

Integrated Statement of Strategic Intent

1 July 2016 – 30 June 2020

(incorporating the SFO Four-year Business Plan)



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Highlights

The Serious Fraud Office is the lead law enforcement agency for investigating and prosecuting serious or complex financial crime, including bribery and corruption. We typically have 50-55 cases under investigation or prosecution at any one time.

Our vision is a productive and prosperous New Zealand, safe from financial crime, bribery and corruption.

The SFO faces ever-evolving challenges, from sustained immigration and free trade deals through to the lack of a system-wide, strategic approach to financial crime. We must deal with ever-larger volumes of complex evidence. These challenges require workforce resilience, new and enhanced systems and an all-of-government strategic approach to financial crime and intelligence system.

The SFO 2020 Strategy has nine key interventions, with a corresponding set of activities that we anticipate will result in a stronger, more capable agency by 2020.

Highlights of this strategy are:

- in 2015/2016 more efficient and effective frontline investigation processes were implemented
- in 2016/2017 our Corporate Services team is being restructured
- from 2015 to 2018 an ICT Systems Transformation Project is taking place
- in 2017/2018, a business case and pilot for a cross-agency financial crime intelligence system will be developed.

The focus on new and enhanced systems restricts our ability to take an investment approach to the prevention of financial crime, bribery and corruption.

The SFO is confident that we have sufficient mitigation controls in place to manage our risk profile. The annual baseline at \$9.34 million incorporates cost pressures from all-of-government requirements and increased responsibilities for bribery and corruption. This baseline appropriation enables the SFO to recruit new specialist roles to a full workforce of 55. Cost pressures can be offset to a degree by introducing further efficiencies in business systems and processes however a tipping point will be reached where the ability to deliver core services and the 2020 Strategy is compromised.

Minister's foreword

The Serious Fraud Office (SFO) is the lead law enforcement agency for investigating and prosecuting serious or complex financial crime including corruption. The agency focuses on low volume but high cost and/or high impact offending. Cases are prioritised using a set of criteria that addresses the scale of the crime and its impact on victims, the complexity and the degree of public interest.

The Government takes its international responsibilities as a treaty signatory in the arena of bribery and corruption seriously. We fund the SFO to continue its collaborative efforts with international partners to reduce the serious harm that corrupt business practices do to the global economy. The baseline funding in this four-year window equally acknowledges the pivotal role the agency plays in preventing bribery and corruption from taking root in this country, and ensuring New Zealand continues to consistently rank amongst the least corrupt countries in the world. This global competitive advantage contributes to a productive and prosperous New Zealand.

In turn, the SFO will support the Government's goal of achieving Better Public Services, including adopting all-of-government systems where appropriate. The integration of a Statement of Intent with the four-year business plan shows the agency is motivated to think outside the square and to go beyond a business-as-usual approach to its requirements. The agency is also well-positioned to partner with other agencies in working towards an overarching financial crime strategy that will enable a more systematic, inter-agency approach and make better use of public sector resources.

I look forward, as Minister, to having a productive relationship with the agency as it continues to adapt itself to meeting the future needs of New Zealand. I am satisfied that the information on strategic intentions prepared by the Serious Fraud Office is consistent with the

policies and performance expectations of the Government.

Ministerial Statement of Responsibility

I am satisfied that the information on strategic intentions prepared by the Serious Fraud Office is consistent with the policies and performance expectations of the Government.

Hon. Paula Bennett

Minister Responsible for the Serious Fraud Office

Director's introduction

This document incorporates, for the first time, the SFO's Statement of Intent (SOI) to 2020 with our four-year business plan. It provides a welcome opportunity to align the agency's performance standards with both the rapidly changing external environment and a re-configuring of the agency's operating model.

New Zealand ranks as the least corrupt country in the world and is increasingly seen as a safe place to invest but we must be vigilant in safeguarding NZ Inc from existing and emergent threats. This integrated SOI and business plan has been developed in the face of ever-more sophisticated financial crime, increased responsibilities in the arenas of bribery and corruption, rapid social change, and the need for joined-up thinking to tackle cross-border financial crime.

In the financial crime landscape, fraudulent use of trusts as tax shelters, global money laundering and cyber crime are affecting New Zealand. We continue to see allegations of various forms of public and private sector corruption and financial crime involving a lack of proper governance. We are also seeing an increase in referrals from other government departments as they take a more stringent approach to monitoring service providers.

The SFO's three core principles of Excellence, Pride and Connect, the agency's vision of a productive and prosperous New Zealand, and a new Strategic Plan to 2020 have guided the development of a robust four-year business plan that is laying the foundation for stronger and more strategic partnerships, greater internal resilience and flexibility, and enhanced capabilities as we adopt new technologies and systems. All these interventions, and the dedication of our small team of specialist employees, will ensure the SFO continues to live up to our reputation as a world-class financial crime and corruption law enforcement agency.

Director Statement of Responsibility

In signing this information, I acknowledge that I am responsible for the information on strategic intentions for the Serious Fraud Office. This information has been prepared in accordance with section 38 and section 40 of the Public Finance Act 1989.

Julie Read
Director
March 2017

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1: Strategic delivery and direction

1.1 Strategic delivery

Vision

A productive and prosperous New Zealand safe from financial crime, bribery and corruption.

Core principles

Excellence: We strive to be a world-class financial crime and corruption agency.

Pride: In the work we do and our contribution to New Zealand.

Connect: Recognising our own strengths and opportunities, and those arising from close collaboration with and connections across agencies and sectors.

What we do and don't do

The SFO is the lead law enforcement agency for investigating and prosecuting serious or complex financial crime. In particular, we are the lead agency for bribery and corruption investigations. The presence of an agency dedicated to white collar crime is integral to New Zealand's reputation for transparency, integrity, fair-mindedness and lack of corruption. Such a specialist agency is considered internationally as the gold standard for responding to complex financial crime.

The agency employs a highly experienced team of financial crime investigation specialists who examine possible instances of financial crime and where appropriate, prosecute to hold the offenders to account. The SFO has statutory independence; operational decisions are made without ministerial direction, and we have the right to compel the production of documents and the answering of questions.

As a government agency with limited resources, we must focus on a relatively small number of cases that significantly impact the economy or the New Zealand public. In the case of bribery or corruption, we investigate crimes that could undermine confidence in the public sector or are of significant public interest. Cases are prioritised using a set of criteria that addresses the scale of

the crime and its impact on victims, the complexity and the degree of public interest.

The decision to prosecute is based on sufficient evidence and public interest. While it is not the role of the SFO to find guilt or to seek compensation for losses suffered by victims – that sits with the courts – public disclosure and custodial sentences, where imposed, are considered strong deterrents of white collar crime. We play an important role in achieving public disclosure and custodial sentences. High-profile cases are also an opportunity for us to share our expertise about the impact of complex financial crime, both on immediate victims and the wider business community.

Scale of operations

The SFO typically has around 50-55 cases under investigation or prosecution at any one time.

Annually, there is an initial triage of up to 600 complaints, with approximately 30 initial enquiries under Part 1, 25 substantive investigations under Part 2 and around 12 prosecutions being taken on each year.

Customers

The SFO's objectives are to:

- make New Zealand a safe place to invest and do business
- give New Zealand businesses a global competitive advantage through a reputation for low levels of financial crime, bribery and corruption

1.2 Challenges and opportunities

Continued economic growth and security relies on public and investor confidence in the integrity of New Zealand's financial and commercial markets and the administration of the justice system. The country's cultural, social and financial landscape is rapidly changing as strong immigration, free trade deals and investment continues.

We are the fifth most ethnically diverse country in the OECD, with 213 ethnicities represented and 160 languages spoken. Over 25 percent of residents were born overseas, and that number climbs to 40 percent in Auckland, where the SFO is based. The agency is ideally located to increase its understanding of ethnic diversity. While immigration is critical to the long-term economic

success of New Zealand, we need to be alert to ensure divergent cultural norms don't undermine the reputation of NZ Inc. This creates an opportunity for greater activity in corruption prevention and education.

The SFO Public Trust and Confidence Survey, April 2016, reveals that New Zealand is increasingly seen as a safe place to invest, at 63 percent (up from 55 percent in 2014). This reputation delivers the economy a competitive advantage, through business confidence, as the real and perceived cost of doing business here is lower than for many of our trading partners and competitors. New Zealand has a reputation as the least corrupt country in the world but we increasingly have links to high-risk jurisdictions, including doing more business abroad in countries in the red zone of the Transparency International Corruption Perceptions Index (CPI), and we must continue to be vigilant.

The agency has increased responsibilities in the arena of bribery and corruption, following ratification of the UN Convention Against Corruption in December 2015 and new organised crime and anti-corruption legislation, including higher penalties for bribing public officials abroad. One of the biggest challenges facing the SFO is the complexity of cross-border investigations based on formal cooperation arrangements.

A high-profile threat arises from trusts being used as tax shelters. This is an international concern and an effective response will be important in maintaining New Zealand's reputation.

The lack of a system-wide, strategic partnership approach to financial crime creates the opportunity for financial criminals of all kinds to exploit the interstices between agencies. There is no central overview or leadership for financial crime prevention, which creates opportunities for improvement.

There are also risks inherent in the major infrastructure construction taking place in the Auckland region. Over 40 capital projects in the central city are projected to offer an additional 167,000sqm of commercial office space, 7,000 new dwellings, a convention centre, new hotels and more by 2020 to 2023.

From an SFO business perspective, the agency faces dealing with ever-larger volumes of complex evidence. We must build systems that enable us to manage the growing volume of evidence in cases, as well as use these systems more effectively. To position ourselves for a future more focused on data analytics, we must recruit for specialised skills in the areas of data analytics and electronic forensics. Much of our work also responds to complaints we have a limited ability to plan for, which requires workforce flexibility and resilience. Accordingly, we are building a flexible approach with systems that enable us to efficiently deploy and prioritise our limited but highly skilled resources.

The Public Trust and Confidence Survey revealed that almost one in two New Zealanders (46%) think the SFO's role could be given more importance. This perception implies there is a wide base of support for further investment in our work.

1.3 Strategic direction and trade-offs

The SFO has developed a Strategic Plan to 2020 that guides our strategic delivery. This plan is shown on page 9. It identifies how the agency seeks to position itself over the next four years to make a strong contribution to NZ Inc and become a stronger and more capable agency, well-positioned for the future. These interventions respond to the Performance Improvement Framework (PIF) Review undertaken in 2014/15 and are explained in further detail in the following sections on a partnership approach, the business operating model and workforce strategy.

In anticipation of the obvious changes that the use of technology is bringing to the complexity of our cases and the volume of evidence, the agency is focusing significant resource on business efficiencies, strategy and workforce resilience. These investments aim to futureproof the agency against these changes and for any new wave of financial crime such as the collapse of the finance companies.

- In 2014/15, we instigated changes to frontline investigation processes
- In 2016/17, we are restructuring our Corporate Services team.

Attention is now turning to technology requirements – replacing outdated systems, further alignment with all-of-government services and outsourcing processes where this is more efficient.

This focus restricts what we are able to achieve in other areas of ‘non-core business’. The Justice Sector has an increased focus on prevention and on victims of crime, and while the SFO has a key intervention of “educating and interacting with the community”, we do not presently have the resources to take an investment approach to prevention of financial crime, bribery and corruption. Such an approach would see the SFO investing resources for example into:

- working with the private and public sectors to promote, a) better understanding of anti-corruption laws in New Zealand and in any countries in which they operate; and b) the guiding principles for businesses in relation to anti-corruption compliance procedures, as outlined in the Ministry of Justice’s Guide for New Zealand businesses
- educating consumers, when investing, on the potential risks associated with financial crime.

The return on this investment would, over time, occur from consumers having more money in their pockets to spend productively or invest wisely, businesses being more productive, increased tax revenues, and an enhanced reputation for NZ Inc as a safe place to invest.

Equally, we do not hold responsibility for, or have control over, many factors that are important to victims – such as deciding penalties and recovering losses.

The baseline at \$9.34 million incorporates cost pressures from all-of-government requirements and increased responsibilities flowing on from the greater international focus on bribery and

corruption. This baseline enables the SFO to manage core business caseloads and to meet our targets. A number of roles were left vacant during a period of budgetary uncertainty occurring during the agency’s Expenditure Review in

2014/15, which was conducted concurrently with the PIF. This baseline appropriation enables us to recruit new specialist roles to a full workforce of 55 and contract other specialist expertise, as required.

The cost pressures inherent in workforce recruitment, salaries and training can be offset to a degree by introducing further efficiencies in business systems, processes and job roles. However, a point will be reached where any further ‘efficiencies’ would undermine the ability to deliver core services and the 2020 Strategy.



Our vision is ...

A productive and prosperous New Zealand safe from financial crime, bribery and corruption

So that ...

- New Zealand is a safe place to invest and do business
- Our reputation for low levels of financial crime, bribery and corruption provides a global competitive advantage to New Zealand businesses

We will become a stronger, more capable agency that will:

Conduct investigations and prosecutions of the highest quality and effectiveness

Align the SFO's role, objectives, functions and activities with those of our key stakeholders

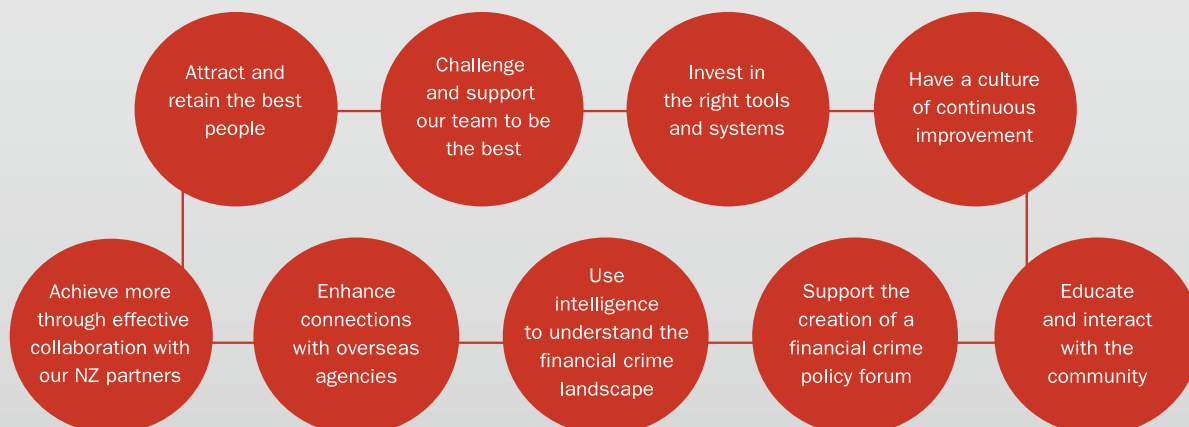
Lead the understanding of financial crime, bribery and corruption in the private and public sectors

Lead in the sharing of financial crime intelligence sharing between agencies to identify and prevent threats

Contribute to financial crime law reform and policy

Prevent financial crime through education and advice

To do this we need to:



1.4 Four-year timeline

STATUS QUO

- Rapidly changing cultural, financial and social landscape
- Increased international responsibilities for bribery and corruption
- Increase in sophisticated cross-border financial crime, facilitated by technology developments
- Lack of system-wide approach to financial crime and limited ability to accurately assess threatscape
- Reactive – limited ability to plan workload
- Environmental risk from Auckland infrastructure build
- Ever-larger volumes of data.

INTERVENTION	2016 / 17 ANALYSE	2017 / 18 IMPLEMENT	2018 / 19 ACHIEVE	2019 / 20 TEST
Use intelligence to understand the financial crime landscape	Work with partner agencies to build a financial crime intelligence framework. Develop pilot for cross-agency financial crime intelligence approach	Develop business case and pilot cross-agency financial crime intelligence system	Implement cross-agency financial crime intelligence system. Develop options for expanding the system to private sector partners	Embed cross-agency intelligence system
Enhance connections with overseas agencies	Follow up commitments made at 2016 Anti-Corruption Summit Attend relevant agency forums and support Pacific partners			
Achieve more through effective collaboration with our NZ partners		Partner with agencies to develop a financial crime and corruption strategy		
Support the creation of a financial crime policy forum				Hold workshops with partner agencies to explore options for forum
Educate and interact with the community	Hold fraud and corruption conference (bi-annual) Hold private sector and stakeholder education events		Hold fraud and corruption conference (bi-annual)	
Invest in the right tools and systems	Complete an evidence and case management business case. Enhance and implement new finance systems and processes	Implement and train case and evidence management systems	Refine and embed new case and evidence management systems	
Attract and retain the best people	Analyse and recruit work-force needs. Restructure Corporate Services	Embed Corporate Services changes	Review specialist workforce needs and induct new recruits	
Challenge and support our team to be the best. Have a culture of continuous improvement	Use AYT results to improve culture, communications, leadership and engagement			

KEY: Blue Shading = Ongoing

WHERE WE WANT TO BE IN 2020

- Increased perception of New Zealand as a safe place to invest
- Reputation for low levels of financial crime, bribery and corruption provides a global competitive advantage to New Zealand businesses
- Stronger, more capable agency

2. Partnership approach

2.1 Intervention: Use intelligence to understand the financial crime landscape

Intelligence Strategy

The SFO aims to underpin its operational work with intelligence. In the 2015/16 year, we developed an internal intelligence strategy aligned to the new SFO Strategy, which assesses what we currently do in the financial crime intelligence space. The strategy aims to make better use of public sector resources, reduce crime and reoffending, and lay the groundwork for proactive and coordinated inter-agency sharing.

Current partners include:

- New Zealand Police (Police)
- Ministry of Justice
- Crown Law Office (CLO)
- New Zealand Customs Service (Customs)
- Department of Internal Affairs (DIA)
- Organised and Financial Crime Agency of New Zealand (OFCANZ)
- Office of the Auditor-General
- Ministry of Business, Innovation and Employment (MBIE)
- Inland Revenue Department (IRD)
- Commerce Commission
- Financial Markets Authority (FMA).

We also maintain strategic partnerships with relevant private sector interests, such as accounting firms and insolvency practitioners, and have links with the national coordinating committee for anti-money laundering, the Council of Financial Regulators and a range of other groups such as the Gang Intelligence Centre and National Targeting and Analysis Group.

See Figure 1 for an overview of the wider New Zealand context in which the agency works.

All-of-government intelligence system

In New Zealand, financial crime is addressed by a wide range of justice and business sector agencies, no single agency maintains the overall picture or has a functional leadership role, and there is no overarching financial crime strategy.

Information sharing requires significant amounts of manual intervention. Financial crime also overlaps heavily with other categories of crime including organised crime, money laundering, consumer protection and cyber crime. There is scope for significantly reducing the harm of financial crime by making more and better use of the subsets of disparate knowledge available within agencies and by bringing our approach more in line with international best practice and standards.

The PIF review noted that, in a dynamic landscape, the SFO sees only a small number of offences at the complex end of the scale and does not have the ability from its own resource base to assess the ever-evolving threatscape within which we work. The historic lack of joined-up intelligence restricts the ability to take a systematic and anticipatory approach to financial crime prevention and investigation. The PIF review recommended that leadership and support of other agencies and genuine collaboration on strategy and service delivery needed development. The benefits of an integrated approach include early intervention by the SFO and other agencies, which results in a consistent, faster and more effective process for all concerned.

In 2016/17, the SFO commenced work with partner agencies (IRD, MBIE, Police and Treasury) on advancing a system-wide approach to financial crime. In late 2016, workshops were held with a range of agencies to:

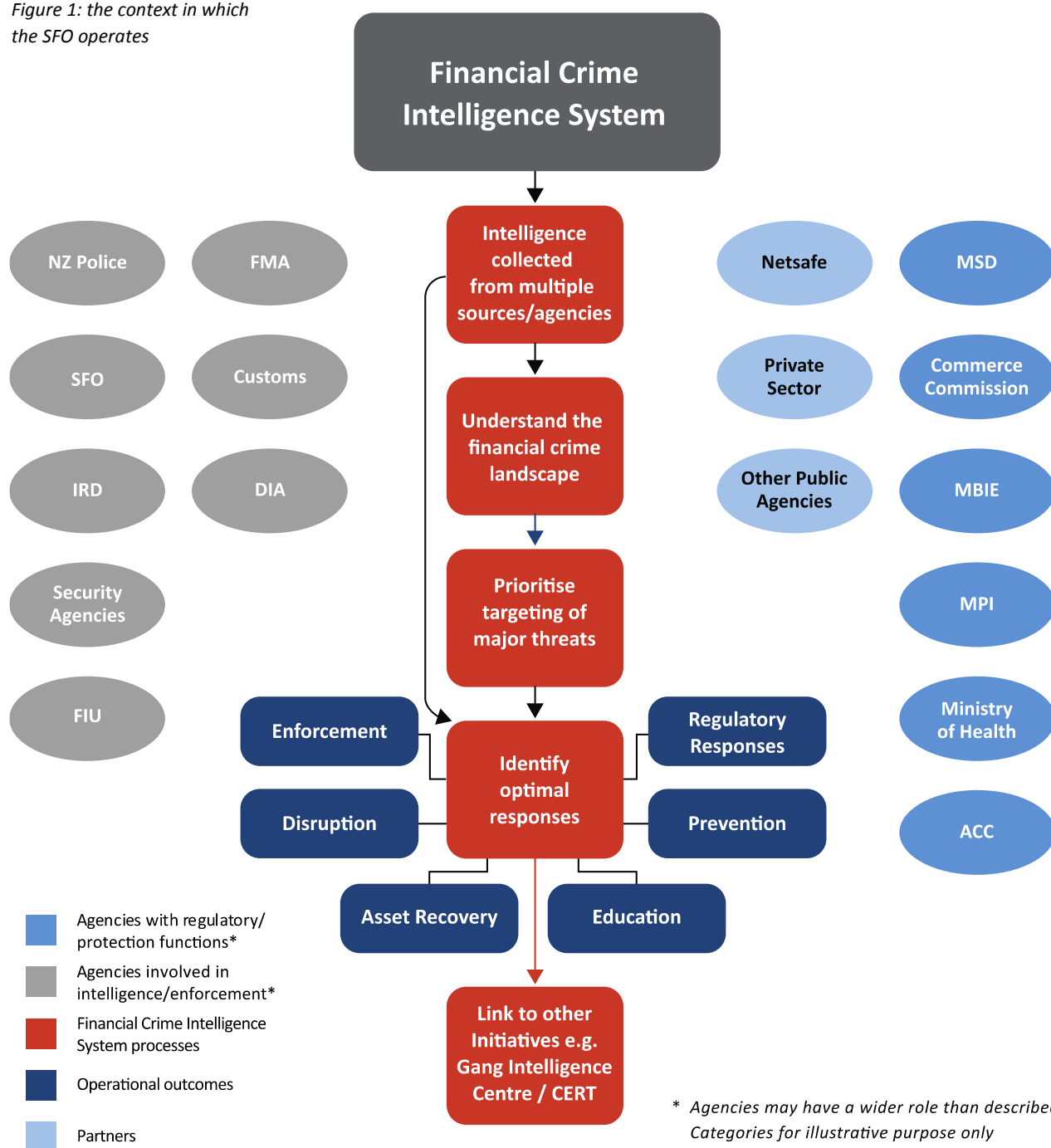
- develop a framework describing current activities across prevention, regulation, detection or investigation
- identify and isolate benefits of a more integrated system
- consider what a more integrated system would consist of
- examine how to develop a pilot exercise.

Under the proposal, an integrated approach would comprise four broad areas: fraud; bribery and corruption; money laundering and terrorist financing; and proceeds of crime and asset recovery. Responsibility for some of these areas sits with agencies other than the SFO so a collaborative approach is essential. A risk matrix could be used to identify the top risks and other intelligence products that could best contribute to

prioritising responses to financial crime and corruption threats, appropriate allocation of cases with our partners and facilitating information sharing and timely responses.

This work will continue in 2016/2017 with the development of a pilot.

Figure 1: the context in which the SFO operates



2.2 Intervention: Enhance connections with overseas agencies

Our international counterparts include:

- UK Serious Fraud Office
- Federal Bureau of Investigation (FBI)
- Independent Commission Against Corruption (ICAC) Hong Kong
- Corrupt Practices Investigation Bureau (CPIB) Singapore
- Australian Federal Police
- European Anti-Fraud Agency (OLAF).

The SFO attends relevant financial crime and corruption agency forums. In 2012, we took the lead in developing the Economic Crime Agency Network (ECAN), which is now a consolidated and evolving cohort of our overseas partners in financial crime enforcement. This group collaborates at an annual meeting and readily consults on operational matters. ECAN, along with the APEC working group involvement, has proven its worth on several case-related matters which involve other jurisdictions such as Hong Kong, the USA, Singapore, Malaysia and Taiwan.

We also provide expertise to our Pacific partners, such as recent corruption investigations in the Cook Islands and Tonga, where we sent SFO forensic accountants, and trained the Cook Islands Financial Intelligence Unit.

Bribery and corruption focus

The SFO has increased international responsibilities for bribery and corruption. Investigating and prosecuting corruption cases can be time consuming and costly as they may involve significant investigation overseas, including the need for formal cooperation with global authorities.

The SFO is also one of the New Zealand agencies with a role to play in responding to international expectations in relation to corruption (on the part of bodies such as the OECD, the UN and APEC) and in maintaining links with overseas counterparts, which underpins our cooperation efforts and provides opportunities for training.

The international community is very active in this area as witnessed by the fact that there have

been four phases of review of each signatory's implementation of the OECD treaty on foreign bribery. Foreign bribery and corruption is also a focus of APEC with the establishment of the Anti-Corruption and Transparency Working Group (ACTWG) and law enforcement specific sub-fora Network of Anti-Corruption Authorities and Law Enforcement Agencies (ACT-NET). The SFO is continuing to work with other member economies on projects undertaken by the ACTWG. China is particularly diligent and our continued status as a favoured trading partner will be supported by New Zealand's engagement with this work.

As New Zealand has now ratified the United Nations Convention Against Corruption, the SFO continues to work with our Justice Sector colleagues on the reviews of our implementation of that convention.

We are following up on commitments arising from the May 2016 Anti-Corruption summit in London including:

1. Participation in the establishment of the International Anti-Corruption Coordination Centre (IACCC). The aim of the IACC is to help investigators of corruption work together across multiple jurisdictions on cases of high-level corruption. The work of the centre will help to prevent illegal money flows across multiple countries.
2. Contributing to beneficial ownership register work being undertaken here in New Zealand. A public central register of company beneficial ownership information is being set up, modelled on the United Kingdom register that came into force in April 2016.

2.3 Intervention: Achieve more through effective collaboration with our New Zealand partners

The strength and depth of the SFO's connections with the government and the private sector are important to our ongoing success and capacity to contribute to whole-of-government priorities such as Better Public Services.

We are using our stakeholder relationships to develop the cross-agency approach to financial crime intelligence.

The SFO also expects to continue over the next four years with a range of joint activities whose synergies achieve more than is possible working independently.

We have strong relationships with the Police, the FMA, the DIA, Customs and the Commerce Commission. Their work often crosses over with SFO investigations and we benefit from each other's assistance and intelligence sharing. Regular joint investigations with agencies such as the FMA for example, allows for each agency to use their expertise to seek justice for the victims through investor regulation and the prosecution process.

With the Police, we ensure regular training opportunities for employees in the areas of intelligence gathering and investigative skills. Secondments into the Police to assist with their investigations also provide opportunities to gain new skills. They ensure coordinated, effective and efficient responses to financial crime cases when our specialist skills are needed.

The Electronic Forensic Unit works closely with other law enforcement agencies. The sharing of resources and capabilities with Customs for example, with whom the SFO have a Memorandum of Understanding, is vital in the ever-changing field of computer forensics.

The quality of our relationships and partnerships is measured by the Biennial Stakeholders' Survey and shows significant improvement from 2012/2013 and 2014/2015.

See section 6.3 Key capabilities for detail.

2.4 Intervention: Support the creation of a financial crime policy forum

While we are not the lead agency in relation to policy, we contribute by commenting on legislative proposals, attending overseas meetings relating to financial crime, such as APEC and those with an operational element, and responding to operational and policy matters such as the OECD assessments of New Zealand's implementation of the foreign bribery convention.

We plan to hold workshops with partner agencies to explore the creation of a financial crime policy forum that can enhance policy response to financial crime and enable the SFO to use its experience in this field to assist with appropriate policy settings.

2.5 Intervention: Educate and interact with the community

Results of the third SFO Public Trust and Confidence Survey, April 2016 reveal that: New Zealand is increasingly seen as a safe place to invest at 63 percent (up from 55 percent in 2014), and that almost one in two New Zealanders (46%) think the SFO's role could be given more importance.

While over half (53%) agreed that the SFO does a good job in demonstrating the consequences of serious financial crime, this is a significant decline from 60% agreement in 2014.

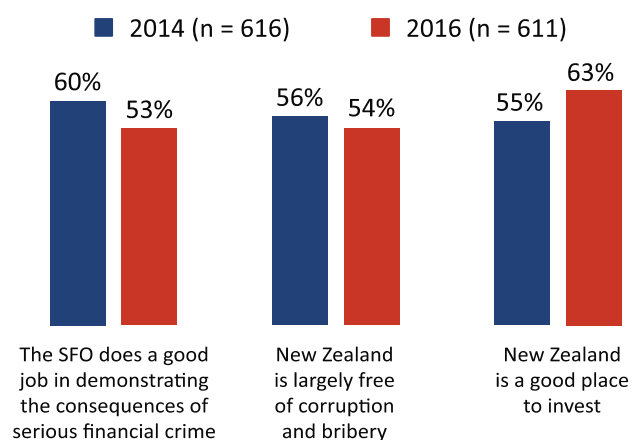


Figure 2: Key results of SFO Public Trust and Confidence Survey

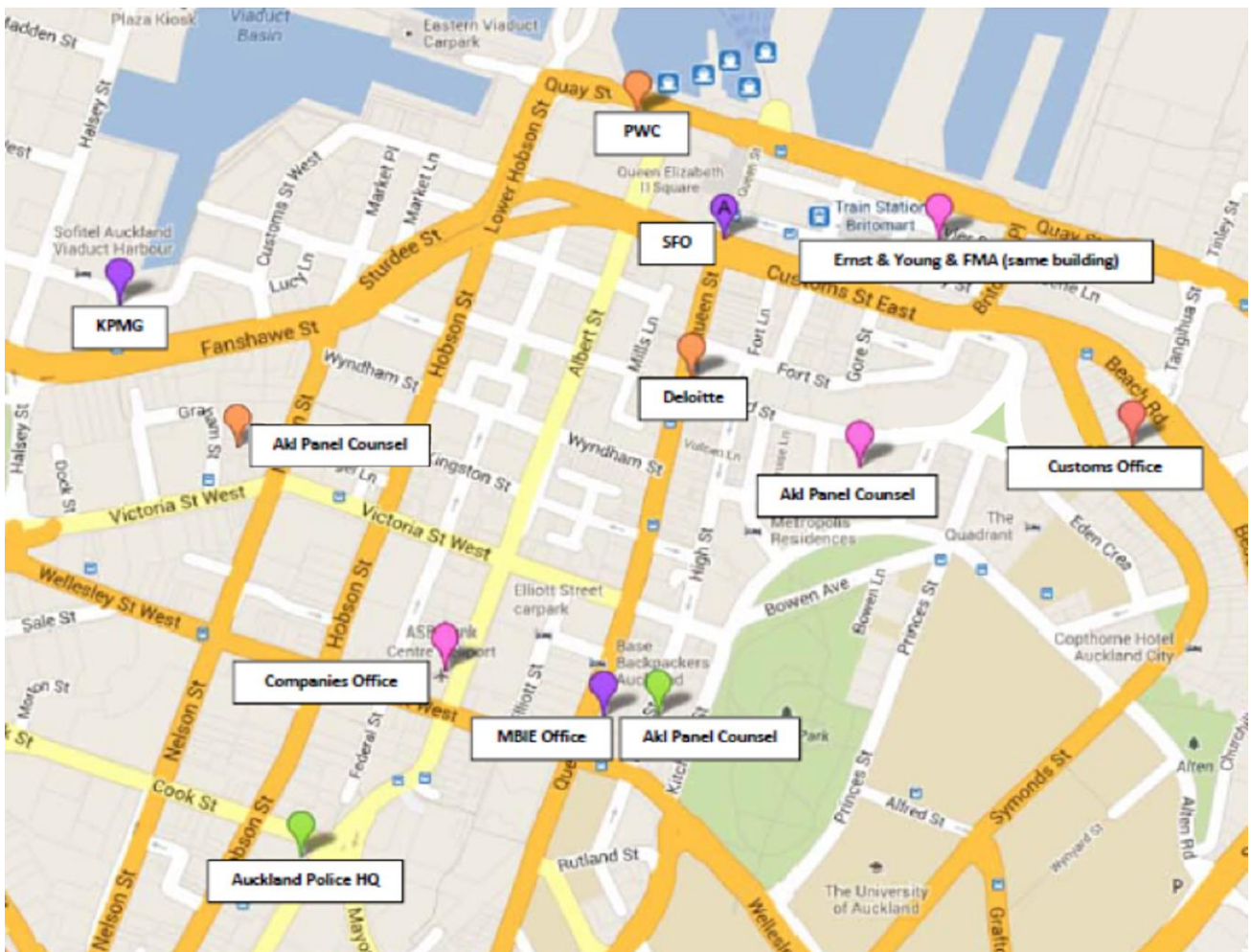


Figure 3: Auckland stakeholder proximity mapping

Enhanced communications with the public and private sectors, along with a higher public profile, ensure that appropriate complaints are directed to the SFO. A range of different tools are being deployed to increase stakeholder engagement, including a new series in 2016/17 of targeted, face-to-face events with the SFO's senior leadership team. The events are designed to understand the issues faced by our stakeholder communities and to help us decide how best to work together.

In February 2017, the SFO will host a biennial Fraud and Corruption Conference, bringing international speakers to Auckland and inviting business leaders and stakeholders to participate. An expected outcome of these conferences is profile building for the SFO and education on how our stakeholders can protect their businesses

from financial crime, including bribery and corruption.

While the SFO does not have a formal education role, and is very operationally focused, there is an opportunity for us to use our expertise and knowledge to reduce the harm caused by financial crime over the next four years. We regularly receive requests from across the public and private sectors to provide education around financial crime, and particularly corruption. We see a nexus between taking leadership in the partnership approach of our strategy and the potential – with sufficient resources – to develop a formal education responsibility for the prevention of financial crime.

3. Business operating model

3.1 Intervention: Invest in the right tools and systems

The pressure to deliver cost efficiencies in a tight fiscal environment is expected to remain through to 2020. Following the 2014 PIF Review and completion of a large tranche of finance company collapses, the agency shifted its focus to future requirements of the business.

Investigation process changes

In 2014/15, we implemented new investigation processes, with a two-part complaint assessment process that places our most experienced employees at the very start. This ensures we investigate the right things at the right time and in the right way, and, as a result, we are seeing more effective and efficient investigations. Performance measures have accordingly been adjusted to reflect this change in business operation. See section 6.2 Key trends for details.

Systems transformation project

In 2015/16, we began a systems transformation project. The agency's focus to 2020 has four overarching priorities: secure, digital, stable and mobile. These will guide the transition from now-dated tools to fully integrated systems that will increase the speed, accuracy and efficiency of our operations.

By April 2016 we had fully migrated to outsourced document scanning, which will futureproof us for the anticipated exponential increase, and fluctuations, in information being received. Incoming calls have also been outsourced to the MBIE Contact Centre. In 2016/17, the Finance system is being enhanced by the adoption of a cloud-based solution.

Ensuring that our ICT capabilities and organisational structure continue to evolve and remain fit for purpose is a strategic priority. A set of core challenges has informed the development of the agency's ICT Strategy. The first is to realise cost efficiencies across the business through effective deployment of ICT services. New technologies are also providing both opportunities and expectations regarding capability and security. Investment in ICT assets

must support enhanced capability delivery, greater agility and appropriate security and compliance. Further provision of mobile solutions is required, along with greater standardisation of systems and ease of use.

The phase 1 transformation programme of the business improvement project has been completed in 2016 with a hardware refresh and the introduction of a remote access system, and two all-of-government solutions (IaaS and DaaS). This phase has laid a foundation by moving to a more robust IT provider and aligning our compliance with the government ICT strategy.

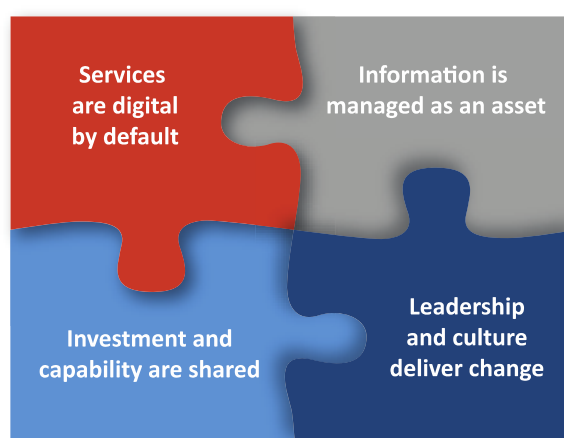


Figure 4: Government ICT Strategy

To successfully support the business, more needs to be done than just adding new technology and migrating to a hosted infrastructure.

Successful financial crime investigations and prosecutions depend on quick recovery and searches of digital and paper records, as well as having efficient systems in place for case and complaint management and reporting. [REDACTED]

[REDACTED]

[REDACTED] The agency engaged Deloitte to prepare a business case for new evidence management and case management systems, attached as a separate document to this Integrated Statement of Strategic Intent. We have received funding in Budget 2017 for this investment, which will ensure these systems are fit for purpose through to 2020.

See Section 6.3 Key capabilities table for how we measure performance.

Systems transformation project

PROJECT	2015/16	2016/17	2017/18
Intranet upgrade and website refresh	Completed		
Evidence handling project	Completed		
Alignment of SFO document processing with Bureau	Completed		
Telecommunications as a Service (TaaS)		Scoping	Implement
Security review and alignment		Complete June 2017	
Court system review			Complete October 2017
Case management system review		Business case	Implement and embed
Evidence management system review		Business case	Implement and embed
Finance system review		Implement	Embed
Time and cost recording system review			Scoping

4. Workforce strategy

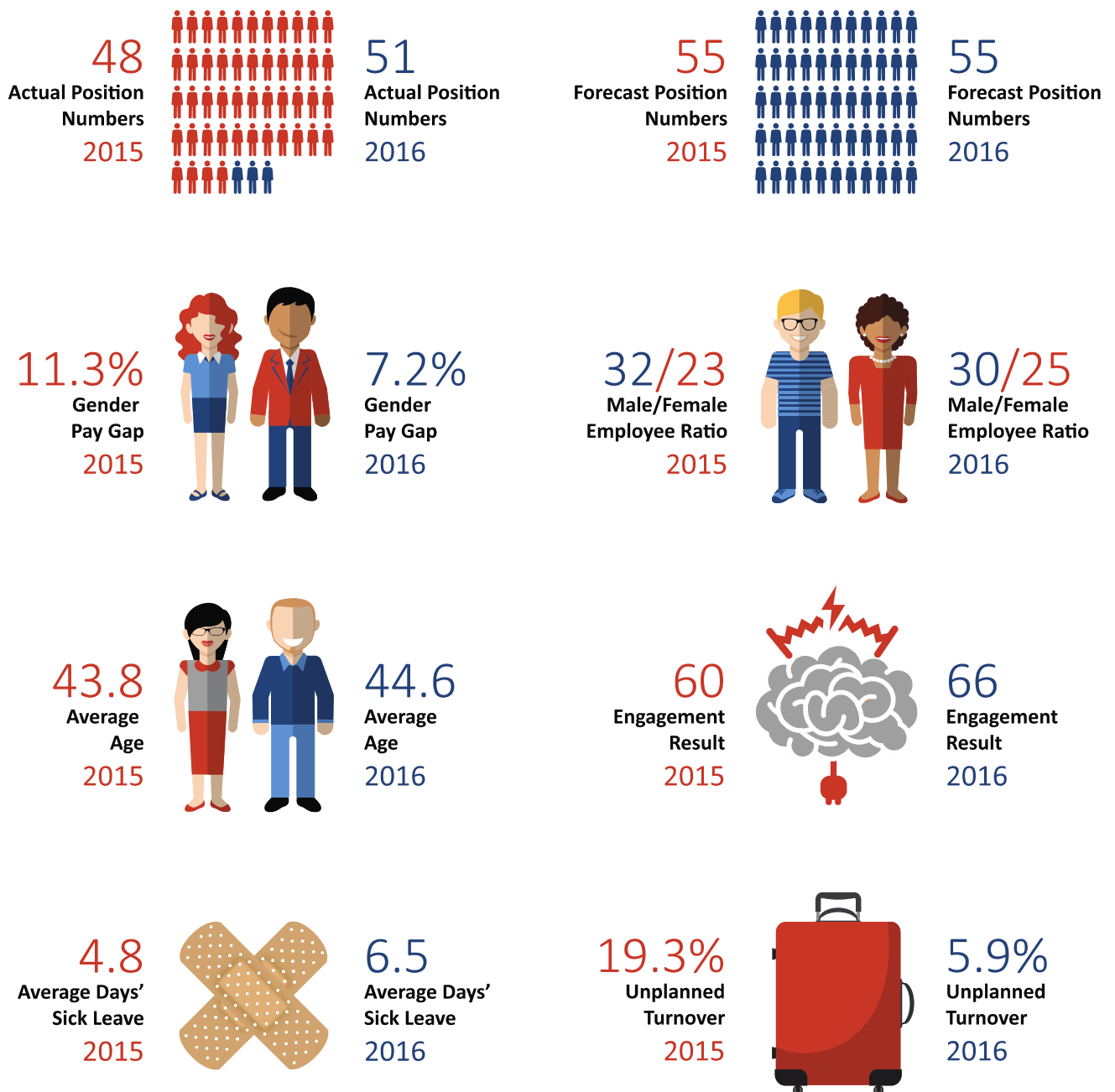
The SFO has a budget to operate with a workforce of 55 through to 2020, largely senior specialist practitioners. This small team of experts is a key strength for the agency and is critical to the delivery of our mission. With 85 percent in frontline jobs, everything we do is core business.

An inspiring strategy and meaningful values continue to be at the heart of the SFO's workforce strategy. The strategy has nine workstreams that underpin successful delivery of the three key interventions, as shown in Figure 5.



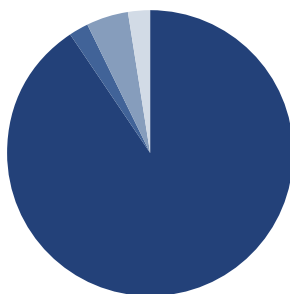
Figure 5: Workforce strategy overview

Workforce overview



Ethnic Diversity

European	81.3%
Maori	2.1%
Asian	4.2%
Pacifika	2.1%
2016	



This overview shows workforce data trending in a positive direction across a range of indicators, i.e. gender pay gap and employee ratio, engagement and unplanned turnover. Recruitment issues are discussed in section 4.1.

Figure 6: Workforce at a glance. Note: ethnicity is self-declared

4.1 Intervention: Attract and retain the best people

Recruitment

Engagement surveys have traditionally shown that employees strongly believe in the SFO's mandate and respect its brand. There is a high degree of collegiality. The agency is upfront with candidates about their commitment to our values and in turn we are clear on our Employee Value Proposition, i.e. what employees get in return for what they give when they come to work.

Our Remuneration Policy includes the desire to pay slightly above the public sector median, in order to attract and retain skilled employees, given that we will always struggle to match private sector salaries. The policy was developed through external remuneration expertise. It is transparent, published, reviewed annually and pegged to fair and equitable considerations including:

- role responsibilities
- level of experience
- actual performance
- ability to pay within budget.

The agency has a limited ability to plan its workload, given that the fundamental nature of the SFO's work is reactive. This challenge necessitates an agile and strategic workforce, and maintenance of the right level of specialist capability. Alongside growing skills internally, we will use external agency profiling and social media to recruit the best people. The PIF Review noted that a well-tended alumni network is critical to moving the agency towards an agile resourcing model. We also attract the best people by offering flexible working conditions.

Positioning ourselves for a future more focused on data analytics requires recruitment of specialised skills in the areas of data analytics, electronic forensics and intelligence analysts. The agency has been working through our requirements in these areas and will be focused in the 2016/17 year on strategies to most effectively recruit to a full workforce of 55.

The agency will continue to assess whether our talent policy is sufficiently flexible to respond to changing conditions in the market.

Corporate Services restructure

Over the past two years we have reviewed the efficiency of frontline operations and made changes. In the 2016/17 year, the Corporate Services team is being restructured to ensure we have the skills and capability to achieve the SFO Strategy. Four new roles are being recruited: Finance and HR business partners, Office Coordinator, and a six-month trial Business Advisor. Two roles have been discontinued.

Diversity focus

The public service needs to represent contemporary New Zealand if it is to retain public confidence. New Zealand is the 5th most ethnically diverse country in the OECD, with 213 ethnicities represented and 16 languages spoken. Forty percent of Auckland residents were born overseas and by 2038 it is expected that Europeans will be in a minority, at 47 percent of the population.

The SFO's diversity profile is shown in figure 6. In a rapidly changing social landscape, the SFO is ideally located to access a diverse talent pool and increase its understanding of ethnic diversity. Differing business cultures pose a challenge for the agency. The issue is how best to communicate and respond to cultures whose approaches to corruption and governance are at variance to that of New Zealand.

The SFO works to create an environment where employees can use their cultural backgrounds to enable us to be most effective. The agency's annual employee conference also promotes a focus on diversity.

4.2 Intervention: Challenge and support our team to be the best

In December 2015, the agency became the first public sector organisation to use a cloud-based survey tool called Ask Your Team. This cost-effective and information-rich tool covers all aspects of the business.



The SFO has a highly capable leadership team. A key aspect of our strategy is to ensure leadership by example, that leaders demonstrate the SFO's vision in action and are skilled at being drivers of high performance. This capability is measured by questions in Ask Your Team and we have set an aspirational goal for a three percent annual improvement on our baseline score for leadership and culture. See section 6.3 Key capabilities for detail.

The 2014 PIF Review noted that, given the small size of the agency, internal career progression is limited and the workforce strategy needs to be viewed on a multi-agency and multi-sector basis.

Alongside the baseline Remuneration policy, the SFO has in place, and will continue to introduce, non-financial rewards and recognition to those who display the SFO values, ensuring these rewards are diverse, competitive and cost-effective. Recognition will differentiate between performance levels, rewarding high performers more consistently and using other non-financial rewards such as:

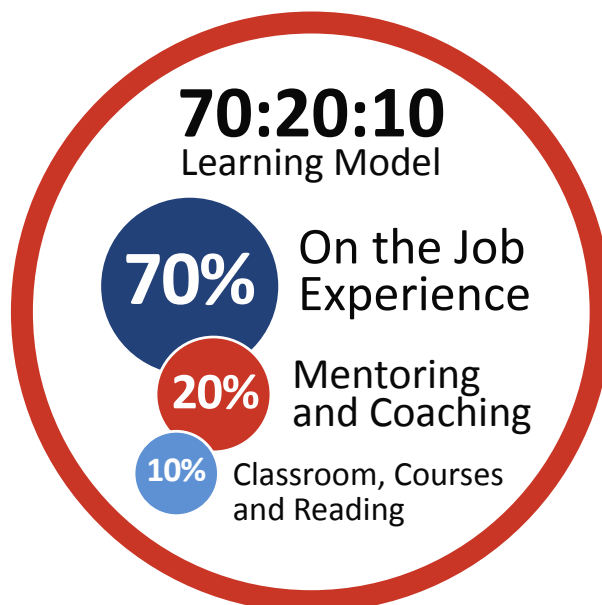
- short-term secondments and other opportunities across government agencies to enhance cross-sector knowledge and leverage the unique technical skills of our employees across the wider system
- long-service leave
- opportunities to lead projects or significant pieces of work.

4.3 Intervention: Have a culture of continuous improvement

Ask Your Team supports our leadership team in developing a cycle of continuous improvement, by analysing the gap between strategic aspiration and employee perception. The SFO at a glance data in figure 6 gives our baseline results for level of engagement and shows a significant increase year on year for 2014/15 and 2015/16.

The agency will encourage a culture of personal responsibility, and provide regular constructive feedback.

We have adopted the 70:20:10 Model for Learning and Development, considered to be of greatest value in maximising the effectiveness of learning, in a hierarchy from hands-on experience to learning from others and formal educational events or courses.



We offer recruits quality induction and training, so new recruits get up to speed in their area and are productive.

At the other end of the spectrum, recognising that our specialist workforce has an average age of 44, the SFO has in place succession planning, to ensure the agency shares and retains institutional knowledge, and that our more experienced employees mentor younger colleagues.

[REDACTED]

[REDACTED]

	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
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[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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5.2 Asset base and property strategy

The SFO Property Strategy supports the Government National Property Strategy and Principles (GNPS). It is aligned to this Statement of Intent and supports the Government Property Group's requirement to have an approved property strategy in place and refreshed bi-annually to identify opportunities to improve metric performance.

Following divestment of a sub-lease in 2015/16, the SFO has one sole lease, for level 6 Zurich House, Auckland, with a total space of 913m², including the co-location agreement with the CLO.

Total annual lease cost is \$93,039, of which the CLO contributes 14.3 percent. The MOU with the CLO expires in 2018, and final expiry of the lease is March 2023.

Location was a key policy decision at the time of establishing the SFO. Auckland is home to the majority of businesses and 51 percent of all fraud offences. A central CBD location was favoured to ensure proximity to stakeholders and private sector relationships, as well as supporting interaction with the public and 'walk ins'. This is shown in Figure 3, Auckland stakeholder proximity mapping.

6. Measuring performance

6.1 Contribute to government and sector objectives

The SFO contributes to:

- the Government's priority of building a more competitive and productive economy
- the Criminal Justice Sector's four-year mission of a more agile criminal justice system that delivers fair and proportionate criminal justice services when and where they are most required to meet the needs of New Zealanders.

A productive and prosperous New Zealand, safe from financial crime, bribery and corruption

Impacts	Indicators	Measures	Trend results
Primary: NZ is a safe place to invest and do business	Businesses say that law enforcement action is maintaining or improving the integrity of our financial and commercial markets and The public have trust and confidence that financial criminals will be prosecuted and sentenced	Biennial SFO Stakeholder Survey* "How effective have SFO investigations and prosecutions been?" Maintain or improve on baseline of 7.1 (scale of 10) and Biennial Public Survey Public feel that "New Zealand is a safe place to invest"	2015: 7.3 2013: 7.7 2011: 7.1 2015/16: 63% 2013/14: 55%
Secondary: Our reputation for low levels of financial crime, bribery and corruption provides a global competitive advantage to New Zealand businesses	New Zealand's ranking of corruption-free nations	Transparency International Corruption Perception Index. Achieve ranking within the top three	Least corrupt ranking 2016/17: 1st equal Denmark 2015/16: 4th 2014/15: 2nd 2013/14: 1st equal Denmark 2012/13: 1st equal Finland, Denmark 2011/12: 1st

Impacts	Indicators	Measures	Trend results
Primary: Increase cross-agency capability to achieve Justice Sector shared goals	Collaboration across the justice system and other agencies	Number of joint investigations	2015/16: 1
	Educate and interact with the community	Biennial Public Survey Public agree the SFO “does a good job in demonstrating the consequences of serious financial crime”	2015/16: 53% 2013/14: 60%
Secondary: Confidence increases that the main defendant in financial crime cases is held to account *	Frequency of custodial sentences being ordered where a conviction against main defendant was obtained*	Annual analysis of case sentencing, including trends compiled by the SFO: Maintain or increase custodial sentences from 75% of cases	2015/16: 89% 2014/15: 69% 2013/14: 89% 2012/13: 84% 2011/12: 95%

* Results prior to 2016/17 include all defendants, hence are not directly comparable.

6.2 Key trends

Statistical trend	2012/13	2013/14	2014/15	2015/16	2016/17
Complaints Number of complaints (not a formal measure) Percentage of complaints evaluated within 20 working days	435 91.5%	595 95%	536 77%	596 97%	80%
Enquiries Number of Part 1* enquiries commenced Number of Part 1 enquiries evaluated within 3 months			31 23%	31 90%	30-40 80%

Key trends continued

Statistical trend	2012/13	2013/14	2014/15	2015/16	2016/17
Investigations Investigations commenced Percentage of cases investigated within targeted time	30 cases 83%	30 cases 82%	15 cases 50%	16 cases 44%	20-25 cases 60%
Prosecutions Number of cases brought to prosecution	16 cases	8 cases	6 cases	10 cases	10-12 cases

* In 2014/15, the SFO instigated a two-part complaint assessment process that places our most experienced employees at the start of the process to ensure we investigate the right things, at the right time and in the right way. The new Part 1 enquiries target enables the SFO to better determine whether allegations of fraud should progress to a full investigation. Distinct Part 1 enquiries and Part 2 investigations targets also provide greater transparency and separation between the two, reflecting our updated operational practices.

6.3 Key capabilities

Capability	Indicators	Measure and target	Trend results
Technology, systems and processes	Invest in the right tools and systems	Ask Your Team “We have the technology to support our business”	2015/16: 66% Baseline
Leadership and organisational culture	Challenge and support our team to be the best	Ask Your Team A 3% annual improvement in leadership and culture baseline score	2015/16: 22% Baseline
	Attract and retain the best people	Unplanned turnover	2015/16: 5.9%
	Have a culture of continuous improvement	Ask Your Team Level of engagement	2015/16: 60% baseline
Relationships and partnerships	Achieve more through effective collaboration with our NZ partners	Biennial Stakeholders’ Survey Rating is 8 out of 10 or higher	2014/15: 8.3 2012/13: 7.2

7. [REDACTED]

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Resilience

The SFO as a small agency with approximately 55 employees, a small budget and relatively little control over its workload has very limited resilience:

Workforce

With an expert workforce who are attractive to both state and private sectors we have a high turnover relative to our level of employee engagement and will always struggle to some degree to compete with salaries offered by Crown Entities and the private sector. Given that our mandate is to deal with serious financial crime, we need a cohort of highly experienced employees to effectively investigate and prosecute our cases. The loss of employees to other employers and the difficulty of obtaining employees with all the relevant skills make replacement and augmentation for large matters difficult.

Training

SFO employees, particularly our most senior ones, require cutting-edge skills in a range of areas where training opportunities are limited, often expensive and not available in New Zealand. Providing expert-level training is critical to our ability to keep pace with the increasing electronic complexity and sophistication of financial crime. Training opportunities also enhance our capacity to recruit and retain employees with sufficient expertise for the work.

System-wide contribution

We have identified a range of ad hoc opportunities to make a system-wide contribution using our expertise, e.g. providing forensic accountants to Police financial crime units on secondment or for specific case-related assistance. However, as an agency based in Auckland there is an additional cost of maintaining our participation in, and support of, wider public sector initiatives.

Large cases

One consequence of our small size is a relative lack of elasticity to deal with unexpected expenses of any kind. One additional large case can place significant stress on our capacity to adequately staff our cases and to progress them. Fraud is a hidden crime and is often not discovered until the offending has been in operation for a significant period of time. Delay in investigation causes other significant problems including loss of access to relevant evidential material (given the obligation on institutions such as banks to only retain records for seven years) and impacts upon the availability, cooperation and memories of witnesses. Delay in prosecuting matters will also lead to a reduction in sentences and therefore in the deterrence upon other potential offenders.

Small cases

The SFO takes on a number of small cases which, while small in terms of quantum, can have a comparatively high public interest factor – such as small bribes paid to public servants. There is public interest in pursuing cases of this nature as failure to pursue such matters means these cases would fall through the cracks or be referred to other agencies placing an additional burden on other parts of the system.

All of government costs

The SFO participates in all-of-government initiatives but given our limited requirements in many areas, we need to weigh up the costs, which may be greater than independent procurement of the same services.

Appendix

8.

