



Serious Fraud and Anti-corruption Agency

National will back the Serious Fraud Office to do more to stamp out corruption.

New Zealand's most successful crime fighting agency will get the resources it needs to deliver on its stated role as the lead law enforcement agency for investigating and prosecuting serious financial crime, including bribery and corruption.

National will more than double the Serious Fraud Office's budget, from its present total budget for the 2020/21 financial year of \$12.7 million to \$25 million a year.

It doesn't make sense for the lead agency battling fraud, bribery and corruption, with the greatest legal powers to uncover those things, to be playing second fiddle to other government agencies working in this area.

The SFO will continue to work alongside the likes of the NZ Police's Financial Intelligence Unit and the Financial Markets Authority, but it will have the funding in needs to do the job it was quite rightly established in 1990 to do.

The Director of the SFO has statutory powers that other New Zealand crime fighting agencies do not, including powers to compel the production of information and to require witnesses and suspects to answer any questions put to them without the right to silence.

National doesn't believe these powers are being given enough opportunity to be used.

The SFO takes very few prosecutions, not because there isn't fraud, bribery and corruption in New Zealand, but because the office doesn't have the resources to do its job properly.

National is going to change that because we take crime seriously.

National will:

- Double the budget of the Office from \$12.7 to \$25 million per year.
- Change the Office's name to the Serious Fraud and Anti-corruption Agency.

Providing the Serious Fraud and Anti-corruption Agency with more resources

The SFO might have a 100 per cent conviction rate, but it doesn't actually take many prosecutions.

In the 2019/20 year the SFO had 36 defendants before the courts, with a total of \$161 million in alleged fraud value.

But that was in fact just seven cases – six with guilty pleas, with only one needing a trial to secure conviction.

And this was after the SFO had received 1138 complaints.

It's not surprising some have suggested the SFO is too conservative to lay charges in the first place.

The SFO has been receiving paltry budget increases at a time when the sort of crime it fights is increasing, becoming more sophisticated and is harder to trace.

This environment means greater cooperation is required with the SFO's international partners alongside constant training to ensure the agency has the best chance possible to uncover crime and secure convictions.

This is a resource intense scenario which risks seeing the SFO fall short of its goals – and performance New Zealanders rightly expect of it – if we don't fund it properly.



In an environment where the SFO's Director Julie Read says "changes to our national demographics and in our international trade partners also increase the risks of serious financial crime being perpetrated in New Zealand," the number of investigations being commenced and prosecutions taken is actually dropping.

The SFO's Vote Serious Fraud targets in the Budget are modest and they're not being met.

Targets for the number of cases the SFO has brought to prosecution have been revised downward from Budget 2019/20 to 2020/21 from 10 – 12 to 8 – 10, with the estimated number of actual cases brought to prosecution for the 2019/20 year only 6 – 7.

There is a similar trend with the number of Part 2 investigations commenced (where the Director has reasonable grounds to believe that an offence involving serious or complex fraud may have been committed), with 14 – 16 budgeted for 2019/20, but only 10 – 14 budgeted for the 2020/21 year.

The SFO points out in its 2019 Annual Report its "limited resources," limits its focus to cases that could significantly impact sections of the economy or the New Zealand public.

In the case of bribery or corruption, that means investigating crimes that could undermine confidence in the public sector or are of significant public interest.

National believes providing the SFO with the resources needed to investigate all serious fraud, bribery and corruption is in the public interest.

We note that Vote Serious Fraud in the May 2020 Budget said "The national Anti-Corruption Work Programme will continue for the next two years to 2021/22 at a cost of less than \$600,000 per annum."

The suggestion that \$600,000 a year is an appropriate budget for a national Anti-Corruption work programme for an increasingly sophisticated and globally connected country would be laughable if this wasn't so serious.

The overall Budget increase this year to the SFO of \$2.34 million to \$12.7 million to meet what the Budget describes as "increasingly complex financial crime investigations and facilitate organisational resilience," doesn't go nearly far enough.

National will:

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National will change the name of the Serious Fraud Office to the Serious Fraud and Anti-corruption Agency because we think New Zealand needs to better understand the types of crime fighting it is responsible for.

Over many years the SFO has developed a reputation for targeting the private sector.

This is in part because of its early high profile successes following the 1980s share market boom and bust, and in part because of its continued self-publicised focus on "white collar crime."

To many, the phrase white collar crime means the big end of town, but that's not the only place the SFO does its work.

We want to make it clearly understood that the office's mandate and focus goes well beyond the world of investment, accounting and banking.

It tackles fraud, bribery and corruption in those areas but also local government, community entities and iwi trusts.

It tackles bribery and corruption in infrastructure contracting, project tendering and central government, including ministries, Crown agencies and political parties.

In many ways lower-level, smaller value cases of corruption in the regions have the greatest impact on New Zealanders, by eroding small communities' trust in institutions they deserve



to believe in, and depriving them of resources they desperately need.

We think the name the Serious Fraud and Anti-corruption Agency makes it much clearer what the office's business is, and why anyone thinking about trying to circumvent the laws of New Zealand should be aware that an agency exists to stamp out that behaviour.

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Why is this policy important?

Law enforcement agencies around the globe are reporting a rise in the complexity of the fraud and corruption cases they investigate, as new technologies are increasingly used to conduct crime.

The SFO has warned that New Zealand's relative isolation in geographic terms no longer offers the protection it once did against serious financial crime.

They have made it very clear the technologies that allow us to communicate instantly, to talk to friends, access bank accounts or buy goods anywhere in the world, also facilitate fraud and corruption.

That's why the SFO has placed an increased focus on leading in the sharing of financial crime intelligence to identify and prevent threats.

Internationally it does this working alongside overseas law enforcement agencies and with the Economic Crime Agencies Network (ECAN), the International Anti-Corruption Coordination Centre (IACCC) and the International Public Sector Fraud Forum.

Corruption is a threat to the wellbeing of New Zealand and to our fair way of doing business.

As a nation, we are regarded as one of the least corrupt in the world.

But those rankings are based largely on perceptions, in part because of the relatively

small number of proven cases of serious fraud, bribery and corruption we uncover.

In a way it has the potential to become a self-fulfilling prophecy; if you aren't searching for something you won't find it.

The SFO says the threats to our reputation as a relatively corruption free country that is safe to trade with and invest in "have probably never been greater today than any other time in our history."

National agrees, and we'll resource the office properly to do the job New Zealanders expect it to do.