



SERIOUS FRAUD OFFICE
TE TARI HARA TĀWARE

Annual Report

2023-2024



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Highlights 2023/2024





74%

SFO workforce engagement score (compared to public sector benchmark of 62%)



23

active prosecutions throughout the year, involving:

- 58 defendants before the courts
- \$26.5m combined alleged fraud value of new charges filed
- \$172m combined alleged fraud value across all prosecutions before the courts



Case Impact Strategic Areas of Focus published for the first time with

71% of our cases

falling within these areas



57%

of new investigations within Strategic Areas of Focus



1210

complaints received (up 22%)



Local Government Community of Practice established representing

18 authorities



22

Part 1 enquiries commenced



Counter fraud prevention guides and tools downloaded

over 600 times



7

Part 2 investigations commenced

Director's overview

It has been a privilege to lead the SFO as Director for another 12 months, during what has been an eventful, productive, and rewarding year. Throughout the 2023/24 year the SFO has continued to maintain a high performing culture while operating in a challenging and uncertain economic environment. Adding to this backdrop, the global landscape of financial crime is becoming increasingly complex and multifaceted. A good example of this is the unprecedented proliferation of online fraudulent activities utilising new techniques and technologies.

Unfortunately, New Zealand is not immune to these worldwide trends with increasing rates of people victimised by fraud. The latest New Zealand Crime and Victims Survey (NZCVS) showed the rate of people victimised by fraud increased again in 2023, with 10 percent of New Zealanders experiencing fraud in the last 12 months. This makes it

the most common and fastest growing crime type in New Zealand. The record number of complaints we received this year underlines this growing threat (see page 14 for more details).

Historically, periods of economic downturn have been linked to increases in fraudulent activities. During such times, financial pressures mount on individuals and organisations, creating both the motive and opportunity for fraud or corruption.

Studies show that redundancies, reduced income, and business failures, often lead to a rise in fraudulent behaviour as people seek to alleviate financial strain. At the same time, role changes and staff turnover can lead to increased risk of fraud being overlooked or expose existing fraudulent activities. This was evident during the 2008 global financial crisis where in New Zealand we witnessed increased cases of mortgage fraud, investment fraud, and Ponzi schemes as economic conditions deteriorated. This trend is consistent across various economic downturns, highlighting the need for heightened vigilance and robust fraud prevention measures during these periods. I am confident that the SFO is well prepared to act and protect New Zealand's economic and financial wellbeing.

Delivering an efficient and focused organisation

Like many other government agencies, a key focus over the past year has been addressing government efforts to find efficiencies, while ensuring core operational activities are delivered. As a small organisation, the SFO has always run a lean and efficient operation with most staff on the front line of our efforts to tackle fraud and corruption. In a constrained fiscal environment, we are alert to the need to continue seeking efficiencies. Work is underway as part of an efficiency and effectiveness review to minimise the impact of fiscal constraints on our service delivery, and to identify where we can operate better.

From a strategic perspective, a key focus has been embedding the SFO's new Executive Leadership structure and 2023–2027 Statement of Intent (SOI) that were both launched in late 2023. The new structure has improved how the organisation functions with better alignment of our functions, bringing greater coordination and collaboration.

Our new strategic priorities set out in the SOI (see page 10) are providing a strong foundation to deliver our mission of disrupting and deterring serious fraud and corruption. In recognition of our changing operating environment, we will continue to review and if necessary, refocus our strategic priorities.

It's a testament to the adaptability and resilience of SFO staff that we have continued to operate at a high level during this period of change.

Our annual engagement survey results further reinforce this commitment with staff overwhelmingly agreeing that they are proud of the beneficial impact the SFO has for our country. It is a privilege to lead and work alongside such dedicated and experienced professionals.

Increasing case impact

Underpinning the delivery of our case impact priority was the launch of new Strategic Areas of Focus in 2023. These focus areas help guide our decision-making and signal to stakeholders where we are looking to focus our attention and resources. It was encouraging to see our progress during the year in implementing this work with over 50% of our cases falling within our focus areas.

The 2023/24 year has been another highly productive year for the SFO's investigation and prosecution teams. It is important to highlight the significant amount of work the SFO delivered behind the scenes managing our active case load. Central to this has been preparing our cases for trial. This is a demanding and resource intensive feature of our work and reflects our heavy trial calendar for the coming year. For example, during the year we prepared thousands of pages of evidence as part of our pre-trial activities and managed hundreds of witnesses who will be involved in our trials over the next 12 months.

Every prosecution file is prepared to a high standard, which in some cases contributes to defendants entering early guilty pleas. The five early guilty pleas we obtained in a fraud and corruption case relating to the awarding of road maintenance contracts is a good example of this. These outcomes reflect the quality of our highly qualified and specialised investigation and prosecution teams.

Building prevention capabilities

We know that fraud and corruption cannot be stamped out solely by our prosecution actions. This is why the SFO has a key role in helping to support prevention and behaviour change which is critical to combatting fraud and corruption. Through our Counter Fraud Centre (CFC) we're committed to uplifting the public sector's fraud response capabilities by delivering training and guidance.

Initially focused on COVID-19 relief packages, the CFC has now expanded its scope to address broader fraud prevention needs within the public sector, and local government. This year, in response to stakeholder feedback we identified key areas for development, including process improvements, cross-sector collaboration, and embedding fraud risk considerations into policy and programme development. Our efforts in disaster management and procurement have been particularly notable, reflecting our commitment to adapting to the evolving fraud landscape and driving case referrals in key strategic areas of focus.

The CFC team have continued to build and expand the support provided to their community of practice. Central to this has been the delivery of regular meetings to share guidance and experiences but also providing targeted training sessions in response to

stakeholder requests. A highlight for the team has been the rapid growth of the local government counter fraud community of practice. Supporting and growing these communities will be a key focus in the coming year and we are committed to ensuring we are responsive to the needs of our stakeholders in this space.

Enhancing our connections

Collaboration and fostering strategic partnerships with domestic and international counterparts is critical to combat the evolving threat and increasingly globalised landscape of financial crime. Over the past year the SFO has contributed to a range of international and domestic activities focused on leveraging collective expertise and resources to address cross-border financial crime.

We have continued to represent New Zealand on the international stage to meet our obligations and commitments focused on tackling fraud and corruption. A key highlight for the SFO has been participating in the OECD Phase Four review of New Zealand, which assesses how we are progressing as a country with our efforts to combat foreign bribery. We look forward to receiving the final report in the coming year and working with stakeholders to address the OECD's recommendations.

I am especially proud of our outreach efforts over the past year focused on building capabilities in the Pacific. This included the delivery of bespoke specialist training for public sector officials in Kiribati and providing guidance to representatives of various Pacific law enforcement agencies at a training event delivered in collaboration with New Zealand Police.

Domestically, we've maintained our focus on developing system-wide technical capabilities. This has involved delivering a range of training initiatives to government partners drawing on our highly regarded electronic forensics and investigative expertise.

By enhancing our connections with stakeholders, we gain better insights into our operating environment, increase awareness of our role, and ultimately encourage more referrals. Through information sharing, joint investigations, and coordinated enforcement actions, these collaborative activities bolster the effectiveness of the SFO's enforcement efforts.

Future-proofing our capabilities

In a rapidly changing environment, future-proofing our capability is essential. This involves not only scanning for potential threats and opportunities but also ensuring our staff are supported with the right tools, resources and skills to address them. Despite budget constraints, we have continued to invest in training and development, particularly in areas like electronic forensics and data analytics where our staff are highly sought after to share their knowledge and expertise.

Driven by the evolving threats related to digital data and increasing data privacy expectations, we have also invested in a range of initiatives to grow our cyber security resilience and enhance our data management processes. Adapting and responding to our dynamic operating environment is critical to ensure we maintain our reputation as a credible and world-leading law enforcement agency. Alongside this, investing in and retaining our highly sought-after staff must continue to be a central feature of our efforts to future-proof our capabilities.

We're ready for the challenges ahead

This is just a short overview of the SFO's achievements this year and I'm proud to be presenting another Annual Report for the SFO. I do encourage you to read the report in detail to learn more about how we're delivering our purpose and strategic priorities. As we look ahead, we will continue to assess and if necessary, adjust our focus areas and resources. We are a small agile enforcement agency that has historically punched above its weight and led by example, domestically and on the world stage. By embracing innovation, strengthening partnerships, and promoting preventive measures, the SFO is well placed to tackle emerging threats and risks. With our dedicated team I'm confident we will continue to protect New Zealand's economic and financial wellbeing by disrupting and deterring serious fraud and corruption.



A handwritten signature in black ink, appearing to read 'Karen Chang'.

Karen Chang
Chief Executive and Director

Our purpose

Our purpose is to protect New Zealand's economic and financial wellbeing. We achieve this through our mission of disrupting and deterring serious fraud and corruption.

As a lead agency in New Zealand for corruption cases, the SFO safeguards the country's reputation for transparency and integrity, which supports investor confidence and keeps business costs down. Established in response to the 1987 share market collapse, the SFO has spent over three decades tackling significant and complex fraud cases.

The SFO's core work is the investigation and prosecution of serious or complex fraud, including corruption. The Serious Fraud Office Act 1990 provides the SFO with specialist investigative powers enabling us to effectively carry out this role. Our investigation teams are also structured differently from other law enforcement agencies. Our cases are investigated by multidisciplinary teams made up of highly skilled investigators, forensic accountants, investigating lawyers, electronic forensic investigators, supported by critical roles such as document management specialists, legal advisors and e-discovery experts. Based on the United Kingdom's Roskill Model, this structure is considered best practice for investigating complex financial crime.

The SFO has developed strong technical competence related to forensic accounting, electronic forensics and overall complex financial crime investigation and prosecution.

We generally have about 30-40 investigations and prosecutions open at any one time. We focus our specialist resources on those cases which have the greatest potential to disrupt and deter serious fraud, including corruption. All complaints are assessed against our statutory criteria, including the scale of the alleged crime, its impact on victims, its complexity and the degree of public interest.

Our Counter Fraud Centre – Tauārai Hara Tāware focuses on prevention and building resilience in the public sector through applying lessons learned from the SFO's investigations and prosecution, about how fraud against the public sector is perpetrated. Additionally, we are advancing initiatives to enhance fraud reporting processes, that will strengthen the New Zealand public sector's overall resilience to fraud and corruption. The SFO also plays a crucial role in meeting New Zealand's international anti-corruption obligations.



SFO Executive Leadership Team

Left to Right:

Cam Moore

Deputy Chief Executive – Operations

Kylie Cooper

Deputy Chief Executive – Legal and Corporate

Dan Eaton

Deputy Chief Executive – Strategy and Engagement

Karen Chang

Director and Chief Executive

Our strategic priorities

The SFO's Statement of Intent 2023-2027 reflects our goal to utilise our specialised resources to achieve the greatest impact. The strategic priorities set out below aim to ensure every action we take amplifies our contribution to New Zealand.

Purpose

Protect New Zealand's economic and financial wellbeing

Mission

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



01 | Case impact

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



02 | Prevention

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



03 | Connection

Enhance stakeholder engagement and system contribution - domestic and international



04 | Future-proof capability

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

How we measure and report our performance

The SFO can only take a limited number of cases and seeks to commit its specialist expertise to those which will have the greatest potential impact in disrupting and deterring serious fraud.

When measuring progress towards our mission, performance measures which focus solely on quantitative results may not meaningfully reflect the wider impact of our work. This is equally applicable to our prevention work, where measuring behavioural changes and the impact of our outreach doesn't lend itself to a purely quantitative approach.

The SFO's Statement of Intent 2023-2027 (SOI) sets out the strategic direction and priority areas for the SFO. While developing the SOI we undertook an extensive review of our performance measures to ensure they align with the new strategic direction and identified improvements in how we measure and report on our progress. We have added more narrative-based Outcome Indicators

and will be using both qualitative and quantitative data to assess our performance.

We have also reviewed and refined the measures in our Output Performance Measures (Estimates) agreed with the Minister Responsible for the SFO. Where the SOI outlines how we will measure progress towards our strategic intentions, the Estimates set our operational performance in delivering our activities.¹ In essence, the SOI measures strategic performance and the Estimates measures operational performance.

Our Annual Report reports on our Output Performance Measures and the Outcome Indicators to provide a comprehensive overview of the SFO's performance.

Our reporting framework

Output Performance Measures (Estimates)

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

Statement of Intent Outcome Indicators

Sets out the SFO's strategic intentions for the next four years and includes indicators of how we will measure our success.

Annual Report

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

¹ Vote Serious Fraud 2023/24

<https://www.treasury.govt.nz/publications/estimates/vote-serious-fraud-justice-sector-estimates-appropriations-2023-24>

Case impact

Targeting cases that have the greatest potential impact, maximising the SFO's specialist expertise

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

As a result, there is a wide range of matters that could potentially be investigated by the SFO. However, we are not designed for volume. Instead, we must focus on creating a ripple effect from our cases that acts to disrupt and deter offenders. Our Case Impact priority reflects our intention that we use our specialised resources to achieve the greatest impact and maximise SFO's specialist expertise.



Investigation and prosecution strategic areas of focus

To help us achieve the case impact priority, in 2023 we published new strategic areas of focus to guide our decision-making and to signal to stakeholders where we are looking to focus our attention and resources, these include:

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

These strategic areas of focus represent the types of offending that we consider are of particular concern at present. It is anticipated that the commitment of our specialist expertise to these cases has the potential to have the greatest impact in disrupting and deterring serious fraud. As they are intended to be contemporaneous and dynamic, we expect to review and update these areas of focus in early 2025.

Overview of evaluation, investigation and prosecution activities for 2023/24

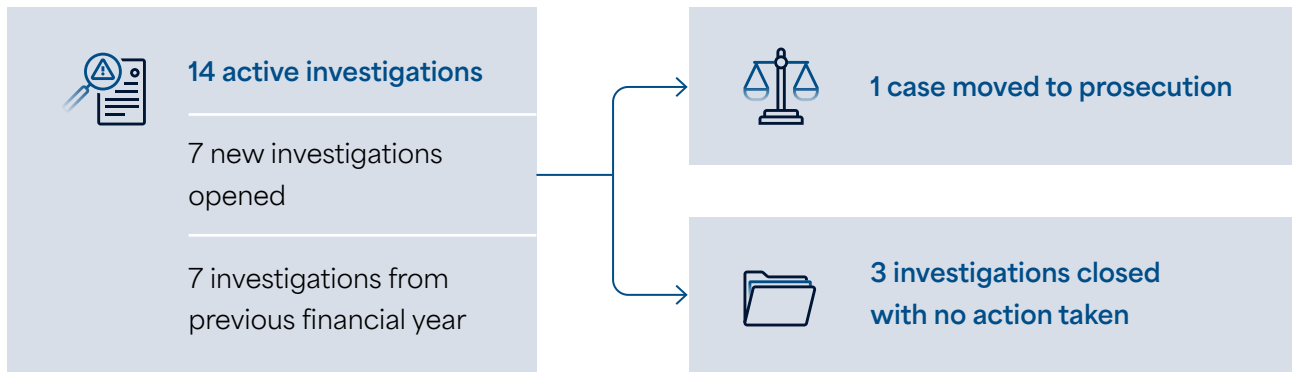
Evaluations

During the year the SFO received 1210 complaints, which is a 22% increase on the number of complaints received in the previous year. Most of these complaints were received from members of the public and did not fall within the SFO's remit to investigate.

The SFO received 20 complaints from other public sector organisations, including local government bodies and initiated eight proactive complaints, being complaints which the SFO opens of its own volition without a complaint from an external source.

Every complaint is reviewed by the Evaluation Team and is triaged to determine whether the matters alleged may fall within the SFO's specialist mandate to investigate. As a result of this triaging process, the Director commenced 22 Part 1 enquiries, being enquiries commenced under Part 1 of the Serious Fraud Office Act 1990. Under this part of the Act, the SFO has limited powers to carry out an enquiry into the affairs of any person and these enquiries are used to enable the SFO to better determine whether allegations of fraud should progress to a full investigation and the scope of that investigation.

Approximately half of all enquiries related to allegations of corruption, with various other matters making up the rest of the enquiries including alleged grant fraud, investment fraud and false accounting. This year five Part 1 enquiries were proactively commenced by the Evaluation Team.



Investigations

As at 30 June 2024, the SFO had 14 active investigations. Over the course of the last financial year, seven new investigations were opened, three investigations were closed with no action taken and one case was moved to prosecution. A further seven investigations are continuing from the previous financial year.

The SFO case load remains varied. Bribery and corruption offences, from both private and public sectors, continue to feature heavily and we are drawing to the end of a phase of investigations received from the Ministry of Social Development arising from the abuse of COVID-19 support funding. The first of these matters to go to prosecution is set down for a four-week trial commencing in April 2025.

A potential emerging trend of note relates to fraud being revealed through company collapses. This is not unexpected in difficult economic times, and while we are not seeing the volumes experienced in the late 2000’s following the global financial crisis, a stressed business environment will inevitably lead to the commission and discovery of fraud offending.

Two of the SFO’s new investigations in the 23/24 year have touched on another developing trend of cryptocurrencies being used to facilitate alleged fraud. While cryptocurrencies are no longer a new concept, they have only recently begun to feature as a tool used in complex financial crimes. As cryptocurrencies become more mainstream with an increasing comfort around their use, we expect this trend to continue.

The use of cryptocurrency introduces new investigative challenges for the SFO and reflects the ever-evolving world of financial crime. We are addressing those challenges, and developing relevant policy, procedures and training. As part of this we are working in collaboration with colleagues in the Police Cybercrime Unit, who have joined us during certain phases of an investigation involving cryptocurrency.

The SFO is fortunate to have in its ranks a very high level of digital forensic expertise. This leaves the organisation well placed to face the threat posed by the use of cryptocurrency in fraudulent activities.



Supporting international anti-corruption efforts

Over the past year the SFO's Evaluation Team responded to 25 intelligence requests from the International Anti-Corruption Coordination Centre (IACCC), facilitated by our investigator who is permanently based at the IACCC (0.5 FTE). These requests relate to allegations of grand corruption (corruption involving high ranking public officials) across the globe, including cases in Africa, Eastern Europe, the Pacific, South America and the United Kingdom. Our efforts in responding to these requests, along with New Zealand Police, assist the IACCC to support local law enforcement agencies in these jurisdictions to investigate and prosecute serious corruption offences.

We in turn benefit from the support of the IACCC and in addition to submitting our own intelligence requests, we have detected potential grand corruption offending with a nexus to New Zealand, which is now the subject of formal enquiries. We have also been able to leverage off the IACCC's significant network of law enforcement partners this past year, to be put in contact with officials in other jurisdictions to assist us with obtaining information and assistance in relation to several of our cases.

Photo credit: Ministry of Justice



Prosecutions

Prosecution files make up a large proportion of our caseload. What our caseload looks like in any given year reflects the stage of our cases in previous years, our work being cyclical and flowing across financial years.

During the year we had 23 separate SFO prosecution matters before the courts, involving 58 defendants and a combined fraud value of approximately \$172 million. This includes cases where charges were first filed through to those reaching the conclusion of an appeal process, and the various prosecution phases in between.

A key aspect of the SFO's work is the fact that we prosecute our own cases. With representation by our Prosecution Panel, the same team members who investigate a case take that matter right through to the end of any prosecution. This means for each case there is greater efficiency and consistency as the team which is thoroughly familiar with the facts, evidence, charging strategy and witnesses, is the same team that goes on to prepare the case for trial. What this also means is that the SFO's operation team members must manage a mixed workload of investigations and prosecutions at any one time.

Last year we commenced eight new prosecutions, which combined with existing matters awaiting trial and matters under appeal, were advanced by staff at the same time as they worked on our active investigations.

In the coming financial year, we are scheduled to conduct seven trials, with a further four trials fixed from July through to December 2025. In preparation for these trials our teams have been heavily involved in pre-trial procedural matters.

One of the most demanding of our pre-trial procedural tasks is the preparation of formal statements, also known as "briefing". Briefing consists of working with our witnesses to take a written account of the evidence which they intend to give at trial.

This year we drafted thousands of pages of evidence across 12 of our prosecution files, with six cases being at briefing stage at the same time in the first few months of 2024. The teams on these six cases alone managed over 200 witnesses. Briefing is a detailed and resource intensive process, which must be completed in accordance with Court deadlines and unavoidably impacts the time available to our team members to progress their other files.

At the other end of the prosecution life cycle, we were involved in post-trial appeal proceedings on five of our cases, two of which were Crown appeals. In March 2024, the Court of Appeal delivered its decision in relation to the New Zealand First Foundation Case, that confirmed the donations made, were "party donations" under the Electoral Act and left undisturbed the High Court's findings that there was a "dishonest scheme" that intentionally and deceptively mislead the party about the nature of the donations.²

In May 2024 the Court of Appeal granted the Crown leave to appeal two of the eight charges against the defendants in the CBL prosecution, relating to transactions valued at NZ\$42 million and €12.5 million respectively. CBL had a market valuation of NZ\$750 million when it collapsed in 2018 in one of New Zealand's largest corporate failures. An appeal hearing is scheduled in September 2025.

² Ultimately, the appeal was dismissed based on the second ground of appeal regarding claim of right and accordingly, the Court did not overturn the acquittals. See: sfo.govt.nz/media-cases/media-releases/sfo-welcomes-court-of-appeal-decision-on-political-donations-case



2023-24 Case highlights

10 July 2023 - Filed charges against former Bay of Plenty lawyer, Paulette Main for allegedly falsely claiming almost \$450,000 from a legal support scheme funded by the Ministry of Justice. Paulette Main faces 30 charges of obtaining by deception and two charges of obstructing a Serious Fraud Office investigation.

4 August 2023 - Richard Motilal of Engineering and Aviation Supplies, who admitted giving bribes in exchange for being awarded road maintenance work sentenced to nine months' home detention and ordered to pay \$25,000 in reparation.

16 August 2023 - Former Pacific Island Safety and Prevention Project head Betty Sio sentenced to a fine of \$3,000 after being found guilty on two charges of dishonestly using a document.

19 October 2023 - Bryan Martin and Joshua Grant sentenced to prison after being found guilty of charges related to an \$8.7 million mortgage fraud scheme. Mr Martin was sentenced to four years' imprisonment and Mr Grant was sentenced to 28 months' imprisonment.

20 October 2023 - Leave sought to appeal two of the eight charges on which the High Court acquitted the defendants in SFO prosecution of Peter Harris and Carden Mulholland.

21 December 2023 - Charges filed against a former project manager and two associates alleging bribery and corruption were involved in the award of lucrative public sector construction contracts.

26 February 2024 - Investigation opened into New Zealand-based cryptocurrency trading platform Digital Asset Exchange Ltd (trading as Dasset). Dasset was placed into liquidation in August 2023.

26 March 2024 - Court of Appeal's judgment issued on the Crown's appeal against the High Court's findings in its New Zealand First Foundation (NZFF) case.

16 April 2024 - Bribery and corruption charges filed against former Auckland Council building inspector, Nicholas Bright and a director of an Auckland building company. Mr Bright faced 21 charges of corruption and bribery of an official. The building company director faced 23 charges of corruption and bribery of an official.

30 April 2024 - A defendant pleads guilty to four charges of obtaining by deception in relation to a mortgage fraud scheme.

10 May 2024 - Frederick Pou pleads guilty to corruptly giving gifts to an agent totalling \$626k to secure contracts.

17 May 2024 - Daud Suryantyo and Henry Rogo named in case alleging bribery and corruption related to the award of lucrative public sector construction contracts.

22 May 2024 - The Court of Appeal grants leave to the Crown to appeal two of the eight charges the defendants were acquitted of in the CBL prosecution.

7 June 2024 - A roading subcontractor who admitted giving bribes in exchange for being awarded road maintenance work sentenced to 12 months home detention and reparation payment of \$300,000.

13 June 2024 - The last of three defendants pleads not guilty to bribery and corruption charges in case related to the award of lucrative public sector construction contracts.



Impact measures (outcomes)

Case impact performance measures:

- We have two performance measures linked to our Strategic Areas of Focus aimed at ensuring the SFO focuses its efforts effectively:
- at least 40% of our investigations fall within the area of focus; and
 - 40% of prosecutions fall within at least one area of focus.

This year 57% of the investigations we commenced fell within a least one of our published areas of focus. Alongside our 18 active cases we began one new prosecution this year which fell within our Strategic Areas of Focus.

While it is expected that the percentage target for these measures will increase over time, it is not expected that the SFO will only ever take cases within these areas of focus. We continue to encourage and receive complaints and referrals involving an array of suspected serious or complex fraud and case selection continues to be assessed against our wider statutory criteria, which includes the scale of the alleged crime, its impact on victims, its complexity and the degree of public interest.

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

- In July 2023 we published for the first time a list of our Strategic Areas of Focus. The list was developed to help our stakeholders understand where we are prioritising our resources. As a method of addressing the deployment of finite resources for best effect, our approach has already attracted the interest of both domestic and international law enforcement agencies and the private sector. It has also been discussed in an academic research paper on the topic of case selection by anti-corruption agencies³.
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Stakeholders believe the SFO is taking the right cases to disrupt and deter serious fraud:

- As part of measuring our new Case Impact priority we run a biannual stakeholder survey. Our next survey will be run in 2024/25.
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³ Jin-wook Kim and Todd Foglesong (2024), 'Which Corruption Cases to Investigate? Case selection in the Corruption Investigation Office of Korea', The Chandler Papers, Issue 12, Blavatnik School of Government, University of Oxford

Maximising outcomes

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



Ministry of Social Development referrals

As already mentioned earlier in this section (see page 14), the SFO has been involved in several investigations arising from the abuse of the COVID-19 wage subsidy scheme. These cases were referred by the Ministry of Social Development (MSD). Prosecution by the SFO has not proven to be appropriate in all instances and those matters have been returned to the MSD to assess and take appropriate action if required. By leveraging our guidance and findings MSD is now taking alternative actions to recover funds from applicants who received payments they were not entitled to.

Case studies supporting and driving fraud prevention

A key advantage of the Counter Fraud Centre is its ability to leverage SFO case outcomes and utilise the experiences and insights of our highly specialised staff. Central to this is the work CFC delivers writing case studies that draw on real outcomes to support their guidance and training.

The nature of how our teams collaborate and the SFO's ongoing activities means that there is a pipeline of practical content we can draw on to develop case studies that are specific to New Zealand's public sector. This is critical to ensure we are responsive to new and emerging risks. Two case studies shared over the past 12 months involved corruption of public officials at a local government entity and a district health board employee involved in fraudulent accounting.



Output performance measures

Part 1 enquiries and Part 2 investigations

Part 1 enquiries align with Part 1 of the Serious Fraud Office Act 1990, which provides the agency with limited powers to carry out an enquiry into the affairs of any person where the Director suspects that the investigation may disclose serious or complex fraud. Part 1 enquiries enable the SFO to better determine whether allegations of fraud should progress to a full investigation and the scope of that investigation.

Part 2 of the SFO Act provides the SFO with more extensive and coercive powers to investigate matters where there are reasonable grounds to believe that an offence involving serious or complex fraud may have been committed. Should a Part 1 enquiry meet this criteria, the Director may commence a formal investigation, which is undertaken by an investigation team.

Performance measure	Actual 2022/23	Budget standard 2023/24	Actual 2023/24
Quantity: Number of Part 1 enquiries and Part 2 investigations commenced.	N/A - new measure	28-45	29
Quality: Percentage of Part 2 investigations commenced that are of high complexity (in Category A).	N/A - new measure	40%	71%
Quality: Percentage of Part 2 investigations commenced that are within published focus areas.	N/A - new measure	40%	57%

Prosecutions

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

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

Performance measure	Actual 2022/23	Budget standard 2023/24	Actual 2023/24
Quantity: Number of cases brought to prosecution.	8	8-10	1
Quality: Percentage of prosecutions that are high complexity (in Category A).	N/A - new measure	40%	100%
Quality: Percentage of prosecutions that are within published focus areas.	N/A - new measure	40%	100% ⁴

4 This measure is triggered at the commencement of a prosecution. We had one new prosecution this year, which fell within our published focus areas.

Complaints

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

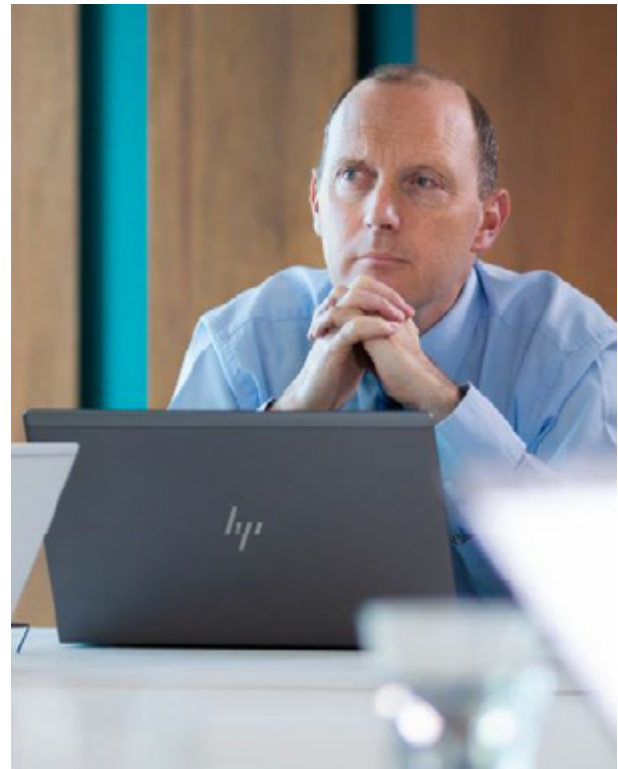
The Director of the SFO is an appropriate authority for the making of protected disclosures under the Protected Disclosures (Protection of Whistleblowers) Act 2022, which came into force on 1 July 2022. The SFO has received an increased number of protected disclosures this year and has put in place new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

Part 1 enquiries and Part 2 investigations

For an explanation of this output please refer to Case impact on page 16.

Post investigation and post prosecution reviews

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





Performance measure	Actual 2022/23	Budget standard 2023/24	Actual 2023/24
Timeliness: Percentage of complaints evaluated within 30 working days.	93%	90% (Revised measure)	92%
Timeliness: Percentage of Part 1 enquiries completed within four months.	50%	60%	32% ⁵
Timeliness: Percentage of Part 2 investigations completed within targeted time.	Category A: 88% within 24 months ⁶	Category A: 60% within 24 months	Category A: 50%
	Category B: 75% within 18 months ⁷	Category B: 70% within 18 months	Category B: 100%
Quality: Percentage of formal post-investigation reviews that meet SFO quality criteria.	100%	90%	100%
Quality: Percentage of formal post-prosecution reviews that meet SFO quality criteria.	100%	90%	100%

- 5 The result for this performance measure was impacted by resource constraints alongside a 22% rise in complaints to 1,210, all of which required individual attention. Additionally, some Evaluation team members were reassigned to support active investigations to mitigate resource constraints in the frontline Operations function. We are addressing this through our efficiency review and will look to re-evaluate this metric, which has not been reviewed since 2019.
- 6 Category A cases are those that involve high complexity. They may contain one or all of the following: a significant number of victims, large-scale loss or a long period of alleged offending; multiple alleged suspects; inter-agency cooperation; international assistance; legal complexity.
- 7 Category B comprises all other cases.



Prevention

Lifting counter fraud and corruption capability in the New Zealand public sector

While investigations and prosecutions are crucial, effective prevention measures are key to reducing the rapidly growing incidence and impact of fraud and corruption. Leading counter fraud efforts in the public sector was a natural step for the SFO, given our decades of experience investigating and prosecuting New Zealand's largest and most complex fraud cases.

Initially established to lead public sector fraud prevention relating to COVID-19 relief packages in 2019, the Counter Fraud Centre – Tauārai Hara Tāware (CFC) was funded on a permanent basis in Budget 2022. The CFC plays a key role in preventing financial crime and making the commission of fraud and corruption more difficult. This section outlines our key prevention activities over the past year.





Leading efforts to enhance counter fraud culture and capability

Given the high public interest in reducing fraud on public funds, the CFC primarily aims to enhance counter fraud culture and capability in New Zealand's public sector. International experience indicates that complacency in public sector fraud controls can allow fraud to occur and go undetected. The CFC works to build resilience and support the public sector to design and implement effective prevention systems. A key focus is on improving organisations' processes to understand fraud risks, increase fraud awareness and promote cross-sector collaboration.

Over the 2023/24 year key deliverables for the CFC included:

- Customised Support: We provided tailored counter fraud support to eight agencies, assisting them in fraud risk assessment and counter fraud activities.
- Fraud Risk Assessment workshops: We conducted two Fraud Risk Assessment workshops, one in Wellington and one in Christchurch involving 15 organisations in total. These workshops help public sector employees apply the SFO Fraud Risk Assessment guidance in a practical environment equipping them to undertake this activity in their organisation.
- Procurement Fraud Workshop: In collaboration with NZ Government Procurement, we hosted a workshop aimed at increasing attendees' knowledge about procurement fraud and counter fraud mechanisms. Attendee feedback confirmed a need for further guidance and instruction on procurement fraud. The CFC will publish guidance on procurement fraud later in 2024.

Developing counter fraud resources for Aotearoa

When the CFC was launched in 2019, our guidance heavily relied on adapting resources and work programmes from international partners, particularly the UK and Australia. Since then, we have evolved to a point where we no longer depend on international practices and content. Our training and support that is provided free of charge are now tailored to the specific needs, issues and circumstances of New Zealand government agencies.



STRATEGIC PRIORITY 02

Resources published in the 2023/2024 year included:

- Printable fraudster persona cards. These cards can be used as a tool for learning, for table-top exercises, or around offices to raise awareness of the various fraudster types.
- Fraud risk assessment template. This is useful for organisations who do not have existing templates for documenting fraud risks or want to tailor their existing content.
- Fraud Risk Self-Assessment Scan. This is a free online tool specifically designed to support public sector organisations. It has been developed to empower organisations to proactively identify potential areas of fraud risk.
- Fraud Risks in Government Funded Initiatives. Provides information about fraud risks in government funded initiatives and examples of countermeasures to prevent, detect and respond to them.



Counter fraud support for emergency recovery and rebuild

Due to its geography and location, New Zealand is prone to a range of natural hazards, including earthquakes, landslides, and extreme weather events. This results in the Government providing significant funding and resources to those affected by such events. International experience tells us that fraud losses rise during times of emergency, with an estimated 10-15% from emergency funding packages lost to fraud. This is a key reason why misappropriation of targeted Government funding is a Strategic Area of Focus for our Case Impact priority.

The CFC continues to support organisations who are delivering emergency relief and recovery funding, specifically the ongoing recovery efforts in response to Cyclone Gabrielle and the Auckland floods. An updated guide to managing fraud during emergency relief and recovery will be published later in 2024. The update incorporates feedback from stakeholders and lessons learnt from these recent weather events.

This image shows NZ Response Teams and NZ Surf Life Saving transporting essential supplies to isolated communities in Hawke's Bay, after Cyclone Gabrielle.

Photo credit: NEMA.



Growing our public sector community of practice

The success of the CFC is tied to our commitment to delivering effective cross-sector engagement. As the programme has evolved, we've expanded our engagement to include local government. The creation of a dedicated Local Government Counter Fraud Community of Practice has allowed us to address issues specific to local governments, such as third-party subcontracting and procurement. Though still in its early stages, this initiative has already seen excellent engagement and knowledge sharing.

The CFC continued engagement with the Central Government Community of practice which consists of 100 individual members from across 38 Government agencies (up from 83 members and 34 Government Agencies in 2022/2023). There were nine meetings for the year with an average attendance of 25 individuals. Although the success of the CoP is demonstrated by the growth in numbers and steady attendance of monthly meetings, the increase in agencies' cross sector counter fraud initiatives speaks to the heart of the CoP's efforts to break down silos and increase capability through knowledge sharing.

Fraud Awareness Week

As part of International Fraud Awareness Week, the Centre hosted a series of webinars encouraging the public sector to lock their digital doors to prevent cyber-enabled fraud. More than 1200 people attended the webinars (a 100% increase from the 2022 campaign) which raised awareness of cyber-enabled fraud and artificial intelligence and lessons learnt from SFO case studies. Presenters included individuals from KPMG, Australian National University, Transparently AI, an AI strategist and the SFO. The recordings of the webinars have been viewed over 290 times since it was published on the website in November 2023.

“ The Counter Fraud Centre has allowed Natural Hazards Commission Toka Tū Ake to benefit from the sharing and development of best practice processes across government agencies through its Community of Practice group. They have provided support in building capability and the development of knowledge that enables the mitigation of the risks of fraud and corruption that we face, while strengthening of the overall resilience to incidents. ”

Stuart Hansen

Fraud Manager, NHC Toka Tū Ake (formerly Earthquake Commission)

Impact measures (outcomes)

Stakeholder feedback on support and guidance

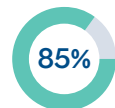
➤ To ensure that our support and guidance is increasing counter fraud capability and awareness, we regularly ask our community what their experience has been. Our bi-annual stakeholder survey will be run next financial year however we proactively sought feedback from our Counter Fraud Community of Practice meeting in November 2023. Attendees were asked about the usefulness of the existing prevention products and what other products they need to improve their counter fraud programmes.

Stakeholder feedback overwhelmingly agreed that they would like us to continue producing products and providing training. Feedback also confirmed that existing products are effectively supporting prevention activities within their organisations. Key areas identified for future development included the production of different formats of collateral, specifically videos and interactive educational material that is accessible on the SFO website.

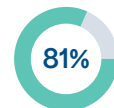
Feedback at CFC events

➤ The CFC collect feedback from event participants to improve the programme's effectiveness. Key highlights include:

The Fraud Risk Assessment workshops:

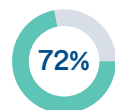


of attendees reported increased confidence in completing fraud risk assessments



said they could use this knowledge in their organisations

Fraud Awareness Week webinars:



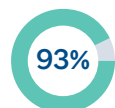
rated the session as 'extremely useful' or 'very useful'



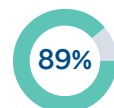
attendees indicated that they would recommend the webinar to a colleague

The webinars were put on the SFO website following Fraud Awareness Week and have been viewed over 290 times since they were published

Procurement Fraud workshop - following the workshop:



of attendees reported increased knowledge about various types of procurement fraud



said they could apply this knowledge in their organisations



Prevention products

➤ As part of measuring our new Case Impact priority we run a biannual stakeholder survey. Our next survey will be run in 2024/25.

Performance Measure	Actual 2022/23	Budget standard 2023/24	Actual 2023/24
Quantity: Number of prevention publications or guidelines published.	6	6-8	7
Quantity: Number of fraud capability or risk assessments completed.	N/A - new measure	8-10	8

Prevention product engagement

➤ During the year we implemented a new reporting tool to help us measure user engagement levels. A summary of the online views and downloads of the guides and tools during 2023/2024 is below:

Fraudster Persona cards	Fraud Risk Assessment template	Fraud Risk Assessment guide	Fraud Risk in Government Funded Initiatives	Fraud Perceptions survey	Fraud Awareness Week webinars
65	56	145	13	43	293
downloads (published in November 2023)	downloads (published in November 2023)	downloads (published in September 2021)	downloads (published in August 2023)	surveys completed (published December 2023)	views (published November 2023)

Connection

Enhancing stakeholder engagement and system contribution - domestic and international

Effective connections are crucial for achieving our three other strategic priorities: targeting our operations in the right areas, helping partners build resilience against fraud and corruption, and future proofing our capabilities by identifying potential threats and opportunities.

By strengthening connections with stakeholders, it helps us better understand our operating environment, raise awareness of our role, encourage referrals, and effectively communicate case outcomes.

In this section we outline how we are delivering our strategic priority of enhancing stakeholder engagement and system contribution, domestically and internationally.





Meeting international obligations and growing connections

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

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

By regularly interacting with our international counterparts and by participating in global networks, we stay up to date with international trends and promote international cooperation, which is vital given financial crime and corruption increasingly feature cross-border activity.

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

OECD Working Group on Bribery

In keeping with its role in supporting New Zealand's international obligations, the SFO continued its participation in the OECD Working Group on Bribery's (WGB) phase 4 review of Canada's anti-foreign bribery regime.

Phase 4 reviews look at the evaluated country's particular challenges and achievements. It also explores issues such as detection, enforcement, corporate liability and international cooperation, as well as covering unresolved issues from prior reports.

Work on the review began during the previous financial year, and in 2023 a member of the SFO joined colleagues from Austria, the WGB and New Zealand's Ministry of Justice in preparing and presenting the final report on Canada to the WGB plenary in Paris. At the conclusion of the plenary the report was adopted by the OECD and Canada will now consider implementing recommendations. The SFO continues to be involved in the review process, with an examination of Canada's response to the recommendations scheduled for late 2025.



Credit photo: ©OECD 2024, Hervé Cortinat

OECD Anti-Corruption Initiative for Asia and the Pacific

In November 2023, the SFO was invited to an OECD workshop in Paris focused on detecting and investigating fraud and corruption in emergency situations in the Asia-Pacific region. The event, hosted by the OECD Anti-Corruption Initiative for Asia and the Pacific, gathered government anti-corruption experts and law enforcement officials from across the region.

Four SFO members participated remotely. They presented lessons learned from emergency responses in New Zealand, including case studies from the Christchurch rebuild and COVID-19 wage subsidy scheme prosecutions. They also shared advice for mitigating corruption risks during the Cyclone Gabrielle response. The workshop provided an excellent opportunity for the SFO to share its experiences and knowledge, highlighting the impact of its investigations on raising awareness of emergency response risks and informing prevention efforts.

Christchurch post quake initiative:
The Commons (December 2022)





OECD foreign bribery review of New Zealand

New Zealand is a signatory to the OECD Convention on Combatting Bribery of Foreign Officials in Business Transactions (the convention). Signatories to the convention are obliged to undergo peer to peer review of the systems and practices in place to combat the influence of foreign bribery in their country. New Zealand has participated in three such reviews, the last being in 2013, and in 2024 is subject to a phase-4 review by the OECD Working Group on Bribery (WGB).

The focus of the phase 4 review is the detection, investigation and prosecution of foreign bribery. As lead agency responsible for the investigation and prosecution of corruption offences, the SFO is playing a central role in the phase 4 review.

In May 2024 Lead Examiners from Ireland and Israel, accompanied by members of the WGB, travelled to New Zealand to conduct an on-site visit over the course of a week in Auckland and Wellington. The Lead Examiners convened 18 panels that were well attended by representatives from New Zealand's public sector, business leaders, civil society and academia, legal profession, judiciary and media. The Lead Examiner's reviewed a wide range of issues relevant to New Zealand's awareness and ability to respond to the threat of foreign bribery. The SFO was represented at six of the panels and gave perspectives on:

- The law relating to foreign bribery
- Detection and investigation
- International co-operation
- Prosecution
- Whistleblower protections
- Outcomes of foreign bribery investigations.

The output of the review will be a report of the Lead Examiner's findings and recommendations for New Zealand to consider to address areas of concern. In December 2024, the report will be tabled at the December Plenary of the WGB in Paris where its contents will be discussed, and the report adopted.

UK International Public Sector Fraud Forum

As part of our commitment to stay connected with our international counter fraud partners SFO representatives attended the UK International Public Sector Fraud Forum (IPSFF) Summit in London in September 2023. The four-day summit covered an array of counter fraud and anti-corruption issues and activities. We received positive feedback about the successful development and implementation of our central government counter fraud community of practice.

There are several IPSFF sub-groups that meet on a regular basis to share information about emerging threats and counter fraud best practice to mitigate against these threats. The CFC is well connected with these sub-groups, also working with other NZ Government agencies to facilitate capacity building. Alongside this the CFC regularly share information with Scotland's Counter Fraud Centre to support their counter fraud activities.

International Foreign Bribery Taskforce

In 2023, the SFO chaired the International Foreign Bribery Taskforce (IFBT), a collaboration of law enforcement agencies from the Five Eyes countries (Australia, Canada, New Zealand, the US, and the UK) focused on preventing, detecting, and investigating international foreign bribery. The taskforce, operational for over a decade, fosters cooperation through information, expertise, and technical knowledge exchange.



SFO Deputy Chief Executive - Strategy and Engagement, Dan Eaton meeting with UK SFO counterpart.

The Annual Meeting of the IFBT took place in Auckland in October 2023, hosted by the SFO in partnership with NZ Police. The event included case studies and workshops on detection, evidence sources, emerging trends, and international collaboration. The SFO's world leading electronic forensics expertise was highlighted through a series of workshops where practical topics on detection, evidence sources, emerging trends and working with other foreign law enforcement agencies were discussed.

The SFO also used the event as an opportunity to promote a wider understanding of the challenges of corruption and security in the Pacific, bringing in experts in the field to present to the participants.



Global Fraud Summit

In March 2024 a senior SFO representative supported the Associate Police Minister at the Global Fraud Summit in London. The summit was attended by Ministers and representatives from the ‘Five Eyes’ countries, G7, Singapore and Republic of Korea, alongside INTERPOL, UNODC, FATF and the European Union. A key outcome was the signing of a global framework to tackle fraud and declare that fraud is an increasing transnational threat. This was an important event that reinforced the need to further develop and strengthen relationships with the UK SFO, UK PSFA and other key international partners.



Home Secretary James Cleverly hosts the Global Fraud Summit in London on 11 March 2024. Picture by Andy Taylor / Home Office.



SFO Deputy Chief Executive - Strategy and Engagement, Dan Eaton appearing alongside NZ Police Senior Liaison Officer Bruce O'Brian.

Northern Territories Independent Commission Against Corruption

In September 2023 the Director and Commissioner Michael Riches of the Northern Territories Independent Commission Against Corruption (NT ICAC) met at the SFO’s Auckland offices, joined by members of their respective leadership teams.

The NT ICAC was established to prevent, detect and investigate improper conduct in the Northern Territory Government, local councils and other related bodies. The SFO and NT ICAC share many similar attributes including our respective size and operational mandates. The visit provided an opportunity to share ideas in relation to case detection, protection of whistleblowers, inter-agency referrals and the challenges of recruiting and retaining highly specialised staff.

Advanced Foreign Bribery training with Australian Federal Police

In the foreign bribery space, the SFO enjoys a close working relationship with the Australian Federal Police Foreign Bribery Crime Command. It is a relationship that has developed through mutual membership of the International Foreign Bribery Taskforce (IFBT).

Each year the Australian Federal Police (AFP) runs a week-long Advanced Foreign Bribery training course for its detectives and positions are offered to fellow agencies of the IFBT, including the SFO. This is a key annual training opportunity for the SFO as such training is not available in New Zealand. The course is delivered by a panel of experts, providing knowledge and skills developed from their experiences working in foreign bribery, economic crime, fraud, and the proceeds of crime. The course has been designed

to provide experienced investigators with an opportunity to extend their skills and understanding of foreign bribery investigations.

Two SFO operational leaders attended the course in October 2023. In addition to attending the training sessions, one of our team was invited to sit on a panel of experts at an event hosted by Australia's Bribery Prevention (AFP) Network. They joined colleagues from the UK, Canada and Australia discussing global perspectives on foreign bribery investigations. The engagement offered a further opportunity for SFO investigators to learn more about this challenging crime type from their AFP colleagues.

Engagement in the Pacific

In 2023 the SFO received a request for assistance from the Kiribati Public Service Office (PSO) via the Public Service Fale (the Fale). The PSO is responsible for the conduct of corruption investigations in Kiribati and SFO assistance was sought to help build local capabilities.

In June 2024, two senior SFO Investigators accompanied the Fale on a week-long visit to Kiribati to deliver training to public sector officials. The SFO team adapted internal training packages to meet the needs of Kiribati officials and delivered several practical sessions over the course of the week. The training focused on key investigations functions, including an overview of the corruption crime type, investigation planning, intelligence gathering, investigative interviewing, reporting and trial preparation.

Course attendees included representatives from the Kiribati PSO, Police, Office of the Attorney General and Kiribati Leadership Commission. In the coming year follow up sessions will be delivered remotely by SFO staff helping Kiribati agencies continue to build inter-agency relationships and introduce forensic accounting concepts.

In March 2024 the SFO also participated in a separate training session for representatives of Pacific nations held at New Zealand Police National Headquarters. The event, hosted by the Police Financial Intelligence Unit in Auckland, was attended by law enforcement representatives from the Cook Islands, Kiribati, Fiji, the Solomon Islands and the Republic of the Marshall Islands.

The week-long study tour was funded by the UK International Development Fund. Three SFO investigation specialists ran a half-day session for participants sharing practical insights on the tools and techniques employed by the SFO to tackle public and private sector corruption.





Building domestic capabilities and connections

Developing system-wide technical capabilities

We use our expertise in electronic forensics to support the development of both national and international technical capabilities. Through our club funded electronic forensics initiative we delivered over 2000 hours of specialist electronic forensic training to our partner agencies namely, the Commerce Commission, the Financial Markets Authority and Immigration New Zealand. We also provided technical assistance to a number of other agencies including the Ministry of Social Development, Department of Internal Affairs, Ministry of Business, Innovation and Employment (MBIE) and the Ministry of Health.

We delivered both technical training and investigative training to a number of other New Zealand agencies including the New Zealand Police, the New Zealand Customs Service, the Department of Internal Affairs and the Ministry for Primary Industries. During the year we hosted workshops, which were attended by agencies involved in law enforcement, exploring the opportunities and impacts relating to the emergence of Artificial intelligence technologies.

Members of our electronic forensics team volunteer their time to contribute to the International Association of Computer Investigative Specialists (IACIS). This included the delivery of advanced electronic forensic training and the development of certification material. We also contributed to an international electronic forensics best practice publication.



Partnering with NZ Police to improve asset recovery

In September 2023 we hosted managers of the Wellington based Central Region Asset Recovery Unit (ARU) to discuss how each agency uses their powers and criteria for taking cases. It was also a great opportunity to increase SFO contacts and connections within the ARU.

In October 2023, we attended an ARU training day at Wellington Central Police Station, where we presented information about the SFO to the full Central ARU team. These interactions have strengthened our relationships, enhancing collaboration between our agencies. As a result, the ARU has provided significant assistance in one of our Wellington operations, and we continue to foster strong working relationships with ARU teams nationwide.

Supporting public sector response to fraud and corruption

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

There is a range of statutory, regulatory and system leadership roles across government in relation to combatting fraud and corruption. Currently, a number of agencies are responsible for progressing initiatives to address different aspects of these issues.

In 2023/24 the SFO together with Police and Ministry of Justice, were jointly working on a National Counter Fraud and Corruption Strategy. Given the new government's emphasis on violent crime, wider justice sector priorities and strong fiscal constraints, joint agency development of the strategy has been paused until such time as Police and the

Ministry of Justice are able to prioritise and resource it. The SFO continues to progress strategic initiatives focused on strengthening New Zealand's overall fraud resilience within its current baseline appropriation. A good example is the work underway to assess how other jurisdictions report fraud loss by Government agencies, and whether a model for mandatory fraud reporting and fraud risk assessments could be applied in New Zealand.

The SFO has also been contributing to work on the New Zealand Police-led Transnational Organised Crime (TNOC) Strategy. TNOC sets out a coordination and prioritisation framework to guide government agencies in their response to transnational organised crime. The Strategy seeks to strengthen capability, improve understanding, and raise awareness across relevant government agencies and other partners, including the private sector and local communities. Its goal is to unify efforts to prevent, detect, and dismantle organized crime.



HIGH COURT



Impact measures (outcomes)

Stakeholder feedback on connectivity with the SFO

➤ The SFO received very positive feedback from its five eyes partners on the International Foreign Bribery Taskforce Annual Meeting, which we hosted with Police in Auckland in October 2023. The event reinforced our commitment to pursuing meaningful connection with our international partners and through the event our partners have met and connected with other stakeholders relevant for their operations.

The SFO provided experience and insights to assist the OECD with its policy paper on fraud and corruption in crises⁸, which was published in July 2024. The paper cites a variety of examples of the way New Zealand, including the SFO, has evolved its policies and procedures to meet the challenges of tackling fraud and corruption in emergency response situations and in continuing to operate in a crisis situation. The OECD acknowledged our highly valuable contribution to their analysis. Through this effort we have demonstrated our commitment to supporting our law enforcement partners in the Asia-Pacific region, for whom this paper was prepared.

⁸ OECD (2024), "Corruption and fraud in crises: Strengthening law enforcement responses in Asia and the Pacific", *OECD Business and Finance Policy Papers, No. 60*, OECD Publishing, Paris, <https://doi.org/10.1787/f38694a5-en>.

More referrals or better case detection through improved connections

- As a result of our involvement with both the IACCC and the IFBT we have received intelligence regarding alleged fraud and corrupt activities with a potential nexus to New Zealand, which has in turn led to proactive formal enquiries being commenced into these matters.

2023 also saw the conclusion of a long running matter in which the SFO worked closely with the Hong Kong Independent Commission Against Corruption (ICAC). The ICAC charges related to a corruption investigation into three people who conspired to deceive the Stock Exchange of Hong Kong by concealing their interests in an acquisition of dairy farms in New Zealand. The farms were commonly known in New Zealand as the Crafar Farms. The SFO's involvement began in 2009 following a referral by the ICAC. The SFO's investigation focused upon irregularities in the treatment of the accounts of the farms in question. While no charges were brought in New Zealand, the evidence gained during the SFO investigation was pivotal to the prosecution brought in Hong Kong.

The matter first went to trial in 2016 and the three accused were convicted. The conviction was successfully appealed, and a retrial heard in 2021. That retrial was not concluded, and the defendants were ultimately convicted in November 2023 at a second retrial. A SFO forensic accountant gave evidence of the SFO's findings at all three trials. This case has been cited by the ICAC in several fora as an important example of international co-operation in law enforcement.



Output performance measures

Performance measure	Actual 2022/23	Budget standard 2023/24	Actual 2023/24
Quantity: Number of Part 1 enquiries commenced ⁹	1	3-6	5
Quantity: Number of referrals from other government agencies.	N/A - new measure	10-12	15
Quantity: Number of presentations to external audiences ¹⁰ .	N/A - new measure	15-20	39

9 The published measure in the Estimates of Appropriations 2023/24 omitted the word "proactive" in error. The measure contemplates that the SFO will open between 3-6 "proactive" Part 1 enquiries, being enquiries that are self-initiated by the SFO, rather than through the receipt of a formal complaint. The measure reflects a proactive detection approach as outlined in Note 7 of the published measures.

10 This includes external presentations undertaken by the SFO but does not include those undertaken by the CFC as part of its work programme.



Future-proof capability

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

A key priority for the SFO is investing in our people and infrastructure to meet and anticipate our operating environment. The rapid growth of technology worldwide has transformed how fraud is perpetrated, investigated, and prosecuted, and this trend shows no signs of slowing down. Consequently, fraud and corruption have become more complex, making investigations more resource-intensive and subject to increasing legal challenges.

To ensure the quality and impact of our operations in the future, we must adopt a forward-looking and sustainable approach to investing in our capabilities today. This section outlines the work we have delivered to future-proof our capabilities.



Enhancing our culture

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

Our engagement scores evidence a highly engaged workforce. Highlights from our annual staff engagement survey include:



Diversity, Equity and Inclusion planning

In 2023, the SFO consolidated our Diversity, Equity and Inclusion work. This was previously reported through Papa Pounamu and pay gap action planning through Kia Toipoto. Our action plan details our ongoing commitments to investing in our people and infrastructure, supporting our people’s success and maintaining low gender and ethnic pay gaps and understanding the drivers behind all of these indicators. Our DEI plan is reviewed and updated annually and continues to build on all that we have achieved since reporting began in 2019.

Enhancing our cultural competencies

The SFO has continued to develop and build on initiatives that enhance and uplift our cultural competencies, particularly of Te Ao Māori. A key part of this work is within the Whāinga Amorangi framework developed by Te Arawhiti and Te Kawa Mataaho.

Specific initiatives delivered during the year included Waiata group performances at staff events, Māori Language Week activities, including a presentation from the Māori Language Commission, weekly te reo Māori practice sessions and a series of internal events to promote Matariki.

To help inform future work we conducted a staff survey to identify any areas for further development. Key findings included a desire from staff to further build their understanding of Te Ao Māori culture, practices and resources. To address this feedback, initiatives for the coming year will include developing karakia resources and providing tikanga training to support our operational activities.

Nurturing future talent

The SFO offers an annual Legal Intern role based in Auckland that runs part time from March to late October. Candidates are typically law students who have completed at least two years of their degree, and are specifically interested in enforcement agencies, criminal law, evidence, criminal procedure, and ethics. For our most recent placement we received 88 applications.

The Intern joins our Legal Services team, gaining exposure to corporate and criminal legal matters. Tasks include undertaking research and analysis, assisting with regulatory compliance, producing legal documents, and managing legal resource databases and libraries. They also observe and contribute to the work of our Investigations and Prosecutions team and learn about the various legal jobs within the SFO.

Due to the technical and highly specialised nature of the SFO's work, it has historically only hired Chartered Accountants as Forensic Accountants. However, the SFO has now created a Forensic Accounting Technician role and become an approved training organisation with Chartered Accountants Australia New Zealand. This new role allows the SFO to hire accountants with financial crime investigation experience who are working towards their Chartered Accountancy qualification (Provisional Chartered Accountants). The SFO supports these Technicians in their studies towards achieving their Chartered Accountancy qualification.

Building resilience in our organisation

While investing in our people is crucial, we must also ensure we have the right tools to support our work. As a relatively small agency facing challenges similar to those of larger organisations, the SFO must uphold a reputation for securely managing confidential information. Any failure in this area could damage the trust and confidence others place in us and compromise our effectiveness.

Additionally, the increasing complexity of our work necessitates continuous investment in advanced investigative tools and the enhancement of our processes, such as evidence management and risk management. Strengthening our corporate infrastructure, particularly in cyber security, is also essential to building resilience.

During the year, we focused on growing our resilience through several key activities. This included:

- Completing a significant cyber security assessment of our ICT environment, forming the basis for cyber security projects in the coming year.
- Working with external experts to develop and improve our planning and response to a cyber security incident.



Work will continue in the coming year on projects focused on enhancing threat protection and data governance for cloud-hosted data. Projects are also underway to consolidate our various data repositories to improve information and case management efficiency. The establishment of the Deputy Chief Executive - Legal and Corporate position under the SFO 2023 executive structure review has further strengthened capabilities in managing and mitigating organisational risk by aligning the legal and risk management functions.

Wellington office move completed

The SFO relocated its Wellington office in September 2023. This was a key deliverable in 2022/23 and allows us to meet our accommodation priorities, including:

- Better accommodation of 'flexible by default' work practices
- A dedicated and soundproofed interview facility
- Open-plan working environment with communal activity areas
- Quiet spaces and shared collaborative areas
- Enhanced use of technology to support new ways of operating and lifting productivity.

Importantly the Wellington office supports a more effective and cost-efficient operation, bolstering the delivery of our nationwide operational remit.

The new office has been well received by staff and improved consistency in the way we work in both of our Auckland and Wellington offices. The new location has also increased capacity to host our ever-growing Community of Practice meetings run by the CFC.

Enhancing our data management processes

Driven by the evolving landscape for digital data and increasing data privacy expectations last year the SFO completed a comprehensive review of our information handling and data management processes. The aim was to examine the various categories of digital evidence we collect and to review how it is managed from beginning to end. Following the review we introduced several changes to our data handling procedures. These changes have resulted in more efficient processes with increased safeguards to protect privacy whilst maintaining our requirement to conduct robust analysis of the data.

We have made significant improvements to the way we categorise data for the purposes of criminal disclosure. This will ensure we remain at the forefront in terms of compliance with our obligations to the criminal justice system. The review also resulted in the implementation of a number of strategies which will reduce the impact of the long-term costs for hosting large volumes of data.



Scanning for the future

Integral to future proofing the SFO is creating the capacity to scan the horizon, both in New Zealand and globally, so that we can anticipate how we can prepare for emerging threats and trends.

In June 2024 we began planning for our next Long-Term Insights Briefing, a three-yearly requirement under the Public Service Act 2020 to produce a report which explores medium- and long-term trends, risks, and opportunities that impact New Zealanders. We will be consulting on a possible topic for this research later in 2024, with a final document presented to Parliament in mid-2025. The previous Long-Term Insights Briefing was a joint initiative with Justice sector agencies that explored long-term insights about imprisonment, from 1960 to 2050.



Impact measures (outcomes)

Percentage of employees being engaged

➤ The SFO achieved a 98.6% participation rate in the 2023/24 engagement survey. Our survey was run concurrently with our all-of-agency efficiency and effectiveness review, which is ongoing. Given this, and other factors, we consider our overall score of 74% to be an excellent result and indicates that our people remain engaged and resilient in the current climate across the public sector.

Performance measure	Actual 2022/23	Budget standard 2023/24	Actual 2023/24
Quality: Percentage of employees being engaged	N/A - new measure	> 75%	74%



Capability is enhanced

➤ As part of our annual employee engagement survey, we asked our people to rate, on a spectrum from highly agree to highly disagree, their view on statements about working at the SFO and leadership performance.

SFO culture benchmarked favourably against public sector



SFO leaders benchmarked favourably against public sector



Employee turnover

➤ The SFO has a dedicated and engaged workforce. Our turnover rate has reduced from 22.2% in 2022/23 to 13.9% in 2023/24.



Diversity and inclusion

Gender pay gap: **2.9%**
(median) or 6.8% (mean or average)

Ethnic pay gap: **0%**
We do not recruit any of our roles based on ethnicity.

Average age: **45**

Ethnic diversity: **78.7%** NZ European/NZer
16% Asian
4% Pacific Peoples
1.33% Other ethnicities

Gender ratio: **42** female and **32** male

Targeting carbon neutral

The SFO is working towards carbon neutrality as part of the Carbon Neutral Government Programme (CNGP) initiative to combat climate change.



The SFO acknowledges that quantifying greenhouse gas emissions is subject to uncertainty as this is an evolving field, including associated measuring, reporting and assurance standards. We have engaged Toitu Envirocare to guide us through this process and help us measure and determine progress via an annual audit process. We are a small agency committed to doing our part.

The SFO carbon emissions footprint is broken down into four categories that are measured in tonnes of carbon dioxide equivalent (tCO₂e) per the following table.

Category 1 includes petrol usage from the SFOs single hybrid PHEV motor vehicle.

Category 2 includes electricity utilised by the SFOs leased Auckland and Wellington office, including common office shared areas.

Category 3 includes business travel to and from work, air travel both short and long haul - including accommodation, freight in and out, postie trips to the SFOs PO box, and rental cars.

Category 4 includes waste-water, land fill utilised for rubbish, natural gas for office heating, ventilation and air conditioning.

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

SFO carbon inventory by emission source, measurements in tCO₂e

Emission Source	Base Year 2021/22	Actual 2022/23	Actual 2023/24	Change compared to last year
Category 1: Direct emissions	5.48	5.88	10.89	↑
Category 2: Indirect emissions from imported energy	22.55	17.65	12.51	↓
Category 3: Indirect emissions from transportation	69.28	148.05	114.04	↓
Category 4: Indirect emissions from products used by organisation	7.44	6.32	2.55	↓
Total gross emissions	104.75	177.90	140.00	↓
Total gross emissions per FTE	1.31	2.31	1.92	↓
Total gross emissions per million dollars of expenditure	6.91	9.93	8.91	↓

The SFO established its initial carbon inventory in the 2021/22 financial year to better manage and reduce carbon emissions over time. COVID-19 restrictions impacted tCO₂e emissions across all four measurement categories during that period, resulting in a higher total inventory score in the following two years. However, we are pleased to report a 20% (technically 21.3%) decrease in the total inventory score for the most recent year compared to 2022/23.

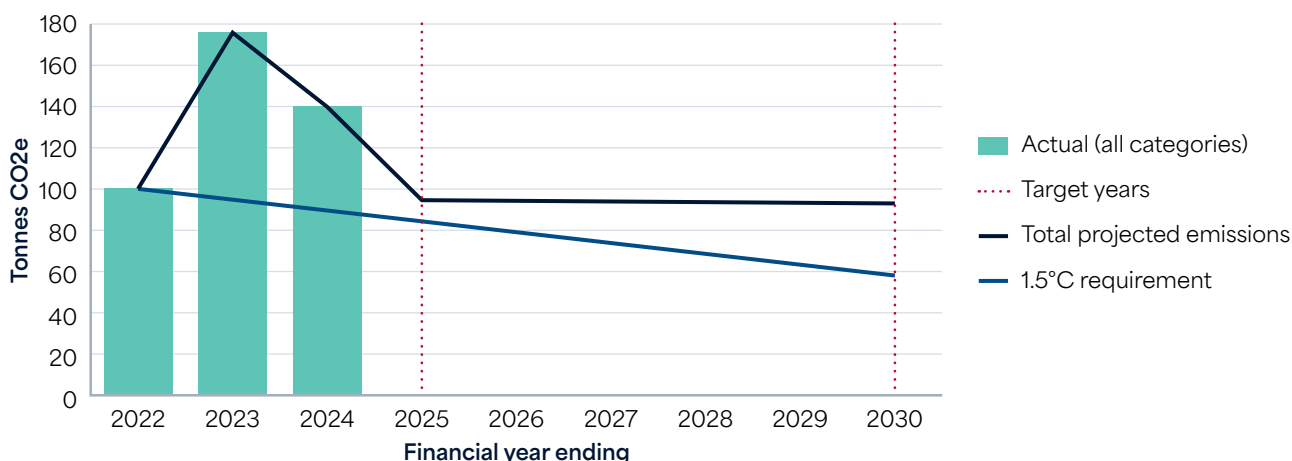
Category 3 - Indirect emissions from transportation is by far the SFO's greatest area with associated carbon emissions. The SFO has two offices based in Auckland and Wellington and as a government agency with a nationwide remit, some degree of domestic travel is unavoidable. The amount of out-of-town travel year-on-year is variable depending on the location of case investigations, interviews, search warrants and court appearances. Overseas travel is undertaken from time to time to ensure New Zealand meets international engagement obligations. Managing travel emissions is our biggest challenge and we are looking at ways to reduce our impact in this area.

We have improved our carbon awareness office wide and are implementing sustainable operating practices. Our top sources of emissions include air travel, electricity usage, natural gas usage and working from home.

The graph below shows the reduction required to meet the 2025 and 2030 targets. As part of our road map to reduce our emissions we are putting in place initiatives to reduce our emissions further, including:

- Air travel: continually reviewing air travel necessity and exploring video conference alternatives where possible.
- Electricity: reduction of electricity use through energy saving awareness programmes and procurement of energy efficient electrical goods and lighting.
- Working from home / remotely: flexible working arrangements resulting in less travel to and from the office each day.

Projections and targets for the Serious Fraud Office



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 2024 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 2025 and its operations for the year ending on that date.



Karen Chang

Chief Executive and Director
27 September 2024

Financial and capital performance

Financial performance

	Actual 2023 \$000	Main estimates 2024 \$000	Supp estimates 2024 \$000	Actual 2024 \$000	Main estimates 2025 \$000
REVENUE					
Crown	16,450	16,879	16,879	16,879	16,868
Other	341	85	528	491	85
TOTAL REVENUE	16,791	16,964	17,407	17,370	16,953
Expenditure	16,589	16,964	17,407	15,969	16,953
Net surplus/ (deficit)	202	0	0	1,401	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 2023	Budget standard 2024	Actual 2024
PERFORMANCE MEASURE			
The capital plan is developed and managed throughout the year	Completed 1 July 2022	Capital plan for implementation by 1 July 2023	Completed 1 July 2023

Financial statements





Statement of comprehensive revenue and expense for the year ended 30 June 2024

	Notes	Actual 2023 \$000	Actual 2024 \$000	Unaudited budget 2024 \$000	Unaudited forecast 2025 \$000
REVENUE					
Revenue Crown		16,450	16,879	16,879	16,868
Other revenue	2	341	491	85	85
TOTAL REVENUE		16,791	17,370	16,964	16,953
EXPENSES					
Personnel costs	3	11,086	11,026	11,113	11,593
Other expenses	5	5,096	4,496	5,548	5,071
Depreciation and amortisation expense	7, 8	361	361	232	218
Capital charge	4	46	86	71	71
TOTAL EXPENSES		16,589	15,969	16,964	16,953
SURPLUS/(DEFICIT)		202	1,401	-	-
Other comprehensive revenue and expenses		-	-	-	-
TOTAL COMPREHENSIVE REVENUE AND EXPENSES		202	1,401	-	-

Explanations of major variances against the original 2023/24 budget are provided in note 16. The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2024

	Notes	Actual 2023 \$000	Actual 2024 \$000	Unaudited budget 2024 \$000	Unaudited forecast 2025 \$000
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents		1,959	2,983	1,831	1,882
Receivables	6	17	-	58	58
Prepayments		192	384	400	400
TOTAL CURRENT ASSETS		2,168	3,367	2,289	2,340
NON-CURRENT ASSETS					
Property and equipment	7	888	786	901	857
Intangible assets	8	28	18	25	18
TOTAL NON-CURRENT ASSETS		916	804	926	875
TOTAL ASSETS		3,084	4,171	3,215	3,215
LIABILITIES					
CURRENT LIABILITIES					
Payables and deferred revenue	9	847	671	1,205	1,205
Return of operating surplus	10	202	1,401	-	-
Employee entitlements	11	930	909	900	900
TOTAL CURRENT LIABILITIES		1,979	2,981	2,105	2,105
NON-CURRENT LIABILITIES					
Employee entitlements	11	65	150	70	70
TOTAL NON-CURRENT LIABILITIES		65	150	70	70
TOTAL LIABILITIES		2,044	3,131	2,175	2,175
NET ASSETS		1,040	1,040	1,040	1,040
EQUITY					
Taxpayers' funds	12	1,040	1,040	1,040	1,040
TOTAL EQUITY		1,040	1,040	1,040	1,040

Explanations of major variances against the original 2023/24 budget are provided in note 16. The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2024

	Notes	Actual 2023 \$000	Actual 2024 \$000	Unaudited budget 2024 \$000	Unaudited forecast 2025 \$000
BALANCE AT 1 JULY		890	1,040	1,040	1,040
Total comprehensive revenue and expense		202	1,401	-	-
OWNER TRANSACTIONS					
Capital injection		150	-	-	-
Return of operating surplus to the Crown	10	(202)	(1,401)	-	-
BALANCE AT 30 JULY	13	1,040	1,040	1,040	1,040

Explanations of major variances against the original 2023/24 budget are provided in note 16. The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2024

	Actual 2023 \$000	Actual 2024 \$000	Unaudited budget 2024 \$000	Unaudited forecast 2025 \$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Revenue Crown	16,450	16,879	16,879	16,868
Receipts from other revenue	301	482	85	85
Payments to suppliers	(5,658)	(5,318)	(5,698)	(5,331)
Payments to employees	(10,646)	(10,496)	(10,963)	(11,443)
Payments for capital charge	(46)	(86)	(71)	(71)
Goods and services tax (net)	20	11	-	-
NET CASH FLOW FROM OPERATING ACTIVITIES	421	1,472	232	108
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts from sale of property and equipment	1	2	-	-
Purchase of property and equipment	(240)	(248)	(140)	(140)
Purchase of intangible assets	-	-	-	-
NET CASH FLOW FROM INVESTING ACTIVITIES	(239)	(246)	(140)	(140)
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital Injection	150	-	-	-
Return of operating surplus	(880)	(202)	-	(500)
NET CASH FLOW FROM FINANCING ACTIVITIES	(730)		-	
NET (DECREASE)/INCREASE IN CASH	(547)	1,024	92	(532)
CASH AT THE BEGINNING OF THE YEAR	2,506	1,959	1,739	2,414
CASH AT THE END OF THE YEAR	1,959	2,983	1,831	1,882

Explanations of major variances against the original 2023/24 budget are provided in note 16. The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2024 (continued)

	Notes	Actual 2023 \$000	Actual 2024 \$000
RECONCILIATION OF NET SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES			
NET SURPLUS/(DEFICIT)		202	1,401
ADD/(LESS) NON-CASH ITEMS			
Depreciation and amortisation expense	7, 8	333	361
TOTAL NON-CASH ITEMS		333	361
ADD/(LESS) ITEMS CLASSIFIED AS INVESTING OR FINANCING ACTIVITIES			
(Gains)/losses on disposal of property and equipment	2	(1)	(2)
TOTAL ITEMS CLASSIFIED AS INVESTING OR FINANCING ACTIVITIES		(1)	(2)
ADD/(LESS) MOVEMENTS IN STATEMENT OF FINANCIAL POSITION ITEMS			
(Inc)/dec in receivables	6	41	17
(Inc)/dec in prepayments		287	(193)
Inc/(dec) in payables and deferred revenue	9	(543)	(176)
Inc/(dec) in employee entitlements	11	102	64
NET MOVEMENT IN WORKING CAPITAL ITEMS		219	71
NET CASH FLOW FROM OPERATING ACTIVITIES		421	1,472

The accompanying notes form part of these financial statements.

Statement of commitments as at 30 June 2024

Capital commitments

The SFO has no capital commitments as of 30 June 2024 (2023: \$nil).

Non-cancellable operating lease commitments

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

In Auckland, the 188 Quay Street lease commenced on 24 February 2023. This is a non-cancellable 11-year operating lease, expiring 24 February 2033. It may be cancelled only with 12 months' notice from the Government Property Group (GPG) within the Ministry of Business, Innovation and Employment between 1 July 2025 to 31 December 2025, at a cost of \$250,000 plus the depreciated value of the hard-fitout paid by the landlord.

In Wellington, the 45 Johnston Street lease commenced on 1 November 2020. This is a non-cancellable operating lease that expired on 31 October 2023, with no restrictions. This was replaced with a new nine-year non-cancellable lease agreement at 22 The Terrace, effective from 16 September 2023.

Effective 24 February 2023, the SFO entered into a 11-year co-location agreement, whereby space in the SFO's Quay Street office was allocated to Crown Law Office for their sole use, the terms and conditions of which are recorded in a Memorandum of Understanding (MOU). The MOU is deemed to contain a lease expiring on 23 February 2033 but can be terminated in advance of this date with a notice period of one year required.

The SFO does not hold any current finance leases (2023: \$nil).

	Actual 2023 \$000	Actual 2024 \$000
OPERATING LEASE AS A LESSEE		
The future aggregate minimum lease payments to be paid under this non-cancellable operating lease are as follows:		
Not later than one year	826	1,160
Later than one year and not later than five years	3,270	4,755
Later than five years	4,145	3,308
TOTAL NON-CANCELLABLE OPERATING LEASE COMMITMENTS	8,241	9,223

Sublease arrangement

OPERATING SUBLEASE AS A LESSOR		
The future aggregate forecasted lease payments to be received under this cancellable operating sub-lease are as follows:		
Not later than one year	163	169
Later than one year and not later than five years	689	715
Later than five years	882	710
TOTAL NON-CANCELLABLE OPERATING SUB-LEASE COMMITMENTS	1,734	1,594

Statement of contingent liabilities and contingent assets as at 30 June 2024

Contingent liabilities

The SFO has no quantifiable or unquantifiable contingent liabilities as at 30 June 2024 (2023: \$nil).

Contingent assets

The SFO has no contingent assets as at 30 June 2024 (2023: \$nil).

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

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

The accompanying notes form part of these financial statements.

Notes to financial statements

1. Statement of accounting policies

Reporting entity

The SFO is a government department as defined by section 5 of the Public Service Act 2020 and is domiciled and operates in New Zealand. The relevant legislation governing the SFO's operations includes the Serious Fraud Office Act 1990, the Public Finance Act 1989 (PFA) and the Public Service Act 2020. The SFO's ultimate parent is the New Zealand Crown.

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

The SFO is a Public Benefit Entity (PBE) for financial reporting purposes.

The financial statements of the SFO are for the year ended 30 June 2024 and were approved for issue by the Chief Executive and Director of the SFO on 27 September 2024.

Basis of preparation

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

Statement of compliance

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

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

Presentation currency and rounding

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

Changes in accounting policies

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

Summary of significant accounting policies

Significant accounting policies are included in the notes to which they relate.

Significant accounting policies that do not relate to a specific note are outlined below.

Foreign currency transactions

Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into New Zealand Dollars (the functional currency) using the spot exchange rate at the date of the transaction.

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

Cash and cash equivalents

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

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

Provisions

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

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

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

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate based on market yields on government bonds at balance date with terms of maturity that match, as closely as possible, the estimated timing of the future cash outflows. The increase in the provision due to the passage of time is recognised as an interest expense and is included in a separate finance cost note when applicable. The SFO has not incurred any finance costs in 2024 (2023: \$nil).

There are no provisions in 2024 (2023: \$nil).

Goods and services tax

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

Income tax

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

Statement of cost accounting policies

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

Critical accounting estimates and assumptions

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

- Assessing the useful lives of Plant and Equipment - refer to Note 7
- Assessing the useful lives of software - refer to Note 8
- Measuring long service leave - refer to Note 11.

Critical judgements in applying accounting policies

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

Budget and forecast figures

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

The 2024 budget figures are for the year ended 30 June 2024 and were published in the Annual Report 2023. They are consistent with the SFO's best estimate financial forecast information submitted to the Treasury for the Budget Economic and Fiscal Update (BEFU) for the year ending 2022/23.

The 2025 forecast figures are for the year ending 30 June 2025 and are consistent with the best estimate financial forecast information submitted to the Treasury for the BEFU for the year ending 2024/25.

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 2025 forecast figures have been prepared in accordance with and comply with PBE FRS 42 Prospective Financial Statements.

The forecast financial statements were approved for issue by the Chief Executive on 8 April 2024.

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 2025 will not be published.

Significant assumptions used in preparing the forecast financial information

The forecast figures contained in these financial statements reflect the SFO's purpose and activities and are based on several assumptions on what may occur during the 2024/25 year.

The forecast figures have been compiled based on existing government policies and ministerial expectations at the time the Main Estimates were finalised. The main assumptions, adopted as at 8 April 2024, were as follows:

- The SFO's core activities and output expectations will remain substantially the same as the previous year focusing on the government's priorities.
- The 2024/25 appropriation does not include any new policy initiatives.
- Personnel costs are based on a monthly average 78.9 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 2023/24 was used as the opening position for the 2024/25 forecasts.

The actual financial results achieved for 30 June 2025 are likely to vary from the forecast information presented, and the variations may be material.

2. Revenue

Accounting policy

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

Revenue Crown

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

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

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

Recovery for employees shared with other agencies

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

Rental revenue

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

Recovery of international meeting costs

Contribution from other government agencies toward SFO attendance at international meetings.

Recovery for overseas assistance on fraud issues

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

Breakdown of other revenue and further information

	Actual 2023 \$000	Actual 2024 \$000
Recovery for employees shared with other Agencies	152	253
Recovery for overseas assistance on fraud issues	161	166
Rental revenue from subleases	-	46
Gain on disposal of furniture and equipment	21	24
Payment from supplier for damaged floor	1	2
Recovery of jury duty reimbursement	6	-
TOTAL OTHER REVENUE	341	491

Asset disposals

During the year, the SFO sold surplus office equipment and furniture following a move to new premises. The net gain on disposals was \$2,297 (2023: \$1,474).

3. Personnel costs

Accounting policy

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

Salaries and wages

From time to time, the SFO seconded employees out to other government agencies, or has employees seconded in from other government agencies. Where the other government agency takes responsibility for the seconded employees, receives the benefits of their outputs, and carries the risk associated with their work, the SFO does not reflect the expenditure in the financial statements. In 2023/24 there were no such secondees (2023: nil).

Where the SFO takes responsibility for the seconded employees, receives the benefits of their outputs, and carries the risk associated with their work, the SFO reflects the expenditure in the financial statements. In 2023/24 there was one such staff member (2023: three).

Superannuation schemes

Defined contribution schemes

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

Defined benefit schemes

The SFO does not contribute to any defined benefit schemes.

Breakdown of personnel costs

	Actual 2023 \$000	Actual 2024 \$000
Salaries and wages	10,603	10,394
Defined contribution plan employer contributions	233	289
Increase/(decrease) in employee entitlements	20	77
Employee training and development	91	143
Other	139	123
TOTAL PERSONNEL COSTS	11,086	11,026

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 2024 was 5% (2023: 5%).

5. Other expenses

Accounting policy

Operating leases

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

Other expenses

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

Breakdown of other expenses and further information

	Actual 2023 \$000	Actual 2024 \$000	Unaudited budget 2024 \$000	Unaudited forecast 2025 \$000
Fees for audit of financial statements	78	84	82	85
Fees for additional prior year audit services	29	-	-	-
Operating lease expenses	914	1,117	1,123	1,175
Other occupancy expenses	75	142	121	140
Legal fees on panel prosecutions	177	97	185	130
Consultancy	463	175	135	174
Travel	466	339	482	469
Information technology and telecommunications	2,257	2,079	2,620	2,461
Specialist advice - case related	293	108	434	120
Other expenses	343	355	366	317
TOTAL OTHER EXPENSES	5,096	4,496	5,548	5,071

6. Receivables

Accounting policy

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

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

on the days past due.

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

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

Breakdown of receivables and further information

	Actual 2023 \$000	Actual 2024 \$000
Gross receivables	17	-
Less: allowance for credit losses	-	-
NET RECEIVABLES	17	-
TOTAL RECEIVABLES CONSIST OF:		
Receivables from supplier refunds (exchange transactions)	-	-
Receivables for SFO employee secondment (non-exchange transactions)	17	-

7. Property and equipment

Accounting policy

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

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

Additions

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

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

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

Disposals

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

Subsequent costs

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

	Useful life	Depreciation rate
Office furniture and fittings	5 years	20%
Office plant and equipment - leasehold improvement fixtures	11 years	9%
Office plant and equipment - Other	5 years	20%
Computer equipment	3-5 years	20%-33%
Motor vehicle	5 years	20%

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.

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 SFO useful lives and associated depreciation rates of major classes of property and equipment have been estimated as follows:

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

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

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

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

Breakdown of property and equipment and further information

	Office furniture and fittings \$000	Office plant and equipment \$000	Computer equipment \$000	Motor vehicles \$000	Work-in- progress \$000	Total \$000
COST						
BALANCE AT 1 JULY 2022	419	99	957	48	-	1,523
Additions	49	60	66	-	63	238
Reclassification	-	250	(250)	-	-	-
BALANCE AT 30 JUNE 2023	468	409	773	48	63	1,761
Balance at 1 July 2023	468	409	773	48	63	1,761
Prior year assigned	11	36	16	0	(63)	0
Additions	146	2	99	0	0	247
Reclassification	0	0	(5)	0	0	(5)
BALANCE AT 30 JUNE 2024	625	448	882	48	0	2,003
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES						
BALANCE AT 1 JULY 2022	48	69	400	30	-	547
Depreciation expense	91	94	137	4	-	326
Eliminate on disposal	-	-	-	-	-	-
BALANCE AT 30 JUNE 2023	139	163	537	34	-	873
Balance at 1 July 2023	139	163	537	34	-	873
Depreciation expense	113	74	160	3	-	351
Eliminate on disposal	-	-	(5)	0	-	(5)
BALANCE AT 30 JUNE 2024	252	237	692	37	-	1,218
CARRYING AMOUNTS						
At 1 July 2022	371	28	559	17	-	975
At 30 June and 1 July 2023	328	247	237	13	63	888
AT 30 JUNE 2024	373	212	191	10	0	786

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 (2023: \$nil).

8. Intangible assets

Accounting policy

Software acquisition and development

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

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

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

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

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

Amortisation

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

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

	Useful life	Depreciation rate
Acquired computer software	5 years	20%

Critical accounting estimates and assumptions

Useful life of software

The useful life of software is determined at the time the software is acquired and brought into use and is reviewed at each reporting date for appropriateness. For computer software licenses, the useful life represents management's view of the expected period over which the SFO will receive benefits from the software. For *off-the-shelf* software that is purchased and then modified by the SFO, this is considered to be acquired computer software and the useful life is based on historical experience with similar systems as well as anticipation of future events that may impact the useful life, such as changes in technology.

Breakdown of intangible assets and further information

Acquired software
\$000

COST	
BALANCE AT 1 JULY 2022	138
Additions	-
Disposals	-
BALANCE AS AT 30 JUNE 2023	138
Balance at 1 July 2023	138
Additions	-
Disposals	-
BALANCE AS AT 30 JUNE 2024	138
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES	
Balance at 1 July 2022	100
Amortisation expense	10
Eliminate on disposal	-
BALANCE AS AT 30 JUNE 2023	110
Balance at 1 July 2023	110
Amortisation expense	10
Eliminate on disposal	-
BALANCE AT 30 JUNE 2024	120
CARRYING AMOUNTS	
At 1 July 2022	38
At 30 June and 1 July 2023	28
AT 30 JUNE 2024	18

Restrictions: There are no restrictions over the title of the SFO's intangible assets, nor are any intangible assets pledged as securities for liabilities (2023: \$nil).

9. Payables and deferred revenue

Accounting policy

Short-term payables are recorded at the amount payable.

Breakdown of payables and deferred revenue and further information

	Actual 2023 \$000	Actual 2024 \$000
PAYABLE AND DEFERRED REVENUE UNDER EXCHANGE TRANSACTIONS		
Creditors	115	37
Income in advance for cost recovered services	72	50
Accrued expenses	486	257
Accrued rent payable	3	-
TOTAL PAYABLES AND DEFERRED REVENUE UNDER EXCHANGE TRANSACTIONS	676	344
PAYABLES AND DEFERRED REVENUE UNDER NON-EXCHANGE TRANSACTIONS		
Taxes payable (for example, GST and PAYE)	171	327
TOTAL PAYABLES AND DEFERRED REVENUE	847	671

10. Return of operating surplus

	Actual 2023 \$000	Actual 2024 \$000
Net surplus	202	1,401
TOTAL RETURN OF OPERATING SURPLUS	202	1,401

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

11. Employee entitlements

Accounting policy

Short-term employee entitlements

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

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

Long-term employee entitlements

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

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

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

Presentation of employee entitlements

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

Critical accounting estimates and assumptions

Long service leave

The measurement of long service leave depends 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 75 employees as at 30 June 2024 (2023: 76).

The SFO has no retirement gratuities obligations (2024: \$nil) and no sick leave liability (2023: \$nil).

Critical accounting estimates and assumptions

	Actual 2023 \$000	Actual 2024 \$000
CURRENT PORTION		
Accrued salaries and wages	296	283
Annual leave	601	600
Long service leave	33	26
TOTAL CURRENT PORTION	930	909
NON-CURRENT PORTION		
Long service leave and retirement gratuities	65	150
TOTAL EMPLOYEE ENTITLEMENTS	995	1,059

12. 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 2023 \$000	Actual 2024 \$000
TAXPAYERS' FUNDS		
Balance at 1 July	890	1,040
Surplus/(deficit)	202	1,401
Capital Injections	150	-
Return of operating surplus to the Crown	(202)	(1,401)
BALANCE AT 30 JUNE	1,040	1,040
TOTAL EQUITY	1,040	1,040

Capital management

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

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

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

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

13. 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 2024 (2023: \$nil).

Key management personnel compensation

	Actual 2023 \$000	Actual 2024 \$000
SENIOR LEADERSHIP TEAM, INCLUDING THE CHIEF EXECUTIVE		
Remuneration	2,067	1,695
Full time equivalent members	8.7 FTEs	8.8 FTEs

Key management personnel of the SFO comprised nine positions in 2023/24: the Director/Chief Executive, Deputy Chief Executive (3), Manager Investigations and Prosecutions (2), Forensic Services Manager, Corporate Services Manager and the Manager Counter Fraud. A secondee from the Ministry of Justice covered the vacant Deputy Chief Executive Strategy and Engagement position until November, when the role was permanently filled. Also, there were short-term Acting roles within this group covering exits during the year and one person from outside of this group covered annual leave.

There were no senior managers seconded to another government department in 2024 (2023: nil).

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

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

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

- There were no close family members of key management personnel who were employed in 2024 by the SFO (2023: \$nil).
- There were no related party transactions involving key management personnel or their close family members in 2024 (2023: \$nil).

14. Events after the balance date

There have been no significant events after balance date.

15. Financial instruments

15A. 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 2023 \$000	Actual 2024 \$000
FINANCIAL ASSETS MEASURED AT AMORTISED COST		
Cash and cash equivalents	1,959	2,983
Receivables (excluding taxes receivable)	17	-
TOTAL FINANCIAL ASSETS MEASURED AT AMORTISED COST	1,976	2,983
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST		
Payables (excluding income in advance and taxes payable)	604	294

15B Fair value hierarchy

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

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

The SFO had no foreign exchange derivatives as at 30 June 2024 (2023: \$nil).

15C. Financial instrument risks

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

Market risk

Currency risk

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

States and Australian dollars and the UK pound sterling. As of 30 June 2024, there was \$nil receivables and the following payable: GBP \$5,173 (about \$10,967 NZD).

Fair value interest rate risk

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

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

Credit risk

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

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

The SFO's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents, receivables, and derivative financial instrument assets. There is no collateral held as security against these financial instruments.

Although cash and cash equivalents as at 30 June 2024 are subject to the expected credit loss requirements of PBE IFRS 9, no loss allowance has been recognised because the estimated loss allowance for credit losses is trivial.

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

Liquidity risk

Management of liquidity risk

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

Contractual maturity analysis of financial liabilities

The table below analyses the SFO's financial liabilities (excluding derivatives) into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows. The SFO has no committed finance leases (2023: \$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
Payables 2024	37	37	37	-	-	-
Payables 2023	115	115	115	-	-	-

16. Explanation of major variances against budget

Explanations for major variances from the SFO's original 2023/24 budget figures are as follows:

Statement of comprehensive revenue and expense

Revenue other

Revenue Other is \$406,000 greater than budget due to:

- + \$253,000 income received for the provision of electronic forensic services by the SFO to Immigration New Zealand, Financial Markets Authority, and Commerce Commission.
- + \$81,000 additional sublease income from the Crown Law Office for their shared utilisation of the SFO Auckland office.
- + \$46,000 contribution from New Zealand Police and the Ministry of Justice toward SFO attendance at international meetings.
- + \$24,000 recognising income received prior year from the Ministry of Foreign Affairs and Trade for SFO assistance this year to the Vanuatu Office of Public Prosecutors.
- + \$2,000 proceeds from the sale of surplus office assets.

Expenses

Expenses are \$995,000 less than budget mostly due to less direct case related expenses as follows:

- \$414,000 less outsourced service costs including contractors, translation, transcription, prosecution panel and document management.
- \$319,000 less evidence data storage and use costs.
- \$143,000 less travel.
- \$89,000 less personnel costs.

Overall, the SFO spent less than estimated because of fiscal sustainability measures, preparation for a baseline reduction, and an uneven year-on-year spend profile due to the nature of casework.

Statement of financial position

Assets

The value of assets is \$956,000 more than budget due to:

- + \$1.152 million more cash in the bank pending payment of the surplus. This is reduced by additional expenditure on new office assets for the new SFO Wellington office.
- \$115,000 less property, plant and equipment asset purchases as the landlord had provided these for a rental fee.
- \$58,000 receivables budgeted, but there were no material receivables as at 30 June 2024.
- \$16,000 less prepayments.

Liabilities

The value of liabilities is \$956,000 greater than budget due to:

- + \$1.401 million for the 2023/24 operating surplus payable to the Crown.
- \$534,000 less payables as at 30 June 2024.
- + \$80,000 additional non-current long service leave entitlements are recognised.

Statement of cash flows

The cash balance as at 30 June was \$1.152 million greater than budget which is primarily due to a combination of greater other revenue received and less expenditure as noted above, resulting in a surplus of \$1.401 million.

The net increase in cash during the year was \$932,000 more than budgeted due to:

Cash flows from operating activities

- + \$397,000 increased revenue from other departments most notably the recovery of costs for employees shared with other agencies.
- + \$380,000 less payments to suppliers for outsourced direct case support and less data storage and utilisation costs.
- + \$467,000 less payments to employees than initially forecasted.

Cash flows from investing activities

- \$108,000 additional expenditure on fixtures and fittings for the refresh of the Wellington office in 2024 and completion of the Auckland office refresh that began in 2023.

Cash flows from financing activities

- \$202,000 million return of 2022/23 operating surplus to the Crown.

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 2024. 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 2024

Annual and permanent appropriations for Vote Serious Fraud

Appropriation title	Expenditure after remeasurements 2023 \$000	Expenditure after remeasurements 2024 \$000	Approved appropriation 2024 ^[1] \$000	Location of end-of- year performance information ^[2]
DEPARTMENTAL OUTPUT EXPENSES				
Prevention, Investigation and Prosecution of Serious Financial Crime	16,589	15,969	17,407	Pages 21-23, 29, 41, 46
TOTAL DEPARTMENTAL OUTPUT EXPENSE	16,589	15,969	17,407	
DEPARTMENTAL CAPITAL EXPENDITURE				
Serious Fraud Office - Permanent Legislative Authority under section 24(1) of the PFA	240	248	250	Page 55

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

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

There were no remeasurements of expenditure during the year (2023: \$nil).

Statement of expenses and capital expenditure incurred without, or in excess of, appropriation or other authority for the year ended 30 June 2024

Expenses and capital expenditure approved under section 26B of the Public Finance Act 1989 in 2024: \$nil (2023: \$nil).

Expenses and capital expenditure incurred in excess of appropriation in 2024: \$nil (2023: \$nil).

Expenses and capital expenditure incurred without appropriation outside the scope or period of appropriation in 2024: \$nil (2023: \$nil).

Statement of departmental capital injections for the year ended 30 June 2024

	Actual capital injections 2023 \$000	Actual capital injections 2024 \$000	Approved appropriation 2024 \$000
VOTE SERIOUS FRAUD			
Serious Fraud Office - Capital Injection	150	-	250

Statement of departmental capital injections without, or in excess of, authority for the year ended 30 June 2024

Capital injections during the year without, or in excess of, authority in 2024: \$nil (2023: \$nil).

Independent Auditor's report



Independent Auditor's report

To the readers of Te Tari Hara Tāware – The Serious Fraud Office's Annual Report for the year ended 30 June 2024

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

- the financial statements of the Department on pages 58 to 83, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2024, 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 for the appropriations administered by the Department for the year ended 30 June 2024 on pages 21 to 23, 29, 41 and 46; and
- the statements of expenses and capital expenditure of the Department for the year ended 30 June 2024 on pages 84 to 85.

Opinion

In our opinion:

- the financial statements of the Department:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2024; and
 - its financial performance and cash flows for the year ended on that date; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards Reduced Disclosure Regime.
- the performance information for the appropriations administered by the Department for the year ended 30 June 2024:
 - presents fairly, in all material respects:
 - what has been achieved with the appropriation; and
 - the actual expenses or capital expenditure incurred as compared with the expenses or capital expenditure that were appropriated or forecast to be incurred; and
 - complies with generally accepted accounting practice in New Zealand.

- the statements of expenses and capital expenditure of the Department are presented, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.

Our audit was completed on 27 September 2024. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Chief Executive of Te Tari Hara Tāware – The Serious Fraud Office and our responsibilities relating to the information to be audited, we comment on other information, and we explain our independence.

Basis for our opinion

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

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

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

Responsibilities of the Chief Executive of Te Tari Hara Tāware – The Serious Fraud Office for the information to be audited

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

- financial statements that present fairly the Department’s financial position, financial performance, and its cash flows, and that comply with generally accepted accounting practice in New Zealand.
- performance information that presents fairly what has been achieved with each appropriation, the expenditure incurred as compared with expenditure expected to be incurred, and that complies with generally accepted accounting practice in New Zealand.
- statements of expenses and capital expenditure of the Department, that are presented fairly, in accordance with the requirements of the Public Finance Act 1989.

The Chief Executive of Te Tari Hara Tāware – The Serious Fraud Office is responsible for such internal control as is determined is necessary to enable the preparation of the information to be audited that is free from material misstatement, whether due to fraud or error.

In preparing the information to be audited, the Chief Executive of Te Tari Hara Tāware – The Serious Fraud Office is responsible on behalf of the Department for assessing the Department’s ability to continue as a going concern. The Chief Executive of Te Tari Hara Tāware – The Serious Fraud Office is also responsible for disclosing, as applicable, matters

related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Department, or there is no realistic alternative but to do so.

The Chief Executive of Te Tari Hara Tāware - The Serious Fraud Office's responsibilities arise from the Public Finance Act 1989.

Responsibilities of the auditor for the information to be audited

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

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

For the budget information reported in the information we audited, our procedures were limited to checking that the information agreed to the Department's information on strategic intentions.

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

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

Also:

- We identify and assess the risks of material misstatement of the information we audited, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive of Te Tari Hara Tāware - The Serious Fraud Office.
- We evaluate the appropriateness of the reported performance information for the appropriations administered by the Department.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Chief Executive of Te Tari Hara Tāware - The Serious Fraud Office and, based on the audit evidence obtained, whether a material uncertainty exists related to events

or conditions that may cast significant doubt on the Department's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the information we audited or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Department to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the information we audited, including the disclosures, and whether the information we audited represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Chief Executive of Te Tari Hara Tāware - The Serious Fraud Office regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Chief Executive of Te Tari Hara Tāware - The Serious Fraud Office is responsible for the other information. The other information comprises the information included on pages 1 to 20, 24 to 28, 30 to 40, 42 to 45 and 47 to 57, but does not include the information we audited, and our auditor's report thereon.

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

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

Independence

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

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



Ian Proudfoot

KPMG

On behalf of the Auditor-General
Auckland, New Zealand

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SERIOUS FRAUD OFFICE
TE TARI HARA TĀWARE

Te Kāwanatanga o Aotearoa
New Zealand Government