

# *Vote Serious Fraud*

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APPROPRIATION MINISTER(S): Minister of Police (M51)

APPROPRIATION ADMINISTRATOR: Serious Fraud Office

RESPONSIBLE MINISTER FOR SERIOUS FRAUD OFFICE: Minister of Police

## *Overview of the Vote*

The Minister of Police is responsible for appropriations in the Vote for the 2015/16 financial year covering the following:

- a total of just over \$9.500 million for detecting, investigating and prosecuting cases of serious financial crime by the Serious Fraud Office (SFO). This includes activities directed at making the commission of financial crimes more difficult, and its detection and prosecution more effective, and
- a total of \$100,000 for the purchase or development of assets and intangibles.

Details of these appropriations are set out in Parts 2-4.

## Details of Appropriations and Capital Injections

### Annual and Permanent Appropriations

Titles and Scopes of Appropriations by Appropriation Type	2014/15		2015/16
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
<b>Departmental Output Expenses</b>			
<b>Investigation and Prosecution of Serious Financial Crime (M51)</b> This appropriation is limited to detecting, investigating and prosecuting serious financial crimes by the Serious Fraud Office, and includes activities directed at making the commission of financial crimes more difficult, and detection and prosecution more effective.	9,105	9,105	9,507
<b>Total Departmental Output Expenses</b>	9,105	9,105	9,507
<b>Departmental Capital Expenditure</b>			
<b>Serious Fraud Office - Capital Expenditure PLA (M51)</b> This appropriation is limited to the purchase or development of assets by and for the use of the Serious Fraud Office, as authorised by section 24(1) of the Public Finance Act 1989.	337	337	100
<b>Total Departmental Capital Expenditure</b>	337	337	100
<b>Total Annual and Permanent Appropriations</b>	9,442	9,442	9,607

### Capital Injection Authorisations

	2014/15		2015/16
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Serious Fraud Office - Capital Injection (M51)	-	-	-

# Supporting Information

## Part 1 - Vote as a Whole

### 1.1 - New Policy Initiatives

Policy Initiative	Appropriation	2014/15 Budgeted \$000	2015/16 Budget \$000	2016/17 Estimated \$000	2017/18 Estimated \$000	2018/19 Estimated \$000
'Right Sizing' The Serious Fraud Office	Investigation and Prosecution of Serious Financial Crime	-	2,030	2,030	2,030	2,030

## 1.2 - Trends in the Vote

### Summary of Financial Activity

	2010/11	2011/12	2012/13	2013/14	2014/15		2015/16			2016/17	2017/18	2018/19
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budgeted \$000	Estimated Actual \$000	Departmental Transactions Budget \$000	Non- Departmental Transactions Budget \$000	Total Budget \$000	Estimated \$000	Estimated \$000	Estimated \$000
<b>Appropriations</b>												
Output Expenses	10,703	7,890	10,210	8,961	9,105	9,105	9,507	-	9,507	9,270	9,270	9,270
Benefits or Related Expenses	-	-	-	-	-	-	N/A	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Capital Expenditure	600	368	144	31	337	337	100	-	100	100	100	100
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	N/A	-	-	-	-
Multi-Category Expenses and Capital Expenditure (MCA)												
<i>Output Expenses</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Other Expenses</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Capital Expenditure</i>	-	-	-	-	-	-	N/A	-	-	-	-	-
<b>Total Appropriations</b>	<b>11,303</b>	<b>8,258</b>	<b>10,354</b>	<b>8,992</b>	<b>9,442</b>	<b>9,442</b>	<b>9,607</b>	<b>-</b>	<b>9,607</b>	<b>9,370</b>	<b>9,370</b>	<b>9,370</b>
<b>Crown Revenue and Capital Receipts</b>												
Tax Revenue	-	-	-	-	-	-	N/A	-	-	-	-	-
Non-Tax Revenue	-	-	-	-	-	-	N/A	-	-	-	-	-
Capital Receipts	-	-	-	-	-	-	N/A	-	-	-	-	-
<b>Total Crown Revenue and Capital Receipts</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>N/A</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Note - where restructuring of the vote has occurred then, to the extent practicable, prior years information has been restated as if the restructuring had occurred before the beginning of the period covered. In this instance Total Appropriations for the Budgeted and Estimated Actual year may not equal Total Appropriations in the Details of Appropriations and Capital Injections.

## 1.3 - Analysis of Significant Trends

### *Total Vote: All Appropriations*

The increase in funding for the Vote over 2010/11 to 2013/14 was to increase capacity to meet immediate operational demands arising from increased levels of detected serious financial crime, primarily in the finance company sector. In 2010/11 an onerous lease provision was recognised, which was subsequently reversed in 2011/12 when unoccupied premises were sublet. In 2014/15 an additional \$1.500 million was allocated from the Justice Sector Fund, as a temporary measure, to maintain capacity at 2013/14 levels. From 2015/16 Vote funding is set to increase by \$2.030 million per year, representing permanent funding to maintain current operating levels and to enhance the corruption function.

## Part 2 - Details of Departmental Appropriations

### 2.1 - Departmental Output Expenses

#### Investigation and Prosecution of Serious Financial Crime (M51)

##### *Scope of Appropriation*

This appropriation is limited to detecting, investigating and prosecuting serious financial crimes by the Serious Fraud Office, and includes activities directed at making the commission of financial crimes more difficult, and detection and prosecution more effective.

##### *Expenses and Revenue*

	2014/15		2015/16
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	9,105	9,105	9,507
Revenue from the Crown	8,740	8,740	9,270
Revenue from Others	365	365	237

##### *What is Intended to be Achieved with this Appropriation*

This appropriation is intended to increase business and investor confidence in the integrity of New Zealand's financial markets and increase the public and victim's confidence that those who commit financial crime are held to account in order to achieve the outcome of a confident business environment and a just society that is largely free of serious financial crime.

##### *How Performance will be Assessed and End of Year Reporting Requirements*

	2014/15		2015/16
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Assessment of Performance			
<b>Complaints</b>			
Quantity: Number of evaluations initiated by the SFO commenced.	15	15	15
Timeliness: Percentage of complaints evaluated within 20 working days.	80%	80%	80%
<b>Part 1 Enquiries - new measures (see Note 1)</b>			
Quantity: Number of Part 1 enquiries commenced.	New Measure	New Measure	30-40
Timeliness: Percentage of enquiries completed within 3 months.	New Measure	New Measure	80%
<b>Part 2 Investigations</b>			
Quantity: Number of investigations formally commenced (see Note 2).	23-30	32	20-25
Timeliness: Percentage of cases for which an investigation plan is established within ten working days (see Note 3).	90%	90%	Expire measure
Timeliness: Percentage of cases investigated within targeted time.	30% within 6 months: 80% within 12 months	30% within 6 months: 80% within 12 months	30% within 6 months: 80% within 12 months

Assessment of Performance	2014/15		2015/16
	Budgeted Standard	Estimated Actual Standard	Budget Standard
<b>Part 2 Investigations - cont'd</b>			
Timeliness and Quality: Percentage of cases for which an investigation plan is reviewed monthly and recommendations addressed by senior management monthly (see Notes 4 and 5).	90%	90%	Expire Measure
Quality: Percentage of cases for which an investigation plan is reviewed monthly (see Note 2).	New measure	New Measure	95%
Quality: Percentage of formal post-investigation reviews that are conducted and recommendations addressed by senior management within two months of review (see Note 3).	90%	90%	Expire Measure
Quality: Percentage of formal post-investigation reviews that meet SFO quality criteria (see Note 5).	80%	90%	90%
<b>Prosecutions</b>			
Quantity: Number cases brought to prosecution.	10-12	9	10-12
Quality: Percentage of prosecutions commenced where external Counsel agrees with the SFO decision to charge.	90%	90%	Expire Measure
Timeliness and Quality: Percentage of formal post-prosecution reviews that are conducted and recommendations addressed by senior management within two months of review (see Notes 2 and 3).	90%	90%	Expire Measure
Quality: Percentage of formal post-prosecution reviews that meet SFO quality criteria (see Note 5).	80%	90%	90%
<b>Investigations and Prosecutions</b>			
Timeliness and Quality: Victims of financial crime are confident the SFO will effectively take action to investigate and prosecute perpetrators of financial crime.	Will not survey this year	Not measured in 2014/15.	Expire Measure

Note 1 - The SFO recently changed its complaint evaluation process to create greater efficiencies in the evaluation process. We now count Part 1 enquiries separately. This enables the SFO to ensure that potential instances of serious and complex fraud are not missed and that any subsequent investigations are well scoped and focused.

Note 2 - This measure will from 2015/16 reflect only Part 2 investigations. In previous years the measure for new investigations included both Part 1 and Part 2 matters. Under the new evaluation process (refer Note 1) Part 2 investigations will generally have resulted from an initial Part 1 enquiry.

Note 3 - This measure has been expired as the creation of investigation plans is now incorporated in the other quality measures.

Note 4 - This measure establishes clear expectations on the timeliness of progressing investigations. It recognises that an investigation is a process made up of several key phases and ensures that employees remain focused on a timely completion of the investigation.

Note 5 - Formal written quality assurance reviews will be conducted post each investigation and prosecution and will include:

- a summary of issues arising during the course of the case
- any recommendations for changes to improve SFO policies, case management procedures or external issues (ie, matters pertaining to the involvement of other agencies or any legislative policy issues), and



- an overall assessment of the quality of the conduct of the investigation or the prosecution.

Recommendations from the quality assurance reviews will be formally assessed by the senior leadership team within two months of the completion of the review.

### *End of Year Performance Reporting*

Performance information for this appropriation will be reported by the Serious Fraud Office in the Annual Report.

### *Reasons for Change in Appropriation*

The appropriation increases by \$402,000 in 2015/16 due to:

- \$1.500 million decrease in funding from the Justice Sector Fund (in 2014/15 \$1.500 million was allocated on a one-off basis)
- \$2.030 million increase in Crown funding per annum from 2015/16 to maintain current operating capacity
- \$10,000 decrease in office sharing arrangements with the Crown Law Office, and
- \$118,000 decrease in rent receivable from a sub-lease which expires in February 2016.

In 2014/15 \$1.500 million was allocated from the Justice Sector Fund on a one-off basis. From 2015/16 the appropriation increases by \$2.030 million per annum to maintain current operating capacity.

## 2.3 - Departmental Capital Expenditure and Capital Injections

### **Serious Fraud Office - Capital Expenditure PLA (M51)**

#### *Scope of Appropriation*

This appropriation is limited to the purchase or development of assets by and for the use of the Serious Fraud Office, as authorised by section 24(1) of the Public Finance Act 1989.

#### *Capital Expenditure*

	2014/15		2015/16
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	337	337	75
Intangibles	-	-	25
Other	-	-	-
<b>Total Appropriation</b>	<b>337</b>	<b>337</b>	<b>100</b>

*What is Intended to be Achieved with this Appropriation*

This appropriation is intended to ensure that assets and intangibles required to support the delivery of the SFO's services are routinely renewed and maintained. Expenditure is in accordance with the SFO's capital expenditure plan.

*How Performance will be Assessed and End of Year Reporting Requirements*

Assessment of Performance	2014/15		2015/16
	Budgeted Standard	Estimated Actual Standard	Budget Standard
The capital plan developed and managed throughout year	Capital plan for implementation by 1 July 2014	Completed 1 July 14	Capital plan for implementation by 1 July 2015

*End of Year Performance Reporting*

Performance information for this appropriation will be reported by the Serious Fraud Office in the Annual Report.

*Reasons for Change in Appropriation*

This appropriation decreases by \$237,000 in 2015/16, as the additional spend undertaken in 2014/15 on leasehold improvements and hardware will not be required in 2015/16.

*Capital Injections and Movements in Departmental Net Assets***Serious Fraud Office**

Details of Net Asset Schedule	2014/15 Estimated Actual \$000	2015/16 Projected \$000	Explanation of Projected Movements in 2015/16
Opening Balance	452	452	
Capital Injections	-	-	
Capital Withdrawals	-	-	
Surplus to be Retained (Deficit Incurred)	-	-	
Other Movements	-	-	
<b>Closing Balance</b>	<b>452</b>	<b>452</b>	