



SERIOUS FRAUD OFFICE

*Te Tari Hara Tāware*

**ANNUAL**

E.40

**REPORT 2022**



## **HIGHLIGHTS OF 2021/22**

**\$267 million combined total of alleged fraud in cases brought by the SFO**

**Welcomed new Director and Chief Executive Karen Chang**

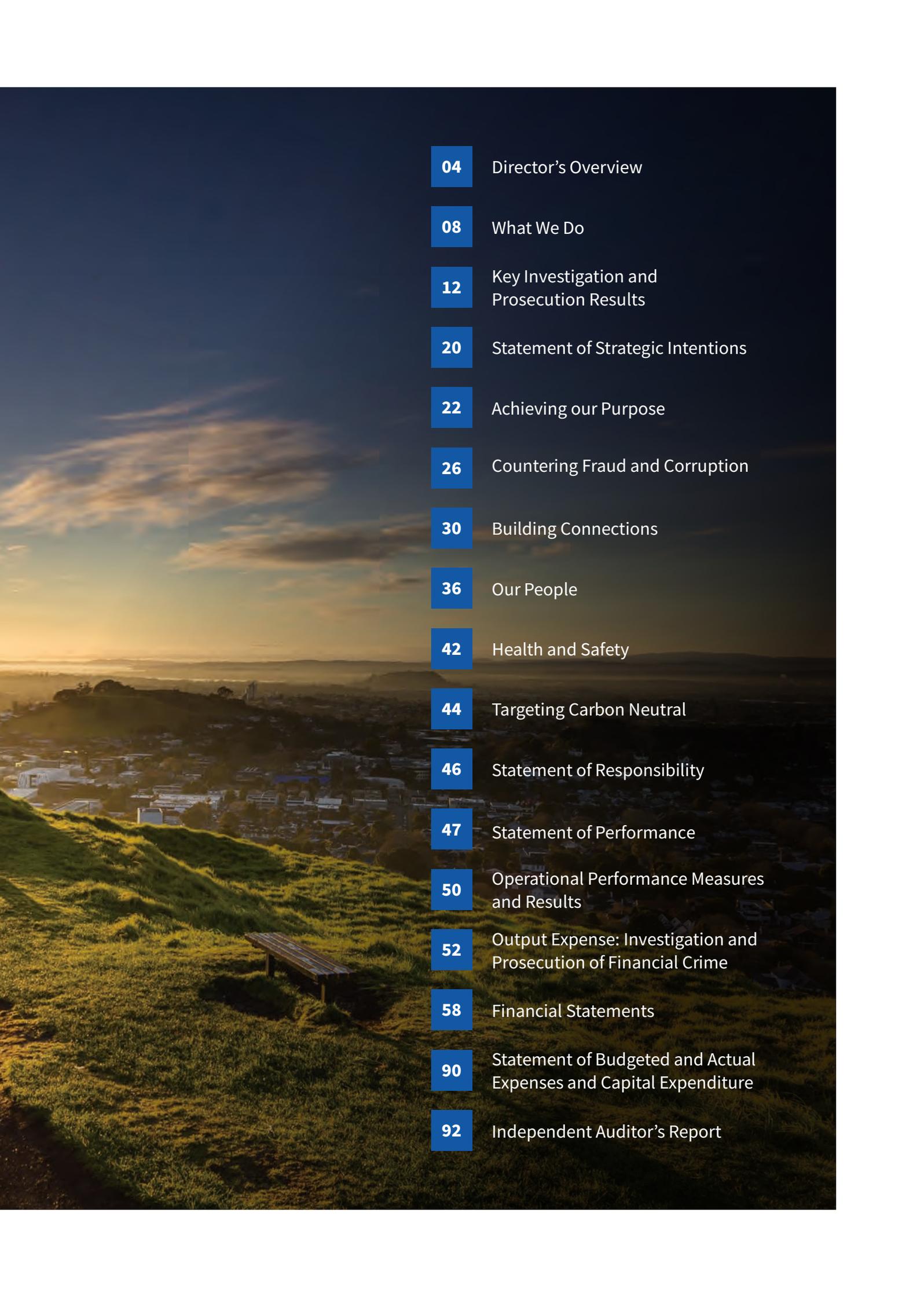
**Counter Fraud Centre permanently funded as part of Budget 2022**

**Moved to modern Auckland office space**

**New Zealand ranked first equal in 2021 Transparency International Corruption Perception Index**

**SFO workforce engagement score is 75% - compared to public sector average of 62%**





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## Director's Overview

It has been a privilege to take on the role of Director at an exciting time of evolution and growth for the Serious Fraud Office.

Fraud and corruption can have serious and lasting consequences, particularly when targeted at vulnerable groups or public funds. The SFO works to protect Kiwis' financial and economic interests and to promote our global reputation as a trusted place to do business. Its presence is a sign that New Zealanders value transparency, integrity and the wellbeing of their communities.

I've been particularly struck by how our mission drives our people every day and the pride they take in the work they do. New Zealanders are lucky to have such courageous and highly skilled people in their corner.

With a hugely impactful role, the SFO is well recognised and respected both in New Zealand and internationally. Looking ahead, we will continue to build on those strong foundations while ensuring we are innovating and modernising.

In recent years, the SFO has expanded its investigative capabilities to meet the increased complexity of investigations and prosecutions, opened a new Wellington office and broadened its work into fraud prevention.

Our core work continues to be the investigation and prosecution of serious and

complex financial crime and corruption. Out of the roughly 1000 complaints received each year, we are able to investigate around 30 to 50 cases at any given time. It's vital therefore to take a strategic approach in determining where to apply our specialist resources and where we can make the most impact in the current environment. We want to focus on the cases that matter to New Zealanders and that advance our mission.

## Impact of COVID-19

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The SFO team's tenacity has served them well throughout the pandemic. Along with the rest of the world, we have felt the impact of COVID-19. Lockdowns prevented us from carrying out certain investigative tasks and we experienced considerable disruption to our trial schedule, with four trials (and numerous administrative court appearances) adjourned or rescheduled due to COVID-19 this year. As a result, we have a heavy prosecution workload ahead of us.

COVID-19 has also impacted us in other ways. In October 2021 we announced a number of investigations into the alleged abuse of the Government's COVID-19 Wage Subsidy Scheme. The first SFO prosecution arising from those inquiries was commenced in August 2022. Overseas experience has shown that while large-scale fraud in relation to COVID-19 relief funds takes some time to detect it is very likely to be present. The economic impact of COVID is also likely to reveal existing fraud that might otherwise have gone undetected.

The theft of public money is a serious crime which diverts government funds away from where they're most needed. This is particularly acute in times of crisis.

Since early in the pandemic, the SFO has been sharing its expertise with the public sector to help build resilience against fraud and to ensure relief funds make it to their intended target. This work evolved into the Counter Fraud Centre - Tauārai Hara Tāware (CFC)

and we were pleased to receive funding in Budget 2022 to make our counter fraud work permanent.

The CFC focuses on increasing counter fraud capability and supporting the public sector to design and implement effective fraud and corruption prevention systems.

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 corruption.

New Zealand consistently ranks highly in the Transparency International Corruption Perception Index, and this year we once again placed first (equal with Denmark and Finland). However, there is no room for complacency. Our reputation for low levels of corruption brings considerable benefits and we take our role as a guardian of that reputation very seriously.

## Our people

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Throughout this year, our people have continued to show the determination, professionalism and skill that has underpinned the SFO's success for the last 30 years. Our reputation and highly specialised work means we are able to attract expert talent who are amongst the best in the country at what they do. We are fortunate they have chosen to commit their expertise to public service. Our latest employee engagement survey shows that our people are overwhelmingly proud of the benefit the SFO brings New Zealand and think it is a great place to work. Our workplace engagement scores consistently track well above the public sector average, reflecting the strong, positive culture we have built.



An area of focus is enhancing diversity in our workforce and uplifting our cultural capabilities, particularly in the area of Te Ao Māori. A group of employees have volunteered their time to form the Ngā Kaiwhakaterere team, responsible for steering the organisation on its journey in this area. Their work has been guided by Whāinga Amorangi, the framework developed by Te Arawhiti and Te Kawa Mataaho to support the public sector in meeting Māori-Crown relations responsibilities.

Our people have shown a strong desire to further their knowledge in this area, with over 90% of employees opting to participate in introductory te reo Māori lessons. A recent highlight was our inaugural Matariki celebration, where Ngā Kaiwhakaterere shared the origins and meaning of the tradition, and we recognised outstanding performances over the last year through our new CE Awards.

This year, the SFO's Auckland team relocated to a modern, fit-for-purpose office space which allows us to accommodate a growing team, implement flexible work practises and continue to co-locate with Crown Law. Feedback from our team about the new space has been very positive, with employees saying

the new space and technology allows them to communicate and collaborate with ease. As our Wellington team grows, we will ensure their office space evolves to meet their needs.

It is well documented that demand for employees is currently high in New Zealand, and the SFO continues to be challenged in this space as we compete for a small pool of candidates with specialist financial crime investigation skills and experience. We received additional funding in Budget 2022 to address remuneration cost pressures and we have started work to undertake a market salary adjustment.



## Looking forward

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Overall, we are excited about our future and focused on the challenges that lie ahead. Operationally, we will apply a strategic and proactive lens to ensure we are using our specialist resources in the best way to further our mission. We recognise that our people are our greatest asset and we are committed to ensuring they continue to find our culture and values rewarding. And we will work to build the right connections, both locally and globally, to protect New Zealand and our interests.

**Karen Chang**  
Chief Executive and Director



## Farewell to Julie Read

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February 2022 saw the departure of Director Julie Read after more than eight years at the helm of the SFO.

During her time, Julie oversaw the successful investigation and prosecution of a number of complex and high-profile cases. She was also instrumental in launching a new focus on fraud and corruption prevention, oversaw the opening of the SFO's new Wellington office, guided the agency through the challenges of the first stages of the COVID-19 pandemic, helped boost New Zealand's reputation globally and campaigned tirelessly against corruption.

Julie's time with the SFO was recognised in the 2022 Queen's Birthday and Platinum Jubilee Honours List, where she was appointed a companion of the Queen's Service Order (QSO) for services to the state.



## What We Do

Our purpose is to protect the financial and economic wellbeing of New Zealanders.

We are the lead law enforcement agency for preventing, investigating and prosecuting serious financial crime, including bribery and corruption. Our purpose is to protect the financial and economic wellbeing of New Zealanders.

Having an independent agency dedicated to combatting serious financial crime is integral to New Zealand's reputation for transparency, integrity and low levels of corruption. We administer the Vote Serious Fraud and report to the Minister of Police, who is responsible for the SFO.

The SFO focuses on cases that have a disproportionately high impact on the financial and economic wellbeing of New Zealanders. We typically receive around 1000 complaints a year. At any time, we have about 30-50 investigations and prosecutions underway. We must take a strategic approach to deciding where to best apply our specialised and limited resources.

In selecting the relatively small number of cases we are able to take on, we assess whether the suspected offence involves serious or complex fraud. We also need

to weigh up whether an investigation aligns with our strategic priorities, which reflect the areas of greatest threat to the economic and financial wellbeing of New Zealanders in the current environment.

Cases are selected and prioritised using criteria that address the scale of the crime and its impact on victims, the complexity of offending and degree of public interest. In the case of bribery or corruption, we investigate crimes that could undermine confidence in the public sector or are of significant public interest.

## How we achieve our purpose

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### Investigation and prosecution

We employ a highly experienced team of skilled professionals who investigate instances of possible financial crime. Where appropriate, we bring prosecutions to hold alleged offenders to account. We have statutory independence which means that operational decisions are made without Ministerial direction. We also have statutory powers to assist our investigations.

The SFO has strong technical competence in forensic accounting, electronic forensics, document management, and financial investigations and prosecutions. Our investigation teams are made up of multi-disciplinary groups drawn from each of these areas of expertise. Known as the Roskill Model, this structure is considered international best practice for the types of complex financial crime investigations we undertake.

Serious fraud, bribery and corruption can be extremely difficult to detect and successfully prosecute. Resolving these matters usually requires detailed forensic analysis of (primarily electronic) information by highly experienced and specialised investigators. Witnesses are often unwilling to speak without being compelled to do so. The Serious

In recent years our work has expanded into financial crime strategy and prevention activities. We lead fraud prevention efforts in the public sector and are working to strengthen the sector's resilience to fraud and corruption through our Counter Fraud Centre - Tauārai Hara Tāware (CFC). We are also working with partners to develop a National Counter Fraud and Corruption Strategy.

Most of our team is Auckland based. We also have 15 employees who carry out investigative, strategy and counter fraud work from our Wellington office.

Fraud Office Act (1990) provides the SFO with wide-ranging investigative powers which are necessary to effectively investigate offending of this nature.

Our cases involve large volumes of both physical and electronic evidence. On average, an SFO case will typically comprise over one million documents, while the largest can exceed more than five million.

### Countering fraud and corruption

We lead fraud prevention efforts in the public sector and are working to strengthen the sector's resilience to fraud and corruption through our Counter Fraud Centre.

In 2020, the Government approved additional funding to enable the SFO to lead public sector fraud prevention relating to COVID-19 relief packages and delivery of the second phase of an anti-corruption work programme. To support that focus, we established the CFC. Our Counter Fraud team produces information and guidance for the public sector and works directly with agencies to help build their resilience. In Budget 2022 the Government approved permanent funding for the CFC.

Our depth of experience means we are ideally placed to lead counter fraud activities,

through sharing our knowledge and expertise on the causes and impacts of complex financial crime and how to effectively address them. Our international connections help us leverage key insights and best practice generated by overseas organisations and agencies.

## Meeting New Zealand's international obligations

We regularly connect with our international counterparts and participate in global fora, networks or events. This enables us to help New Zealand meet its international commitments relating to corruption, maintain its reputation as a country with low levels of corruption and stay up to date with global financial crime trends.

## Contribution to the Government's goals

The SFO contributes to the Government's priority of tackling organised crime, through:

- our counter fraud work with the public sector; and,
- developing a National Counter Fraud and Corruption Strategy.

Both initiatives will impact on the ability of organised crime groups to engage in corrupt behaviour or commit financial crimes. We also contribute to cross-government leadership groups and policy initiatives on organised crime.

## Work with Justice Sector partners

New Zealand's criminal justice system helps keep communities safe by preventing crime from occurring and by addressing it fairly and promptly when it does.

We work closely with other agencies in the justice sector to deliver better outcomes for all New Zealanders. Our Chief Executive sits on the Justice Sector Leadership Board and we

contribute to various sector strategy and operational groups.

The SFO participated in a Justice Cluster initiative in Budget 2022 as part of a pilot initiated by the Minister of Finance to modernise the public finance system. NZ Police, Ministry of Justice, Corrections, Serious Fraud Office and Crown Law worked as a team to determine what programmes of work would need to be funded over the next four financial years. It required agencies to focus on shared outcomes, enabling money to be allocated where it will best deliver results.

In the long-term, the Cluster approach aims to encourage a shift in investment from more traditional justice processes and infrastructure towards earlier community-based prevention, support activity and responses.

As well as our public sector relationships we also maintain strong links with private sector interests, such as accounting firms and banks, and with our international counterparts in countries including Australia, the United States, Canada and the United Kingdom.

We have an SFO investigator based at the International Anti-Corruption Coordination Centre in London and work closely with members of the International Public Sector Fraud Forum, including the UK Cabinet Office and the Australian Commonwealth Fraud Prevention Centre. The SFO is also a member of the Economic Crime Agencies Network and the International Foreign Bribery Taskforce.





# Key Investigation and Prosecution Results

The Serious Fraud Office focuses on a relatively small number of cases that have a disproportionately high impact on the financial and economic wellbeing of New Zealanders. In the case of bribery or corruption, we investigate crimes that could undermine confidence in the public sector or are of significant public interest.

## IN THE 2021/22 YEAR:

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45 defendants

appeared before the courts in prosecutions brought by the SFO and via appeals.

\$267 million

Combined total of alleged fraud in cases brought by the SFO.

One prosecution commenced

Down from eight for the previous financial year due to the impact of COVID-19.

1099

financial crime complaints received.

31 complaints

became 'Part 1' enquiries – up from 29 for the previous financial year.

Part 1 enquiries determine whether the allegation should progress to a full investigation.

19 enquiries

advanced to a full 'Part 2' investigation, up from 11 last year.

Part 2 investigations determine whether the allegation should progress to a prosecution.

## Year in review

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The SFO's dedicated teams have worked hard to progress investigations and prosecutions over the last year, including during the COVID-19 pandemic and associated disruptions. We received 1099 complaints, 31 of which became enquiries under Part 1 of our Act. Nineteen enquiries advanced to full Part 2 investigations, up from 11 the year before.

However, the pandemic has had an unavoidable impact on our operations. The various lockdowns over the last few years have resulted in extended periods (particularly in Auckland) where we could not exercise certain statutory powers of investigation, such as conducting search warrants or in-person

interviews of witnesses and suspects. While we were able to continue other investigative work, these restrictions have delayed the completion of some SFO investigations and, therefore, the bringing of prosecutions.

We expect all of these delayed investigations to be completed in the 2022/23 year.

COVID-19 also caused considerable disruption to our trial schedule. Four trials (and numerous administrative court appearances) were adjourned and rescheduled due to COVID-19 during 2021. As at June 2022, six trials were scheduled to take place in the second half of 2022 (one of these has since been adjourned to 2024). This is a significant

prosecution workload and will mean fewer resources can be devoted to investigative work during this period.

In addition to these disruptions, COVID-19 has and will likely continue to contribute to our case load.

In 2020, the SFO received Government funding to specifically tackle financial crime arising from the COVID-19 pandemic. We have since commenced investigations into alleged abuse of the Government's COVID-19 Wage Subsidy Scheme. The allegations relate to multiple complex cases of potential fraud that were referred to the SFO following initial investigations into the matters by the Ministry of Social Development (MSD).

In August 2022 the SFO brought its first wage subsidy fraud case, charging an Auckland man for allegedly submitting 42 false COVID-19 wage subsidy applications totalling \$1.88 million. The man is alleged to have received \$600,000 of the \$1.88 million he attempted to claim by using applications which contained false information. He faces 43 charges and has entered not guilty pleas to all charges.

Based on the experience of other jurisdictions, while large-scale fraud in relation to COVID-19 relief funds takes some time to detect, it is very likely to be present. In addition, the economic impact of COVID-19 is likely to reveal existing fraud that might otherwise have gone undetected.

This expectation is consistent with New Zealand's previous experience following the aftermath of the Global Financial Crisis and the misconduct associated with the collapse of various finance companies.

## **Electoral finance matters**

New Zealanders are fortunate to live in a country with a robust democracy and a reputation for transparency, integrity and low levels of corruption. As the lead agency for investigating and prosecuting bribery and corruption, we are tasked with safeguarding

that reputation and it is a role we take very seriously. This includes examining conduct relating to the funding of New Zealand's national and local body elections.

In July 2022 two people were found not guilty following a three-week trial related to the NZ First Foundation. The SFO had charged the defendants (who have permanent name suppression) with using a fraudulent scheme to obtain control over donations intended for the NZ First Party. The decision is being appealed, with Crown Law filing a Notice for Leave to Appeal in August 2022.

A trial related to donations made to the National and Labour parties was heard in the High Court in July and August 2022. The SFO charged seven people with allegedly engaging in deception in connection with donations made to both the National and Labour parties such that they did not need to be declared under the Electoral Act and therefore would avoid public scrutiny. At time of report sign-off the judge's decision was pending.

The integrity and transparency of electoral funding regimes remains a significant and topical issue both in New Zealand and overseas. It is vital we respond to behaviour that may undermine the way electoral systems operate, to protect our democracy and ensure voters have confidence in electoral processes. An independent review of New Zealand's electoral law is underway to ensure the legislature is also considering and responding to these risks.

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## Completed prosecutions

### Kelly Tonkin and the Penrich Global Macro Fund

In December 2021, Kelly Tonkin was sentenced to eight years six months imprisonment (with a minimum non-parole period of four years and three months) on charges relating to the criminal deception of investors in the Penrich Global Macro Fund, which was part of the Penrich Group.

Mr Tonkin controlled the Penrich Group, a Cayman Islands registered company set up in September 2004. The Fund invested in a range of financial instruments including fixed income securities and currency instruments. Mr Tonkin was the main person responsible for making the Fund's investment decisions and was authorised to make redemptions from it.

Mr Tonkin intentionally deceived investors by overstating the value of the Fund by approximately \$116.9 million, in order to conceal losses and attract further investment.



*“As detailed earlier, there were multiple serious aggravating factors of Mr Tonkin’s offending. The duration and frequency of his offending, the amount of money lost and the number of victims place Mr Tonkin’s offending amongst the most serious fraud ever dealt with in the New Zealand courts. That position is reinforced by the gross breaches of trust, premeditation and sophistication involved.”*

- Judge AA Couch when sentencing Mr Tonkin

### Balclutha livestock agent John Williams

Balclutha livestock agent John Williams exploited his industry’s relationship-based trading practises to defraud both his employer, Rural Livestock (RRL), and his clients.

Mr Williams submitted false sale notes related to livestock sales and leasing agreements. At times he presented himself as the vendor of animals he didn’t own, sold stock which did not exist or created a fictitious entity. This caused Rural Livestock to incorrectly invoice or credit farmers who knew nothing of the transactions or had relied on Mr Williams’ handshake agreement. When errors were detected, Mr Williams used further false sale notes or gaps in the livestock transport,

identification, tracing and management systems to disguise his offending.

Rural Livestock suffered approximately \$1.3 million in losses as the direct result of Mr Williams' offending and through compensating affected farmers. Mr Williams pleaded guilty to two representative charges of false accounting, one representative charge of obtaining by deception and one charge of causing loss by deception. In December 2021, he was sentenced to 12 months home detention and has agreed to make partial reparation to Rural Livestock.

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*“... this offending involved significant loss to RLL, and harm to its reputation. Mr Williams, it involved an abuse of the trust placed in you by RLL and its clients, who in many cases were farmers who relied on you... Your offending was clearly premeditated and it was extremely complex for RLL, its staff, and the SFO to attempt to unravel.”*

- Justice Gendall when sentencing Mr Williams

## Charges filed

### Alleged road maintenance corruption

In February 2022, the SFO charged six people for alleged corrupt behaviour in the provision of road maintenance contracts in South Auckland.

The SFO alleges that two former employees of Broadspectrum (New Zealand) Limited received bribes in exchange for awarding road maintenance work to sub-contractors between 2015 and 2018.

Former roading contract manager Jason Koroheke faces three charges of obtaining by deception and 12 charges of acceptance of gifts by agent. He has pleaded not guilty.

Former Broadspectrum maintenance manager Aurelian Mihai Hossu (also known as Michael Hossu), pleaded guilty in April 2022 to four charges of acceptance of gifts by agent under the Secret Commissions Act 1910. He was sentenced to 11 months home detention. He also made a reparation payment of \$90,000.



Four sub-contractors who were awarded the work (Frederick Pou and Jeanette Pou of Coastal Roding Contractors, Richard Motilal of Engineering and Aviation Supplies, and one who has continuing name suppression) also face charges. They have all pleaded not guilty.

### **Alleged health procurement corruption**

In March 2022, the SFO filed charges against two people related to alleged corruption in the procurement and supply of medical equipment.

A former Auckland District Health Board (ADHB) employee faces charges under the Crimes Act of corruptly accepting or obtaining a bribe, obtaining by deception and corrupt use of official information. The defendant also faces two charges under the Secret Commissions Act of acceptance of a gift by an agent. A director of one of the equipment suppliers has been charged with corruption and bribery of an official.

The SFO alleges that the former employee abused their position for their own financial gain while procuring medical equipment. The SFO also alleges that the defendant accepted an undisclosed gift from an agent and disclosed confidential ADHB information to an overseas-based IT company.

Both defendants continue to have interim name suppression.

### **Alleged ‘Home of Football’ corruption**

The SFO filed charges against former Oceania Football Confederation employees in late 2021 in relation to the construction and delivery of the OFC’s ‘Home of Football’ complex in Auckland. The charges include conspiracy to commit an offence, namely obtaining by deception; money laundering; and causing loss by deception.

Following a hearing in the Auckland District Court in February 2022 an arrest warrant was issued for one of the defendants who is believed to be living overseas. Both defendants continue to have name suppression.

## Upcoming trials

The SFO's ongoing case work includes preparing for trials. At any one time, 50% of the organisation's investigative resources can be directed towards preparing cases for trial.

As outlined earlier, a number of trials have been adjourned or delayed due to COVID-19, resulting in a heavy prosecution workload in the second half of 2022. The three remaining trials expected to take place in 2022 are:

**Vivek Goel, Amar Singh, Ashish Sevta and Neha Bubna** have pleaded not guilty to corruptly manipulating Westland District Council's procurement processes for financial gain. The charges relate to three procurement processes including the Franz Josef wastewater treatment plant design and build contract. This seven-week trial is due to take place in October 2022.

**Bryan Martin, Viki Cotter, Sian Grant and Joshua Grant** have been charged with deceiving various banks into providing loans for the purchase of residential properties. Ms Cotter and Mrs Grant have both pleaded guilty and are expected to be sentenced in October 2022. The trial for the remaining defendants started in August 2022 and was still underway at time of report sign-off.

**Betty Sio** is alleged to have defrauded approximately \$260,000 from the now defunct Pacific Island Safety and Prevention Project, a charity that offered social support services in Auckland. Ms Sio has pleaded not guilty and her trial is expected to take place later in November 2022. Ms Sio's co-defendant, **Tapualii Uitime**, has pleaded guilty and was sentenced to two years and one month of imprisonment.



## OUR STRATEGIC

### PRIORITIES

#### 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

# Statement of Strategic Intentions

The SFO Statement of Strategic Intentions 2020-2024 identifies how the SFO will position itself to make a strong contribution

to protecting New Zealanders' financial and economic wellbeing, as well as contributing to the Government's goals.

**OUR PURPOSE IS...**

**Protecting  
New Zealanders'  
financial and  
economic  
wellbeing**



# Achieving Our Purpose

## STRATEGIC PRIORITY

**Conduct investigations and prosecutions of the highest quality and effectiveness**

### **Increased investigation and prosecution resources**

In 2020 the SFO formed a new Operations team, which brought together our investigation and prosecution functions. This was funded by an increase in Budget 2020 and has allowed the SFO to build its capacity to meet growth in demand for investigations, the increased complexity of our investigations and

prosecutions, as well as complete existing cases.

The implementation of the new team continued into 2021/22, partly due to delays in recruitment and COVID-19. Recruitment is now complete and the full team structure is in place. The SFO now has 50 investigative positions, compared to 36 as at 1 July 2020.

The new investigation managers have

strengthened operation processes and procedures, including through:

- Developing a strategy to provide a more dynamic approach to resourcing investigations and improve timeliness;
- Refining the complaint assessment and reporting process;
- Building a transparent career pathway aimed at developing and retaining our people;
- Re-designing quality assurance procedures to better assess the outcomes of our work and feed lessons into our continuous improvement processes;
- Updating document search strategies to better cope with the increasing volume of data and improve our disclosure processes.

### Technical Leads

New technical lead roles were created in late 2020 to support each of the SFO's investigative disciplines. During the 2021/22 year, the technical leads have contributed the following to strengthening the SFO's investigative and prosecution work:

- Created a competency framework for financial crime investigators.
- Designed and delivered bespoke training packages.
- Formalised our mentoring processes.

Training for the technical leads was delayed by COVID-19 but will be addressed in 2022/23.

### Increased investigative outputs

The new approach to managing investigative resources has enabled the SFO to better focus on its investigative performance measures, develop new management processes and generally increase its focus on case delivery.

The SFO reviewed its investigative output measures during the year and amended the

Estimates of Appropriation 2022/23 for Vote Serious Fraud. This had been delayed from the previous year, until the impact of the increased investigative resourcing became clearer.

A number of the investigative measures were changed to reflect increased capacity and efficiencies arising from the larger Operations team and strengthened management team. The enquiry and investigation timeliness targets were also amended to better reflect the complexity and challenges of SFO cases.

These changes will be reported against in the 2023 Annual Report.

### Building our Wellington investigations capacity

The SFO opened a Wellington office in early 2021 as part of efforts to establish closer links with the public sector, support its counter fraud work and establish an investigative resource in the region. The Wellington investigative function proved invaluable during the 2021/22 Auckland lockdown, as the team was able to progress investigations and undertake activities while the Auckland team's movements were restricted.

Currently six investigative employees are based in Wellington, together with the Counter Fraud and Strategy team.

### Sharing our investigative experiences

During the 2021/22 year we published eight case studies based on our experiences on our Counter Fraud Portal, including:

- *Fraud detected while an employee was on leave.*
- *Whistleblower policy allows integrity team to support an investigation into procurement corruption.*
- *Failed governance leaves a \$1 million Trust with inter-generational debt.*

## Having the right tools and systems to support our operations - managing the rising tide of electronic evidence

With the rapid evolution of technology and move towards a paperless society, law enforcement agencies around the world are having to adapt to deal with the huge growth in digital evidence. The amount of data being created globally is growing exponentially and our electronic forensics team is kept busy analysing huge amounts of information as well as upskilling and staying on top of new trends and technology.

The SFO currently holds 12 terabytes (TB) of electronic evidence in our Relativity evidence management system. Fifteen of our cases have in excess of one million documents.

In 2021 our Electronic Forensic Unit (EFU) collected and processed around 53 TB of data from electronic devices seized by the SFO, including 4.8 TB from mobile phones alone.

In the 2021/22 year we have grown our electronic forensics capability by recruiting:

- two new electronic forensic technician roles (in July 2021);
- an additional electronic forensic E-Discovery management co-ordinator role to administer the Relativity evidence management system and free up EFU capacity.

We have built a larger electronic forensic facility in our new Auckland office to house the enlarged team and meet their specialist requirements.

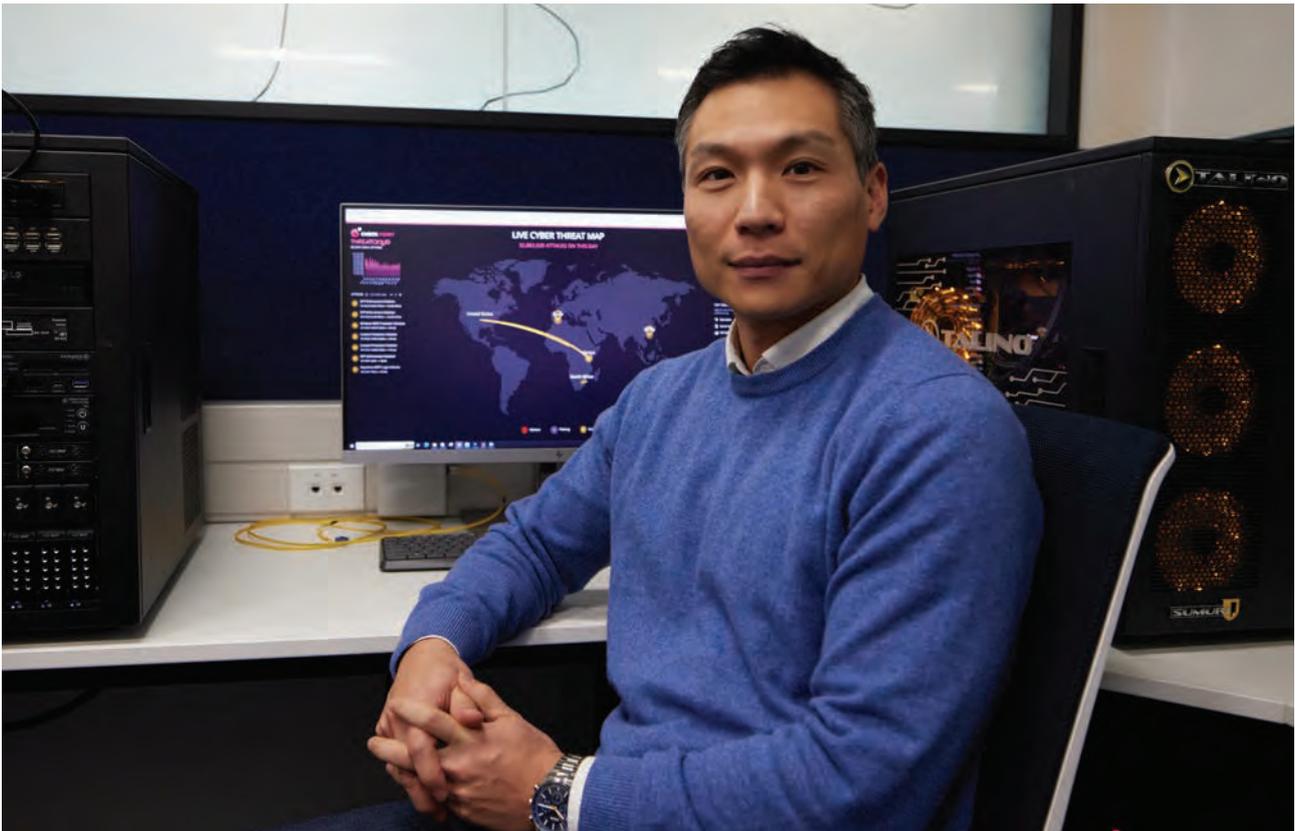
## Evidence management

The SFO has continued to review and strengthen its case and evidence management systems, including through:

- Finalising changes to our disclosure processes;
- Appointing a new disclosure officer, with responsibility for the legal application of criminal disclosure;
- Appointing a briefing officer to streamline the briefing of prosecution cases.

The SFO upgraded its Relativity evidence management system to a new Relativity One cloud-based product in August 2021. This offers significant benefits over the legacy system including greater oversight of cost and capacity and reducing the cost and resources associated with managing the infrastructure.

The full implementation continued to be developed during 2021/22 with full efficiencies expected to be seen in future years. Since January 2022, the automated workflows in Relativity One are estimated to have saved around 600 hours (80 days) of investigative time in analysing electronic evidence.



## Developing the next generation of electronic forensic investigators

With experienced electronic forensic investigators in high demand and scarce supply, the SFO has created new technician roles with the intent of developing the next generation.

As part of their training, our two technicians attended an International Association of Computer Investigative Specialists (IACIS) basic computer forensic examiner course (BCFE) in the United States in April 2022. The course teaches the basic forensic concepts and techniques needed to identify and analyse electronic data, including using best practice for handling electronic devices and employing tools to identify crucial data.

Completing the BCFE enables them to enter the IACIS Certified Forensic Computer Examiner (CFCE) certification process. IACIS certification is a prerequisite

for SFO employees to act as forensic examiners and give expert evidence in court.

Our technicians are in good hands with our Principal Electronic Forensic Investigator, Jung Son, who was invited to share his considerable knowledge at the IACIS event as an advanced forensics lecturer.

Jung has also been helping develop forensics skills in New Zealand. He developed and delivered two bespoke electronic forensics training courses attended by electronic forensic investigators from the SFO, Department of Internal Affairs, Police and Customs. These courses were designed to upskill electronic forensic investigators in detailed, technical areas of knowledge.



# Countering Fraud and Corruption

## STRATEGIC PRIORITY

### Lead strategies to prevent financial crime and corruption

While the investigation and prosecution of serious financial crime and corruption remains the SFO's core focus, in 2020 the agency was funded to tackle fraud arising during the COVID-19 pandemic. This included 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 - Tauārai Hara Tāware (CFC), which was funded on a permanent basis in Budget 2022. The CFC focuses on increasing counter fraud and corruption capability and supporting the public sector to design and implement effective fraud and corruption prevention systems. Fraud involving public funds diverts

money away from vital areas such as health, infrastructure or a crisis response. It also undermines confidence in public institutions.

Budget 2022 also funded the ongoing development of a National Counter Fraud and Corruption Strategy. In total, the additional funding is \$11.364 million over the next four years.

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 Zealanders' financial and economic wellbeing.

New Zealand is consistently ranked highly in the Transparency International Corruption Perception Index, however there is no room for complacency. Our reputation for low levels of corruption brings considerable benefits and is something we must remain vigilant about protecting.

#### **SOI Activities:**

- **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 Counter Fraud Centre.



## **COUNTER FRAUD CENTRE**

Tauārai Hara Tāware

### **Counter Fraud Centre - Tauārai Hara Tāware**

The Counter Fraud Centre – Tauārai Hara Tāware (CFC) – was launched in July 2021 with two main purposes:

- To increase counter fraud and corruption capability and resilience to fraud within the public sector, by supporting agencies to design and implement more effective fraud and corruption prevention programmes; and,
- To influence a change in mindset around the discovery of fraud and encourage a shift in thinking to accept that looking for and finding fraud is a good thing.

During the 2021/22 year the Counter Fraud Centre has carried out counter fraud and anti-corruption activities including:

- Continuing to grow its Community of Practice (CoP), which is made up of 69 individual members from across 34 Government agencies. The CoP meets monthly to hear presentations from subject matter experts covering relevant topics, including the Office of the Auditor General Integrity Framework and changes to the Protected Disclosures Act.
- Developing its Counter Fraud portal, an online hub for the public sector, which provides a range of resources including guidance documents and case studies. There are 160 registered users of the Portal, representing 42 central government agencies, 27 local government agencies, and three international users (from Australia and the Cook Islands).

- Delivering three webinars for Local Government New Zealand (LGNZ), which covered Corruption Risk in New Zealand; Preventing Financial Crime in times of Crisis; and Insider Threat and Conflicts of Interest.

From July 2022, the Counter Fraud Centre's work will expand to include:

- Customised counter fraud support (for Government agencies): We will support agencies to meet their counter fraud and corruption requirements. Our approach is backed by internationally recognised methods for fraud and corruption prevention, including our secure online library of counter fraud templates and guides.
- Cross-government engagement: We support stakeholders to identify wide-reaching, systemic, or significant fraud and corruption risks and threats. To do this, we will partner with central, local and international government agencies to share technical knowledge.
- Training solutions: Developing practical and accessible counter fraud and corruption training resources for public servants, representatives, and local government employees and the communities they serve.
- Funding reviews: Providing counter fraud advice to agencies which deliver grant programmes.

## Leveraging international connections

The CFC is a member of the International Public Sector Fraud Forum (IPSFF) – a Five Eyes group established by the UK Cabinet Office to improve the resilience of public agencies against fraud and to share best practice.

Where appropriate we have linked agencies to the IPSFF network, where they can directly share information and experience with their overseas counterparts (for example, use of data analysis to identify potential fraud). We will continue to provide a joined-up approach with strategic risks and the agencies responsible for addressing them.

In May 2022 members of the CFC met with the UK Cabinet Office and the Australian Commonwealth Fraud Prevention Centre in Canberra. We gained knowledge about best practice in this area which we will apply in New Zealand.

## Work with stakeholders to develop a national counter fraud and corruption strategy

A robust system-wide response to financial crime and corruption is important for the financial and economic wellbeing of New Zealanders.

The SFO has been working with the Ministry of Justice and New Zealand Police to develop a National Counter Fraud and Corruption Strategy (NCFCS). In November 2021 the SFO held workshops with stakeholder agencies to understand the barriers to effective coordination. This resulted in a Landscape Report completed in September 2021.

In May 2022, a governance group agreed that the scope and focus of the strategy should be on fraud and corruption rather than on financial crime more broadly. This decision recognises that other agencies (such as NZ Police, the Commerce Commission and Financial Markets Authority) are the appropriate lead in initiatives against certain financial crime types. As a result, the NCFCS will seek to align the fraud and corruption-related outputs of agencies across the public sector during 2022/23. This coordinated approach builds on work already underway on foreign interference and trans-national organised crime.

As part of developing the NCFCS, SFO employees have attended the Trans-National Organised Crime (TNOC) working group, Intel Policy Group and Open Government Partnership working group.

Following feedback from relevant agencies, the NCFCS project team will propose a range of initiatives that public sector bodies can pursue, to:

- harden New Zealand as a target;
- identify and address emerging fraud and corruption risks;
- support victims through reporting and investigation;
- lift capability to identify and interrupt fraud and corruption;
- increase transparency and accountability; and
- improve data collection and reporting about fraud and corruption.

The SFO anticipates providing a draft strategy that our Minister can take to Cabinet in early 2023. In the future, once public sector agencies sign up to an agreed strategy, we will consider expanding it to local government, iwi, NGOs and the private sector. This would involve significant co-design and consultation to make sure that the broader strategy is accessible, pragmatic and meets stakeholders' needs.



# Building connections

## STRATEGIC PRIORITY

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

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 helping review New Zealand's compliance with its commitments.

Strong global connections, mutual cooperation and the sharing of information

are critical to address corruption in New Zealand and around the globe, especially now financial crime and corruption increasingly features cross-border activity. By regularly interacting with our international counterparts and participating in global networks, we stay up to date with international trends and help maintain New Zealand's reputation as a country with low levels of corruption.

These networks also help us operationally, allowing us to further our cases by sharing information across borders and undertaking enquiries in our respective jurisdictions. We also assist international agencies in an advisory capacity. Recent examples include:

- Assisting the Vanuatu authorities in relation to the investigation and prosecution of alleged corruption. This matter is soon to go before the Vanuatu courts. The SFO has provided investigative and technical assistance.
- We have engaged with authorities in Asia, the United States, Europe and the Pacific to receive and provide information relating to fraud and corruption matters.
- Supporting the Cook Islands through providing access to anti-corruption resources via our CFC online portal.

## Asia Pacific Economic Cooperation 2021 (APEC)

The SFO chaired the APEC Anti-Corruption and Transparency Working Group (ACTWG) during New Zealand's host year throughout 2021, a significant undertaking for a small Government agency.

During the August 2021 Senior Officials Meeting 3, then SFO Director Julie Read chaired the ACTWG plenary meeting which was attended by 18 APEC member economies. Leading up to the plenary meeting, the SFO worked with other members to develop a new ACTWG Terms of Reference for the next four years. The new Terms of Reference was agreed shortly after the plenary meeting.

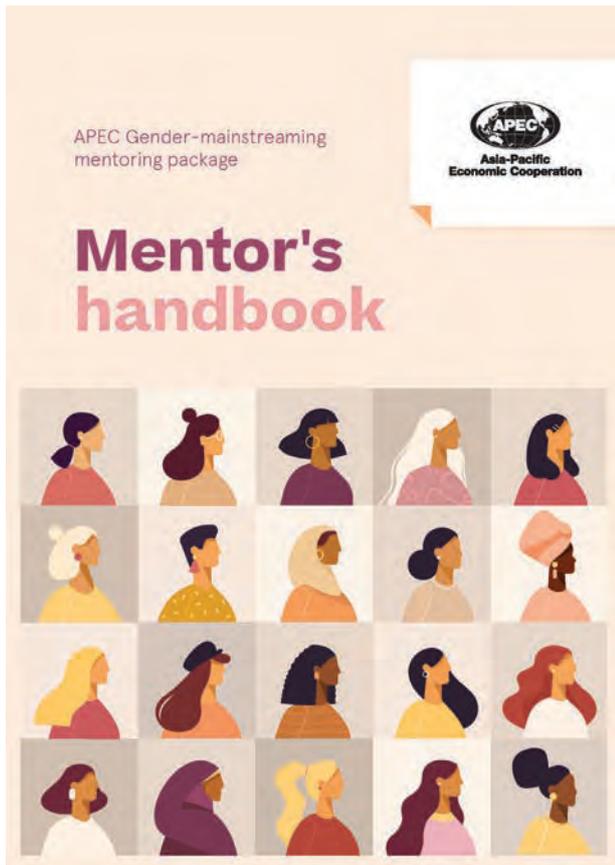
The SFO virtually attended the ACTWG plenary and Anti-Corruption and Transparency Law Enforcement Officials Network meetings hosted by Thailand in February and August 2022. The SFO has also been supporting Thailand with the development of a new ACTWG Strategic Plan.

## Preventing Corruption in Crises

As part of APEC, in August 2021 the SFO organised and hosted a joint APEC, Organisation for Economic Cooperation and Development (OECD) and Asia Development Bank three-day webinar, Preventing Corruption in Crises. The first two days covered law enforcement topics with the third day focused on business integrity. SFO Deputy Chief Executive Corporate and Strategy Graham Gill chaired one webinar, with representatives from the OECD and ADB chairing the other days. Presenters included:

- Royal Canadian Mounted Police and the Federal Bureau of Investigation's International Corruption Squad on how each agency responded to corruption during the COVID-19 pandemic.
- The Indonesian Corruption Eradication Commission on how Indonesia responded to corruption arising from COVID-19 and the importance of inter-agency cooperation.
- Brook Horowitz of the United Nations Development Programme's FairBiz project for promoting a Fair Business Environment in ASEAN spoke about how COVID-19 affected corruption risks for small and medium sized businesses in the region and what the emerging risks were.

Over the three days 110 people from across 18 member economies and non-APEC organisations attended the webinar, including non-government organisations.



### Gender mainstreaming mentoring guides

APEC has been working to advance women's economic prospects in the region. Research shows corruption is likely to have a greater impact on women's economic wellbeing when compared to men, but also impacts them differently.

In 2019, Chile included 'Women, SMEs and Inclusive Growth', as one of its APEC-related priorities. The La Serena Roadmap for Women and Inclusive Growth aims to ensure greater economic integration and empowerment of women in the Asia-Pacific region. As the 2020 host of APEC, Malaysia developed a set of recommendations focused on empowering women in the fight against corruption.

During its 2021 host year, New Zealand sought to continue this focus through a project jointly funded by APEC and New Zealand. That project delivered three key outputs: a research paper on the results of a survey of women from APEC anti-corruption agencies; a virtual symposium bringing together experts in issues

related to gender, gender mainstreaming and corruption; and a training guide that focuses on mentoring women in anti-corruption agencies.

The research showed that there was a lack of mentoring programmes available for women in APEC anti-corruption agencies. Based on this, former SFO Prevention Advisor Dr Katja Rangsidek developed a mentoring guide for anti-corruption agencies.

In late 2021 and following some late-stage negotiation between APEC member economies, two guides were adopted and published as APEC publications - a mentoring guide for female employees in corruption agencies and an accompanying guide for mentees.

### United Nations Convention Against Corruption

In 2015 New Zealand ratified the United Nations Convention Against Corruption (UNCAC). The review of New Zealand's compliance with UNCAC commenced in May 2022. The project will be led by the Ministry of Justice (MOJ), however as the lead agency for investigating bribery and corruption we will play a key role in the review process.

New Zealand has been selected as a reviewer for the UNCAC review of Suriname. The SFO will be working with the MOJ on this work, which will include an in-country inspection visit in 2023.



## 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.

All founding partners committed their agencies to the IACCC until July 2027. Over the last five years the centre has developed and refined its capabilities while delivering results including the dissemination of over 100 intelligence packages, identification of £1.3 billion in tangible assets, and the loss prevention of assets valued at £520 million through temporary restraint by the relevant Court.

The SFO sits on the IACCC's governance board and attended virtual board meetings this year.

In March 2022, the SFO signed a refreshed memorandum of understanding with the IACCC which came into force in April. Acting Director Paul O'Neil is pictured signing the MoU.

The SFO has a 0.5 FTE investigator, Grant Cherrington, 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 2021/22, Grant managed 28 requests for information which were directed to the SFO or other New Zealand law enforcement agencies. He also acted as a case officer on six IACCC cases. Where necessary, an SFO employee in New Zealand has acted as the coordination point for requests for information, including liaising with other New Zealand agencies when needed.

As the Lead Case Officer supporting a referral from Angola, Grant was part of a four-person deployment to Luanda to deliver a workshop to 30 colleagues, investigators and prosecutors from the Angolan Attorney

General's Office (PGR). The workshop concentrated on international intelligence exchange, drafting of mutual legal assistance requests to secure evidence and dealing with asset freezing, restraint and confiscation.

The deployment team from the IACCC, UK Central Authority supporting Angola's current investigations and PGR operational teams also met to discuss case progression and identify any further opportunities for assistance and support.

In August 2022 the IACCC investigator also attended the Pacific Regional Law Enforcement Conference in Fiji on behalf of the IACCC. He then met with the Australian Federal Police in Melbourne and Canberra, presenting on the work of the IACCC.

## **Organisation for Economic Cooperation and Development (OECD)**

The SFO virtually attended OECD meetings during the year, including the Working Group on Bribery's Law Enforcement Officials meeting and the Global Law Enforcement Network.

As part of its role hosting APEC the SFO also organised and hosted a joint OECD-Asia Development Bank three-day webinar on Preventing Corruption in Crises. This was assisted by the good relationships the SFO has established with the OECD secretariat.

The SFO is acting as a lead reviewer for the Working Group on Bribery in International Business Transactions' Phase 4 review of Hungary's progress in implementing the OECD's Anti-Bribery Convention.

This work is being jointly undertaken with the Ministry of Justice and representatives from the Slovak Republic.

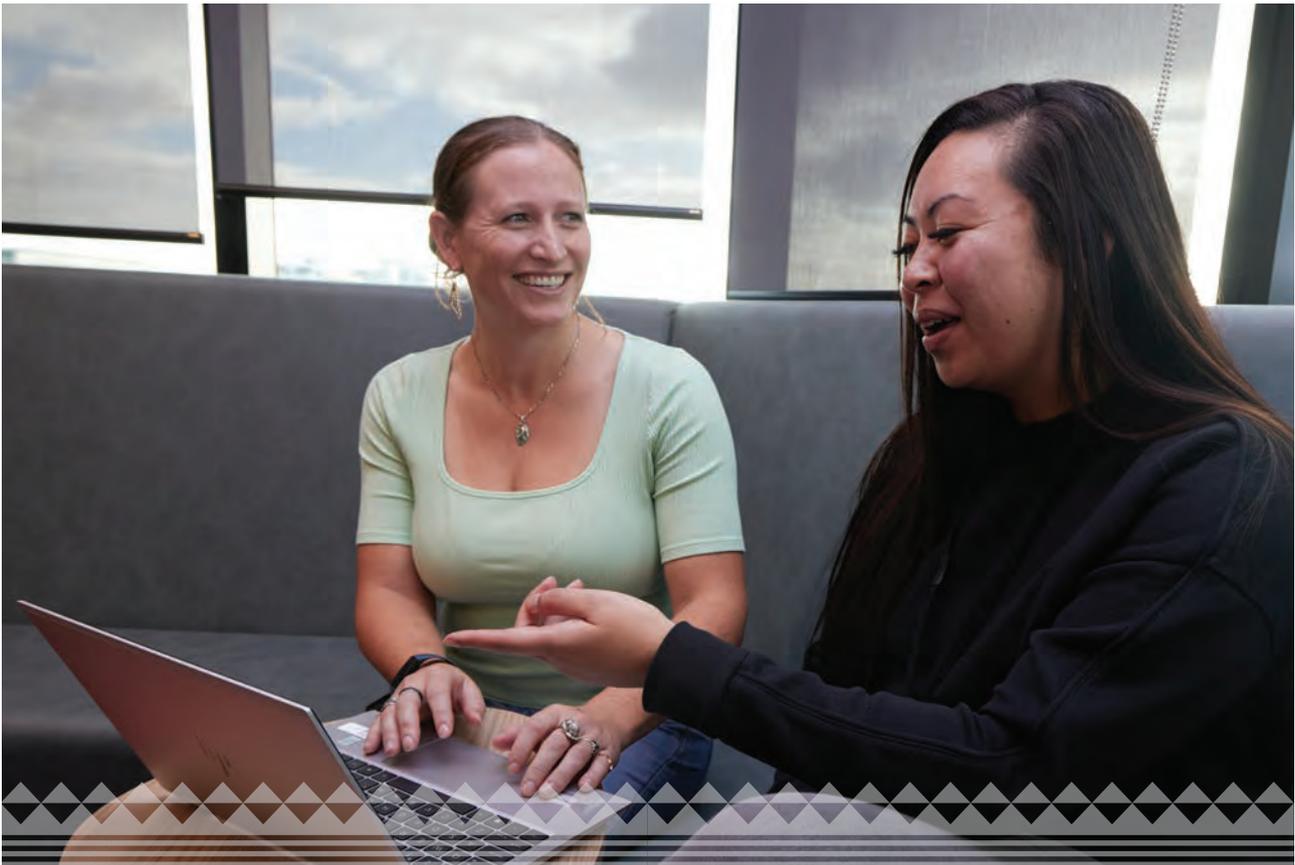
In May 2022 the SFO, representing New Zealand, joined the OECD's Asia-Pacific Anti-Corruption Initiative. This is a regional forum for supporting national and multilateral efforts to address and reduce corruption in Asia and the Pacific, primarily through the effective implementation of the United Nations Convention Against Corruption. This is achieved through capacity building based on peer-learning, mutual support and exchange of expertise.

## **GlobE**

We are monitoring New Zealand's potential involvement in Global Operational Network of Anti-Corruption Law Enforcement Agencies (GlobE), a recently established network to facilitate global co-operation between law enforcement agencies. GlobE is administered by the UN Office on Drugs and Crime (UNODC). Our IACCC investigator attended the second annual meeting in Vienna in early July 2022 as an observer on behalf of the IACCC.

**Strong global connections, mutual cooperation and the sharing of information are critical to address corruption in New Zealand and around the globe.**





# Our People

The Serious Fraud Office is a leading employer of financial crime investigation experts. Our highly skilled and committed employees are the cornerstone of our success.

Our people are engaged, purpose-driven and integral to our ability to deliver on our strategic objectives.

The SFO currently has 78 employees (76 permanent and 2 fixed term). They are based in two offices in Auckland and Wellington.

Following the 2020 organisational review, combined with recruiting to replace natural attrition, 24 new people joined the SFO whānau. We have paid particular attention to ensuring we have the right people and capabilities to build and develop a positive culture.

Our values, first adopted in 2014, are:

- **Excellence** – we strive to be a world-class financial crime and corruption agency.
- **Pride** – in the work that we do and our contribution to New Zealand.
- **Connect** – Recognising our strengths and opportunities, and those arising from close collaboration with and connections across agencies and sectors.

We intend to refresh the SFO values in 2023 to bring them up to date and ensure they are relevant for current SFO employees.

## Employee engagement

We have a highly engaged and motivated workforce, as evidenced by our workforce engagement scores. The SFO team has remained highly resilient and committed throughout the challenge of COVID-19, associated restrictions and the impacts these have had on our operational work.

- **94.4%** of employees took part in this year's Ask Your Team survey (compared to a public sector average of 48%).
- Our overall engagement score was **75%**, 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.

In 2022 we introduced a Chief Executive Award to celebrate excellence and outstanding performances in our team. A winner will be selected by the Executive Leadership Team every six months – at the end of the year, and at the SFO's new annual Matariki celebration. Our first winner was Forensic Accountant Lucy Talbot.



## Organisational structure

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In 2020 the SFO established a new organisational structure following additional funding in Budget 2020. Recruitment to fill these roles continued into 2021/22 (partly due to COVID-19) and is now complete, with the new structure fully operational.

We have continued to optimise our structure to reflect our organisational context and priorities:

- Creation of the Counter Fraud Centre and associated funding has seen the Strategy and Prevention Team become the Counter Fraud and Strategy Team.
- Resources have been shifted to the electronic forensic team to reflect the increased demand for this technical discipline's core work.

## Training and development

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The SFO invests in a range of training 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.

Training opportunities we have offered this year include:

- SFO people leaders have undertaken personal development focusing on the 10 Behaviours of Successful People, and a coaching programme has been put in place to develop specific areas of leadership.
- Our operations' principals participated in a facilitated collaboration workshop with the aim of aligning operational and people leadership practices. This helps our case teams understand what is expected of them under the leadership of any one of our principals.
- Investigation managers and principals created a technical competency development framework for lawyers, forensic accountants investigators. This framework is used to assess promotion readiness.
- Electronic forensics is a highly specialised area of investigations with a skillset that is in huge demand worldwide. Qualified candidates are scarce, so the SFO has created two entry level technician roles with the intention of training and developing their skills. The two technicians attended an International Association of Computer Investigative Specialists (IACIS) basic computer forensic examiner course in the United States in April 2022.
- In April 2022 employees were offered te reo Māori lessons as part of the SFO's wider Whāinga Amorangi work, with 71 employees (of a total 78) opting to take part.
- Throughout the year the SFO invested in the continuing professional development (CPD) of our lawyers and forensic accountants, ensuring they are across the latest developments in their profession.



## Our working environment

In February 2022 the SFO's Auckland team relocated to 188 Quay Street. This enabled the agency to meet its accommodation priorities, including:

- accommodating an increased headcount;
- adopting a modern working environment;
- implementing 'flexible by default' work practices;
- allowing continuation of the existing co-location with Crown Law Office.

The office design enables employees to work in a more collaborative and project-based manner which better reflects the nature of work they carry out. It includes an open plan environment with communal activity areas and more spaces for interaction and collaboration, enhanced use of technology to support new ways of working and a choice of workplace settings employees can adapt to best suit their work.

The new office space has been well received by the team. The annual Have Your Say employee engagement survey found:

- 81% of employees say SFO office furniture and fittings meet their work needs.

- 80% of employees say the spaces and technology enable them to communicate and collaborate across offices and with external parties with ease.

We are working on plans to expand and upgrade our Wellington office to the same standard in 2022/23.

The SFO's accommodation costs for 2022/23 are forecast to be over 100% higher than 2019/20, primarily due to the new Auckland premises and opening of the Wellington office in 2020. Additional baseline funding in Budget 2022 of \$2.095 million over the next four years will enable the SFO to meet this cost pressure.

With most SFO employees based in Auckland, the Omicron outbreak of 2021 meant many of our team effectively worked from home for almost four months. Our investment in technology and experience from previous lockdowns meant this was able to happen relatively seamlessly, although it did impact on investigative functions (as outlined elsewhere).

## Addressing employee turnover

While we have a dedicated and engaged workforce, in recent years the SFO has experienced challenges with employee retention and attracting new recruits. This is primarily due to an inability to meet market salary rates for expert financial crime skills and experience.

Other agencies and the private sector all compete for a small pool of experienced employees and are better placed to meet salary expectations in a limited market. Employee turnover has an impact on productivity due to the need to re-assign work, delays in recruiting new employees and the training, supervision and time needed to bring new employees up to the required level of expertise. The key impact has been on investigation completion times.

In 2020 the Government applied a pay restraint on the public sector as part of the response to COVID-19.

We continue to be affected by this and are guided by Te Kawa Mataaho on its application. In accordance with the Pay Guidance, in 2021/22 we made salary adjustments where a gender or ethnic pay gap was identified. No other pay increases were applied.

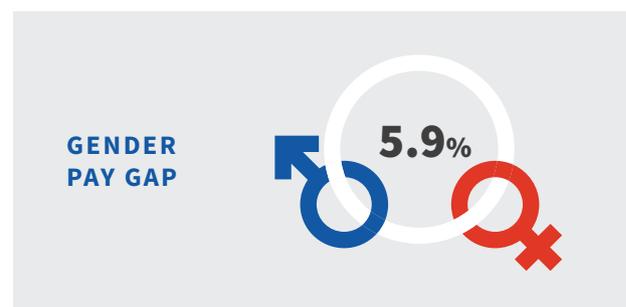
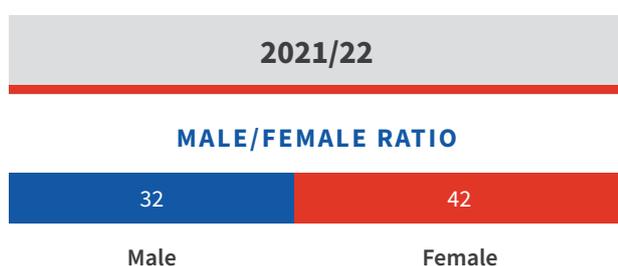
The SFO received additional baseline funding in Budget 2022 of \$4.33 million over the next four years to address remuneration cost pressures. We have commenced a review of our remuneration structure to ensure it is fit for purpose and will undertake a market salary adjustment for employees who are out of step with the market. EY has been engaged to assist the SFO with this work, which is expected to be completed in December 2022.

Employee turnover is currently 19.2%. This is the highest it has been since June 2019 and is largely a result of an inability to meet market salary rates, as outlined above.

## Diversity and inclusion

The SFO remains committed to ensuring our practices are inclusive and encourage diversity. We continue to review our processes with a focus on reducing bias.

In 2021/22 we reduced our gender pay gap from 16.4% to 5.9% by making salary adjustments where a gender pay gap was identified, in accordance with Te Kawa Mataaho guidance. Our ethnic pay gap remains at 0%.



**ETHNIC DIVERSITY**

NZ European	76.5%
Other Ethnicity	23.5%

**AVERAGE AGE 43**

## Uplifting our cultural capability

The Serious Fraud Office is committed to uplifting our cultural capability, particularly our knowledge and understanding of Te Ao Māori.

Working within the Whāinga Amorangi framework developed by Te Arawhiti and Te Kawa Mataaho, we have developed a plan which was endorsed by Te Arawhiti in December 2021. A steering group, Ngā Kaiwhakatere, has been formed to lead its implementation.

The focus of our first year has been to develop the capability of our people in the areas of Te Reo Māori and Te Tiriti o Waitangi.

Ngā Kaiwhakatere regularly attend team meetings to help further our people's understanding as well as share practical advice on how they can use te reo in their everyday work and lives.

The SFO supports the Crown's Strategy for Māori Language Revitalisation (Maihi Karauna). A short te reo Māori course was offered to the team with 90% opting to take part. The four-part course covered the fundamentals of te reo and sought to improve our people's confidence and capability in this area.

A knowledge hub has been developed on the intranet where employees can access resources and guides and we have started delivering training on an introduction to the Māori-Crown relationship.

Further internal training which covers the articles and principles of the treaty has been developed and will be delivered during the next financial year.



### The SFO joined the rest of New Zealand in celebrating Matariki in June 2022.

In recognition of Matariki's feasting traditions, we held an informal shared lunch where our team was encouraged to bring food that had special meaning for their whānau. Ngā Kaiwhakatere gave a presentation about Matariki and its special meaning for many Māori. It is intended that the event will become a new annual tradition.

## Health and safety

The SFO works to ensure that its workplace and services are accessible to all employees, regardless of ability, and are safe and inclusive from a health, safety and wellbeing perspective.

As a small agency, the leadership team can directly engage with employees on all aspects of health and safety.

Critical health and safety risks focused on by the SFO include keeping employees safe when dealing with people who are being investigated and while driving motor vehicles. Measures to address these risks include training, providing safety equipment such as stab resistant body armour and adhering to a process of continuous risk assessment.



2021/22

0

WORKPLACE  
ACCIDENTS

0

INJURY  
LOST TIME

A photograph of three people in a modern office kitchen. A woman with long blonde hair, wearing a white sweater, sits on the left side of a dark grey table, holding a white mug and smiling. A man with glasses and a beard, wearing a blue and white checkered shirt, stands in the center, leaning on the table with his hands. A woman with long dark hair, wearing a black floral dress, stands on the right side of the table, also holding a white mug. The table has several documents and mugs on it. In the background, there are white kitchen cabinets, a stainless steel refrigerator, and large windows with grey blinds. The ceiling has exposed wooden beams and several pendant lights. The floor is light-colored wood. A dark grey diagonal shape is overlaid on the bottom left of the image, containing white text.

**Our people  
are highly skilled,  
purpose-driven and  
overwhelmingly  
proud of the  
beneficial impact  
the SFO has for  
New Zealand.**



# 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. 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.

We have used the financial year ending 30 June 2022 as our base year to establish an

initial carbon inventory which we will seek to reduce in the coming years. 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.

# Results

Our total verified<sup>1</sup> carbon inventory for the 2021/22 year was **102.24 tCO<sub>2</sub>-e<sup>2</sup>**

With 78 employees this equates to **1.311 tCO<sub>2</sub>-e** per person or **6.910 tCO<sub>2</sub>-e** per million dollars spent.

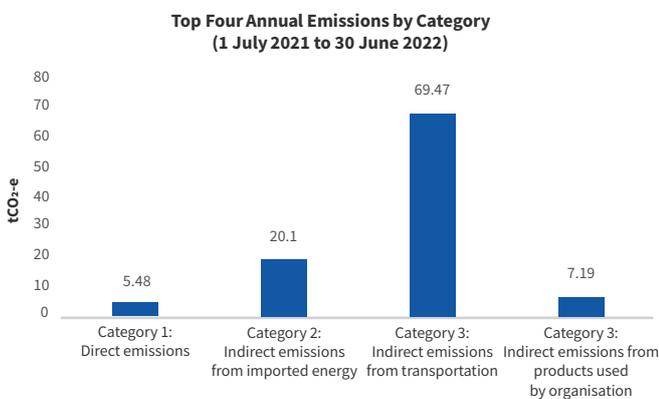
In line with the CNGP our emissions reduction targets for 2025 (21%) and 2030 (42%) are:

**2025 – 80.77 tCO<sub>2</sub>-e**

**2030 – 59.30 tCO<sub>2</sub>-e**

As this is our base year any reporting against these targets will be shown in subsequent annual reports.

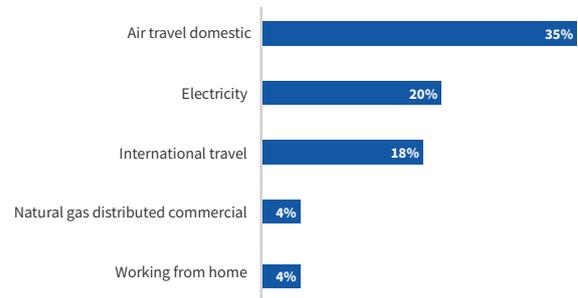
Most of our emissions fall into a category of indirectly created emissions categories rather than directly created emissions.



<sup>1</sup> emissions audited and verified in accordance with ISO 14064-1:2018

<sup>2</sup> tonnes (t), of carbon dioxide (CO<sub>2</sub>), equivalent (e)

**Top Five tCO<sub>2</sub> Sources**  
(1 July 2021 to 30 June 2022)



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: We will be reviewing air travel necessity and explore video conference alternatives where possible.
- Electricity: To reduce electricity use through energy saving awareness programmes and procurement of energy efficient electrical goods and lighting.
- Natural gas usage: As this relates to heating in leased premises, we will be working with our landlord to explore reduction opportunities.
- Working from home: Welcoming our employees back to the office following long periods of COVID lockdown in the base year, particularly in Auckland where most of our employees are located.

# 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 2022 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 2023 and its operations for the year ending on that date.



**Karen Chang**

Chief Executive and Director

30 September 2022

# Statement of Performance

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

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

## Strategic measures and results

The tables below summarise our performance outcomes measured against our strategic goals.

### OUTCOME 1

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

INDICATORS	MEASURES	DESIRED TREND	RESULTS
Businesses say that law enforcement action is maintaining or improving the integrity of our financial and commercial markets	Biennial SFO stakeholder survey <sup>1</sup> How effective have SFO investigations and prosecutions been?	Maintain or increase over time	2021/22: N/A 2020/21: Question not included in survey <sup>2</sup> 2018/19: No survey conducted <sup>3</sup> 2016/17: 7.7/10 <sup>4</sup> 2014/15: 7.3
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%	2021/22: 100% 2020/21: 100% 2019/20: 100% 2018/19: 100% 2017/18: 100%

## Strategic measures and results

contd.

INDICATORS	MEASURES	DESIRED TREND	RESULTS
Financial crime and corruption prevention products published are effective in reducing offending	Biennial SFO stakeholder survey and targeted surveys <sup>1</sup> Stakeholders find prevention products are effective in deterring offending or strengthening anti-fraud and corruption systems	Increase over time to 90%	2021/22: N/A 2020/21: 66%
Financial crime and corruption is addressed	Percentage of investigations that result in prosecution <sup>5</sup>	Maintain over time	2021/22: 35% 2020/21: 44%

<sup>1</sup> The Biennial SFO Stakeholder Survey is conducted every two years and will next be held in 2023.

<sup>2</sup> The relevant question was not included in the 2021 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.

<sup>3</sup> No survey was conducted in 2019 as the SFO conducted its biennial public survey during that year.

<sup>4</sup> The 2017 independent survey used a rating scale of 1-10.

<sup>5</sup> Due to the average length of an SFO investigation and the size of the case load, this is measured on a rolling average basis for the last five years.

### OUTCOME 2

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

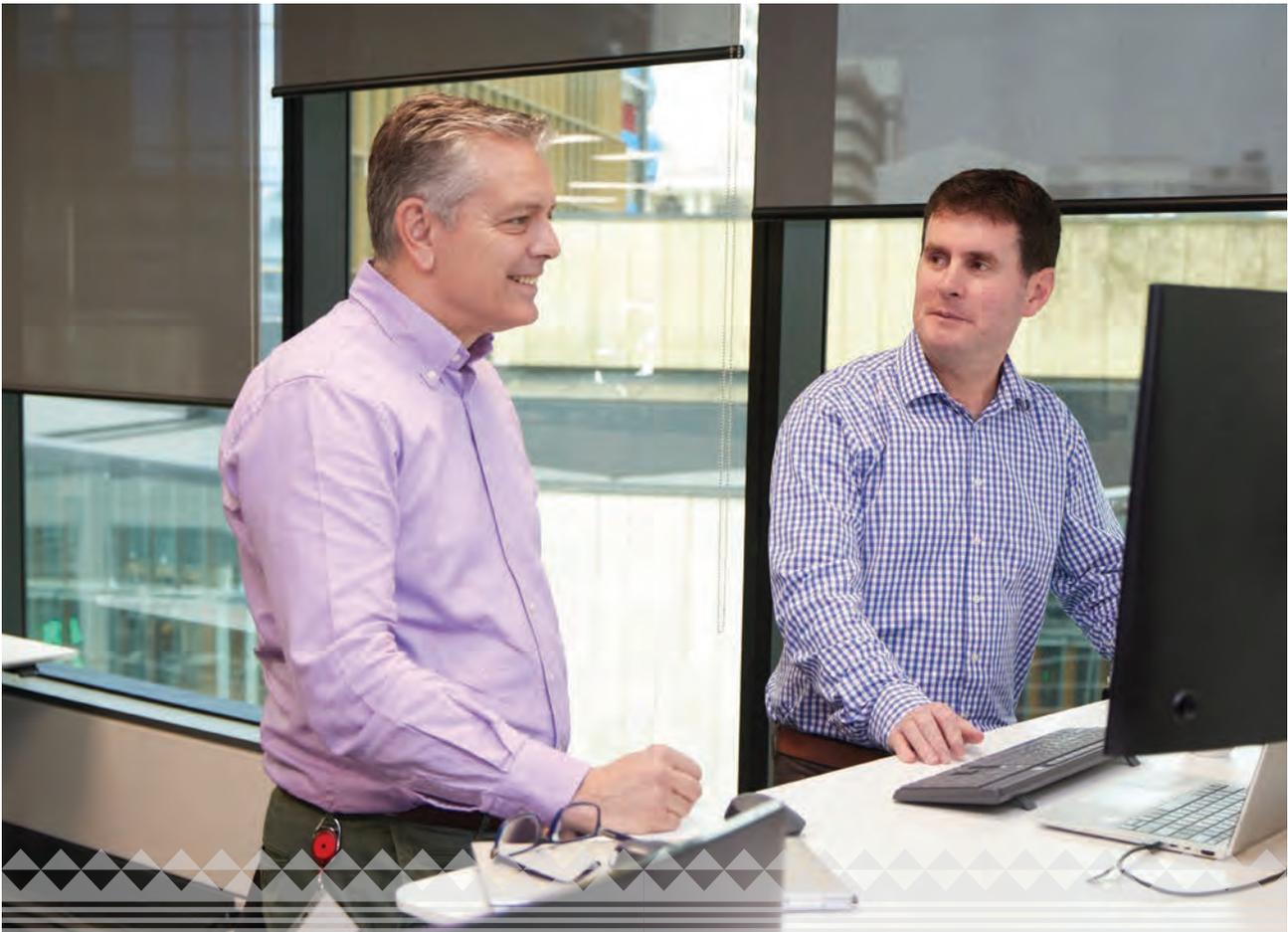
INDICATORS	MEASURES	DESIRED TREND	RESULTS
New Zealand's ranking of corruption-free nations	Transparency International Corruption Perception Index Achieve ranking within the top four	Maintain position in top four	2021: Global ranking 1/180 (score 88/100) 2020: Global ranking 1/180 (score 88/100) 2019: Global ranking 1/180 (score 87/100) 2018: Global ranking 2/180 (score 87/100) 2017: Global ranking 1/180 (score 89/100)

## OUTCOME 3

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

INDICATORS	MEASURES	DESIRED TREND	RESULTS
Businesses say that law enforcement action is maintaining or improving the integrity of our financial and commercial markets  The public maintain trust in public institutions	Biennial public survey <sup>6</sup> Public feel that New Zealand is a safe place to invest	↑ Increase over time to 80%	2021/22: 56% 2020/21: N/A 2019/20: 63% 2017/18: 67%
	Biennial public survey <sup>6</sup> Public feel that law enforcement actions are maintaining or improving the integrity of our financial and commercial markets	↑ Increase over time to 80%	2021/22: 47% 2020/21: N/A  New measure Baseline target 66%
	Biennial public survey <sup>6</sup> Public feel that they trust New Zealand’s public institutions	↑ Increase over time to 80%	2021/22: 53% 2020/21: N/A  New measure Baseline target 66%

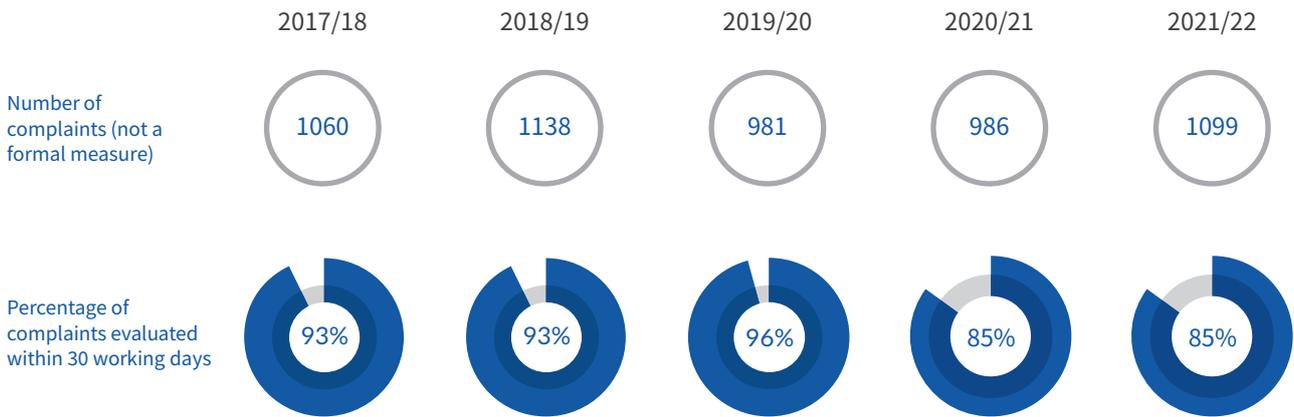
<sup>6</sup> The biennial Public Trust and Confidence survey is conducted every second year and in accordance with the Code of Practice established by the Research Association of New Zealand. Research First conducted a total 800 online surveys between April 29 and May 6, 2022, with the goal of achieving n=600 residents who were aware of the SFO. A sample of n= 604 was achieved, to ensure that the overall data is accurate to +/- 3.99 percent at the 95 percent confidence level. Surveys were conducted through the use of an online survey panel.



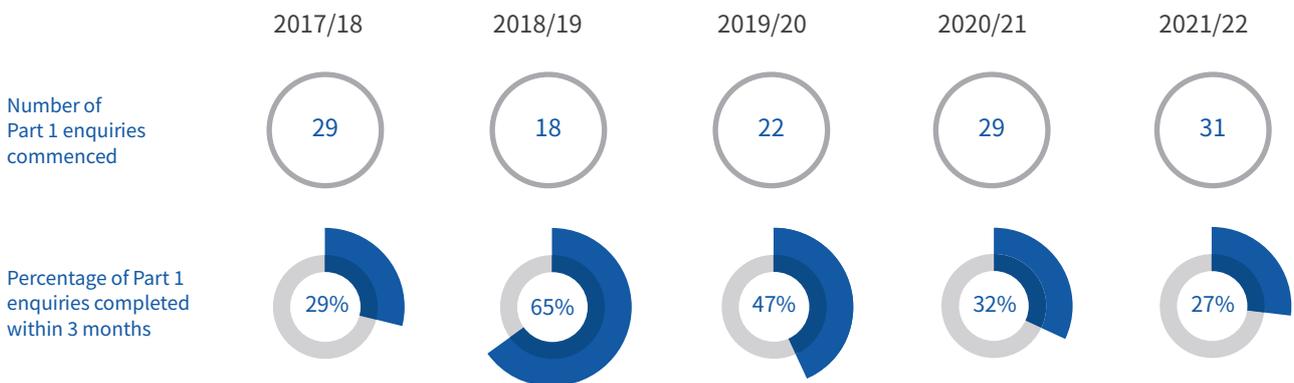
# Investigation and Prosecution Performance Measures and Results – Statistical Trends

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

## COMPLAINTS: Statistical trends



## PART 1 ENQUIRIES: Statistical trends



## PART 2 INVESTIGATIONS: Statistical trends



\* Complex investigations completed within 18 months.



# Output Expense: Investigation and Prosecution of Serious Financial Crime

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

The SFO saw an 11.46% increase in the number of complaints received over the last 12 months. Despite this growth we maintained our high standards of timeliness in responding to complaints, again exceeding our performance measure.

We opened 31 enquiries and 19 investigations, meeting our Part 1 performance measure and exceeding our Part 2 quantity performance measure. These figures include the ten cases referred to the SFO by the Ministry of Social Development into suspected abuse of the COVID-19 Wage Subsidy Scheme, which were opened as enquiries under Part 1 and then progressed to full investigations. The SFO accepted the referral of these matters on the basis they involved suspected fraudulent conduct of a serious and complex nature and given the SFO has received specific funding to investigate fraud arising from the COVID-19 emergency response.

The other investigations opened this year include matters involving allegations of corruption in the public sector, misappropriation of grant funds and fraudulent investment schemes.

We continue to be challenged by our timeliness measures for Part 1 enquiries and Part 2 investigations. At the Part 1 stage we test whether there is sufficient evidence to meet the threshold to open a full investigation. The nature of the enquiries needed to test the threshold can vary significantly in complexity and the amount of work required, and often the work needed takes longer than the time allowed under the performance measure. We have examined this aspect of our performance and introduced a revised performance measure for 2022/23 of 60% of enquiries completed within four months, which is a more realistic standard by which to measure our performance. We have also reviewed our processes to improve the efficiency of our enquiry work and created an additional role in our evaluation team.

The SFO has consistently been challenged in meeting Part 2 investigation timeliness measures. This has continued to be the case in 2021/22, however COVID-19 has further exacerbated the issues with investigation timeliness.

The Part 2 timeliness target for complex investigations (category A) was met, however, the target for non-complex (category B) was not met. Due to the impact on investigations in 2021/22, we expect to see a resultant increase in investigation times for cases subsequently closed in 2022/23.

The SFO has modified its Part 2 timeliness performance measures for 2022/23 so that:

- 60% of complex investigations will be completed within 24 months
- 70% of non-complex investigations will be completed within 18 months

These are more realistic measures considering the impact of the COVID-19 delays noted above, but also the increasing complexity of investigations, including the increasing number of collateral legal challenges which the investigation teams are now routinely facing in relation to the SFO's ability to obtain and search electronic data.

Notwithstanding our timeliness measures having been modified for the 2022/23 year, there remains a specific management focus on getting the best outcomes from our limited investigative resources following the additional funding in Budget 2020. In particular we have focused on improving resilience, agility and efficiency in our resourcing strategy, with a view to ensuring cases continue to have momentum despite challenges outside of our control. The Budget 2020 funding enabled us to recruit for new positions in our operations team. We undertook an extensive recruitment drive in 2021/22 and these new team members are already making a significant contribution to the progress of our cases – with the average

age of investigations on hand having reduced in the last two years. We remain challenged by the task of retaining team members whose specialist skills are in high demand in other agencies and the turnover of operational staff continues to impact on our productivity and timeliness.

One matter was approved for prosecution by the Director this year. Due to the extended lockdowns and restrictions in place in 2020-22, the SFO has experienced extended periods (particularly in the Auckland region) where it has not been able to exercise certain statutory powers of investigation, including in-person interviews of witnesses and suspects and conducting search warrants. While other investigative work has been able to be advanced during lockdowns, these restrictions have delayed the completion of

some SFO investigations, which has in turn had an impact on our prosecution numbers and Part 2 timeliness.

In addition, the SFO has experienced considerable disruption to its trial schedule as a consequence of adjournments due to COVID-19. Four trials (and numerous administrative court appearances) were adjourned and rescheduled due to COVID-19 during 2021. These disruptions had a consequential impact in that, at the end of the financial year, the SFO was scheduled to undertake six trials in the second half of 2022. One of these trials has since been adjourned. This is a significant prosecution workload and has meant that fewer resources have been available for investigative work in 2022. This resourcing pressure will continue to have an impact until late 2022.

## Complaints

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

agency or close the complaint and notify the complainant. The SFO is not restricted to acting on complaints and can act on its own initiative to undertake investigations. The number of complaints is not a performance target.

ACTUAL 2020/21	PERFORMANCE MEASURE	BUDGET STANDARD 2021/22	ACTUAL 2021/22
	<b>Timeliness</b>		
85%	Percentage of complaints evaluated within 30 working days	80%	85%

## Part 1 Enquiries

Part 1 enquiries align with Part 1 of the Serious Fraud Office Act 1990, which provides the agency with limited powers to carry out an enquiry into the affairs of any person where the Director suspects that the investigation

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

ACTUAL 2020/21	PERFORMANCE MEASURE	BUDGET STANDARD 2021/22	ACTUAL 2021/22
29	<b>Part 1 enquiries quantity</b> Number of Part 1 enquiries commenced	28 - 32	31
32%	<b>Timeliness</b> Percentage of Part 1 enquiries completed within 3 months	80%	27%

## Investigations

Part 2 of the SFO Act provides the SFO with more extensive and coercive powers to investigate matters where there are reasonable grounds to believe that an offence

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

ACTUAL 2020/21	PERFORMANCE MEASURE	BUDGET STANDARD 2021/22	ACTUAL 2021/22
11	<b>Quantity</b> Number of Part 2 investigations commenced	10 - 14	19
67%	<b>Timeliness</b> Percentage of Part 2 investigations completed within targeted time	Category A (50% within 18 months)	50%
50%		Category B (60% within 12 months)	25%
100%	Percentage of formal post-investigation reviews that meet SFO quality criteria	90%	100%

## Prosecutions

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

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

ACTUAL 2020/21	PERFORMANCE MEASURE	BUDGET STANDARD 2021/22	ACTUAL 2021/22
8	<b>Quantity</b> Number of cases brought to prosecution	8 - 10	1
100%	<b>Quantity</b> Percentage of defendants convicted	80%	100%
100%	<b>Quantity</b> Percentage of formal post-prosecution reviews that meet the SFO quality criteria	90%	100%

## Prevention of financial crime

The SFO has only one performance measure for its Counter Fraud Centre (CFC) activity. New measures will be developed during 2022/23 to monitor and report performance.

During the 2021/22 year the SFO has developed its Counter Fraud portal, an online hub for the public sector, which provides a range of resources including guidance documents and case studies. Access to the portal is restricted to registered users. There are 160 registered users of the Portal, representing 42 central government agencies,

27 local government agencies, and three international users (from Australia and the Cook Islands). The CFC published 46 guidance, case studies or resource documents on its online portal. This well exceeded the target of 6-8 and reflects the drive to create content as the CFC was established. This measure will be reviewed for future years.

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

ACTUAL 2020/21	PERFORMANCE MEASURE	BUDGET STANDARD 2021/22	ACTUAL 2021/22
N/A	<b>Quantity</b> Number of prevention publications or guidelines published	6 - 8	46

## Financial Performance

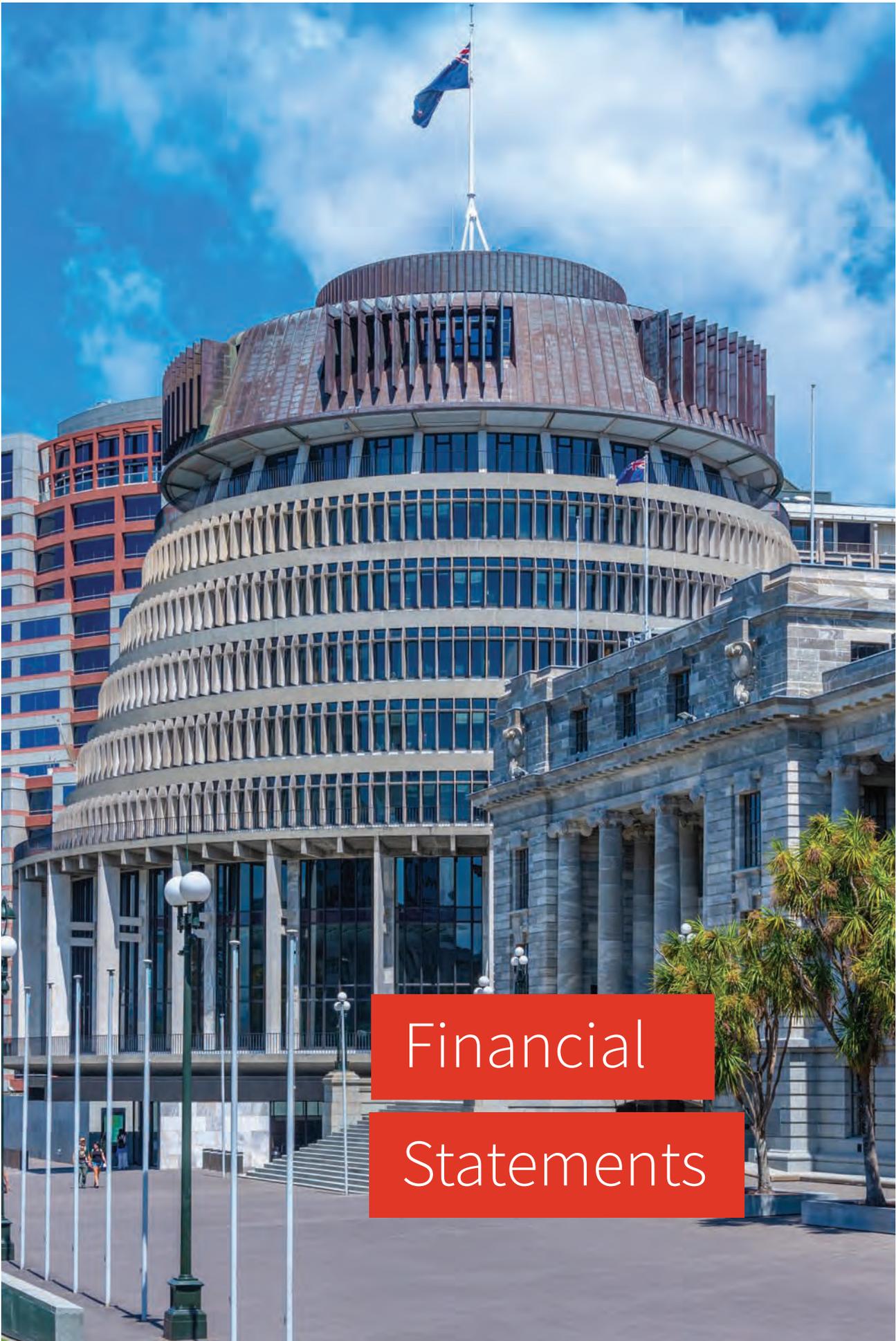
	2021 Actual (Restated) \$000	2022 Main estimates \$000	2022 Supp estimates \$000	2022 Actual \$000	2023 Main estimates \$000
<b>REVENUE</b>					
Crown	13,536	13,926	14,506	14,506	16,600
Other	246	85	298	250	85
<b>TOTAL REVENUE</b>	<b>13,782</b>	<b>14,011</b>	<b>14,804</b>	<b>14,756</b>	<b>16,685</b>
Expenditure	12,003*	14,011	14,804	13,873	16,685
Net surplus/ (deficit)	1,779*	0	0	883	0

\* Refer to note 19 of the financial statements for the restatement of comparative figures

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 2021	Performance Measure	Budget Standard 2022	Actual 2022
Completed 1 July 2020	The capital plan is developed and managed throughout the year	Capital plan for implementation by 1 July 2021	Completed 1 July 2021



Financial

Statements

## Statement of Comprehensive Revenue and Expense

for the year ended 30 June 2022

Actual 2021 (Restated)* \$000		Notes	Actual 2022 \$000	Unaudited Budget 2022 \$000	Unaudited Forecast 2023 \$000
<b>REVENUE</b>					
13,536	Revenue Crown		14,506	13,926	16,600
246	Other revenue	2	250	85	85
<b>13,782</b>	<b>TOTAL REVENUE</b>		<b>14,756</b>	<b>14,011</b>	<b>16,685</b>
<b>EXPENSES</b>					
7,723	Personnel costs	3	9,445	9,565	11,147
3,995	Other expenses	5	4,227	4,050	4,943
214*	Depreciation and amortisation expense	7, 8	125	335	524
71	Capital charge	4	76	61	71
<b>12,003*</b>	<b>TOTAL EXPENSES</b>		<b>13,873</b>	<b>14,011</b>	<b>16,685</b>
1,779*	Surplus/(deficit)		883	0	0
0	Other comprehensive revenue and expenses		0	0	0
<b>1,779*</b>	<b>TOTAL COMPREHENSIVE REVENUE AND EXPENSES</b>		<b>883</b>	<b>0</b>	<b>0</b>

\* Refer to note 19 of the financial statements for the restatement of comparative figures

Explanations of major variances against the original 2021/22 budget are provided in note 17.

The accompanying notes form part of these financial statements.

## Statement of Financial Position

as at 30 June 2022

Actual 2021 (Restated)* \$000		Notes	Actual 2022 \$000	Unaudited Budget 2022 \$000	Unaudited Forecast 2023 \$000
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
3,865	Cash and cash equivalents		2,506	2,176	2,220
0	Receivables	6	58	25	25
373	Prepayments		479	77	317
<b>4,238</b>	<b>TOTAL CURRENT ASSETS</b>		<b>3,043</b>	<b>2,278</b>	<b>2,562</b>
<b>NON-CURRENT ASSETS</b>					
354	Property and equipment	7	973	347	607
49*	Intangible assets	8	38	293	90
<b>402*</b>	<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,011</b>	<b>640</b>	<b>697</b>
<b>4,640*</b>	<b>TOTAL ASSETS</b>		<b>4,054</b>	<b>2,918</b>	<b>3,259</b>
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
1,125	Payables and Deferred Revenue	9	1,391	1,063	1,070
1,779*	Return of operating surplus	10	883	0	0
645	Employee entitlements	12	826	396	650
<b>3,549*</b>	<b>TOTAL CURRENT LIABILITIES</b>		<b>3,100</b>	<b>1,459</b>	<b>1,720</b>
<b>NON-CURRENT LIABILITIES</b>					
65	Employee entitlements	12	66	20	70
136	Provisions	11	0	120	150
<b>201</b>	<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>66</b>	<b>140</b>	<b>220</b>
<b>3,750*</b>	<b>TOTAL LIABILITIES</b>		<b>3,166</b>	<b>1,599</b>	<b>1,940</b>
<b>890*</b>	<b>NET ASSETS</b>		<b>890</b>	<b>1,319</b>	<b>1,319</b>
<b>EQUITY</b>					
890*	Taxpayers' funds	13	890	1,319	1,319
<b>890*</b>	<b>TOTAL EQUITY</b>		<b>890</b>	<b>1,319</b>	<b>1,319</b>

\* Refer to note 19 of the financial statements for the restatement of comparative figures

Explanations of major variances against the original 2021/22 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 2022

Actual 2021 (Restated)* \$000	Notes	Actual 2022 \$000	Unaudited Budget 2022 \$000	Unaudited Forecast 2023 \$000
683*	<b>BALANCE AT 1 JULY</b>	890	1,319	1,319
1,779*	Total comprehensive revenue and expense	883	0	0
<b>OWNER TRANSACTIONS</b>				
207	Capital injection	0	0	0
(1,779)*	Return of operating surplus to the Crown	(883)	0	0
<b>890*</b>	<b>BALANCE AT 30 JUNE</b>	<b>890</b>	<b>1,319</b>	<b>1,319</b>

\* Refer to note 19 of the financial statements for the restatement of comparative figures

Explanations of major variances against the original 2021/22 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 2022

Actual 2021 \$000		Actual 2022 \$000	Unaudited Budget 2022 \$000	Unaudited Forecast 2023 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
13,536	Receipts from Revenue Crown	14,506	13,926	16,600
234	Receipts from other revenue	235	85	85
(4,480)	Payments to suppliers	(5,031)	(4,200)	(5,093)
(7,149)	Payments to employees	(8,789)	(9,415)	(10,997)
(71)	Payments for capital charge	(76)	(61)	(71)
16	Goods and services tax (net)	42	0	0
<b>2,086</b>	<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>887</b>	<b>335</b>	<b>524</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
7	Receipts from sale of property and equipment	10	0	0
(159)	Purchase of property and equipment	(603)	(120)	(140)
(47)	Purchase of intangible assets	0	(20)	0
<b>(199)</b>	<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(593)</b>	<b>(140)</b>	<b>(140)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
207	Capital Injection	0	0	0
(400)	Return of operating surplus	(1,653)	0	0
<b>(193)</b>	<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>(1,643)</b>	<b>0</b>	<b>0</b>
1,694	Net (decrease)/increase in cash	(1,359)	195	384
<b>2,171</b>	<b>CASH AT THE BEGINNING OF THE YEAR</b>	<b>3,865</b>	<b>1,918</b>	<b>1,836</b>
<b>3,865</b>	<b>CASH AT THE END OF THE YEAR</b>	<b>2,506</b>	<b>2,176</b>	<b>2,220</b>

Explanations of major variances against the original 2021/22 budget are provided in note 17.

The accompanying notes form part of these financial statements

for the year ended 30 June 2022 (continued)

Reconciliation of net surplus to net cash flow from operating activities

Actual 2021 \$000		Notes	Actual 2022 \$000
1,653	NET SURPLUS/(DEFICIT)		658
ADD/(LESS) NON-CASH ITEMS:			
341	Depreciation and amortisation expense	7,8	350
341	TOTAL NON-CASH ITEMS		350
ADD/(LESS) ITEMS CLASSIFIED AS INVESTING OR FINANCING ACTIVITIES:			
(7)	(Gains)/losses on disposal of property and equipment	2	32
(7)	TOTAL ITEMS CLASSIFIED AS INVESTING OR FINANCING ACTIVITIES		32
ADD/(LESS) MOVEMENTS IN STATEMENT OF FINANCIAL POSITION ITEMS:			
0	(Inc)/dec in receivables	6	(58)
(339)	(Inc)/dec in prepayments		(106)
271	Inc/(dec) in payables and deferred revenue	9	(35)
167	Inc/(dec) in employee entitlements	12	182
0	Inc/(dec) in provisions	11	(136)
99	NET MOVEMENT IN WORKING CAPITAL ITEMS		229
2,086	NET CASH FLOW FROM OPERATING ACTIVITIES		887

The accompanying notes form part of these financial statements.

## Statement of Commitments

as at 30 June 2022

### Capital commitments

The SFO has no capital commitments as of 30 June 2022 (2021: \$nil).

### Non-cancellable operating lease commitments

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

In Auckland, a new lease at 188 Quay Street commenced on 24 February 2022. This is a non-cancellable 11-year operating lease. It may be cancelled only with 12 months' notice from the Government Property Group (GPG)

with the Ministry of Business, Innovation and Employment between 1 July 2023 to 31 December 2025, at a cost of \$250,000 plus the depreciated value of the hard-fitout paid by the landlord. This lease replaces the non-cancellable operating lease for the Queen Street office that has been terminated before its lease expiry, effective 3 March 2022, at no cost to the SFO.

In Wellington, the 45 Johnston Street lease commenced on 1 November 2020. This is a non-cancellable operating lease that expires 31 October 2023, with no restrictions.

Actual 2021 \$000		Actual 2022 \$000
<b>OPERATING LEASE AS LESSEE</b>		
	The future aggregate minimum lease payments to be paid under this non-cancellable operating lease are as follows:	
668	Not later than one year	905
519	Later than one year and not later than five years	3,355
0	Later than five years	5,176
<b>1,187</b>	<b>TOTAL NON-CANCELLABLE OPERATING LEASE COMMITMENTS</b>	<b>9,436</b>

During 2015/16, the SFO entered into a co-location agreement whereby space in the SFO's Queen 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. The Memorandum of Understanding is deemed to contain a lease. The Agreement expires on 3 March 2023 and cannot be terminated in advance of this date as a notice period of one year is required. This arrangement has continued in the new SFO Quay Street office, with Crown Law Office relocating with the SFO and continuing to have their own dedicated office space. The existing Memorandum continues to be in effect, in advance of an update for the new office, at the current sublease value.

## Sublease arrangement

Actual 2021 \$000		Actual 2022 \$000
<b>OPERATING SUBLEASE AS A LESSOR</b>		
The future aggregate forecasted lease payments to be received under this cancellable operating sub-lease are as follows:		
89	Not later than one year	59
59	Later than one year and not later than five years	0
0	Later than five years	0
<b>148</b>	<b>TOTAL NON-CANCELLABLE OPERATING SUB-LEASE COMMITMENTS</b>	<b>59</b>

The SFO does not hold any current finance leases (2021: \$nil).

The accompanying notes form part of these financial statements.

## Statement of Contingent Liabilities and Contingent Assets

as at 30 June 2022

### Contingent liabilities

The SFO has no quantifiable or unquantifiable contingent liabilities as at 30 June 2022 (2021: \$nil).

### Contingent assets

The SFO has no contingent assets as at 30 June 2022 (2021: \$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

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### 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 2022 and were approved for issue by the Chief Executive and Director of the SFO on 30 September 2022.

### 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

#### Software as a Service (SaaS)

In April 2021, the IFRS Interpretations Committee published additional guidance regarding the accounting treatment of configuration and customisation costs incurred in implementing software as a service (SaaS) arrangements. The New Zealand Accounting Standards Board has not issued similar guidance, however in the absence of a PBE standard specifically dealing with such costs, the Treasury issued additional guidance clarifying how Departments should account for SaaS (Accounting for Software as a Service (SaaS), The Treasury, New Zealand Government, February 2022). The SFO considers the IFRIC decision relevant to the accounting for similar types of arrangements in accordance with PBE IPSAS 21 Intangible Assets. The impact of applying this has resulted in a change in accounting policy which has been applied retrospectively. Refer to Note 19 for further details including restatements of the

2020/21 financial statements.

### Standards issued and not yet effective and not early adopted

Standards and amendments issued but not yet effective that have not been early adopted, and which are relevant to the SFO are:

PBE IPSAS 41 Financial instruments replaces PBE IFRS 9 and is effective for the year ending 30 June 2023, with early adoption permitted. The SFO has assessed that there will be little change as a result of adopting the new standard as the requirements are similar to those contained in PBE IFRS 9.

PBE FRS 48 Presentation of Financial Statements replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for the year ending 30 June 2023, with early adoption permitted. The SFO has determined the main impact of the new standard that additional information will need to be disclosed on those judgements that have the most significant impact on the selection, measurement, aggregation, and presentation of service performance information.

### 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 2022 budget figures are for the year ended 30 June 2022 and were published in the Annual Report 2021. 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 2021/22.

The 2023 forecast figures are for the year ending 30 June 2023 and are consistent with the best estimate financial forecast

information submitted to the Treasury for the BEFU for the year ending 2022/23.

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 2023 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 1 April 2022.

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 2023 will not be published.

## Significant assumptions used in preparing the forecast financial information

The forecast figures contained in these financial statements reflect the SFO's purpose and activities and are based on a number of assumptions on what may occur during the 2022/23 year. The forecast figures have been compiled on the basis of existing government policies and ministerial expectations at the time the Main Estimates were finalised. The main assumptions, adopted as at 1 April 2022, 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.

- In 2022/23, the appropriation includes:
  - final year of three-year funding for the Covid Response and Recovery Programme; and
  - additional new appropriation for:
    - Preventing fraud and corruption;
    - Remuneration and accommodation cost pressures; and
    - Increasing cyber-security and resilience capability.
- Personnel costs are based on a monthly average 89 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 2021/22 was used as the opening position for the 2022/23 forecasts.

The actual financial results achieved for 30 June 2023 are likely to vary from the forecast information presented, and the variations may be material.

### Secondments

The SFO has adopted guidance issued in May 2021 by The Treasury on the Financial Management of Secondments (May 2021). This provides advice in relation to how the costs of an employee seconded between agencies is recognised. Refer to Note 2 and Note 3 for further detail.

### 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 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.

#### RECOVERY FOR EMPLOYEES SHARED WITH OTHER AGENCIES

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

### Breakdown of other revenue and further information

Actual 2021 \$000		Actual 2022 \$000
136	Recovery for employees shared with other Agencies	135
15	Recovery for overseas assistance on fraud issues	7
88	Rental revenue from subleases	97
7	Gain on disposal of furniture and equipment	10
0	Recovery of jury duty reimbursement	1
<b>246</b>	<b>TOTAL OTHER REVENUE</b>	<b>250</b>

#### 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 \$9,935 (2021: \$6,660).

### 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 second staff out to other government agencies or has staff 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 2021/22 there was one such secondee (2020/21: none).

Where the SFO takes responsibility for the seconded staff, receives the benefits

of their outputs, and carries the risk associated with their work, the SFO reflects the expenditure in the financial statements. In 2021/22 there were three staff members (2020/21: none)

#### 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 other revenue and further information

Actual 2021 \$000		Actual 2022 \$000
7,375	Salaries and wages	9,048
97	Increase/(decrease) in employee entitlements	118
115	Employee training and development	121
136	Other	158
<b>7,723</b>	<b>TOTAL PERSONNEL COSTS</b>	<b>9,445</b>

### 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 2022 was 5% (2021: 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 2021 \$000		Actual 2022 \$000	Unaudited Budget 2022 \$000	Unaudited Forecast 2023 \$000
49	Fees to Audit New Zealand for audit of financial statements	71	45	50
530	Operating lease expense	582	719	1,182
95	Other occupancy expenses	(109) <sup>1</sup>	55	40
166	Legal fees on panel prosecutions	96	150	150
142	Consultancy	205	135	210
143	Travel	175	373	440
2,033	Information technology and telecommunications	2,306	1766	2,121
66	Professional services	57	82	82
310	Specialist advice – case related	402	434	383
7	Net loss on disposal of property, plant, and equipment	42	0	0
454	Other expenses	401	291	285
<b>3,995</b>	<b>TOTAL OTHER EXPENSES</b>	<b>4,228</b>	<b>4,050</b>	<b>4,943</b>

<sup>1</sup> Other occupancy expenses includes a credit of \$136,459 which is the reversal of a provision for Queen Street lease that was not required by the landlord upon vacating.

## 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.

### Breakdown of receivables and further information

Actual 2020 \$000		Actual 2021 \$000
0	Gross receivables	58
0	Less: allowance for credit losses	0
<b>0</b>	<b>NET RECEIVABLES</b>	<b>58</b>
<b>TOTAL RECEIVABLES CONSIST OF:</b>		
0	RECEIVABLES FROM SUPPLIER REFUNDS (EXCHANGE TRANSACTIONS)	0
0	Receivables for SFO employee secondment (non-exchange transactions)	58

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

## Property and equipment

### Accounting policy

Property and equipment are comprised by 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 - 4 years	25% - 33%
Office Furniture, Fixtures and Fittings and Office Equipment	3 - 5 years	20% - 33%
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 \$000	Office equipment \$000	Computer equipment \$000	Motor vehicles \$000	Total \$000
<b>COST</b>					
<b>BALANCE AT 1 JULY 2020</b>	<b>722</b>	<b>93</b>	<b>492</b>	<b>48</b>	<b>1,355</b>
Additions	4	19	136	0	159
Disposals	0	0	(56)	0	(56)
<b>BALANCE AS AT 30 JUNE 2021</b>	<b>726</b>	<b>112</b>	<b>572</b>	<b>48</b>	<b>1,458</b>
Balance at 1 July 2021	726	112	572	48	1,458
Additions	395	0	509	0	904
Disposals	(702)	(13)	(124)	0	(839)
<b>BALANCE AT 30 JUNE 2022</b>	<b>419</b>	<b>99</b>	<b>957</b>	<b>48</b>	<b>1,523</b>
<b>Accumulated depreciation and impairment losses</b>					
Balance at 1 July 2020	564	40	327	16	947
Depreciation expense	69	19	116	8	212
Eliminate on disposal	0	0	(56)	0	(56)
<b>BALANCE AS AT 30 JUNE 2021</b>	<b>633</b>	<b>59</b>	<b>387</b>	<b>24</b>	<b>1,103</b>
Balance at 1 July 2021	633	59	387	24	1,103
Depreciation expense	77	23	136	6	242
Eliminate on disposal	(660)	(13)	(124)	0	(797)
<b>BALANCE AT 30 JUNE 2022</b>	<b>50</b>	<b>69</b>	<b>400</b>	<b>30</b>	<b>549</b>
<b>Carrying amounts</b>					
At 1 July 2020	158	51	166	32	407
At 30 June and 1 July 2021	93	53	185	24	354
At 30 June 2022	369	28	559	17	973

**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. (2021: \$nil)

## 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 \$000
<b>COST</b>		
<b>BALANCE AT 1 JULY 2020</b>		<b>126</b>
Additions		47
Disposals		0
<b>BALANCE AS AT 30 JUNE 2021</b>		<b>173</b>
Balance at 1 July 2021		173
Additions		0
Disposals		(35)
<b>BALANCE AT 30 JUNE 2022</b>		<b>138</b>
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES</b>		
<b>BALANCE AT 1 JULY 2020</b>		<b>121</b>
Amortisation expense		4
Eliminate on disposal		0
<b>BALANCE AS AT 30 JUNE 2021</b>		<b>125</b>
Balance at 1 July 2021		125
Amortisation expense		11
Eliminate on disposal		(35)
<b>BALANCE AT 30 JUNE 2022</b>		<b>100</b>
<b>CARRYING AMOUNTS</b>		
At 1 July 2020		5*
At 30 June and 1 July 2021		49*
<b>AT 30 JUNE 2022</b>		<b>38</b>

\* Refer to note 19 of the financial statements for the restatement of comparative figures

**Restrictions:** There are no restrictions over the title of the SFO's intangible assets, nor are any intangible assets pledged as securities for liabilities. (2021: \$nil)

## 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 2021 \$000		Actual 2022 \$000
<b>PAYABLE AND DEFERRED REVENUE UNDER EXCHANGE TRANSACTIONS</b>		
298	Creditors	153
92	Income in advance for cost recovered services	89
359	Accrued expenses	570
0	Accrued capital expenses	301
185	Accrued rent payable	12
<b>934</b>	<b>TOTAL PAYABLES AND DEFERRED REVENUE UNDER EXCHANGE TRANSACTIONS</b>	<b>1,125</b>
<b>PAYABLES AND DEFERRED REVENUE UNDER NON-EXCHANGE TRANSACTIONS</b>		
191	Taxes payable (for example, GST)	266
<b>1,125</b>	<b>TOTAL PAYABLES AND DEFERRED REVENUE</b>	<b>1,391</b>

## Return of operating surplus

Actual 2021 \$000		Actual 2022 \$000
1,779*	Net surplus	883
<b>1,779</b>	<b>TOTAL RETURN OF OPERATING SURPLUS</b>	<b>883</b>

\* Refer to note 19 of the financial statements for the restatement of comparative figures

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

### 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 2022 (2021: \$nil).

### Lease make-good provision

The lease at 21 Queens Street, Auckland ceased on 24 February 2022 and the reversal of the make-good provision for this lease was made accordingly. 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 2021 \$000		Actual 2022 \$000
<b>NON-CURRENT PORTION</b>		
136	Lease make-good	0
136	Total non-current portion	0
<b>136</b>	<b>TOTAL PROVISIONS</b>	<b>0</b>

### MOVEMENTS FOR EACH CLASS OF PROVISION ARE AS FOLLOWS:

	Lease make-good \$000	Total \$000
<b>BALANCE AT 1 JULY 2020</b>	<b>136</b>	<b>136</b>
Addition / (reduction) of provisions	0	0
<b>BALANCE AT 30 JUNE 2021</b>	<b>136</b>	<b>136</b>
Balance at 1 July 2021	136	136
Addition / (reduction) of provisions	(136)	(136)
<b>BALANCE AT 30 JUNE 2022</b>	<b>0</b>	<b>0</b>

## Employee entitlements

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### 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 2022 (2021: 63).

The SFO has no retirement gratuities obligations (2022: \$nil) and no sick leave liability (2021: \$nil).

Actual 2021 \$000		Actual 2022 \$000
<b>CURRENT PORTION</b>		
150	Accrued salaries and wages	214
454	Annual leave	571
41	Long service leave and retirement gratuities	41
<b>645</b>	<b>TOTAL CURRENT PORTION</b>	<b>826</b>
<b>NON-CURRENT PORTION</b>		
65	Long service leave and retirement gratuities	66
<b>710</b>	<b>TOTAL EMPLOYEE ENTITLEMENTS</b>	<b>892</b>

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## 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 2021 (Restated)* \$000		Actual 2022 \$000
<b>TAXPAYERS' FUNDS</b>		
683	Balance at 1 July	890
1,779	Surplus/(deficit)	883
207	Capital Injections	0
(1,779)	Return of operating surplus to the Crown	(883)
<b>890</b>	<b>BALANCE AT 30 JUNE</b>	<b>890</b>
<b>890</b>	<b>TOTAL EQUITY</b>	<b>890</b>

\* Refer to note 19 of the financial statements for the restatement of comparative figures

### Capital management

The SFO's capital is its equity, which comprises 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.

# 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 2022 (2021: \$nil).

## KEY MANAGEMENT PERSONNEL COMPENSATION

Actual 2021 \$000		Actual 2022 \$000
<b>SENIOR LEADERSHIP TEAM, INCLUDING THE CHIEF EXECUTIVE</b>		
1,715	Remuneration	1,958
8.3FTEs	Full time equivalent members	8.8FTEs

Key management personnel of the SFO comprised nine positions: the Director/ Chief Executive, two deputy Chief Executives, two Investigations Managers, Forensic Services Manager, Manager Prosecutions and Deputy General Counsel, Manager Business Services and Manager Counter Fraud.

There were no senior managers seconded to another government department in 2022 (2021: 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 and are paid under Permanent Legislative Authority, 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 2022 by the SFO (2021: \$nil).
- There were no related party transactions involving key management personnel or their close family members in 2022 (2021: \$nil).

## Events after the balance date

There have been no significant events after balance date.

## 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 2021 \$000		Actual 2022 \$000
<b>FINANCIAL ASSETS MEASURED AT AMORTISED COST</b>		
3,865	Cash and cash equivalents	2,506
0	Receivables (excluding taxes receivable)	58
<b>3,865</b>	<b>TOTAL FINANCIAL ASSETS MEASURED AT AMORTISED COST</b>	<b>2,564</b>
<b>FINANCIAL LIABILITIES MEASURED AT AMORTISED COST</b>		
1,033	Payables (excluding income in advance and taxes payable)	1,037

### 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 2022 (2021; \$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 at 30 June 2022 there was \$nil receivables and the following payables: AUD \$nil, GBP \$6,601 (c.\$12,538 NZD), USD \$nil (2021: \$nil 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 2022 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 into foreign exchange forward contracts with the New Zealand Debt Management Office (Standard & Poor's credit rating of AA+).

The SFO has a letter of credit facility with Westpac of \$175,000 in 2022 (2021: \$175,000) to allow for the payment of employee salaries by direct credit.

#### **LIQUIDITY RISK**

##### ***Management of liquidity risk***

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

##### ***Contractual maturity analysis of financial liabilities***

The table below analyses the SFO's financial liabilities (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 (2021: \$nil).

	Carrying amount \$000	Contractual cashflows \$000	Less than 6 months \$000	6 months - 1 year \$000	1-5 years \$000	More than 5 years \$000
<b>2022</b>						
Payables	153	153	153	0	0	0
<b>2021</b>						
Payables	298	298	298	0	0	0

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## Explanation of major variances against budget

Explanations for major variances from the SFO's original 2021/22 budget figures are as follows:

### Statement of comprehensive revenue and expense

#### REVENUE CROWN

Revenue received from the Crown was \$580,000 more than budget due to:

- \$210,000 to strengthen the response to COVID-19 related serious financial crime.
- \$370,000 to fund the Anti-Corruption Work Programme (Phase 2) (ACWP) following unavoidable delays in 2020/21 due to government departments needing to prioritise COVID-19 related risks.

#### REVENUE OTHER

Revenue Other was \$165,000 greater than budget due to:

- \$135,000 from Immigration New Zealand, the Financial Markets Authority, and the Commerce Commission for shared utilisation of an SFO-employed Electronic Forensic Investigator.
- \$30,000 other income was received for assistance provided to the Vanuatu Office of Public Prosecutors from the Ministry of Foreign Affairs and Trade, additional sub-lease income from

Crown Law Office and proceeds from sale of surplus office assets.

#### PERSONNEL COSTS

Personnel costs were \$120,000 less than budget due to a challenging recruitment market.

#### OTHER EXPENSES (INCLUDING DEPRECIATION, AMORTISATION AND CAPITAL CHARGE)

Other expenses were \$18,000 less than budget due to a restatement of intangible assets (refer to Note 19), a delay in relocation of the Auckland office and the reversal of a make-good provision for the Queen Street lease that was not required by the landlord upon vacating. This was mostly offset by increased expenditure incurred in response to COVID-19 related serious financial crime, and the Anti-Corruption Work Programme. Also, there was less travel due to the ongoing impact of COVID-19 restrictions across the year.

### Statement of financial position

#### ASSETS

The value of assets was \$1.136 million greater than budget. This is explained by:

- \$330,000 additional cash at bank pending payment of the surplus. This is reduced by additional expenditure on new office assets.
- \$402,000 increased prepayments

related mostly to the purchase in advance of electronic data space for evidence storage, and for consultancy associated with hard fitout of the new Auckland office that will be spread over the term of the lease.

- \$371,000 additional non-current assets are due to an office refresh in Auckland and Wellington of \$626,000. This was partially offset by less intangible assets purchased and also a restatement of SaaS intangible assets of -\$178,000 (refer to Note 19).
- \$33,000 increase in receivables relates to an SFO employee seconded to another government agency.

#### **LIABILITIES**

The value of liabilities was \$1.567 million greater than budget. This is explained by:

- \$328,000 additional payables relate most significantly to ICT costs associated with the new Auckland office. This is partially offset by accrued rent released early due to early termination of the Queen Street office lease.
- \$883,000 operating surplus payable back to the Crown.
- \$476,000 increase in employee entitlements is due to an increase in the provision for accrued salaries and wages. Also, employee annual leave and long-service leave increased primarily due to the combination of less annual leave taken during the COVID-19 lockdowns and an increased headcount.
- \$120,000 unwind of the lease make-good provision with the move to new premises which did not require an equivalent provision.

#### **Statement of cash flows**

The cash position at the end of the year was \$330,000 more than budget due to:

#### **CASH FLOWS FROM OPERATING ACTIVITIES**

- \$580,000 additional Crown revenue and \$150,000 revenue other as noted above.
- \$205,000 additional payments made to suppliers and employees collectively, with reduced payments to employees, due to employment market challenges, necessitating higher utilisation of contractors and consultants. The overall increase is due to increased expenditure on the Anti-Corruption Work Programme and responding to COVID-19 related serious financial crime.
- \$42,000 net GST payable which was not reflected in the budget.
- \$15,000 capital charge over budget due to timing of the capital injection in the previous year.

#### **CASH FLOWS FROM INVESTING ACTIVITIES**

- \$453,000 additional computer equipment from budget for the new Auckland office and a furniture and fixtures refresh in the Auckland and Wellington offices.

#### **CASH FLOWS FROM FINANCING ACTIVITIES**

- \$1.653 million return of 2020/21 operating surplus to the Crown.

## Impact of the COVID-19 pandemic

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

There are no indicators of asset impairment due to COVID-19.

During August and September 2021 and February and March 2022, the Auckland region moved into Alert Levels 3 and 2, and other parts of the country moved into Alert level 2.

The SFO's main office is in Auckland, so this meant that its Auckland staff worked from home during Alert Level 3. The SFO was still able to carry out most of its functions.

Lockdown restrictions did impact on investigations and prosecutions, as mentioned elsewhere in this Annual

Report. In summary, the SFO was prevented from exercising its statutory information gathering powers, which impacted on completing investigations. There was disruption to the trial schedule, with four trials (and numerous administrative court appearances) adjourned or rescheduled.

There was less professional training and development, limited domestic travel and no international travel until April 2022.

Additional funding was received from the Crown to enable the SFO to support a strengthened response to COVID-19 related serious financial crime, this included prevention and investigation activities.

## Restatement of comparative figures

In April 2021, the IFRS Interpretations Committee published additional guidance regarding the accounting treatment of configuration and customisation costs incurred in implementing software as a service ('SaaS') arrangements. The Committee referenced the applicable accounting standards that set criteria for the recognition of intangible assets. These criteria include the identifiability and control of the asset, and the expectation of future economic benefits or service potential arising from the asset. The Committee concluded that configuration and customisation costs should only be capitalised if the specific criteria outlined in the applicable accounting standards for recognising a separate asset are met. As a result, The Treasury has issued guidelines (February 2022) and the Serious

Fraud Office has changed its accounting policy in relation to configuration and customisation costs incurred in implementing SaaS arrangements.

The SFO has identified software purchased in prior years, disclosed as intangible assets, that involved SaaS arrangements. The analysis confirmed that these SaaS arrangements do not provide SFO with control over the product and should have been expensed, and not recorded as an intangible asset. The impact of the change in accounting policy has been accounted for retrospectively as required by PBE IPSAS 3: *Accounting Policies, changes in accounting estimates and errors*. The impact on these financial statements is shown below.

### Impact of Restatement: Statement of Financial Position

	1 July 2020 (as previously published) \$000	Adjustments due to the change in accounting for SaaS expenditure \$000	1 July 2020 (Restated) \$000
<b>1 JULY 2020</b>			
Property and equipment	407	-	407
Intangible assets	433	-429	5
Non-current assets	840	-429	411
<b>TOTAL ASSETS</b>	<b>3,045</b>	<b>-429</b>	<b>2,616</b>
<b>TOTAL LIABILITIES</b>	<b>1,933</b>	<b>-</b>	<b>1,933</b>
Taxpayers' funds	1,112	-429	683
<b>TOTAL EQUITY</b>	<b>1,112</b>	<b>-429</b>	<b>683</b>

	30 June 2021 (as previously published) \$000	Adjustments due to the change in accounting for SaaS expenditure \$000	30 June 2021 (Restated) \$000
<b>30 JUNE 2021</b>			
Property and equipment	354	-	354
Intangible assets	352	-303	49
Non-current assets	705	-303	402
<b>TOTAL ASSETS</b>	<b>4,943</b>	<b>-303</b>	<b>4,640</b>
Return of operating surplus	1,653	126	1,779
Total current liabilities	3,423	126	3,549
<b>TOTAL LIABILITIES</b>	<b>3,624</b>	<b>126</b>	<b>3,750</b>
Taxpayers' funds	1,319	-429	890
<b>TOTAL EQUITY</b>	<b>1,319</b>	<b>-429</b>	<b>890</b>

## Impact of Restatement: Statement of Comprehensive Revenue and Expense

	30 June 2021 (as previously published) \$000	Adjustments due to the change in accounting for SaaS expenditure \$000	30 June 2021 (Restated) \$000
Depreciation and amortisation expenses	340	-126	214
Total expenses	12,129	-126	12,003
Surplus/(Deficit)	1,653	126	1,779
<b>TOTAL COMPREHENSIVE REVENUE AND EXPENSE</b>	<b>1,653</b>	<b>126</b>	<b>1,779</b>

# 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 2022. 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 2022*

### Annual and permanent appropriations for Vote Serious Fraud

Expenditure after remeasurements 2021 (Restated)* \$000	Appropriation title	Expenditure after remeasurements 2022 \$000	Approved appropriation 2022 <sup>1</sup> \$000	Location of end-of- year performance information <sup>2</sup>
<b>DEPARTMENTAL OUTPUT EXPENSES</b>				
12,003	Investigation and prosecution of serious financial crime	13,873	14,804	Pages 47 to 57
12,003	Total departmental output expense	13,873	14,804	
<b>DEPARTMENTAL CAPITAL EXPENDITURE</b>				
205	Serious Fraud Office – Permanent Legislative Authority under section 24(1) of the PFA	904	894	Page 57

\* Refer to note 19 of the financial statements for the restatement of comparative figures

There were no remeasurements of expenditure during the year (2021: \$nil).

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

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

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

*for the year ended 30 June 2022*

Expenses and capital expenditure approved under section 26B of the Public Finance Act 1989 in 2022: \$nil (2021: \$nil).

Expenses and capital expenditure incurred in excess of appropriation in 2022: \$nil (2021: \$nil).

Expenses and capital expenditure incurred without appropriation outside the scope or period of appropriation in 2022: \$nil (2021: \$nil).

**STATEMENT OF DEPARTMENTAL CAPITAL INJECTIONS FOR THE YEAR ENDED 30 JUNE 2022**

Actual capital injections 2021 (restated)* \$000		Actual capital injections 2022 \$000	Approved appropriation 2022 \$000
<b>VOTE SERIOUS FRAUD</b>			
207	Serious Fraud Office – Capital Injection	0	0

\* Refer to note 19 of the financial statements for the restatement of comparative figures

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

*for the year ended 30 June 2022*

Capital injections during the year without, or in excess of, authority in 2022: \$nil (2021: \$nil).



The background of the page is a blurred photograph of a desk. On the left, a laptop is partially visible. In the foreground, a hand is using a black calculator. Several sheets of paper are scattered on the desk, some appearing to be financial documents or spreadsheets. The overall scene is brightly lit, suggesting a window in the background.

Independent

# Auditor's Report

To the readers of the Serious Fraud  
Office's Annual Report for the year  
ended 30 June 2022

The Auditor-General is the auditor of the Serious Fraud Office (the Department). The Auditor-General has appointed me, Wikus Jansen van Rensburg, using the staff and resources of Audit New Zealand, to carry out, on his behalf, the audit of:

- the financial statements of the Department on pages 59 to 89, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2022, 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 2022 on pages 20 to 34 and pages 47 to 57; and
- the statement of budgeted and actual expenses and capital expenditure of the Department for the year ended 30 June 2022 on pages 90 and 91.

## Opinion

In our opinion:

- the financial statements of the Department on pages 59 to 89:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2022; 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 Standards Reduced Disclosure Regime; and
- the performance information of the Department on pages 20 to 34 and pages 47 to 57:

- presents fairly, in all material respects, for the year ended 30 June 2022:
  - what has been achieved with the appropriation; and
  - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure; and
- complies with generally accepted accounting practice in New Zealand; and
- the statement of budgeted and actual expenses and capital expenditure of the Department on pages 90 and 91 are presented fairly, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.

Our audit was completed on 30 September 2022. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Chief Executive and our responsibilities relating to the information to be audited, we comment on other information, and we explain our independence.

## Basis for our opinion

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

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

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

## **Responsibilities of the Chief Executive for the information to be audited**

The Chief Executive is responsible on behalf of the 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; and
- statements of budgeted and actual 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 is responsible for such internal control as is determined is necessary to enable the preparation of the information to be audited that is free from material misstatement, whether due to fraud or error.

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

The Chief Executive 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 Statement of Strategic Intent 2020-24 and Estimates and Supplementary Estimates 2021/22 for Vote Serious Fraud.

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

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

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

appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.
- 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 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 regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

## Other information

The Chief Executive is responsible for the other information. The other information comprises the information included on pages 1 to 19, pages 35 to 46, 58, 92 and pages 97 to 100 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 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.



Wikus Jansen van Rensburg

Audit New Zealand

On behalf of the Auditor-General

Auckland, New Zealand









**SERIOUS FRAUD OFFICE**

*Te Tari Hara Tāware*

**SERIOUS FRAUD OFFICE**

PO Box 7124,  
Victoria Street West,  
Auckland 1141

Level 8, 188 Quay Street,  
Auckland 1010

Phone: 09 303 0121

Fax: 09 303 0142

Email: [sfo@sfo.govt.nz](mailto:sfo@sfo.govt.nz)

[www.sfo.govt.nz](http://www.sfo.govt.nz)

**COMPLAINTS**

Email: [complaints@sfo.govt.nz](mailto:complaints@sfo.govt.nz)

Freephone: 0800 109 800



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