



STATEMENT
OF INTENT
2012-2015

SERIOUS FRAUD OFFICE

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TABLE OF CONTENTS

Ministerial Foreword	3
Introduction from the Chief Executive	4
Statement of responsibility	5
Nature and Scope of the Serious Fraud Office's functions	6
Strategic Direction	7
Contribution to the Government's goals	7
Outcomes and impacts	7
The Serious Fraud Office's Outcomes Framework 2012-2015	8
Operating Intentions	9
Outcome One: A confident business environment that is largely free of serious financial crime	9
Outcome Two: A just society that is largely free of fraud, corruption and bribery	11
Working collaboratively with other agencies	12
Measuring achievement	14
Managing in a Changeable Operating Environment	16
Operating context	16
Risk management	17
Organisational Capability and Performance	19
What we are seeking to achieve and how	19
Measuring our progress	22
Capital Intentions	23

Ministerial Foreword

The Serious Fraud Office is a law enforcement agency working collaboratively across both the public and private sectors to achieve a confident business environment that is largely free of serious financial crime.

For the past two years, the Serious Fraud Office (SFO) has responded to the expectation of more timely investigations and ensuring that justice is seen to be done where serious financial crime has occurred. It has worked increasingly closely with law enforcement agencies, regulators and relevant private sector interests. There is now a growing sense of confidence in the integrity of financial markets, and that offenders are being held to account.

This Government is focused on preventing crime and making sure there are fewer victims of crime, including financial crime.

The bar needs to be lifted further. The public sector as a whole must achieve more, and the SFO must play its part. It must share its considerable forensic skills and investigative resources with other agencies to ensure there is an all-of-government response to economic crime. The initiatives commenced in August 2011 as part of the *All-of-Government Response to Strengthening New Zealand's Resistance to Organised Crime* provide an ideal opportunity to do this.

While the SFO is first and foremost an investigative and prosecuting agency, there is also a wealth of knowledge and experience regarding economic and financial crime within the Office. This must be shared across government as well, to ensure that the operational and policy responses to the fight against serious economic and financial crime are as effective as they can be. The importance of this knowledge-sharing role has been recognised through the creation of a new departmental output expense for Policy Advice and refocused scope description for the work undertaken within the investigation and prosecution activities from this financial year onwards.

This Statement of Intent outlines in detail how the SFO will address the challenges of continued operational improvement and efficiency, and contribute to the wider government strategy against financial crime. They are challenges which I believe the SFO is well placed to meet.



HON. ANNE TOLLEY

Minister Responsible for the Serious Fraud Office

Introduction from the Chief Executive

The fallout from the global financial crisis (GFC) has had far-reaching effects throughout the world. Many countries hard-hit by the GFC have reassessed the manner in which they seek to detect, investigate, prosecute and impose sanctions for serious financial crime. In his 2012 State of the Union Speech, President Obama announced the establishment of a Financial Crimes Unit in order to “...turn a page on an era of recklessness...”. Similarly, the UK Government has established a new Economic Crime Command within its newly formed National Crime Agency, which is designed to tackle complex economic crime across the country.

In New Zealand, the Government last year announced an *All-of-Government Response to Strengthening New Zealand’s Resistance to Organised Crime*, which included working on identifying new opportunities for investigating financial crime. An essential element of the Response is to first have a clear understanding of the scale of the problem and the effectiveness of current law enforcement strategies to combat financial crime.

Therefore, this year, in collaboration with the UK National Fraud Authority, the SFO will complete the first-ever the *Cost of Economic Crime* report. It will be modelled on the UK equivalent, which has become a core source of information for the UK’s financial crime strategies in recent years. This report will be linked to a comprehensive analysis of existing resources, agencies, powers and funding currently devoted to economic and financial crime, and the results being achieved. Together they will provide a map of the current fraud landscape and the basis on which government agencies can report back to the Government on future legislative and operational options for fighting economic and financial crime.

While there is a ‘big picture’ of economic crime on which the SFO needs to maintain a strong focus, it cannot be at the expense of the very important day-to-day job of finding and prosecuting serious financial crime. The investigations into finance companies have been exhaustive and many prosecutions have resulted. The SFO will maintain the impetus achieved during these investigations to ensure that all these cases are brought to appropriate conclusions.

At the same time, we also need to continue to develop more effective operational relationships with domestic and international agencies. In the past year we have established comprehensive memoranda of understanding with the New Zealand Police and the Financial Markets Authority. We will look to develop similar arrangements with other agencies to ensure there is a more effective all-of-government response to financial crime. In addition, we have laid the groundwork for closer international networks of law enforcement agencies with similar roles to that of the SFO, and will be seeking to formalise these, as economic and financial crime becomes an increasingly cross-jurisdictional issue.

This is an important time for public institutions to seek to restore investor and public confidence. The initiatives outlined in this Statement of Intent identify the many opportunities which exist for the SFO to make an important contribution towards that goal.

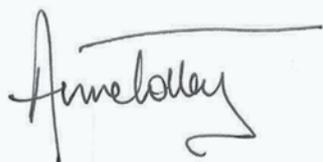


ADAM FEELEY
Chief Executive and Director

May 2012

Ministerial Statement of Responsibility

I am satisfied that the information on future operating intentions provided by the Serious Fraud Office in this Statement of Intent is in accordance with sections 38, 40 and 41 of the Public Finance Act 1989 and is consistent with the policies and performance expectations of the Government.



HON. ANNE TOLLEY

Minister Responsible for the Serious Fraud Office

May 2012

Chief Executive Statement of Responsibility

In signing this statement, I acknowledge that I am responsible for the information contained in the Statement of Intent for the Serious Fraud Office. This information has been prepared in accordance with the Public Finance Act 1989. It is also consistent with the proposed appropriations set out in the Appropriations (2011/2012 Estimates) Bill, as presented to the House of Representatives in accordance with section 13 of the Public Finance Act 1989, and with existing appropriations and financial authorities.



ADAM FEELEY

Chief Executive and Director

May 2012



DIANE IMUS

Acting General Manager Corporate Services

May 2012

NATURE AND SCOPE

of the Serious Fraud Office's functions

The Serious Fraud Office works to reduce the impact of serious financial crime on the economy and its many victims.

The SFO, through the administration of the Serious Fraud Act 1990, seeks to provide investors and the wider public with the confidence that New Zealand law enforcement agencies are alert to all forms of serious financial crime. We do this by investigating, on our own initiative, or in response to public complaints or referrals from other agencies, possible instances of fraud and, where evidence of offending is found, bringing prosecutions to hold offenders to account.

OUR SERVICES

We administer Vote Serious Fraud, reporting to the Minister of Police with the core purpose of addressing serious financial crime in New Zealand, including corruption and bribery. This is achieved through two output expenses:

- Investigation and prosecution of serious financial crime, with activities of:
 - detection of possible offending
 - investigations
 - prosecutions
- Policy advice, as a result of information gathered and analysed during these functions in order to provide secondary activities of:
 - contribution to policy development
 - advisory work on fraud prevention, awareness and education.

Our work also includes the investigation and prosecution of instances of corruption and bribery. We do not deal with less serious dishonesty offences, which are usually a Police matter to investigate. We focus on cases that have a wider impact on the New Zealand economy and public. These cases may be relatively small in number, but they are large in terms of the value of the fraud, the number of investors impacted and/or the impact on public confidence in either the integrity of New Zealand financial markets or the administration of the justice system.

In carrying out our role, we have strong relationships with other Justice sector agencies including the Police, Ministry of Justice and the Crown Law Office, as well as other agencies such as the Office of the Auditor-General, the Ministry of Economic Development, the Financial Markets Authority and the Commerce Commission. We also maintain strong partnerships with the relative private sector interests, such as accounting firms and insolvency practitioners, and with our international counterparts in Australia, the United States and the United Kingdom.

STRATEGIC DIRECTION

Contribution to the Government's goals

The driving goal of the Government throughout the term of this Statement of Intent is to:

“...build a more competitive and internationally-focused economy with less debt, more jobs and higher incomes. A strong economy in turn provides the resources necessary to protect the vulnerable in society, maintain the rule of law, provide high-quality public services, look after the environment and provide opportunities for young people.”¹

As a law enforcement agency, we seek to maintain the integrity of our legal system. By focusing on investigations that are likely to minimise the frequency and impact of serious financial crime on its many victims, including investors and the taxpaying public, we help contribute to a stronger economy. With the largest public sector law enforcement resources in forensic accounting, we are the leading law enforcement agency for investigating and prosecuting serious financial crimes. In addition, we seek to carry out this role by actively collaborating with other law enforcement and regulatory agencies in order to pool resources and minimise duplication of effort.

Outcomes and impacts

Our activities contribute towards the Justice sector outcome which has a focus on ‘a safe and just society’ and the economic development outcome with its focus on ‘dynamic and trusted markets’. Within this context we have identified two strategic outcomes specific to the SFO's functions.

A confident business environment that is largely free of serious financial crime.

A just society that is largely free of fraud, corruption and bribery.

To achieve these outcomes, our primary activities are to investigate and prosecute instances of serious financial crime, including detection of possible offending. Because of our expertise in such matters, our other activities include contributing to policy development and advice regarding serious financial crime and related issues, as well as improving public awareness of the risks and impact of fraud, so that individuals and the business community can act to prevent fraud affecting them.

We have focused our activities to have an impact on the business environment as well as supporting mechanisms for a ‘just society’. We have identified a series of indicators to benchmark progress against identified impacts to ensure our activities remain targeted and effective.

The specific impacts we seek to achieve through our activities are that:

- business and investor confidence in the integrity of our financial markets is increased
- the regulatory environment minimises the risks and impacts of financial crime
- public and victims’ confidence that those who commit financial crime are held to account is increased
- New Zealand maintains its international reputation for very low levels of corruption and bribery.

PRIORITISING OUR CASELOAD

As a government agency we must deliver on these outcomes within a modest and constrained budget. We therefore will assess cases with particular priority being given to those which have greater losses, larger numbers of victims, involve publicly funded entities, or otherwise involve offending which may have a materially adverse effect on our economy.

¹ John Key, Prime Minister, Speech from the Throne, Parliament, 21 December 2011.

THE SERIOUS FRAUD OFFICE'S Outcomes Framework 2012-2015

CAPABILITY		OUTPUTS	RESULTS	IMPACTS	OUTCOMES	GOVERNMENT PRIORITIES
→ INVESTIGATION AND PROSECUTION OF SERIOUS FINANCIAL CRIME → POLICY ADVICE						
PEOPLE	Investigations	<ul style="list-style-type: none"> → Financial crimes being detected earlier, thereby minimising the impacts on the economy and victims → An improved level of corporate responsibility by businesses ensuring their systems are designed to prevent and detect fraud 	Business and investor confidence in the integrity of our financial markets is increased	A confident business environment that is largely free of serious financial crime		→ Strong and enduring economy and maintain the rule of law → Better, smarter public services
RELATIONSHIPS & PARTNERSHIPS	Prosecutions	<ul style="list-style-type: none"> → More effective use of intelligence obtained by the SFO and other agencies → Policies being developed which take into account the changing nature, scale and impact of financial crime in New Zealand 	The regulatory environment minimises the risks and impacts of financial crime			
TECHNOLOGY	Contribution to policy development	<ul style="list-style-type: none"> → Conviction rates and sentencing levels deterring future offending → Public awareness being raised as to the impact of financial crime on society 	Public and victims' confidence that those who commit financial crime are held to account is increased	A just society that is largely free of fraud, corruption and bribery		
COMMUNICATION	Advisory work on fraud prevention, awareness and education	<ul style="list-style-type: none"> → Business in New Zealand conducted in an honest and transparent environment → An efficient and effective open market being maintained 	New Zealand maintains its international reputation for very low levels of corruption and bribery			
SYSTEMS & PROCESSES						
ORGANISATIONAL MEASURES	SERVICE PERFORMANCE MEASURES			IMPACT MEASURES		
QUALITY		RESPONSIVENESS AND TIMELINESS		SCALE AND IMPACT		VISIBILITY
Demonstrating quality assurance of investigations and prosecutions, which maintains public confidence in the rule of law, regardless of case outcome		Demonstrating levels of productivity and responsiveness to the public, particularly victims of financial crime		Demonstrating that cases investigated are those which have the greatest impact on SFO outcomes		Demonstrating that SFO is accessible and accountable

OPERATING INTENTIONS

OUTCOME ONE: A confident business environment that is largely free of serious financial crime

Serious financial crime has both direct impacts, in terms of the monetary losses suffered by its victims, and indirect impacts, in terms of the economic damage to investor confidence and the public costs of prevention, detection and prosecution. There is emerging empirical data regarding the scope and economic impact of financial crime in New Zealand that illustrates how pervasive and damaging fraud is to the economy. In the United Kingdom, where these costs are well documented and increasingly detailed, the National Fraud Authority has estimated the annual cost of fraud at £38.4 billion,² of which 55 percent relates to public sector spending. It has been estimated that a sustained targeting of public sector fraud could reduce that figure by more than £22 billion over a three-year period.³

Our work contributes to the economic development outcome, because the occurrence of this type of crime is an immediate and significant drain on the economy. Concern over the potential for fraud also acts as a suppressant to future investment in our financial markets. For there to be sustained economic growth, New Zealand needs to be recognised as having markets that are relatively free from financial crime, and regulatory frameworks that both deter fraud and make it possible to readily detect and punish fraud, when it occurs.

THE IMPACTS WE ARE SEEKING TO ACHIEVE

The key impacts from Outcome One are:

- business and investor confidence in the integrity of our financial markets is increased
- the regulatory environment minimises the risks and impacts of financial crime.

BUSINESS AND INVESTOR CONFIDENCE IN THE INTEGRITY OF OUR FINANCIAL MARKETS IS INCREASED

Our priorities will be on investigations where there is evidence of significantly adverse impacts on the business sector or the economy as a whole, where there are numerous affected parties or where there is significant public interest in the matter.

The focus of our work will be:

- conducting high-quality investigations within cost-effective timeframes
- collaborating more regularly with public sector agencies and insolvency practitioners to share information that enables us to detect financial crimes
- raising awareness of, and providing better education about, fraud prevention.

This will result in:

- financial crimes being detected earlier, thereby minimising the impacts on the economy and victims
- an improved level of corporate responsibility by businesses, ensuring their systems are designed to prevent and detect fraud.

² Annual fraud indicator, National Fraud Authority, January 2011.

³ *The Financial Cost of UK Public Sector Fraud*; Gee, Button & Brooks, University of Portsmouth.

THE REGULATORY ENVIRONMENT MINIMISES THE RISKS AND IMPACTS OF FINANCIAL CRIME

We will contribute to review of the regulatory environment with key agencies, such as the Ministries of Justice and Economic Development. We will share knowledge gained from our work, in order to point to regulatory options for improving the current regulatory framework. In particular, we will identify options which make committing financial crimes more difficult and make detection and prosecution of fraud more effective. We will complement this work by highlighting solutions which have successfully been used in comparable international jurisdictions.

The focus of our work will be:

- directly engaging with government agencies on current initiatives including the *All-of-Government Response to Strengthening New Zealand's Resistance to Organised Crime*, the *Review of State Prosecution Agencies*, the *Criminal Procedure Simplification* project and the recommendations from the Better Public Services Advisory Group
- completing research and analysis of economic crime in New Zealand to produce the *Cost of Economic Crime* report
- working with the Ministry of Justice, Police and related agencies, to produce options for future operational and legislative responses to deter and punish perpetrators of financial crimes. This includes collaborating with the Police, the Financial Markets Authority and other key agencies in order to identify opportunities to better capture intelligence and share information and experiences.

This will result in:

- more effective use of intelligence obtained by the SFO and other agencies
- policies being developed which take into account the changing nature, scale and impact of financial crime in New Zealand.

HOW WE WILL MEASURE OUR PROGRESS AGAINST THE IMPACTS AND OUTCOMES

Table 1 lists the impacts that we seek to achieve and the indicators and associated measures which will be used to monitor progress towards achieving the outcome *A confident business environment that is largely free of serious financial crime*, over the next three years.

Table 1: Indicators and measures for Outcome One

IMPACT	INDICATORS	BASELINE	MEASURED BY
Business and investor confidence in the integrity of our financial markets is increased	Those who say that law enforcement action is maintaining or improving the integrity of financial markets	Percentage baseline to be established in 2012/13	Survey of stakeholders in financial markets industry conducted by the SFO
	New Zealand maintains or improves its position	Maintain or increase New Zealand's ranking of 19 in 2009 on the Capital Access Index	Milken Institute Access Index ⁴ Improved access to capital is an indication that there is confidence in the business environment

⁴ Milken Institute is a non-partisan, independent economic think tank based in the USA.

OUTCOME TWO: A just society that is largely free of fraud, corruption and bribery

A justice system which is effective, fair, impartial and responsive not only creates a just society, but also contributes to economic stability and future growth. The public wants to know that the rule of law will be applied impartially if fraud, corruption or bribery is detected. This will give them confidence that their financial assets are safe and, if serious financial crime occurs, it will be addressed and perpetrators held to account, so their actions are not repeated elsewhere.

THE IMPACTS WE ARE SEEKING TO ACHIEVE

The key impacts from Outcome Two are:

- public and victims' confidence that those who commit financial crime are held to account is increased
- New Zealand maintains its international reputation for very low levels of corruption and bribery.

PUBLIC AND VICTIMS' CONFIDENCE THAT THOSE WHO COMMIT FINANCIAL CRIME ARE HELD TO ACCOUNT IS INCREASED

A major contributing factor to a 'just society' is that individuals who are apprehended and found guilty of committing financial crimes are held to account for their offending and victims' rights are recognised. While we cannot determine sentencing levels, it is important that we investigate cases which are of a scale and impact on victims which, if convictions ensue, are likely to attract significant custodial sentences as a starting point. Such outcomes help confirm that our criteria for identifying high-impact cases are effective, while custodial sentences reinforce the public's expectation that financial crimes are treated seriously, which in turn helps deter future offending.

The focus of our work will be:

- conducting investigations into cases of a scale that provide external Counsel (SFO Prosecution Panel) the basis to recommend the imposition of custodial sentences in a high proportion of convictions
- ensuring complainants, victims and witnesses are kept well informed
- highlighting the impact of criminal conduct on victims of financial crime and on the New Zealand economy to the public.

This will result in:

- conviction rates and sentencing levels deterring future offending
- public awareness being raised as to the impact of financial crime on society.

NEW ZEALAND MAINTAINS ITS INTERNATIONAL REPUTATION FOR VERY LOW LEVELS OF CORRUPTION AND BRIBERY

Corruption and bribery significantly disrupt economic growth. Potential investors, foreign or domestic, see it as adding unwarranted cost, risk and uncertainty to their business and investment decisions. Therefore, the New Zealand business environment and public institutions must continue to be seen as having high levels of transparency and integrity. Along with other law enforcement agencies, we must ensure swift action is taken against individuals who are suspected of corruption and bribery, to maintain these high levels of trust.

The focus of our work will be:

- conducting swift and effective investigations into significant instances of corruption and bribery, which maintains public confidence in the integrity of the public and private sectors
- working with the State Services Commission and Office of the Auditor-General to promote effective frameworks for preventing and identifying fraud, corruption and bribery within the public sector.

This will result in:

- business in New Zealand conducted in an honest and transparent environment
- an efficient and effective open market being maintained.

HOW WE WILL MEASURE OUR PROGRESS AGAINST THE IMPACTS AND OUTCOMES

Table 2 lists the impacts that we seek to achieve and the indicators and associated measures that will be used to monitor progress towards achieving the outcome *A just society that is largely free of fraud, corruption and bribery*, over the next three years.

Table 2: Indicators and measures for Outcome Two

IMPACTS	INDICATORS	BASELINE	MEASURED BY
Public and victims' confidence that those who commit financial crime are held to account is increased	Frequency of custodial sentences being ordered where a conviction was obtained	Maintain or increasing from 75% of cases	Annual analysis, including trends compiled by the SFO
	Victims of financial crime perceive that the actions of the SFO help to ensure that perpetrators of financial crime are held to account	Maintain or increasing from 65% of respondents	Survey of victims of financial crime cases conducted by the SFO
New Zealand maintains its international reputation for very low levels of corruption and bribery	New Zealand's ranking of corruption-free nations	Maintain or improve from top three	Transparency International Corruption Perception Index ⁵

Working collaboratively with other agencies

It is essential for public confidence that regulators and law enforcement agencies are seen to have very visible and effective collaboration procedures. This will ensure that there is neither replication of investigative functions, nor matters 'falling between the gaps' of regulatory or law enforcement responsibilities. Therefore, we must develop, maintain and enhance strategic partnerships across the public and private sectors. Table 3 summarises our key relationships across all sectors.

⁵ Transparency International is a non-partisan global network based in Brussels.

Table 3: Key relationships

KEY RELATIONSHIP	FOCUS OF RELATIONSHIP
Police	Effective sharing of information and resources with respect to cases of common interest regarding (a) financial crimes investigated by OFCANZ ⁶ or other units within Police, (b) matters relating to the recovery of proceeds of crime (and civil forfeiture) and (c) matters of corruption and bribery arising from New Zealand's obligations under the United Nations Convention against Corruption and the OECD ⁷ Working Group on Bribery.
Financial Markets Authority	Effective sharing of information and resources with respect to cases of common interest regarding the Securities Act 1978, Companies Act 1993, Corporations (Investigation and Management) Act 1989, related legislation and any newly enacted relevant legislation.
Commerce Commission	Effective sharing of information and resources with respect to cases of common interest arising under the Commerce Act 1986 and Fair Trading Act 1999.
Crown Law Office	Effective implementation of the Solicitor-General's Prosecution Guidelines, and ensuring that there are cost-effective and well co-ordinated prosecution decisions across government.
Ministry of Justice	Developing suitable policy responses to serious financial and economic crime and corruption issues.
Office of the Auditor-General/State Services Commission	Maintaining public sector integrity through improved processes for preventing and detecting fraud, corruption and bribery.
Ministry of Economic Development	Improving public sector procurement processes in a manner that minimises the risks of fraud, corruption and bribery.
Department of Internal Affairs	Effective sharing of information and resources with respect to cases of common interest regarding their responsibilities for gaming and lotteries grants.
Ministry of Foreign Affairs and Trade	Developing more effective administrative procedures for mutual international assistance in order to improve the chances of a successful investigation involving cross-border fraud.
Institute of Directors in New Zealand	Effective sharing of information on matters of concern to the SFO and helping to promote ethical standards and a strong understanding of directors' duties.
New Zealand Institute of Chartered Accountants	Effective sharing of information on matters of concern to the SFO and helping to promote ethical standards within the profession.
New Zealand Law Society	Promoting a better understanding of the role of the SFO and how the profession can assist it and helping to promote ethical standards within the profession.

6 Organised and Financial Crime Agency of New Zealand.

7 Organisation for Economic Co-operation and Development.

Measuring achievement

It is important to demonstrate to government and the public the value of our work and our impact on outcomes for New Zealanders. As a small organisation, with a very specific law enforcement brief, we are focused on maintaining a well-defined set of performance measures against which the overall quality of our work can be assessed. Our annual targeted levels of activity, performance measurements and standards are developed as part of the Government's annual budget process and found within the Estimates, *Performance Information For Appropriations*, Justice portfolio, Vote Serious Fraud.

In order to ensure that all activities are efficient and effective, we have identified five areas in which to target our specific measures for monitoring and improving performance.

QUALITY:

Quality assurance of active and concluded cases

We will demonstrate our commitment to ensuring that a high level of quality is maintained throughout the life of all investigations and prosecutions. This will be achieved through active quality assurance review of cases by senior management and external Counsel, both during and at the end of an investigation and prosecution. External Counsel will also provide independent advice based on a wide range of experience with regard to presentation of cases in Court. This includes both presentation of evidence and written submissions. Reviews will include oral feedback and written recommendations to be considered in order to improve policies and/or processes to raise overall efficiency and effectiveness. This measure will also maintain confidence in the integrity of law enforcement, regardless of the outcome of an investigation or prosecution.

RESPONSIVENESS AND TIMELINESS:

Setting clear expectations on time taken to complete key activities

We will establish clear expectations for the public on the timeliness of processing a complaint and progressing and completing any subsequent investigation. We recognise that an investigation is a long process, where speed cannot compromise quality. However, there is also a legitimate interest in ensuring an end result that is timely, as well as effective.

SCALE AND IMPACT:

Demonstrating that cases investigated are those which will make the biggest difference

We will ensure that effective criteria are being used to investigate those cases which will have the greatest impact on the economic landscape. This will increase the likelihood of lengthy sentences following a conviction, which can act as a further deterrent to future offending. It will also provide the public and business community with enhanced confidence in the effectiveness of law enforcement.

VISIBILITY:**Relevant and informative communication to victims, witnesses, complainants and the public**

We will keep victims, witnesses, complainants and the general public informed as to what we are doing, thereby ensuring transparency in the administration of justice. This reinforces the principles of open justice, making certain that the public has accurate information about the criminal justice system and that victims of crime are treated with courtesy. Maintaining an appropriate level of public awareness of investigations and prosecutions not only supports these principles, but also acts as an effective deterrent to further offending.

COST-EFFECTIVENESS:**Continually identifying ways of creating efficiencies with existing resources**

Providing greater efficiencies is the current challenge facing all public sector agencies. To most effectively manage our resources within a modest and constrained budget, we must balance quality and timeliness of our work with the number of investigations undertaken. We will do this by continuing to:

- collaborate closely with other agencies to ensure that there is minimal replication of investigation and prosecution responsibilities or resources
- keep other agencies informed as to our operations in a manner that helps develop better intelligence networks for sharing information and fighting serious financial crime
- identify opportunities to manage peaks in work through cost-effective use of external expertise
- make more effective use of technology to monitor and progress investigations
- seek opportunities to implement shared services for non-operational services such as information systems infrastructure, human resources support and financial processing.

MANAGING IN A CHANGEABLE OPERATING ENVIRONMENT

Operating context

We have identified the environmental factors within which we are working and how our activities meet these opportunities and challenges. These elements shape our structure and our approach to identifying and assessing cases for investigation and prosecution.

FISCAL CONSTRAINTS WITHIN THE PUBLIC SECTOR

There is a strong and pressing need for all public sector agencies to minimise 'back-office' expenditure, ensuring the greatest possible results are achieved within existing budgets. We will continue to look to share costs with other agencies wherever possible. Even with a modest budget, we must be vigilant in extracting the maximum value. A particular focus will be in seeking to share our specialist resources with other agencies on an ongoing basis, to ensure that there is limited duplication of costs with respect to law enforcement work.

ECONOMIC

Over the next three to five years, the New Zealand economy is expected to perform poorly, particularly as a consequence of the Christchurch earthquake in February 2011. While this is expected to slowly improve as rebuilding in Christchurch gets fully under way, it is still apparent that business confidence has been affected given the global economic situation, and liquidity for many companies will remain a concern for some time. These circumstances can manifest a number of problems in the context of our work. The opportunity for quick results in uncertain economic times can be tempting. There is potential for fraudulent investment schemes to be developed, struggling businesses to hide losses through false accounting and/or other types of fraudulent representations to occur. Serious financial crimes during this period would have particularly devastating effects on business viability and investor confidence. We will need to be vigilant to these issues and maintain strong communication links with those likely to be the first to identify possible incidences of fraud, corruption or bribery.

TECHNOLOGY

Success in major fraud investigations today depends significantly on the speed and success with which digital information, such as financial records and electronic communications, can be recovered and effectively searched. While we have long recognised the importance and impact of technology on our work, there is a growing need not only to progressively increase the use of technology, but to do it in a manner that is sustainable within the budgetary and capital constraints facing us. This will require effective partnerships with other government agencies and periodic input from external expertise.

GLOBALISATION

Rapid movement of people and money is an ongoing challenge for us. Decisions whether to pursue an investigation or prosecution are often affected by the likelihood of securing vital evidence or having effective access to witnesses or suspects. We will continue to develop effective law enforcement relationships with both the Police and agencies through their networks. We will also seek to establish direct relationships with equivalent law enforcement agencies internationally.

FRAUD DATA AND INTELLIGENCE

During the 2011 calendar year, we investigated cases with losses in excess of NZ\$2 billion. However, the overall cost of fraud in all its forms, and where those losses are most occurring, is still not as well understood in New Zealand as it is in many other similar jurisdictions.

In order to effectively reduce financial losses through fraud, we must first understand where and how it is happening. Accordingly, over the next three years we will build on the findings from our *Cost of Economic Crime* report to ensure that our resources are being applied to the greatest possible effect. These findings will be shared with agencies which work in the area of fraud, to assist them in managing and reducing instances of fraud.

We recognise that the application of resources must be led by robust and accurate research and intelligence. Ongoing measurement of the application of those resources will refine efficiencies and continue to maximise the impact of fraud investigations and prosecutions.

Work has commenced in identifying the enablers of fraud and corruption, which will provide us with the basis for the design and implementation of targeted preventative action. Anecdotal evidence suggests that a lack of proper governance practices in New Zealand's SMEs⁸ contributes to otherwise preventable fraud. This work will also provide accurate statistical data to support legislative initiatives which could contribute to further reduction in serious economic and financial crime.

Risk management

With ongoing economic challenges, there are a number of external risks that need to be managed, including failure to:

- address cases that will have the biggest impacts
- respond quickly to major incidences of fraud
- align our investigative priorities with the wider enforcement priorities of the Justice sector and Government.

We also face ongoing internal operational risks, which if not addressed could impact on the delivery of our key outputs. These include:

- loss of key staff
- failure of internal management systems
- failure of information technology systems
- staff breaching standards of probity.

HOW WE WILL MANAGE THESE RISKS

We will continue to improve our risk management framework in a manner that allows us to anticipate and manage risk. The senior management roles have collective responsibility for managing risk within the organisation. The outcomes framework, with its performance measures and impact indicators, which have been developed with staff input, will monitor achievement across the life of an investigation and identify risk areas for improvements before a case is closed, or a prosecution pursued.

⁸ Small-to-medium-sized enterprises.

Other steps which will be taken include ensuring that:

- work priorities are continually referenced to both the strategic direction and performance measurement targets
- quality assurance processes are embedded within our operational work, during and at the conclusion of investigations
- a formal quality assurance review process is conducted with senior management and external Counsel following the conclusion of investigations and prosecutions, to capture opportunities for improvement and to ensure recommendations for change are implemented
- comprehensive monthly reporting to our Minister is undertaken with regard to organisational and operational priorities and progress on meeting performance targets
- regular exchanges of information are made within the Justice sector through the Justice Sector Chief Executives Forum and other working groups.

ORGANISATIONAL CAPABILITY AND PERFORMANCE

The Government's expectation of public sector agencies is to deliver improved results from the services on which New Zealanders can rely. We will primarily achieve this through our staff, collaborative relationships and use of technology.

Firstly, in a sector as specialised as ours, the skills, commitment and professionalism of our staff are key to achieving the SFO's goals and purpose. We intend to be one of the leading employers of forensic accounting, financial crime investigation and legal expertise, in order to maintain and further develop our capability. We will support and motivate our staff through leadership and a performance management framework which clearly links their activities to the wider goals of the SFO, outcomes for New Zealand and the Government's priorities.

Secondly, through greater collaboration across other law enforcement agencies and key organisations within the private sector, we can minimise duplication of effort in investigating potential fraud and bring perpetrators to account far more quickly. Through these relationships we will also raise greater awareness of the scope and impact that serious economic and financial crime has on our society.

Finally, we will look to use technology in a manner that not only enables more efficient management of cases, but also more quickly alerts us to the possibility of fraud. Complementing this, our systems and structures will be maintained to support our staff in delivering high-quality and cost-effective services.

What we are seeking to achieve and how

OUR PEOPLE

Our success in achieving our priorities within a limited budget relies on a relatively small workforce of fewer than 50 full-time equivalents, of whom 90 percent perform frontline activities of investigating and prosecuting financial crimes. Our aim is to therefore continually increase the skills and knowledge of our staff and thereby enhance our role as an industry leader in forensic accounting and investigations. We will focus on an organisational culture that aims for high performance, success, teamwork and individual development in order to meet the challenges of a rapidly changing business and political environment.

We will achieve this by:

- maintaining a performance management framework which transparently and directly links staff performance and rewards to the SFO's outcomes framework
- building management and leadership skills in defined roles and informal leadership roles within the management of individual cases
- ensuring we have a programme that continually develops technical and managerial talent in a manner which motivates high-performing staff and benefits the organisation
- making sure that our existing team is complemented by a recruitment programme which attracts the very best new talent from leading private and public sector agencies
- promoting a secondment programme which brings new skills and perspectives into the organisation and provides our staff with career development opportunities.

OUR RELATIONSHIPS AND PARTNERSHIPS

Our aim is to be the leading law enforcement agency for investigating and prosecuting serious financial crime in New Zealand. In collaborating with other agencies in the public and private sectors, we aim to minimise duplication of effort and save on public sector resources, as well as to have mechanisms to share and make use of intelligence, ensuring that investigations are effective and cost-efficient. Our core staff with highly specialised expertise will continue to build relationships across the private sector to complement their skills and resources in fraud detection, investigation and prosecution.

We will achieve this by:

- implementing memoranda of understanding with key law enforcement agencies, which will ensure seamless operational collaboration between these agencies, including co-ordination of investigations around financial corruption and bribery, secondments and resource sharing
- developing protocols with insolvency practitioners for case referrals
- continuing to develop relationships with private agencies for the disclosure of information and delegation of powers
- collaborating more frequently with regulators and law enforcement agencies at an operational level in investigating serious economic and financial crimes to develop greater intelligence
- identifying opportunities for developing systems to gather fraud intelligence and opportunities to share information and experiences.

OUR TECHNOLOGY

Our aim is to be better informed and have greater intelligence on serious economic and financial crime issues. Our software and supporting hardware infrastructure will have a level of functionality that is appropriate to the complex nature of our work. Our technology and systems will be well connected with law enforcement agencies and relevant private sector organisations in New Zealand. We will also begin to focus on closer international networks of law enforcement agencies with similar roles to that of the SFO, as serious financial crime becomes increasingly a cross-jurisdictional issue in this digital age.

We will achieve this by:

- reviewing our Information Technology Strategy annually, encompassing the capability of all IT equipment and processes to ensure that our technology can meet the changing demands of the workload being undertaken
- conducting an annual review of forensic accounting tool software available on the market, and planning for new software or upgrades to be implemented to create further efficiencies in terms of the speed and capacity for completing our investigative work
- identifying opportunities to develop information databases to share, as appropriate, existing electronic information with other agencies.

OUR COMMUNICATION

Our aim is to be viewed as a responsive and effective communicator with regard to serious financial crime in New Zealand. We will ensure that we understand what our wide variety of stakeholders expect from us and will set clear expectations on regular communication with complainants, victims and witnesses accordingly. We will promote awareness of the risks and impacts of serious financial crime with the business community, and what steps can be taken to better detect and prevent it.

We will achieve this by:

- reviewing and enhancing our Communications Strategy
- ensuring a communications plan is a part of every investigation
- conducting a survey of complainants and witnesses to identify opportunities for enhancing our communication with them
- using our website effectively to update complainants, victims and witnesses with information that is current and relevant, and which will include notification in a timely manner when key information has been updated
- identifying opportunities to run seminars with specific business sectors or industries to inform on the risks associated with fraud and other financial crimes
- releasing high-value public data for reuse in accordance with the Declaration on Open and Transparent Government, refer [CAB Min (11) 29/12].

OUR SYSTEMS AND PROCESSES

Our aim is to ensure that systems and processes support our operations in a manner that is efficient and cost-effective, while maintaining a culture of continuous improvement.

We will achieve this by:

- developing a case and resource management process, through use of project management tools, which can be used to monitor cases in a manner that enables comparisons between cases, as to both timeliness and cost-effectiveness
- continuing to focus on reviewing and refining systems and processes with newly implemented technologies, which will support the multi-disciplinary team approach to all our activities.

Measuring our progress

Table 4 lists the indicators and associated measures that will be used to check our progress towards achieving improved organisational performance.

Table 4: Indicators and measures for key capabilities

CAPABILITY	INDICATORS	TARGET	MEASURED BY
People – effective performance management	Performance management processes are embedded	90% of performance plans are completed by 30 September and 95% of appraisals are completed by 31 July of each year	Timely completion of performance plans and appraisals by SFO managers
Leadership and organisational culture	Employees' perceptions of their organisation	Employees' perceptions of SFO meet or exceed the state sector benchmark	<i>SFO Staff Engagement</i> survey
Relationships and partnerships	Partner agencies indicate satisfaction with their relationship with SFO to demonstrate effective communication and collaboration	Increase rating to 8 out of 10, from 2011/12 rating of 7.2	<i>SFO Key Stakeholders</i> survey – including law enforcement agencies and regulators
Technology, systems and processes	Effective resources made available to staff	Increasing from a baseline of 66%	<i>SFO Staff Engagement</i> survey: My Job ⁹
Communication	Communication to complainants, victims and witnesses is effective	Baseline to be established in 2012/13	<i>Complainants</i> survey completed by SFO

⁹ Question 6.3: I have the tools and resources I need to do my job effectively.

CAPITAL INTENTIONS

As a small organisation, our capital needs are modest, but critical in developing future efficiencies. No major capital investments are planned over the next three years.

Table 5: Capital intentions over next three years

	2012/13 FORECAST \$000	2013/14 ESTIMATED \$000	2014/15 ESTIMATED \$000
Information technology hardware	50	50	25
Software	50	50	25
Furniture, fittings and equipment	10	–	50
Motor vehicles	40	–	–
TOTAL	150	100	100

SOFTWARE

Minor enhancements and upgrade acquisitions to keep pace with technology developments sufficient to allow investigations to proceed with improved analysis with increasing volumes and complexity of data.

INFORMATION TECHNOLOGY HARDWARE

Purchase of additional hardware, such as laptops for new staff and providing for implementation of the general IT replacement programme.

FURNITURE AND FITTINGS

General furniture, fittings and equipment to meet ongoing operational requirements.

