



SFO 
SERIOUS FRAUD OFFICE
Te Tari Hara Taware

ANNUAL REPORT 2012

SERIOUS FRAUD OFFICE

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CHIEF EXECUTIVE'S OVERVIEW

In December 2009, the Government indicated its desire to rebuild the capabilities of the Serious Fraud Office (SFO). A little more than two years on, we end the financial year significantly reinvigorated, with many of the goals that were set having been achieved. We have increased capacity, developed more effective working relationships with both government agencies and the business community and delivered some outstanding results. All of this helps ensure that the public has greater confidence in our financial markets and the administration of justice.

The year has again been noteworthy for the growing volume of matters handled, with a six percent increase in complaints received and an 18 percent increase in investigations commenced. The total losses involved, with all companies and individuals charged during the year, were over \$2.2 billion – a figure which underscores the importance of the SFO's work.

One of the most significant operational milestones for the year was the completion of the investigation into South Canterbury Finance. This is the largest fraud case of its kind in New Zealand history, with 21 charges laid against five individuals totalling approximately \$1.8 billion. The resulting trial is likely to be unprecedented in its complexity, scale and resource demands. We also secured finance company related convictions in respect of Belgrave Finance, Bridgecorp, Capital + Merchant Finance, Five Star Finance and National Finance. Charges were laid in respect of Dominion Finance and Rockforte Finance as well.

Yet the work of the SFO this year has been much broader than finance companies. This diversity is reflected in the range of fraud allegations we have investigated, which included foreign exchange, gas supplies, gold bullion, IT services, charities, insurance, farming, construction, the motor vehicle trade and medical services. The frauds involved also varied enormously in type. We have charged persons with bribery, conspiracy, accepting secret commissions, attempting to pervert the course of justice, theft in a special relationship, dishonestly taking or using a document, obtaining by deception, false statements and false accounting.

All of this emphasises the extent to which undetected fraud can undermine, and is undermining, New Zealand's

economic success. Whether it is individuals siphoning secret commissions from shareholders' profits, or investors fleeing from capital markets because of distrust in those who promote investment schemes, or systemic fraud within an industry sector, all frauds are crimes against our economy and, as such, affect us all.

Recognising the scope and scale of this problem is fundamental to more effectively detecting and preventing further damage to our economy. In the past year, SFO staff have worked with a range of other agencies to develop the first comprehensive estimate of the cost of economic crime in New Zealand. The Ministry of Justice will be co-ordinating the results of this and related work in 2012/13 as part of its policy work on strengthening New Zealand's resistance to organised and financial crime.

While progressing good policy development in the fight against financial crime is important, the SFO's core business remains preventing, detecting, investigating and prosecuting such crimes. To do this successfully, we need to raise public awareness of the impact of fraud and help develop prevention strategies. We have been encouraged by surveys conducted during the year which indicate that 97 percent of New Zealanders agree that the work of the SFO helps bring integrity to our financial markets.

Over the course of the year, we have steadily shifted our emphasis from the 'clean-up' of the collapse of

“ All frauds are crimes against our economy and, as such, affect us all.”

finance companies to tackling emerging threats of fraud. With over \$30 billion estimated to be invested in the rebuild of Christchurch, it is essential that there is public confidence in the ability of law enforcement agencies both to prevent fraud and to quickly respond to it when it does occur. During the latter part of the year, the SFO began developing a *Financial Crime Prevention and Intervention Strategy* in concert with the Police, Canterbury Earthquake Recovery Authority (CERA) and other agencies. The strategy will be completed as a priority in 2012/13 and it is likely that the SFO's resources will be increasingly targeted at this work.

Much of the success of this strategy will rely on good relationships and a public profile which encourages tip-offs from industry sources and ethically minded whistle-blowers. As fraud is a crime which, by definition, involves deceit and cover-ups, we rely on members of the public who are prepared to take a moral stand against fraud. The role of the Chief Executive of Datasouth, who contributed to the conviction and eight years' imprisonment in May 2012 of its Managing Director, Gavin Bennett, for a \$103 million fraud, illustrates the critical part that the public plays in our work.

Effectively fighting financial crime is no longer limited to within New Zealand's national borders. In the past year, we have worked with agencies on investigations in Bahrain, Switzerland, Panama, the United States, the United Kingdom and the Cook Islands, to name but a few. The joint investigation with the Hong Kong Independent Commission Against Corruption (ICAC) into the Natural Dairy bid for the Crafar farms was a particular highlight. The resulting charges laid against May Wang and Jack Chen will see SFO staff give evidence in a Hong Kong trial, and signals a growing trend in major international fraud investigations.

During the year, we concluded memoranda of understanding with the Police and the Financial Markets Authority (FMA). While these formalities have their value in terms of providing a framework for better co-ordinating law enforcement, it is the practical

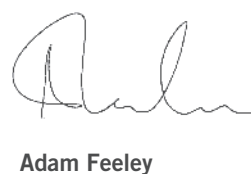
“ 97 percent of New Zealanders agree that the work of the SFO helps bring integrity to our financial markets.”

implementation of them which delivers real value in terms of more efficient use of public resources and more effective law enforcement outcomes. The past year has seen us jointly work on 20 investigations with the Department of Internal Affairs, ICAC, the Commerce Commission, Police, FMA, the Ministry of Business, Innovation and Employment (formerly the Ministry of Economic Development), the Inland Revenue Department, Cook Island authorities and the UK Serious Fraud Office.

As always, it is essential that I pay tribute to the dedication of the external Panel Counsel, who provided us with insightful legal advice and good judgement throughout the year. Along with many others from various professions and industries, the Panel members are part of the wider SFO network that helps ensure our continued successes.

I would also like to acknowledge the support for our work from both the Ministers who have had responsibility for the SFO during the year – the Hon Judith Collins and current Minister, the Hon Anne Tolley.

Finally, to the SFO staff, thank you for a year of hard work and many successes. Your collective talent and commitment throughout the year leaves the SFO well placed to continue to play a central role in the fight against financial crime.



Adam Feeley
Chief Executive



ACHIEVEMENTS AT A GLANCE

RECORD NUMBERS

465 complaints

40 new investigations

40 individuals charged

\$2.2+ BILLION of fraud charged

**SOUTH CANTERBURY FINANCE AT
\$1.8 BILLION** becomes New Zealand's
largest-ever fraud

CHARGES AND CONVICTIONS

**EIGHT FINANCE
COMPANIES**

CHARGED AND/OR CONVICTED:

South Canterbury Finance
Bridgecorp (charged May 2010)
Capital + Merchant Finance
Five Star Finance
Dominion Finance
Belgrave Finance
National Finance
Rockforte Finance

**OTHER
'SUPER-FRAUDS'**

CHARGED:

Lane Walker Rudkin (\$118M)
Datasouth Finance (\$103M)

KEY STATISTICS

44,772
DOCUMENTS

scanned as evidence

112 ITEMS

taken to the New Zealand
Customs lab for forensic analysis

24,960
WORKING HOURS

spent investigating finance
companies

86%

investigations completed
within timelines

95%

cases securing
custodial sentence

100%

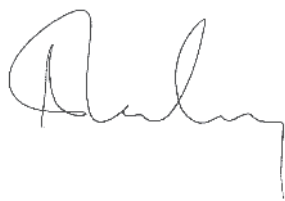
conviction rate

4.3 YEARS

average imprisonment sentence

FOREWORD

In accordance with section 44 (1) of the Public Finance Act 1989, I submit the following report on the operations of the Serious Fraud Office for the period 1 July 2011 to 30 June 2012. This includes the audited financial statements in Part 3 of this report.



Adam Feeley
Chief Executive

ROLE OF THE SERIOUS FRAUD OFFICE

The Serious Fraud Office (SFO) was established as an operational department through the Serious Fraud Office Act 1990 (the Act), as a specialist law enforcement agency whose purpose is to detect, investigate and prosecute New Zealand's most serious and complex financial crimes. The work of the SFO contributes to the wider justice outcome of safer communities where there is reduced crime, and the economic outcome of increased confidence and participation in New Zealand's financial markets.

The Serious Fraud Office administers Vote: Serious Fraud, and the Minister of Police is responsible for its financial performance.

INDEPENDENCE OF THE DIRECTOR

It is an important constitutional principle in New Zealand that decisions by law enforcement agencies on the investigation and prosecution of individuals should not be subject to political control or direction. Therefore, all the SFO's operational decisions are made without ministerial direction. Section 30 of the Act provides that *"in any matter relating to any decision to investigate any suspected case of serious or complex fraud, or to take proceedings relating to any such case or any offence against this Act, the Director shall not be responsible to the [responsible Minister], but shall act independently"*.

POWERS OF THE SERIOUS FRAUD OFFICE

The complexity of financial crimes and the sheer volume of documentary evidence associated with investigations create enormous challenges for a law enforcement agency. For this reason the SFO has particular statutory powers to compel the production of documents and to require witnesses or suspects to answer any question put to them. These powers, although coercive, are an essential tool in uncovering evidence of fraud but also ensure that any witness is relieved of any liability for otherwise unlawful disclosure of evidence. For this reason by far the most frequent use of coercive powers is at the request of an otherwise willing witness. Appendix 4 summarises the instances in which the SFO has used these powers as part of its investigative role.

PART 1:
STRATEGIC CONTEXT AND
KEY ACHIEVEMENTS

STRATEGIC CONTEXT

In our 2011-2014 Statement of Intent (SOI), we outlined how, as a law enforcement agency, we could be effective in contributing to the Government's long-term goals of building a more competitive and internationally focused economy, as well as maintaining the integrity of the legal system. This Annual Report highlights our key achievements in 2011/12 against the SOI and demonstrates how our activities delivered results to our intended areas of impact.

→ **Economic focus:** A confident business environment that is largely free of serious financial crime.

→ **Justice focus:** A safe and just society that is largely free of fraud and corruption.

This Annual Report also outlines:

- the number and types of investigations and prosecutions undertaken
- the management of these activities in terms of timeliness, quality and cost-effectiveness

- the nature of our relationships and partnerships across New Zealand and internationally
- the scope of work undertaken to identify and raise awareness of the scale of serious financial crime and the impact it has on the New Zealand economy.

OUR IMPACT AND STATISTICS

OUR ACTIVITIES AIM TO IMPACT IN FOUR KEY AREAS:

- increasing business and investor confidence
- increasing public confidence that those who commit financial crime are held to account
- minimising the impact of financial crime on the regulatory environment
- maintaining New Zealand's international reputation for low levels of corruption.

The relationship between the identified impact areas and the activities we undertake is not linear. Table 1 demonstrates how our activities in 2011/12 delivered results with many and varied impacts. Key achievements for the year across our activities of investigations, prosecutions, relationship management and contribution to policy advice and their impacts are outlined in this section.

TABLE 1: KEY ACHIEVEMENTS WITHIN SERIOUS FRAUD OFFICE OUTCOMES FRAMEWORK 2011–2014

KEY ACHIEVEMENTS	CAPITAL + MERCHANT FINANCE CHARGES & CONVICTIONS	SOUTH CANTERBURY FINANCE CHARGES	MOU WITH POLICE & FMA	NATURAL DAIRY INVESTIGATION & CHARGES	VICTIMS OF FINANCIAL CRIME SURVEY	DATASOUTH FINANCE CONVICTION & SENTENCING	NATIONAL FINANCE CONVICTION & SENTENCING	ROCKFORTE FINANCE INVESTIGATION & CHARGES
RESULTS	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					✓		
	Better use of public 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							
	Conviction rates and sentencing levels deterring future offending	✓				✓	✓	
	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				✓			
IMPACT	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				✓			

Monitoring impact indicators

In our 2011-2014 Statement of Intent we identified a number of indicators to monitor our progress towards desired outcomes. These indicators, along with information shared across our New Zealand and international networks, help us to constantly assess the effectiveness of our strategies and to keep them current and relevant as the business environment changes.

BUSINESS AND INVESTOR CONFIDENCE IS INCREASED

In the past, we have assessed business confidence by monitoring New Zealand's position on the Capital Access Index produced by the Milken Institute.¹ New Zealand had a ranking of 19 out of 122 countries in 2009. We would expect New Zealand to maintain or improve this position. In recent years this survey has not been updated, but the Institute has confirmed that they have now completed a new index. This is to be called the Opportunity Index with the aim to rank countries in terms of their attractiveness for foreign direct investment. The index will include a number of components that will relate to transparency, quality of governance and regulation, and rule of law. It will therefore continue to provide us with a useful benchmark on business confidence as it relates to law enforcement and the rule of law. The index ratings are due to be published in early December 2012.

1. The Milken Institute is a non-partisan independent economic Think Tank based in Washington DC, USA.

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

We have chosen two indicators to monitor progress with regard to confidence: an analysis of custodial sentences ordered where a conviction was obtained and a survey of victims on their perceptions regarding the SFO's actions.

→ SENTENCING ANALYSIS

Custodial sentences, particularly significant terms of imprisonment, meet a public expectation of a punishment appropriate to the offence. Serious punishments for serious frauds therefore help ensure public confidence in the legal system and provide a sense of justice to those defrauded. Our analysis of sentences for serious financial offending (refer to the 'Prosecutions and sentencing' section, page 16) demonstrate a general upward trend in the percentage of both custodial and imprisonment sentences ordered.

→ VICTIMS OF FINANCIAL CRIME SURVEY

In June 2012, we ran our first survey with victims of financial crime with two focus areas:

- confidence level of 'those who commit financial crime are held to account', has increased
- the level of satisfaction with our communication regarding our investigations and prosecutions.

The survey provides us with a benchmark against which we can measure improvements in future years. Details of the baseline results are outlined in the 'Working with others' section on page 23.

New Zealand's largest-ever fraud prosecution

SOUTH CANTERBURY FINANCE

Result:

- Better use of public resources and intelligence ensuring that investigations are cost-effective.

Impact:

- Business and investor confidence is increased.
 - Public and victims' confidence that those who commit financial crime are held to account has increased.
-

South Canterbury Loan and Finance (later to become South Canterbury Finance (SCF)) was established in Timaru in 1926. Initially its business was providing small loans to local businesses and households. In 1965, Allan Hubbard became one of its Directors and it subsequently grew to be one of New Zealand's largest finance companies, with a broad investment portfolio including commercial properties across New Zealand and abroad.

SCF was placed into receivership on 31 August 2010 at the request of its Directors following well publicised liquidity problems. It owed creditors approximately \$1.8 billion. The company participated

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

Potential investors, foreign or domestic, see corruption and bribery as an 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 to support economic growth.

Our indicator of success in this area is the Transparency International Corruption Perception Index.² The CPI is a means of measuring perception of New Zealand's level of public sector corruption and bribery. The 2011 survey had New Zealand maintaining its 2010 ranking as being perceived to be the least corrupt nation.³

While this continues to be an encouraging result, it needs to be recognised that perceptions change. Increased law enforcement efforts in this area, particularly in detection and investigation of foreign corrupt practices, may result in new prosecutions. While this may have a negative impact on public perceptions in the short-term, the long-term benefit will be greater public confidence in the priority given to this issue.

2. Transparency International is a non-partisan global network, head-quartered in Brussels, which aims to reduce global corruption through a variety of initiatives (see www.transparency.org/whoweare/organisation).

3. In 2010, New Zealand was jointly ranked as the least corrupt nation with Denmark and Singapore.

in the Crown Retail Deposit Guarantee Scheme and consequently no losses were suffered by investors. The loss to be borne by the Crown is undetermined.

The SFO commenced an investigation in October 2010. Given the scale of the SCF collapse, it wasn't feasible or productive for the SFO to carry out an investigation into all aspects of the failure. Instead, the focus was on specific large transactions which the SFO considered may have been fraud on the investors in SCF and/or the Crown (as the guarantor of the investors' funds).

In December 2011, 21 charges were laid against five individuals: Edward Oral Sullivan (Director), Robert Alexander White (Director),

Lachie John McLeod (Chief Executive), Graeme Robert Brown (Chief Financial Officer) and Terrance William Hutton (Company Accountant). The charges alleged a variety of offences, including theft by a person in a special relationship, obtaining by deception, false statements by the promoter of a company and false accounting.

No date has yet been set for the trial.

“The collapse of South Canterbury Finance was one the most significant of all the failed finance companies. The value of the fraud alleged to have been committed exceeds anything in the history of white-collar crime in New Zealand, and the time we have taken to complete this matter is a reflection of that scale.”

SFO MEDIA RELEASE.

COMPLAINTS

We continue to receive a growing volume of complaints. This is in part a reflection that we are becoming increasingly better connected with other agencies and trusted by the wider business community. This year we have developed increasingly effective processes to filter out complaints which do not meet our thresholds. This has ensured that the Fraud Detection and Intelligence team can undertake a fuller evaluation of those cases which appear to raise the greatest public concerns. While this has added delays to some cases, it has had the counterbalancing benefit of ensuring that key evidential issues are addressed earlier, meaning a more robust investigation from the outset of a case.

	NUMBER OF COMPLAINTS RECEIVED ⁴	COMPLAINTS ASSESSED WITHIN TIMEFRAMES
2009/10	134	43%
2010/11	440	97%
2011/12	465	81%

4. Prior to 2010/11, the SFO only maintained statistics for complaints assessed and did not maintain total complaints received.

INVESTIGATIONS

This has been a highly productive year in terms of the number of new investigations undertaken, and the improvements to investigative processes over the past three years are now clearly demonstrated. The 40 new investigations opened exceeded the previous record of 34 in 2010/11. The increase in case volumes has not, however, compromised our timeliness standards, with the bulk of investigations continuing to be managed within required timeframes.

	INVESTIGATIONS COMMENCED	INVESTIGATIONS COMPLETED WITHIN PRESCRIBED TIMEFRAMES
2010	15 CASES	18%
2011	34 CASES	84%
2012	40 CASES	86%

AVERAGE AGE OF OPEN INVESTIGATION (IN DAYS)⁵

2010	279
2011	163
2012	185

INVESTIGATIONS AT HAND AS AT 30 JUNE

2008	26
2009	39
2010	16
2011	20
2012	26

5. As at the end of the financial year.

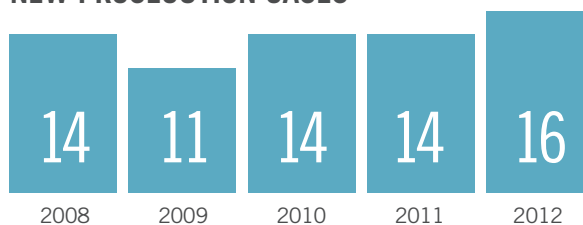
PROSECUTIONS AND SENTENCING

Our aim is to continue to achieve high conviction rates and secure sentences that act as strong deterrents to future offending. Properly selected and professionally managed investigations, which have the evidence that supports charging, should produce high conviction rates and strong sentences that act as strong deterrents to future offending. Our internal investigation teams of investigating lawyers, forensic accountants and investigators work closely with our Panel Counsel to ensure that the best investigation strategies and techniques are observed and, where relevant, the strongest charges are selected relative to the admissible evidence of a case.

Prosecutions

The emphasis over the past three years has been on building up investigative capacity, concluding a legacy of ageing cases and significantly improving the timeliness of investigations. This focus has meant that the volume of prosecutions has not increased as much as forecast. However, there was a modest increase in cases brought to prosecution this year, along with a significant increase in the number of individuals charged. With increased resources and an enlarged pool of new investigations, prosecutions are likely to steadily increase in the coming years, reinforcing public confidence that white-collar criminals are increasingly being held to account.

NEW PROSECUTION CASES



PERSONS CHARGED⁶



6. Statistics were not maintained for persons charged prior to 2009/10.

Financial collapse in a small community

ROCKFORTE FINANCE LIMITED

Result:

→ Financial crimes being detected earlier, thereby minimising the impacts on the economy and victims.

Impact:

- Business and investor confidence is increased.
- Public and victims' confidence that those who commit financial crime are held to account has increased.

Rockforte Finance Limited was established in 2003 providing financial and lending services from its office in Gisborne. The majority of its investors were from the Poverty Bay region. The company issued debt securities to the public and used the proceeds to make loans secured, mainly over imported second hand motor vehicles. The company ceased taking in new funds in 2009, and receivers were appointed in May 2010. According to the receivers' first report, at the time of receivership 77 investors were owed \$3.25 million.

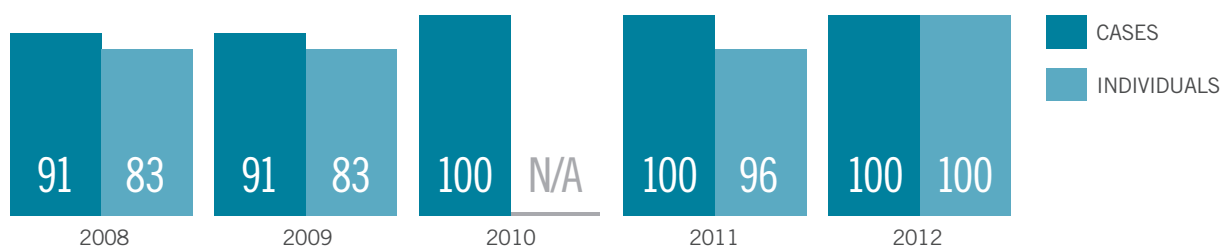
Although the majority of investors were covered by the Crown Guarantee Scheme,

Conviction rates

Every law enforcement agency must endeavour to strike a careful balance between securing a high conviction rate and prosecuting 'tough' cases where the areas of legal uncertainty need to be tested in the public interest. Our conviction rates against persons and cases prosecuted this year was 100 percent. This reflects the care and rigour of our investigations and prosecutions. At the same time, it should not be assumed that difficult cases with high levels of public interest were not pursued. The finance company prosecutions have continued to test the limits of the criminal law as it applies to decisions made in corporate boardrooms.

While we secured convictions in all cases brought against individuals, we did not secure convictions on all charges brought against those individuals. In some cases, we determined that it was in the public interest to withdraw some charges where it brought a guilty plea on other more relevant or important charges. On other occasions we were unsuccessful with some of the charges brought. In these cases we believed a level of evidential or legal uncertainty was involved which could only be resolved by a decision from the court. Despite this, the convictions obtained have provided the public with a level of confidence in the transparency of the legal system, and confidence that offenders are being held to account. This view has been further supported with our *Victims of Financial Crime* survey completed in June 2012.

CONVICTION RATES (%)



Rockforte Finance is another example of a finance company where people have endeavoured to make prudent investments in a company they believed made arms-length commercial loans and operated under the watchful eye of an independent trustee, but the SFO alleges the reality was something very different.

This investigation also highlights collaboration efforts across government agencies, as the Ministry of Economic Development's National Enforcement unit and the Financial Markets Authority also provided support and assistance to the SFO on this case.

In January 2012, a total of 92 criminal charges were laid against

the three Directors of the company. Nigel Brent O'Leary and Colin Mark Simpson each face 34 charges, and John Patrick Gardner faces 24 charges, under the Crimes Act 1961. The alleged offences include theft by a person in a special relationship, false accounting, obtaining by deception, and false statement by promoter. The charges carry maximum sentences of seven and ten years' imprisonment.

“The failure of Rockforte Finance, and the consequential failure of several other businesses, had a significant impact on the Gisborne community. It is important for investor and business confidence that persons are held to account.”

SFO MEDIA RELEASE.

Sentencing

Sentencing in white-collar crime continues to attract significant media and public comment indicating that perceptions are that perpetrators are being held to account when they see jail time imposed. The scale of losses involved with the collapse of finance companies has heightened the public expectation to see perpetrators of fraud being held to account in a manner that sends a strong deterrence message to others.

The Sentencing Act 2002 prescribes the process in which the judge must weigh a number of factors following a conviction or guilty plea. Though a sentence may not always meet the expectations of the victims or public at large, our role in this regard is to present the clearest and most comprehensive information to assist a judge with sentencing.

This year, two of New Zealand's most severe sentences for a serious financial crime were handed down with an imprisonment sentence of six years four months imposed for Trevor Ludlow of National Finance in respect of cumulative charges laid by the SFO and the FMA, and eight years' imprisonment imposed on Gavin Bennett in connection with the \$103 million fraud involving Datasouth Group. While not all sentences for white-collar crime have received universal public approval, these cases highlight instances where serious crimes have received significant prison sentences.

A breach of investor trust

NATIONAL FINANCE 2000 LIMITED

Result:

→ Conviction rates and sentencing levels deterring future offending.

Impact:

→ Public and victims' confidence that those who commit financial crime are held to account has increased.

National Finance was a finance company that took deposits from the public and invested them mainly in motor vehicle loans through motor vehicle dealers, including the related Payless Cars group of companies. Trevor Allan Ludlow was the sole shareholder and a Director of the company.

Like most finance companies, National Finance was required to operate under the terms of a trust deed. This placed restrictions on: how investors' money could be used, to whom it could be loaned, and whether it could be loaned to parties related to the Directors.

These obligations were not observed, and in May 2006 the company was placed into receivership, owing

“Kiwi investors understand that criminal proceedings cannot restore the losses they have suffered, but equally we believe that they will take some confidence in knowing that those who have so fundamentally breached investor trust can and will be held to account.”

SFO MEDIA RELEASE.

The general trend over the past five years demonstrates the increasing quality of cases being brought by our work. Not only has the percentage of cases receiving custodial sentences significantly increased, the average length of sentence also highlights a material improvement. We are always conscious that imprisonment and sentence length do not provide financial recompense for the losses suffered by victims of financial crime. Nonetheless, they do ensure accountability for criminal acts and give a level of confidence to the public regarding the integrity of the legal system.

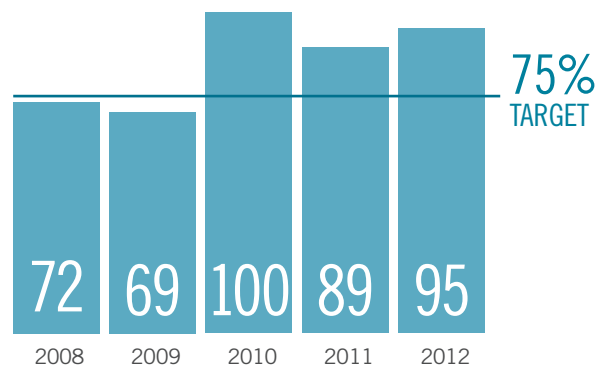
investors approximately \$21 million. The receivers, PricewaterhouseCoopers, reported their concerns to the SFO, and an investigation was opened in June 2006. Charges were laid against Ludlow in October 2009.

Following a trial in July 2011, Ludlow was convicted of having breached the trust deed and of seven charges relating to theft by a person in a special relationship and false accounting. In October 2011, he was sentenced to imprisonment of five years, seven months. This term was later increased by nine months when he was convicted of an additional eight charges laid by the Financial Markets Authority.

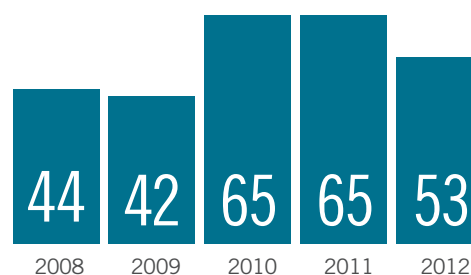
AVERAGE LENGTH OF SENTENCE (YEARS)



CUSTODIAL SENTENCES ORDERED (%)



IMPRISONMENT ORDERED (%)



WORKING WITH OTHERS

While we are New Zealand's leading law enforcement agency for serious financial crime, we rely on strong public and private sector relationships to do our job well. Financial crime is a crime of deceit. It can rarely be uncovered without good intelligence and communication between those operating in the private sector and regulators and law enforcement agencies in the public sector. This network includes overseas agencies where, increasingly, some aspect of an investigation (e.g. evidence, witnesses or suspects) often resides. Effective relationships rely on common or complementary goals, a willingness to share resources and compromise on priorities, and a good appreciation of different operational cultures.

Following our 2010 review, we have set a goal to create a 'virtual SFO' – one where many public and private sector interests work closely with us to tackle serious financial crime. This ranges from informally sharing information which might give rise to detecting crimes, through to formal memoranda of understanding (MOUs), to undertaking joint investigations or prosecutions. As part of this, we have, in the past year, formally entered into MOUs with the FMA and the Police.

The MOU with the FMA addresses a co-ordination of procedures for both joint and separate investigations and prosecutions. The MOU essentially codifies existing arrangements between the agencies, and has allowed joint prosecutions to be undertaken in relation to two failed finance companies, and investigations to be co-ordinated in five other cases.

The MOU with the Police documents the arrangements between the agencies with regard to arrests, joint investigations and prosecutions, use of Interpol and sharing of financial intelligence. More importantly, it outlines the processes for reporting and enforcing corruption and bribery offences to ensure that there is a consistent approach to corruption reporting, investigation and enforcement in New Zealand. Since the MOU was entered into, a number of corruption referrals have been discussed between the agencies.

With the private sector, we have also informally established a working relationship with insolvency practitioners, who often uncover possible crimes in the course of receiverships and liquidations. Our understanding with them focuses on:

- early communication of and involvement with issues
- preserving evidence without compromising the job of the insolvency practitioner
- providing SFO staff access to key individuals without adversely affecting their relationship with the insolvency practitioner
- recognising the important role of the media in keeping the public informed.

Private sector collaboration ends with convictions

CAPITAL + MERCHANT FINANCE LIMITED

Result:

→ Conviction rates and sentencing levels deterring future offending.

Impact:

→ Business and investor confidence is increased.

→ Public and victims' confidence that those who commit financial crime are held to account has increased.

Thousands of New Zealanders' lives were irrevocably changed for the worse from the collapse of Capital + Merchant Finance Limited. It is one of the most significant commercial fraud cases in New Zealand due to its size, complexity of transactions and quantum of loss to investors.

Capital + Merchant made property and investment loans from deposits received from the public. It went into receivership owing approximately 7,500 investors around \$170 million. Receivers have not recovered any of the investors' funds.

Following a complaint from the receivers, Grant Thornton, an SFO investigation was commenced on 18 February 2010.

Charges were first laid against directors, Neal Medhurst Nicholls and Wayne Leslie Douglas, in December 2010 in relation to a transaction known as the 'Hub Property' transaction. Additional matters then came to light which resulted in a second investigation. The 'Numeria' and 'Clyde' transactions were prosecuted, with further charges laid against the directors, Nicholls and Douglas, and former CEO, Owen Francis Tallentire, was also charged.

Two consecutive trials were conducted over an eight-week period from May to June 2012. In July 2012, Justice Wylie delivered his verdict at the Auckland High Court.

All defendants were found guilty in respect of the charges relating to the Clyde 1 and 2 transactions, and Nicholls and Douglas were also found guilty in respect of the Numeria 1 transaction. Tallentire was found not guilty in respect of Numeria 1 and 2, and Nicholls and Douglas were found not guilty in respect of Numeria 2. Both Nicholls and Douglas were found not guilty on the charges relating to the non-disclosure of alleged related-party lending connected with the Hub Property transaction.

Sentencing, as well as an appeal against the acquittals related to the Hub Property transaction, is pending.

“The support of the insolvency profession is critical to uncovering fraud, and we are grateful to the receivers for their assistance to our investigation.”

SFO MEDIA RELEASE.

MEASURING OUR PROGRESS

To help determine our progress in developing effective working relationships, we undertook three distinct surveys of our key stakeholders during the year. Each survey sought to better understand issues of concern to the respective groups, and identify opportunities to improve the effectiveness of our stakeholder management and communication. These surveys covered:

- key external organisations (government agencies, private sector organisations and the media)
- victims of financial crime
- the general public.

Working with key external organisations

In October 2011, we surveyed key stakeholders’ organisations from the public sector (e.g. Police and FMA) and the private sector (e.g. Institute of Directors, major accounting firms and media representatives). The results, both in terms of ratings and, more importantly the qualitative comments, were generally a very positive endorsement of the direction in which SFO has been heading.

The key messages which have emerged were that:

- the SFO is well regarded by all of its stakeholders
- there is an opportunity to better educate stakeholders on the role and responsibilities of the SFO
- the SFO’s performance has improved significantly, but (as at October 2011) there is still an interest in what results it can deliver from key prosecutions
- there is a public desire for greater clarity regarding the respective roles of the SFO and other law enforcement agencies.

SUMMARY OF RATINGS:

WE ASKED	THEY SAID	RATED AS
“ How well do you believe the SFO is performing its role?”	“ I think the very high mark comes as the SFO is putting the issues, progress or otherwise, of serious fraud before the public. The public is conscious of the role of the Office and aware that it is active.” – Queen’s Counsel and Prosecutor	7.3 (range 3–10)
“ How happy are you with the level of contact and communication?”	“ The SFO is clearly very willing to engage a journalist and is very good at returning phone calls and explaining things and so forth. I’m sure there’s a limit to the amount of engagement they can have.” – Media representative	7.2 (range 3–10)
“ How effective have SFO investigations and prosecutions been?”	“ Again it comes back to one of potential – they have raised the game and got better, but there is still some way to go. There is a multitude of factors that will affect that.” – Partner in a CA firm	7.1 (range 3–9)

Working with those affected by financial crime

The number of victims affected by a single financial crime can range from a single person to many thousands, or even the entire taxpaying public of New Zealand (as illustrated by the guarantees given to some finance company investments). Establishing close relationships with such a diverse range of victims is near impossible, but we can provide for effective communication.

Every SFO investigation has a communications plan. At the very outset, this includes a decision about whether it is necessary or appropriate to issue a media release to the public. Such releases may bring forth witnesses or further issues of concern, and also bring openness and transparency to the investigative process. The plan will identify who are the interested parties (e.g. complainants, receivers or liquidators, or investors), how often they need to be communicated with, and how much information can be communicated. It also provides staff with the opportunity to set the expectations of when information about a case will be available.

In June 2012, we ran our first survey to assess the effectiveness of our work and the manner in which we interacted with those affected by financial crime. The key findings from the survey were:

AGREE ⁷	PROPOSITION
100%	The actions of the SFO help ensure that offenders are being held to account.
97%	The work of the SFO helps bring integrity to New Zealand's financial markets and/or legal system.
92%	I was treated with courtesy and respect by the SFO.
89%	My concerns were understood and considered by the SFO.
87%	The SFO compares favourably to other public sector agencies (if any) I have dealt with.
80%	SFO helped me understand the investigation and/or trial processes.
65%	The sentence imposed fairly reflected the offending that occurred.
60%	The media coverage (if any) was a useful source of information.

It is fundamental to our role that we put those affected by financial crime at the centre of our work. In this regard, the survey suggests a very positive endorsement both of the importance of financial crime law enforcement and of the contribution of the SFO to that work.

7. Those who agreed or strongly agreed with the statement as a percentage of those who (strongly) agreed, (strongly) disagreed or were neutral.

Working with the public

Two of the most important impacts the SFO can have on society are investor confidence in the integrity of the financial markets and public confidence that those who commit financial crime will be held to account. To achieve this, we must be open about our investigations and decisions, as well as the final result.

In June 2012, we commissioned a survey of public confidence in the SFO and the work that we do. It was conducted along similar lines to those used by other public sector agencies such as the Police.

The survey identified that 79 percent of respondents were aware of the SFO. While this is significantly lower than public awareness of the Police (99 percent), it does compare favourably with public awareness of the Commerce Commission (73 percent) and the FMA (17 percent). The results suggest that we have achieved good results in terms of promoting the public’s understanding of our role.

THE KEY FINDINGS FROM THE SURVEY WERE:

AGREE ⁸	PROPOSITION
67%	I have trust and confidence in the SFO.
66%	SFO does a good job bringing offenders to account.
53%	New Zealand is a safe place to invest.
44%	Those who commit financial crimes are held to account.
42%	New Zealand is largely free of serious corruption.

Public confidence in us and the work that we do is heartening. However, it is apparent that there is still considerable work to be done. In particular, while there is widespread support for the work undertaken, it is apparent that this is not matched by the public confidence in the overall effectiveness of our legal system and the integrity of our financial markets.

8. Those who agreed or strongly agreed with the statement as a percentage of those who (strongly) agreed, (strongly) disagreed or were neutral.

‘Whistle-blowing’ on a fraudster

GAVIN BENNETT & DATASOUTH FINANCE

Results:

- Improved level of corporate responsibility by business ensuring their systems are designed to prevent and detect fraud.
- Conviction rates and sentencing levels deterring future offending.
- Public awareness being raised as to the impact of financial crime on society.

Impacts:

- Business and investor confidence is increased.
- Public and victims’ confidence that those who commit financial crime are held to account has increased.

“Gavin Bennett’s veil of lies, spun over at least six years, unravelled quickly in the end. All it took was an inquiring mind, some probing questions and a bit of simple maths.”

REBECCA MACFIE, NEW ZEALAND LISTENER, MAY 2012.

In the mid-1990s, Gavin Clifford Bennett established a business which came to be known as the Datasouth Group. The group was based in Christchurch and provided a variety of IT-related services, including network design and integration, data-management solutions, consultancy and hardware leasing.

In 2003, Bennett sought to grow the business in Australia and developed a lending facility with South Canterbury Finance. By 2010, this had grown to \$26 million and Bennett had established a reputation as a successful entrepreneur leading a lavish lifestyle in Sydney complete with expensive parties, opulent apartments, female escorts and luxury-brand shopping.

Then in late 2010, everything changed when Hayley Bryan was appointed to a senior role. Within weeks she became concerned at the solvency and financial practices within Datasouth and the behaviour of Bennett. Within days of starting her inquiries she discovered that Bennett had siphoned off SCF loans to fund his lifestyle and that only a fraction of the funding had arisen from genuine IT leases entered into by Datasouth.

Bryan immediately contacted the SFO and an investigation was commenced. Charges were laid against Mr Bennett in November 2011. In March 2012, he pleaded guilty to falsifying documents to obtain approximately \$65 million funding from SCF and falsifying the financial statements of Datasouth Finance by approximately \$38 million, in order to retain the ongoing finance facility from SCF. In May 2012, he was sentenced to eight years’ imprisonment with a minimum term of three years and six months.

A key element of the successful prosecution and something which minimised further losses was the willingness of Hayley Bryan to act when faced with apparent wrongdoing. In her own words: “For me, the lesson is don’t be so loyal to a company or a person within a company that you don’t ask the difficult questions if something doesn’t feel right.”

“For me, the lesson is don’t be so loyal to a company or a person within a company that you don’t ask the difficult questions if something doesn’t feel right.”

HAYLEY BRYAN, CHIEF EXECUTIVE,
DATASOUTH BUSINESS SOLUTIONS.

INTERNATIONAL COLLABORATION

A large proportion of financial crimes now have an international dimension. This may involve victims, witnesses, suspects and/or key evidence residing offshore, or some of the relevant transactions occurring in another jurisdiction. The Mutual Assistance in Criminal Matters Act 1992 (MACMA) provides law enforcement agencies with a formal structure for both seeking and providing international assistance. While it provides valuable assistance in some circumstances, its formality and inherent delays mean it can be of limited effectiveness, particularly in the early stages of a criminal inquiry.

Therefore, there is an important role for informal, direct agency-to-agency relationships to complement the formal structures of the MACMA. Section 51 of the Serious Fraud Office Act 1990 provides that we may enter into direct agreements with comparable overseas law enforcement agencies. This year we have developed direct operational relationships with the Hong Kong Independent Commission Against Corruption (ICAC) and the UK SFO.

To further develop our growing international relationships, we have identified opportunities for networking at suitable events. For the past two years, we have attended and spoken at the Cambridge International Symposium on Economic Crime – the largest international gathering of financial crime experts, with more than 1,000 attendees from over 90 countries. In addition, in May 2012, we presented at the ICAC International Anti-Corruption Conference in Hong Kong.

Joint international investigation results in charges

THE NATURAL DAIRY/CRAFAR FARM CASE

Result:

- Better use of public resources and intelligence ensuring that investigations are cost-effective.
- 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.

Impact:

- New Zealand maintains its international reputation for very low levels of corruption and bribery.
-

“The digital age makes it increasingly easy for financial crimes to be committed in more than one country, and highlights the need to have alliances with international law enforcement agencies.”

SFO MEDIA RELEASE.

While these opportunities are valuable, it is becoming apparent that there is a growing need to establish an international network of law enforcement agencies specifically devoted to financial crime prevention and detection. At the Cambridge International Symposium on Economic Crime in 2011, the New Zealand and UK SFOs co-hosted a meeting to seek interest in establishing such a network. This initiative received strong support and the inaugural meeting of international financial crime agencies will be held later in September 2012.

The aim of this network will be to develop close links between international agencies that will assist with cross-border investigations. It will enable agencies to keep abreast of constantly evolving criminal practices, share best practice, learn about international policy responses to financial crime, share intelligence and look at opportunities for learning through exchanges, such as staff secondments.

In September 2009, Natural Dairy (NZ) Holdings Limited (Natural Dairy), a company listed on the Hong Kong Stock Exchange, made an announcement of its plan to purchase the New Zealand farm assets of the Crafar family. The plan involved an intermediary in New Zealand, a group of companies called UBNZ, purchasing the farm assets for \$240 million. Natural Dairy undertook to purchase the farm assets from UBNZ for \$500 million.

In September 2010, following concerns raised by the Overseas Investment Office and the New Zealand Police, the SFO opened an investigation into these transactions. A parallel investigation was opened in Hong Kong by the Independent Commission Against Corruption (ICAC). After extensive cooperation – between the two agencies, the SFO consulted ICAC regarding the prospect and nature of charges being laid in Hong Kong.

Subsequently, three charges were laid against May Hao (formerly known as May Wang), two against

co-accused Chen Keen (also known as Jack Chen), and one against Yee Wenjye (also known as Eric Yee). The charges relate to allegations of corruption involving the payment of secret commissions, conspiracy to defraud, and money laundering.

At the time of charging, the SFO Chief Executive Adam Feeley said, *“There was information in both countries that was vital to the investigation, and this outcome would not have been possible without early and ongoing collaboration. We believe that there is clear evidence of offending having occurred in New Zealand. However, the alleged crimes were primarily directed at Hong Kong and Chinese investors and we therefore consider it is more appropriate for the authorities in Hong Kong to lay the charges.”*

It is anticipated that SFO staff will provide expert evidence at the forthcoming trial.

CONTRIBUTION TO POLICY DEVELOPMENT

The focus in most parts of the Justice sector is on managing high volumes of offending and reducing the number of people in the Justice ‘pipeline’. In contrast, the SFO is concerned with reducing financial crime which is relatively low in volume, but has high direct (losses to investors) and indirect (confidence in the financial markets) impacts.

The opportunities and issues relating to financial crime are perhaps viewed as less urgent than are the broader changes required to ensure Justice sector sustainability. Nonetheless, opportunities exist for the public sector to improve its effectiveness and efficiency in combating fraud. Over the past 12 months the SFO has been assuming a growing role in contributing to policy initiatives that aim to lead to more effective prevention and detection of financial crime.

STRENGTHENING RESISTANCE TO ORGANISED AND FINANCIAL CRIME

A programme of work is in place to strengthen New Zealand’s resistance to organised crime. This programme comprises 16 different projects and is being coordinated by the Ministry of Justice, with different lead agencies involved. The SFO has an interest in many of these projects and will be providing input as they are progressed. Key projects from the SFO’s perspective include:

- improving the effectiveness and efficiency of sector arrangements for investigating financial crime
- developing an anti-corruption policy that meets obligations with the UN Convention against Corruption
- reviewing Mutual Legal Assistance policy to improve its effectiveness and efficiency
- working on improved cross-border intelligence-sharing arrangements
- developing measures that improve the transparency of New Zealand corporate entities in order to assist serious criminal investigations and prosecutions.

COST OF ECONOMIC CRIME REPORT

Another project, for which the SFO has lead responsibility, is a report on the cost of economic crime in New Zealand. This project will better inform decisions about:

- the **significant areas** of fraud into which resources should be deployed, and the extent to which the current focus and resources match these areas or whether there are gaps that need to be filled
- the **types and balance of interventions** that are most likely to work cost-effectively to reduce fraud losses by the largest extent, such as the development of preventative strategies aimed at eliminating or reducing the impact of identified enablers of financial crime.

In preparation for this project, we have had extensive discussions with the UK National Fraud Authority (NFA), which has undertaken an annual estimate of fraud occurring in all sectors of the UK for the past four years. We then completed an information-gathering process from key public sector agencies and some parts of the private sector (e.g. banking) to help identify current detected and estimated undetected fraud levels. The initial results were peer reviewed by the UK NFA and by the New Zealand Institute of Economic Research (NZIER). We have now shared the draft findings with contributing agencies, and it is anticipated that the report will be finalised in 2012/13.

MEASURING EFFECTIVE USE OF RESOURCES

Cost-effectiveness continues to be an important government priority. We have made a number of focused changes in the way we operate to increase effectiveness. These include process changes, more regular quality assurance assessments, and more effective use of inter-agency resources. Collectively, these changes have enabled us to take on not only a greater number of investigations, but also ones of greater scale and complexity, without compromising speed or quality.

ACTION	PROGRESS
Better focused operations based on stakeholder feedback.	Completed three relationship surveys: <i>Key Stakeholders</i> , <i>Victims of Crime</i> and the <i>General Public</i> .
Better empirical information to assist the public sector in application of law enforcement resources.	Completed draft <i>Cost of Economic Crime</i> report.
Increased collaboration to minimise duplication.	Implemented MOUs with the Police and the FMA. Conducted joint investigations with the Police, FMA, Commerce Commission, Department of Internal Affairs and ICAC.
Management of peaks of work through use of external expertise.	Expanded our secondment programme.
Improved use of technology to assist investigations.	Acquired additional forensic software to expedite investigative analysis.
Refocused use of corporate services functions.	Financial system managed through Central Agencies Shared Services (CASS) within the Treasury.

INTERNATIONAL COMPARISON

As in previous years, we have taken this opportunity to take stock of our progress when compared against a respected, and our most comparable, international equivalent agency – the UK Serious Fraud Office. Inevitably, there are unique aspects to every agency and one should not draw definitive conclusions about the two agencies from this table. However, it does suggest that our overall performance compares favourably with a similar financial crime law enforcement agency.

COMPARISON WITH THE UK SERIOUS FRAUD OFFICE

	UK SFO ⁹	NZ SFO ¹⁰
Budget	NZ\$68.5 m	NZ\$9.9 m
Staff (FTE)	307	50.5
Investigations and prosecutions at hand	101	54
Average time to complete investigation in months	19.0	7.9
Average cost of investigation	NZ\$1.74 m	NZ\$0.2 m
Prosecutions	17	16
Conviction rate	73%	100%
Average sentence in years	4.6	4.3
Victim satisfaction rating	78% ¹¹	92-100% ¹²

9. 2011/12 Annual Report.

10. Annual Report 2012 for year ended 30 June 2012.

11. 2010/11 Annual Report (no figure available for 2011/12).

12. The *Victims of Crime* survey assessed satisfaction with range of performance measures.

PART 2: ORGANISATIONAL CAPABILITY AND PERFORMANCE

We seek to be one of the leading employers of forensic accounting, investigation and legal expertise in serious financial crime in New Zealand. We want to continually develop our staff with personal training and development and provide them with the right tools and infrastructure.

This section details the progress we have made in 2011/12 against our goals and progress indicators as stated in our 2011-2014 Statement of Intent.

INVESTING IN OUR ORGANISATION

BEING A GOOD EMPLOYER

As a government agency, we are committed to being a good employer. We offer good and safe working conditions and impartial recruitment and selection process, as well as fair and responsible employment practices and policies for all staff. We have identified several key areas in which to invest effort and resources to ensure that our systems, processes and culture support these. Below we have summarised our goals for each area and achievements during this past year.

Leadership

STRATEGIC PLANNING

The 2011-2014 Statement of Intent reflects a three-year focus for the SFO and has not changed significantly from recent years. This was reviewed by the senior management team with minor improvements from the previous year. As in prior years, the work programme and SFO performance measures were integrated into individual staff performance plans, providing staff with a strong focus on organisational and government-wide outcomes.

SENIOR MANAGEMENT LEADERSHIP DEVELOPMENT

The leadership development for senior managers has focused on specific development areas relative to their respective roles, and has included specific mentoring to develop their skills as leaders. There has also been a focus on assuming additional delegated responsibilities, particularly in the Chief Executive's absence. The two-pronged approach of external mentoring and greater internal experience will build leadership capability and ensure effective succession planning.

Employee development

TRAINING AND DEVELOPMENT

Our success is dependent on recruiting, developing and retaining talented and motivated people. We have established an individual training and development programme for each staff member, which is incorporated into their annual performance agreement. Staff members have been encouraged to enhance both their knowledge and networks by attending and presenting at relevant conferences and other forums, and presenting at internal forums.

External training courses have been developed with reference to the specific needs of the SFO, ensuring we dedicate the right resources to benefit the whole team. Secondments to or from the SFO have offered another means of skills and experience development. We have continued to operate a formal secondment programme with the Police.

A particular highlight this year was our first participation in the Hong Kong ICAC Chief Investigators Command Course, a month-long residential training course attended by chief investigators from major law enforcement agencies around the world. It was an opportunity to share global best practices in relation to financial crime law enforcement, to be introduced to leadership challenges within an agency such as ours, and to develop a growing global network of financial crime investigators. We have been invited to attend this course again in the 2012/13 year.

PROMOTIONS

We continued to face the challenge of being a small organisation with a very flat organisational structure. As the experience of our staff has increased, we have looked for a variety of ways to provide growth and promotion opportunities. This year, we promoted two staff members into new management roles. We also continued to explore secondment opportunities with relevant public and private agencies.

Recognition and remuneration

PERFORMANCE PLANNING AND APPRAISALS

The performance management system has been designed to give staff a clear sense of direction with clear links between their work and the wider organisational strategy in the Statement of Intent. This year, 95 percent of appraisals were completed by 31 July 2012, ensuring that staff understood what was expected early in the financial year. Staff members were assessed against personal performance targets, as well as by their contribution towards office-wide targets and specific behaviour expectations. Feedback was sought internally and externally, as part of the appraisal process. The overall appraisal process sought not only to motivate individual staff with constructive feedback and clear direction, but to give all staff confidence in the consistency and transparency of the process.

REMUNERATION

We have continued to ensure that remuneration fairly reflects the relevant job markets and government expectations. As part of the process this year, roles continued to be benchmarked against market data. Remuneration for roles was adjusted accordingly, based on individual skills and performance and overall budget.

Recruitment, selection and induction

RECRUITMENT AND SELECTION

Recruitment was managed internally rather than through recruitment agencies. This approach has not only provided cost savings, it also developed the skills of managers with respect to recruitment and selection, and assisted in identifying the best talent available to the SFO. The selection process was rigorous, recognising the critical importance of recruiting people who not only have the right skills, but are also a good 'fit' for the organisation.

INDUCTION

The induction programme focused on operational practices and internal policies, with a strategic perspective given from the Chief Executive. Feedback was sought from new employees, with a view to improving and fine-tuning the induction programme.

Health and safety environment

We maintained a Health and Safety Committee to ensure the safety, health and wellbeing of our staff. This committee met quarterly and a Hazard Register was maintained and updated regularly. All new staff undertook a workplace assessment at the time of their induction and we supported annual health checks and flu vaccinations, and promoted healthy lifestyle options.

Our office building is code-compliant under section 95 of the Building Act 2004. We have an earthquake and disaster recovery plan in place which includes providing staff in the office with emergency food, water and first-aid/civil defence supplies. We have staff trained in first-aid and most staff have access to our computer network, allowing them to work remotely in the case of a disaster.

Flexible work arrangements

We are committed to providing staff with work opportunities which can balance the needs of the SFO with their personal obligations. We openly consider individual staff requests to work part-time or to adjust their working hours to suit their personal circumstances.

Protection against harassment and bullying

We support and promote the Public Sector Code of Conduct to all of our staff. We have a specific policy addressing the issues of workplace harassment and/or bullying and it clearly articulates how managers deal with unacceptable behaviours. Staff performance agreements deal specifically with organisational culture and assess staff performance against expected behaviours. There have been no reported instances of harassment or bullying during the year.



INVESTING IN OUR PEOPLE

Our aim has been to continually expand the skills and knowledge of our staff and management through enhancing our role as an industry leader in forensic accounting and investigation. We focused on an organisational culture that aims for high performance, success, teamwork and individual development that will respond to meet the challenges of a rapidly changing business and political environment.

MEASURING PROGRESS

INDICATOR	MEASURED BY	ACHIEVEMENT
Performance management processes are imbedded.	90% of performance plans are completed by 30 September and 95% of appraisals are completed by 31 July of each year.	95% performance plans completed. 95% performance appraisals completed.

ACTIONS FOR 2011/12	PROGRESS
Implementing an annual employee engagement survey that can help set priorities for our organisational culture.	Survey completed in March 2012 with a 93% response rate. The engagement index was 72%, compared with that of the Justice sector of 68%.
Ensuring that our training programme continually develops technical and managerial talent in a manner that motivates high-performing staff.	This year we had a particular focus on on-the-job training, with staff mentoring each other. We participated in the Chief Investigators Command Course hosted in Hong Kong.

ENHANCING AND EXPANDING OUR RELATIONSHIPS

Our aim has been to be the lead law enforcement agency for investigating and prosecuting serious financial crime in New Zealand. We achieved this through expanding relationships and building partnerships across public and private sector agencies to leverage skills, experience, resources and information gathered, as they pertained to financial crime issues.

MEASURING PROGRESS

INDICATOR	MEASURED BY	ACHIEVEMENT
Effectiveness and strength of current relationship with the SFO.	Conducting an annual survey of key external organisations by 30 October 2011.	Completed. Survey carried out in October 2011. Summary of results in the section 'Working with others' on page 22.
Memorandum of Understanding (MOU) with the Police signed.	Completion by 31 July 2011.	Completed. Executed by the Police Commissioner and the SFO Director in September 2011. Executed an MOU with the FMA in January 2012.

ACTIONS FOR 2011/12	PROGRESS
Developing protocols with private sector agencies for the disclosure of information and delegation of powers.	Protocols for disclosures to the SFO were outlined to insolvency practitioners at the Annual Corporate Insolvency Conference in August 2011.

STREAMLINING OUR SYSTEMS AND PROCESSES

Our aim has been to be an efficient and effective organisation. We have focused on reviewing and improving our systems and processes which impact our operations in a manner that would be efficient as well as cost-effective and maintaining a culture of continuous improvement.

MEASURING PROGRESS

INDICATOR	MEASURED BY	ACHIEVEMENT
Case and resource management process implemented.	31 March 2012.	Ongoing. Case management processes currently include the capturing and reporting of all direct costs associated with individual cases. Other operational priorities and budget constraints have delayed the implementation of a full case and financial management system. A goal for 2012/13 will be to build a model which will estimate costs and resources required for small, medium and large sized cases, and better manage these costs through the investigation and prosecution stages.

IMPROVING OUR TOOLS AND INFRASTRUCTURE

Our aim has been to continually improve our understanding of economic crime issues in New Zealand and internationally. We focused on ensuring our software and supporting hardware infrastructure would support the complex nature of our work and that, as an organisation, we would be well-connected with other law enforcement agencies and relevant organisations.

MEASURING PROGRESS

INDICATOR	MEASURED BY	ACHIEVEMENT
Forensic accounting tools software upgrade.	31 December 2011.	Completed in July 2011.

IMPROVING OUR COMMUNICATION

We seek to be regarded as a responsive and effective communicator on issues connected with financial crime in New Zealand. This includes improved communication to complainants and victims, and developing greater public awareness of the risks and impacts of serious financial crime.

MEASURING PROGRESS

INDICATOR	MEASURED BY	ACHIEVEMENT
Reviewing of communications strategy.	Review completed 30 September 2011.	Completed. Communications strategy revised in October 2011.
Ensuring regular communication with victims and complainants.	Timely media releases regarding the progress of cases.	Achieved. 46 media releases issued in 2011/12 and they were done in a timely manner.

ACTIONS FOR 2011/12	PROGRESS
Conduct baseline surveys on the effectiveness of communication to victims and the public.	Achieved. A <i>Victims of Crime</i> survey and a <i>General Public</i> survey were conducted in June 2012. Results are outlined in the 'Working with others' section on page 23–24.

MAINTAINING CAPITAL INVESTMENT

The capital investment made in 2011/12 reflects the increased level of activity undertaken by the SFO. The number of staff members has increased and the investment reflects the furniture and equipment required for them. There was an investment in the IT network infrastructure, as well as a replacement programme for laptops. Additional floor space was leased, requiring some additional fit-out expenditure. Forensic accounting system licenses accounted for the investment in software.

CAPITAL INVESTMENT

	ACTUAL 2011/12 \$000	BUDGET 2011/12 \$000	ACTUAL 2010/11 \$000
Leasehold improvements	103	249	181
Information technology hardware	138	78	116
Software	17	51	106
Furniture and fittings	80	0	143
Office equipment	30	0	33
Motor vehicles	0	0	21
TOTAL CAPITAL INVESTMENT	368	378	600

MANAGING OUR RISKS

KEY EXTERNAL RISKS IDENTIFIED OVER THE PAST YEAR INCLUDED:

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

ADDITIONAL INTERNAL RISKS INCLUDED:

- inability to hire skilled staff in a timely manner to meet increasing workload
- failure of internal management systems
- failure of information technology systems
- loss of key management personnel
- failure to sublet unoccupied premises.

WE ADDRESSED THESE RISKS IN A NUMBER OF WAYS:

- Work priorities were continually reassessed against our medium-term strategic direction.
- Arrangements with private sector organisations provided skilled staff on short-term secondment Arrangements to meet peak work flows.
- New quality assurance processes were implemented
- Comprehensive ministerial monthly reporting was put in place, addressing both current operational performance and achievement towards longer-term outcomes.
- Engagement in more-regular communication with key agencies through both formal (e.g. the Justice Sector Chief Executives Forum) and informal channels was continued.
- A building subletting arrangement was concluded in August 2011.

MAINTAINING OUR REPUTATION AND INTEGRITY

Given the nature of our work, it is essential people have confidence in our organisation. Individual employment agreements for new staff contain confidentiality provisions and all contractors engaged by the SFO sign a confidentiality agreement when they are engaged. The staff induction process further reinforces the need for confidentiality. Our IT and file security systems are robust and effective due to quality assurance measures in place. In addition, we have an extensive security system within our physical premises.

ALLOWING KNOWLEDGE TO BE ACCESSIBLE

Releasing high-value public data

This year, we have implemented a policy on releasing high-value public data for reuse in accordance with the Declaration on Open and Transparent Government which was approved by the New Zealand Cabinet on 8 August 2011. This declaration states *“Building on New Zealand’s democratic tradition, the government commits to actively releasing high-value public data”*. In accordance with this, we have appointed a ‘Data Champion’, whose role is to ensure that the SFO reviews all data it holds and releases data where appropriate in a machine-readable and non-proprietary format. We have introduced a policy to encourage the release of information. Our website is constantly updated to ensure that the public has easy access to case information and SFO publications.

Staff accessing knowledge

A new intranet has become a key tool for staff to access and share information across teams. Our document management and records systems ensure that staff members have access to institutional knowledge. Our team structure also encourages regular and effective knowledge sharing through weekly team meetings to review cases and share issues and ideas regarding best practice.

PART 3:
STATEMENT OF
SERVICE PERFORMANCE

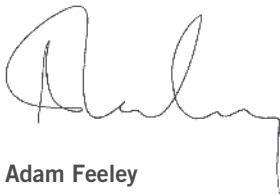
STATEMENT OF RESPONSIBILITY

In accordance with sections 35 and 45C of the Public Finance Act 1989, I am responsible, as Chief Executive and Director of the Serious Fraud Office, for the preparation of the financial statements and statement of service performance, and the judgments made in the process of producing those statements.

I am responsible for establishing, and I have established, a system of internal control procedures that provide reasonable assurance as to the integrity and reliability of financial reporting. These systems have been maintained throughout the year.

In my opinion, the financial statements and statement of service performance fairly reflect the financial position and operations of the Serious Fraud Office for the year ended 30 June 2012.

Signed:



Adam Feeley
Chief Executive
26 September 2012

Countersigned by:



Carol Palmer
General Manager, Corporate Services
26 September 2012

STATEMENT OF SERVICE PERFORMANCE

VOTE SERIOUS FRAUD

OUTPUT EXPENSE: INVESTIGATION AND PROSECUTION OF COMPLEX OR SERIOUS FRAUD

Description

This output expense provided for services of detection, investigation and prosecution of cases of suspected serious fraud offending brought to the attention of, or detected by, the Serious Fraud Office in order to impact on the outcomes of:

- **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.**

Performance measures and standards have been established to monitor the efficiency and effectiveness of managing the three key activities: complaints, investigations and prosecutions within this output expense.

Performance measures and standards

COMPLAINTS

Complaints are first assessed by the Fraud Detection and Investigation team to determine whether or not they may fit the criteria set for investigations by the SFO. If the matter falls within the mandate of the SFO, the complaint moves to the inquiry phase. If not, the complaint is either referred to the appropriate agency, or closed and the initiator of the complaint is notified of the status.

ACTUAL 2011	PERFORMANCE MEASURE	BUDGET STANDARD	ACTUAL 2012	COMMENT
QUALITY				
440	Number of complaints received.	350-450	465	Exceeded.
New measure	Number of complaints received that have sufficient merit to progress to evaluation.	150	79	Not achieved. This was a new measure in 2011/12. On review, 79 is considered a high volume, given that many other complaints have also been referred to other agencies.
New measure	Number of referrals made to other agencies.	20	49	Exceeded.
10	Number of evaluations initiated by the SFO commenced.	5	12	Exceeded.
TIMELINESS				
New measure	Percentage of complaints evaluated within targeted working days.	Evaluation without statutory powers - 20 days: 90%	81%	Not achieved. Higher than anticipated complaint numbers made this target challenging. Internal process changes have been made to ensure this is addressed in 2012/13.
		Evaluation with statutory powers - 40 days: 90%	100%	Achieved.

Comment

The growing public awareness of the SFO's work has led to a significant increase in complaint numbers over the past two years. While this is encouraging from a fraud detection perspective, it has meant the assessment and referral processes have needed to be reviewed and streamlined. While not all performance measures have been achieved as a consequence of these increased volumes, the overall trend is positive in terms of the heightened public interest in having concerns about possible financial crimes raised and addressed.

INVESTIGATIONS

Part 1 of the Act provides the SFO with limited powers to carry out an investigation into the affairs of any person where the Director may suspect that the investigation may disclose serious or complex fraud. Part 2 of the Act provides the SFO with more extensive coercive powers to investigate matters where we have reasonable grounds to believe that an offence involving serious or complex fraud may have been committed. Once a complaint meets the criteria for a full investigation, the case is managed within one of two teams depending on the nature of the allegations. The Financial Markets and Corporate Fraud team has responsibility for cases involving public investment-related frauds and corporate fraud. The Fraud and Corruption team deals with a broad range of cases, as well as bribery and corruption matters referred to the SFO as part of its Memorandum of Understanding with the Police.

ACTUAL 2011	PERFORMANCE MEASURE	BUDGET STANDARD	ACTUAL 2012	COMMENT
QUANTITY				
34	Number of formally commenced investigations.	40-50	40	Achieved. An 18% increase from 2010/11.
100%	Percentage of cases for which an investigation plan is established within targeted working days.	Category A – 7 days: 90%	94%	Achieved.
94%		Category B – 14 days: 90%	100%	
TIMELINESS				
100%	Percentage of case updates to identified complainants, witnesses and victims within targeted time.	Category A – monthly: 90%	100%	Achieved.
100%		Category B – quarterly: 90%	100%	
69%	Percentage of cases investigated within targeted time.	Category A – 12 months: 75%	84%	Achieved. This was achieved against a backdrop of several major prosecutions.
100%		Category B – 9 months: 75%	89%	
QUALITY				
Category A: 89%; Category B: 100%	Percentage of investigations on which quality assurance review is completed with the stated regularity.	Quarterly: 80%	96%	Achieved.
94%	Percentage of completed investigations for which a formal post investigation review is completed and recommendations acted upon within targeted time.	Category A – 1 month: 95%	71%	Not achieved. An average of 84%, or 26/31 cases were reviewed and acted upon within the prescribed time. Due to the number of cases where urgency was given to court-imposed timelines for disclosure, the targeted level of compliance may not be practical and will be reviewed in 2012/13.
92%		Category B – 3 months: 95%	94%	

Comment

This year was dominated by investigations of unprecedented scale – such as in the cases of South Canterbury Finance and Hanover Finance. It was therefore a significant achievement to undertake 40 new investigations – itself an unparalleled volume of cases in the history of the SFO. Despite the volume of cases, rigorous case management ensured that timeliness targets were met, and only the largest and most complicated cases exceeded the timeframe of 12-month completion.

PROSECUTIONS

A decision on whether or not to commence a prosecution is made by applying the Prosecution Guidelines issued by the Solicitor-General. The decision is also assisted by the advice of the Prosecution Panel Counsel assigned to the particular investigation. The Panel member provides the Director with their opinion on the proposed prosecution and reviews the proposed charges.

ACTUAL 2011	PERFORMANCE MEASURE	BUDGET STANDARD	ACTUAL 2012	COMMENT
QUANTITY				
14	Number of cases brought to prosecution.	20	16	Not achieved.
QUALITY				
100%	Percentage of prosecutions commenced where Panel Counsel agrees with SFO decision to charge.	90%	100%	Achieved.
New measure	Percentage of completed prosecutions for which a formal post-prosecution review is completed and recommendations acted upon within stated period of completion.	Category A – 1 month: 95% Category B – 3 months: 95%	100% 100%	Achieved.

Comment

Although there was a slight increase in prosecutions from 2010/11, the total of such cases did not meet forecasted volumes. The ability to achieve this number was largely dependent on sufficient evidence being established to lay charges. Despite increasing the number of investigations, we were unable to progress the anticipated number to the required evidential threshold. However, the lower volume of case numbers should be considered in the context of the enormous increase in the scale of charges brought, which have included:

- South Canterbury Finance: \$1.8 billion alleged fraud
- Lane Walker Rudkin: \$118 million alleged fraud
- Datasouth Finance: convictions on a \$103 million fraud
- Capital + Merchant Finance: convictions on a \$28 million fraud
- Dominion Finance: \$20 million alleged fraud
- Belgrave Finance: \$18 million alleged fraud.

Financial performance

	ACTUAL 2012 \$000	MAIN ESTIMATES 2012 \$000	SUPP ESTIMATES 2012 \$000	ACTUAL 2011 \$000
REVENUE				
Crown	7,140	12,140	7,140	10,861
Departments	87	194	459	162
Other	363	9	9	0
Total income	7,590	12,343	7,608	11,023
EXPENDITURE	7,890	12,343	7,928	10,703
NET SURPLUS/(DEFICIT)	(300)	0	(320)	320

Revenue earned from the Crown was less than the Main Estimates by \$5 million due to the reallocation of expenditure in October 2011 from 2011/12 across to 2012/13 and 2013/14. The increase in other revenue accounts for the recognition of the sublease signed in August 2011 for the vacated premises at 120 Mayoral Drive, Auckland. Consequently, expenditure is less by \$4.453 million, reflecting the impact of the reallocation of operating expenditure and rental costs.

The net deficit position offsets the surplus position that resulted in 2010/11. The 2010/11 surplus was retained due to the non-cash nature by which it was generated from an onerous lease provision. This provision was reversed in 2011/12 creating the resulting deficit in 2011/12. The net effect will reduce taxpayers' funds at 30 June 2012.

FINANCIAL STATEMENTS

Statement of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2012

	NOTE	ACTUAL 2012 \$000	MAIN ESTIMATES 2012 \$000	SUPP ESTIMATES 2012 \$000	ACTUAL 2011 \$000
INCOME					
Crown		7,140	12,140	7,140	10,861
Other revenue	2	449	203	468	162
Gains	3	1	0	0	0
<i>TOTAL INCOME</i>		7,590	12,343	7,608	11,023
EXPENDITURE					
Personnel costs	4	5,478	7,039	5,483	4,746
Depreciation and amortisation expense	9,10	206	349	237	167
Capital charge	5	62	36	65	20
Finance costs	6	22	0	0	43
Other operating expenses	7	2,122	4,919	2,143	5,727
<i>TOTAL EXPENDITURE</i>		7,890	12,343	7,928	10,703
NET SURPLUS/(DEFICIT)					
Other comprehensive income		0	0	0	0
TOTAL COMPREHENSIVE INCOME (EXPENSE)		(300)	0	(320)	320

Explanations of significant variances against budget are detailed in note 21.
The accompanying notes form part of these financial statements.

Statement of financial position

AS AT 30 JUNE 2012

	NOTE	ACTUAL 2012 \$000	MAIN ESTIMATES 2012 \$000	SUPP ESTIMATES 2012 \$000	ACTUAL 2011 \$000
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents		1,467	269	1,130	1,233
Debtors and other receivables	8	50	0	0	2,742
Prepayments		30	0	0	13
TOTAL CURRENT ASSETS		1,547	269	1,130	3,988
NON-CURRENT ASSETS					
Property, plant and equipment	9	816	1,060	748	626
Intangible assets	10	37	158	125	107
TOTAL NON-CURRENT ASSETS		853	1,218	873	733
TOTAL ASSETS		2,400	1,487	2,003	4,721
LIABILITIES					
CURRENT LIABILITIES					
Creditors and other payables	11	857	509	782	919
Return of operating surplus	12	20	0	0	0
Provisions	13	78	0	0	465
Employee entitlements	14	441	70	134	323
TOTAL CURRENT LIABILITIES		1,396	579	916	1,707
NON-CURRENT LIABILITIES					
Provisions	13	545	451	628	2,235
Employee entitlements	14	7	5	7	7
TOTAL NON-CURRENT LIABILITIES		552	456	635	2,242
TOTAL LIABILITIES		1,948	1,035	1,551	3,949
NET ASSETS		452	452	452	772
EQUITY					
Taxpayers' funds	15	452	452	452	772
TOTAL EQUITY		452	452	452	772

Explanations of significant variances against budget are detailed in note 21.
The accompanying notes form part of these financial statements.

Statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2012

	NOTE	ACTUAL 2012 \$000	MAIN ESTIMATES 2012 \$000	SUPP ESTIMATES 2012 \$000	ACTUAL 2011 \$000
BALANCE AS AT JULY		772	452	772	452
COMPREHENSIVE INCOME/(EXPENSE)					
Surplus/(deficit) for the year		(300)	0	(320)	320
TOTAL COMPREHENSIVE INCOME		472	452	452	772
OWNER TRANSACTIONS					
Return of operating surplus to the Crown	12	(20)	0	0	0
BALANCE AT 30 JUNE	15	452	452	452	772

Explanations of significant variances against budget are detailed in note 21.
The accompanying notes form part of these financial statements.

Statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2012

	NOTE	ACTUAL 2012 \$000	MAIN ESTIMATES 2012 \$000	SUPP ESTIMATES 2012 \$000	ACTUAL 2011 \$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Crown		9,860	14,860	9,860	8,141
Receipts from other revenue		461	110	468	200
Payments to suppliers		(4,957)	(7,811)	(5,166)	(3,217)
Payments to employees		(4,718)	(7,029)	(4,850)	(4,638)
Payments for capital charge		(62)	(18)	(65)	(20)
Goods and services tax (net)		(29)	148	27	(43)
<i>NET CASH FLOW FROM OPERATING ACTIVITIES</i>	16	555	260	274	423
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipts from sale of property, plant and equipment		7	0	0	4
Purchase of property, plant and equipment		(311)	(265)	(327)	(377)
Purchase of intangible assets		(17)	(113)	(50)	(106)
<i>NET CASH FLOW FROM INVESTING ACTIVITIES</i>		(321)	(378)	(377)	(479)
CASH FLOWS FROM FINANCING ACTIVITIES					
Return of operating surplus		0	0	0	0
<i>NET CASH FLOW FROM FINANCING ACTIVITIES</i>		0	0	0	0
NET (DECREASE)/INCREASE IN CASH		234	(118)	(103)	(56)
Cash at the beginning of the year		1,233	387	1,233	1,289
Cash at the end of the year		1,467	269	1,130	1,233

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department (IRD). The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes. The Serious Fraud Office has in 2012 acquired nil property, plant and equipment (2011: \$nil) by means of any finance lease.

Explanations of significant variances against budget are detailed in note 21.
The accompanying notes form part of these financial statements.

Statement of commitments

AS AT 30 JUNE 2012

CAPITAL COMMITMENTS

The Serious Fraud Office has no capital commitments as at 30 June 2012 (2011: \$nil).

NON-CANCELLABLE OPERATING LEASE COMMITMENTS

The Serious Fraud Office leases property, plant and equipment in the normal course of its business. The primary leases relate to the current office accommodation at 21 Queen Street, Auckland, which expires on 31 March 2023, with no right of renewal. In addition, the SFO leases office accommodation at 120 Mayoral Drive, Auckland, which expires on 29 February 2016, with no right of renewal. These premises were vacated in March 2011 and subleased effective 29 August 2011. A provision for the onerous portion of the lease has been made as at 30 June 2012.

The SFO also leases car parks with a rent review on 1 March 2014. The car parks were also subleased effective 29 August 2011.

	ACTUAL 2012 \$000	ACTUAL 2011 \$000
NON-CANCELLABLE OPERATING LEASE COMMITMENTS		
Not later than one year	655	705
Later than one year and not later than five years	3,583	3,470
Later than five years	3,900	3,322
TOTAL NON-CANCELLABLE OPERATING LEASE COMMITMENTS	8,138	7,497
TOTAL COMMITMENTS	8,138	7,497

The increase in commitments over the prior year reflects the additional lease for a portion of level 12 at 21 Queen Street, leased as at 6 January 2012, and expiring on 31 March 2023, to coincide with the level 6 lease.

The total of minimum future sublease payments expected to be received under the non-cancellable sublease at 30 June 2012 is \$1.579 million (2011: \$nil).

The accompanying notes form part of these financial statements.

Statement of contingent liabilities and contingent assets

AS AT 30 JUNE 2012

QUANTIFIABLE CONTINGENT LIABILITIES

The rent being paid for 120 Mayoral Drive by the SFO, as determined and recommended by joint-valuers as part of the rent review process, is less than what the new landlord (ownership of the property changed in August 2011) believes the SFO should be paying. Based on independent expert and legal advice received, the SFO considers that it is in a strong position and is not liable for the rental increase. However, it is possible that the matter could result in arbitration or litigation and as such a contingent liability is being declared. The amount in dispute would be effective from 1 March 2011 and is approximately \$75,000 per annum, for each of the three years to the next rent review on 1 March 2014 (2011: \$nil).

CONTINGENT ASSETS

The SFO has no contingent assets (2011: \$nil).

Statement of departmental expenses and capital expenditure against appropriations

FOR THE YEAR ENDED 30 JUNE 2012

	ACTUAL 2012 \$000	APPROPRIATION VOTED ¹³ 2012 \$000	ACTUAL 2011 \$000
VOTE SERIOUS FRAUD			
APPROPRIATION FOR OUTPUT EXPENSES			
Investigation and prosecution of complex or serious fraud	7,890	7,928	10,703
TOTAL APPROPRIATION FOR OUTPUT EXPENSES AND OTHER EXPENSES	7,890	7,928	10,703
DEPARTMENTAL CAPITAL EXPENDITURE			
Serious Fraud Office – Permanent Legislative Authority	368	378	600

13. This includes adjustments made in the Supplementary Estimates.

The accompanying notes form part of these financial statements.

Statement of departmental unappropriated expenditure and capital expenditure

FOR THE YEAR ENDED 30 JUNE 2012

EXPENSES AND CAPITAL EXPENDITURE IN EXCESS OF APPROPRIATION

\$nil (2011: \$nil)

EXPENSES AND CAPITAL EXPENDITURE INCURRED WITHOUT APPROPRIATION OR OTHER AUTHORITY, OR OUTSIDE THE SCOPE OF APPROPRIATION

\$nil (2011: \$nil)

BREACHES OF PROJECTED DEPARTMENTAL NET ASSET SCHEDULES

\$nil (2011: \$nil)

The accompanying notes form part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

1. STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2012

REPORTING ENTITY

The Serious Fraud Office is a government department as defined by section 2 of the Public Finance Act 1989 and is domiciled in New Zealand.

The primary objective of the Serious Fraud Office is to provide services to the public rather than making a financial return. Accordingly, the Serious Fraud Office has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements of the Serious Fraud Office are for the year ended 30 June 2012. The financial statements were authorised for issue by the Chief Executive of the Serious Fraud Office on 26 September 2012.

BASIS OF PREPARATION

STATEMENT OF COMPLIANCE

The financial statements of the Serious Fraud Office have been prepared in accordance with the requirements of the Public Finance Act 1989, which include the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP) and Treasury guidelines.

These financial statements have been prepared in accordance with NZ GAAP as appropriate for public benefit entities and they comply with NZ IFRS.

MEASUREMENT BASE

The financial statements have been prepared on a historical cost basis.

FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of the Serious Fraud Office is New Zealand dollars.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies during the financial year.

The Serious Fraud Office has adopted the following revisions to accounting standards during the financial year, which have had only a presentational or disclosure effect:

- Amendments to NZ IFRS 1 *Presentation of Financial Statements*. The amendments introduce a requirement to present, either in the statement of changes in equity or the notes, for each component of equity, an analysis of other comprehensive income by item. No other comprehensive income has been recognised in the 2010/11 and 2011/12 financial years.

-
- FRS-44 *New Zealand Additional Disclosures and Amendments to NZ IFRS to Harmonise with IFRS and Australian Accounting Standards (Harmonisation Amendments)*. The purpose of the new standard and amendments is to harmonise Australia and New Zealand accounting standards with source IFRS and to eliminate many of the differences between the accounting standards in each jurisdiction. The main effect of the amendments to the Serious Fraud Office is that certain information about property valuation is no longer required to be disclosed. The Serious Fraud Office does not own any properties.
 - Amendments to NZ IFRS 7 *Financial Instruments: Disclosures*. The amendment reduces the disclosure requirements relating to credit risk. This amendment does not have any impact on the disclosures required to be made by the Serious Fraud Office.

STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN EARLY ADOPTED

Standards, amendments and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the Serious Fraud Office, are:

- NZ IFRS 9 *Financial Instruments* will eventually replace NZ IAS 39 *Financial Instruments: Recognition and Measurement*. NZ IAS 39 is being replaced through the following three main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology and Phase 3 Hedge Accounting. Phase 1 has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus or deficit. The new standard is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS will be applied by public benefit entities.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under the Accounting Standards Framework, the Serious Fraud Office is classified as a Tier 2 reporting entity and it will be required to apply full Public Benefit Entity Accounting Standards (PAS). These standards are being developed by the XRB based on current international Public Sector Accounting Standards. The effective date for the new standards for public benefit entities is expected to be for reporting periods beginning on or after 1 July 2014. This means the Serious Fraud Office expects to transition to the new standards in preparing its 30 June 2015 financial statements. As the PAS are still under development, the Serious Fraud Office is unable to assess the implications of the new Accounting Standards Framework at this time.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities until the new Accounting Standards Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies, which materially affect the measurement of comprehensive income and financial position, have been applied consistently.

REVENUE

Revenue is measured at the fair value of consideration received or receivable.

→ Revenue Crown

Revenue earned from the supply of outputs to the Crown is recognised as revenue when earned.

→ Other income

Lease receipts under an operating sublease are recognised as income on a straight-line basis over the lease term.

Revenue earned as funding received from the State Services Commission (as agent for the Crown) for the State Sector Retirement Savings Scheme and KiwiSaver employer contributions. In addition, any other revenue received from other organisations is recognised as revenue upon entitlement.

CAPITAL CHARGE

The capital charge is recognised as an expense in the period to which the charge relates.

BORROWING COSTS

The Serious Fraud Office has deferred the adoption of NZ IFRS 23 Borrowing Costs (Revised 2007) in accordance with its transitional provisions that are applicable to public benefit entities. Consequently all borrowing costs are recognised as an expense in the period in which they occurred.

LEASES

→ Finance leases

A finance lease is a lease that transfers to the Serious Fraud Office substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over the useful life. If there is no certainty as to whether the Serious Fraud Office will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

→ Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

DEBTORS AND OTHER RECEIVABLES

Short-term debtors and other receivables are recorded at their fair value, less any provision for impairments.

Impairment of a receivable is established when there is objective evidence that the Serious Fraud Office will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership or liquidation and default in payments are considered indicators that the debtor is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of a provision for impairment amount, and the account of the loss is recognised in the surplus or deficit. Overdue receivables that are renegotiated are reclassified as current (i.e. not as past due).

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of land and buildings, leasehold improvements, furniture and office equipment, and motor vehicles. Property, plant and equipment is measured at cost or valuation, less accumulated depreciation and impairment losses.

Individual assets, or groups of assets, are capitalised if their cost is greater than \$1,000 (excluding GST). The value of an individual asset that is less than \$1,000 (excluding GST) and is part of a group of similar assets is capitalised.

→ Additions

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that the future economic benefits or service potential associated with the item will flow to the Serious Fraud Office and the cost of the item can be measured reliably.

Work-in-progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised as income at fair value as at the date of acquisition.

→ Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the surplus and deficit. When a revalued asset is sold, the amount included in the property revaluation reserve in respect of the disposed asset is transferred to taxpayers' funds.

→ Subsequent costs

Costs incurred subsequent to the initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Serious Fraud Office and the cost of the item can be measured reliably.

→ **Depreciation**

Depreciation is provided on a straight-line basis on all property, plant and equipment, other than land, at rates that will writeoff the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of property, plant and equipment have been estimated as follows:

	USEFUL LIFE	DEPRECIATION RATE
Computer equipment	3 years	33%
Furniture and office equipment	5 years	20%
Motor vehicles	6-7 years	15%

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is shorter.

The residual value and useful life of an asset are reviewed, and adjusted if applicable, at the end of each financial year.

INTANGIBLE ASSETS→ **Software acquisition and development**

Acquired computer software licenses are capitalised on the basis of the cost incurred to acquire and bring to use the specific software. Software is capitalised if its cost is \$1,000 (excluding GST) or greater.

Costs that are directly associated with the development of software for internal use by the Serious Fraud Office are recognised as an intangible asset. Direct costs include the software development, employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised as an expense when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs associated with the development and maintenance of the Serious Fraud Office's website are recognised as an expense when incurred.

→ **Amortisation**

The carrying value of an asset with a finite life is amortised on a straight-line basis over its useful life.

Amortisation begins when the asset is available for use, and ceases at the date that the asset is no longer recognised. The amortisation charge for each period is recognised in the statement of comprehensive income.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

	USEFUL LIFE	AMORTISATION RATE
Acquired computer software	3 years	33%
Developed computer software	3 years	33%

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Intangible assets that have an indefinite useful life, or are not yet available for use, are tested annually for impairment.

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the Serious Fraud Office would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For assets not carried at a revalued amount, the total impairment loss is recognised in the statement of comprehensive income.

The reversal of an impairment loss is recognised in the statement of comprehensive income.

CREDITORS AND OTHER PAYABLES

Short-term creditors and other payables are recorded at their fair value.

EMPLOYEE ENTITLEMENTS

→ Short-term employee entitlements

Employee entitlements expected to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, retirement and long-service leave entitlements expected to be settled within 12 months, and sick leave.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that it will be used by staff to cover those future absences.

A liability and an expense is recognised for bonuses where the Serious Fraud Office has a contractual obligation or where there is a past practice that has created a constructive obligation.

→ Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the reporting period in which the employee renders the related service, such as long-service and retirement leave, are calculated on an actuarial basis, where practical. The calculation is based on:

- likely future entitlement accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and
- the present value of the estimated future cash flows.

Expected future payments are discounted using market yields on government bonds at balance date with terms to maturity that match, as closely as possible, the estimated future cash outflows for entitlements. The inflation factor is based on the expected long-term increase in remuneration for employees.

Any further disclosure on method of calculating entitlements is included under note 14.

→ **Presentation of employee entitlements**

Annual leave, vested long-service leave, non-vested long-service leave, sick leave and retirement gratuities expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

SUPERANNUATION SCHEMES

→ **Defined contribution schemes**

Obligations for contributions to the State Sector Retirement Savings Scheme, KiwiSaver and the Government Superannuation Fund are accounted for as defined contribution schemes and are recognised as an expense in the statement of comprehensive income as incurred.

PROVISIONS

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

EQUITY

Equity is the Crown's investment in the Serious Fraud Office and is measured as the difference between total assets and total liabilities.

COMMITMENTS

Expenses yet to be incurred on non-cancellable contracts that have been entered into on or before balance date are disclosed as commitments to the extent that there are equally unperformed obligations.

Cancellable commitments that have penalty or exit costs explicit in the agreement on exercising that option to cancel are included in the statement of commitments at the value of that penalty or exit cost.

GOODS AND SERVICES TAX (GST)

All items in the financial statements, including appropriation statements, are stated exclusive of GST, except for receivables and payables, which are stated on a GST-inclusive basis. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

The net GST paid to or received from IRD, including GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

INCOME TAX

Government departments are exempt from income tax as public authorities. Accordingly, no charge for income tax has been provided for.

BUDGET FIGURES

The budget figures are those included in the Information Supporting the Estimates of Appropriation for the Government of New Zealand for the year ended 30 June 2012, which are consistent with the financial information in the Main Estimates. In addition, the financial statements also present the updated budget information from the Supplementary Estimates. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

STATEMENT OF COST ACCOUNTING POLICIES

In 2011/12, the Serious Fraud Office had only one departmental output expense, *Investigation and prosecution of complex or serious fraud*, and therefore no cost allocation was required.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

Management has exercised the following critical judgments in applying accounting policies for the year ended 30 June 2012:

→ Provisions

In note 13, the Serious Fraud Office has exercised its judgment in application of determining the onerous portion of the lease, given the subletting arrangements for 120 Mayoral Drive, Auckland.

2. OTHER REVENUE

	ACTUAL 2012 \$000	ACTUAL 2011 \$000
State Sector Retirement Savings Scheme, KiwiSaver recovery	87	80
Rental income from subleases	359	82
Sale of minor assets (equipment)	3	0
TOTAL OTHER REVENUE	449	162

3. GAINS

	ACTUAL 2012 \$000	ACTUAL 2011 \$000
Net gain on disposal of property, plant and equipment	1	0
TOTAL GAINS	1	0

During the year, the Serious Fraud Office disposed of printers as part of a move to outsource the management and operations of the printing, copying, fax and scanning infrastructure. The net gain on sale of printers was \$1,074 (2011: \$nil).

4. PERSONNEL COSTS

	ACTUAL 2012 \$000	ACTUAL 2011 \$000
Salaries and wages	5,078	4,368
Employer contributions to defined contribution plans	90	81
Increase/(decrease) in employee entitlements	118	77
Staff training and development	54	135
Fringe benefit tax	11	0
Other	127	85
TOTAL PERSONNEL COSTS	5,478	4,746

Employer contributions to defined contribution plans include contributions to the State Sector Retirement Savings Scheme, KiwiSaver and the Government Superannuation Fund.

During the year ended 30 June 2012, no staff (2011: nil) received compensation or other benefits in relation to cessation.

5. CAPITAL CHARGE

The Serious Fraud Office pays a capital charge to the Crown on its equity (adjusted for memorandum accounts as at 30 June and 31 December each year). The capital charge rate for the year ended 30 June 2012 was 8% (2011: 7.5%).

6. FINANCE COSTS

	ACTUAL 2012 \$000	ACTUAL 2011 \$000
Interest on IRD late filing	5	0
Discount unwind on provisions (note 13)	17	43
TOTAL FINANCE COSTS	22	43

7. OTHER OPERATING EXPENSES

	ACTUAL 2012 \$000	ACTUAL 2011 \$000
Fees to Audit New Zealand for audit of financial statements	33	30
Operating lease expense	974	427
Onerous lease provision	(2,169)	2,116
Lease make-good provision	75	0
Other occupancy expenses	89	137
Legal fees on panel of prosecutors	502	427
Consultancy	21	139
Travel expense	309	185
IT and telecommunications	638	440
Net loss on disposal of property, plant and equipment	7	0
Impairment expenses	0	326
Professional services	596	246
Specialist advice case related	583	472
Other operating expenses	464	782
TOTAL OTHER OPERATING EXPENSES	2,122	5,727

8. DEBTORS AND OTHER RECEIVABLES

	ACTUAL 2012 \$000	ACTUAL 2011 \$000
Debtor Crown	0	2,720
Other receivables	50	22
TOTAL DEBTORS AND OTHER RECEIVABLES	50	2,742

The carrying value of debtors and other receivables approximates their fair value.

The ageing profile of receivables at year-end is detailed below:

	2012			2011		
	GROSS \$000	IMPAIRMENT \$000	NET \$000	GROSS \$000	IMPAIRMENT \$000	NET \$000
Not past due	18	0	18	2,742	0	2,742
Past due 1–30 days	0	0	0	0	0	0
Past due 31–60 days	0	0	0	0	0	0
Past due 61–90 days	32	0	32	0	0	0

9. PROPERTY, PLANT AND EQUIPMENT

	OFFICE FURNITURE, FIXTURES AND FITTINGS \$000	OFFICE EQUIPMENT \$000	COMPUTER EQUIPMENT \$000	MOTOR VEHICLES \$000	TOTAL \$000
COST					
Balance at 1 July 2010	1,225	476	442	36	2,179
Additions	324	33	116	21	494
Disposals	(478)	0	0	(36)	(514)
BALANCE AT 30 JUNE 2011	1,071	509	558	21	2,159
Balance at 1 July 2011	1,071	509	558	21	2,159
Reclassification 1 July 2011	0	0	66	0	66
Additions	183	30	138	0	351
Disposals	(22)	(86)	0	0	(108)
BALANCE AT 30 JUNE 2012	1,232	453	762	21	2,468
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					
Balance at 1 July 2010	748	385	394	10	1,537
Depreciation expense	92	33	32	4	161
Eliminate on disposal	(153)	0	0	(12)	(165)
BALANCE AT 30 JUNE 2011	687	418	426	2	1,533
Balance at 1 July 2011	687	418	426	2	1,533
Depreciation expense	69	26	87	3	185
Eliminate on disposal	(8)	(58)	0	0	(66)
BALANCE AT 30 JUNE 2012	748	386	513	5	1,652
CARRYING AMOUNTS					
At 1 July 2010	477	91	48	26	642
At 30 June and 1 July 2011	384	91	132	19	626
At 30 June 2012	484	67	249	16	816

Asset reclassification

Assets were reclassified between computer hardware and intangible assets (software), effective 1 July 2011. Refer note 10.

Work-in-progress

The total amount of property, plant and equipment in the course of construction as at 30 June 2012 is \$nil (2011: \$nil).

10. INTANGIBLE ASSETS

	ACQUIRED SOFTWARE \$'000
COST	
Balance at 1 July 2010	140
Additions	106
BALANCE AT 30 JUNE 2011	246
Balance at 1 July 2011	246
Reclassification 1 July 2011	(66)
Additions	17
BALANCE AT 30 JUNE 2012	197
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES	
Balance at 1 July 2010	133
Amortisation expense	6
BALANCE AT 30 JUNE 2011	139
Balance at 1 July 2011	139
Amortisation expense	21
BALANCE AT 30 JUNE 2012	160
CARRYING AMOUNTS	
At 1 July 2010	7
At 30 June and 1 July 2011	107
At 30 June 2012	37

There are no restrictions over the title of the Serious Fraud Office's intangible assets, nor are any intangible assets pledged as securities for liabilities.

Asset reclassification

Assets were reclassified between intangible assets (software) and computer hardware, effective 1 July 2011. Refer note 9.

Work-in-progress

The total amount of intangible assets in the course of implementation as at 30 June 2012 is \$nil (2011: \$nil).

11. CREDITORS AND OTHER PAYABLES

	ACTUAL 2012 \$000	ACTUAL 2011 \$000
Creditors	180	0
Accrued expenses	125	679
Accrued rent payable	432	104
GST payable	35	64
Other payables	85	72
TOTAL CREDITORS AND OTHER PAYABLES	857	919

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms. Therefore, the carrying value of creditors and other payables approximates their fair value.

12. RETURN OF OPERATING SURPLUS

	ACTUAL 2012 \$000	ACTUAL 2011 \$000
Net surplus/(deficit)	(300)	320
Approval to retain net operating surplus	0	(320)
Add 2011 surplus retained	320	0
TOTAL RETURN OF OPERATING SURPLUS	20	0

The repayment of operating surplus to the Crown is required to be paid by 31 October of each year. An approval from the Minister of Finance had been given to retain the \$320,000 operating surplus for 2010/11 on the condition that this surplus would offset the forecast deficit in 2011/12. As the actual deficit was only \$300,000, the balance of \$20,000 is considered an operating surplus, to be returned to the Crown.

13. PROVISIONS

	ACTUAL 2012 \$000	ACTUAL 2011 \$000
CURRENT PORTION		
Onerous contracts	78	465
<i>TOTAL CURRENT PORTION</i>	78	465
NON-CURRENT PORTION		
Lease make-good	325	250
Onerous contracts	220	1,985
<i>TOTAL NON-CURRENT PORTION</i>	545	2,235
TOTAL PROVISIONS	623	2,700

	LEASE MAKE-GOOD \$000	ONEROUS CONTRACTS \$000	TOTAL \$000
Balance at 1 July 2010	250	469	719
Additional provisions made	0	2,159	2,159
Amounts used	0	(135)	(135)
Unused amounts reversed	0	0	0
Discount unwind (note 6)	0	(43)	(43)
BALANCE 30 JUNE 2011	250	2,450	2,700
Balance at 1 July 2011	250	2,450	2,700
Additional provisions made	75	13	88
Amounts used	0	(157)	(157)
Unused amounts reversed	0	(2,025)	(2,025)
Discount unwind (note 6)	0	17	17
BALANCE AT 30 JUNE 2012	325	298	623

Lease make-good

In respect of the 120 Mayoral Drive and 21 Queen Street leased premises in Auckland, the Serious Fraud Office is required at the expiry of the lease term to make-good any damage caused to the premises and to remove any fixtures or fittings installed by the Serious Fraud Office. The Mayoral Drive lease expires on 29 February 2016 and the Queen Street lease on 31 March 2023. As there is no right of renewal on either lease, it is expected that the timing of the expected cash outflow to make-good will occur at expiry of the leases respectively.

Onerous contracts

The provision for onerous contracts arises from a non-cancellable lease where the unavoidable cost of meeting the lease contract exceeds the economic benefits to be received from it. At 30 June 2012, the Serious Fraud Office has three years and eight months remaining on the lease.

On 7 March 2011, the Serious Fraud Office moved premises, vacating 120 Mayoral Drive. The premises were sublet effective 29 August 2011. As at 30 June 2012, an onerous lease provision is in place reflecting the difference between the lease expense and sublease recovery for the premises.

14. EMPLOYEE ENTITLEMENTS

	ACTUAL 2012 \$000	ACTUAL 2011 \$000
CURRENT PORTION		
Accrued salaries and wages ¹⁴	221	174
Annual leave	218	147
Long-service leave	2	2
<i>TOTAL CURRENT PORTION</i>	441	323
NON-CURRENT PORTION		
Long-service leave	7	7
<i>TOTAL NON-CURRENT PORTION</i>	7	7
TOTAL EMPLOYEE ENTITLEMENTS	448	330

The measurement of the long-service obligation was based on a number of assumptions. An assessment of 50 staff employed as at 30 June 2012 was undertaken as to which staff would reach the long-service criteria, given the impact of the 2010 restructure and the average turnover rate within the profession.

One staff member had earned a portion of long-service leave and this is reflected as the current portion. The non-current portion reflects the assessment that 49¹⁵ staff had the probability of earning long-service leave in the future. Due to the number of staff affected and relatively low length of service, discount rates and salary inflation factors were not incorporated into the calculation.

15. EQUITY

	ACTUAL 2012 \$000	ACTUAL 2011 \$000
TAXPAYERS' FUNDS		
Balance at 1 July	772	452
Surplus/(deficit)	(300)	320
Repayment on portion of 2011 retained surplus (note 12)	(20)	0
BALANCE AT 30 JUNE	452	772
TOTAL EQUITY	452	772

In 2010/11, the Serious Fraud Office was given approval by the Minister of Finance to retain the \$320,000 surplus as this was the result of a non-cash-related transaction recognising an onerous lease. The approval was given on the condition that this surplus would offset the forecast deficit in 2011/12. As the actual deficit was only \$300,000, the balance of \$20,000 is considered an operating surplus, to be returned to the Crown.

14. Includes performance pay accrual.

15. Excludes Chief Executive and casual staff.

16. RECONCILIATION OF NET SURPLUS/(DEFICIT) TO NET CASH FLOW FROM OPERATING ACTIVITIES

	ACTUAL 2012 \$000	ACTUAL 2011 \$000
NET SURPLUS/(DEFICIT)	(300)	320
<i>ADD/(LESS) NON-CASH ITEMS:</i>		
Depreciation and amortisation expense	206	167
TOTAL NON-CASH ITEMS	206	167
<i>ADD/(LESS) ITEMS CLASSIFIED AS INVESTING OR FINANCING ACTIVITIES:</i>		
(Gains)/losses on disposal of property, plant and equipment	7	0
<i>ADD/(LESS) MOVEMENTS IN WORKING CAPITAL ITEMS:</i>		
(Increase)/decrease in debtors and other receivables ¹⁶	2,720	(2,663)
(Increase)/decrease in prepayments	(17)	(1)
Increase/(decrease) in creditors and other payables ¹⁷	(102)	212
Increase/(decrease) in employee entitlements	118	87
Increase/(decrease) in provisions	(2,077)	1,981
Increase/(decrease) in retention of operating surplus	0	320
NET MOVEMENT IN WORKING CAPITAL ITEMS	642	(64)
NET CASH FROM OPERATING ACTIVITIES	555	423

17. RELATED PARTY TRANSACTIONS

All related party transactions have been entered into on an arm's-length basis.

The Serious Fraud Office is a wholly-owned entity of the Crown. The Government significantly influences the roles of the Serious Fraud Office as well as being its major source of revenue.

SIGNIFICANT TRANSACTIONS WITH GOVERNMENT-RELATED ENTITIES

The Serious Fraud Office has received funding from the Crown of \$7.140 million (2011: \$10.861 million) to provide services to the public for the year ended 30 June 2012. Debtor Crown at 30 June 2012 is \$nil (2011: \$2.720 million).

COLLECTIVELY, BUT NOT INDIVIDUALLY, SIGNIFICANT TRANSACTIONS WITH GOVERNMENT-RELATED ENTITIES

In conducting its activities, the Serious Fraud Office was required to pay various taxes and levies (such as GST, FBT, PAYE and ACC levies) to the Crown and entities related to the Crown. The payment of these taxes and levies, other than income tax, was based on the standard terms and conditions that apply to all tax and levy payers. The Serious Fraud Office is exempt from paying income tax.

16. Excludes outstanding receivables of \$28,000 for fixed asset sales (2011: \$nil).

17. Excludes outstanding payables of \$40,000 for fixed asset purchases (2011: \$91,000).

The Serious Fraud Office also purchases goods and services from entities controlled, significantly influenced, or jointly controlled by the Crown. Purchases from these government-related entities for the year ended 30 June 2012 totalled \$413,000 (2011: \$315,000). These purchases included the purchase of electricity from Mercury Energy, air travel from Air New Zealand, legal services from the Crown Law Office, postal services from New Zealand Post, SEEmail from the Department of Internal Affairs, access to the electronic crime lab from New Zealand Customs Service, training from the New Zealand Police and financial systems support from the State Services Commission and the Treasury.

Amounts payable to entities controlled, significantly influenced, or jointly controlled by the Crown at 30 June 2012 totalled \$35,303 (2011: \$36,738). In addition, during the year two FTEs were seconded from the Police to undertake investigative services on joint investigations. The Police funded these positions.

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL AND THEIR CLOSE FAMILY MEMBERS

KEY MANAGEMENT PERSONNEL COMPENSATION

	ACTUAL 2012 \$000	ACTUAL 2011 \$000
Salaries and other short-term employee benefits	1,267	1,092
Post-employment benefits	0	0
Termination benefits	0	0
TOTAL KEY MANAGEMENT PERSONNEL COMPENSATION	1,267	1,092

Key management personnel of the Serious Fraud Office comprise the Chief Executive and the five members of the Senior Management team (2011: five members). These management positions were the General Manager Fraud Detection and Intelligence, General Manager Fraud and Corruption, General Manager Financial Markets and Corporate Fraud, General Manager Corporate Services, and General Counsel.

The increase in key management personnel compensation over the prior year reflects the full complement of general managers employed for the majority of the 2011/12 financial year.

The above key management personnel's compensation excludes the remuneration and other benefits the Minister of Police receives. The Minister's remuneration and other benefits are not received only for her role as a member of key management personnel of the Serious Fraud Office. The Minister's remuneration and other benefits are set by the Remuneration Authority under the Civil List Act 1979 and are paid under Permanent Legislative Authority, and not paid by the Serious Fraud Office.

Related party transactions involving key management personnel (or their close family members)

- There were no close family members of key management personnel employed by the Serious Fraud Office in 2012 (2011: nil).
- There were no related party transactions involving key management personnel or their close family members in 2012 (2011: \$nil).

No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

18. EVENTS AFTER THE BALANCE DATE

There are no significant events after the balance date.

19. FINANCIAL INSTRUMENTS

19A. FINANCIAL INSTRUMENT CATEGORIES

The carrying amounts of financial assets and financial liabilities in each of the NZ IAS 39 categories are as follows:

	ACTUAL 2012 \$000	ACTUAL 2011 \$000
LOANS AND RECEIVABLES		
Cash and cash equivalents	1,467	1,233
Debtors and other receivables (note 8)	50	2,742
TOTAL LOANS AND RECEIVABLES	1,517	3,975
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST		
Creditors and other payables (note 11)	857	919

The Serious Fraud Office has a letter of credit facility with Westpac of \$100,000 in 2012 (2011: \$100,000) to allow for the payment of employee salaries by direct credit.

19B. FINANCIAL INSTRUMENT RISKS

The Serious Fraud Office's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. The Serious Fraud Office has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

MARKET RISK

→ Currency risk

The Serious Fraud Office has no material exposure to currency risk, and its financial instruments are not interest rate sensitive.

→ Interest rate risk

Under section 46 of the Public Finance Act 1989 the Serious Fraud Office cannot raise a loan without Ministerial approval, and no such loans have been raised. Accordingly, there is no interest rate exposure for funds borrowed.

CREDIT RISK

Credit risk is the risk that a third party will default on its obligations to the Serious Fraud Office causing the Serious Fraud Office to incur a loss. In the normal course of business the Serious Fraud Office incurs credit risk from debtors and bank deposits. The Serious Fraud Office is only permitted to deposit funds with Westpac, a registered bank with a high credit rating. For its debtors, the Serious Fraud Office has no concentrations of credit risk. The Serious Fraud Office's maximum credit exposure for its financial instruments is represented by the total carrying amount of cash and bank deposits and debtors. There is no collateral held as security against these financial instruments.

LIQUIDITY RISK

Liquidity risk is the risk that the Serious Fraud Office will encounter difficulty raising liquid funds to meet commitments as they fall due. In meeting its liquidity requirements, the Serious Fraud Office monitors its forecast cash requirements with expected cash drawdowns from the New Zealand Debt Management Office. The Serious Fraud Office maintains a target level of available cash to meet its liquidity requirements.

The Serious Fraud Office has a credit card facility of \$55,000 as at 30 June 2012 (2011: \$71,500).

→ Contractual maturity analysis of financial liabilities, excluding derivatives

The table below analyses the Serious Fraud Office's financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	CARRYING AMOUNT \$000	CONTRACTUAL CASH FLOWS \$000	LESS THAN 6 MONTHS \$000	6 MONTHS- 1 YEAR \$000	1-5 YEARS \$000
2012					
Creditors and other payables	425	425	425	0	0
Accrued rent expense	432	432	75	144	213
2011					
Creditors and other payables	815	815	815	0	0
Accrued rent expense	104	104	0	49	55

20. CAPITAL MANAGEMENT

The Serious Fraud Office's capital is its equity, which comprises taxpayers' funds, memorandum accounts and revaluation reserves. Equity is represented by net assets.

The Serious Fraud Office manages its revenues, expenses, assets, liabilities and general financial dealings prudently. The Serious Fraud Office's equity is largely a by-product of managing income, expenses, assets, liabilities and compliance with the Government Budget processes, Treasury Instructions and the Public Finance Act 1989.

The objective of managing the equity is to ensure that the Serious Fraud Office effectively achieves its goals and objectives for which it has been established, while remaining a going concern.

21. EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

BUDGET 2011

In Budget 2011, Vote Serious Fraud received a budgeted appropriation of \$12.343 million. This included a single year increase of \$7.5 million funded by revenue Crown for an additional 20 to 30 investigations. The extra funding to undertake the increased volumes was primarily for salaries with an increase to 74 full-time equivalent staff from 40 and an increase of \$4.5 million for legal advice from the SFO Panel Counsel, specialist forensic accounting advice, consultants and travel associated with the investigations and prosecutions.

OCTOBER BASELINE UPDATE

In October 2011, approval was given to reallocate \$5 million revenue from the Crown in the amount of \$2.5 million to 2012/13 and 2013/14 financial years respectively. The spreading of the appropriation across a three-year period would allow for greater outputs provided over a longer sustained period and for a more orderly management of the caseload, particularly as the prosecutions of the finance companies would continue into subsequent years.

In addition, other revenue and rental receipts associated with 120 Mayoral Drive, Auckland, increased by \$265,000 reflecting the changed sublease arrangements.

Therefore, the following explanations of variances in this note are against the revised budget of the Supplementary Estimates.

STATEMENT OF COMPREHENSIVE INCOME

→ Other revenue

Funding is received from the State Services Commission (SSC) for State Sector Retirement Savings Scheme and KiwiSaver employer contributions made by the Serious Fraud Office. Other revenue was less than budgeted by \$19,000 due to decreased expenditure incurred for these schemes and therefore SSC funding was not received.

STATEMENT OF FINANCIAL POSITION

→ Cash and cash equivalents

Cash and other cash equivalents were greater than budgeted by \$337,000, primarily due to higher creditor balances at 30 June and the accumulated impact of a rent holiday on the lease at 21 Queen Street, Auckland. (Note: The differences in cash balances versus Mains Estimates 2012 is largely attributable to a high level of accrued expenses at 2010/11 year-end plus an underspend on capital for that year, impacting significantly on the budgeted opening cash position reported.)

→ Current liabilities

Current liabilities were greater than budgeted by \$480,000, primarily attributable to an increase in employee entitlements, which included annual leave liability of \$86,000 and accrued payroll of \$221,000, with the balance attributable to an increase in creditors and other payables.

→ Non-current liabilities – provisions

Non-current liabilities were less than budgeted by \$83,000, primarily due to a lower than projected make-good provision at 21 Queen Street, Auckland.

STATEMENT OF CASH FLOWS

The cash balance at the end of the year was \$337,000 greater than budget, reflecting a timing issue between accrued payments to employees and suppliers at year-end across operating and investing activities. *Cash flows from investing activities* was less than budget by \$56,000 as a result of slightly lower than budgeted capital purchases for the year plus fixed asset purchases in creditors at year end. Within *cash flows from operating activities*, *payments to employees* was less than budgeted by \$132,000 with *payments to suppliers* decreased by \$209,000. These have been offset by net GST greater than budget by \$56,000. This cash flow position is supported by the explanations provided under current liabilities in the statement of financial position.

INDEPENDENT AUDITOR'S REPORT

To the readers of Serious Fraud Office's financial statements and statement of service performance

FOR THE YEAR ENDED 30 JUNE 2012

The Auditor-General is the auditor of the Serious Fraud Office (the SFO). The Auditor-General has appointed me, Karen Young, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the statement of service performance of the SFO on her behalf.

We have audited:

- the financial statements of the SFO on pages 48 to 74, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2012, the statement of comprehensive income, statement of changes in equity, statement of departmental expenses and capital expenditure against appropriations, statement of unappropriated expenditure and capital expenditure and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the SFO on pages 43 to 47.

OPINION

In our opinion:

- the financial statements of the SFO on pages 48 to 74:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect the SFO's:
 - › financial position as at 30 June 2012;
 - › financial performance and cash flows for the year ended on that date;
 - › expenses and capital expenditure incurred against each appropriation administered by the SFO and each class of outputs included in each output expense appropriation for the year ended 30 June 2012; and
 - › unappropriated expenses and capital expenditure for the year ended 30 June 2012; and
- the statement of service performance of the SFO on pages 43 to 47:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects for each class of outputs for the year ended 30 June 2012 the SFO's:
 - › service performance compared with the forecasts in the statement of forecast service performance at the start of the financial year; and
 - › actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.

Our audit was completed on 26 September 2012. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Chief Executive and our responsibilities, and we explain our independence.

BASIS OF OPINION

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and the statement of service performance are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and the statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the statement of service performance, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the SFO's preparation of the financial statements and the statement of service performance that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the SFO's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Chief Executive;
- the adequacy of all disclosures in the financial statements and the statement of service performance; and
- the overall presentation of the financial statements and the statement of service performance.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the statement of service performance. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

RESPONSIBILITIES OF THE CHIEF EXECUTIVE

The Chief Executive is responsible for preparing the financial statements and a statement of service performance that:

- comply with generally accepted accounting practice in New Zealand;
- fairly reflect the SFO's financial position, financial performance, cash flows, expenses and capital expenditure incurred against each appropriation and its unappropriated expenses and capital expenditure; and
- fairly reflects its service performance.

The Chief Executive is also responsible for such internal control as is determined is necessary to enable the preparation of financial statements and a statement of service performance that are free from material misstatement, whether due to fraud or error.

The Chief Executive's responsibilities arise from the Public Finance Act 1989.

RESPONSIBILITIES OF THE AUDITOR

We are responsible for expressing an independent opinion on the financial statements and the statement of service performance, and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Public Finance Act 1989.

INDEPENDENCE

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit, we have no relationship with or interests in the SFO.

Karen Young

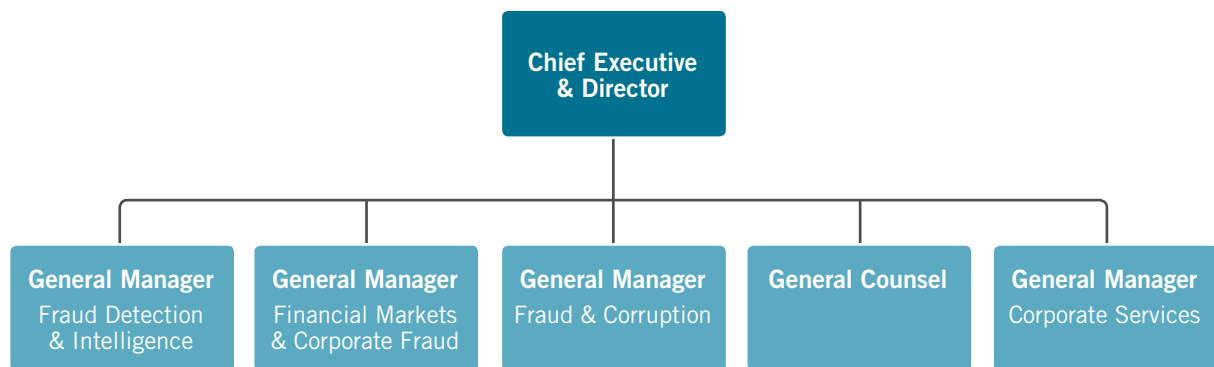
Karen Young

Audit New Zealand

On behalf of the Auditor-General
Wellington, New Zealand

APPENDIX 1

ORGANISATIONAL STRUCTURE



FRAUD DETECTION AND INTELLIGENCE

The Fraud Detection and Intelligence team is responsible for the assessment of complaints and referral to other agencies as appropriate.

FINANCIAL MARKETS AND CORPORATE FRAUD

The Financial Markets and Corporate Fraud team is responsible for focusing on fraud committed in financial markets and large corporations.

FRAUD AND CORRUPTION

The Fraud and Corruption team has responsibility for general fraud matters as well as co-responsibility with the New Zealand Police for bribery and corruption.

GENERAL COUNSEL

This role is responsible for providing independent legal advice to the Director on all operational matters.

CORPORATE SERVICES

The Corporate Services team is responsible for managing activities relating to strategic planning, accountability reporting, financial management, human resources, IT systems, operational policies and general administration.

APPENDIX 2

STAFF DEMOGRAPHICS

As at 30 June 2012, we had a core team of 50.5 full-time equivalent staff, or 52 employees.

DEMOGRAPHIC MAKE-UP OF STAFF

	STAFF NUMBERS		PERCENTAGE	
	2012	2011	2012	2011
Male	24	19	46%	54%
Female	28	16	54%	46%
Māori/Pacific	1	1	2%	3%
Asian	3	2	6%	6%
European	48	32	92%	91%
Part-time	6	3	12%	9%
Full-time	46	32	88%	91%
TOTAL STAFF	52	35		

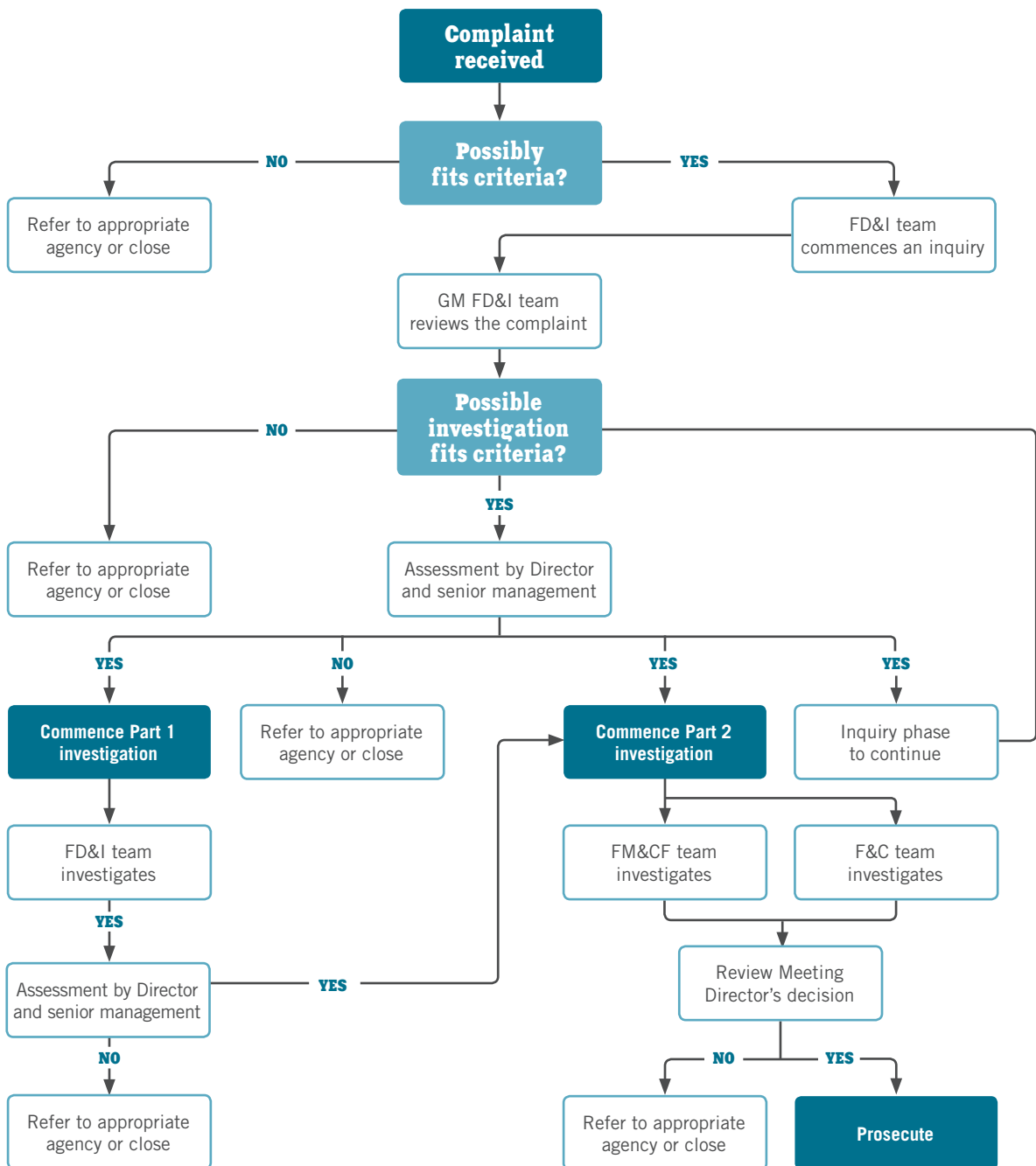
MANAGEMENT AND NON-MANAGEMENT DIVERSITY

2012	TOTAL	FT	PT	MĀORI/PACIFIC	ASIAN	EUROPEAN
FEMALE						
Management	2	1	1	–	–	2
Non-management	26	22	4	–	2	24
TOTAL FEMALE	28	23	5	–	2	26
MALE						
Management	5	4	1	–	–	5
Non-management	19	19	–	1	1	17
TOTAL MALE	24	23	1	1	1	22
TOTAL STAFF	52	46	6	1	3	48

APPENDIX 3

BUSINESS PROCESSES OF THE SERIOUS FRAUD OFFICE

The Serious Fraud Office investigates complaints of fraud and brings them to a successful conclusion as quickly as circumstances allow. The following diagram illustrates the processes that make up this intervention.



APPENDIX 4

USE OF STATUTORY POWERS

The Serious Fraud Act 1990 recognises that, on occasions, it may be reasonable and appropriate for other persons to assist with an investigation by providing the Director with the ability to authorise the use of statutory powers by non-SFO persons. This enables the SFO to add specific expertise to an investigation, particularly where the resources of the SFO may be stretched in a manner which would otherwise cause undesirable delay to an investigation. Despite having this ability, we have not used its right of authorisation from 1990 to 2010.

In 2009/10, we adopted a different approach by engaging external investigative resources under the Act. In so doing, we have been able to more effectively manage our caseload, build more effective relationships with the private sector and promote a better understanding of the work of the SFO. In maintaining this approach, we have met all the requirements of the Serious Fraud Act 1990. An analysis of the 'Use of Statutory Powers' as notices issued under the Act is summarised in the table below.

SECTION	PART 1 OF ACT	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07
s 5(1)(a)	Requiring documents	72	136	50	209	56	91
s 5(1)(b)	Requiring answers to questions	11	43	–	1	5	4
s 6	Search warrant obtained	1	–	–	–	–	–
	TOTAL	84	179	50	210	61	95

SECTION	PART 2 OF ACT	2011/12	2010/11	2007/08	2006/07	2005/06	2004/05
s 9(1)(d)	Requiring answers to questions	57	73	84	258	123	101
s 9(1)(e)	Requiring information	128	114	82	113	129	69
s 9(1)(f)	Requiring documents	647	521	409	669	547	560
s 10	Search warrant obtained	5	–	–	7	4	5
	TOTAL	837	708	575	1,047	803	735

The Director signs all notices requiring persons to attend to answer questions. To ensure that requisite grounds exist for the exercise of these powers, an internal control procedure is followed before the notices are referred for signature.

Search warrants are issued on written application to a District Court judge. The Director must be notified in advance of and approve any request for a search warrant. There were five warrants sought in the period to 30 June 2012 (2011: nil).

APPENDIX 5

SERIOUS FRAUD OFFICE PANEL COUNSEL AS AT 30 JUNE 2012

Under section 48 of the Serious Fraud Office Act 1990 the Solicitor-General is required to appoint a panel of prosecutors for the prosecution of cases of serious or complex fraud brought by the SFO. Members of the panel are appointed for three-year terms. Appointments to the panel are made by the Solicitor-General after consultation with the Director of the Serious Fraud Office.

Auckland	Ross Burns John Billington QC Brian Dickey John Dixon Nick Flanagan Alan Galbraith QC Christine Gordon SC Mike Heron Simon Moore SC, Crown Solicitor Mike Ruffin Todd Simmonds	Wellington	Grant Burston, Crown Solicitor Colin Carruthers QC Dale La Hood Kristy McDonald QC Bruce Squire QC John Upton QC
Tauranga	Paul Mabey QC	Christchurch	Nick Davidson QC Brent Stanaway, Crown Solicitor Nicholas Till QC Mark Zarifeh
Rotorua	Fletcher Pilditch, Crown Solicitor	Dunedin	Robin Bates, Crown Solicitor Marie Grills Bill Wright
Hamilton	Phil Morgan QC		





