
SERIOUS FRAUD OFFICE

STATEMENT OF INTENT

2011-2014

SERIOUS FRAUD OFFICE

PO Box 7124
Wellesley Street
Auckland 1141

Level 6
21 Queen Street
Auckland 1010
Ph: 0800 109 800
Fax: (09) 303 0142
Email: sfo@sfo.govt.nz
<http://www.sfo.govt.nz>

ISSN 1176-2365 (print)
ISSN 1178-508X (online)
E.40 SOI (2011)

MINISTERIAL FOREWORD

As an agency responsible for detecting, investigating and prosecuting serious financial crime, the Serious Fraud Office plays an important role in creating a safer society and a stronger economy.

The Office works closely with other law enforcement agencies to ensure that New Zealand has a low rate of crime and corruption, and that New Zealand's reputation as a safe place to invest and conduct business is enhanced.

Having made significant progress in repositioning its operations, the Office is well placed to contribute to the Government's strategic objectives of building a strong economy and raising the standard of living for all New Zealanders, and achieving greater efficiency and better results from public services.

Greater collaboration with other law enforcement and regulatory agencies will drive these outcomes. The Serious Fraud Office will focus on investigations that are most likely to reduce the occurrence and impact of financial crime on the economy, and share its acknowledged forensic accounting capabilities across the sector.

The Office will not only continue its process of operational improvement, but will contribute to work across the wider enforcement sector to ensure that every law enforcement dollar delivers results and gives the public and investors confidence that those who commit serious financial crime will be held to account.

This Statement of Intent outlines new ideas for the Serious Fraud Office in the next three years which I believe will demonstrate how the Office is responding to the immediate law enforcement challenges facing New Zealand, as well the longer-term Government goals.



HON. JUDITH COLLINS


Minister Responsible for the Serious Fraud Office

TABLE OF CONTENTS

Ministerial Foreword	1
Introduction from the Chief Executive	5
NATURE AND SCOPE OF FUNCTIONS	6
STRATEGIC DIRECTION	
Contribution to Government's goals	7
Outcomes and Impacts	7
Serious Fraud Office Outcomes Framework 2011-2014	8
OPERATING INTENTIONS	
Outcome One: A confident business environment that is largely free of financial crime	9
Outcome Two: A safe and just society that is largely free of fraud and corruption	11
Working with other agencies	13
Measuring achievement	14
MANAGING IN A CHANGEABLE OPERATING ENVIRONMENT	
Operating context	16
Risk management	17
ASSESSING ORGANISATIONAL HEALTH AND CAPABILITY	
What we are seeking to achieve and how	18
Measuring our progress	20
CAPITAL INTENTIONS	21

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. JUDITH COLLINS

Minister Responsible for the Serious Fraud Office

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 2011



VICTORIA CURREY

General Manager Corporate Services
May 2011

INTRODUCTION FROM THE CHIEF EXECUTIVE

In January 2011, the UK National Fraud Authority published its Annual Fraud Indicator which placed the annual cost of fraud in the UK at over NZ\$80 billion. The Authority made the observation that “In this time of austerity, it is money we can ill afford to lose.”

It would be alarmist to say that New Zealand faces a problem of the same scale. Equally, it would be unwisely complacent to assume we do not have a significant problem with fraud. New Zealand has not had the depth and breadth of academic study and policy research in the drivers and cost of financial crime, that has occurred in recent years in many other countries. Without such research, we can only assume that the emerging issues and scale of fraud being experienced internationally is affecting the New Zealand economy in a broadly comparable manner. And, like the UK, it is a loss that New Zealand cannot afford.

The primary goal of the SFO last year was to put in place new operational foundations which would support the longer-term goals of positively contributing to justice and economic growth. Undertaking high-quality and timely investigations and prosecutions will always be at the core of what we do. However, this Statement of Intent signals a desire to widen our focus.

We will be looking to collaborate more effectively across the public sector in two particular areas. Firstly, we will work with other regulators and law enforcement agencies to identify opportunities to more effectively combine our collective skills, powers and resources to achieve results which are both cost-effective and deliver a stronger sense of justice to the victims of those crimes. Secondly, at a more strategic level, we will work with those same agencies to develop a better-informed perspective on the types and scale of serious financial crimes that are being committed in New Zealand. With improved data and intelligence, we can not only fight crime more effectively, we can identify future policy options that may reduce the incidences of major frauds, and with it the negative impact it has on the economy.

The SFO is committed to implementing the initiatives identified, and looks forward to working with other agencies in meeting the Government's justice and economic priorities.



ADAM FEELEY

Chief Executive and Director
May 2011

NATURE AND SCOPE OF FUNCTIONS

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

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

- investigations
- prosecutions
- contribution to policy development
- advisory work on fraud prevention, awareness and education.

This work includes the investigation and prosecution of instances of bribery and corruption, in particular of public officials. Our work does not include 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 public and economy. 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 to other Justice sector agencies including the Police, Ministry of Justice and Crown Law Office, as well as other agencies such as the Office of the Auditor General, Ministry of Economic Development, Financial Markets Authority (previously the Securities Commission) and the Commerce Commission.

STRATEGIC DIRECTION

CONTRIBUTION TO THE GOVERNMENT'S GOALS

The Government has two key goals¹ throughout the term of this Statement of Intent, which are:

- building a strong economy, based on real enduring growth, which will provide New Zealanders the jobs, improved incomes and improved living standards they desire and deserve
- building better results for less from our public services and therefore improving the lives and wellbeing of New Zealanders, helping solve social problems and improving the prospects of the next generation.

We contribute to these goals by focusing on investigations that are most likely to reduce the occurrence and impact of serious fraud on the economy and its victims. With the largest public sector resources in forensic accounting, we are the lead law enforcement agency for investigating and prosecuting serious and complex financial crimes. However, we seek to carry out this role by actively collaborating with other law enforcement and regulatory agencies.

OUTCOMES AND IMPACTS

Our activities contribute towards the Justice sector outcome with a focus on 'a safe and just society' and the economic development outcome with a focus on 'dynamic and trusted markets'. Within this context we have identified two strategic outcomes specific to the Serious Fraud Office functions.

- **A confident business environment that is largely free of serious financial crime.**
- **A safe and just society that is largely free of fraud and corruption.**

To achieve these outcomes, our primary activities are to investigate and prosecute instances of serious financial crime. Because of our expertise in such matters, our secondary activities include contributing to policy development 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 measure the progress of the impacts to ensure our activities remain targeted.

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

- business and investor confidence 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 has increased
- New Zealand maintains its international reputation for very low levels of corruption and bribery.

¹ Address to Parliament, Rt Hon John Key, Prime Minister, 8 February 2011.

SERIOUS FRAUD OFFICE OUTCOMES FRAMEWORK 2011-2014

CAPABILITY	OUTPUTS	RESULTS	IMPACTS	OUTCOMES	GOVERNMENT PRIORITIES
PEOPLE	Investigations	Financial crimes being detected earlier, thereby minimising the impacts on the economy and victims	Business and investor confidence is increased	A confident business environment that is largely free of serious financial crime	STRONG AND ENDURING ECONOMY BETTER, SMARTER PUBLIC SERVICES, FOR LESS
		Improved level of corporate responsibility by businesses ensuring their systems are designed to prevent and detect fraud			
	Prosecutions	Better use of public sector resources and intelligence ensuring that investigations are cost-effective	The regulatory environment minimises the risks and impacts of financial crime		
		Policies being developed which take into account the changing nature, scale and impact of financial crime in New Zealand			
CONTRIBUTION TO POLICY DEVELOPMENT	Advisory work on fraud prevention, awareness and education	Conviction rates and sentencing levels deterring future offending	Public and victims' confidence that those who commit financial crime are held to account has increased		
		Public awareness being raised as to the impact of financial crime on society			
BUSINESS IN NEW ZEALAND CONDUCTED IN AN HONEST AND TRANSPARENT ENVIRONMENT	An efficient and effective open market being maintained	Business in New Zealand conducted in an honest and transparent environment	New Zealand maintains its international reputation for very low levels of corruption and bribery		

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 little empirical data in New Zealand regarding the scope and economic impact of financial crime in New Zealand. However, overseas data illustrates how pervasive and damaging fraud is to an economy. In the UK, the annual cost of fraud is estimated by the National Fraud Authority at £38 billion. It has been estimated that a sustained targeting of public sector fraud could reduce that figure by 30 percent over a three year period².

Because of the economic impacts of fraud, our work is also linked to the economic development outcome. The occurrence of fraud is an immediate and significant drag on the economy and concerns over the potential for fraud, 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 is increased
- the regulatory environment minimises the risks and impacts of financial crime.

BUSINESS AND INVESTOR CONFIDENCE IS INCREASED

We will conduct investigations and prosecutions where there has been significant impact on the business sector, the number of victims and the economy as a whole.

THE FOCUS OF OUR WORK WILL BE:

- conducting high quality investigations within cost-effective timeframes
- collaborating more regularly with insolvency practitioners for sharing information, detecting crimes and effectively concluding investigations
- ensuring swift and publicly visible enforcement action and promoting fraud prevention awareness.

THIS WILL RESULT IN:

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

² *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 policy development 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 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 projects such as: ‘Strengthening New Zealand’s resistance to Organised Crime’, the Review of State Prosecution Agencies, the Criminal Procedure Simplification project and the reforms to securities law arising from the Capital Market Development Taskforce report and the establishment of the Financial Markets Authority
- developing a framework for a National Fraud Strategy
- developing systems across all regulators and law enforcement agencies who investigate fraud and corruption in order to identify opportunities to capture fraud intelligence and share information and experiences
- developing options for alternative responses to punishing and deterring financial crimes.

THIS WILL RESULT IN:

- better use of public sector resources and intelligence ensuring that investigations are cost-effective
- 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 that 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

IMPACTS	INDICATORS	MEASURED BY
Business and investor confidence is increased	The percentage of those that say that they have experienced some sort of economic crime in the last 12 months declines from 45% ³ and NZ’s ranking improves from 8, for those countries surveyed	Global Economic Crime survey conducted by PricewaterhouseCoopers
	New Zealand maintains or improves its position from a ranking of 19 in 2009 on the Capital Access Index	Milken Institute Access Index ⁴ <i>Improved access to capital is an indication that there is confidence in the business environment</i>

³ In 2009, New Zealand’s response was 45% as compared to the global average of 30%.

⁴ Milken Institute is a non-partisan independent economic Think Tank based in the USA.

OUTCOME TWO: A SAFE AND JUST SOCIETY THAT IS LARGELY FREE OF FRAUD AND CORRUPTION

A justice system which is effective, fair, impartial and responsive not only creates a safe and just society, but will also contribute to economic stability and future growth. Investors, from large companies to individuals, and businesses themselves, want to know that the rule of law will be applied impartially if fraud, bribery or corruption is detected. This will give them confidence that if serious financial crime is detected, 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 has 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 HAS INCREASED

A major contributing factor to 'a safe and just society', is that individuals who are apprehended and found guilty of committing financial crime, are held to account for their offending and victims' rights are recognised. We cannot determine sentencing levels. However, it is important that we investigate cases which are of a scale and impact on victims that, if convictions ensue, are likely to attract significant sentences as a starting point. This recognises the rights of the victim in a non-violent crime are being taken seriously. Though we do not have direct control over whether a custodial sentence⁵ is imposed, it acts as a marker for us in ensuring that our criteria for identifying high impact cases are effective. Custodial sentences for serious financial crime reinforces the public view that the crime has been taken seriously, thereby deterring future offending.

THE FOCUS OF OUR WORK WILL BE:

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

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.

⁵ A custodial sentence is where a prison term results.

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

Corruption and bribery significantly disrupts 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:

- working with the State Services Commission and Office of the Auditor General to promote effective frameworks for preventing and identifying fraud, bribery or corruption within the public sector
- conducting swift and effective investigations into corruption and bribery which maintains public confidence in the integrity of 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 safe and just society that is largely free of fraud and corruption*, over the next three years.

Table 2: Indicators and measures for Outcome Two

IMPACTS	INDICATORS	MEASURED BY
Public and victims' confidence that those who commit financial crime are held to account has increased	Frequency of custodial sentences being ordered where a conviction was obtained. Target 75% of cases	Annual analysis, including trends compiled by SFO
	Victims of financial crime perceive that perpetrators are held to account as a result of the actions conducted by the SFO. <i>Baseline to be established in 2011/12</i>	Survey of victims of financial crime cases conducted by the SFO <i>A new survey to be implemented in 2011/12 and then conducted annually</i>
New Zealand maintains its international reputation for very low levels of corruption and bribery	New Zealand remains ranked within the top three corruption-free nations	Transparency International Corruption Perception Index ⁶

⁶ Transparency international is a non-partisan global network based in Brussels.

WORKING 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. The table below summarises our key relationships.

KEY RELATIONSHIP	FOCUS OF RELATIONSHIP
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.
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.
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 Economic Development	Improving public sector procurement processes in a manner that minimises the risks of fraud and corruption.
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.
Ministry of Justice	Developing suitable policy responses to serious financial crime and corruption.
Office of the Auditor General	Maintaining public sector integrity through improved processes for preventing and detecting fraud.
Police	Effective sharing of information and resources with respect to cases of common interest regarding (a) matters investigated by OFCANZ ⁷ , (b) matters relating to the recovery of proceeds of crime (and civil forfeiture) and (c) matters of bribery and corruption arising from New Zealand obligations from the UN Convention Against Corruption and the OECD ⁸ Working Party on Bribery.

⁷ Organised and Financial Crime Agency of New Zealand.

⁸ 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 and maintain a well-defined set of performance measures against which the overall quality of our work can be measured. The *Information Supporting the Estimates of Appropriation* within Vote Serious Fraud, Justice Sector portfolio, Budget 2012, includes the targeted level of activity and the performance measures for 2011/12.

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

QUALITY:

THROUGH QUALITY ASSURANCE OF ACTIVE AND CONCLUDED CASES

We will demonstrate our commitment to ensure 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 (SFO prosecution panel members), both during and at the end of an investigation. External Counsel provide independent advice based on a wide range of experience with regard to the presentation of evidence and recommended sentencing if a guilty plea results. Reviews will include oral feedback and written recommendations to be considered in order to improve policies and/or processes in order to lift our 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:

THROUGH SETTING CLEAR EXPECTATIONS ON TIME TAKEN TO COMPLETE KEY ACTIVITIES

We will establish clear expectations to the public on the timeliness of processing a complaint and progress and complete on any subsequent investigation. We recognise that an investigation is a long process made up of several key phases, but that there is an interest in an end result that is timely, as well as effective.

SCALE AND IMPACT:

THROUGH DEMONSTRATING THAT CASES INVESTIGATED ARE THOSE WHICH WILL MAKE THE BIGGEST DIFFERENCE

We will ensure that effective criteria is 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 with enhanced confidence in the effectiveness of law enforcement.

VISIBILITY:

THROUGH INCREASED 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, ensuring 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:

THROUGH CONTINUALLY IDENTIFYING WAYS OF DOING MORE WITH LESS

Proving greater value-for-money 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 more 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 that we are working within and how our activities meet these opportunities and challenges. These factors 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' costs, ensuring the greatest possible results are achieved, using the least amount of money. We will be looking 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 in this regard for the coming year will be seeking to share our specialist resources with other agencies to ensure that there is limited duplication of costs with respect to law enforcement work.

ECONOMIC

In the short term, 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 change in 2012 as rebuilding gets fully underway, it is apparent that business confidence has been affected and liquidity for many companies will remain a problem 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. 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.

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 to not only 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 need to continue forging effective law enforcement relationships both with the Police and through their international networks, as well as building our relationships with equivalent law enforcement agencies around the world.

FRAUD DATA AND INTELLIGENCE

During the 2010 calendar year, we investigated serious financial crimes involving over NZ\$1.4 billion of losses. Yet still, the true cost of fraud in all its forms is not well-understood in New Zealand.

In order to effectively reduce financial losses through fraud, we must first understand where and how it is occurring. Accordingly, this year we will seek to advance our 'fraud landscaping project' which aims, to ensure that our resources are being applied to the greatest possible effect. 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.

Coupled with defining the scope of fraud, we will assist in identifying the enablers of fraud and corruption which will provide the basis for the design and implementation of targeted preventative action. Anecdotal evidence suggests a lack of proper governance practices in New Zealand's SMEs⁹ contributes to otherwise preventable fraud. This work will also provide accurate statistical data to support legislative initiatives which could contribute to further reduction in 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
- failure to respond quickly to a major incidences of fraud
- failure to 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 new organisational structure implemented in 2010 ensures that the senior management roles have collective responsibility for progressing the strategy. The outcomes framework and performance measures, which have been developed with staff input, will monitor achievement across the life of an investigation and identify risk and areas for improvements before a case is closed or a prosecution pursued.

Other steps which will be taken include ensuring that:

- work priorities are continually referenced to both the strategic direction and performance measures
- quality assurance processes are embedded within our operational work, during and at the conclusion of investigations
- implementing a formal quality assurance review with internal senior management and external Counsel (SFO prosecution panel members) following the conclusion of investigations and prosecutions to capture opportunities for improvement
- comprehensive monthly reporting to our Minister on organisational and operational priorities and progress on meeting performance targets
- regular exchanges of information within the Justice sector through the Justice sector Chief Executive forum.

⁹ Small to medium sized enterprises.

ASSESSING ORGANISATIONAL HEALTH AND CAPABILITY

In a sector as specialised as ours, the skills, commitment and professionalism of our staff are key to achieving our goals and purpose. We seek 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. Complementing this, our systems, structures, tools and equipment will be continually reviewed to support our staff in delivering high-quality, efficient and cost-effective services. We support and motivate our staff through leadership and a performance management framework which clearly links their activities to the wider goals of the Serious Fraud Office, outcomes for New Zealand and the Government's priorities.

WHAT WE ARE SEEKING TO ACHIEVE AND HOW

OUR PEOPLE

Our aim¹⁰ is to increase the skills and knowledge of our staff and management through enhancing 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:

- implementing a performance management framework effective as of 1 July 2011, which transparently and directly links staff performance and rewards to the SFO's outcomes framework
- ensuring we have a programme that continually develops technical and managerial talent in a manner that motivates high-performing staff and benefits the organisation
- ensuring that our existing talent is complemented by a recruitment program that attracts the very best new talent from leading private and public sector agencies
- implementing 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 aim¹¹ is to be the lead law enforcement agency for investigating and prosecuting serious and complex financial crime. Using our core of highly specialised expertise, we will maintain strong operational and strategic relationships with key public sector agencies. We will continue to build relationships across the private sector and look to complement their skills and resources in fraud detection, investigation and prosecution.

WE WILL ACHIEVE THIS BY:

- implementing as at 1 July 2011, a memorandum of understanding between the SFO and Police, which will ensure seamless operational collaboration between the two 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

¹⁰ This work contributes to the Employer of Choice State Services development goal.

¹¹ This work contributes to the Accessible and Trusted State Agencies State Services development goals.

- collaborating more regularly with regulators and law enforcement agencies at an operational level investigating financial crimes to develop greater intelligence
- identifying opportunities for developing systems to gather fraud intelligence and opportunities to share information and experiences.

OUR SYSTEMS AND PROCESSES

Our aim¹² is to ensure that systems and processes support our operations in a manner that is efficient and cost-effective, whilst 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
- embedding the open plan working environment in a manner that promotes more effective communication and further develops the multi-disciplinary team approach to our work.

OUR TOOLS AND INFRASTRUCTURE

Our aim¹³ is to be better informed and have greater intelligence on 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 systems will be well connected externally with law enforcement agencies and relevant private sector organisations.

WE WILL ACHIEVE THIS BY:

- completing a review of all IT equipment and processes, which will include documenting a plan that sets out how IT capability will be developed to reach an optimal level which supports all staff in delivering outputs effectively
- upgrading our computer forensic tools to increase the speed and capacity of our investigative work
- identifying opportunities to develop information databases to share existing electronic information with other agencies.

OUR COMMUNICATION

Our aim¹⁴ is to be viewed as a responsive and effective communicator with regard to serious financial crime in New Zealand. We will ensure that there is regular communication with complainants, victims and witnesses of this type of crime. We will promote awareness of the risks and impacts of serious financial crime, and what steps can be taken to better detect and prevent it.

WE WILL ACHIEVE THIS BY:

- reviewing and enhancing our Communications Strategy
- using our website effectively to update complainants, victims and witnesses with information that is current and relevant, 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.

¹² This work contributes to the Value-for-money State Services development goal.

¹³ This work contributes to the Co-ordinated State Agencies State Services development goal.

¹⁴ This work contributes to the Trusted State Agencies State Services development goal.

MEASURING OUR PROGRESS

To monitor that we are making progress in developing our organisation across the five capacity areas, we have identified some key deliverables in 2011/12.

CAPABILITY	INDICATORS	MEASURED BY
People	Performance management processes are embedded	90% of performance plans are completed by 30 Sept and 95% of appraisals are completed by 31 July of each year
Relationships and partnerships	Partner agencies indicate satisfaction with their relationship with SFO	Establish an annual survey of key law enforcement agencies, regulators and other partners that demonstrate that we work in a collaborative manner by 30 June 2012
	Memorandum of Understanding with Police signed	31 July 2011
Systems and processes	Case and resource management process implemented	31 March 2012
Tools and Infrastructure	Forensic tool upgrade completed	31 December 2011
	IT review completed	31 December 2011
Communication	Review of Communications Strategy completed	30 September 2011

CAPITAL INTENTIONS

As a small organisation, our capital needs are modest, but critical in developing future efficiencies. The investment in 2011/12 reflects the final phase to the upgrade of systems and office configuration, following an organisational review implemented in June 2010. These changes were necessary to meet the Government's expectations on delivery of investigations and prosecutions of serious financial crime.

THE FOLLOWING TABLE SETS OUT OUR CAPITAL INTENTIONS FOR THE NEXT THREE YEARS

	2011/12	2012/13	2013/14
	FORECAST \$000	ESTIMATED \$000	ESTIMATED \$000
Leasehold improvement	225	–	–
Information technology hardware	40	50	100
Software	113	50	50
Furniture and equipment	–	50	–
Total	378	150	150

LEASEHOLD IMPROVEMENTS

This investment includes a budget for possible expansion of floor space which supports the open plan working environment.

SOFTWARE

This investment is the completion of an upgrade to our forensic accounting tools software which began in 2010/11. This software interrogates and processes virtually any unstructured data set (such as emails, hard disks etc), indexes the results and makes them available for immediate analysis. It will provide our investigators with the ability to process and analyse a greater volume of data, and thereby improve the timeframes in which an investigation can be completed.

INFORMATION TECHNOLOGY HARDWARE

IT infrastructure will be outsourced where it best manages our costs and risks. Appropriate investment will be made in security and in organisation-wide PC and mobile devices that support the 'roaming' nature of our investigative functions.

