

9 February 2023

By email to: [REDACTED] Redacted pursuant to s 9(2)(a) OIA to protect privacy of natural persons

Attention: [REDACTED] Redacted pursuant to s 9(2)(a) OIA to protect privacy of natural persons

Request for information - Open Government Partnership National Action Plan 2023-2024 (CON0011090)

We refer to your letter to the Serious Fraud Office (SFO) dated 21 December 2022 in which you requested the following information in relation to 'Commitment 4: Design and implement a National Counter Fraud and Corruption Strategy' in the Open Government Partnership National Action Plan (OGNAP) for 2023-2024:

- "a) The research commissioned by the SFO, referred to in the draft action plan, attesting to there being between \$5bn and \$10bn lost due to fraud and error every year;*
- b) All materials relating to this research and the derivation of the estimates of fraud and error; and*
- c) All materials relating to estimates of the sources and cost of corruption in the public sector, given that the SFO regards this as a category distinct from fraud and error."*

We have considered your request under the Official Information Act 1982 (OIA).

Please note that it is our policy to proactively release our responses to official information requests where possible. Our response to your request will be published, with your contact details removed, on our website <https://sfo.govt.nz>.

Decision

In 2020, the Government approved additional funding to enable the SFO to lead public sector fraud prevention relating to COVID-19 relief packages. This work allowed us to establish the Counter Fraud Centre - Tauārai Hara Tāware (CFC), which was funded on a permanent basis in Budget 2022.

To inform this work and the work of the CFC Community of Practice (which has membership across 35 public sector agencies), we commissioned the UK Government Counter Fraud Function (UKGCFF) to undertake a desktop exercise to research the potential scale of the problem in New Zealand. The December 2021 report entitled 'Fraud Loss in the New Zealand Public Sector' is referenced in the Open Government Partnership

Action Plan (OGNAP) and is **attached** as requested. The report is also available on our website [here](#).

The report describes the international comparator methodology used by the UKGCFE to inform their findings, and the open-source materials used to derive the estimated fraud loss figures for the New Zealand public sector. Using global estimates that show loss of expenditure to fraud and error is generally in the 0.45% - 5.6% range, the UKGCFE report found the New Zealand public sector's loss in 2020 could have been between \$601 million (0.45%) to \$7.48 billion (5.6%). When tax fraud estimates were included this range was refined to between \$5.37 and \$10.37 billion, caveated that the certainty of this range was lower.

As noted in the report, fraud is a hidden crime and this results in a level of uncertainty when estimating fraud levels. For example, there is a significant difference between the estimate in the attached report and NZ Police estimates. While this in part can be explained by variances in risk assessment methodologies and scope (on this, we understand that the simple representation in the OGNAP that the NZ Police estimates are for "government funds lost to fraud" is incorrect) and the inclusion of error-related losses in the report's estimate, the difference in range illustrates the broad uncertainty when it comes to estimating fraud losses.

New Zealand is a country with low rates of reported fraud and corruption and is consistently ranked in the top three on the Transparency International Corruptions Perceptions Index, however there is no room for complacency. Since the UKGCFE report was commissioned, we have taken significant steps to further strengthen New Zealand's response to fraud and corruption. This includes the permanent establishment of the Counter Fraud Centre, expansion of the Counter Fraud Community of Practice, and progress towards a National Counter Fraud and Corruption Strategy. Part of the CFC's work moving forward will be to establish a clearer picture of fraud loss in New Zealand.

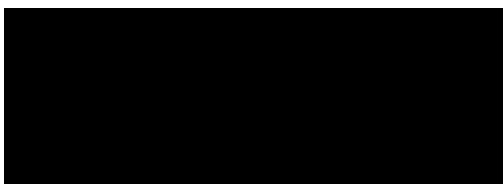
We note your observation that the National Action Plan at page 22 indicates that the UKGCFE estimates "do not include losses attributable to corruption" and you have requested materials held by the SFO relating to the likely cost of corruption to the New Zealand public sector. We take this opportunity to clarify that the report by the UKGCFE does not specifically include or exclude corruption loss estimates in the estimate. However, fraud on the public purse by an official is also considered corruption and any financial losses attributable to this would fall within the provided estimate. Additionally, our Counter Fraud Centre recommends the same tools and guidance to address both fraud and corruption risks.

The above report is the sole source of data held by the SFO relating to this research. We are therefore refusing your request for any additional materials or estimates under

section 18(g) of the OIA because the information you are requesting is not currently held by the SFO and there is no obligation to create information to respond to a request. We do not believe that the information is held by another agency or is more closely connected with another agency's functions.

You have the right to seek an investigation and review by the Ombudsman of this decision. Information about how to make a complaint is available at www.ombudsman.parliament.nz or freephone 0800 802 602.

Yours sincerely



Redacted pursuant to s 9(2)(a) OIA to protect privacy of natural persons

Kylie Cooper
Acting General Counsel