



SERIOUS FRAUD OFFICE

*Te Tari Hara Tāware*



**ANNUAL**

**REPORT 2021**

## **HIGHLIGHTS OF 2020/21**

**\$292 million combined total of alleged fraud**

- in cases brought by the SFO

**100% conviction rate during the year**

### **APEC 2021**

- Meeting New Zealand's international obligations

**SFO hosts APEC Anti-Corruption and Transparency Working Group meetings**

**Implemented a Gender Mainstreaming and Mentoring in Anti-Corruption Agencies Symposium, research paper and mentoring guide for women**

**Launch of a new organisational structure and opening of a new office in Wellington**

**Established Strategy and Prevention team**

**Launched Counter Fraud Centre portal**

**New Zealand ranked first equal in the world in the 2020 Transparency International Corruption Perception Index**

**SFO workforce engagement score is 73% - 11% above the public sector average**

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# Director's Overview

The Serious Fraud Office (SFO) has had another outstanding year in the investigation and prosecution of serious and complex financial crime. The agency had 45 defendants before the courts during 2020/21, including appeals, with a total of \$292 million in alleged fraud. Convictions were secured and upheld, where appealed, in all prosecutions completed. Further details about our cases can be found later in this report.

The SFO was in an excellent position to continue its work during COVID-19 lockdowns with all members able to work remotely. However, some delays were experienced with tasks that could only be carried out in person, such as the interviewing of suspects. Regardless of these challenges, the agency was overall able to effectively progress investigations and preparations for trials.

## Increasing our Capacity

The Senior Leadership Team approved a plan in May 2020 to significantly expand the SFO's operations. This was as a result of additional funding received from the Government to investigate and prosecute serious financial crime and to branch out into prevention work. The new expanded structure included increasing our investigative resources, the

strengthening of the corporate services function to build organisational resilience, boost the SFO's capability to manage its expanded workforce and enable it to deliver on strategic priorities.

Integral to the plan was a new organisational structure that included the creation of 26.5 new positions - representing a 50% increase in headcount. The new structure was put in place in July 2020, and recruitment continued throughout the year.

While the majority of positions have been filled, a handful of roles are still vacant. We continue to be challenged in recruiting candidates with the necessary skills and experience in serious and complex financial crime investigation.

## A New Wellington Office

In November 2020, the SFO opened a new Wellington office. The official opening took place in March 2021 and was attended by the Minister responsible for the Serious Fraud Office Hon Poto Williams and stakeholders from across the Justice sector.

This is the first time that the SFO has had a Wellington office. It is staffed by 10 Wellington-based employees who carry out investigations, and strategy and prevention

work. Alongside these and other work priorities, they will assist in fostering stronger connections with other Government agencies.

## Building Financial Crime Prevention Capacity

An essential part of the new structure was creating the Strategy and Prevention team, which has members located in both the Auckland and Wellington offices. Having a team dedicated to preventing financial crime is a first for the SFO. Since it was formed, the team has focused on supporting the public sector's activities for countering financial crime and corruption, particularly with respect to COVID-19 funding. The initial programme of work has primarily focused on deterring offending in relation to COVID-19 recovery funds. This work has included:

- developing a community of practice which is supported by 29 government agencies
- building a strong relationship with The Treasury which has included presenting on financial crime prevention at the Government Finance Professionals forum
- publishing 23 financial crime prevention guides and utilising best practice information and materials from international counterparts
- building an online portal, accommodated within the SFO's website, where public sector agencies are able to access and download resources on financial crime prevention

We launched the Counter Fraud Centre, Tauārai Hara Tāware, to provide a unified extended identity for all prevention activities, such as the community of practice and good practice guidance.



This identity will distinguish the prevention work from the SFO's strong core brand of investigating and prosecuting serious financial crime and corruption.

## Meeting New Zealand's International Obligations

As part of New Zealand's hosting of the Asia-Pacific Economic Cooperation (APEC) 2021, the SFO has been chairing the APEC Anti-Corruption and Transparency Experts Working Group (ACTWG). For a small agency this has been no easy task, requiring a considerable amount of time and resource commitment by the SFO executive and other team members. A key highlight was the joint APEC and SFO funded project called Gender Mainstreaming and Mentoring in Anti-Corruption Agencies. This project comprised: a research paper to assess key themes and experiences of female employees working within APEC anti-corruption agencies; a three-day webinar hosted by Dr Jo Cribb; and the publishing of a mentoring guide for women.

## Testing New Zealand's Performance

The 2020 Transparency International Corruption Perception Index was released in January 2021. Out of 180 countries, New Zealand was ranked first equal with Denmark. New Zealand's reputation for low levels of corruption brings considerable benefits and is a position that the country needs to be

vigilant about protecting and maintaining.

In June, the SFO completed its biennial Stakeholder Survey. The results were pleasing with 96% of stakeholders stating that they 'more than agreed' that law enforcement actions are maintaining or improving the integrity of New Zealand's financial and commercial markets. Furthermore, 92% of respondents said they 'more than agreed' that there is a high level of trust in New Zealand's public institutions.

## Our People

Last, but certainly not least, I would like to acknowledge the hard work done by all SFO employees during the year. The SFO's success is built upon the quality and commitment of its employees - something that holds true today as it has done over the past 31 years. Our Senior Leadership Team has put a considerable amount of time and effort into developing a positive and cohesive work culture over the past five years. In this regard, the agency's annual 'Ask Your Team' engagement survey in March provided some pleasing results. Of particular note was the employee engagement score of 73% which is

11% above the average public sector score. Additionally, 84% of employees said that the SFO is a great place to work.

In conclusion, the SFO is in great shape as it embarks on the new financial year. We have a strong strategic framework in place, a robust team of expert employees and a proactive programme to support the prevention of financial crime.



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**Julie Read**

*Chief Executive and Director*





# 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.

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

A new focus of our work is financial crime strategy and prevention. We have a team dedicated to preventing financial crime, with a focus on the public sector. The initial programme of work has focused on deterring offending particularly in relation to COVID-19 recovery funds. We are also working with partners to develop a National Financial Crime and Corruption Strategy.

The types of cases that the SFO focuses on are those that have a disproportionately high impact on the economy or the financial

wellbeing of New Zealanders. When it comes to bribery or corruption, we investigate crimes that could undermine confidence in the public sector, New Zealand institutions or are of significant public interest. At any given time, we typically have about 30-40 investigations and prosecutions underway.

Cases are selected using legislative criteria, that focus on the scale of the crime and its impact on victims, complexity of the offending and the public interest. 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 average 3.1 million documents - approximately 1.25 terabytes of information. In 2017, the SFO transformed its case and evidence management systems so that it could better respond to the rising volume of evidential data.



## How we Achieve our Purpose

### Investigation and Prosecution

We employ a highly experienced team of 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 from each of these areas of expertise. This model is considered international best practice for the types of complex financial crime investigations we undertake. While most of our teams are Auckland-based, we have around 10 employees who carry out investigative and financial crime prevention work from our new Wellington office.

### Prevention of Financial Crime

We carry out financial crime prevention activities that include developing information and guidance. 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 a team of experts who are dedicated to implementing these broader prevention-related activities.

Our depth of experience with investigations and prosecutions means that we are able to

further strengthen our prevention strategies, by sharing with others our knowledge and expertise on the causes and impacts of complex financial crime. Our international connections assist us to leverage key insights and best practice generated by overseas organisations and agencies.

### Meeting New Zealand's International Obligations

We regularly participate in international networks, groups and meetings, as a way of maintaining New Zealand's reputation as a country with low levels of corruption and staying up-to-date with global financial crime trends. As part of that work, we are playing a role in supporting New Zealand's hosting activities for APEC 2021. This includes chairing the APEC Anti-Corruption and Transparency Experts Working Group and its subsidiary body, the Network of Anti-Corruption Authorities and Law Enforcements Agencies.

### Contribution to the Government's Goals

The SFO contributes to the Government's priorities of:

- reforming the Justice sector by supporting and contributing to policy and operational initiatives across the Justice sector
- tackling organised crime primarily through the development and implementation of the anti-corruption work programme and National Financial Crime and Corruption Strategy. Both of these initiatives will reduce the ability of organised criminals to encourage corrupt behaviour or commit financial crimes

The SFO also contributes to cross-government organised crime leadership groups and the development of financial crime and corruption policies. We also contribute to non-financial crime policy initiatives across the Justice sector and wider government.

## Work with Justice Sector Partners

The work of the Justice sector and its partners is interconnected, therefore, maintaining and fostering strong links across the sector is an important part of achieving success. Over the past four years, we have worked to further strengthen those relationships through a number of initiatives. Our Chief Executive sits on the Justice Sector Leadership Board, while other senior leaders and employees from the SFO have contributed to various sector strategy and operational groups. This work has also included implementing the new Justice cluster approach, as part of modernising the public finance system.

## We Work Collaboratively

Justice sector partners and other agencies that we regularly work with include:

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

- Office of the Auditor-General
- Financial Markets Authority
- Commerce Commission
- Immigration New Zealand
- The Treasury
- Department of the Prime Minister and Cabinet

We also maintain strong links with private sector interests, such as accounting firms and banks, and our international counterparts in Australia, the United States, Canada and the United Kingdom. We have an SFO investigator based at the International Anti-Corruption Coordination Centre in London. We 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 Results

*The SFO focuses on a relatively small number of cases that have a disproportionately high impact on the financial and economic wellbeing of New Zealanders.*

**45 defendants**

Appeared before the courts last year, in prosecutions brought by the SFO and via appeals.

**\$292 million**

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

**100%**

Conviction rate during the year.

**8 Prosecutions**

Commenced last year, up from six for the previous financial year.

We received...

**986**

Financial crime complaints.

**29 Complaints**

Became 'Part 1' enquiries – up from 22 for the previous financial year.

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

**11 Enquiries**

Advanced to a full 'Part 2' investigation - the same number as the past two years.

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



## Safeguarding the Integrity of the Electoral System

Over the past year, the SFO has continued to examine conduct relating to the funding of New Zealand's national and local body elections. Prosecutions in relation to National Party donations and the New Zealand First Foundation have continued to progress. Charges were also filed in May 2021 in relation to donations to the Labour Party.

The investigation regarding Auckland Council election funding is ongoing, while the Christchurch City Council election

funding investigation has been closed.

The integrity and transparency of electoral funding regimes remains a significant and topical issue both in New Zealand and overseas. New Zealand's response to any behaviour that might undermine the way democratic systems operate is essential to preserving the country's reputation as one of the least corrupt countries in the world, and ensuring voters have confidence in electoral processes.

## Public Sector Fraud and Corruption

The SFO prioritises taking action in response to allegations of fraud and corruption in the public sector. Fraud involving public funds represents a loss of money and lost opportunities to positively support vital areas of government work such as health, infrastructure, or (most recently, in the context of COVID-19) a crisis response. It also undermines confidence in public institutions.

The SFO has received Government funding to prevent the loss of COVID-19

relief funds to fraud. Part of this work involves strengthening the counter fraud capability of public sector agencies to prevent it before it occurs, by improving systems and controls. The SFO will also continue to prioritise the investigation and prosecution of cases where public funds are involved, but at the same time, prevention needs to become an established part of New Zealand's response to the threat of fraud.

### Antoanette Du Preez

Antoanette Du Preez stole approximately \$1 million while she was employed by the Canterbury District Health Board (CDHB).

Ms Du Preez directed patients to pay for the treatment they had received by transferring funds to bank accounts she controlled. She also received cash on behalf of patients for their treatment which she retained for herself. She manipulated the CDHB accounting systems to disguise her offending. Ms Du Preez supported her lifestyle, including gambling and paying off debt, with the money she stole over a six-year period.

Ms Du Preez was sentenced in October 2020 in the Christchurch District Court.



*“This was a long-standing premeditated fraud with some sophistication to it. An example of that sophistication is the incorporation of a company which was specifically designed to receive the funds as the fraud grew. On any analysis, the breach of trust was significant. There has been an immense loss which will almost certainly never be repaid.”*

- Judge Gilbert when sentencing Ms Du Preez

## Te Rangihiroa Whakaruru

Te Rangihiroa Whakaruru was a former assistant to the Māori King. He engaged in fraud while he was employed by a charitable trust that provided financial support to the office of the Māori King. He pleaded guilty to five charges of ‘obtaining by deception’ under the Crimes Act and one charge of ‘supplying false or misleading information’ under the Serious Fraud Office Act.

In October 2020, Mr Whakaruru was sentenced to 12 months home detention and 300 hours of community work. He was also ordered to make full reparation for stealing approximately \$111,000 of charitable funds and lying to the SFO.



*“Mr Whakaruru abused his position of trust, by deceiving members of the Waikato-Tainui iwi, to steal a significant amount of charitable funds. The defendant’s criminal and selfish actions have compromised the reputation of the office of the Māori King. The active misleading of the SFO during an investigation is a serious offence and resulted in additional public funds being spent to resolve this case.”*

- SFO Director, Julie Read

## Tapualii Uitime

Tapualii Uitime was found 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 Uitime was the operations manager of the charity which received funding from the Ministry of Social Development, the Ministry of Justice and the Department of Corrections. It offered a range of social support services including a Pacific cultural framework for addressing family violence, family violence education and domestic violence prevention programmes for men.

Ms Uitime was sentenced to two years and one month of imprisonment. Ms Uitime’s co-defendant, Betty Sio, has pleaded not guilty and her trial is expected to take place later in 2021.



*“...the project was a successful project providing excellent services to people in need, and as a result of your actions those services are no longer available in our community and that is in my view the most significant aggravating feature of your offending.”*

- Judge Johns when sentencing Ms Uitime

### *Preparing for Trials*

The SFO’s ongoing case work includes preparing for trials. At any one time, 30% of the organisation’s investigative resources can be directed towards preparing cases for trials.

**Gerard Gallagher** and **Simon Nikoloff** who worked for the Christchurch Earthquake Recovery Authority (CERA) and Otakaro Ltd have pleaded not guilty to corruption charges in relation to their conduct as employees of these two organisations.

**Vivek Goel, Neha Bubna** and two other people who have name suppression, 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.

## Protecting New Zealanders’ Financial and Economic Wellbeing

It is vital that New Zealanders maintain trust in those who have a role in looking after their financial interests. People such as financial advisers, investment managers, trustees, insurers and liquidators are all entrusted with certain rights and obligations that affect the personal and financial wellbeing of New

Zealanders. When that trust is broken, it undermines trust in financial systems, affects the country’s international reputation as a safe place to invest and do business and often disproportionately impacts (directly and indirectly) the most vulnerable groups in society.

### Barry Kloogh Sentencing

Barry Kloogh ran a Ponzi scheme for more than 20 years during which time he misappropriated at least \$15.7 million from his clients.

Mr Kloogh provided financial advisory services through several companies of which he was the sole director and shareholder. He had approximately 2,000 active clients when the SFO conducted search warrants and effectively ended his business operations.

In July 2020, he was sentenced to eight years and 10 months imprisonment, with a minimum non-parole period of five years and four months.



*“...the common and powerful theme is that of betrayal and breach of trust. Every one of them trusted you. The reality is that, in most cases, you were already offending when you conned them. In some respects, investing with you was akin to handing over the house keys to someone they did not realise was a recidivist burglar and asking him to mind the place.”*

- Judge Crosbie when sentencing Mr Kloogh

## Geoffrey Smith

In September 2020, Geoffrey Smith was found to have stolen approximately \$130,000 from two companies while acting as their liquidator. He was also found guilty of perjury in connection with documents he filed in civil proceedings concerning the same liquidation activities, as well as obstructing the SFO’s investigation into his affairs.

In November 2020, he was sentenced to four years in prison.



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

- SFO Director, Julie Read

## Kelly Tonkin

In June 2021, Kelly Tonkin pleaded guilty to 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 which was 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.

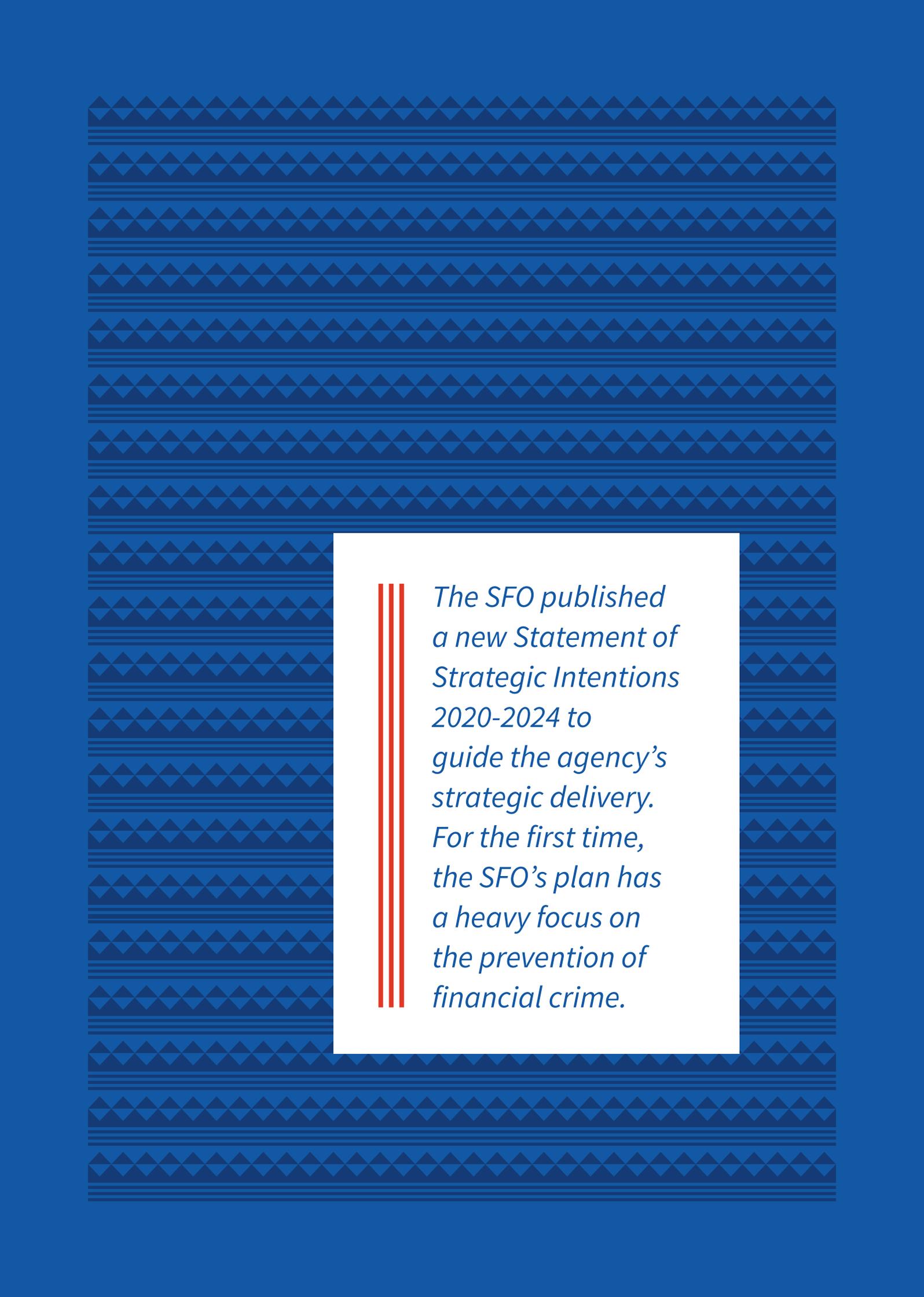
Mr Tonkin intentionally deceived investors by overstating the value of the Fund by approximately \$116.9 million, in order to conceal losses and attract further investment. Mr Tonkin is expected to be sentenced in September 2021.

### *Upcoming Fraud Trials*

The former Chief Executive of CBL Insurance Ltd, **Peter Harris** and its former Chief Executive Officer, **Carden Mulholland** have pleaded not guilty to charges brought by the SFO. The charges against both relate to their involvement in CBL Insurance Ltd, which was placed into liquidation in November 2018.

**Bryan Martin, Viki Cotter, Sian Grant** and **Joshua Grant** pleaded not guilty to deceiving various banks into providing loans for the purchase of residential properties.

**John Williams**, a former employee of Rural Livestock Ltd, pleaded not guilty to deceiving Rural Livestock and his clients into the context of numerous livestock transactions.



*The SFO published a new Statement of Strategic Intentions 2020-2024 to guide the agency's strategic delivery. For the first time, the SFO's plan has a heavy focus on the prevention of financial crime.*

**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 has published a new Statement of Strategic Intentions 2020-2024 to guide the agency's strategic delivery. This 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. For the first time, the SFO's plan has a heavy focus on the prevention of financial crime.

**OUR PURPOSE IS...**

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



# Achieving Our Goals

1

Conduct investigations and prosecutions of the highest quality and effectiveness

## Increased Investigation and Prosecution Resources

In July 2020, the SFO put in place a new organisational structure for its investigations and prosecutions and formed a new Operations Team. This activity was funded by an increase in the SFO's baseline appropriation and monies from the COVID-19 Relief and Recovery Fund. The formation of the Operations Team has allowed the SFO to build its investigative capacity to meet growth in demand for investigations, in addition to completing existing cases.

The Operations Team is now led by the Deputy Chief Executive Operations and General Counsel who is, in turn, supported by two Investigation Managers and an Assistant General Counsel. The latter role is responsible for overseeing both prosecutions and leading the legal discipline.

As well as their core activity of leading investigations, the role of Principal in each of the SFO's operational technical disciplines (investigator, electronic forensics, lawyer and forensic accountant) was broadened to include the additional responsibility for management of operational staff. These roles are now referred to as Principal People Leads. Three new Principal Technical Lead roles were

also created to drive the forensic accountant, investigator and electronic forensics technical disciplines. The Technical leads are developing a work programme to ensure the SFO continues to remain at the forefront of financial crime investigative expertise.

Overall, the SFO created 19 new investigative positions during the financial year.

Of particular note:

- A new Wellington investigations team was established.
- Electronic forensics capability has been increased by creating a Principal Electronic Forensics Investigator role and recruiting two new Electronic Forensics Technicians.

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

While the SFO had planned to review its investigative output measures during the year

## Increased Investigation and Prosecution Resources contd.

and amend the Estimates of Appropriation 2021/22 for Vote Serious Fraud, this was deferred until the next financial year. The reason for this was that the Budget 2020 baseline increase was primarily to address

existing non-discretionary cost pressures to deliver at the existing output levels. The SFO will review outputs during 2021/22 when the longer-term impacts of increased investigative resourcing become clearer.

## Have the Right Tools and Systems to Support our Operations

During the year, the SFO continued to review and strengthen its case and evidence management systems. Changes were made to the existing platform to streamline processes and support the new organisational structure.

Our disclosure practices were reviewed to simplify and improve the quality of the SFO's processes. A new role focusing on criminal disclosure has been created to support this area of our work.

In February, the SFO commenced the rollout of an upgraded version of its existing Relativity evidence management system. The new product, called RelativityOne, is cloud-based and provides significant benefits over the legacy system including:

- the software is provided as a service which reduces the cost and resources associated with managing the infrastructure

- future proofing of the SFO, as RelativityOne includes ongoing upgrades and other innovations not available in the legacy system

While the COVID-19 pandemic has restricted international travel to attend courses, the agency's electronic forensics investigators have continued to stay up-to-date with international developments through online training and investing in new electronic forensics software and hardware.

One of the SFO's electronic forensic investigators is funded collectively by the SFO, Immigration NZ, the Commerce Commission and the Financial Markets Authority. This role provides electronic forensic capability and support to the three funding agencies, as well as the SFO. During 2021, agreement was reached to extend the arrangement for a further three years.

## Building a Wellington Investigations Capacity

The SFO opened its new Wellington office on 2 November 2020. Five investigative employees were appointed, with the investigations team fully operational by March 2021. They have been working closely on cases with their

Auckland-based counterparts, acquiring an in-depth understanding of the organisation's systems, processes and procedures. Our Strategy and Prevention Team has five members in Wellington.

## Sharing Lessons from our Investigations

During the year, the Operations and Strategy and Prevention teams worked together to develop a range of counter-fraud materials to share with public sector stakeholders. Collateral created included various guides, information on fraud personas and a range of cases studies. This information is available on

the SFO's new Counter Fraud Centre portal for public sector agencies to download.

The SFO will continue to build on the resources available in the 2021/22 financial year.

2

## Lead strategies to prevent financial crime and corruption

### Launch of the Counter Fraud Centre

In July 2021, the SFO launched a new Counter Fraud Centre, Tauārai Hara Tāware, to support prevention activities. It includes good practice guidance issued by the SFO in support of counter-fraud and anti-corruption activities. The Counter Fraud Centre has two main purposes:

- To increase counter fraud capability within the public sector, by giving agencies the ability to design and implement more effective fraud and corruption prevention programmes.

- To shift thinking within the public sector towards a viewpoint that finding fraud is a good thing: 'You can't fight fraud if you can't find it.'

The new Counter Fraud Centre's visual identity will provide a unified, coordinated approach while also being distinguishable from the SFO's strong, core brand of investigating and prosecuting serious financial crime and corruption. It will also be helpful in improving the adoption of counter fraud activities.



**COUNTER FRAUD CENTRE**

Tauārai Hara Tāware

## COVID-19 Financial Crime Prevention

From July 2020, the SFO received funding from the Government's COVID-19 Relief and Recovery Fund to lead prevention activities in the public sector to reduce losses due to fraud and corruption in relation to COVID-19 recovery activities.

The SFO created a Strategy and Prevention team to develop and deliver a COVID-19 financial crime prevention work programme and other activities. That programme is well underway with a range of information and measures successfully introduced during the financial year.

The Counter Fraud Centre will act as a first point of contact for assisting public sector agencies with their fraud prevention and anti-corruption capabilities. This initiative seeks to inform and educate the public sector through the provision of international best practice guidance in the area of counter-fraud. It is geared towards supporting fraud prevention practitioners and managers to build capability and develop fraud prevention skills within their agencies. These activities are aimed at improving the public sector's general resilience to financial crime beyond COVID-19.

The SFO has also fostered strategic relationships with key international partners and maintained a high level of involvement with the International Public Sector Fraud Forum. By leveraging these existing partnerships, the SFO has been able to utilise knowledge and key learnings to rapidly deliver best practice guidance to the New Zealand public sector.

One of the best and most effective ways of addressing fraud is to get people working together, sharing knowledge and lessons learned, and discussing ways of tackling it. In line with that approach, the SFO has established a 'Community of Practice' to partner with government prevention practitioners to share best practice and learn

from leading professionals in the field. It brings together counter-fraud professionals from public sector agencies that have directly or indirectly received COVID-19 relief and recovery funding. There are 39 member agencies that currently belong to the Community of Practice. Members can also access the online resources available through the Counter Fraud Centre portal. The portal currently has 23 counter fraud and corruption resources available for registered members to access, with fresh content continuing to be developed and uploaded.

As part of its COVID-19 work, the SFO also developed a Fraud Capability Assessment programme which gives public sector agencies an overview of their counter-fraud capabilities. To date, three agencies have successfully completed assessments with more planned over the coming financial year.

To address the issue of COVID-19 scams and misinformation, particularly around the vaccine rollout, the SFO has shared information from its international counterparts with a cross-government COVID-19 Vaccine Fraud working group.

Key to the success of the COVID-19 and anti-corruption work programme is addressing the concern that finding fraud is bad for an agency's reputation. The international benchmark for fraud on government funds is between 0.5 and 5%. Despite New Zealand's reputation for low levels of corruption, we have no reason to think that we are significantly better than our overseas partners. Fraud makes up 20% of all crime in New Zealand and is the 4th most common form of offending. To address this, the SFO took part in a series of speaking engagements, including The Treasury's Chief Finance Officers' Forum, promoting the message that 'you can't fight fraud if you can't find it' and providing information on counter-fraud practices.

## Anti-Corruption Work Programme (ACWP)

New Zealand enjoys a reputation for being one of the least-corrupt countries in the world and this provides significant benefits internationally. However, there is a growing consensus that the risk of corruption in New Zealand is increasing and that it may be more pervasive than is generally acknowledged.

The purpose of the anti-corruption work programme (ACWP) is to support government agencies' anti-corruption efforts, to prevent complacency, and to prevent corrupt behaviour from becoming embedded in our system. This work is being funded by the Proceeds of Crime Fund through to 30 June 2022.

ACWP activities underway in 2020/21 and continuing through 2021/22 include:

- publication of corruption prevention resources on the Counter Fraud Centre portal
- engagement with local government authorities and other identified sectors

Products released on the Counter Fraud Centre portal highlight corruption red flags and countermeasures. The SFO has developed scenarios from its own prosecutions to assist in identifying potentially corrupt activity and highlighting measures to address the risks.

From July 2020, the SFO has worked with other agencies to update a risk assessment that

identified potential gaps in identified current responses to corruption in New Zealand. This assessment was to ensure that prevention work was correctly targeted. This activity and other work undertaken for the National Financial Crime and Corruption Strategy has led to the development of a work programme which is aligned with, but does not duplicate, other strategic plans.

A key project under the ACWP is the Fraud and Corruption Measurement project. This project will seek to attach a financial measurement to fraud and corruption prevented in the public sector and provide validation of this by an assurance panel. This project has been deferred until the next financial year, when the UK Cabinet Office will be available to provide advice on internationally proven models. This will be a multi-phase project commencing with a pilot programme to validate the model within the New Zealand setting.

As it progresses, the ACWP activities could eventually form part of the National Financial Crime and Corruption Strategy, subject to Ministerial decisions.

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

The SFO's 2019 Performance Improvement Framework (PIF), which was endorsed by Central Agencies, identified system challenges that needed to be addressed to ensure that New Zealand could successfully respond to the complex and changing financial crime and corruption landscape. The PIF identified several issues stemming from the lack of an over-arching financial crime strategy in New Zealand. In particular, it highlighted the ad hoc nature of the response to financial crime and the need for the SFO to take a more strategic approach. The report stated that a "...key component of [the national] strategy needs to be the design of an end-to-end anti-corruption and financial crime education, prevention, detection and prosecution system". The Justice Sector Leadership Board subsequently agreed to progress a National Financial Crime and Corruption Strategy in June 2020, as one of its priorities.

The concept of a more cohesive approach for tackling financial crime was previously raised in the 2014 SFO PIF report and in publications such as Strengthening New Zealand's Resistance to Organised Crime. It is a feature of several initiatives and strategies in this area. A robust system-wide response to financial crime and corruption is important for the financial and economic wellbeing of New Zealanders. A strategy would seek to understand the extent of specific financial crimes and corruption, and how agencies' efforts to combat them can be effectively aligned to enable the identification and bridging of potential systems gaps. In line with that approach, the SFO has been working with the Ministry of Justice and New Zealand Police on the early stages of developing a National Financial Crime and Corruption Strategy. A project plan and work programme has been developed and agreed upon.

Early indications are that there may be an opportunity to focus on the following areas:

- use of evidence to raise awareness and understanding of financial crime issues among agencies, private sector stakeholders and the general population
- coordinating prevention, detection, investigation and prosecution mechanisms
- effective prioritisation of the investigation and prosecution of financial crime and the needs of victims, including from a Māori cultural perspective
- the efficient use of existing resources and information sharing
- leveraging international relationships and good practices

A more coordinated approach would also mitigate other strategic risks such as foreign interference and trans-national organised crime.

The SFO is currently engaged in phase one of this project. The purpose is to identify opportunities in New Zealand's current approach to financial crime, by assessing and understanding the landscape of financial crime and corruption in New Zealand. A document review was completed in July 2021, along with a survey of 20 Government agencies or crown entities and private sector stakeholders. Workshops with these stakeholders were held in mid-July.

The problem definition and landscape analysis will be completed in September 2021. A range of strategy options will then be developed during Phase 2 of the project with a Cabinet options paper planned to be presented to Ministers in April 2022.

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

### APEC 2021

The SFO has been chairing the APEC Anti-Corruption and Transparency Working Group (ACTWG) during New Zealand's host year in 2021. This has been a significant undertaking for a small Government agency with a small team available to manage the activities of the group.

During the Senior Officials Meeting 1 (SOM1) in February, the SFO Director Julie Read hosted the ACTWG plenary meeting which was attended by 19 APEC member economies. The SFO's Deputy Chief Executive Corporate and Strategy Graham Gill also chaired the ACTWG sub-fora of Anti-Corruption and Transparency Law Enforcement Experts Network (ACT-NET) during SOM1. This meeting was attended by around 59 law enforcement officials from 18 APEC economies.

Key themes of the meetings included:

- corruption prevention during crises, including key lessons from the COVID-19 pandemic
- fraud and general corruption prevention measures
- international cooperation: denial of safe haven to corrupt officials and asset recovery



- gender mainstreaming and empowering women to support the fight against corruption

Attendees reported that one of the highlights was a joint presentation between China and the New Zealand Police which showcased effective international cooperation in a case involving a Chinese criminal fugitive. The SFO was also able to leverage other international connections to provide useful content for APEC colleagues. The SOM1 meetings were planned to be hosted at the MFAT APEC studio in Wellington. However, due to a COVID-19 alert level change, a temporary studio was set up at the SFO's Auckland office. Despite the challenge, both meetings were hosted seamlessly online.

## Gender Mainstreaming Symposium



APEC has been working to advance women's economic prospects in the region. Corruption is likely to have a greater impact on women's economic wellbeing, when compared to men. 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 for economies which were endorsed by the ACTWG. These recommendations focus on empowering women in the fight against corruption.

In 2021, New Zealand sought to continue the focus on empowering women in the fight against corruption via a project jointly funded by APEC and New Zealand. That project aimed to deliver three key outputs:

- a research paper reporting on the results of a questionnaire completed by women from APEC anti-corruption agencies
- a virtual symposium bringing together experts in issues related to gender, gender mainstreaming and corruption
- a training guide that focuses on mentoring women in anti-corruption agencies

The Gender Mainstreaming and Mentoring

in Anti-Corruption Agencies Symposium was held from 21 to 23 April 2021. It was a virtual event hosted at the APEC studio in Wellington. Eleven local and international speakers presented at the event which attracted over 300 attendees from 15 APEC economies and other organisations.

The Symposium, which was officially opened by the Minister responsible for the Serious Fraud Office Hon Poto Williams, was facilitated by diversity and inclusion consultant and former Chief Executive of the Ministry for Women Dr Jo Cribb (shown above on left).

Topics and speakers included:

- **Gender Mainstreaming and Gender Responsive Budgeting (Professor Jennifer Claire Curtin**, Professor of Politics and Director of the Public Policy Institute at the University of Auckland.)
- **The Fairer Sex Myth (Dr. Anne-Marie Goetz**, Clinical Professor at New York University and Former Chief Advisor for the Governance, Peace and Security Department at UN Women)
- **Gender and Corruption in Failed Democracies: Bosnia and Herzegovina (Boris Divjak**, Transparency International Bosnia and Herzegovina)
- **Promoting Women in Law Enforcement and Anti-Corruption Agencies (Ms Gaele Demolis**, Programme Specialist for the Governance, Peace and Security Unit at UN Women Regional Office for Asia and the Pacific)

SFO Prevention Advisor Dr Katja Rangsviek (shown above on right), presented the research paper on a study conducted by New Zealand to evaluate the state of gender mainstreaming

and experiences of female employees in APEC anti-corruption agencies. Ninety-three female employees from anti-corruption agencies in 16 member economies took part in the questionnaire. The study showed that while many member economies have gender sensitivity training in place to help address potential bias, there is a lack of mentoring programmes available. As a result, increasing opportunities for women to access mentoring was seen as an important step forward in reducing subtle gender bias and encouraging more women to rise into decision-making positions in anti-corruption agencies.

Based on this finding, Dr Rangsivek developed a mentoring guide for anti-corruption agencies which was circulated to ACTWG members for adoption at the SOM3 meeting in August 2021. Once this process is completed, the mentoring guide will be published as an APEC publication. It is expected that it will also be used by non-APEC members and other agencies that are not directly engaged in anti-corruption work. In developing the guide, the SFO also collaborated with the Ministry for Women.

## Joint APEC-OECD Webinar

In August 2021, the SFO hosted a joint Organisation for Economic Cooperation and Development (OECD) and Asian Development Bank (ADB) three-day webinar ‘Preventing Corruption in Crises’. This webinar formed part of the OECD’s Asia-Pacific Initiative which is supported by 25 countries from the region who have collectively committed to action against corruption. The State Department of the United States, provided funding to deliver three webinars addressing law enforcement in crisis situations.

Over 150 people attended the webinars from APEC economies and non-APEC members across the Asia-Pacific region, and more widely.

During 2021, New Zealand has also been leading the review and development of new terms of reference for both the ACTWG and ACT-NET. This is a key undertaking as both groups are being assessed as part of an APEC led ‘Sunset Review’ to determine their ongoing viability.

The SFO also re-invigorated a group of economies known as the Friends of the Chair to support the ACTWG during 2021 and beyond. As well as providing bilateral support for the ACTWG Chair, the Friends of the Chair:

- provide input into the work of the ACTWG and ACT-NET
- deliver continuity for initiatives from one APEC host year to the next
- ensure consistency of leadership across host years

## International Public Sector Fraud Forum

The SFO has continued to attend and contribute to monthly International Public Sector Fraud Forum (IPSFF) meetings. Over the last year, these meetings have primarily focused on addressing the threat of fraud in relation to public funds deployed by the US, UK, Canada, Australia and New Zealand in response to COVID-19.

In addition, the SFO has also joined with other key New Zealand agencies to participate in specialist IPSFF forums. This has included sharing and discussing with international counterparts specific COVID-19 related counter fraud risks and best practice across a range of activities such as wage subsidy schemes and emergency procurement.

In turn New Zealand has contributed its expertise to the IPSFF community in areas such as mandate fraud and providing expert feedback on counter fraud products developed by other jurisdictions. The SFO has used these IPSFF resources to engage with its Community of Practice and to provide shared

resources to other public sector agencies through its Counter Fraud Centre portal.

The SFO has also spoken at public sector forums in the United Kingdom and leveraged that relationship to ensure relevant New Zealand partner agencies benefit from its membership of the IPSFF. These agencies joined the SFO in a recent IPSFF discussion about fraud detection and disruption techniques being used by other member countries. This first meeting provided an excellent opportunity for New Zealand to share its expertise and to benefit from the experience of its partners.

The SFO also leveraged its IPSFF membership to provide useful content for its APEC colleagues during the SOM1 meetings. This included having a representative from the UK Cabinet Office present on vaccine-related fraud experiences and the Australian Commonwealth Fraud Prevention Centre talk about fraud and corruption prevention measures.

## United Nations Convention Against Corruption

In 2015, New Zealand ratified the United Nations Convention Against Corruption (UNCAC). New Zealand's compliance with the Convention was expected to be reviewed in 2020, however, this was delayed due to COVID-19. While New Zealand is waiting for confirmation of the new review timeline, it is

anticipated that this will be carried out during the 2021/22 year. This project will be led by the Ministry of Justice with the SFO playing a key part in that review, as the lead agency for bribery and corruption investigations in New Zealand.

## 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 aim of the IACCC is to help corruption investigators to work together across multiple jurisdictions on cases of grand corruption as a way to prevent duplication of effort and to ensure that all relevant evidence is available to investigators. The work of the IACCC helps prevent corruptly obtained funds from being hidden in foreign jurisdictions.

The SFO has a 0.5 FTE investigator permanently based at the IACCC. The investigator's role is to coordinate requests for information and cooperation from countries which have been the victim of grand corruption. During 2020/21, the investigator managed 57 requests for information which were directed to the SFO or other New Zealand law enforcement agencies. At the same time, he also acted as case officer on four 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.

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

The SFO leveraged its relationship with the IACCC in the following ways:

- Secured the involvement of the IACCC Director Rupert Broad to present on the work of the organisation at the APEC ACTWG SOM1 meeting in February 2021. One of the reasons for doing this was to encourage other countries to make use of the IACCC in grand corruption investigations.
- An IACCC Senior Officer, Lloyd Richardson, also presented at the Women Against Corruption Network at the APEC Gender Mainstreaming Symposium in April 2021. The Network organised by the IACCC, is made up of a membership of female anti-corruption investigators.

## Other International Engagements

The SFO also engaged with the following international counterparts:

- Jointly reviewed, with the Ministry of Justice, Hungary's progress in implementing the OECD's Anti-Bribery Convention.
- Attended the inaugural meeting of the United Nations Office on Drugs and Crime

sponsored Global Operational Network of Anti-Corruption Law Enforcement Agencies (GlobE) which is a newly established network to facilitate global co-operation between law enforcement agencies.

- Attended International Foreign Bribery Taskforce meetings, to improve cooperation and sharing of expertise in relation to foreign bribery cases.



# Our People

*The SFO is a world class financial crime agency and a leading employer of financial crime investigation experts. The SFO's expert and committed employees are the cornerstone of our success. They are integral to the agency's ability to deliver on its strategic objectives.*

The SFO currently has 67 employees (61 permanent and 6 fixed term). The launch of a new organisational structure involved creating roles for 19 operational and 3 non-operational employees – recruitment for a

handful of these positions continues. A new tier of management was also introduced to ensure greater pastoral care was available to employees.

## Employee Engagement

Over the past 12 months, employees have remained resilient not only when dealing with the challenge of COVID-19 and associated alert level restrictions, but also with the changes arising from the new organisational structure. Our workforce is highly engaged

and motivated, as evidenced by results from the annual 'Ask Your Team Engagement Survey' which was carried out in April 2021. The results showed a workforce engagement score of 73% which is 11% above the public sector average.

**84%**

of employees said that the SFO is a great place to work

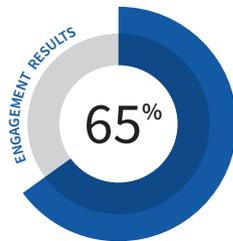
**86%**

of employees said that they enjoy working for the SFO

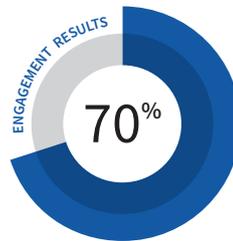
## Employee Engagement

contd.

2017/18



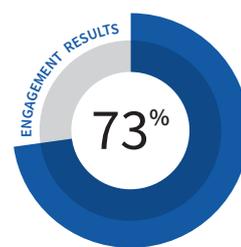
2018/19



2019/20



2020/21



### **\*2019/20 COVID-19 Response Survey**

As a result of COVID-19, the SFO replaced its usual annual Ask Your Team (AYT) survey in 2019/20 with a COVID-19 Response - Remote Working and Wellbeing Survey. This was conducted between 14-20 April 2020. At that time, the SFO believed it was more important to understand and provide employees with the support they needed during the pandemic, instead of completing a generic annual survey.

## Professional Development

To retain employees and continue to meet upskilling and growth requirements, particularly in specialised knowledge and expertise, the SFO offers a tailored development and training programme. From the moment someone starts at the SFO, their learning journey begins. As well as specific technical training required for the job, our induction programme incorporates the Public Service 101 training modules and unconscious bias training. This programme will expand over the coming year to include cultural competence training.

The SFO's people leaders have undertaken personal development that focuses on the 10 Behaviours of Successful People. A

programme of coaching has also been put in place to develop specific areas of leadership.

The SFO has continued to review our specialist workforce requirements and, as a result, created Principal Technical Leadership roles to further support technical capabilities and expanded our electronic forensics team to cope with the ongoing, significant increase in electronic information collected in the course of our investigations.

During the year, the SFO Electronic Forensic Unit took a lead role in working with other agencies to create and deliver bespoke training in the use of forensic tools and techniques. This included multi-agency training on best practice for first responders



To retain employees and continue to meet upskilling and growth requirements, particularly in specialised knowledge and expertise, the SFO offers a tailored development and training programme.

dealing with electronic devices as part of search warrants.

Other technical training development this year included:

- three Forensic Accountants completed a specialist forensic accounting qualification through Chartered Accountants Australia New Zealand
- three Electronic Forensic Investigators

completed advanced electronic forensics training

- two Electronic Forensics Investigators completed Cryptocurrencies for Digital Forensic Investigators training
- giving evidence
- search warrant execution
- interview training

## New Organisational Structure

In May 2020, the Senior Leadership Team approved a plan to significantly expand the SFO's operations, as a result of additional funding received from the Government. The new expanded structure included:

- increasing investigative capacity
- creating a Strategy and Prevention Team
- strengthening the corporate services function to build organisational resilience
- boosting the SFO's capability to manage its expanded workforce
- enabling the SFO to deliver on strategic priorities

Integral to the plan was a new organisational structure that included the creation of 26.5 new positions - representing a 50% increase in headcount. The new structure was put in place in July 2020, and recruitment continued throughout the year.

While the majority of positions have been filled, a handful of positions are still vacant. We continue to be challenged in recruiting candidates with the necessary skills and

experience in serious and complex financial crime investigation.

### **New Technical Lead Roles**

The SFO has created new Technical Lead Principal roles to lead three of the technical disciplines – forensic accountants, investigators and lawyers. Two of the disciplines have Principals that lead them, while the new Deputy General Counsel provides technical leadership to our lawyers.

### **Our Working Environment**

In May 2021, the SFO entered into an Agreement to Lease for new premises in the Auckland CBD. This will enable the agency to meet its accommodation priorities which are:

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

The design stages to create the new office space have been completed. The design will enable employees to work in a more collaborative and project-based manner that better reflects the nature of work they carry out. This new modern working environment offers:

- an open plan working environment that provides communal activity areas and increased interaction, particularly between investigation team members and other teams

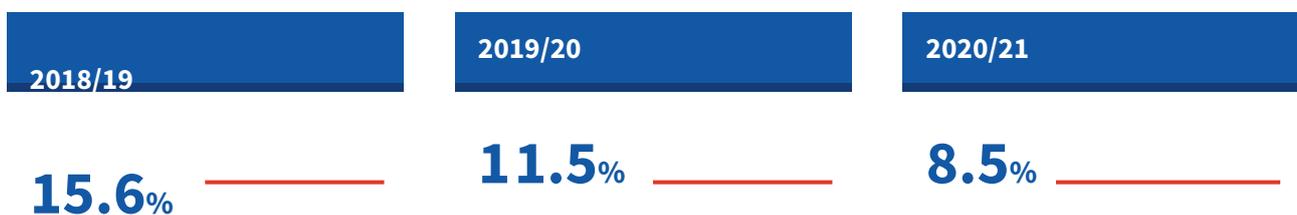
- shared collaborative areas where investigators working on a particular case can work together and quiet spaces
- enhanced use of mobile technology to support new ways of working and productivity
- a choice of workplace settings that employees can use in a flexible way that best suits their work priorities and deliverables

It is planned that the SFO will move into the new office in February 2022.

## Unplanned 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 pay 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 employee salary expectations in a limited market.

The SFO undertook a market salary adjustment exercise in October 2020 after additional funding was received in Budget 2020 for that purpose. However, the data that informed this activity used 2019 salary data - due to the COVID-19 public sector wage restraint. In light of this, the adjustments made did not bring the SFO salary levels in line with 2020 market rates. Employee turnover is currently 8.5%. Over the past three years, it has been as high as 22.6%.

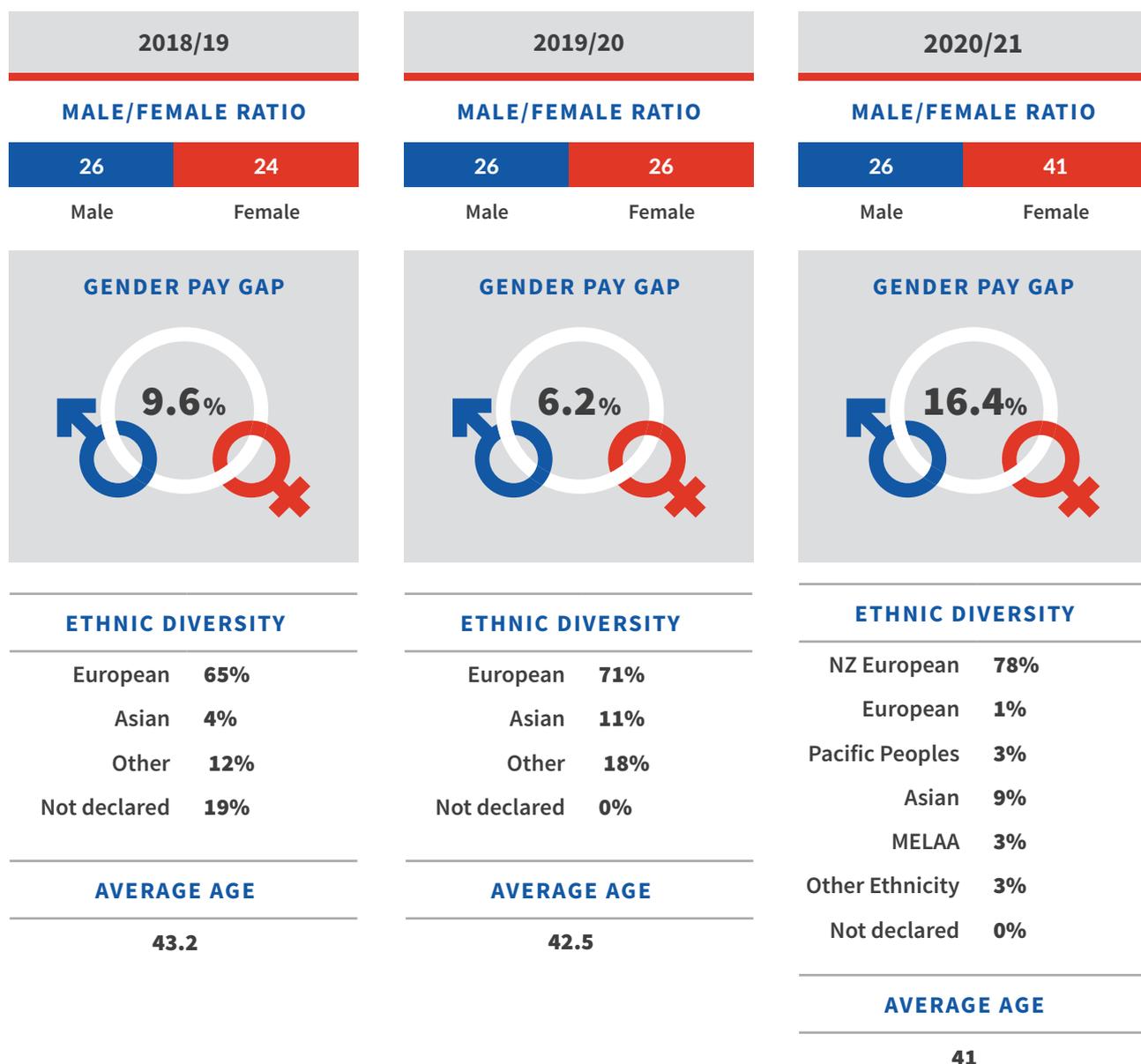




# Diversity and Inclusion

*The SFO is committed to developing and implementing a plan to improve its cultural capability.*

We have been working with Te Arawhiti to implement the Māori Crown Relations Capability Framework. A steering group, named Ngā Kaiwhakatore, has been formed to guide the SFO through this process. The plan is due to be completed in August 2021 with implementation set to follow in the next financial year.



The SFO has developed and implemented strong practices to ensure diversity and inclusion. We are committed to having a workforce that reflects the community. Our robust recruitment practices strive to attract a diverse range of candidates, while ensuring the right person for the role is recruited. Over the past 12 months, a dedicated recruitment employee has worked closely with candidates. This has helped to ensure the quality and integrity of employees who work for the SFO, while also supporting candidates during the recruitment process and ensuring it is a positive experience.

Despite the challenges of COVID-19 restrictions, recruitment efforts continued unhampered throughout the year, with 22 new employees being appointed. The recruitment and induction processes were adapted to make use of virtual meeting platforms, where necessary.

‘Flexible by Default’ practices have been implemented that support employees to work in ways that allow them to balance

work and home life. This approach will be reflected in the new office environment. The SFO also works to maintain gender balance in leadership positions.

Under the Papa Pounamu Milestones set by Te Kawa Mataaho:

- All employees were given access to Unconscious Bias training.
- The Senior Leadership Team completed Inclusive Leadership Training.

Unconscious bias and cultural competency training will be included in the induction programme for new employees when they join the SFO. All employee-related policies have also been reviewed to ensure all language used and practices are inclusive and free of bias.

In 2020/21, a new provision was introduced whereby any employee who takes annual leave within the first 12 months of returning from parental leave will receive their ordinary weekly pay, as opposed to an average rate.

## Gender Pay Gap Action Plan

In line with Government expectations, a Gender Pay Gap Action Plan 2020/21 was developed.

Being a small agency, minor changes to headcount, such as fluctuations due to employee movements or new recruitment and resignations, can impact significantly on our gender pay gap. To ensure that the SFO is able to take the right action to address any pay gaps that may occur, quarterly analysis is undertaken and reported on. We consider options to redress any issues arising.

With the implementation of a new organisational structure, a large number of employees were recruited into new roles. This impacted on the gender pay gap, as 18 females and five males were recruited into

roles that sit within the lower pay bands. The SFO also has a small Executive Leadership Team which is made up of three employees - a Chief Executive and two Deputy Chief Executives. The overall gender pay gap can, therefore, be attributed in part to there being no females at the Deputy Chief Executive level.

All new roles established as part of the new organisational structure were externally job-sized to ensure they were being paid appropriately and in accordance with market rates. In October 2020, as part of the salary review, any identified gender pay gaps were addressed.



*The SFO is committed to developing and implementing a plan to improve its cultural capability. We have been working with Te Arawhiti to implement the Māori Crown Relations Capability Framework.*

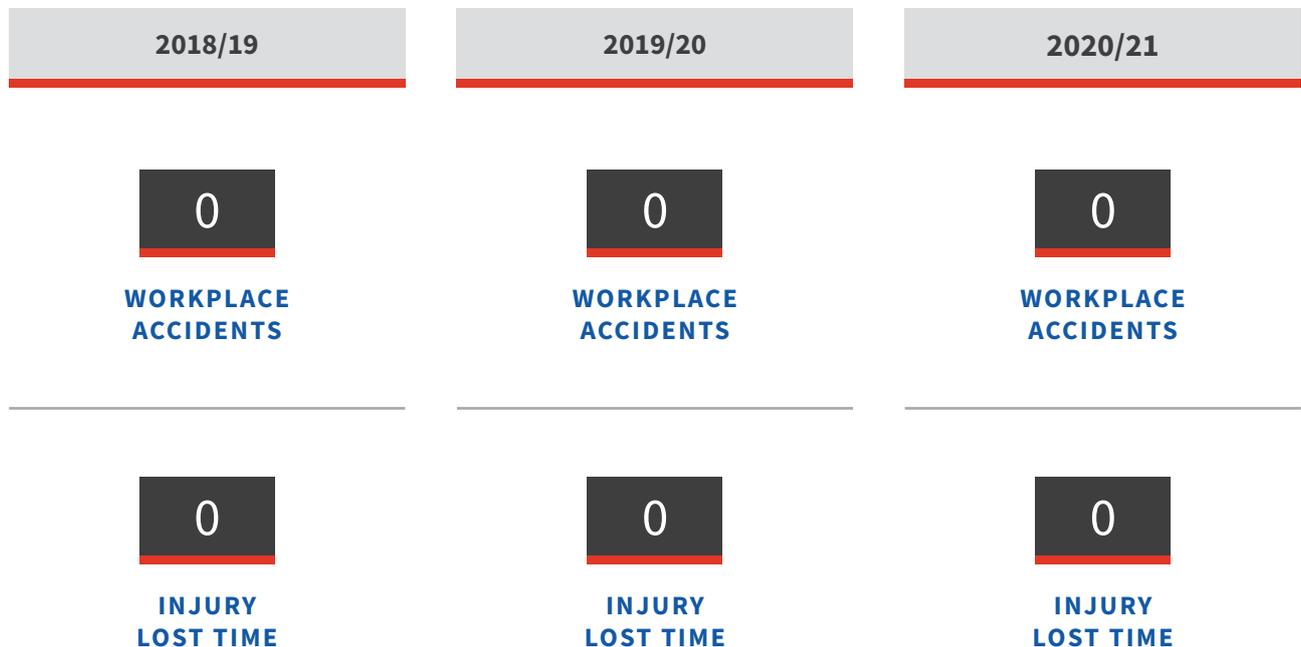


# Health & Safety

*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 is able to 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. Recent progress in addressing these risks include: training, providing safety equipment such as stab resistant body armour and adhering to a process of continuous risk assessment.





# Carbon Neutral 2025

The SFO has taken steps to align with the Government's initiative to combat climate change, requiring the public sector to achieve carbon neutrality by 2025. This includes implementing a programme to measure and publicly report on its emissions and to offset any that it cannot cut by 2025. Further progress with this activity is expected in 2021/22.





# 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 2021 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 2022 and its operations for the year ending on that date.



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**Julie Read**

*Chief Executive and Director*

30 September 2021



# Statement of Performance

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

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

## Strategic measures and results

The tables below summarise 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 “How effective have SFO investigations and prosecutions been?”	➔ Maintain or increase over time	2020/21: Question not included in survey <sup>1</sup> 2018/19: No survey conducted <sup>2</sup> 2016/17: 7.7/10 <sup>3</sup> 2014/15: 7.3 2012/13: 7.7 2010/11: 7.1
Frequency of custodial sentences being ordered where a conviction against main defendant was obtained	Annual analysis of case sentencing, including trends compiled by the SFO:	➔ Maintain at over 90%	2020/21: 100% 2019/20: 100% 2018/19: 100% 2017/18: 100%

INDICATORS	MEASURES	DESIRED TREND	RESULTS
Financial crime and corruption prevention products published are effective in reducing offending	Biennial SFO Stakeholder Survey and targeted surveys “Stakeholders find prevention products are effective in deterring offending or strengthening anti-fraud and corruption systems”	 Increase over time to 90%	2020/21: 66% New Measure (Baseline target 70%)
Financial crime and corruption is addressed	Percentage of investigations that result in prosecution	 Maintain over time	2020/21: 44% New Measure (Baseline target 66%)

<sup>1</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>2</sup>The SFO would normally measure the effectiveness of its investigations and prosecutions by surveying stakeholders every two years. No survey was conducted in 2019. The effectiveness of the SFO’s investigations and prosecutions was considered by the lead reviewers of the SFO’s Performance Improvement Framework review undertaken in 2019. The survey was not conducted in 2019/20 as the SFO conducted its biennial public survey during that year.

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

## 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 4	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) 2016: Global ranking 1/176 (score 90/100)

### OUTCOME 3

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

INDICATORS	MEASURES	DESIRED TREND	RESULTS
<p>Businesses say that law enforcement action is maintaining or improving the integrity of our financial and commercial markets</p> <p>The public maintain trust in public institutions</p>	<p>Biennial public survey<sup>4</sup></p> <p>Public feel that “New Zealand is a safe place to invest”</p>	<p>↑</p> <p>Increase over time to 80%</p>	<p>2020/21: N/A</p> <p>2019/20: 63%</p> <p>2017/18: 67%</p>
	<p>Biennial public survey<sup>4</sup></p> <p>Public feel that “law enforcement actions are maintaining or improving the integrity of our financial and commercial markets”</p>	<p>↑</p> <p>Increase over time to 80%</p>	<p>2020/21: N/A</p> <p>New Measure</p> <p>Baseline target 66%</p>
	<p>Biennial public survey<sup>4</sup></p> <p>Public feel that they “trust New Zealand’s public institutions”</p>	<p>↑</p> <p>Increase over time to 80%</p>	<p>2020/21: N/A</p> <p>New Measure</p> <p>Baseline Target 66%</p>

<sup>4</sup>The biennial Public Trust and Confidence survey will be conducted in 2021/22. The survey is conducted every second year and in accordance with the Code of Practice established by the Research Association of New Zealand. A nationwide sample of New Zealand citizens/ residents, who are at least 18 years old, are randomly selected.

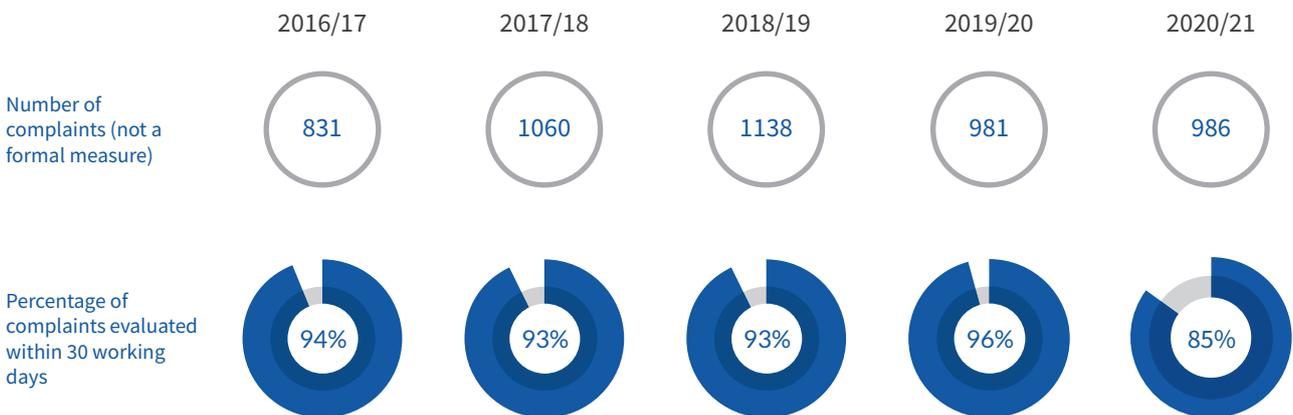


# Operational Performance Measures and Results

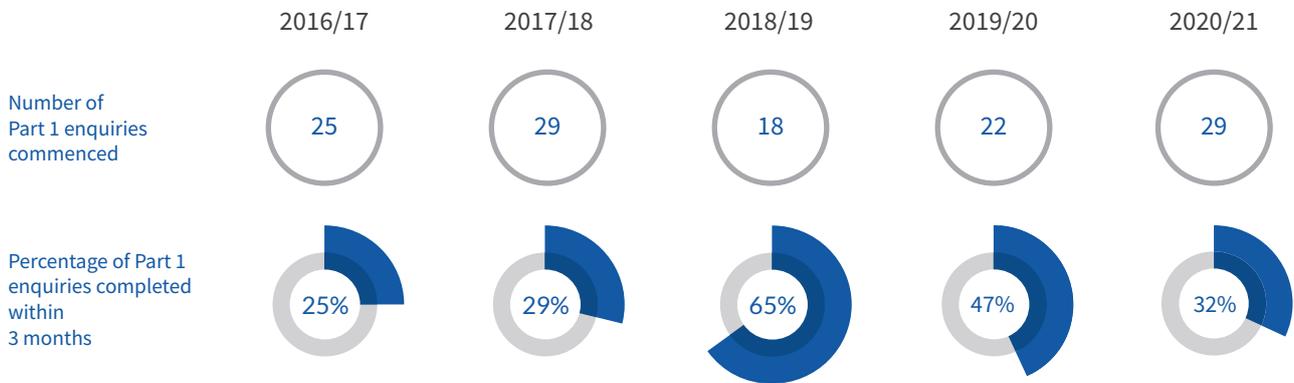
*Performance measures and standards have been established to monitor the efficiency and effectiveness of managing the three key activities of complaints, investigations and prosecutions within the output expense.*

## Statistical trends

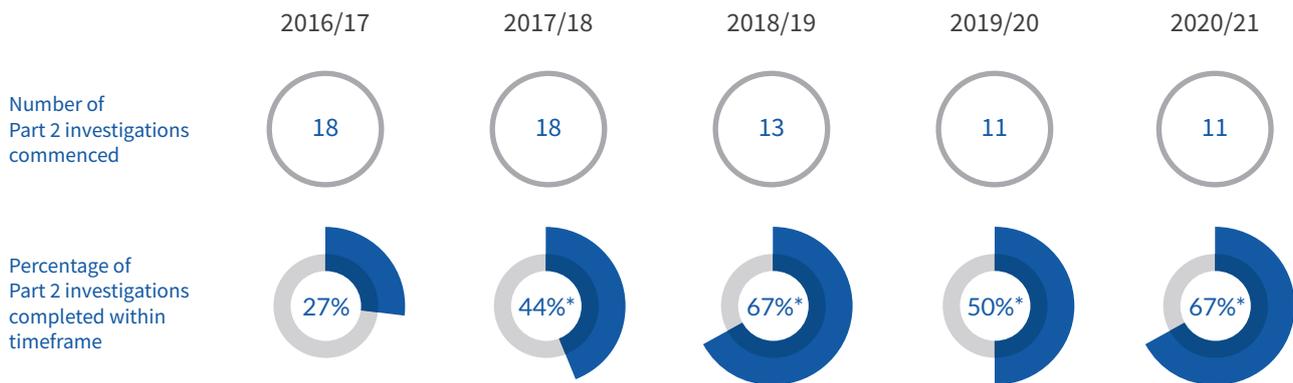
### COMPLAINTS: Statistical trends



## PART 1 ENQUIRIES: Statistical trends

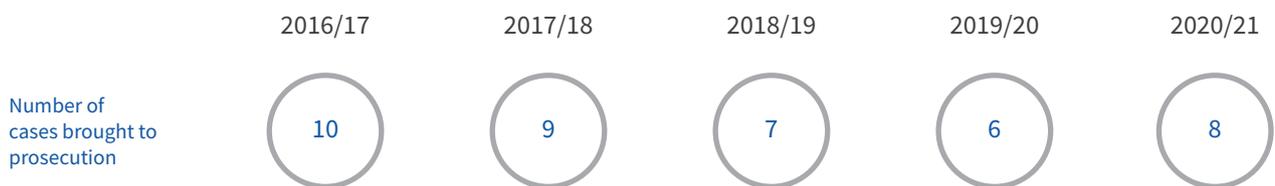


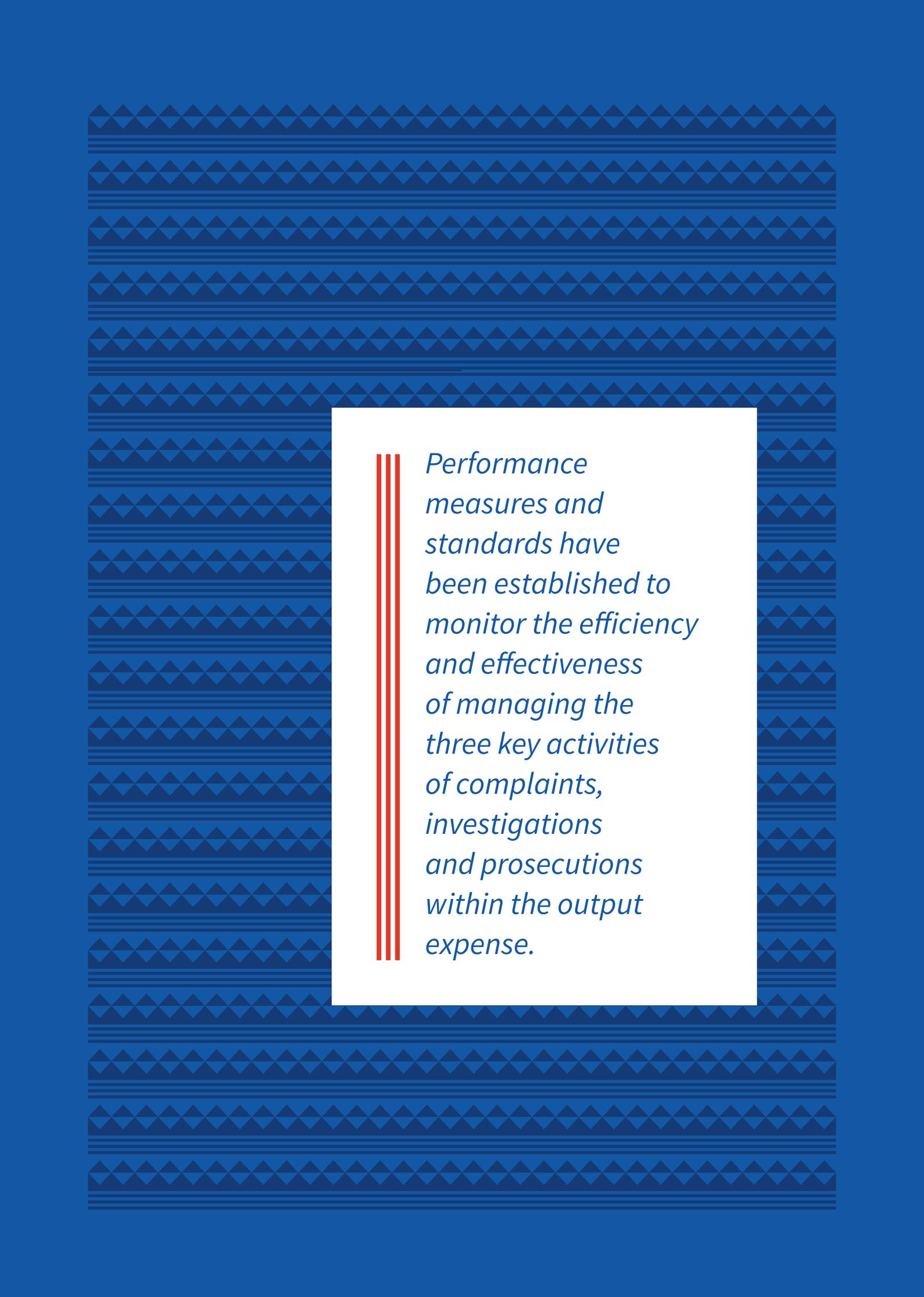
## PART 2 INVESTIGATIONS: Statistical trends



\* Complex investigations completed within 18 months.

## PROSECUTIONS: 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.*



# Output Expense: Investigation and Prosecution of Serious Financial Crime

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

## Complaints

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 2019/20	PERFORMANCE MEASURE	BUDGET STANDARD 2020/21	ACTUAL 2020/21
96%	Timeliness Percentage of complaints evaluated within 30 working days	80%	85%

### Actual performance

The number of complaints is consistent with 2019/20 but is lower than the 2017-2019 period. This may be attributed in part to the ongoing impact of COVID-19, which reduced the number of complaints in 2019/20. Additionally, the SFO has continued to put a greater effort into the quality control of complaints to ensure a matter is appropriately recorded as a complaint. Complaints are first evaluated by the Evaluation Team to determine whether or not they fit the criteria.

We continue to manage our complaints within the timeliness measure, however the performance has reduced from 2019/20. This was due to a personnel change in the Evaluation Team which led to a delay in responding to some complaints.

## 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 2019/20	PERFORMANCE MEASURE	BUDGET STANDARD 2020/21	ACTUAL 2020/21
22	Part 1 enquiries quantity Number of Part 1 enquiries commenced	28 - 32	29
47%	Timeliness Percentage of Part 1 enquiries completed within 3 months	80%	32%

### Actual performance

The SFO met the performance standard for Part 1 enquiries opened. We did not achieve the timeliness standard which has been consistent over the years. This is partly due to the need for the Principals (who undertake the Part 1 enquiries) to also balance existing investigations and prosecutions and also the investigative work required to properly evaluate a small number of the enquiries can mean the overall timeliness target is challenging. The average time to complete enquiries is 4.9 months. We will consider whether this measure should be reviewed during the 2021/22 year.

## Investigations

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

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

ACTUAL 2019/20	PERFORMANCE MEASURE	BUDGET STANDARD 2020/21	ACTUAL 2020/21
11	<b>Quantity</b> Number of Part 2 investigations commenced	10 - 14	11
50%	Timeliness Percentage of Part 2 investigations completed within targeted time	Category A (50% within 18 months)	67%
43%		Category B (60% within 12 months)	50%
100%	Percentage of formal post-investigation reviews that meet SFO quality criteria <sup>1</sup>	90%	100%

<sup>1</sup> Formal written quality assurance reviews are conducted following each investigation and prosecution, and include: a summary of issues arising during the course of the case; any recommendations for changes to improve SFO policies, case management procedures or external issues; an overall assessment of the quality of the conduct of the investigation or the prosecution. Recommendations from the quality assurance reviews are considered by the Senior Leadership Team within two months of the completion of the review.

### Actual performance

The SFO opened 11 investigations this year which is the same as last year.

The Part 2 timeliness target for complex investigations (category A) was met, however, the target for non-complex (category B) was not. This is a slightly better performance than last year with both actual performances being an improvement. This reflects an increased management focus on case completion. Given the size of the SFO's caseload and its limited investigative resources, in any given year, a handful of large or complex cases can have a disproportionate impact on timeliness across all cases (due to resource limitations). Evaluation of timeliness targets over a longer timeframe would arguably more accurately reflect the nature of the SFO's work and caseloads. We will consider whether to review these measures during the 2021/22 year.

## 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 2019/20	PERFORMANCE MEASURE	BUDGET STANDARD 2020/21	ACTUAL 2020/21
6	<b>Quantity</b> Number of cases brought to prosecution	8 - 10	8
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%

### Actual performance

The prosecution target was met this year with eight investigations opened. This is a 33% improvement on 2019/20 and results from an increased focus on completing investigations, due to the changes in the SFO's management structure at the start of the year.

## Financial Performance

	2020 Actual \$000	2021 Main estimates \$000	2021 Supp estimates \$000	2021 Actual \$000	2022 Main estimates \$000
<b>REVENUE</b>					
Crown	9,819	12,424	13,536	13,536	13,926
Other	271	85	314	246	85
<b>TOTAL REVENUE</b>	<b>10,090</b>	<b>12,509</b>	<b>13,850</b>	<b>13,782</b>	<b>14,011</b>
Expenditure	9,690	12,509	13,850	12,129	14,011
Net surplus/ (deficit)	400	0	0	1,653	0

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

## Capital Performance

Actual 2020	Performance Measure	Budget Standard 2021	Actual 2021
Completed 1 July 2019	The capital plan is developed and managed throughout the year	Capital plan for implementation to 30 June 2020	Completed 30 June 2020





Financial  
Statements

## Statement of Comprehensive Revenue and Expense

for the year ended 30 June 2021

Actual 2020 \$000		Notes	Actual 2021 \$000	Unaudited Budget 2021 \$000	Unaudited Forecast 2022 \$000
<b>REVENUE</b>					
9,819	Revenue Crown		13,536	12,424	13,926
271	Other revenue	2	246	85	85
<b>10,090</b>	<b>TOTAL REVENUE</b>		<b>13,782</b>	<b>12,509</b>	<b>14,011</b>
<b>EXPENSES</b>					
6,066	Personnel costs	3	7,723	8,186	9,565
3,242	Other expenses	5	3,995	3,933	4,050
307	Depreciation and amortisation expense	7, 8	340	316	335
75	Capital charge	4	71	74	61
<b>9,690</b>	<b>TOTAL EXPENSES</b>		<b>12,129</b>	<b>12,509</b>	<b>14,011</b>
400	Surplus/(deficit)		1,653	0	0
0	Other comprehensive revenue and expense		0	0	0
<b>400</b>	<b>TOTAL COMPREHENSIVE REVENUE AND EXPENSE</b>		<b>1,653</b>	<b>0</b>	<b>0</b>

Explanations of major variances against the original 2020/21 budget are provided in note 17.

The accompanying notes form part of these financial statements.

# Statement of Financial Position

as at 30 June 2021

Actual 2020 \$000		Notes	Actual 2021 \$000	Unaudited Budget 2021 \$000	Unaudited Forecast 2022 \$000
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
2,171	Cash and cash equivalents		3,865	1,960	2,176
0	Receivables	6	0	25	25
34	Prepayments		373	77	77
<b>2,205</b>	<b>TOTAL CURRENT ASSETS</b>		<b>4,238</b>	<b>2,062</b>	<b>2,278</b>
<b>NON-CURRENT ASSETS</b>					
407	Property and equipment	7	354	365	347
433	Intangible assets	8	352	414	293
<b>840</b>	<b>TOTAL NON-CURRENT ASSETS</b>		<b>705</b>	<b>779</b>	<b>640</b>
<b>3,045</b>	<b>TOTAL ASSETS</b>		<b>4,943</b>	<b>2,841</b>	<b>2,918</b>
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
854	Payables and Deferred Revenue	9	1,125	1,067	1,063
400	Return of operating surplus	10	1,653	0	0
487	Employee entitlements	12	645	396	396
<b>1,741</b>	<b>TOTAL CURRENT LIABILITIES</b>		<b>3,423</b>	<b>1,463</b>	<b>1,459</b>
<b>NON-CURRENT LIABILITIES</b>					
56	Employee entitlements	12	65	20	20
136	Provisions	11	136	120	120
<b>192</b>	<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>201</b>	<b>140</b>	<b>140</b>
<b>1,933</b>	<b>TOTAL LIABILITIES</b>		<b>3,624</b>	<b>1,603</b>	<b>1,599</b>
<b>1,112</b>	<b>NET ASSETS</b>		<b>1,319</b>	<b>1,238</b>	<b>1,319</b>
<b>EQUITY</b>					
1,112	Taxpayers' funds	13	1,319	1,238	1,319
<b>1,112</b>	<b>TOTAL EQUITY</b>		<b>1,319</b>	<b>1,238</b>	<b>1,319</b>

Explanations of major variances against the original 2020/21 budget are provided in note 17.

The accompanying notes form part of these financial statements.

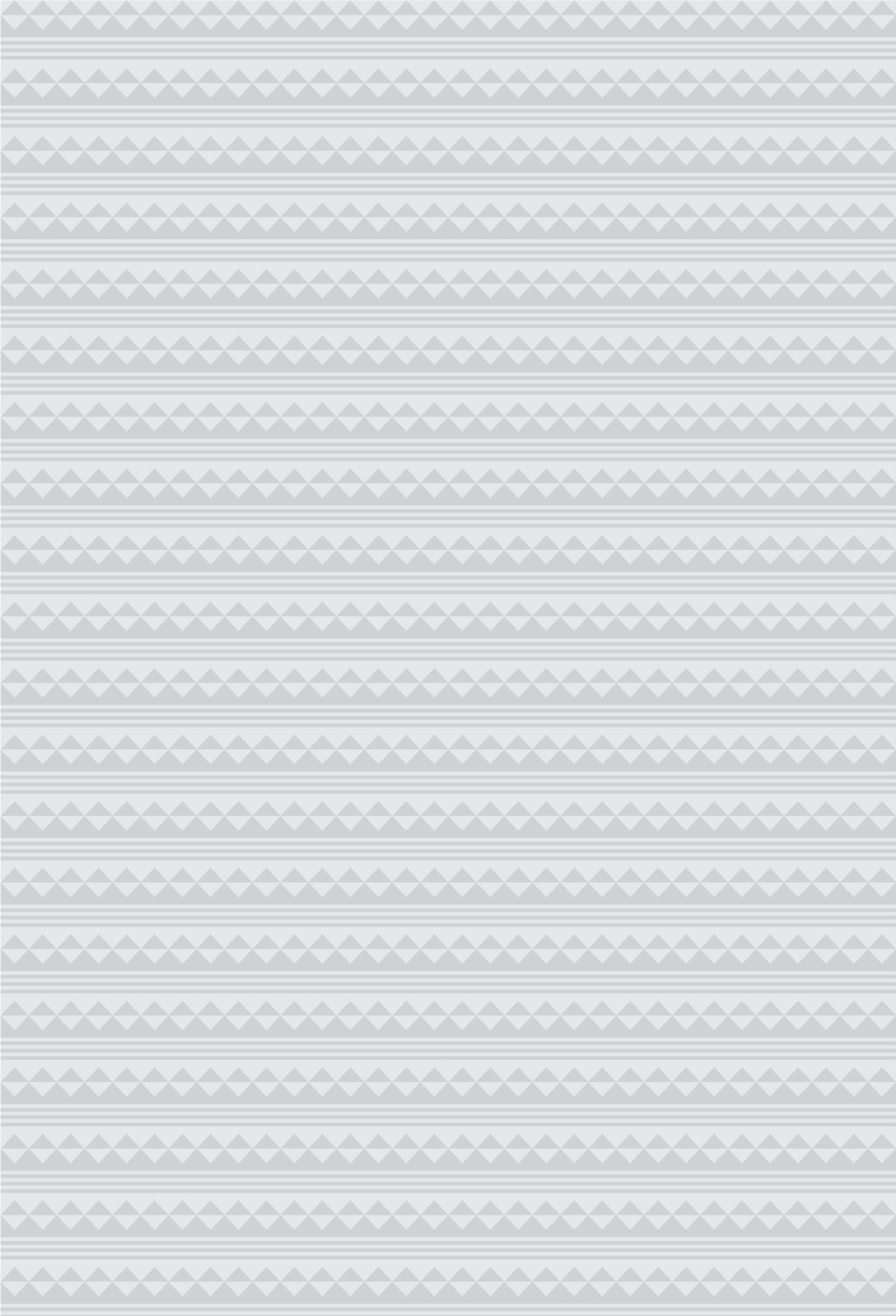
## Statement of Changes in Equity

for the year ended 30 June 2021

Actual 2020 \$000		Notes	Actual 2021 \$000	Unaudited Budget 2021 \$000	Unaudited Forecast 2022 \$000
1,112	<b>BALANCE AT 1 JULY</b>		1,112	1,112	1,319
400	Total comprehensive revenue and expense		1,653	0	0
<b>OWNER TRANSACTIONS</b>					
0	Capital injection		207	126	0
(400)	Return of operating surplus to the Crown	10	(1,653)	0	0
<b>1,112</b>	<b>BALANCE AT 30 JUNE</b>	<b>13</b>	<b>1,319</b>	<b>1,238</b>	<b>1,319</b>

Explanations of major variances against the original 2020/21 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 2021

Actual 2020 \$000		Actual 2021 \$000	Unaudited Budget 2021 \$000	Unaudited Forecast 2022 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
9,819	Receipts from Revenue Crown	13,536	12,424	13,926
275	Receipts from other revenue	234	85	85
(3,549)	Payments to suppliers	(4,480)	(4,083)	(4,200)
(5,752)	Payments to employees	(7,149)	(8,036)	(9,415)
(75)	Payments for capital charge	(71)	(74)	(61)
(17)	Goods and services tax (net)	16	0	0
<b>703</b>	<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>2,086</b>	<b>316</b>	<b>335</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
4	Receipts from sale of property and equipment	7	0	0
(140)	Purchase of property and equipment	(159)	(164)	(120)
(6)	Purchase of intangible assets	(47)	(62)	(20)
<b>(142)</b>	<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(199)</b>	<b>(226)</b>	<b>(140)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
0	Capital Injection	207	126	0
(375)	Return of operating surplus	(400)	0	0
<b>(375)</b>	<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>(193)</b>	<b>126</b>	<b>0</b>
186	Net (decrease)/increase in cash	1,694	216	195
<b>1,985</b>	<b>CASH AT THE BEGINNING OF THE YEAR</b>	<b>2,171</b>	<b>1,744</b>	<b>1,981</b>
<b>2,171</b>	<b>CASH AT THE END OF THE YEAR</b>	<b>3,865</b>	<b>1,960</b>	<b>2,176</b>

Explanations of major variances against the original 2020/21 budget are provided in note 17.

The accompanying notes form part of these financial statements.

# Statement of Cash Flows

contd.

for the year ended 30 June 2021 (continued)

## Reconciliation of net surplus to net cash flow from operating activities

Actual 2020 \$000		Notes	Actual 2021 \$000
400	<b>NET SURPLUS/(DEFICIT)</b>		<b>1,653</b>
<b>ADD/(LESS) NON-CASH ITEMS:</b>			
308	Depreciation and amortisation expense	7,8	341
<b>308</b>	<b>TOTAL NON-CASH ITEMS</b>		<b>341</b>
<b>ADD/(LESS) ITEMS CLASSIFIED AS INVESTING OR FINANCING ACTIVITIES:</b>			
(4)	(Gains)/losses on disposal of property and equipment	2	(7)
<b>(4)</b>	<b>TOTAL ITEMS CLASSIFIED AS INVESTING OR FINANCING ACTIVITIES</b>		<b>(7)</b>
<b>ADD/(LESS) MOVEMENTS IN STATEMENT OF FINANCIAL POSITION ITEMS:</b>			
8	(Inc)/dec in receivables	6	0
10	(Inc)/dec in prepayments		(339)
(158)	Inc/(dec) in payables and deferred revenue	9	271
119	Inc/(dec) in employee entitlements	12	167
19	Inc/(dec) in provisions	11	0
<b>(1)</b>	<b>NET MOVEMENT IN WORKING CAPITAL ITEMS</b>		<b>99</b>
<b>703</b>	<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>2,086</b>

The accompanying notes form part of these financial statements.

## Statement of Commitments

as at 30 June 2021

### Capital commitments

The SFO has no capital commitments as of 30 June 2021 (2020: \$nil).

### Non-cancellable operating lease commitments

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

In Auckland, the Queen Street lease commenced on 4 March 2011. This is a non-cancellable operating lease that expires 3 March 2023, with no restrictions.

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

Actual 2020 \$000		Actual 2021 \$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:	
550	Not later than one year	668
916	Later than one year and not later than five years	519
0	Later than five years	0
<b>1,466</b>	<b>TOTAL NON-CANCELLABLE OPERATING LEASE COMMITMENTS</b>	<b>1,187</b>

On 12 May 2021 the SFO signed an Agreement to surrender the Queen Street lease and Agreement to Lease a new office in Quay Street, through the existing Queen Street landlord. This Agreement did not include the surrender date for the existing lease nor the commencement date for the new lease, these details have not yet been formally agreed. Crown Law will be continuing with its co-location agreement with the SFO and will pay its proportion of the accommodation costs as is agreed in a new memorandum of understanding to be finalised.

## Sublease arrangement

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

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

Actual 2020 \$000		Actual 2021 \$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:	
85	Not later than one year	89
142	Later than one year and not later than five years	59
0	Later than five years	0
<b>227</b>	<b>TOTAL NON-CANCELLABLE OPERATING SUB-LEASE COMMITMENTS</b>	<b>148</b>

The SFO does not hold any finance leases (2020: nil).

## Statement of Contingent Liabilities and Contingent Assets

as at 30 June 2021

### Contingent liabilities

The SFO has no quantifiable or unquantifiable contingent liabilities as at 30 June 2021 (2020: \$nil).

A claim has been filed against the SFO, but the matter remains before the Courts.

### Contingent assets

The SFO has no contingent assets as at 30 June 2021 (2020: \$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 has designated itself as a public benefit entity (PBE) for financial reporting purposes of complying with generally accepted accounting practice (GAAP).

The financial statements of the SFO are for the year ended 30 June 2021 and were approved for issue by the Chief Executive and Director of the SFO on 30 September 2021.

### Basis of preparation

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

### Statement of compliance

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

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

### Presentation currency and rounding

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

### Changes in accounting policies

There have been no changes in the SFO's accounting policies since the date of the last audited 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:

An amendment to PBE IPSAS 2 Statement of Cash Flows requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flow changes. This amendment is effective for the year ending 30 June 2022, with early application permitted. This amendment will result in additional disclosures. The SFO does not intend to early adopt the amendment.

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. The SFO does not intend to early adopt the standard.

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 not yet determined how application of PBE FRS 48 will affect its statement of service performance. It does not plan to adopt the standard early.

## 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 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

Basis of the budget and forecast figures

The 2021 budget figures are for the year ended 30 June 2021 and were published in the Annual Report 2020. 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 2020/21.

The 2022 forecast figures are for the year ending 30 June 2022 and are consistent with the best estimate financial forecast information submitted to the Treasury for the BEFU for the year ending 2021/22.

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 2022 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 19 March 2021.

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 2022 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 2021/22 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 19 March 2021, were as follows:

- The SFO's core activities and output expectations will remain substantially the same as the previous year focusing on the government's priorities.
- Additional appropriation is continued for:
  - the Anti-Corruption Work Programme (phase 2), year two of two
  - the Covid Response and Recovery Programme, year two of three

- Personnel costs are based on a monthly average 79 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 2020/21 was used as the opening position for the 2021/22 forecasts.

The actual financial results achieved for 30 June 2022 are likely to vary from the forecast information presented, and the variations may be material.

## Revenue

### Accounting policy

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

#### REVENUE CROWN

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

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

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

#### RENTAL REVENUE

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

#### RECOVERY FOR EMPLOYEES ON SECONDMENT OR SHARED WITH OTHER AGENCIES

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

#### RECOVERY FOR OVERSEAS ASSISTANCE ON FRAUD ISSUES

Recovery of 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 OF TRAVEL EXPENSES

Recovery of travel / accommodation / attendance fee costs from the hosts of international fora for SFO attendance / contribution is recorded as revenue in the month that the services are provided.

### Breakdown of other revenue and further information

Actual 2020 \$000		Actual 2021 \$000
135	Recovery for employees on secondment or shared with other Agencies	136
43	Recovery for overseas assistance on fraud issues	15
85	Rental revenue from subleases	88
4	Gain on disposal of property and equipment	7
4	Recovery of travel expenses	0
<b>271</b>	<b>TOTAL OTHER REVENUE</b>	<b>246</b>

### ***Recovery for employees on secondment or shared with other Agencies***

During 2020/21 there were no outward secondment arrangements in place (2020: nil).

During 2020/21 the cost of one SFO employee was shared across multiple Agencies, namely Immigration New Zealand, the Financial Markets

Authority and the Commerce Commission (2020: one employee).

### ***Asset disposals***

During the year, the SFO disposed of assets with a residual value of \$nil (2020: \$nil). The net gain on disposals was \$6,660 (2020: \$4,230).

## **3**

### **Personnel costs**

#### **Accounting policy**

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

#### **SALARIES AND WAGES**

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

#### **SUPERANNUATION SCHEMES**

##### ***Defined contribution schemes***

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

##### ***Defined benefit schemes***

The SFO does not contribute to any defined benefit schemes.

#### **Breakdown of personnel costs**

Actual 2020 \$000		Actual 2021 \$000
5,839	Salaries and wages	7,375
0	Defined contribution plan employer contributions	0
81	Increase/(decrease) in employee entitlements	97
66	Employee training and development	115
80	Other	136
<b>6,066</b>	<b>TOTAL PERSONNEL COSTS</b>	<b>7,723</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 2021 was 5% (2020: 6%).

## 5

## Other expenses

### Accounting policy

#### OPERATING LEASES

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of the asset. Lease payments under 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 2020 \$000		Actual 2021 \$000	Unaudited Budget 2021 \$000	Unaudited Forecast 2022 \$000
48	fees to Audit New Zealand for audit of financial statements	49	45	45
431	Rental and operating leases	530	467	719
49	Other occupancy expenses	95	55	55
209	Legal fees on panel prosecutions	166	176	150
72	Consultancy	142	135	135
215	Travel	143	313	373
1,731	IT and telecommunications	2,033	1,944	1,766
51	Professional services	66	83	82
197	Specialist advice – case related	310	260	434
239	Other expenses	460	455	291
<b>3,242</b>	<b>TOTAL OTHER EXPENSES</b>	<b>3,995</b>	<b>3,933</b>	<b>4,050</b>

## 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	Debtors (gross)	0
0	Less: provision for impairment	0
0	<b>NET DEBTORS</b>	0
<b>TOTAL RECEIVABLES</b>		
TOTAL RECEIVABLES COMPRISE		
0	Receivables from supplier refunds (exchange transactions)	0
0	Receivables (non-exchange transactions)	0

All receivables are considered current.

## Property and Equipment

### Accounting policy

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

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

assets purchased collectively may be capitalised.

### ADDITIONS

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

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

In most instances, an item of property

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

### DISPOSALS

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

### SUBSEQUENT COSTS

Costs incurred subsequent to the initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated

with the item will flow to the SFO and the cost of the item can be measured reliably.

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

### DEPRECIATION

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

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

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

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

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

### IMPAIRMENT

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

### *Non-cash-generating assets*

Property 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, plant and equipment and further information

	Office furniture, fixtures and fittings, leasehold improvements \$000	Office equipment \$000	Computer equipment \$000	Motor vehicles \$000	Total \$000
<b>COST</b>					
<b>BALANCE AT 1 JULY 2019</b>	<b>724</b>	<b>123</b>	<b>752</b>	<b>48</b>	<b>1,647</b>
Additions	0	50	90	0	140
Disposals	(2)	(80)	(350)	0	(432)
<b>BALANCE AS AT 30 JUNE 2020</b>	<b>722</b>	<b>93</b>	<b>492</b>	<b>48</b>	<b>1,355</b>
Balance at 1 July 2020	722	93	492	48	1,355
Additions	4	19	136	0	159
Disposals	0	0	(56)	0	(56)
<b>BALANCE AT 30 JUNE 2021</b>	<b>726</b>	<b>112</b>	<b>572</b>	<b>48</b>	<b>1,458</b>
<b>Accumulated depreciation and impairment losses</b>					
Balance at 1 July 2019	495	105	589	8	1,197
Depreciation expense	71	15	87	8	181
Eliminate on disposal	(2)	(80)	(349)	0	(431)
<b>BALANCE AS AT 30 JUNE 2020</b>	<b>564</b>	<b>40</b>	<b>327</b>	<b>16</b>	<b>947</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 AT 30 JUNE 2021</b>	<b>633</b>	<b>59</b>	<b>387</b>	<b>24</b>	<b>1,103</b>
<b>Carrying amounts</b>					
At 1 July 2019	229	16	163	40	448
At 30 June and 1 July 2020	158	51	166	32	407
At 30 June 2021	93	53	185	24	354

**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. (2020: \$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 its cost is \$2,000 (excluding GST) or more.

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

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

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

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

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

#### AMORTISATION

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

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

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

### Critical accounting estimates and assumptions

#### USEFUL LIFE OF SOFTWARE

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

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

## Breakdown of intangible assets and further information

	Acquired Software \$'000
<b>COST</b>	
<b>BALANCE AT 1 JULY 2019</b>	<b>894</b>
Additions	6
Disposals	(30)
<b>BALANCE AS AT 30 JUNE 2020</b>	<b>870</b>
Balance at 1 July 2020	870
Additions	47
Disposals	0
<b>BALANCE AT 30 JUNE 2021</b>	<b>917</b>
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES</b>	
<b>BALANCE AT 1 JULY 2019</b>	<b>341</b>
Amortisation expense	126
Eliminate on disposal	(30)
<b>BALANCE AS AT 30 JUNE 2020</b>	<b>437</b>
Balance at 1 July 2020	437
Amortisation expense	128
Eliminate on disposal	0
<b>BALANCE AT 30 JUNE 2021</b>	<b>565</b>
<b>CARRYING AMOUNTS</b>	
At 1 July 2019	553
At 30 June and 1 July 2020	433
<b>AT 30 JUNE 2021</b>	<b>352</b>

**Restrictions:** There are no restrictions over the title of the SFO's intangible assets, nor are any intangible assets pledged as securities for liabilities. (2020: \$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 2020 \$000		Actual 2021 \$000
<b>PAYABLE AND DEFERRED REVENUE UNDER EXCHANGE TRANSACTIONS</b>		
235	Creditors	298
99	Income in advance	92
125	Accrued expenses	359
258	Accrued rent payable	185
<b>717</b>	<b>TOTAL PAYABLES</b>	<b>934</b>
<b>PAYABLES AND DEFERRED REVENUE UNDER NON-EXCHANGE TRANSACTIONS</b>		
137	Taxes payable (e.g., GST and rates)	191
<b>854</b>	<b>TOTAL PAYABLES</b>	<b>1,125</b>

## Return of operating surplus

Actual 2020 \$000		Actual 2021 \$000
400	Net surplus	1,653
<b>400</b>	<b>TOTAL RETURN OF OPERATING SURPLUS</b>	<b>1,653</b>

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

## Provisions

### Accounting policy

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

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

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

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

due to the passage of time is recognised as an interest expense and is included in a separate finance costs note when applicable. The SFO has not incurred any finance costs in 2021 (2020: \$nil).

### Lease make-good provision

In respect to the Queen Street leased premises in Auckland, the SFO is required at the expiry of the lease term to make-good any damage caused to the premises and to remove any fixtures or fittings installed by the SFO. The Queen Street lease expires on 3 March 2023.

As there is no right of renewal on the lease, it is expected that the timing of the expected cash outflow to make-good will occur at the expiry of the lease.

In respect to the Johnston Street leased premises in Wellington, there is no make-good provision for this lease as the work done to the premises is minimal.

### Breakdown of provisions and further information

Actual 2020 \$000		Actual 2021 \$000
<b>NON-CURRENT PORTION</b>		
136	Lease make-good	136
136	Total non-current portion	136
<b>136</b>	<b>TOTAL PROVISIONS</b>	<b>136</b>

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

	Lease make-good \$000	Total \$000
Balance at 1 July 2019	117	117
Additional provisions made	19	19
<b>BALANCE AT 1 JULY 2020</b>	<b>136</b>	<b>136</b>
Balance at 1 July 2020	136	136
Additional provisions made	0	0
<b>BALANCE AT 30 JUNE 2021</b>	<b>136</b>	<b>136</b>

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## Employee entitlements

### Accounting policy

#### SHORT-TERM EMPLOYEE ENTITLEMENTS

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

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

#### LONG-TERM EMPLOYEE ENTITLEMENTS

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

- likely future entitlements accruing to employees, based on years of service, years to entitlement, the likelihood that employees will reach the point of entitlement, and contractual entitlements information
- 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 63 employees as at 30 June 2021 (2020: 51).

The SFO has no retirement gratuities obligations (2020: \$nil) and no sick leave liability (2020: \$nil).

Actual 2020 \$000		Actual 2021 \$000
<b>CURRENT PORTION</b>		
81	Accrued salaries and wages	150
366	Annual leave	454
40	Long service leave and retirement gratuities	41
<b>487</b>	<b>TOTAL CURRENT PORTION</b>	<b>645</b>
<b>NON-CURRENT PORTION</b>		
56	Long service leave and retirement gratuities	65
<b>543</b>	<b>TOTAL EMPLOYEE ENTITLEMENTS</b>	<b>710</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 2020 \$000		Actual 2021 \$000
<b>TAXPAYERS' FUNDS</b>		
1,112	Balance at 1 July	1,112
400	Surplus/(deficit)	1,653
0	Capital Injection	207
(400)	Return of operating surplus to the Crown	(1,653)
<b>1,112</b>	<b>BALANCE AT 30 JUNE</b>	<b>1,319</b>
<b>1,112</b>	<b>TOTAL EQUITY</b>	<b>1,319</b>

## Capital management

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

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

expenses, assets, liabilities, and compliance with the government budget processes, Treasury instructions and the 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.

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## 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 2021 (2020: \$nil).

## KEY MANAGEMENT PERSONNEL COMPENSATION

Actual 2020 \$000		Actual 2021 \$000
SENIOR LEADERSHIP TEAM, INCLUDING THE CHIEF EXECUTIVE		
1,174	Remuneration	1,715
5.0 FTEs	Full time equivalent members	8.3FTEs

During 2020/21 the SFO changed both the profile and size of its Senior Leadership Team, from five to nine positions. From July 2020 the team comprised the Director and Chief Executive, two Deputy Chief Executives, Forensic Services Manager and Deputy General Counsel. From September

2020, four additional positions were added, being two Investigations Managers, Manager Business Services and Manager Strategy and Prevention.

There were no senior managers seconded to another government department in 2021 (2020: 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 her role as a member of key management personnel of the SFO. The Minister's remuneration and other benefits are set by the Remuneration Authority under the Members of Parliament (Remuneration and Services) Act 2013 are paid under Permanent Legislative Authority, and not paid by the SFO.

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

- There were no close family members of key management personnel who were employed in 2020/21 by the SFO (2020: nil).
- There were no related party transactions involving key management personnel or their close family members in 2021 (2020: \$nil).

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### **Events After the Balance Date**

Since August 17 2021, New Zealand has been subject to COVID-19 restrictions. As at the date of signing the annual report, Auckland has been at COVID-19 Alert Level 4 and has been to Alert Level 3, while the rest of New Zealand is at COVID-19 Alert Level 2. This is to be reviewed by the Government on Monday 4 October 2021. These restrictions have impacted upon the SFO's core operations through the

adjournment of Court events (including one large trial to date), as well as preventing the SFO from exercising its statutory information gathering powers. To the extent that additional trials are adjourned and investigation progress is delayed further as a consequence of COVID then that will have an ongoing operational and financial impact on the SFO.

## 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 2020 \$000	Note	Actual 2021 \$000
<b>LOANS AND RECEIVABLES</b>		
2,172	Cash and cash equivalents	3,865
8	Receivables	0
<b>2,172</b>	<b>TOTAL LOANS AND RECEIVABLES</b>	<b>3,865</b>
<b>FINANCIAL LIABILITIES MEASURED</b>		
752	Payables (excluding revenue in advance)	1,033

### 16B. Financial instrument risks

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

#### 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 purchases that are denominated in a foreign currency. The SFO purchases equipment and software licences from time to time and is exposed to currency risk arising from various currency exposures, primarily with respect to the United States (as at 30 June 2021 there was \$Nil USD receivables, \$30,000 USD payables / c. \$42,000 NZD) and Australian dollars (as at 30 June 2021 there was \$Nil AUD receivables or payables).

##### *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.

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

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

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

The SFO has a letter of credit facility with Westpac of \$175,000 in 2021 (2020: \$175,000) to allow for the payment of employee salaries by direct credit.

## LIQUIDITY RISK

### *Management of liquidity risk*

Liquidity risk is the risk that the SFO will encounter difficulty raising liquid funds to meet commitments as they

fall due. As part of meeting its liquidity requirements, the SFO closely monitors its forecast cash requirements with expected cash drawdowns from the New Zealand Debt Management Office. The SFO maintains a target level of available cash to meet liquidity requirements.

### *Contractual maturity analysis of financial liabilities*

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

The amounts disclosed are the contractual undiscounted cash flows. The SFO has no committed finance leases (2020: 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>2021</b>						
Payables	298	298	298	0	0	0
<b>2020</b>						
Payables	235	235	235	0	0	0

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## Explanation of Major Variances Against Budget

Explanations for major variances from the SFO's original 2020/21 budget figures are as follows:

### Statement of comprehensive revenue and expense

#### REVENUE CROWN

Revenue received from the Crown was \$1.112 million greater than budget due to:

- \$940,000 to strengthen the response

to COVID-19 related serious financial crime

- \$185,000 to fund the Anti-Corruption Work Programme (Phase 2)
- \$13,000 reduction in the capital charge payable to Treasury, from 6% to 5%

#### REVENUE OTHER

Revenue Other was \$161,000 greater than budget due to:

- \$136,000 from Immigration New Zealand, the Financial Markets Authority, and the Commerce Commission for shared utilisation of an SFO employed Electronic Forensic Investigator
- \$15,000 from the Ministry of Foreign Affairs and Trade to provide assistance to the Vanuatu Office of Public Prosecutors
- \$10,000 profit on the sale of fixed assets, and additional cost recovery for office space shared with the Crown Law Office

#### **PERSONNEL COSTS**

Personnel costs were \$463,000 less than budget following delays in the recruitment process of 26.5 FTE new and replacement positions to implement the 2020/21 organisational structure. These delays were due to challenges in the current employment market to recruit candidates with the necessary specialised skills and experience required.

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

Other expenses were \$82,000 greater than budget due to:

- \$103,000 for the set-up and lease of a new SFO office in Wellington, effective November 2020
- \$89,000 additional electronic data space required for evidence storage
- \$50,000 additional prosecution panel expenses due to the number and complexity of cases in the prosecution stage
- \$170,000 less domestic and international travel due to COVID-19 restrictions

## **Statement of financial position**

### **ASSETS**

The value of assets was \$2.102 million greater than budget, this is explained by:

- \$1.905 million additional cash due to:
  - A difficult recruitment market resulting in reduced personnel costs
  - COVID-19 restrictions resulting in unavoidable delays in the Anti-Corruption Work Programme, the COVID-19 Response and Recovery Programme, less professional training and development, and much less domestic and no international travel
  - Additional capital funding followed with a delay in the asset replacement programme while a new Auckland office is being progressed
- \$296,000 increased prepayments at year-end related mostly to the purchase in advance of electronic data space for evidence storage

### **LIABILITIES**

The value of liabilities was \$2.021 million greater than budget due to:

- \$1.653 million operating surplus payable back to the Crown. The SFO did not budget to have a surplus, the key drivers are covered in the *additional cash* comments above.
- \$249,000 increased employee entitlements largely due to an increase in the provision for employee annual leave and accrued salaries and wages.

## Statement of cash flows

The increase in cash at the end of the year was \$1.478 million more than initially budgeted due to:

### CASH FLOWS FROM OPERATING ACTIVITIES

- \$1.260 million additional revenue, noted in the Revenue comments above
- \$887,000 less payments made to employees following delays in recruitment due to a challenging recruitment market

- \$397,000 more payments to suppliers funded by additional income noted in the Revenue comments

### CASH FLOWS FROM FINANCING ACTIVITIES

- \$400,000 return of 2019/20 operating surplus to the Crown
- \$81,000 capital injection for additional ICT and office equipment in support of additional positions to strengthen the response to COVID-19 related serious financial crime

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## Impact of the COVID-19 pandemic

During August and September 2020 and February and March 2021, the Auckland region moved into Alert Levels 3 and 2 and other parts of the country moved into Alert level 2. Towards the end of June 2021, the Wellington region moved into Alert Level 2 for one week.

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 its function and the overall impact on core business operations was minimised due to the short periods of Alert Level 3.

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.

There were delays in the COVID-19 financial crime prevention activities, and the Anti-Corruption Work Programme. This was due to departments and agencies nationally and internationally having limited capacity to participate because of COVID-19 demands and constraints.

There was less professional training and development, limited domestic travel and no international travel during the 2020/21 year.

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

# 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 2021. 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 2021*

#### Annual and permanent appropriations for Vote Serious Fraud

Expenditure after remeasurements 2020 \$000	Appropriation title	Expenditure after remeasurements 2021 \$000	Approved appropriation 2021 <sup>1</sup> \$000	Location of end-of- year performance information <sup>2</sup>
<b>DEPARTMENTAL OUTPUT EXPENSES</b>				
9,690	Investigation and prosecution of serious financial crime	12,129	13,850	Pages 48 to 60 on printed version of Annual Report
9,690	Total departmental output expenses	12,129	13,850	
<b>DEPARTMENTAL CAPITAL EXPENDITURE</b>				
146	Serious Fraud Office - Permanent Legislative Authority under section 24(1) of the PFA	205	307	Page 60 on printed version of Annual Report

There were no remeasurements of expenditure during the year (2020: \$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*

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*for the year ended 30 June 2021*

Expenses and capital expenditure approved under section 26B of the Public Finance Act 1989 in 2021: \$nil (2020: \$nil).

Expenses and capital expenditure incurred in excess of appropriation in 2021: \$nil (2020: \$nil).

Expenses and capital expenditure incurred without appropriation outside the scope or period of appropriation in 2021: \$nil (2020: \$nil).

**Statement of departmental capital injections for the year ended 30 June 2021**

Actual capital injections 2020 \$000		Actual capital injections 2021 \$000	Approved appropriation 2021 \$000
<b>VOTE SERIOUS FRAUD</b>			
0	Serious Fraud Office – Capital Injection	207	207

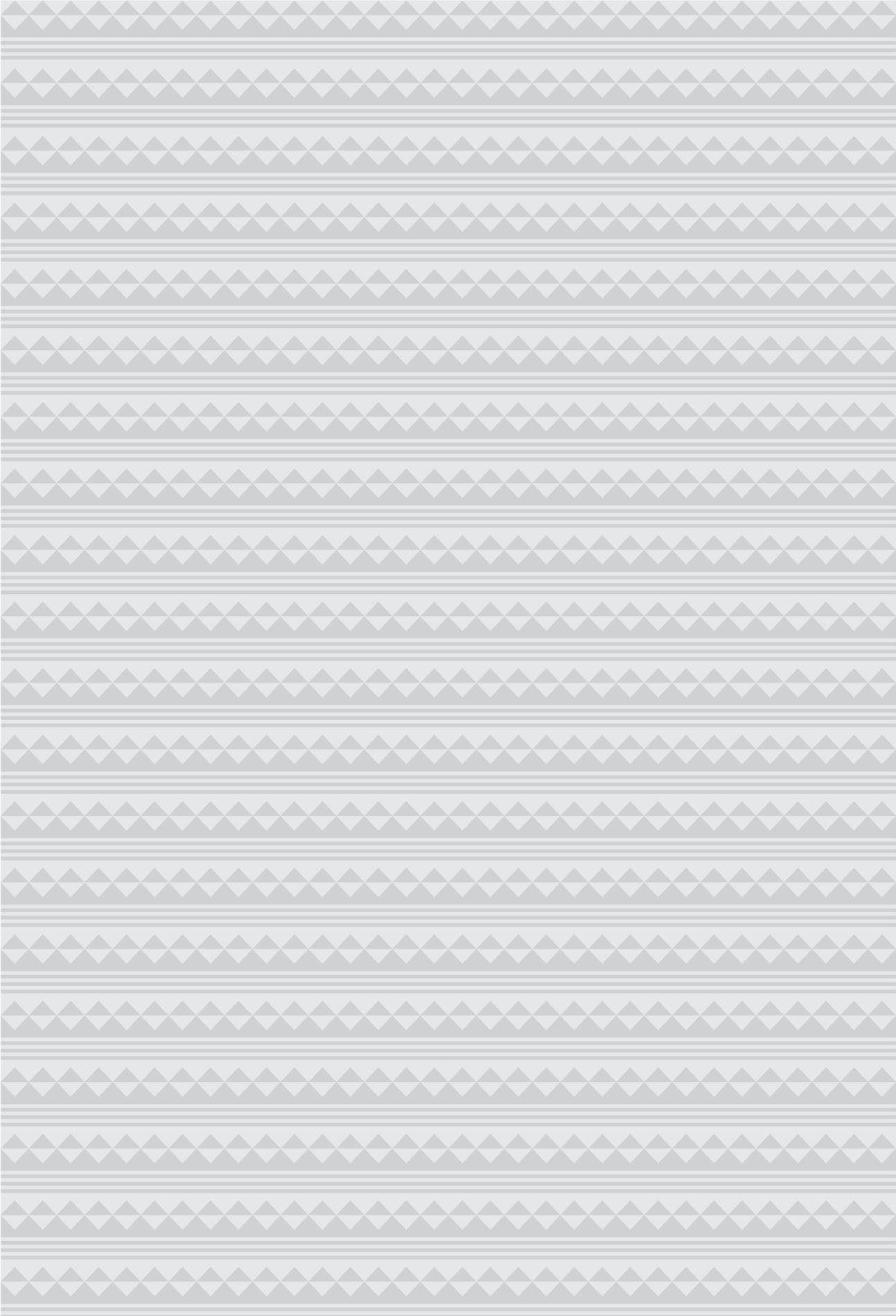
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*Statement of departmental capital injections without, or in excess of, authority*

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*for the year ended 30 June 2021*

Capital injections during the year without, or in excess of, authority in 2021: \$nil (2020: \$nil).





# Independent Auditor's Report

## *To the readers of the Serious Fraud Office's Annual Report for the year ended 30 June 2021*

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

- the financial statements of the Serious Fraud Office on pages 61 to 93, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2021, the statement of comprehensive revenue and expense, statement of changes in equity, and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information;
- the performance information prepared by the Serious Fraud Office for the year ended 30 June 2021 on pages 17 to 30 and pages 48 to 60; and
- the statement of budgeted and actual expenses and capital expenditure of the Serious Fraud Office for the year ended 30 June 2021 on pages 94 and 95.

### **Opinion**

In our opinion:

- the financial statements of the Serious Fraud Office on pages 61 to 93:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2021; and
    - its financial performance and cash flows for the year ended on that date.
  - comply with generally accepted accounting practice in New Zealand in accordance with PBE Standards Reduced Disclosure Regime.
- the performance information of the Serious Fraud Office on pages 17 to 30 and pages 48 to 60:
  - presents fairly, in all material respects, for the year ended 30 June 2021:
    - 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.
  - complies with generally accepted accounting practice in New Zealand.
- the statement of budgeted and actual expenses and capital expenditure of the Serious Fraud Office on pages 94 and 95 are presented fairly, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.

Our audit was completed on 30 September 2021. This is the date at which our opinion is expressed.

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

## Basis for our opinion

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

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

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

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

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

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

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

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

## Responsibilities of the auditor for the information to be audited

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

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

For the budget information reported in the information we audited, our procedures were limited to checking that the information agreed to the Serious Fraud Office's Statement of Strategic Intent 2020-24 and Estimates and Supplementary Estimates 2020/21 for Vote Serious Fraud.

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

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

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

appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Serious Fraud Office's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive.
- We evaluate the appropriateness of the reported performance information within the Serious Fraud Office's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Chief Executive and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Serious Fraud Office's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the information we audited or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Serious Fraud Office to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the information we audited, including the disclosures, and whether the information we audited represents the underlying transactions and events in a manner that achieves fair presentation.

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

Our responsibilities arise from the Public Audit Act 2001.

### Other information

The Chief Executive is responsible for the other information. The other information comprises the information included on pages 1 to 16, pages 31 to 47 and pages 96 to 97, but does not include the information we audited, and our auditor's report thereon.

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

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

### Independence

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

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



J R Smaill  
Audit New Zealand  
On behalf of the Auditor-General  
Auckland, New Zealand



SERIOUS FRAUD OFFICE

*Te Tari Hara Tāware*

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