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# **SERIOUS FRAUD OFFICE**

# **STATEMENT OF INTENT**

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for the year ending 30 June 2007

*Presented to the House of Representatives Pursuant to Section 39 of  
the Public Finance Act 1989*

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## **FORECAST FINANCIAL STATEMENTS & STATEMENT OF FORECAST SERVICE PERFORMANCE**

**The Attorney-General is the Responsible Minister for the Serious Fraud Office.**

### **STATEMENT OF RESPONSIBILITY**

The information contained in this *Statement of Intent* for the Serious Fraud Office has been prepared in accordance with section 38 of the Public Finance Act 1989.

The Director, as chief executive of the Serious Fraud Office, acknowledges, in signing this statement, his responsibility for the information contained in this *Statement of Intent*.

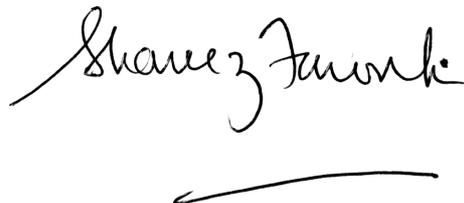
The performance forecasts for each class of outputs in the statement of forecast service performance is as agreed with the Attorney-General who is the Minister responsible for Vote: Serious Fraud administered by the Serious Fraud Office.

The financial performance forecast for the Serious Fraud Office in the forecast financial statements, and the statement of forecast service performance, are as agreed with the Attorney-General who is the Minister responsible for the financial performance of the Serious Fraud Office.

The information contained in this *Statement of Intent* is consistent with existing appropriations, and with the appropriations set out in the Appropriation (2006/07 Estimates) Bill.



D J Bradshaw  
Director  
27 April 2006



Shareez Farouk  
Chief Financial Officer  
27 April 2006

### **DECLARATION OF THE RESPONSIBLE MINISTER**

The information contained in this *Statement of Intent* is consistent with the policies and performance expectations of the Government.



Dr Michael Cullen  
Attorney General

## **THE ROLE OF THE SERIOUS FRAUD OFFICE**

The Serious Fraud Office is an operational department whose role to date has been to detect and investigate cases of serious or complex fraud offending and expeditiously prosecute offenders. That role is to be expanded, possibly during the 2006/07 financial year, to include the investigation and where appropriate forfeiture of assets or profits derived from criminal activity whether or not there has been a conviction in relation to the criminal activity in question. The new role is dependent upon the passing of the Criminal Proceeds and Instruments Bill.

It is expected that the role of the Serious Fraud Office will remain similar over the next 3 to 5 years.

### **(a) Serious or Complex Fraud**

The Director of the Serious Fraud Office has special powers under the Serious Fraud Office Act 1990 designed to ensure that the Serious Fraud Office is well placed to carry out its task of detecting, investigating and prosecuting serious or complex frauds.

The Office also has the objective of deterring serious or complex fraud offending by effective investigations and prosecutions, and by liaising with other agencies investigating fraudulent conduct to ensure the best available expertise in each enquiry.

The effective investigation and prosecution of serious fraud will contribute to the Government theme of economic transformation by:

- reducing and deterring the incidence of “white collar” fraud offending;
- improving the quality of the regulatory environment;
- encouraging economic growth and development with an honest capital market conducive to the fair and efficient conduct of business;
- encouraging savings and investment within a stable and neutral investment environment.

As a part of the wider Justice sector the work of the Serious Fraud Office will also contribute to building safer communities (being communities in which there is reduced crime and in which safety and well-being is enhanced through partnerships) and of having a fairer, more credible and more effective justice system (being a system in which people’s interactions are underpinned by the rule of law and justice services are more equitable, credible and accessible).

The work of the Serious Fraud Office not only deals effectively with white-collar crime offenders but through appropriate enforcement action acts as a deterrent to other offenders. The ramifications of serious fraud offending undoubtedly shatter social cohesion, affecting, as they do, entire social networks, individual relationships and the performance of public, private and social institutions. An effective investigatory and prosecutory department is an essential component of white-collar crime prevention, and has an important role to play in the building of trust in the fabric of society and in ensuring a safer community.

The work of the Serious Fraud Office also has an impact on the economic well-being of the country. Honest capital markets are crucial to maintaining a strong and internationally competitive economy. Fraud undermines investor confidence in the commercial marketplace. An effective investigatory and prosecutory department is an important factor in encouraging investment.

### **(b) Civil Forfeiture of Criminal Assets**

The Government has announced a new policy on the recovery of proceeds of crime. The current legislation limits any forfeiture orders to those assets or profits that can be linked to a conviction for criminal offending. Such an approach fails to deal with those persons who are involved with, or benefit from, criminal activity but who succeed in distancing themselves from the actual commission of any specific offences. The Criminal Proceeds and Instruments Bill, once passed, will enable forfeiture orders to be obtained against criminal assets or profits without the requirement of a conviction. This approach has proved to be a successful initiative in several overseas countries in the fight against serious criminal offending.

The non-conviction based forfeiture of criminal assets and profits will contribute to the justice sector outcomes of building safer communities and developing a fairer, more credible and more effective justice system by:

- reducing the rewards from crime for the individual;
- reducing the attraction of crime for potential offenders;
- reducing the resources that could potentially be used to engage in further criminal activity.

The Criminal Proceeds and Instruments Bill that is currently before Parliament will set out the parameters of the new policy. Whilst the responsibility for recovery action will rest with the Serious Fraud Office, the successful implementation of the new policy will require the combined efforts of several agencies. The Serious Fraud Office will be working closely with the Police and the Official Assignee in particular to ensure that the legislation, once passed, is implemented to its fullest. It is expected that it will take 2 – 3 years before the full potential of the legislation is realised.

### **STRATEGIC ISSUES FOR THE MEDIUM TERM**

The strategic issues for the Serious Fraud Office for next few years can be described under several separate but overlapping headings, namely:

- managing the capability of the Serious Fraud Office;
- implementing the new policy on the recovery of proceeds of crime;
- managing the workload of the Serious Fraud Office;
- contributing to relevant policy debates in the justice and criminal sectors.

## **Managing The Capability Of The Office**

This heading can be split between managing the internal resources of the Office, and managing external relationships.

### **(a) Internal**

The retention of key staff and ensuring that all staff receive appropriate training for the tasks asked of them are critical on-going strategic issues for the Office. The small size of the Office means that the loss of just one or two experienced staff affects our capability. It is essential that the Office is able to offer its staff good working conditions, up to date equipment and appropriate training to ensure that the Office remains at the forefront of the fight against crime.

The introduction of the new policy on civil forfeiture of criminal assets and profits will require the Office to extend its current capability. Over the next 3 years it is anticipated that around 18 additional staff will be required. These will primarily be in the disciplines of forensic accounting and financial investigations.

New policies and procedures will need to be developed for civil forfeiture cases. The Office will look to learn from several overseas countries which already have civil forfeiture legislation in place. There will be a special emphasis on civil forfeiture matters in our staff training over the next few years.

Wherever possible, staff within the Office will be trained to handle both serious or complex fraud cases and civil forfeiture cases. This will ensure the most effective use of the highly skilled staff within the Office, and enhance job satisfaction and thereby reduce staff turnover.

### **(a) External**

The Serious Fraud Office is reliant on the support of other agencies in a few areas of its work. This reliance will increase with the introduction of civil forfeiture cases. The Office has a close working relationship with the Police not only to ensure that no fraud offending falls between the agencies, but also to avoid unnecessary duplication of resources. Thus, for example, the Office does not have its own document examiners but rather uses the experts employed by the Police. On the other hand, the forensic accounting expertise of the Serious Fraud Office is available to the Police.

The existing close working relationship with the Police will become even more significant as the Office begins to work on civil forfeiture cases. Discussions have already begun on a special protocol to maximise the benefits that can be obtained under the Criminal Proceeds and Instruments Bill. Similar protocols may also prove to be necessary with other enforcement agencies such as Customs.

The Office uses the Crown Law Office for formal requests overseas under the Mutual Assistance in Criminal Matters Act.

The Office relies on the Court system operating efficiently and effectively. Lengthy delays in getting a case to trial, or last minute changes to trial dates, create significant problems for the Office and for the many witnesses who may have to give evidence at a trial. The Office has

only a limited ability to influence the decisions taken by the Courts on matters such as case management and resource allocation within the Court system.

The maintaining of key relationships with regulatory/enforcement agencies both within New Zealand and overseas is important to ensure that the Office keeps abreast of trends that may be developing in the nature of fraudulent offending, and of improved methods for investigating and prosecuting such offending. These relationships have proved to be invaluable where an investigation may be required to be undertaken in several different countries. The Office has already begun developing a similar network of overseas contacts on civil forfeiture matters.

Maintaining public confidence in the Office is important to the effectiveness of its investigations and prosecutions. The integrity and professionalism of the staff plays an important part in this. A good understanding of the values and ethics associated with performing a law enforcement role is essential, especially when exercising the special powers of the Office.

The Office is also conscious of the benefits of raising the public awareness about the different types of fraud that are being perpetrated on the public at any particular time, and the steps that can be taken to minimise the risk of becoming a victim of fraud. To this end the Office accepts numerous speaking engagements from various groups around New Zealand. The Office also disseminates information on its website, in several pamphlets available to community groups, and by the occasional specific public education campaign. The Office will continue to utilise any opportunity to better educate the public on issues surrounding serious fraud.

### **Implementing the New Policy on the Recovery of Proceeds of Crime**

It will take a number of years before the new policy on the recovery of the proceeds of crime is fully implemented in New Zealand. The first step will be the Parliamentary consideration of the Criminal Proceeds and Instruments Bill. The Serious Fraud Office will be assisting the Ministry of Justice in supporting Ministers and the Select Committee at all stages of the Bill.

The Government has previously announced that the Serious Fraud Office will have the responsibility of implementing the civil forfeiture provisions of the Criminal Proceeds and Instruments Bill. Planning to incorporate this function within the Serious Fraud Office has already commenced on the basis that the new policy could become effective during the 2006/07 financial year.

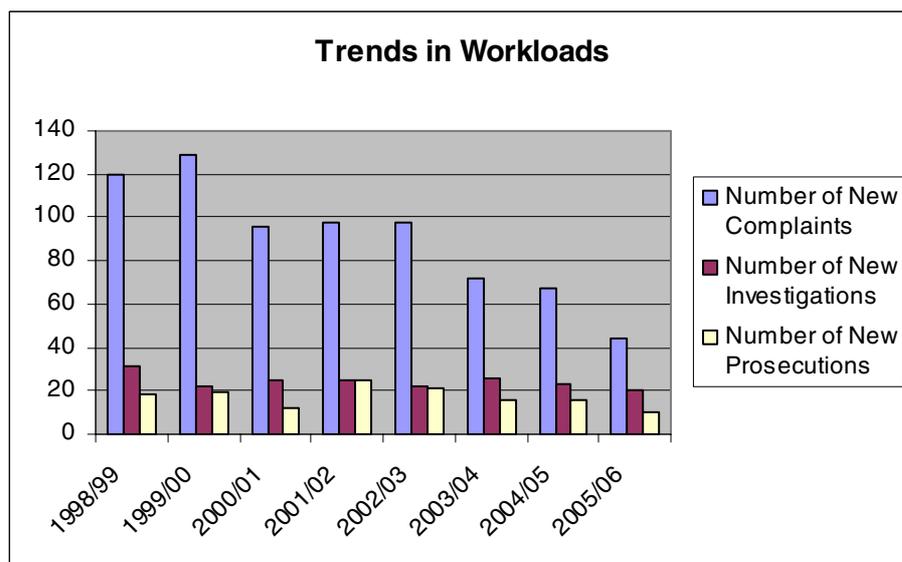
The Serious Fraud Office anticipates a gradual increase in the number of staff over the first three years of operating under the new policy. Current planning is for 7 additional staff in the first year rising to 18 additional staff after 3 years. Accommodation, computer equipment, and other support services will be required for the additional staff.

Contacts have already been established with several key overseas agencies operating similar proceeds of crime policies. Staff from the Serious Fraud Office will be visiting a number of these overseas agencies in order to understand the practices that have contributed to the success of the policies overseas, and to assess how these practices might apply in a New Zealand setting.

The Director of the Serious Fraud Office proposes to convene a regular meeting of the chief executives of those agencies who are involved with civil forfeiture.

## Managing the Workload

The work of the Serious Fraud Office is essentially demand driven. The number of formal complaints of serious or complex fraud received has, over the past 2 years, dropped slightly to around 70-75 per annum. It is anticipated that the number of new complaints of serious and complex fraud for the coming year will again be around 70-75. This decrease in the number of complaints is possibly the result of the Complaints Officer making an earlier assessment than previously of those matters that would be better addressed by another agency. Such a matter would not be registered as a formal complaint to the Serious Fraud Office. The number of investigations and the number of prosecutions, however, have remained constant giving the Office a full but manageable workload. This is not expected to change in the 2006/07 financial year.



(The 2005/06 figures are for the past year to 13 March 2006.)

There are no obvious trends in the type of offending being investigated by the Office. The cases coming before the Serious Fraud Office continue to cover a wide range of fraudulent offending. It is hoped that the successful prosecution of a number of people involved with the promotion of high yielding investment schemes in the last few years will reduce the extent to which people in New Zealand “invest” monies overseas with the expectation of unrealistic returns. The Office will continue to be vigilant in this area.

It is too early to be commenting on likely trends with non-conviction based forfeiture cases. The proposed Criminal Proceeds and Instruments Act is unlikely to come into effect until the beginning of 2007 at the earliest. It is anticipated that the Office would begin work on 10-15 cases during the 2006/2007 financial year if the legislation was to come into effect on 1 January 2007.

Once the civil forfeiture work of the Office is fully implemented it is expected that the Office will have around 50 forfeiture cases at various stages of completion at any one time. It is expected that it will take around 3 years to reach this case level, hence the graduated recruitment of additional staff. One unknown in relation to civil forfeiture which could have an impact on managing the workloads is the extent to which defendants in New Zealand will mirror the approach of defendants in a number of overseas jurisdictions and seek to reach a settlement with the Serious Fraud Office on the question of any assets or profits derived from criminal activity rather than contesting the Serious Fraud Office assessment in a full Court hearing.

It will be important to ensure that the workload does not undermine one of the strengths of the prosecutions taken by the Serious Fraud Office, namely that the investigating team remains with the case to support the senior Counsel for the duration of the prosecution. This will apply equally to civil forfeiture proceedings. The increase over the past years in the number of prosecutions has placed additional demands on the management of staff who would otherwise be investigating new cases. The Serious Fraud Office does not always have a say in the timetable set by the Court for any particular prosecution. As a matter of policy the Office seeks to ensure that none of its actions contribute to any delay in bringing a case to a hearing. Equally the Office is committed to completing investigations in an expeditious manner. Managing the allocation of staff between prosecutions and investigations is a complex but not impossible task. Staffing levels, and the mix of skills, are constantly kept under review. The good reputation of the Office means that recruitment of high calibre staff has not been a problem over the past few years.

### **Contributing to Relevant Policy Debates**

There are a number of reforms under consideration in areas that will affect the work of the Serious Fraud Office. The Serious Fraud Office contributes a practical dimension to the debate on these matters. Perhaps more importantly, however, the Serious Fraud Office being an operational department has an important role in seeing that it implements new policies in a way that best achieves the intended purposes of the reforms. For example the intention to change the format of preliminary hearings in the Courts is likely to significantly impact on the work of the Office, how it prepares a case for prosecution and the approach that it will take to applications by defence counsel to the Court for preliminary hearings to be held.

### **COST EFFECTIVENESS MEASURES**

The detection, investigation and prosecution of serious or complex fraud is undertaken in accordance with the requirements of the Serious Fraud Office Act 1990. The work is largely demand-driven and does not readily lend itself to cost-effectiveness measures as every case is different. The Office does, however, seek to continuously improve its effectiveness. Thus, for example, a few years ago the Office developed a portable “electronic court” that allows for the more efficient production of documentary evidence in Court thereby reducing significantly the duration of serious or complex fraud trials.

The cost effectiveness of the civil forfeiture work will, in due course, be able to be measured by the number and quantum of forfeiture orders obtained. It will take several years to develop meaningful cost-effectiveness measures. The focus in the immediate future will be on getting the new policy implemented. The overall policy is due to be reviewed by the Ministry of Justice after it has been in effect for several years.

Performance indicators for both output expenses can be found in the Statement of Financial Service Performance later in this *Statement of Intent*.

## **SUMMARY OF APPROPRIATIONS FOR 2006/2007**

The appropriations sought for Vote Serious Fraud in 2006/2007 total \$5.474 million.

In 2006/2007 the Serious Fraud Office expects \$5.395 million to be provided by Crown revenue and \$0.79 million third party revenue for services it will supply under the two Output Expenses detailed below.

The first Output Expense, for \$4.839 million, is concerned with the detection, investigation and prosecution of cases of suspected serious or complex fraud offending brought to the attention of, or detected by, the Serious Fraud Office. The output includes the completion of sufficient investigative work to enable the Director to determine in each case whether or not to prosecute the alleged offender(s) and where criminal charges are to proceed, the subsequent preparation of a well-researched and documented prosecution case.

The second (and new) Output Expense, for \$0.635 million, provides the initial funding for the Serious Fraud Office to operate the non-conviction based forfeiture provisions of the proposed Criminal Proceeds and Instruments Act due to be passed in 2006. This will see the Office investigating and where appropriate seeking the forfeiture of assets or profits obtained directly or indirectly from criminal activity pursuant to the civil forfeiture provisions of the Criminal Proceeds and Instruments Act, whether or not there has been an actual conviction in relation to that criminal activity.

## FINANCIAL HIGHLIGHTS

All GST exclusive	2005/06		2006/07
	Budgeted	Estimated Actual	Budgeted
	\$000	\$000	\$000
Revenue Crown	4,760	4,760	5,395
Revenue other	114	114	79
Output expenses	4,874	4,874	5,474
Net surplus	-	-	-
Taxpayers' funds	388	388	678
Net cash flows from operating and investing activities	251	243	(188)

## **FORECAST FINANCIAL STATEMENTS**

### **Statement of Prospective Financial Performance for the Year Ending 30 June 2007**

	2005/06		2006/07
	Budgeted	Estimated Actual	Forecast
	\$000	\$000	\$000
<b>Revenue</b>			
Crown	4,760	4,760	5,395
Departments	105	105	70
Other	9	9	9
<b>Total revenue</b>	<b>4,874</b>	<b>4,874</b>	<b>5,474</b>
<b>Expenses</b>			
<i>Output expenses:</i>			
Personnel	3,065	3,065	3,655
Operating	1,622	1,622	1,545
Depreciation	156	156	235
<i>Other output expenses:</i>			
Capital charge	31	31	39
<b>Total expenses</b>	<b>4,874</b>	<b>4,874</b>	<b>5,474</b>
Surplus/(deficit) from operations	-	-	-
Profit on sale of physical assets	-	-	-
<b>Net surplus</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Statement of Estimated Financial Position as at 30 June 2006  
and Prospective Financial Position as at 30 June 2007**

	Actual Position as at 30 June 2005 \$000	Budgeted Position as at 30 June 2006 \$000	Estimated Actual Position as at 30 June 2006 \$000	Forecast Position as at 30 June 2007 \$000
<b>Assets</b>				
<i>Current assets</i>				
Cash and bank balances	393	472	464	566
Receivables	2	14	22	10
Prepayments	19	19	19	19
<b>Total current assets</b>	414	505	505	595
<i>Non-current assets</i>				
Physical assets	503	491	491	696
<b>Total non-current assets</b>	503	491	491	696
<b>Total assets</b>	917	996	996	1,291
<b>Liabilities</b>				
<i>Current liabilities</i>				
Payables and provisions	252	503	503	508
Provision for payment of surplus	172	-	-	-
Provision for employee entitlements	105	105	105	105
<b>Total current liabilities</b>	529	608	608	613
<i>Term liabilities</i>				
Payables and provisions	-	-	-	-
<b>Total term liabilities</b>	-	-	-	-
<b>Total liabilities</b>	529	608	608	613
<b>Taxpayers' funds</b>				
General funds	388	388	388	678
<b>Total taxpayers' funds</b>	388	388	388	678
<b>Total liabilities and taxpayers' funds</b>	917	996	996	1,291

**Statement of Prospective Cash Flows  
for the Year Ending 30 June 2007**

	2005/06		2006/07
	Budgeted	Estimated Actual	Forecast
	\$000	\$000	\$000
<b>Cash flows from operating activities</b>			
Cash provided from:			
Supply of outputs to:      Crown	4,760	4,760	5,395
Departments	95	95	74
Other	7	(1)	17
Cash disbursed to:			
Cost of producing outputs: output expenses			
Personnel	(3,078)	(3,078)	(3,668)
Operating	(1,358)	(1,358)	(1,527)
Capital charge	(31)	(31)	(39)
Net cash flows from operating activities	395	387	252
<b>Cash flows from investing activities</b>			
Cash provided from:			
Sale of physical assets	11	11	0
Cash disbursed to:			
Purchase of physical assets	(155)	(155)	(440)
Net cash flows from investing activities	(144)	(144)	(440)
<b>Cash flows from financing activities</b>			
Cash provided from:			
Capital contribution	-	-	290
Cash disbursed to:			
Payment of surplus to Crown	(172)	(172)	-
Net cash flows from financing activities	(172)	(172)	290
Net increase/(decrease) in cash held	79	71	102
Opening total cash balance at 1 July	393	393	464
Forecast closing total cash balances at 30 June	472	464	566

**Reconciliation of Prospective Net Cash Flows from Operating Activities  
to Net Surplus in the Statement of Prospective Financial Position  
for the Year Ending 30 June 2007**

	2005/06		2006/07
	Budgeted \$000	Estimated Actual \$000	Forecast \$000
<b>Surplus from the Statement of Prospective Financial Performance</b>			
<i>Non-cash items</i>			
Depreciation	156	156	235
<i>Movements in working capital items</i>			
(Increase)/decrease in Receivables and advances	(12)	(20)	12
(Increase)/decrease in prepayments	-	-	-
Increase/(decrease) in payables and provisions	251	251	5
Increase/(decrease) in employee entitlements	-	-	-
Working capital movements	239	231	17
<i>Less investing activities</i>			
Loss/(gain) on disposal of fixed assets	-	-	-
<b>Net cash flows from operating activities</b>	<b>395</b>	<b>387</b>	<b>252</b>

**Statement of Prospective Movements in Taxpayers' Funds (Equity)  
as at 30 June 2007**

	2005/06	2005/06	2006/07
	Budgeted Position for the year ending 30 June 2006 \$000	Estimated Position for the year ending 30 June 2006 \$000	Forecast Position for the year ending 30 June 2007 \$000
<b>Taxpayers' funds at start of period</b>	388	388	388
<i>Movements during the year (other than flows to and from the Crown)</i>			
Net surplus/total recognised revenues and expenses for the period	-	-	-
<i>Adjustment for flows to and from the Crown</i>			
Capital contribution	-	-	290
Provision for payment of surplus to the Crown	-	-	-
<b>Taxpayers' funds at end of the period</b>	388	388	678

**Forecast Details of Fixed Assets By Category  
as at 30 June 2007**

	30 June 2006	30 June 2006	30 June 2007 Forecast Position		
	Budgeted Position	Estimated Actual Position	Cost	Accumulated Depreciation	Net Book Value
	\$000	\$000	\$000	\$000	\$000
Furniture & fittings	207	207	1,024	625	399
Computer equipment (plant and equipment)	208	208	1,119	915	204
Motor vehicles	76	76	144	51	93
<b>Totals</b>	491	491	2,287	1,591	696

**Departmental Capital Expenditure**  
**(to be incurred in accordance with section 24 of the Public Finance Act 1989)**

Departmental Capital Expenditure (\$000)	Forecast 2006/07	Estimated Actual 2005/06	Budget 2005/06	Actual 2004/05	Actual 2003/04	Actual 2002/03	Actual 2001/02
Furniture & fittings	290	-	-	241	6	-	-
Office plant and equipment	110	115	115	119	129	107	163
Motor vehicles	40	40	40	38	-	-	-
<b>Totals</b>	440	155	155	398	135	107	163

The forecast capital expenditure for the 2006/07 financial year relates primarily to the new output expense for the implementation of the civil forfeiture provisions of the proposed Criminal Proceeds and Instruments Act.

**Forecast Financial Performance**  
**Performance Indicators: 2005/06 and 2006/07**

	Unit	2005/06		2006/07
		Budgeted \$000	Estimated Actual \$000	Forecast \$000
<b>Operating results</b>				
Revenue: Other	\$000	114	114	79
Output expenses	\$000	4,874	4,874	5,474
Operating surplus before capital charge	\$000	31	31	39
Net surplus	\$000	-	-	-
<b>Resource utilisation</b>				
Physical assets:				
Total physical assets at year end	\$000	491	491	696
Additions	\$000	155	155	440
Additions as % of physical assets	%	31	31	63
Accommodation cost per employee	\$000	9.7	9.7	9.2
<b>Forecast net cash flows</b>				
Surplus/(deficit) on operating activities	\$000	395	387	252
Surplus/(deficit) on investing activities	\$000	(144)	(144)	(440)
Surplus/(deficit) on financing activities	\$000	(172)	(172)	290
Net increase/(decrease) in cash held	\$000	79	71	102
<b>Human resources</b>				
Staff turnover	%	10	14	10
Average length of service	years	6.5	6.9	5.75
Total staff	No.	35	35	42

## **SUPPORTING STATEMENTS**

### **STATEMENT OF ACCOUNTING POLICIES**

#### **Statement of Significant Underlying Assumptions**

These statements have been compiled on the basis of Government policies and the Serious Fraud Office's Output plan with the Attorney-General.

The Serious Fraud Office's financial statements have been prepared in accordance with section 41(1) of the Public Finance Act 1989, and generally accepted accounting practices.

The following general accounting policies have been adopted in the preparation of these financial statements:

- The Serious Fraud Office is assumed to be a going concern;
- The Serious Fraud Office has accepted historical cost as a measurement base;
- Revenue earned and expenses incurred are matched using the principles of accrual accounting.

#### **Specific Accounting Policies**

##### *Fixed Assets*

Fixed assets are recorded at cost less accumulated depreciation.

##### *Depreciation*

Depreciation of fixed assets is provided on a straight line basis so as to allocate the cost of the assets, less any estimated residual value, over their useful lives. The estimated economic useful lives are:

Furniture, fixtures and fittings	5 years
Office equipment	5 years
Motor vehicles	4 years
Computer equipment	3 years

#### **Changes in Accounting Policies**

No changes in accounting policies are expected to be made during the period.

## **STATEMENT OF FORECAST SERVICE PERFORMANCE**

The Serious Fraud Office has two Output Expenses in 2006/2007 for which it has agreed to meet the requirements of the Attorney General (the Vote Minister) in terms of their nature, outcome, emphasis, timeliness, quality and quantity specifications and cost.

### **Service Performance Objectives**

#### **1. Investigation and Prosecution of Serious or Complex Fraud**

##### **Description**

This output expense covers the investigation and prosecution of cases of serious or complex fraud brought to the attention of, or detected by, the Serious Fraud Office. It includes the briefing of the outside counsel engaged for trials, the giving of evidence at trials and the provision of expert advice throughout the course of trials.

##### **Quantity**

It is difficult to forecast the level of activity for the 2006/2007 year, as the Office cannot control the number of investigations or prosecutions undertaken. This is affected by the number of complaints received, the magnitude and complexity of the cases, the number of prosecutions on hand, and the ability of the courts to allocate hearing dates.

There is some fluctuation in the number of new complaints received each year but this statistic alone is not a sound measure of workload as the nature of individual complaints can vary significantly. Moreover, some complaints fall outside the "serious or complex" category and are more properly referred immediately to other agencies.

Based on an analysis of the trends over the last 5 years, the work on hand and the environmental conditions both in New Zealand and overseas, the Office forecasts no lessening in activity. During 2006/2007 approximately 25 full investigations are expected to be completed to the point where the Director decides whether or not criminal charges should be laid.

Considering the number of cases on hand, and the anticipated new cases, it is expected that at least 15 prosecution cases will be concluded in the financial year.

##### **Quality and Timeliness**

The performance indicators will be:

- within 14 days of receipt of a complaint, a preliminary assessment will be completed to determine whether it meets the criteria of the Serious Fraud Office Act;
- within 6 months of receipt of a complaint, sufficient work will have been completed to enable a decision to be taken by the Director, either to close the case or to proceed to a full investigation;

- within 12 months sufficient investigative work will have been completed in 80% of the cases to enable the Director to decide whether to prosecute the alleged offender(s);
- the progress of all cases will be reviewed at least monthly by the Director;
- that the quality of the investigative work stands the test of scrutiny during the prosecution process;
- that timely advice and evidence of the highest quality is provided to meet the requirements of the counsel leading the prosecution;
- that court hearing dates are adhered to;
- that the standards set by the Director for case investigation, case prosecution and the presentation of cases in Court are maintained;
- that the output is provided within the appropriated sum of \$4.839 million.

## **2. Civil Forfeiture of Criminal Assets**

### **Description**

This output expense covers the investigation and obtaining of the appropriate forfeiture orders by the Serious Fraud Office for the forfeiture of assets obtained directly or indirectly from criminal activity whether or not there has been a conviction in relation to that criminal activity.

It will cover the implementation costs of the new policy, and all aspects of the investigative process and all preliminary and substantive Court appearances including the briefing of outside counsel engaged to argue forfeiture applications before the High Court.

### **Quantity**

The Office will complete all of the necessary administrative arrangements associated with the implementation of the civil forfeiture policy prior to the proposed Criminal Proceeds and Instruments Act coming into effect.

During the financial year 2006/07 staff from the Serious Fraud Office will visit the equivalent Recovery Bodies in the United Kingdom, Ireland and Australia to study first-hand their processes for investigating and determining civil forfeiture cases.

On the basis that the proposed Criminal Proceeds and Instrument Act comes into effect in January 2007 the Office expects to begin investigating at least 15 cases in the 2006/07 financial year.

### **Quality and Timeliness**

The performance indicators for civil forfeiture cases will be:

- within 12 months sufficient investigative work will have been completed in 80% of the cases to enable the Director to make a final decision on forfeiture orders;

- the progress of all cases will be reviewed at least monthly by the Director;
- that the quality of the investigative work stands the test of scrutiny during all Court proceedings;
- that timely advice and evidence of the highest quality is provided to meet the requirements of outside counsel representing the Office in forfeiture cases;
- that court hearing dates are adhered to;
- that the standards set by the Director for case investigation, and the presentation of cases in Court, are maintained;
- that the output is provided within the appropriated sum of \$0.635 million.

(Given the uncertainty as to the commencement date of the proposed Criminal Proceeds and Instruments Act, and the fact that it is most unlikely to be in effect before January 2007 no monetary performance measures for amounts forfeited have been included for the 2006/07 financial year.)

### 3. Output Operating Statements

A summary of the agreed departmental output expenses to be delivered by the Serious Fraud Office, and the associated expenses are as follows:

<i>Departmental Output Expense</i>	<i>Revenue Crown</i>	<i>Revenue Departments</i>	<i>Revenue Other</i>	<i>Total Expenses</i>	<i>Surplus/ (Deficit)</i>
	\$000	\$000	\$000	\$000	\$000
Investigation and Prosecution of Complex or Serious Fraud	4,760	70	9	4,839	-

<i>Departmental Output Expense</i>	<i>Revenue Crown</i>	<i>Revenue Departments</i>	<i>Revenue Other</i>	<i>Total Expenses</i>	<i>Surplus/ (Deficit)</i>
	\$000	\$000	\$000	\$000	\$000
Civil Forfeiture of Criminal Assets	635	-	-	635	-