

VOTE Serious Fraud

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OVERVIEW

The Appropriation sought for Vote Serious Fraud in 1999/2000 totals \$5.031 million. This is intended to be spent on the investigation of cases of suspected serious or complex fraud offending brought to the attention of, or detected by, the Serious Fraud Office.

It includes the preparation of well-researched and documented prosecution cases following the completion of sufficient investigative work to have enabled the Director to decide to prosecute the alleged offender(s).

Details of how the appropriations are to be applied appear in Parts B1, C, D, and E of this Vote.

Footnotes

Note 1	<i>Not applicable as Crown revenue is not appropriated.</i>
Note 2	<i>Appropriations are stated GST inclusive (where applicable).</i>

VOTE Serious Fraud

VOTE MINISTER: ATTORNEY-GENERAL

ADMINISTERING DEPARTMENT: SERIOUS FRAUD OFFICE

The Attorney-General is the Responsible Minister for the Serious Fraud Office

Part A - Statement of Objectives and Trends

Part A1 - Objectives for Vote Serious Fraud

The appropriation in Vote Serious Fraud will make an important contribution to the broad spectrum of the Government's economic growth and community security objectives. It will resource effective enforcement measures in the area of serious or complex fraud offending aimed at:

- reducing and deterring the incidence of “white collar” fraud offending
- improving the quality of the regulatory environment
- encouraging economic growth and development with an honest capital market conducive to the fair and efficient conduct of business
- encouraging savings and investment within a stable and neutral investment environment.

Output Class

To achieve these objectives, the appropriation will fund:

- the investigation and prosecution of serious or complex fraud.

Links Between the Output Class and the Government's Outcomes

The services to be purchased under Vote Serious Fraud will contribute to the Government's strategic objectives principally in the areas of encouraging a strongly growing, internationally competitive enterprise economy and building an economically strong and socially cohesive New Zealand.

The output for the Serious Fraud Office is the efficient and expeditious investigation and prosecution of serious fraud offending. This output not only tackles the offenders of white collar crime but by such enforcement action deters other offenders. The ramifications of serious fraud offending undoubtedly shatter social cohesion, affecting, as they do, entire social networks, individual relationships and the performance of public, private and social institutions. An effective investigatory and prosecutory department is an essential component of white collar crime prevention.

In terms of the objective to “achieve a strongly growing, internationally competitive enterprise economy”, honest capital markets are crucial to achieving the objective of maintaining a strong and internationally competitive economy. As fraud undermines investor confidence in the commercial marketplace, an effective investigatory and prosecutory department is a key factor in encouraging investment.

Output Class	Related Outcomes
Investigation and Prosecution of Serious or Complex Fraud	<p>Contributes to the Government's outcomes and strategies by:</p> <ul style="list-style-type: none"> • enhancing community security and supporting a stronger approach to law enforcement • ensuring there is an economic climate that is conducive to sustainable development and growth • encouraging the maintenance of social values and enhancing community security <p>by ensuring that cases of alleged fraud offending are investigated efficiently and expeditiously and successfully prosecuted. This both deals with the offenders and deters potential offenders with the real threat of "being caught".</p>

Part A2 - Trends in Vote Serious Fraud

The structure of the Vote has been changed in this appropriation year with the merging of the two former output classes (refer Part B1) into the one output class – “the investigation and prosecution of serious or complex fraud”.

This does not represent a substantive change in the role of the Serious Fraud Office but simply eliminates the former arbitrary division of the work between “investigation” and “prosecution”. This separation served little management purpose as both outputs were intrinsically linked components (a prosecution could only ensue if the investigation proved sufficient grounds to proceed) and there was no clear demarcation point when expenditure was related to one aspect of the process, rather than the other.

The homogeneous output class will continue to have clear performance dimensions, which will demonstrate the performance of the Office both in investigations and prosecutions.

Apart from appropriation increases in 1995/96 and 1996/97 to meet the extraordinary costs associated with departmental representation at the *Commission of Inquiry into Certain Matters Relating to Taxation* (the Winebox Inquiry), the 1998/99 financial year was the first in which there was an increase in appropriations for the principal work of the Office.

This increase was to ensure that the Office remains effective and fully committed to investigating and, where appropriate, to prosecuting serious and/or complex fraud by:

- ensuring that staff keep up to date with the growing complexity of fraud offending and the ever-increasing international component of such offending, thus maintaining an edge in dealing with serious or complex fraud offending

- retaining key staff and building on the investment that has already been made in them.

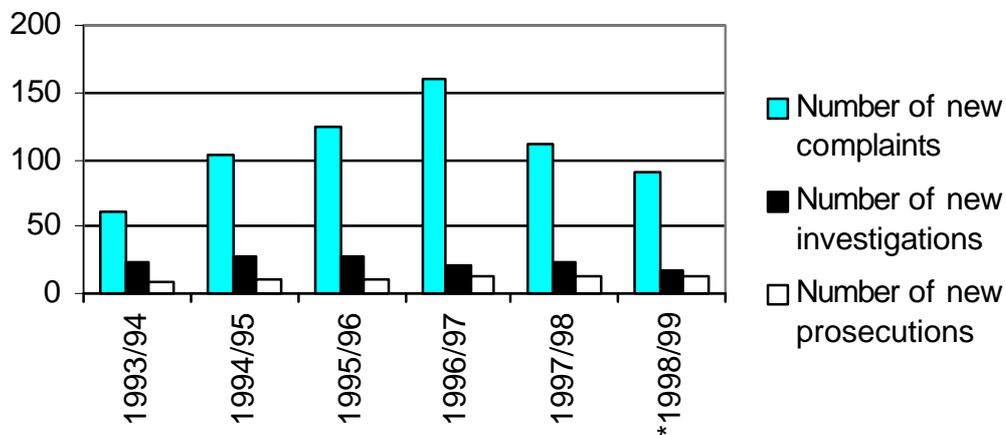
These continue to be high priorities for the Office.

To monitor output performance, target completion timelines are set against which performance is measured and the use of time and resources assessed. These measures have assisted in the management of cases and in ensuring that the desired level of expedition is achieved.

As the trends in Figure 1 below indicate, there has been some fluctuation in the number of new complaints received but this statistic alone is not a sound measure of workload as the nature of the complaints can vary significantly. Moreover, some complaints fall outside the “serious or complex” category and are more properly referred immediately to other agencies.

The more appropriate indication of the workload of the Office is the number of cases moving to a full investigation and then, ultimately, to a prosecution. This trend, which has been steadily maintained with around 25 new investigations being undertaken each year and at least 12 new prosecution cases (several with multiple offenders) being commenced, is expected to continue as the 1998/99 statistics confirm a similar level of new investigations and prosecutions.

Figure 1 - Trends in Workload



*Note: The 1998/99 figures are as at 1 April 1999 and indications are that the workload figures for the full year will approximate the preceding two years.

Trends in Vote Serious Fraud - Summary of Appropriations and Crown Revenue

Types of Appropriation	1994/95	1995/96	1996/97	1997/98	1998/99		1999/00 Appropriations to be Used				
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000	Estimated Actual \$000	By the Department Administering the Vote		For Non-Departmental Transactions		Total \$000
							Annual \$000	Other \$000	Annual \$000	Other \$000	
Operating Flows											
Classes of Outputs to be Supplied	4,694	5,495	5,332	4,653	5,035	5,035	5,031	-	-	-	5,031
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-
Other Expenses	-	-	-	-	-	-	-	-	-	-	-
Capital Flows											
Capital Contributions	-	-	-	-	-	-	-	-	-	-	-
Purchase or Development of Capital Assets	-	-	-	-	-	-	N/A	N/A	-	-	-
Repayment of Debt	-	-	-	-	-	-	N/A	N/A	-	-	-
Total Appropriations	4,694	5,495	5,332	4,653	5,035	5,035	5,031	-	-	-	5,031
Total Crown Revenue and Receipts (see note 1)	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-

Part B - Statement of Appropriations

Part B1 - Details of 1999/2000 Appropriations (see note 2)

Appropriations	1998/99				1999/00		Description of 1999/00 Appropriations
	Vote		Estimated Actual		Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Departmental Output Classes (Mode B Gross)							
D1 Investigation and Prosecution of Complex or Serious Fraud	3,007	-	3,007	-	5,031	-	The investigation of cases of suspected serious fraud offending brought to the attention of, or detected by, the Serious Fraud Office. Includes the preparation of well-researched and documented prosecution cases from 1999/00.
D2 Prosecution of Persons for Serious or Complex Fraud	2,028	-	2,028	-	-	-	Preparation of a well-researched and documented prosecution case, assisting as junior counsel at trials and giving evidence. Amalgamated into output class D1 from 1999/00.
Total Appropriations for Departmental Output Classes (Mode B Gross)	5,035	-	5,035	-	5,031	-	Refer to Part C1 for a full description.
Total Appropriations	5,035	-	5,035	-	5,031	-	

Part C - Explanation of Appropriations for Output Classes

Part C1 - Departmental Output Class

Output Class - Investigation and Prosecution of Complex or Serious Fraud

Description

The output class involves the investigation and prosecution of cases of serious or complex fraud brought to the attention of, or detected by, the Serious Fraud Office.

Following a complaint an investigation continues until the Director makes a decision on whether or not any criminal charges should be laid.

The prosecution of a case requires the preparation of a well-researched and documented prosecution case. This encompasses: the filing of all court documents; the preparation, researching and collating of all documentary and oral evidence; and appearing as Counsel at all preliminary court hearings and as Junior Counsel at trial.

This output class includes the briefing of the outside counsel engaged for trials, the giving of evidence at trials and the provision of expert advice throughout the course of trials.

The Attorney-General will expect services to be delivered according to the following specifications:

Quantity

- The Serious Fraud Office cannot control the number of investigations or prosecutions undertaken. This is affected by the number of complaints received, the magnitude and complexity of the cases, the number of prosecutions on hand, and the ability of the courts to allocate hearing dates.
- Based on previous performance, the Office expects to complete approximately 25 to 30 full investigations in the 1999/2000 year. Considering the number of cases on hand it is expected that around 15 prosecution cases will be concluded in the financial year.

Quality and timeliness

- The Serious Fraud Office will provide for expert and high-quality investigations meeting the resource allocations, and standards set by the Director, who has set a target that:
 - within 14 days of receipt, a preliminary assessment will be completed to determine whether the complaint meets the criteria of the Serious Fraud Office Act 1990

- within six months, sufficient assessment work will have been completed to enable the Director to proceed with a full investigation
- within 12 months, sufficient investigative work will have been completed in 80% of the cases to enable the Director to decide whether to prosecute the alleged offender(s).
- The progress of all cases will be reviewed at least monthly by the Director to ensure that the key issues have been identified, to measure the resources expended to date and to assess any particular needs and/or resources required.

While the result of any prosecution case does not necessarily reflect its quality, the Attorney-General will expect the Director to:

- provide timely advice and evidence of the highest quality, to meet the requirements of the counsel leading the prosecution
- ensure that court hearing dates are adhered to
- review the progress of each prosecution to ensure that these standards are met and to measure counsel satisfaction.

Cost

Outputs in this class will be provided within the appropriated sum of \$5.031 million (GST inclusive).

Year	Cost GST incl \$000	Cost GST excl \$000	Total Revenue GST excl \$000	Revenue Crown GST excl \$000	Revenue Other GST excl \$000
1999/00 Investigation and Prosecution	5,031	4,472	4,472	4,463	9
1998/99 Investigation Prosecution	3,007 2,028	2,673 1,802	2,674 1,802	2,669 1,798	5 4
Total	5,035	4,475	4,476	4,467	9

Part D - Explanation of Appropriations for Other Operating Flows

Part D1 - Benefits and Other Unrequited Expenses

There is no appropriation for Part D1.

Part D2 - Borrowing Expenses

There is no appropriation for Part D2.

Part D3 - Other Expenses

There is no appropriation for Part D3.

Part E - Explanation of Appropriations for Capital Flows

Part E1 - Capital Contributions

There is no appropriation for Part E1.

Net Worth of Entities Owned

Statement of Estimated and Forecast Net Worth

	Balance Date	Estimated Net Worth 1999 \$ million	Forecast Net Worth 2000 \$ million
Serious Fraud Office	30 June	0.410	0.410

Part E2 - Purchase or Development of Capital Assets by the Crown

There is no appropriation for Part E2.

Part E3 - Repayment of Debt

There is no appropriation for Part E3.