

The Work of the Serious Fraud Office

Presentation to:

Transparency International AGM

WHAT IS THE SERIOUS FRAUD OFFICE?

Mandate – investigate and prosecute serious or complex fraud

Part 1 - Detection

- Grounds: reasonable suspicion that an investigation may disclose serious or complex fraud.

Part 2 – Investigation

- Grounds: reasonable belief that an offence of serious and complex fraud may have been committed.

Compulsory attendance at interviews and obligation to answer questions.

No privilege against self-incrimination

New threshold:

- \$2M, with priority given to \$10M+ or 100+ investor cases
- involves public corruption; and
- Specialist level of forensic accounting or investigative complexity.

SFO: An Overview *cont.*

Primarily prosecute Crimes Act offences:

- S.101-105: bribery
- S.105A & B: corrupt use of official information
- s.220: theft by a person in a special relationship
- S.228: dishonestly taking or using a document S.229: Criminal breach of trust
- S.242: false statements
- S.260: false accounting

But also:

- Securities Act
- Companies Act
- Secret Commissions Act

SFO: An Overview *cont.*

Staff:

- 30+ staff
- Investigators, lawyers, forensic accountants
- Three teams:
 - Fraud Detection & Intelligence
 - Financial Markets & Corporate Fraud
 - Fraud & Corruption

External Prosecution Panel

Areas of investigation and prosecution

- Investment fraud;
- Embezzlement;
- Bank/mortgage frauds;
- Frauds on charities.
- Bribery and corruption;

SFO: An Overview *cont.*

Current Investigations:

- Lane Walker Rudkin
 - B'On Financial Services
 - Capital + Merchant
 - Aorangi Securities & Alan Hubbard
 - Dominion Finance
 - Belgrave Finance
 - Kiwi Finance
 - South Canterbury Finance
 - Natural Dairy NZ Ltd
 - International bribery case
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- Over \$1 billion losses under investigation
 - Average \$35M losses/case;
 - 1,600+ victims/case

SFO: An Overview *cont.*

Recent charges and/or convictions:

- Bridgecorp (charges)
- National Finance (one guilty plea)
- Peter Whitley (conviction)
- Martin Scott (guilty plea)
- Five Star Finance (2 guilty pleas)
- North Shore City Council case (charges)
- ACC (charges)

Table 1: UK SFO & NZ SFO - comparative funding and resources

	UK SFO			NZ SFO		
	1997	2010	Variance (%)	197	2010	Variance (%)
Staff	154	307	+99	38	28	-26
Budget (NZ\$M)	34.2	85.7	+250	4.7	7.5	+59
Investigations	64	55	-15	38	22	-43
Prosecutions	18	9	-50	16	31	+93
Staff/investigation	2.4	5.5	+190	1.0	1.2	+20
Budget/investigation (NZ\$000)	534	1,558	+190	123	339	+175
Losses (NZ\$M) / case	unknown	5.2	-	4	35	+775

SFO 2010

WHERE ARE WE AT?

- Strategic priorities: “Fewer; Faster; Bigger”
 - Cost-efficiency and effectiveness
 - Better information and intelligence
 - Greater collaboration (public and private)
 - Greater capability (people and tools)

Goals:

1. Reduce the public cost of fraud (\$1.8 - 5.4 billion).
2. Reduce investor losses from fraud.
3. Ensure there is public confidence in the justice system.
4. Ensure there is public confidence in the public sector.

Priorities for 2011 onwards:

- 1. Greater operational sophistication for earlier intervention:**
 - Additional investment computer forensic tools and expertise.
 - Strong focus on latest training techniques to maintain specialist skills.
 - Selective, but increased, use of specialist external skills.

- 2. Awareness of the costs and issues of economic crime:**
 - Better fraud prevention at an operational level; and
 - Promoting legislative responses where there are demonstrable weaknesses

- 3. Whole of Government response:**

SFO's budget 0.5% of Justice sector law enforcement resources. Maximise results, by:

 - Better coordinated law enforcement response across Government improves:
 - a) efficiency (i.e. the time and cost) and;
 - b) effectiveness (i.e. successful investigations)
 - Better information sharing.
 - Creating centres of excellence

New measures of success:

- No 90% conviction rate
- Timeliness: inquiry and investigation
- Quality: custodial sentences
- Effectiveness: self-initiated investigations
- Relevance: public communication

New manner of operation:

- Role of Prosecution Counsel
- “charge” focused
- Multiple investigators and accountants
- Greater use of delegation and disclosure powers
- Inter-agency investigations
- Private outsourcing
- Increasing focus on corruption

- 15 new investigations in first quarter 2010/11
- 70% decrease in the average age of an investigation (down from 455 days in 2009 to 138 days as at October 2010);
- 100% conviction rate since December 2009);
- 100% success rate in securing custodial sentences in the past 6 months;
- A 100+% increase in the average value of fraud investigated (from \$17M to \$35M per case);
- A 77% increase in the number of victims associated with a SFO investigation (from 900 to 1,600 victims/case);

SFO IN THE FUTURE

Future structure

- Police and SFO
- FMA and SFO
- Economic Crime Agency?
- National Fraud strategy?

Future focus

- Financial markets
- Foreign and domestic corruption

Future sanctions

- Financial reporting orders?
- Serious crime prevention orders?
- Expanded and more severe bribery laws?

The Singapore experience

- Public servant disclosure
- Hospitality to public servants
- Public servants borrowing
- Public procurement processes

Issues within NZ

- No general bribery offence
- Hospitality commonplace
- OAG guidelines not law
- Procurement processes lack sanctions against bidding companies
- Few constraints or sanctions on private bidders
- Complacency and lack of impetus for change

THANK YOU

QUESTIONS?
