of provisions	-	-
BALANCE ON 30 JUNE 2023	-	-

12. Employee entitlements

Accounting policy

Short-term employee entitlements

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

A liability and an expense are recognised for bonuses where there is contractual obligation or where there is a past practice that has created a constructive obligation and a reliable estimate of the obligation can be made.

Long-term employee entitlements

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

The calculations are based on:

- Likely future entitlements accruing to employees, based on years of service, years to entitlement, the likelihood that employees will reach the point of entitlement, and contractual entitlements information, and
- The present value of the estimated future cash flows.

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

Presentation of employee entitlements

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

Critical accounting estimates and assumptions

Long service leave and retirement gratuities

The measurement of long service leave and retirement gratuities obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will affect the carrying amount of the liability. The rates and assumptions used are those advised by the Treasury.

Measurement of the long service obligation was based on assessment of 76 employees as at 30 June 2023 (2022: 76).

The SFO has no retirement gratuities obligations (2023: \$nil) and no sick leave liability (2022: \$nil).

Critical accounting estimates and assumptions

	Actual 2022 \$	Actual 2023 \$
CURRENT PORTION		
Accrued salaries and wages	214	296
Annual leave	571	601
Long service leave and retirement gratuities	41	33
Total current portion	826	930
NON-CURRENT PORTION		
Long service leave and retirement gratuities	66	65
TOTAL EMPLOYEE ENTITLEMENTS	892	995

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.

Breakdown of equity and further information

	Actual 2022 \$	Actual 2023 \$
TAXPAYERS' FUNDS		
Balance at 1 July	890	890
Surplus/(deficit)	883	202
Capital Injections	-	150
Return of operating surplus to the Crown	(883)	(202)
BALANCE AT 30 JUNE	890	1,040
TOTAL EQUITY	890	1,040

Capital management

The SFO's capital is its equity, which comprises of taxpayers' funds. 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 PFA.

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 no related party transactions to disclose in 2023 (2022: \$nil).

Key management personnel compensation

	Actual 2022 \$	Actual 2023 \$
SENIOR LEADERSHIP TEAM, INCLUDING THE CHIEF EXECUTIVE		
Remuneration	1,958	2,067
Full time equivalent members	8.8 FTEs	8.7 FTEs

Key management personnel of the SFO comprised ten positions in 2022/23: the Director/Chief Executive, two Deputy Chief Executives, two Investigations Managers, Forensic Services Manager, Manager Prosecutions, Deputy General Counsel, Manager Business Services and Manager Counter Fraud and Strategy. From mid-June a new Deputy Chief Executive Strategy and Engagement role has been filled by a secondee from Justice. Also, there were short-term Acting roles within this group covering exits during the year and one person from outside of this group to cover annual leave.

There were no senior managers seconded to another government department in 2023 (2022: nil).

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

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

Related party transactions involving key management personnel (or their close family members)

- There were no close family members of key management personnel who were employed in 2023 by the SFO (2022: \$nil).
- There were no related party transactions involving key management personnel or their close family members in 2023 (2022: \$nil).

15. Events after the balance date

There have been no significant events after balance date.

16. Financial instruments

16A. Financial instrument categories

The carrying amounts of financial assets and financial liabilities in each of the PBE IFRS 9 financial instrument categories are as follows:

	Actual 2022 \$	Actual 2023 \$
FINANCIAL ASSETS MEASURED AT AMORTISED COST		
Cash and cash equivalents	2,506	1,959
Receivables (excluding taxes receivable)	58	17
TOTAL FINANCIAL ASSETS MEASURED AT AMORTISED COST	2,564	1,976
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST		
Payables (excluding income in advance and taxes payable)	1,037	604

16B. Fair value hierarchy

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) – Financial instruments with quoted prices for identical instruments in active markets.
- Valuation technique using observable inputs (level 2) – Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Valuation techniques with significant non-observable inputs (level 3) – Financial instruments valued using models where one or more significant inputs are not observable.

The SFO had no foreign exchange derivatives as at 30 June 2023 (2022: \$nil).

16C. Financial instrument risks

The SFO's activities expose it to a variety of financial instrument risks, including market risk, credit risk, and liquidity risk. The SFO has policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

Market risk

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises from future capital purchases and recognised liabilities, which are denominated in a foreign currency. The SFO purchases equipment software licences and data from time to time that is exposed to currency risk arising from various currency exposures, primarily with respect to the United

States and Australian dollars and the UK pound sterling. As of 30 June 2023, there was \$nil receivables and the following payables: USD \$67,438 (c. \$106,470), GBP \$16,500 (c. \$33,673 NZD), AUD \$nil (2022: \$6,601 GBP, no other receivables and payables in foreign currencies).

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate, or the cash flows from a financial instrument will fluctuate, due to changes in market interest rates.

The SFO has no exposure to interest rate risk because it has no interest-bearing financial instruments.

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.

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, receivables, and derivative financial instrument assets. There is no collateral held as security against these financial instruments.

Although cash and cash equivalents as at 30 June 2023 are subject to the expected credit loss requirements of PBE IFRS 9, no loss allowance has been recognised because the estimated loss allowance for credit losses is trivial.

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

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 (excluding derivatives) 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 (2022: \$nil).

	Carrying amount \$	Contractual cashflows \$	Less than 6 months \$	6 months - 1 year \$	1-5 years \$	More than 5 years \$
Payables 2023	115	115	115	-	-	-
Payables 2022	153	153	153	-	-	-

17. Explanation of major variances against budget

Explanations for major variances from the SFO's original 2022/23 budget figures are as follows:

Statement of comprehensive revenue and expense

Revenue Crown

Revenue Crown was \$150,000 less than budget due to income reclassified to taxpayer funds to provide for a capital injection to fitout the new SFO Wellington office that will be operational later in the 2023 calendar year.

Revenue other

Revenue Other was \$254,000 greater than budget due to:

- \$152,000 from Immigration New Zealand, the Financial Markets Authority, and the Commerce Commission for shared utilisation of an SFO-employed Electronic Forensic Investigator. This includes \$10,000 of income in advance from 2021/22 recognised as revenue in 2022/23.
- \$74,000 additional sublease income from the Crown Law Office for utilisation of the SFO in Auckland.
- \$21,000 for income received in advance from the Ministry of Foreign Affairs and Trade for SFO assistance provided to the Vanuatu Office of Public Prosecutors recognised as revenue in 2022/23.
- 7,000 proceeds from the sale of surplus office assets and cost recovery received from the supplier for damage to the flooring.

Personnel costs

Personnel costs were \$61,000 less than budget due to vacancies incurred over the year.

Other expenses (including depreciation, amortisation and capital charge)

Other expenses were \$42,000 less than budget following a restatement of intangible assets in June 2022 (refer to SFO Annual Report 2022, Note 19) that impacted the amortisation and capital charge expenses for 2022/23. This was partially offset by increased consultancy costs that supported the SFO strategy and provided cover for vacant positions.

Statement of financial position

Assets

The value of assets was \$175,000 less than budget due to:

- \$261,000 less cash in the bank pending payment of the surplus. This is reduced by additional expenditure on new office assets.
- \$125,000 less prepayments due the cost of electronic data space for evidence storage now being paid in arrears, previously this was paid upfront.
- \$219,000 additional non-current assets for the completion of fixtures and fittings purchases for the SFO Auckland office refresh, as well as initial purchases for the Wellington office refresh that will be completed in 2023/24.

Liabilities

The value of liabilities was \$104,000 greater than budget due to:

- \$222,000 less in creditors mostly related to less accrued expenses and GST payable.
- \$202,000 for the operating surplus payable to the Crown.
- \$280,000 increase in employee entitlements because of greater accrued salaries and wages than forecast.
- \$150,000 unwind of the lease make-good provision not required following the move to new premises for which there is no make-good obligation.

Statement of cash flows

The cash position at the end of the year was \$261,000 less than budget due to:

Cash flows from operating activities

- \$150,000 less Crown revenue due to a transfer of this cash classified as a capital injection.
- \$216,000 additional revenue for electronic forensic services and increase in the Crown Law Office sub-lease that was not forecast.
- \$212,000 is the result of additional payments made collectively to employees and suppliers offset by the impact of additional revenue other for provision of electronic forensic services to other government agencies and the increased cost of providing the Crown Law Office with dedicated office space within the overall SFO operating lease in Auckland.
- \$25,000 reduced capital charge paid this year due to a reduced taxpayers funds as at 30 June 2022 following an accounting adjustment reallocating prior year assets (capital) to expense.

Cash flows from investing activities

- \$100,000 additional expenditure on fixtures and fittings for the refresh of the Wellington office in 2023 and completion of the Auckland office refresh that began in 2022.

Cash flows from financing activities

- \$880,000 million return of 2021/22 operating surplus to the Crown.
- \$150,000 capital injection received from the Crown for purchase of fixtures and fittings for the Wellington office refresh, with new premises scheduled for completion in 2023/24.

Statement of budgeted and actual expenses and capital expenditure

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 2023. They are prepared on a GST exclusive basis.

Statement of budgeted and actual expenses and capital expenditure incurred against appropriations for the year ended 30 June 2023

Annual and permanent appropriations for Vote Serious Fraud

	Expenditure after remeasurements 2022 \$	Expenditure after remeasurements 2023 \$	Approved appropriation 2023 ^[1] \$	Location of end-of- year performance information ^[2]
DEPARTMENTAL OUTPUT EXPENSES				
Prevention, investigation and prosecution of serious financial crime	13,873	16,589	16,807	Pages 32-37, 43, 45, 54-55, 65-68, 75
TOTAL DEPARTMENTAL OUTPUT EXPENSE	13,873	16,589	16,807	
DEPARTMENTAL CAPITAL EXPENDITURE				
Serious Fraud Office - Permanent Legislative Authority under section 24(1) of the PFA	904	240	290	Page 75

[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.

There were no remeasurements of expenditure during the year (2022: \$nil).

Statement of expenses and capital expenditure incurred without, or in excess of, appropriation or other authority for the year ended 30 June 2023

Expenses and capital expenditure approved under section 26B of the Public Finance Act 1989 in 2023: \$nil (2022: \$nil).

Expenses and capital expenditure incurred in excess of appropriation in 2023: \$nil (2022: \$nil).

Expenses and capital expenditure incurred without appropriation outside the scope or period of appropriation in 2023: \$nil (2022: \$nil).

Statement of departmental capital injections for the year ended 30 June 2023

	Actual capital injections 2022 \$	Actual capital injections 2022 \$	Approved appropriation 2023 \$
VOTE SERIOUS FRAUD			
Serious Fraud Office - Capital Injection	207	150	290

Statement of departmental capital injections without, or in excess of, authority for the year ended 30 June 2023

Capital injections during the year without, or in excess of, authority in 2023: \$nil (2022: \$nil).





Independent Auditor's report

To the readers of the Serious Fraud Office's Annual Report
for the year ended 30 June 2023

Independent Auditor's report



To the readers of the Serious Fraud Office's Annual Report for the year ended 30 June 2023

The Auditor-General is the auditor of the Te Tari Hara Tāware - The Serious Fraud Office (the Department). The Auditor-General has appointed me, Ian Proudfoot, using the staff and resources of KPMG, to carry out, on his behalf, the audit of:

- the financial statements of the Department on pages 78 to 103, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2023, 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 Department for the year ended 30 June 2023 on pages 32 to 37, 43, 45, 54 to 55, 65 to 68, and 75; and
- the statements of expenses and capital expenditure of the Department for the year ended 30 June 2023 on pages 104 to 105; and

Opinion

In our opinion:

- the financial statements of the Department on pages 78 to 103:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2023; 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 Public Benefit Entity Reporting Standards Reduced Disclosure Regime; and
- the performance information of the Department for the year ended 30 June 2023:
 - presents fairly, in all material respects:
 - what has been achieved with the appropriation; and
 - the actual expenses or capital expenditure incurred as compared with the expenses or capital expenditure that were appropriated or forecast to be incurred; and
 - complies with generally accepted accounting practice in New Zealand.
- the statements of expenses and capital expenditure of the Department are presented, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.

Our audit was completed on 2 October 2023. 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 of Te Tari Hara Tāware – The Serious Fraud Office 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 of Te Tari Hara Tāware – The Serious Fraud Office for the information to be audited

The Chief Executive of Te Tari Hara Tāware – The Serious Fraud Office is responsible on behalf of the Department for preparing:

- financial statements that present fairly the Department’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.
- statements of expenses and capital expenditure of the Department, that are presented fairly, in accordance with the requirements of the Public Finance Act 1989.

The Chief Executive of Te Tari Hara Tāware – The Serious Fraud Office 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 of Te Tari Hara Tāware – The Serious Fraud Office is responsible on behalf of the Department for assessing the Department’s ability to continue as a going concern. The Chief Executive of Te Tari Hara Tāware – The Serious Fraud Office 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 Department, or there is no realistic alternative but to do so.

The Chief Executive of Te Tari Hara Tāware – The Serious Fraud Office’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 Department's information on strategic intentions.

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 Department'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 of Te Tari Hara Tāware - The Serious Fraud Office.
- We evaluate the appropriateness of the reported performance information within the Department'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 of Te Tari Hara Tāware - The Serious Fraud Office and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Department'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 Department 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 of Te Tari Hara Tāware - The Serious Fraud Office 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 of Te Tari Hara Tāware – The Serious Fraud Office is responsible for the other information. The other information comprises the information included on pages 1 to 31, 38 to 42, 44, 46 to 52, 56 to 64, and 73, 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 Department in accordance with the independence requirements of the Auditor-General’s Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES) 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 Department.



Ian Proudfoot

KPMG

On behalf of the Auditor-General
Auckland, New Zealand

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SERIOUS FRAUD OFFICE
TE TARI HARA TĀWARE

Te Kāwanatanga o Aotearoa
New Zealand Government