



SFO

serious
fraud
office

Annual Report and Accounts

2013 - 14



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Annual Report and Accounts **2013 - 14**

(for year ended 31 March 2014)

*Accounts presented to the House of Commons pursuant to Section 6(4)
of the Government Resources and Accounts Act 2000*

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This is part of a series of departmental publications which, along with the Main Estimates 2014-15, the document Public Expenditure: Statistical Analyses 2014, present the Government's outturn for 2013-14 and planned expenditure for 2014-15.



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I present the Annual report for the Serious Fraud Office for the year 2013-14.

Since I took up post in April 2012, we have sharpened the strategic focus of the SFO on the casework for which the Roskill model was designed and intended. This is the topmost tier of serious and complex fraud and bribery.

Consequently:

- (i) We are undertaking fewer but much larger and more complex investigations. Examples include LIBOR, Rolls-Royce, Barclays/Qatar, ENRC, Alstom, G4S Serco.
- (ii) We have expanded our analytical and intelligence capability, and currently have significant pre-investigation projects in development.
- (iii) At the other end of the pipeline, we had 11 cases involving 34 defendants charged and awaiting trial as at 31 March 2014.

In the reporting year 2013-14 we have had 8 prosecutions of 18 defendants either concluded or in progress. The conviction rate by defendant was 85%. All of our cases are high profile and therefore high risk.

With our recalibrated caseload, expanded intelligence capability, the building of cooperation with partners and stakeholders foreign and domestic, blockbuster funding for exceptionally large cases and the recruitment and retention of high quality staff, I am confident that we have in place the building blocks necessary for the success of the SFO.

DAVID GREEN CB QC
Director
Serious Fraud Office
23 June 2014

BASIS OF ACCOUNTS

This document contains the annual report and accounts of the Serious Fraud Office (SFO) for the year 1 April 2013 to 31 March 2014. These have been prepared in accordance with the guidance set out in HM Treasury's Government Financial Reporting Manual (FRM) for 2013-14.

There is more information about the SFO on its website:- www.sfo.gov.uk

GOING CONCERN BASIS

In common with other government departments, the future financing of the SFO's liabilities is met by future grants of supply and the application of future income, both to be approved by Parliament each year. The amounts required for 2013-14 have already been approved and there is no reason to believe that future approvals will not be forthcoming. It was therefore appropriate to prepare these financial statements on a going concern basis.

ROLE OF THE DEPARTMENT

The SFO is an independent government department responsible for investigating and, where appropriate, prosecuting cases of serious or complex fraud, bribery and corruption.

The department forms part of the criminal justice system with jurisdiction in England, Wales and Northern Ireland. It is headed by the Director, David Green CB QC, who acts under the superintendence of the Attorney General.

The SFO was established in 1988 and given its powers under the Criminal Justice Act (1987) following the 1986 'Roskill Report' (the report of the Fraud Trials Committee). The report recommended that, as these kinds of cases are very complex, multi-disciplinary teams of lawyers and investigators are needed to work together from the beginning to secure more effective outcomes.

We take on a small number of large cases and these will include cases

- Which undermine UK commercial/financial in general and the City of London in particular.
- Where the actual or potential sums involved are high.
- Where actual or potential harm is significant.
- Where there is a very significant public interest element.
- That represent new species of fraud.

We also assist overseas jurisdictions with their investigations into serious or complex fraud, bribery and corruption.

OPERATIONAL STRUCTURE

The SFO has eight operational divisions. Two divisions deal with fraud and two with bribery and corruption. In addition, there are divisions that cover special projects, proceeds of crime, intelligence and international assistance which services incoming letters of request from foreign jurisdictions asking for investigative assistance. Each division is headed by a member of the Senior Civil Service.

The Director takes decisions about which matters should be accepted for formal investigation. Once a matter is accepted for investigation, a case team is assembled, headed by a case controller who is responsible for the day-to-day management of the case and reports to the relevant Head of Division. Case teams are multi-disciplinary with members allocated according to the skills and expertise the case requires. They are flexible over the life cycle of the particular case.

GOVERNANCE

Information on the SFO's governance and risk management arrangements, and the key challenges the SFO faced in the year, are set out in the Governance Statement to this report and accounts (pages 21 to 30).

FINANCIAL POSITION

Information on the SFO's financial position is set out in the Management Commentary to this report and accounts (pages 8 to 10).

The Serious Fraud Office investigates the most serious and complex cases of fraud, bribery and corruption as described above. The quantity of such work is unpredictable. The SFO has a core budget for this purpose but some exceptionally large cases may require additional resources.

The Government has previously made clear that where the SFO needs additional resources, these will be provided. The current agreement with HM Treasury is that any exceptional case funding should be agreed as part of the Supplementary Estimates process.

LONG TERM LIABILITIES AND PRINCIPAL RISKS

Due to the nature of the SFO's casework, provisions have been made for instances of high value litigation brought against it. The Tchenguiz brothers' civil litigation has been widely reported. These proceedings are extant, and it would be inappropriate to disclose further information at this stage beyond that contained on page 58. Other principal risks are documented in the Governance Statement (pages 21 to 30).

PERFORMANCE INDICATORS IN 2013-14

The tables below provide a summary of case statistics in 2013-14.

Cases in progress during the year	
New investigations opened	12
Investigations concluded without charge	3
Defendants charged	35
Number of prosecutions concluded or in progress (by defendant)	18
Number of prosecutions concluded or in progress (by case)	8
Trials	
Trials in progress during the year (by defendant)	14
Trials in progress during the year (by case)	5
Trials concluded by defendant	9
Trials concluded by case	3
Trials reaching jury consideration by case	2
Defendants awaiting trial start at year end	34
Convictions	
Total defendants convicted	11
Defendants convicted by plea	4
Defendants convicted by jury	7
Conviction rate percentage	85

Finally, default prison sentences were imposed on 4 defendants who had failed to satisfy confiscation orders imposed by the Courts in relation to the SFO's proceeds of crime work.

TRANSPARENCY

The SFO publishes transparency data in line with Cabinet Office guidance (found here: www.cabinetoffice.gov.uk/resource-library/guidance-transparency). Our data is on our website, www.sfo.gov.uk, or, where required, at www.data.gov.uk.

Details of all new contracts and tender documents for contracts over £10k are published on the Business Link "Contracts Finder" website www.gov.uk/contracts-finder.

COMPANY DIRECTORSHIPS

Every member of the Senior Civil Service working at the SFO is on its Management Board. None holds any company directorships or significant interests which might conflict with their senior management responsibilities.

NUMBER OF EMPLOYEES BY GENDER

(headcount at 31 March 2014, including fixed term contractors but not temporary agency workers)

	2013-14		2012-13	
	Male	Female	Male	Female
All staff excluding members of the Management Board	174	126	169	120
SCS	9	4	8	4

CONSULTATION WITH EMPLOYEES

The SFO has a formal consultation framework with the Trade Unions - the First Division Association (FDA), Prospect and the Public and Commercial Services (PCS). Monthly People Committee meetings are scheduled and chaired by the Head of Human Resources. The Trade Unions also meet quarterly with the Director.

The SFO participates in the Civil Service People survey (see below) and consults staff on an ad hoc basis less formally if issues arise.

EQUALITY AND DIVERSITY

The SFO is committed to equality and diversity, recognising differences between people and positively valuing the different perspectives and skills of our people. The SFO is committed to ensuring we provide an environment where everyone is treated with dignity and respect. The SFO has an action plan in place to ensure it meets its obligations under the Public Sector Equality Duty.

The SFO's Dignity at Work policy emphasises the importance of treating everyone with dignity and respect, irrespective of any of the protected characteristics. Our policy offers guidance on what to do if unacceptable behaviour occurs.

SOCIAL AND COMMUNITY ISSUES

The SFO has a Charities and Community Engagement Committee which encourages staff to participate in volunteering activities. Staff are encouraged to volunteer and are entitled to claim one day's special leave per annum.

SICKNESS

Average working days lost due to sickness (per employee) was 5.1 (2012-13: 7.0 days).

PEOPLE SURVEY

The SFO participated in the Civil Service People Survey in 2013. The SFO had an engagement score of 59 per cent (up from 53 per cent in 2012) with encouraging trends in many areas. More information is available on our website www.sfo.gov.uk.

SUSTAINABILITY

The SFO is committed to government policy to improve sustainability and is working towards meeting the Greening Government Commitment (GGC) targets which started on 1 April 2011 with a baseline period of 2009-10. We are now ahead of all our targets. This is principally due to a move from our old premises on two sites to a single building on Cockspur Street. More information is on pages 60 to 64.

DAVID GREEN CB QC
Accounting Officer
 23 June 2014

DEPARTMENTAL REPORT CORE TABLES

The tables below set out the key data for the Serious Fraud Office as required by the Public Expenditure System Paper PES (2011) 10.

Table 1 Public Spending by expenditure limit category

£000s

	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	2014-15 Plans	2015-16 Plans
Resource DEL							
Section A: Investigations and Prosecution	39,616	35,513	31,579	38,050	51,715	35,224	34,172
Total Resource DEL	39,616	35,513	31,579	38,050	51,715	35,224	34,172
of which:							
Pay	19,948	19,941	18,820	19,495	21,035	17,834	14,457
Procurement	20,306	17,846	17,187	19,360	29,139	15,728	18,053
Depreciation*	2,709	2,137	2,531	2,083	1,631	2,062	2,062
Vote income	(3,347)	(4,411)	(6,959)	(2,889)	(426)	(400)	(400)
Resource AME	517	-	(184)	(22)	(336)	2,000	2,000
Total Resource Budget	40,133	35,513	31,579	38,050	51,379	37,224	36,172
of which:							
Depreciation	2,709	2,137	2,351	2,083	1,631	2,062	2,062
Capital DEL							
Section A: Investigations and Prosecution	2,979	2,745	709	1,107	1,295	1,820	1,365
Total Capital Budget**	2,979	2,745	709	1,107	1,295	1,820	1,365
Total departmental spending***	40,403	36,121	29,937	37,074	51,043	36,982	35,475
of which:							
Total DEL	39,886	36,121	30,121	37,096	51,379	34,982	33,475
Total AME****	517	-	(184)	(22)	(336)	2,000	2,000

* Includes impairments

** Expenditure on tangible and intangible fixed assets net of sales

*** Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of the resource budget AME and capital budget AME less depreciation in AME.

**** AME – Annually Managed Expenditure – where expenditure is generally less predictable and controllable than expenditure in DEL

DEPARTMENTAL REPORT CORE TABLES
TABLE 2 - CAPITAL EMPLOYED

£000s

	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	2014-15 Plans	2015-16 Plans
Assets and liabilities on the statement of financial position at end of year:							
Assets							
Non-current assets	6,859	7,335	5,569	4,591	4,282	5,296	5,296
Intangible	2,548	4,066	3,123	2,369	1,789	3,676	3,676
Property, Plant and Equipment	4,300	3,259	2,437	2,214	2,458	1,620	1,620
of which:							
Improvements to leasehold property	2,015	1,065	457	836	1,352	500	500
Information technology	1,895	1,937	1,866	1,362	1,106	1,000	1,000
Furniture and fittings	390	257	114	-	-	120	120
Motor vehicles	-	-	-	-	-	-	-
Assets under Construction	-	-	-	16	-	-	-
Current assets	2,252	2,556	3,026	2,925	1,819	2,200	2,200
Liabilities							
Current (<1 year)	(4,763)	(4,873)	(4,674)	(5,372)	(4,218)	(3,000)	(3,000)
Non-current (>1 year)	(298)	(126)	-	-	(-)	(298)	(298)
Provisions	(2,279)	(1,467)	(1,283)	(1,262)	(926)	(200)	(200)
Capital employed within main department*	1,771	3,425	2,638	882	957	3,998	3,998
Agency assets*	(173)	(18)	-	-	-	-	-
Total capital employed *	1,598	3,407	2,638	882	957	3,998	3,998

* Before 2011-12, the assets of the National Fraud Authority (NFA) were accounted for here. They have since been accounted for by the Home Office following a Machinery of Government change effective 1 April 2011.

DEPARTMENTAL REPORT CORE TABLES

TABLE 3 – PUBLIC SPENDING CONTROL

The level of expenditure incurred by Government Departments, including the Serious Fraud Office, is subject to statutory limits approved by Parliament. It is a fundamental form of accountability that expenditure within a financial year does not exceed these limits. There are four key financial targets which the Serious Fraud Office must achieve. Our performance for 2013-14 against these targets is set out in the table below:

£000s

	Revenue DEL	Revenue AME	Capital DEL	Net Cash Requirement
Expenditure limits set at start of year and subsequent adjustments				
Main Estimate	34,607	2,000	1,440	35,553
Supplementary Estimate	19,000	-	-	19,000
Final limit	53,607	2,000	1,440	54,553
Expenditure incurred	51,715	(336)	1,295	51,394
Performance within limits	Yes	Yes	Yes	Yes

TABLE 4 - ADMINISTRATION BUDGET

£000s

	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	2014-15 Plans	2015-16 Plans
Section A: Investigations and prosecution	-	-	7,546	7,019	7,281	7,351	7,351
Total administration budget*	-	-	7,546	7,019	7,281	7,351	7,351
of which:							
Paybill	-	-	4,514	4,413	4,356	2,460	2,460
Expenditure	-	-	3,032	2,606	2,925	4,891	4,891
Income	-	-	-	-	-	-	-

TABLE 5 – FULL TIME EQUIVALENT STAFF IN POST

	2010-11 Actual	2011-12 Actual	2012-13 Actual	2013-14 Actual
Civil service (full time equivalents)	295	279	278	294
Fixed Term Appointments	10	27	14	11
Total**	305	306	292	305

* From 1 April 2008 to 31 March 2011 all operating costs for the SFO were classified as programme. The Spending Review for 2010 which covers 2011-12 to 2014-15 financial years has reinstated the requirement for the reporting of expenditure split between programme and administration.

** The numbers in this table reflect staff numbers at 31 March 2014, including those on fixed term contracts but excluding temporary agency workers. The numbers in this table are not directly comparable with those in note 2(b) which shows average staff numbers for the year, or those on page 4 which show headcount.

MANAGEMENT COMMENTARY

The Department's net assets of £957k at 31 March 2014 compare to net assets of £882k as at 31 March 2013. This small increase in net assets follows an increase in the non-current assets and a reduction in both the current assets and current liabilities. The increase in non-current assets is

mainly due to the acquisition of new IT hardware. The reduction in our current assets is mainly due to a reduction in cash and cash equivalents. The reduction in cash also caused the current liabilities to decrease following a reduction in the amount issued from the Consolidated Fund.

RECONCILIATION OF RESOURCE EXPENDITURE BETWEEN ESTIMATE, ACCOUNTS AND BUDGET

£000s

	2013-14	2012-13
Net Resource Outturn (Estimate)	55,607	47,533
Unused Resources	(4,228)	(9,505)
Income payable to the Consolidated Fund	-	-
Net Operating Cost (Accounts)	51,379	38,028
Of which:		
- Departmental Expenditure Limit (DEL)	51,715	38,050
- Annually Managed Expenditure (AME)	(336)	(22)

NET RESOURCE OUTTURN AND NET OPERATING COST

The resources available to the SFO are determined by Parliament through the Supply Estimates procedure. The increase in both the Net Resource Outturn and Net Operating Cost over the previous year represents an increase in expenditure to support blockbuster cases and on-going litigation.

As shown in the Statement of Parliamentary Supply on page 33, there has been an overall underspend of £1,892k against the DEL Estimate and an overall underspend of £2,336k against the AME Estimate. There has been an overall underspend of £4,228k against the Estimate. £1,892k of this

was within DEL, where savings against the estimate were achieved by identifying synergies between two cases as they progressed, and by a change in the way personnel were deployed on one of the cases. A further case did not progress as quickly as expected. The underspend within AME is caused by a lower than expected provisions requirement. AME is very unpredictable and therefore difficult to estimate. Income from civil recovery settlements and cost awards was £426k in 2013-14, and £2,889k in 2012-13. The increase in the net operating costs from £38,050k in 2012-13 to £51,715k in 2013-14 is due to the costs associated with the defence of a civil litigation claim, the investigation of three blockbuster cases and the payment of backdated VAT in respect of the counsel fees.

Payment of VAT on Contracted-out Services

Included in the Statement of Parliamentary Supply Outturn on page 33 is information about the revised treatment of VAT on certain contracted-out services. This includes the repayment of £3,837k in tax, of which £564k was a penalty and £104k was interest. A further £798k was accrued in 2012-13 making the total liability £4,635k.

The VAT repayment has been accounted for as expenditure under the categories of spend to which it relates. That is: £1,884k counsel fees, included in Note 4 Programme costs; £580k included in Note 2a under other staff costs; £688k included in Note 4 Programme costs under civil litigation; £17k included in Note 4 Programme costs under IT costs; and £668k VAT penalty and interest shown in Note 3 Other Administration costs.

Further details can be found under the Governance Statement on page 28.

NET CASH REQUIREMENT

The net cash requirement of £51,394k for 2013-14 is £3,159k less than the estimated requirement for the year and reflects the operating expenditure of the SFO, which was lower than originally anticipated due to lower than budgeted costs across a number of areas.

FINANCIAL INSTRUMENTS

Details about the SFO's policies on financial instruments are included in the notes to these accounts. Most financial instruments are for contracts to buy non-financial items in line with the expected purchase and usage requirements and the department is therefore not exposed to significant credit, liquidity or market risk.

INVESTMENT IN THE FUTURE

All current and capital expenditure support core operational functionality and are planned, as far as possible, to take account of changing circumstances

which may affect these operations before they occur. The SFO continues to seek value for money on all procurement and contracts. Because the SFO is a small organisation, this is best done by using the Crown Commercial Services frameworks as much as possible and continuing partnerships with other public sector organisations that have dedicated resources working in these areas.

PENSIONS AND EARLY DEPARTURE COSTS

Details about the SFO's pensions and early departure policies are included in the notes to these accounts and can be found on page 45.

PAYING SUPPLIERS

We are committed to paying bills in accordance with agreed contractual conditions, or, where no such conditions exist, within 30 days of receipt of goods or services or the presentation of a valid invoice, whichever is the later. The SFO paid 92% (2012-13 87%) of supplier invoices to time

During the year the SFO paid 38% (2012-13 37%) of all undisputed invoices within 10 days of receipt in line with the commitment to pay all suppliers promptly. This commitment is a target rather than a change to standard terms and conditions and is not contractual.

DATA HANDLING

The SFO suffered a data loss in 2012. A full investigation was instigated and over 98% of the material was recovered. The incident was reported to the Cabinet Office and the Information Commissioner's Office (ICO) as personal data had been inadvertently sent to a third party. In these circumstances the ICO undertakes an inspection and a site visit took place at the end of May 2014. Further details can be found in the Governance statement on page 27.

There were a further 10 instances of non-reportable incidents.

AUDITORS

The Comptroller and Auditor General is the statutory auditor for the SFO's accounts. The Department's audit fee for 2013-14 is £60,000 (2012-13; £64,500).

So far as I am aware, there is no relevant audit information of which the SFO's auditors are unaware, and I have taken all the steps that ought to have been taken to make myself aware of any relevant audit information and to establish that the SFO's auditors are aware of that information. No further assurance or other advisory services were provided by the auditors.

DAVID GREEN CB QC
Accounting Officer
23 June 2014

REMUNERATION REPORT

MINISTERS AND SENIOR OFFICERS

The Attorney General (the Rt Hon. Dominic Grieve QC) superintended the work of the SFO during the period covered by these accounts. The information given below relates to the Director and senior managers of the SFO. Information relating to the Attorney General is given in the accounts of HM Procurator General and Treasury Solicitor.

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Senior Salaries Review Body. In reaching its recommendations, the Review Body considers:

- The need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities.
- Regional/local variations in labour markets and their effects on the recruitment and retention of staff.
- Government policies for improving public services including the requirement on departments to meet the output targets for the delivery of departmental services.
- The funds available to departments as set out in the Government's departmental expenditure limits; and
- The Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations. The Director's salary is linked to that of a High Court Judge.

REMUNERATION COMMITTEE

The remuneration of Senior Civil Service (SCS) is determined in accordance with the report of the Senior Salaries Review Body. The SFO's SCS Pay Committee meets annually to consider pay increases and bonus payments in accordance with these recommendations. The committee consists of the Director, the non-executive directors, and a senior HR professional from another Government Department.

AT RISK PAY

Performance management of staff below the SCS is covered by the SFO's performance appraisal system. The system supports all staff in improving their performance through continuous dialogue between managers and staff. It provides a framework for conversations about objective setting, how people have performed against their objectives, and what development needs they have. Annual performance assessment is based on the delivery of objectives, taking account of both the 'what' and the 'how'. A formal review of performance is conducted at least once a year. Bonuses can be paid in-year to individuals to reward work on particularly demanding tasks or situations. Annual performance bonuses are based on performance appraisal markings.

In 2013-14 the annual performance bonus accrual for grades below the SCS totalled £213,473 (2012-13: £190,000).

SERVICE CONTRACTS

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than on the grounds of poor performance, conduct or attendance would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk

The Director and Accounting Officer of the SFO is David Green CB QC.

REMUNERATION REPORT

SENIOR OFFICIAL APPOINTMENTS

David Green CB QC was appointed by the Attorney General on a renewable four-year contract that began on 21 April 2012. HH Geoffrey Rivlin QC was appointed to a 2 year fixed term appointment from 1 August 2012 and the SFO has permission to extend beyond 2 years from the Civil Service Commissioners.

SALARY AND PENSION ENTITLEMENTS

This information is subject to audit.

The following sections provide details of the remuneration and pension interests of the SFO's senior management (SCS) during the year

NON-EXECUTIVE BOARD MEMBERS REMUNERATION

£000s

Name and title	2013-14	2012-13
Alan Graham MBE Non-Executive Director (to 30 November 2013)	15-20	30-35
Simon Duckworth DL Non-Executive Director	5-10	10-15
John Anthony Osbaldiston Non-Executive Director (from 2 September 2013)	5-10	-
Norman Pickavance Non-Executive Director (from 2 September 2013)	10-15	-

The Non-Executive Directors have been appointed on a three year renewable contract with their remuneration determined by the number of days required for their duties at a rate per diem plus reimbursement of expenses. None of the current Non-Executive Directors is a member of the Civil Service Pension Scheme.

REMUNERATION REPORT

SENIOR MANAGEMENT

SINGLE TOTAL FIGURE OF REMUNERATION										
Officials	Salary (£'000)		Bonus payments (£,000)		Benefits in kind (to nearest £100)		Pension benefits (£'000) ¹		Total (£,000)	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
David Green CB QC Director	170-175	160-165 (170-175 full year equivalent)	-	-	-	-	35,000	66,000	205-210	225-230 (235-240 full year equivalent)
Alun Milford General Counsel	110-115	65-70 (110-115 full year equivalent)	5-10	-	-	-	62,000	69,000	180-185	135-140 (180-185 full year equivalent)
His Honour Geoffrey Rivlin QC Advisor to Director	100-105 (180-185 full year equivalent: part time)	Restated (180-185 full year equivalent: part time)	-	-	-	-	-	-	100-105 (180-185 full year equivalent: part time)	65-70 (100-105 full year equivalent: part time)
Kevin Davis ² Chief Investigator	70-75	40-45 (70-75 full year equivalent)	-	-	-	-	31,000	58,000	100-105	100-105 (130-135 full year equivalent)
Kristin Jones Head of Strategic Relations	80-85	40-45 (80-85 full year equivalent)	5-10	-	-	-	20,000	5,000	110-115	45-50 (85-90 full year equivalent)
Barny Todd Chief Financial Officer	80-85	20-25 (80-85 full year equivalent)	-	-	-	-	(8,000)	-	70-75	20-25 (80-85 full year equivalent)
Matthew Wagstaff Head of Division A	80-85	55-60 (80-85 full year equivalent)	5-10	-	-	-	19,000	9,000	105-110	65-70 (90-95 full year equivalent)
Patrick Rappo Head of Division B (to 12.4.13)	0-5	30-35 (80-85 full year equivalent)	-	-	-	-	1,000	24,000	0-5	55-60 (105-110 full year equivalent)

REMUNERATION REPORT

Officials	Salary (£'000)		Bonus payments (£,000)		Benefits in kind (to nearest £100)		Pension benefits (£'000) ¹		Total (£,000)	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Jane de Lozey Head of Division C	80-85	40-45 (80-85 full year equivalent)	-	-	-	-	24,000	25,000	105-110	65-70 (105-110 full year equivalent)
Clare Whitaker Head of Division D	80-85	40-45 (80-85 full year equivalent)	-	-	-	-	12,000	20,000	90-95	60-65 (100-105 full year equivalent)
Mark Thompson Head of Proceeds of Crime	80-85	30-35 (80-85 full year equivalent)	-	-	-	-	22,000	11,000	100-105	40-45 (90-95 full year equivalent)
Lesley Dugdale Head of Human Resources	80-85	80-85	-	5-10	-	-	5,000	44,000	85-90	130-135
Stuart Alford QC Head of Special Projects (from 1.9.13)	50-55 (80-85 full year equivalent)	-	-	-	-	-	(4,000)	-	45-50 (75-80 full year equivalent)	-
Ben Morgan Head of Division B (from 19.8.13)	50-55 (80-85 full year equivalent)	-	-	-	-	-	20,000	-	70-75 (100-105 full year equivalent)	-
Richard Alderman Director (to 20.4.12)	-	15-20 (170-175 full year equivalent)	-	-	-	-	-	-	-	15-20 (170-175 full year equivalent)
Phillippa Williamson Chief Executive Officer (to 16.4.12)	-	5-10 (120-125 full year equivalent)	-	10-15	-	2,100	-	53,000	-	70-75 (185-190 full year equivalent)
Christian Bailes Chief Operating Officer (to 31.12.12)	-	125-130 (125-130 full year equivalent)	-	10-15	-	-	-	2,000	-	135-140 (135-140 full year equivalent)

¹The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights. ²On loan from HMRC

Pension figures supplied by MyCSP

REMUNERATION REPORT

SALARY

Salary includes gross salary; overtime; and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Department and thus recorded in these accounts.

BENEFITS IN KIND

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. There were no benefits in kind during 2013-14 (2012-13 £1,204 for the payment of travel and

hotel costs for home to work travel and £905 enhanced taxation and NI contributions).

BONUSES

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year prior to which they become payable to the individual. The bonuses reported in 2013-14 relate to performance in 2012-13 and the comparative bonuses reported for 2012-13 relate to performance in 2011-12.

DETAILS OF AMOUNTS PAYABLE TO THIRD PARTY ENTITIES IN RESPECT OF INTERIM SENIOR MANAGEMENT SERVICES

This information is subject to audit

The Management Board engaged the services of the following interim senior manager:

	Position	Cost to the SFO £000
Mathew Mallett (from 2 December 2013)	Chief Technology Officer	95-100

PAY MULTIPLES

	2013-14		2012-13
Highest paid individual (£000)	180-185	Highest paid individual (£000)	180-185
Median Total (£)	34,700	Median Total (£)	34,356
Remuneration Ratio	5.26	Remuneration Ratio	5.31

The SFO is required to disclose the relationship between the salary of the most highly-paid individual in the organisation and the median earnings of the SFO's workforce. The salary of the most highly-paid individual in the SFO in the financial year 2013-14 was £180,000 - £185,000. This was 5.26 times the median salary of the workforce, which was £34,700.

The ratio decreased slightly from 5.31 in 2012-13 because of a marginal increase in the median pay for permanent staff and the appointment in 2012-13 of a number of fixed term staff above the median pay point whilst the salary of the highest paid individual has not changed.

REMUNERATION REPORT

OFF-PAYROLL ENGAGEMENTS (e.g. contractors, consultants) AS AT 31 MARCH 2014, FOR MORE THAN £220 PER DAY AND THAT LAST FOR LONGER THAN SIX MONTHS

Number of existing engagements as at 31 March 2014	2
Of which:	
Number that have existed for between one and two years at time of reporting	1
Number that have existed for between two and three years at time of reporting	0
Number that have existed for between three and four years at time of reporting	0
Number that have existed for four years or more at time of reporting	0
Total	2

All existing off-payroll engagements have been subject to a risk based assessment as to whether assurance is required that the individual is paying the right amount of tax and, where necessary, that assurance has been sought.

NEW OFF-PAYROLL ENGAGEMENTS BETWEEN 1 APRIL 2013 AND 31 MARCH 2014, FOR MORE THAN £220 PER DAY AND THAT LAST FOR LONGER THAN SIX MONTHS

Number of existing engagements as at 31 March 2014	1
No. of new engagements which include contractual clauses giving department the right to request assurance in relation to income tax and National Insurance obligations	1
No. for whom assurance has been requested	1
Of which:	
No. for whom assurance has been received	1
No. for whom assurance has been received	0
Number that have been terminated as a result of assurance not being received	0
Total	1

REMUNERATION REPORT

PENSION BENEFITS

Name and title	Accrued pension at pension age as at 31/3/14 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/14	CETV at 31/3/13***	Real increase in CETV
	£000	£000	£000	£000	£000
David Green CB QC ** Director	15-20	0-2.5	381	318	34
Alun Milford General Counsel	30-35 plus 90-95 lump sum	2.5-5.0 plus 7.5- 10.0 lump sum	512	462	42
His Honour Geoffrey Rivlin QC Advisor to Director	-	-	-	-	-
Kevin Davis Chief Investigating Officer	30-35 plus 90-95 lump sum	0-2.5 plus 2.5-5.0 lump sum	564	507	24
Kristin Jones Head of Strategic Relations	35-40 plus lump sum 55-60	0-2.5 plus (0)-(2.5) lump sum	642	588	15
Barny Todd Chief Financial Officer	25-30 plus 85-90 lump sum	(0)-(2.5) plus (0)-(2.5) lump sum	480	456	(7)
Matthew Wagstaff Head of Division A	25-30 plus 25-30 lump sum	0-2.5 plus (0)-(2.5) lump sum	313	282	9
Patrick Rappo ** Head of Division B (to 12 April 2013)	5-10	0-2.5	73	73	-
Jane de Lozey * Head of Division C	10-15	0-2.5	162	137	11
Clare Whitaker Head of Division D	25-30 plus 75-80 lump sum	0-2.5 plus 0-2.5 lump sum	469	431	8
Mark Thompson * Head of Proceeds of Crime	0-5	0-2.5	57	37	11
Lesley Dugdale Head of Human Resources	20-25 plus 65-70 lump sum	0-2.5 plus 0-2.5 lump sum	361	335	2
Stuart Alford QC ** Head of Special Projects (from 1 September 2013)	0-5	0-2.5	33	32	(4)
Ben Morgan ** Head of Division B (from 19 August 2013)	0-5	0-2.5	10	-	6

* Member of Premium Scheme - lump sum not automatic

** Member of NuvoS Scheme - lump sum not automatic

Pension figures supplied by MyCSP

CIVIL SERVICE PENSIONS

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes: either a final salary scheme (classic, premium or classic plus); or a whole career scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 1.5% and 6.25% of pensionable earnings for classic and 3.5% and 8.25% for premium, classic plus and nuvos. Increases to employee contributions will apply from 1 April 2014. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his or her pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5%

(depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement). The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found at the website www.civilservice.gov.uk/pensions

CASH EQUIVALENT TRANSFER VALUES

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their

REMUNERATION REPORT

own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

REAL INCREASE IN CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period

PARTNERSHIP PENSIONS

None of the Senior Management team participates in partnership pension arrangements (see note 2).

DAVID GREEN CB QC

Accounting Officer

23 June 2014

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

1. Under Section 5 of the Government Resources and Accounts Act 2000 HM Treasury has directed the SFO to prepare, for each financial year, accounts detailing the resources acquired, held or disposed of during the year and the use of resources during the year by the department during the year.
2. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the department and of its net resource outturn, resources applied to the objectives, changes in taxpayers' equity and cash flows for the financial year.
3. In preparing the accounts, the principal Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:
 - a. observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
 - b. make judgements and estimates on a reasonable basis.
 - c. state whether applicable accounting standards, as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts; and
 - d. prepare the accounts on a going concern basis.
4. HM Treasury has appointed the Director of the SFO as the Accounting Officer of the Department. The responsibilities of an Accounting Officer (including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets) are set out in *Managing Public Money* published by HM Treasury.

GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

This statement covers the SFO's governance arrangements for the year ended 31 March 2014.

The Serious Fraud Office (SFO) is a small government department under the superintendence of the Attorney General. The Director of the SFO (who is also the department's Accounting Officer) is appointed by and accountable to the Attorney General, who is answerable in Parliament for the SFO.

The Accounting Officer is responsible for maintaining a sound system of internal control, which supports the achievement of the SFO's policies, aims and objectives. The Director is also charged with safeguarding public funds and departmental assets for which he is personally responsible, in accordance with the responsibilities assigned to him in *Managing Public Money*.

GOVERNANCE STRUCTURE

The SFO's governance arrangements are in line with HM Treasury and Cabinet Office Code of Good Practice for Corporate Governance. Accordingly there is a clear understanding of the different levels of accountability within the SFO and this helps to promote effective planning and decision taking within the organisation.

In line with being superintended the Director meets the Attorney General regularly to discuss progress, key risks and issues arising.

COMMITTEE STRUCTURE

During the period covered by this report, the two key committees were the Management Board (MB) and the Audit and Risk Committee (A&RC). Their memberships are set out in the table below and their purpose and arrangements in the succeeding sections.

In addition three sub-groups of the MB were created in November 2013:

- the Risk Management and Moderation Group (RMMG)
- the Resource Planning Group
- an ad-hoc group looking at the format and contents of management information

There were also a number of supporting committees all of which fed into the work and responsibilities of at least one of the key committees. The supporting committees are:

- SCS Group
- Case Evaluation Board
- Case Review Panel
- Strategic and Tactical Tasking and Co-ordination Group (STT&CG)
- Training Board.

Each committee has its own terms of reference which are published on the SFO's intranet so that all members of staff can be clear about their purpose.

Members	Management Board (MB)	Audit & Risk Committee (A&RC)	Effective dates of attendance
David Green CB QC (Director)	Chair	Permanent Invitee	Attended throughout year
Alan Graham MBE (NED)	✓	Chair	To 17 October 2013
Tony Osbaldiston (NED)	✓	Chair	From 17 October 2013
Norman Pickavance (NED)	✓	✓	From 17 October 2013
Simon Duckworth DL (NED)	✓	✓	Attended throughout year
Alun Milford (General Counsel)	✓		Attended throughout year
His Honour Geoffrey Rivlin QC (Advisor to the Director)	✓		Attended throughout year

GOVERNANCE STATEMENT

Members	Management Board (MB)	Audit & Risk Committee (A&RC)	Effective dates of attendance
Lesley Dugdale (Head of Human Resources)	✓		Attended throughout year
Barny Todd (Chief Financial Officer)	✓	Permanent Invitee	Attended throughout year
Kristin Jones (Head of Strategic Relations)	✓	Permanent Invitee from Oct 2013	Attended throughout year
Matthew Wagstaff (Head of Division A)	✓		Attended throughout year
Patrick Rappo (Head of Division B)	✓		To 12 April 2013
Ben Morgan (Head of Division B)	✓		From 19 August 2013
Jane de Lozey (Head of Division C)	✓		Attended throughout year
Clare Whitaker (Head of Division D)	✓		Attended throughout year
Mark Thompson (Head of Proceeds of Crime Division)	✓	Permanent Invitee from Oct 2013 to March 2014	Attended throughout year
Kevin Davis (Chief Investigator)	✓		Attended throughout year
Stuart Alford QC (Head of Special Projects Group)	✓		From 2 September 2013
Mathew Mallett (interim Chief Technology Officer)	✓	Permanent Invitee from Dec 2013	From 2 December 2013

MANAGEMENT BOARD (MB)

The Director chairs the MB which meets every six weeks and comprises the SCS plus all 3 NEDs. The Management Board met eight times during 2013-14.

The MB operates as a team with each member of the board sharing a common interest in the overall performance and integrity of the SFO. Each member, therefore, represents the interests of the SFO as a whole at board meetings and not simply the interests of the member's particular area of responsibility.

The MB advises on and supervises the strategic direction of the SFO enabling it to meet its statutory purpose of investigating and prosecuting serious or complex fraud, bribery and corruption. The MB specifically:

- supports the Director in setting and articulating the vision for the organisation based on an agreed view of long-term capability and horizon scanning;
- sets the SFO's professional standards, corporate values and culture;
- makes sure that strategic decisions are based on a collective understanding of policy issues and that the design of the business facilitates the achievement of its strategic objectives;
- monitors the SFO's external reputation and brand;
- monitors performance against the operational business plan with reference to strategic aims and objectives and management information including the Monthly Operational Report (MOR), ensuring that the SFO is challenged on its outcomes, supporting the drive for improvement;
- ensures sound financial management and advises on large operational projects or programmes;
- ensures that the SFO has the capability to deliver current and future needs, and that appropriate succession plans are in place
- monitors equality and diversity issues across the SFO;

GOVERNANCE STATEMENT

- resolves any issue referred to the MB by any other committee; and
- sets, through the RMMG, the SFO's risk appetite ensuring that controls are in place to identify, manage and monitor strategic risks to which the organisation may be exposed.

Working practices have been agreed so that the MB can discharge its responsibilities effectively. These practices deal with the cycle of meetings, setting agendas, the timetable for distributing papers and communicating decisions.

The MB will always try to reach a decision by consensus. In exceptional cases, however, a decision may be taken by the Director alone because of the Director's ultimate personal responsibility for the SFO and as Accounting Officer.

The key information submitted to the MB is the Monthly Operational Report (MOR) (a collection of information from across the SFO's business, encompassing operational statistics, financial data, staffing and performance). The MOR is supplemented by the Case Risk Register (CRR) which provides a narrative of current casework. This information is collated monthly from individual reports provided by Heads of Divisions. Financial and other corporate information, the Strategic Risk Register (SRR) and the A&RC minutes and reports are also key documents considered by the MB.

In addition to this formal role, there are other occasions when the MB may meet to discuss important issues that could affect the SFO's strategy, results or performance.

The Cabinet Office Code of Good Practice for Corporate Governance cites a nominations and governance committee as good practice. Because the SFO is a small, non-ministerial government department, the MB does not consider that a separate nominations and governance committee is necessary. Instead the MB carries out the nominations and governance function as part of its normal terms of reference.

AUDIT AND RISK COMMITTEE (A&RC)

This Committee is chaired by a Non-Executive Director (NED) and as a minimum attended by all current NEDs who are also standing members. Other attendees include the Chief Financial Officer, Chief Technology Officer, Head of Strategic Relations and representatives of internal and external auditors, HMRC Internal Audit and the National Audit Office respectively. This gives the Committee the independence it needs to discharge its responsibilities properly.

Where appropriate, the Committee will call upon other SFO officials to attend meetings. The Director, as Accounting Officer, has an open invitation to attend all A&RC meetings, in particular those at which the Governance Statement and Accounts are reviewed.

The makeup of the A&RC members changed in October 2013. A new Chair was appointed (Tony Osbaldiston, replacing Alan Graham MBE), and a new NED (Norman Pickavance) was appointed to the Committee. Simon Duckworth DL continues to be a standing member.

The A&RC met five times last year. The frequency of meetings will change in 2014-15 to four, on a quarterly basis.

The purpose of the Committee is to support the Director as Accounting Officer and the MB by reviewing and assessing the reliability of the assurances that the Director and MB receive. The Committee also reviews and oversees the organisation's internal and external auditing arrangements, plans, results, and management responses. The Committee also considers the adequacy of the SFO's risk assessment, management procedures and internal control systems which are predominantly dealt with through the RMMG.

EVALUATING THE EFFECTIVENESS OF THE BOARDS AND COMMITTEES

The A&RC conducts an annual self-assessment of its effectiveness.

Norman Pickavance is undertaking a review of the MB and will report in June 2014.

The A&RC uses the National Audit Office's Audit Committee Self-Assessment Checklist template and undertook a self-assessment in March 2014. The self-assessment concluded that all of the principles of good practice in the checklist were achieved.

The MB, with the exception of Tony Osbaldiston (NED), attended a two-day event in November 2013, and the agenda included working together as a Board. There were critical reviews of business planning, decision making and the SFO's vision, as well as forward planning.

The function and purpose of the other groups designed to identify and embed best practice, and provide assurance to the MB, are set out below.

SCS GROUP (SCSG)

The SCSG is a weekly meeting chaired by the Director. It is attended by the SFO's members of the Senior Civil Service and the Head of Communications.

The SCSG is the principal forum for managing the SFO's performance and where day to day management decisions are made.

The aim of the Group is to provide a forum at which appropriate representatives from the business can:

- share information frequently and regularly;
- update members on important developments in specific parts of the business;
- discuss issues that affect the whole business; and
- receive immediate advice, support or resources to resolve issues.

The Group is responsible for:

- leading by example so that senior managers operate and are seen to operate as a co-ordinated team;
- discussing and resolving (so far as possible) immediate operational and functional issues which may impact on the SFO's ability to deliver its targets. Where exceptionally this is not possible, the chair (or delegated member) will resolve matters;
- drafting key papers and plans (for example, the annual business plan) for discussion and sign-off by the MB;
- succession planning;
- finance planning and monitoring;
- scanning the horizon for opportunities to develop the SFO's business; and
- identifying issues that need to be resolved outside the MB and ensuring that they are appropriately recorded, assigned and considered.

CASE EVALUATION BOARD (CEB)

The CEB enables the Director to make an informed decision based on the Board's recommendation to initiate or decline an investigation.

The Board meets periodically, depending on the intelligence pipeline and reports to the Director. Core members are General Counsel, the Special Adviser and the Chief Investigator. The Chief Investigator attends, along with the relevant intelligence lead.

Specifically the CEB will:

- evaluate and challenge intelligence submissions against the SFO's Statement of Principle (which governs the basis upon which decisions are made as to which cases should be adopted for investigation);
- assess strategic and tactical risk, cost/resource implications; and, where appropriate
- consider potential cases in the context of HMG's strategic approach to economic crime

GOVERNANCE STATEMENT

CASE REVIEW PANEL (CRP)

The CRP meets several times a month and reports to the Director. The Panel comprises the General Counsel, the Special Adviser, the Chief Investigator, the relevant Head of Division and appropriate members of the case team. The Director may also attend.

The CRP ensures that a level of appropriate scrutiny and challenge is given to every case by reviewing

- case progress against case strategy; and
- casework risks together with plans to mitigate them.

The frequency of CRPs for each case is informed by a programme which captures target dates for key milestones, case progress, agreed actions and the level of risk associated with the case. Full minutes are taken thus providing a written record and audit trail.

This process highlights key risk areas and brings them to the attention of senior management.

TRAINING BOARD

The Board, chaired by the Special Advisor, normally meets every 6 weeks and updates the MB on the rolling programme of training. Members include the General Counsel, the Head of Strategic Relations, the Head of Human Resources, the Chief Investigator, Heads of Operational Divisions and others.

The Board develops and delivers a programme of training for the investigation and prosecution of cases. It assists the MB to identify ways of broadening capability, such as creating development activities to ensure staff are provided with practical experience, knowledge and skills to effectively investigate and prosecute SFO cases.

STRATEGIC & TACTICAL TASKING & COORDINATION GROUP (STT&CG)

The Group, chaired by the Chief Investigator, meets on a monthly basis. It is a decision making and resource management body that is pivotal to the delivery of the National Intelligence Model (NIM). Members include the General Counsel and all Heads of Operational Divisions. The Group meets to discuss intelligence requirements, products and projects against the control strategy, operational capacity/capability and the prioritisation of resources

OTHER ORGANISATIONAL ARRANGEMENTS

The bulk of the SFO's resources are focused on the core business of investigation and prosecution, and associated proceeds of crime casework. The operational arm is organised into specialisms – bribery and corruption, fraud and proceeds of crime.

Given the importance of evidence handling and the increasing electronic nature of evidence, the SFO has combined its material management and digital forensics group under the Chief Investigator, who also holds the roles of Senior Information Risk Owner (SIRO) and Departmental Security Officer (DSO). A new SCS level post of Chief Technology Officer has been created to manage technology and digital services.

There are corporate services teams which provide HR, finance, commercial and estate management services. Another team deals with policy, Parliamentary and freedom of information matters and internal and external communications, including press which ensures good communications with wider government, the press, public and other stakeholders. This team includes the international assistance function and also provides quality assurance through the conduct of internal reviews and the oversight of progress against HMCPsi's inspection recommendations.

RISK

The SFO's approach to risk is to manage it to a reasonable level rather than eliminate all the risk of failure to achieve policies, aims and objectives. The organisation can only therefore give reasonable and not absolute assurance of effectiveness.

The SFO actively considers and identifies potential risks to the organisation. Its strategy to identify and counter risks are based on clear senior management leadership and responsibility; delegation to appropriate levels of authority and functional areas of the organisation, and the availability of relevant training and information within the SFO.

The Strategic Risk Register (SRR) (which is owned by the MB) covers three broad areas – environment (risks relating to external factors), business, and individual.

The A&RC is responsible for ensuring that the SFO risk management policies and processes are adequate, implemented and complied with and reviews the SRR at its meetings. In addition the RMMG – also attended by Internal Audit - has been in place since December 2013 with specific objectives to co-ordinate and guide risk management across the organisation, review and moderate case and divisional risk registers underpinning the SRR and consider and decide upon emerging risks and issues.

As part of the RMMG process new risks are added to the registers, and others removed, as appropriate. Both the MB and A&RC agendas include risk identification and management. A major review of the SRR was undertaken in 2013 and a number of risks were removed or de-escalated to divisional registers as they were not considered to be strategic risks.

RISK APPETITE³

A Risk Management booklet is published on the intranet and is available to all staff. This outlines the SFO's approach to risk management, who does what, risk ratings and review processes.

Using the SRR as its basis, the department's risk appetite was split into the following external and operational categories – finance, political, legal, business continuity, regulatory, information security, governance, external stakeholders and people. Each category was then allocated a tolerance of high, medium or low risk appetite depending on the information on the SRR.

MANAGING RISK

The SFO has a robust process in place to manage and mitigate organisational and operational risk and the risk management strategy is regularly reviewed.

Risk appetites ensure that risks to the reputation of the organisation and its ability to deliver its operational duties are mitigated appropriately. This process is co-ordinated by the A&RC and latterly supported by the RMMG.

Since December 2013 the RMMG has met four times

Each SCS Group member is accountable for risk and mitigation in their divisions as well as corporately. The strategic, divisional and case risk registers are reviewed regularly, and risk assessment is part of the project methodology used by project managers in their work.

The A&RC reviews the SFO's risk strategy and the SRR as a standing agenda item and provides regular commentary to the MB. It also receives reports on the effectiveness of risk management processes and systems from the RMMG (as described above). The SRR is reviewed and discussed at most MB meetings.

³For the SFO's non-casework areas only. The Code of Crown Prosecutors underpins the decision making process in relation to our casework. The SFO does not set targets for investigations, prosecutions or the work involved in the recovery of proceeds of crime as outcomes are determined by the courts and/or performance is not within the control of the SFO.

GOVERNANCE STATEMENT

Risk is inherent in the operational aspects of the SFO's business, particularly in the investigation and prosecution of cases. Considerable management scrutiny and assurance is applied at case level to assess risk factors both when embarking upon an investigation and, where appropriate, a prosecution. At the prosecution stage, risks are balanced against the need to pursue cases in the public interest⁴. Staff have been alerted to the risk management pages on the intranet including the publication of the risk management booklet. Further to this awareness training is anticipated for risk owners in 2014-15. Consistent with this the SFO also ensures that it complies with best practice guidance in respect of undertaking operational risk assessments particularly when deploying staff outside of the SFO estate on search operations.

KEY RISKS FOR 2013-14

Risk	Mitigating Actions
Insufficient funding to pursue cases and cover liabilities from them	Chief Financial Officer to monitor and anticipate finance pressures and trends, and work with HMT to determine suitable funding strategies
Recruitment	Management Board has created a resources sub-group to plan recruitment, coupled with a pay and grading review to assist in defining resource requirements

KEY CHALLENGES DURING 2013-14

DELEGATION OF POWERS S1(3) OF THE CJA 1987

In September 2013 the SFO was, as a result of legal advice received, alerted to a potential argument concerning the former Director's decision to delegate his power to commence a criminal investigation to the then Chief Executive Officer. The SFO concluded that there were compelling arguments to support the view that the matter was not beyond doubt and that disclosure to relevant defence teams was thus necessary. Significant time and resource was committed to identifying potentially affected cases (historical and current),

establishing the decision making process at the time and physically locating electronic/hard copy case files.

On 30 September at Southwark Crown Court, the court ruled in two cases in favour of the SFO's position that the previous Director was empowered to delegate the decision to accept cases.

DATA LOSS

The SFO discovered in June 2013 that material gathered from a number of sources during an investigation had been incorrectly sent to one of the witnesses in the case. It conducted an urgent internal investigation into how this happened and separately commissioned two independent reviewers to:

- 1) provide a report on the circumstances and make recommendations to improve processes, training and assurances to prevent future losses; and
- 2) provide feedback and assurance on processes and controls across the SFO and confirm that these were in good order with risks being properly addressed.

Peter Mason CBE reported on (1) and Alan Woods on (2). The recommendations of both reviews were considered by the MB and were largely accepted. An implementation programme, overseen by a senior programme manager, has been set up to take forward the recommendations.

Peter Mason returned at the end of March to consider the progress made. He was able to give positive assurance to the Director who is confident that the SFO now has the right checks and balances in place to avoid a similar incident from occurring again.

Similarly, the SFO will be inviting Alan Woods back during the year 2014-15 and asking him to consider the progress made on his recommendations.

The SFO also continues to work closely across government to learn the lessons from this incident, including the Cabinet Office and Information

⁴The Code for Crown Prosecutors

GOVERNANCE STATEMENT

Commissioner's Office (ICO), who conducted an on-site visit at the end of May 2014 and spoke to key staff and reviewed the SFO's information storage, retrieval and disclosure processes in situ.

Separately, as part of this exercise the SIRO function (see Other Organisational Arrangements above) was moved to the Chief Investigator.

RECOVERY OF VAT ON CONTRACTED-OUT SERVICES

The SFO has revised its treatment of VAT on certain contracted-out services. Historically VAT had been reclaimed on counsel fees and certain specialist staff. Following a review by the newly appointed CFO upon his arrival in December 2012, it was determined that the SFO should not continue to recover VAT on counsel fees. It was also determined to seek clarification on the recovery of VAT on certain specialist staff. The SFO made a self-report to HMRC in March 2013 and instigated discussions with HMRC to formally agree the treatment of recoverable VAT on contracted-out services. These discussions, coupled with an HMRC assessment which took place in October 2013, led to the SFO having a liability for reclaimed VAT in previous years. Details of the liability, amounting to a total of £4,635k, including a penalty of £564k, interest of £104k, accrued tax of £798k and outstanding tax of £3,169k, are covered in the Management Commentary and Notes in this Annual Report and Accounts.

MAKING SURE THAT WE DO WHAT WE NEED TO DO

The Director, as Accounting Officer, is responsible for reviewing the effectiveness of the system of internal control. The main elements of the organisation's control framework include:

- A clearly defined 'Statement of Accounting Officer's Responsibilities' (see page 20 of this Annual Report and Accounts).
- A MB with clear terms of reference and a defined

membership, including at least three independent NEDs, which meets regularly to consider the strategic direction and operational needs of the SFO.

- An A&RC chaired by a NED with clear terms of reference and defined membership, which meets at least four times a year to consider the reliability of assurances and to oversee the internal and external auditing arrangements, plans and results.
- A SCS Group which comprises all senior managers whose function is to review performance and to resolve issues to make sure that the SFO delivers its objectives.
- A bought-in internal audit service (provided by HMRC) which conducts an annual programme of specific reviews drawn up on a risk analysis basis, agreed by the A&RC and a complementary internal quality assurance team.
- The Chair of the A&RC having regular bilateral meetings with both the HMRC Internal Audit Manager and the NAO Audit Director who have responsibility for the SFO.
- Further embedding ethics within the SFO by collating all ethical codes and policies from the civil service in general and the SFO in particular into one easily accessible place on our intranet. This includes a detailed guide on standards of behaviour and conduct, the SFO's whistle-blowing policy, a clear corporate policy to combat fraud, and zero tolerance of dishonesty.
- An Operational Handbook which has been reviewed and updated, and will continue to be on an on-going basis. This covers all casework processes, procedures and best practice.
- A clear structure of delegated responsibility; with all roles having been reviewed and responsibilities having been defined.
- A framework of financial regularity and propriety supported by a Finance Manual which provides clear financial policies and protocols. This also includes a register of gifts and hospitality for all staff.
- Formally delegated budgets with clearly defined budgetary responsibilities for all senior budget holders.

QUALITY ASSURANCE

The Head of Strategic Relations reports to the Director in relation to assurance, the scope of which is aligned to the matters examined by HMCPSI. Quality Assurance provides the Director with an effective and robust function that ensures that SFO's processes and procedures are fit for purpose and that best practice is shared across the Office. A rolling programme of work, developed using a risk-based approach, is agreed with the Director. The remit of Quality Assurance extends to all aspects of the business, including casework and the quality of decision making. Close working with the SFO's internal auditors ensures review activity is efficiently co-ordinated and avoids duplication. There is an external role for Quality Assurance in relation to Her Majesty's Crown Prosecution Service Inspectorate (HMCPSI). This includes the facilitation of inspections and the development of action plans relating to the implementation of recommendations.

HMCPSI REPORT

Until 12 March 2014, inspections were undertaken by invitation of the Director. On 13 March 2014 the Anti-Social Behaviour, Crime and Policing Bill: Miscarriages of Justice received Royal Assent. This Act contains the clause providing Her Majesty's Crown Prosecution Service Inspectorate (HMCPSI) with the statutory powers to inspect the SFO. This provision came into force in June 2014.

In November 2012, HMCPSI published its first report on the SFO. The report made eight recommendations which the SFO has been working to implement throughout the past year. The Quality Assurance Manager oversees the implementation work and progress is monitored regularly by the Management Board. The Director invited the Chief Inspector to conduct a follow-up inspection in the autumn of 2013 to examine the progress made. Publication of the follow-up report is expected in the summer of 2014.

MINISTERIAL DIRECTIONS AND MACHINERY OF GOVERNMENT CHANGES

There were no ministerial directions given or Machinery of Government changes during 2013-14

CABINET OFFICE RULES FOR INFORMATION ASSURANCE

The SFO applies the Cabinet Office rules for information assurance and complies with the Security Policy Framework for the protection of physical security.

All laptops and other devices which are taken out of the office are encrypted and all IT equipment has its data ports disabled to prevent unauthorised copying of data, and minimise the risk of cyber-attacks. Heads of Divisions and other senior managers fulfil the role of information asset owners and are responsible for ensuring that case material is suitably protected at all times. There is a system to provide exemptions if unencrypted data needs to be taken off the premises.

With effect from 1 April 2013, all SCS in the SFO were appointed Information Asset Owners and required to submit quarterly returns to the SIRO on data losses or incidents within their areas of responsibility. All staff within the SFO are required to complete levels one, two or three of the on-line Responsible for Information training, depending on their level of seniority and responsibility. Compliance with this requirement is monitored by the SIRO.

REVIEW OF EFFECTIVENESS

The Director, as Accounting Officer, is responsible for reviewing the effectiveness of the system of internal control. His review of its effectiveness is informed by the work of the internal auditors and the Quality Assurance Manager (who is responsible for developing and maintaining the internal control framework) and comments made by the external auditors in their Audit Completion Report and other reports. The Head of Internal Audit provides an annual report and Opinion on the effectiveness of governance, risk management and controls within the SFO. For 2013-14 the HIA has reported Satisfactory Assurance for all three with improving trends for governance and risk management and a flat trend for controls. Risk management, in particular, represents an improvement on 2012-13, where only Limited Assurance was provided.

The MB and A&RC have advised the Director on the effectiveness of the system of internal control. There is a continuing plan to address weaknesses and make sure that the system is continuously improved.

Measures in place include:

- regular reports by the internal auditors, based on the annual Internal Audit Plan, and in line with the Government Internal Audit Standards, together with any recommendations for improvement;
- monthly operational reports (MOR) which are distributed to members of the MB on operational, financial, staffing and performance matters;
- improved business and strategic planning processes;
- improved data security procedures and supporting communications;
- regular reports from the chair of the A&RC to the MB; and
- regular advice on the effectiveness of the system of internal control.

DAVID GREEN CB QC
Accounting Officer
23 June 2014

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

I certify that I have audited the financial statements of the Serious Fraud Office for the year ended 31 March 2014 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

RESPECTIVE RESPONSIBILITIES OF THE ACCOUNTING OFFICER AND AUDITOR

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Department's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information

in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

OPINION ON REGULARITY

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2014 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

OPINION ON FINANCIAL STATEMENTS

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2014 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

OPINION ON OTHER MATTERS

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Management Commentary and Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH I REPORT BY EXCEPTION

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

REPORT

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

24 June 2014

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

STATEMENT OF PARLIAMENTARY SUPPLY

SUMMARY OF RESOURCE AND CAPITAL OUTTURN 2013-14

£000	2013-14								2012-13
	Estimate				Outturn			Voted outturn compared with Estimate: saving/ (excess)	Outturn
	Note	Voted	Non Voted	Total	Voted	Non Voted	Total		Total
Departmental Expenditure Limit									
- Resource	2.1	53,607	-	53,607	51,715	-	51,715	1,892	38,050
- Capital	2.2	1,440	-	1,440	1,295	-	1,295	145	1,107
Annually Managed Expenditure									
- Resource	2.1	2,000	-	2,000	(336)	-	(336)	2,336	(22)
Total Budget		57,047	-	57,047	52,674	-	52,674	4,373	39,135
Total Resource		55,607		55,607	51,379		51,379	4,228	38,028
Total Capital		1,440		1,440	1,295		1,295	145	1,107
Total		57,047	-	57,047	52,674	-	52,674	4,373	39,135

NET CASH REQUIREMENT 2013-14

£000	2013-14				2012-13
	Note	Estimate	Outturn	Outturn compared with Estimate: saving/ (excess)	Outturn
Net Cash Requirement	4	54,553	51,394	3,159	36,222

ADMINISTRATION COSTS 2013-14

£000	2013-14				2012-13
	Note	Estimate	Outturn	Outturn compared with Estimate: saving/ (excess)	Outturn
Net Cash Requirement	3.2	7,900	7,281	619	7,019

Explanation of variances between Estimate and Outturn are given in Note 2 and in the Management Commentary. The notes on pages 43 to 59 form part of these accounts

SOPS1.STATEMENT OF ACCOUNTING POLICIES

The Statement of Parliamentary Supply and supporting notes have been prepared in accordance with the 2013-14 Government Financial Reporting Manual (FReM) issued by HM Treasury. The Statement of Parliamentary Supply accounting policies contained in the FReM are consistent with the requirements set out in the 2013-14 Consolidated Budgeting Guidance and Supply Estimates Guidance Manual.

SOPS1.1 ACCOUNTING CONVENTION

The Statement of Parliamentary Supply and related notes are presented consistently with Treasury budget control and Supply Estimates. The aggregates across government are measured using National Accounts, prepared in accordance with the internationally agreed framework 'European System of Accounts' (ESA95). ESA95 is in turn consistent with the System of National Accounts (SNA93), which is prepared under the auspices of the United Nations.

The budgeting system, and the consequential presentation of Supply Estimates and the Statement of Parliamentary Supply and related notes have different objectives from IFRS-based accounts. The system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant Parliamentary authority, in support of the Government's fiscal framework. The system provides incentives to departments to manage spending well so as to provide high quality public services that offer value for money to the taxpayer.

The Government's objectives for fiscal policy are set out in the Charter for Budget Responsibility. These are to:

- ensure sustainable public finances that support confidence in the economy, promote intergenerational fairness, and ensure the effectiveness of wider government policy; and
- support and improve the effectiveness of

monetary policy in stabilising economic fluctuations.

SOPS1.2 COMPARISON WITH IFRS-BASED ACCOUNTS

Many transactions are treated in the same way in National Accounts and IFRS-based accounts, but there are a number of differences.

Departments must include the following notes as appropriate, providing additional disclosure of other transactions accounted for differently between the Statement of Parliamentary Supply and IFRS-based accounts.

SOPS 1.aa PFI AND OTHER SERVICE CONCESSION ARRANGEMENTS

The National Accounts basis for recognising service concession arrangements is broadly similar to UK-GAAP, applying a risk-based test to determine the financial reporting. IFRS-based recognition of service concession arrangements (IFRIC 12) is determined using control tests, which can result in a different on/off balance sheet treatment.

SOPS1.ab CAPITAL GRANTS

Grant expenditure used for capital purposes are treated as capital (CDEL) items in the Statement of Parliamentary Supply. Under IFRS, as applied by the FReM, there is no distinction between capital grants and other grants, and they score as an item of expenditure in the Consolidated Statement of Comprehensive Net Expenditure.

SOPS1.ac EQUITY WITHDRAWALS

Dividends received from investments will always be recorded as resource income in IFRS-based accounts, but they will occasionally be recorded as capital equity withdrawals (repayment of capital from an investee to the department) in the Statement of Parliamentary Supply where the dividend is greater than the investee profits for the current reporting period and previous two periods.

SOPS1.ad PRIOR PERIOD ADJUSTMENTS (PPAs)

PPAs resulting from an error in previous recording, or from an accounting policy change initiated by the department, need to be voted by Parliament in the current year, whereas in IFRS-based accounts (IAS 8) they are treated as adjustments from previous years. (PPAs resulting from a change in accounting policy brought in by a new or modified accounting standard are not included in Estimates, so there is no misalignment.)

**SOPS1.ae RECEIPTS IN
EXCESS OF HM TREASURY AGREEMENT**

This applies where HM Treasury has agreed a limit to income retainable by the department, with any excess income scoring outside of budgets, and consequently outside of the Statement of Parliamentary Supply. IFRS-based accounts will record all of the income, regardless of the budgetary limit. This situation may arise in the following areas: (i) profit/loss on disposal of assets; (ii) income generation above department Spending Review settlements; and (iii) income received above netting-off agreements.

**SOPS1.af PROVISIONS - ADMINISTRATION
AND PROGRAMME EXPENDITURE**

Provisions recognised in IFRS-based accounts are not recognised as expenditure for national accounts purposes until the actual payment of cash (or accrued liability) is recognised. To meet the requirements of both resource accounting and national accounts, additional data entries are made in the Statement of Parliamentary Supply across AME and DEL control totals, which do not affect the Statement of Comprehensive Net Expenditure. As the Administration control total is a sub-category of DEL, Administration and Programme expenditure reported in the Statement of Parliamentary Supply will differ from that reported in the IFRS-based accounts. A reconciliation is provided in SoPS note 3.2.

NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
(STATEMENT OF PARLIAMENTARY SUPPLY)

SOPS2 NET OUTTURN

SOPS2.1 ANALYSIS OF NET RESOURCE OUTTURN BY SECTION

£000	2013-14								2012-13 Outturn
	Outturn						Estimate		
	Administration			Programme			Net Total	Net total compared to Estimate	
	Gross	Income	Net	Gross	Income	Net			
Spending in Departmental Expenditure Limit Voted:									
A Investigations & Prosecutions	7,281	-	7,281	44,860	(426)	44,434	53,607	1,892	38,050
Voted:									
B New provision and adjustment to existing provisions	-	-	-	(336)	-	(336)	2,000	2,336	(22)
Total	7,281	-	7,281	44,524	(426)	44,098	55,607	4,228	38,028

Explanation of variation between Estimate and Outturn (net total resources):

There has been an overall underspend of £4,228k against the Estimate £1,892k of this was within DEL, where savings against the estimate were achieved by identifying synergies between two cases as they progressed, and by a change in the way personnel were deployed on one of the cases. A further case did not progress as quickly as expected. The remaining underspend of £2,336k relates to AME. Due to its unpredictable nature it is very difficult to estimate spend within AME. A fuller explanation of the variances is given in the Management Commentary.

SOPS2.2 ANALYSIS OF NET CAPITAL OUTTURN BY SECTION

£000	2013-14								2012-13 Outturn
	Outturn						Estimate		
	Administration			Programme			Net Total	Net total compared to Estimate	
	Gross	Income	Net	Gross	Income	Net			
Spending in Departmental Expenditure Limit									
A Investigations & Prosecutions	-	-	-	1,316	(21)	1,295	1,440	145	1,107
Total	-	-	-	1,316	(21)	1,295	1,440	145	1,107

**NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
(STATEMENT OF PARLIAMENTARY SUPPLY)**

**SOPS3. RECONCILIATION OF OUTTURN TO NET OPERATING COST
AND AGAINST ADMINISTRATION BUDGET**

SOPS3.1 RECONCILIATION OF NET RESOURCE OUTTURN TO NET OPERATING COST

		Note	2013-14 £000	2012-13 £000
			Outturn	Outturn
Total resource outturn in Statement of Parliamentary Supply	Budget	2	51,379	38,028
	Non Budget		-	-
Net Operating Cost in Statement of Comprehensive Net Expenditure			51,379	38,028

**SOPS3.2 OUTTURN AGAINST FINAL ADMINISTRATION
BUDGET AND ADMINISTRATION NET OPERATING COSTS**

	2013-14 £000	2012-13 £000
	Outturn	Outturn
Estimate - Administration costs limit	7,900	10,614
Outturn – Gross administration costs	7,281	7,019
Outturn – Income relating to administration costs		
Outturn – Net administration costs	7,281	7,019
Reconciliation to operating costs:		
Less: provisions utilised (transfer from Programme)	(332)	(271)
Less: Other	85	123
Administration Net Operating Costs	7,034	6,871

SOPS4. RECONCILIATION OF NET RESOURCE OUTTURN TO NET CASH REQUIREMENT

				2013-14 £000	2012-13 £000
	Note	Estimate	Outturn	Net total outturn compared with Estimate: saving / (excess)	Outturn
Net Resource Outturn	2.1	55,607	51,379	4,228	38,028
Capital					
Capital outturn	2.2	1,440	1,295	145	1,107
Accruals to cash adjustments					
Depreciation	6,7	(1,870)	(1,631)	(239)	(2,083)
New Provisions and adjustments to previous provisions	14	(2,000)	(443)	(1,557)	(249)
Increase / Decrease in payables		1,376	343	1,033	(225)
Increase / Decrease in receivables			(252)	252	(459)
Other non cash items			(76)	76	(168)
Use of Provision	14		779	(779)	271
Net cash requirement		54,553	51,394	3,159	36,222

Explanation of variation between Estimate and Outturn:

The net resource outturn variance is £4,228k after taking account of variances on capital acquisitions, movements on non-cash items and reductions in current liabilities including provisions the cash requirement variance for the year was £3,159k.

The Management Commentary within the Foreword to the Accounts gives further details of operating variances.

SOPS5. INCOME PAYABLE TO THE CONSOLIDATED FUND

There is no income payable to the Consolidated Fund. (2012-13 £nil)

STATEMENT OF COMPREHENSIVE NET EXPENDITURE

For the year ended 31 March 2014

£000	2013-14		2012-13
	Note	Department Total	Department Total
Administration Costs			
Staff costs	2	4,109	4,265
Other costs	3	2,925	2,606
Income			
Programme expenditure			
Staff costs	2	16,926	15,230
Other costs	4	27,845	18,816
Income	5	(426)	(2,889)
Net Operating Cost for the year ended 31 March 2014		51,379	38,028
Total expenditure		51,805	40,917
Total income	5	(426)	(2,889)
Net Operating Cost for the year ended 31 March 2014		51,379	38,028
Other comprehensive Net Expenditure			
Items that will not be reclassified to operating costs:			
Net (gain) / loss on:			
- revaluation of property, plant & equipment		-	-
Total comprehensive expenditure for the year ended 31 March 2014		51,379	38,028

The notes on pages 43 to 59 form part of these accounts

STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

£000	2013-14		2012-13
	Note	Department Total	Department Total
Non-current assets:			
Property, plant and equipment	6	2,458	2,214
Intangible assets	7	1,789	2,369
Trade and other receivables	12	35	8
Total non-current assets		4,282	4,591
Current assets:			
Trade and other receivables	12	1,160	1,439
Cash and cash equivalents	11	659	1,486
Total current assets		1,819	2,925
Total assets		6,101	7,516
Current liabilities:			
Trade and other payables	13	(4,218)	(5,372)
Provisions	14	(557)	(1,069)
Total current liabilities		(4,775)	(6,441)
Non-current assets plus/less net current assets/liabilities		1,326	1,075
Non-current liabilities			
Trade and other payables	13	-	-
Provisions	14	(369)	(193)
Total non-current liabilities		(369)	(193)
Assets less liabilities		957	882
Taxpayers' equity and other reserves:			
General fund		817	682
Revaluation reserve		140	200
Total equity		957	882

The notes on pages 43 to 59 form part of these accounts

David Green CB QC
Accounting Officer
 23 June 2014

STATEMENT OF CASH FLOWS

For the year ended 31 March 2014

£000	2013-14		2012-13
	Note	Department Total	Department Total
Cash flows from operating activities			
Net operating cost		(51,379)	(38,028)
Adjustments for non-cash transactions	3,4	2,155	2,500
(Increase)/Decrease in trade and other receivables	12	252	459
less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure			
Increase/(Decrease) in trade payables	13	(1,154)	697
less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		810	(266)
Use of provisions	14	(779)	(271)
Net cash outflow from operating activities		(50,095)	(34,909)
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(1,139)	(1,154)
Purchase of intangible assets	7	(160)	(159)
Proceeds of disposal of property, plant and equipment			
Proceeds of disposal of intangibles			
Net cash outflow from investing activities		(1,299)	(1,313)
Cash flows from financing activities			
From the Consolidated Fund (Supply)- current year		50,567	36,715
Advances from the Contingencies Fund		11,000	-
Repayments to the Contingencies Fund		(11,000)	-
Net financing		50,567	36,715
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		(827)	493
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		-	-
Payments of amounts due to the Consolidated Fund		-	(136)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		(827)	357
Cash and cash equivalents at the beginning of the period	11	1,486	1,129
Cash and cash equivalents at the end of the period	11	659	1,486

The notes on pages 43 to 59 form part of these accounts

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

For the year ended 31 March 2014

£000	Note	General Fund	Revaluation Reserve	Total Reserves
Balance at 31 March 2012		2,297	341	2,638
Changes in accounting policy		-	-	-
Restated balance at 1 April 2012		2,297	341	2,638
Net Parliamentary Funding - drawn down		36,715		36,715
Net Parliamentary Funding – deemed		993		993
Supply payable/(receivable) adjustment		(1,486)		(1,486)
Comprehensive Net Expenditure for the Year		(38,028)		(38,028)
Non-Cash Adjustments				
Non-cash charges - auditor's remuneration	3	65		65
Movements in Reserves				
Transfer between reserves		126	(141)	(15)
Balance at 31 March 2013		682	200	882
Net Parliamentary Funding – drawn down		50,567		50,567
Net Parliamentary Funding – deemed		1,486		1,486
Supply payable/(receivable) adjustment	13 (a)	(659)		(659)
Comprehensive Net Expenditure for the Year		(51,379)		(51,379)
Non-Cash Adjustments				
Non-cash charges – auditor's remuneration	3	60		60
Movements in Reserves				
Transfer between reserves		60	(60)	-
Balance at 31 March 2014		817	140	957

The notes on pages 43 to 59 form part of these accounts

1. STATEMENT OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the 2013-14 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Serious Fraud Office for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Serious Fraud Office are described below. They have been applied consistently in dealing with items that are considered material to the accounts. In addition to the primary statements prepared under IFRS, the FReM also requires the Department to prepare one additional primary statement. The Statement of Parliamentary Supply and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement.

1.1 ACCOUNTING CONVENTION

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment and intangible assets.

1.2 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the SFO becomes a party to the contractual provisions of the instrument.

The Department is subject to a limited range of financial instruments as its cash requirements are met through the Estimates process and it is not exposed to significant credit, liquidity or market risk.

Borrowings

The SFO has limited powers to borrow money to fund short-term fluctuations in cash flow.

Trade receivables

Trade and other receivables are non-interest bearing and stated at fair value. Provision is made where there is evidence that the balances will not be recovered in full.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, and short-term highly-liquid deposits with a maturity period of three months or less.

Trade payables

Trade payables are not interest bearing and are stated at their fair value.

1.3 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The Department does not own any freehold land and buildings.

Property, plant and equipment assets are included in the Statement of Financial Position at their fair values. In line with the FReM, indexation is used to assess depreciated replacement cost as a proxy for fair value. Indexation adjustments are applied at the reporting date where not doing so would cause the fair values to be materially misstated.

Expenditure on property, plant and equipment and intangible assets is capitalised when that expenditure, on an individual basis, is £2,000 or more. For IT expenditure the £2,000 threshold is applied to assets on a grouped basis. Development expenditure represents internally generated assets under construction.

Property, plant and equipment and intangible assets are subject to consideration for an annual impairment review if there are any indicators of such impairments arising.

1.4 REVALUATION RESERVE

The unrealised element of the Revaluation Reserve is disclosed in the Statement of Financial Position. Realised elements are transferred from the reserve to the General Fund. Downward revaluations are charged to the existing balance brought forward for that particular asset. If there is no previous balance, the charge is expensed in-year and disclosed in the Statement of Comprehensive Net Expenditure.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

1.5 DEPRECIATION AND AMORTISATION

Depreciation and amortisation are provided monthly on a straight line basis at rates calculated to write off the valuation of property, plant and equipment and intangible assets, less the estimated residual value, over their estimated useful lives. Depreciation and amortisation are provided from the month

of acquisition up to and including the month of disposal.

The useful lives, residual values and depreciation and amortisation methods are reviewed annually with any revisions to those estimates accounted for prospectively. The respective useful lives are as follows:

PROPERTY, PLANT AND EQUIPMENT	
Improvements to leasehold property	Over the unexpired term of the lease
Information technology	5 years
Furniture and fittings	10 years or over the unexpired term of the property lease (whichever is the shorter)
Intangible assets	
software licenses	5 years or over the unexpired term of the related software license (whichever is the shorter)
Information technology	5 years or over the unexpired term of the related software license (whichever is the shorter)
website costs	5 years

Development expenditure is not amortised until the assets are brought into use, at which point amortisation is applied in accordance with the asset category to which the asset is transferred on coming into use.

1.6 COSTS AWARDED TO THE SERIOUS FRAUD OFFICE (SFO)

Costs may be awarded to the SFO as prosecutor under Section 18 of the Prosecution of Offences Act 1985 following a successful prosecution, or as a result of subsequent appeal proceedings.

Where costs are awarded, they may subsequently be revoked or reduced as a result of a successful appeal by the defendant. The court may order that they are not to be recovered without leave of the court, defer recovery until a future date, or subsequently vary the amount and/or timing of recovery or waive it altogether. Responsibility for the recovery of costs awarded rests with the appropriate magistrates' court. The SFO has no powers to recover costs awarded to it.

Where costs are awarded, they are shown as receivables on the Statement of Financial Position. Where they may not be recovered without leave of the court, full provision is made against them until leave is obtained. In other cases, the SFO makes a judgement on the likelihood of costs being recovered based on the circumstances of each case, and may provide accordingly. In practice, full provision is made one year after the debt becomes due except where the defendant is making regular payments to the SFO. Where costs are subject to appeal proceedings, full provision is made against them until all proceedings are finally determined. Subsequent treatment of these receivables and provisions will depend on the outcome of the proceedings.

Costs awarded to the SFO are written off after a period of five years unless there are compelling reasons to believe that payment will be received.

1.7 COSTS AWARDED AGAINST THE SFO

Any costs awarded against the SFO are included under prosecution costs for the year in which the awards are made.

1.8 CIVIL RECOVERY RECEIPTS

The SFO's share of receipts from Civil Recovery and confiscation orders is recognised at the point that payment of the Order is made into the third party bank account prior to onward transfer to the Home Office as required by the Asset Recovery Incentivisation Scheme (ARIS). Payment by the Home Office of the SFO's cash share of the ARIS receipt is generally made at the end of the month following the transfer of the settlement to the Home Office.

1.9 OTHER INCOME

Any amounts relating to other income not covered above is recognised at the point of payment.

1.10 ADMINISTRATION AND PROGRAMME EXPENDITURE

The Statement of Comprehensive Net Expenditure is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or as programme follows the definition of administration costs set out in the Consolidated Budgeting guidance issued by HM Treasury.

ADMINISTRATION COSTS

Administration costs reflect the costs of running the Department.

PROGRAMME COSTS

Programme costs reflect non-administration costs being the direct cost and associated overheads of prosecution. These costs include the employment of counsel and reimbursements paid to witnesses for costs incurred through their attendance at court. Associated overheads include rental and other accommodation costs.

1.11 FOREIGN EXCHANGE

The presentational currency used for the financial statements is sterling. Transactions which are denominated in a foreign currency are translated at the rate of exchange ruling on the date of the transaction, except where rates do not fluctuate significantly, in which case an average rate for the period is used.

1.12 PENSIONS

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit scheme within the PCSPS is unfunded and is contributory. The Department recognises the expected cost of future pension liabilities in a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the scheme.

1.13 PROVISIONS – EARLY DEPARTURE COSTS

The Department is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. The Department provides in full for this cost when an early retirement programme has been announced and is binding.

1.14 PROVISIONS – OTHER

The Department provides for legal and constructive obligations which are of uncertain timing or amount at the reporting date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury discount rate.

1.15 OPERATING LEASES

Operating lease rentals and lease incentives are charged to the Statement of Comprehensive Net Expenditure in equal amounts over the lease term. We currently hold operating leases for our premises as well as reprographic equipment.

1.16 VALUE ADDED TAX (VAT)

Most of the activities of the Department are outside the scope of VAT, and in general output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of property, plant and equipment and intangible assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.17 THIRD PARTY ASSETS

The Department may seize monetary assets. If the Department retains any monetary assets, it invests the sums in an interest bearing account. The principal and the interest earned are held on behalf of the third party and are not a part of the Department's accounts.

1.18 CONTINGENT LIABILITIES

In addition to contingent liabilities disclosed in accordance with IAS 37, the Department discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Managing Public Money. Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

1.19 AREAS OF JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires managers to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Information about such judgements and estimates is contained in the accounting policies or the notes to the financial statements, and the key areas are summarised below.

No sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year have been identified.

1.20 IMPENDING APPLICATION OF NEWLY ISSUED ACCOUNTING STANDARDS NOT YET EFFECTIVE

The Department has reviewed the IFRSs in issue but not yet effective, to determine if it needs to make any disclosures in respect of those new IFRSs that are or will be applicable. References to 'new IFRSs' includes new Interpretations and any new amendments to IFRSs and Interpretations. It has been determined that there are no new IFRSs which will have a significant impact on the Department's financial statements.

NOTES TO THE DEPARTMENTAL ACCOUNTS

2 (A) STAFF NUMBERS AND RELATED COSTS

STAFF COSTS COMPRISE:

	2013-14 £000			2012-13 £000
	Permanently employed staff	Others	Total	Total
Wages and salaries	13,472	3,926	17,398	16,033
Social security costs	1,156	-	1,156	1,122
Other pension costs	2,481	-	2,481	2,340
Sub Total	17,109	3,926	21,035	19,495
Less recoveries in respect of outward secondments	-	-	-	-
Total net costs *	17,109	3,926	21,035	19,495

* Of which

Charged to administration costs	4,109
Charged to programme costs	<u>16,926</u>
	<u>21,035</u>

£48k (£36k 12-13) of staff costs have been capitalised and are not included in the figures above

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the SFO is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

For 2013-14, employers' contributions of £2,446,980 were payable to the PCSPS (2012-13 £2,402,135) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2013-14 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £16,970

(2012 £11,301) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £nil (2012 £nil) were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £nil. Contributions prepaid at that date were £nil (2012 £nil).

NOTES TO THE DEPARTMENTAL ACCOUNTS

2 (B) AVERAGE NUMBER OF EMPLOYEES

The average number of full-time equivalent employees during the year was as follows:

	2013-14 £000			2012-13 £000
	Permanently employed staff	Fixed Term Appointments	Other	Total
Serious Fraud Office	282	12	36	330
Total	282	12	36	330

2 (C) REPORTING OF CIVIL SERVICE AND OTHER COMPENSATION SCHEMES – REDUNDANCY AND EXIT PACKAGES

	2013-14			2012-13
	Number of compulsory redundancies	Number of other departures agreed	Total number by cost band	Total number by cost band
<£10,000	-	-	-	-
£10,000 - £25,000	-	2	2	1
£25,000 - £50,000	-	5	5	4
£50,000 - £100,000	-	4	4	4
£100,000 - £150,000	-	1	1	1
£450,000-£475,000	-	-	-	1
Total Number of exit packages	-	12	12	11
Total cost (£000)	-	671	671	1,105

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

NOTES TO THE DEPARTMENTAL ACCOUNTS

3. OTHER ADMINISTRATION COSTS

	Note	2013-14 £000	2012-13 £000
Rentals under operating leases:		253	384
Non-cash items:			
Depreciation	6	137	220
Amortisation	7	134	134
Auditor's remuneration and expenses		60	65
Write back's / write-offs		-	-
Amounts provided for early departure costs	14	80	124
Amounts provided for Dilapidations	14	5	10
Loss on disposal of property, plant and equipment		-	18
		416	571
Other expenditure:			
General Administration		851	776
VAT, Penalty & Interest		668	-
IT costs		407	453
Other accommodation costs		235	351
Travel and subsistence		45	35
Consultancy		48	31
Hospitality		2	5
		2,256	1,651
Total		2,925	2,606

NOTES TO THE DEPARTMENTAL ACCOUNTS

4. PROGRAMME COSTS

	Note	2013-14 £000	2012-13 £000
Rentals under operating leases:		1,522	1,962
Non-cash items:			
Depreciation	6	707	1,072
Amortisation	7	653	656
Amounts provided for Dilapidations	14	22	47
Amounts no longer required for legal provisions	14	336	68
Loss on disposal of property, plant, and equipment		21	86
		1,739	1,929
Other expenditure:			
Civil Litigation		10,415	822
Counsel costs		8,426	5,059
IT costs		2,271	1,775
Other accommodation costs		1,581	1,932
Other programme costs		970	549
General Administration		548	744
Costs awarded against the SFO		136	3,655
Travel and subsistence		216	203
Investigating Accountants costs		19	182
Hospitality		2	4
		24,584	14,925
Total		27,845	18,816

5. INCOME

	2013-14 £000	2012-13 £000
Civil recoveries	-	1,013
Costs awards	418	62
Other income	-	800
Incentivisation	8	1,014
Total	426	2,889

NOTES TO THE DEPARTMENTAL ACCOUNTS

6. PROPERTY, PLANT AND EQUIPMENT 2013-14

	Improvements to Leasehold Property £000	Information Technology £000	Furniture and Fittings £000	AUC £000	Total £000
Cost or valuation					
At 1 April 2013	916	3,027	-	16	3,959
Additions	752	404	-	-	1,156
Disposals	-	(116)	-	-	(116)
Reclassifications	-	(55)	-	(16)	(71)
Revaluations	-	-	-	-	-
At 31 March 2014	1,668	3,260	-	-	4,928
Depreciation					
At 1 April 2013	80	1,665	-	-	1,745
Charged in year	236	608	-	-	844
Disposals	-	(95)	-	-	(95)
Reclassifications	-	(24)	-	-	(24)
Revaluations	-	-	-	-	-
At 31 March 2014	316	2,154	-	-	2,470
Net book value at 31 March 2014	1,352	1,106	-	-	2,458
Net book value at 31 March 2013	836	1,362	-	16	2,214

Asset financing: All assets are owned.

6. PROPERTY, PLANT AND EQUIPMENT 2012-13

	Improvements to Leasehold Property £000	Information Technology £000	Furniture and Fittings £000	AUC £000	Total £000
Cost or valuation					
At 1 April 2012	3,544	3,550	834	-	7,928
Additions	916	252	-	16	1,184
Disposals	(3,544)	(775)	(834)	-	(5,153)
Revaluations	-	-	-	-	-
At 31 March 2013	916	3,027	-	16	3,959
Depreciation					
At 1 April 2012	3,087	1,684	720	-	5,491
Charged in year	537	645	110	-	1,292
Disposals	(3,544)	(664)	(830)	-	(5,038)
Revaluations	-	-	-	-	-
At 31 March 2013	80	1,665	-	-	1,745
Net book value at 31 March 2013	836	1,362	-	16	2,214
Net book value at 31 March 2012	457	1,866	114	-	2,437

Asset financing: All assets are owned.

NOTES TO THE DEPARTMENTAL ACCOUNTS

RECONCILIATION OF CASH FLOWS TO PROPERTY, PLANT AND EQUIPMENT ADDITIONS

	2013-14 £000	2012-13 £000
Total property, plant and equipment additions	1,156	1,184
Opening property, plant and equipment accrual	80	50
Closing property, plant and equipment accrual	(97)	(80)
Cash flows for property, plant and equipment additions	1,139	1,154

7. INTANGIBLE ASSETS 2013-14

	Information Technology £000	Software Licenses £000	Website Costs £000	Development Expenditure £000	Total £000
Cost or valuation					
At 1 April 2013	7,543	1,061	358	-	8,962
Additions	27	57	-	76	160
Disposals	-	-	-	-	-
Write-back	-	-	-	-	-
Reclassifications	-	71	-	-	71
At 31 March 2014	7,570	1,189	358	76	9,193
Amortisation					
At 1 April 2013	5,377	1,017	199	-	6,593
Charged in year	681	49	57	-	787
Disposals	-	-	-	-	-
Write-back	-	-	-	-	-
Reclassifications	-	24	-	-	24
At 31 March 2014	6,058	1,090	256	-	7,404
Net book value at 31 March 2014	1,512	99	102	76	1,789
Net book value at 31 March 2013	2,166	44	159	-	2,369

NOTES TO THE DEPARTMENTAL ACCOUNTS

7 INTANGIBLE ASSETS 2012-13

	Information Technology £000	Software Licenses £000	Website Costs £000	Development Expenditure £000	Total £000
Cost or valuation					
At 1 April 2012	7,637	1,261	265	93	9,256
Additions	-	37	-	-	37
Disposals	-	(312)	-	-	(312)
Write-back	(94)	75	-	-	(19)
Reclassifications	-	-	93	(93)	-
At 31 March 2013	7,543	1,061	358	-	8,962
Amortisation					
At 1 April 2012	4,753	1,224	156	-	6,133
Charged in year	643	105	43	-	791
Disposals	-	(312)	-	-	(312)
Write-back	(19)	-	-	-	(19)
Reclassifications	-	-	-	-	-
At 31 March 2013	5,377	1,017	199	-	6,593
Net book value at 31 March 2013	2,166	44	159	-	2,369
Net book value at 31 March 2012	2,884	37	109	93	3,123

RECONCILIATION OF CASH FLOWS TO INTANGIBLE ASSET ADDITIONS

	2013-14 £000	2012-13 £000
Total intangible asset additions	160	37
Opening intangible asset accrual	-	122
Closing intangible asset accrual	-	-
Cash flows for intangible assets additions	160	159

NOTES TO THE DEPARTMENTAL ACCOUNTS

8. CAPITAL COMMITMENTS AND OTHER COMMITMENTS

8.1 CAPITAL COMMITMENTS

The department has no contracted capital commitments (2012-13 £nil)

8.2 COMMITMENTS UNDER LEASES

8.2.1 OPERATING LEASES

Total future minimum lease payments under operating leases are given in the table below, for each of the following periods.

	2013-14 £000	2012-13 £000
Obligations under operating leases comprise:		
Buildings:		
Not later than 1 year	1,771	1,237
Later than 1 year and not later than 5 years	3,541	3,689
Later than 5 years	-	-
	5,312	4,926
Other:		
Not later than 1 year	74	72
Later than 1 year and not later than 5 years	187	264
Later than 5 years	-	-
	261	336

The SFO entered into a Memorandum of Terms of Occupation (MOTO) with the Department for Culture, Media and Sport for use and occupy space at 2-4 Cockspur Street from 1st October 2012 to 25 March 2017.

The SFO entered into one five year contract on 27 November 2012 for the provision of reprographic equipment and a further two on 1st December 2012.

9 OTHER FINANCIAL COMMITMENTS

The Department has not entered into any non-cancellable contracts which are not leases, PFI contracts or other service concession arrangements.

10 FINANCIAL INSTRUMENTS

As the cash requirements of the Department are met through the Estimates process, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar

size. The majority of financial instruments relate to contracts for non-financial items in line with the expected purchase and usage requirements and the Department are therefore not exposed to significant credit, liquidity or market risk.

The Department has very limited powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the entities in undertaking its activities.

NOTES TO THE DEPARTMENTAL ACCOUNTS

11 CASH AND CASH EQUIVALENTS

	2013-14 £000	2012-13 £000
Balance at 1 April	1,486	1,129
Net change in cash and cash equivalent balances	(827)	357
Balance at 31 March	659	1,486
The following balances at 31 March were held at:		
Government Banking Service	659	1,486
Commercial banks and cash in hand		-
Balance at 31 March	659	1,486

12 TRADE RECEIVABLES AND OTHER CURRENT ASSETS

12 (A) ANALYSIS BY TYPE

	2013-14 £000	2012-13 £000
Amounts falling due within one year:		
VAT receivable	29	-
Deposits and advances	146	282
Other receivables	37	12
Prepayments and accrued income	646	1,136
Costs awarded to the SFO	349	56
Provision for bad and doubtful debt	(47)	(47)
	1,160	1,439

	2013-14 £000	2012-13 £000
Amounts falling due after more than one year:		
Costs awarded to the SFO	35	8

NOTES TO THE DEPARTMENTAL ACCOUNTS

12 (B) INTRA-GOVERNMENT BALANCES

	Amounts falling due within one year		Amounts falling due after more than one year	
	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000
Balances with other Central Government bodies	33	437	-	-
Balances with bodies external to government	1,127	1,002	35	8
Total	1,160	1,439	35	8

13 TRADE PAYABLES AND OTHER CURRENT LIABILITIES

13 (A) ANALYSIS BY TYPE

	2013-14 £000	2012-13 £000
Amounts falling due within one year:		
VAT Creditor	-	599
Trade payables	344	138
Accruals and deferred income	3,118	3,069
Pension providers	-	-
Non current asset accruals	97	80
Amounts issued from the Consolidated Fund for supply but not spent at year end	659	1,486
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:		
Received	-	-
Receivable	-	-
	4,218	5,372

13 (B) INTRA-GOVERNMENT BALANCES

	Amounts falling due within one year		Amounts falling due after more than one year	
	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000
Balances with other Central Government bodies	564	1,108	-	-
Balances with bodies external to government	3,654	4,264	-	-
Total	4,218	5,372	-	-

NOTES TO THE DEPARTMENTAL ACCOUNTS

14. PROVISIONS FOR LIABILITIES AND CHARGES

	Early departure costs £000	Legal Claims £000	Leasehold property dilapidations £000	Total £000
Balance at 1 April 2013	739	466	57	1,262
Provided / (Released) in the year	80	336	27	443
Provisions utilised in the year	(332)	(447)	-	(779)
Balance at 31 March 2014	487	355	84	926
Amounts falling due within one year	202	355	-	557
Amounts falling due after one year	285	-	84	369
Total	487	355	84	926

	Early departure costs £000	Legal Claims £000	Leasehold property dilapidations £000	Total £000
Balance at 1 April 2012	886	397	-	1,283
Provided / (Released) in the year	124	69	57	250
Provisions utilised in the year	(271)	-	-	(271)
Balance at 31 March 2013	739	466	57	1,262
Amounts falling due within one year	603	466	-	1,069
Amounts falling due after one year	136	-	57	193
Total	739	466	57	1,262

14.1 EARLY DEPARTURE COSTS

The Department meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The Department provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments, discounted by the Pensions discount rate of 2.35 per cent (2.35 per cent 2012-13) in real terms when material. It is expected that early departure payments will be incurred through to 2017-18.

14.2 LEASEHOLD PROPERTY DILAPIDATIONS

The obligations under the SFO's property leases require the properties to be returned to the landlords in an appropriate condition. A provision has, therefore, been established for the estimated costs of restoring the properties from use for SFO purposes to a state specified within the property leases. The property leases expire in March 2017.

14.3 LEGAL CLAIMS

The legal costs provision reflects all known legal claims where legal advice indicates that it is more than 50 percent probable that the claim will be successful and the amount of the claim can be reliably estimated. Expenditure on legal claims is likely to be incurred within one year.

15 CONTINGENT LIABILITIES DISCLOSED UNDER IAS37

The SFO has contingent liabilities where the possibility of the liability crystallising is judged to be possible. Unless otherwise stated, the quantum of the liability can either not be determined with reasonable certainty or to quantify it would jeopardise the outcome of the case.

Following a successful judicial review in 2012 of certain actions taken by the SFO in 2011, Vincent and Robert Tchenguiz and various business entities associated with them (“the claimants”) have brought civil proceedings against the SFO in the Commercial Court with a view to obtaining substantial damages. The claimants are seeking approximately £250 million to £300 million by way of damages to cover losses they say were caused by a variety of torts allegedly committed by the SFO during its criminal investigation into the collapse of the Icelandic bank, Kaupthing hf. The SFO denies all liability and is working closely with a firm of City solicitors, Slaughter & May, and with the Treasury Solicitor’s Department and a team of experienced counsel, to defend these claims. The trial on all disputed issues is currently scheduled to begin in October 2014. The SFO continues to incur considerable costs in preparation for this trial, and, even if the current trial date is maintained, the SFO will in all likelihood continue to incur considerable costs into 2015.

In June 2013 the SFO reported a data loss to the Information Commissioner’s Office (ICO). The ICO conducted a review of the SFO’s response to this incident in late May 2014.

16 CONTINGENT LIABILITIES NOT REQUIRED TO BE DISCLOSED UNDER IAS 37 BUT INCLUDED FOR PARLIAMENTARY REPORTING AND ACCOUNTABILITY PURPOSES

16 (A) QUANTIFIABLE

The SFO has a legacy Proceeds of Crime enforcement case that relates to a high value complex confiscation order. By order of the court an Enforcement Receiver (ER) was appointed. The assets which were subject to the enforcement receivership were held by a number of corporate entities and spread across a number of jurisdictions. Some recoveries were made but activity slowed due to multi-jurisdictional issues. In 2011 the matter was reviewed by senior management at the SFO who discovered that an indemnity had been provided to the ER. The indemnity was to reflect the complexity of the appointment and the fact that costs may be significant. No internal authorisation for the indemnity could be identified. The sum of the indemnity was £400k. Upon identifying that an indemnity had been granted the ER was informed that the indemnity would be withdrawn as soon as the current outstanding fees had been addressed. However since that time no funds have been recovered. It is anticipated that a significant sum of money will be recovered in the early part of the 2014-15 financial year. Upon receipt of the recoveries the SFO will review the outstanding fees and confirm the discharge of the indemnity and the ER. The fees, which the SFO believes to be high, will be subject to a costs assessment if required. It is believed that there will be no need to call upon the indemnity. A further similar case exists with a maximum potential exposure of £5k. The chances of having to meet this indemnity in full or part are considered to be remote. It is now standard operational practice not to issue indemnities in ER appointments.

17 LOSSES AND SPECIAL PAYMENTS

17 (A) LOSSES STATEMENT

There were no losses during the period which in aggregate exceeded £300,000

17 (B) SPECIAL PAYMENTS

There were no special payments during the period which in aggregate exceeded £300,000

18 RELATED-PARTY TRANSACTIONS

The SFO has had a small number of transactions with other government departments and central government bodies.

19 THIRD PARTY ASSETS

The Department manages a small number of sterling interest-bearing accounts containing seized monies. These are not departmental assets but are held as part of the Department's law enforcement activities and, as such, do not form part of these accounts. Once legal proceedings have been completed any seized cash is forfeited to the Home Office, confiscated by the court or, if the defendant is found not guilty, returned.

The assets held at the reporting date to which it was practical to ascribe monetary values comprised monetary assets such as bank balances and monies on deposit. The balance held at 31 March 2014 was £310k (12-13 £367k).

20 EVENTS AFTER THE REPORTING PERIOD

There are no additional reportable events not already covered elsewhere in these accounts. The financial statements were authorised for issue on the date they were certified by the Comptroller and Auditor General.

GREENING GOVERNMENT COMMITMENTS

The Serious Fraud Office is committed to government policy to improve sustainability and is working towards meeting the Greening Government Commitment (GGC) targets which started on 1 April 2011 with a baseline period of 2009-10.

The GGC targets aim to reduce environmental impact by 2015, with a series of measures to:

- Reduce greenhouse gas emissions from a 09/10 baseline from the whole estate and business related transport:
- Reduce waste generated by 25% from a 09/10 baseline:
- Reduce water consumption from a 09/10 baseline:
- Ensure procurement of sustainable and efficient products whilst reducing the impact of the supply chain.

GREENHOUSE GAS EMISSIONS

There are three different classifications of greenhouse emissions, known as Scopes:

Scope 1: Direct emissions occurring from sources owned or controlled by the department, for example, emissions from combustible boilers and from fleet vehicles.

Scope 2: Indirect emissions occurring from electricity consumed which is supplied by another party.

Scope 3: Other indirect emissions. All other emissions which occur as a consequence of our activity but which are not owned or controlled by the department. For example emissions as a result of staff travel on public transport, taxis or airline flights.

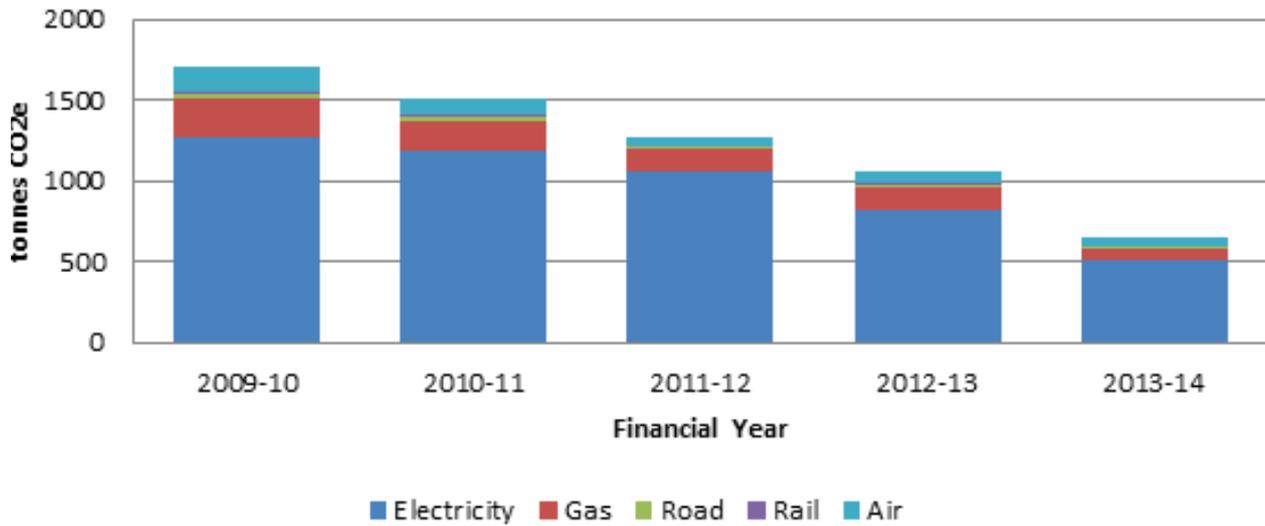
THE SFO'S RESULTS FOR 2013-14

Area		2013-14 Performance	
		Actual	Target
Greenhouse Gas emissions (Scopes 1, 2 & 3 business travel including air and rail travel)		644 (tCO ₂ e)	1,031 (tCO ₂ e)
Estate Energy	Consumption	1,442k kWh	-
	Expenditure	£161K	-
Estate Waste	Amount	50.5 tonnes	63 tonnes
	Expenditure	£13K	-
Estate Water	Consumption	2,054m ³	4,467m ³
	Expenditure	£18k	-

The results show that we are now ahead of all our targets. This is principally due to our estate rationalisation with a move to new premises in 2012 which significantly reduced our accommodation footprint. Moreover the new office space is more efficient in terms of its utilisation of energy, waste and water.

It is anticipated that we will exceed the GGC targets in 2015 in all areas.

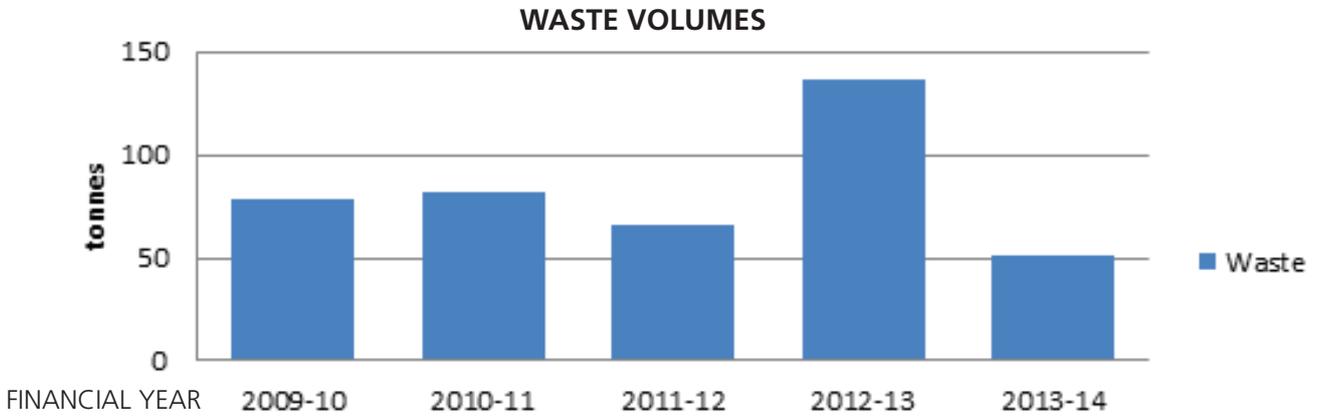
GREENHOUSE GAS EMISSIONS



Greenhouse Gas Emissions		2009-10	2010-11	2011-12	2012-13	2013-14
Non-financial indicators (tCO ₂ e)	Total Gross Emissions for Scopes 1 & 2	1,409	1,281	1,121	901	537
	Total Net Emission for Scopes 1 & 2	1,409	1,281	1,121	901	537
	Gross Emissions Scope 3 Business Travel	209	140	70	94	67
	Other Scope 3 Emissions Measured	93	88	82	59	40
Related Energy Consumption (kWh,000s)	Electricity: Non Renewable	2,220	2,100	2,002	1,414	1041
	Electricity: Renewable	166	154	146	72	0
	Gas	1,254	1,014	813	795	401
Financial Indicators (£k)	Expenditure on Energy	309	218	215	218	161
	CRC Licence Expenditure	0	4	3	0.07	0
	Expenditure on Accredited Offsets	0	0	0	0	0
	Expenditure on Official Business Travel	303	328	130	115	154

The target is to reduce greenhouse gas emissions from a 2009-10 baseline by 25% from the whole estate and business related transport by 2014-15. The move to smaller accommodation and use of upgraded IT equipment has led to a 61% reduction in emissions in 2013-14 against the 2009-10 baseline.

WASTE



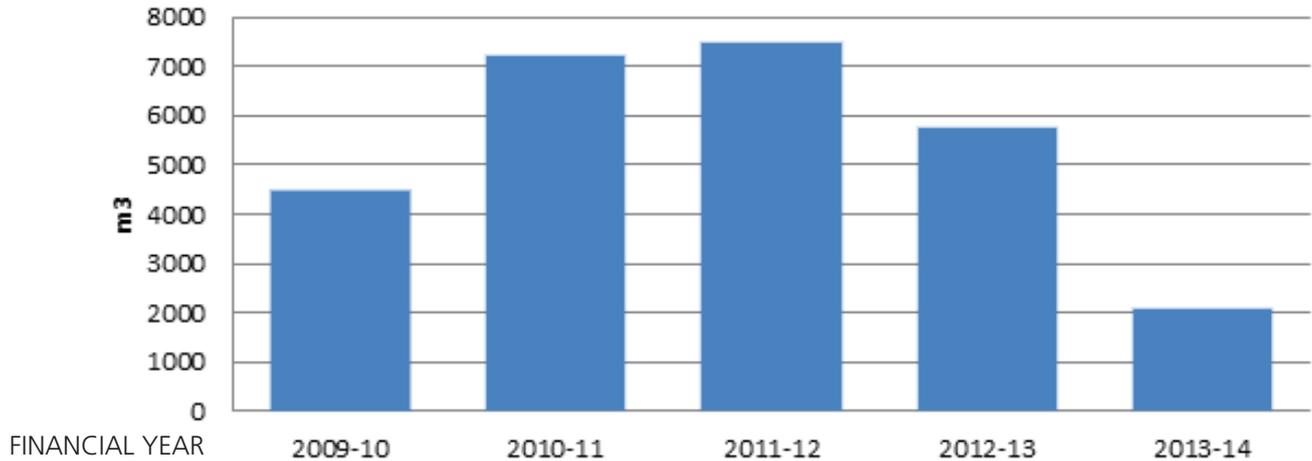
			2009-10	2010-11	2011-12	2012-13	2013-14
Weight (t)	Non Hazardous Waste	Landfill	40	38	22	35	36
		Reused/Recycled	39	44	39	82	14.5
		Incinerated/Energy from waste	0	0	6	19	0
Cost (£k)	Non Hazardous Waste	Landfill	18	15	11	12	11
		Reused/Recycled	31	20	19	32	2
		Incinerated/Energy from waste	0	0	0	0	0

The target is to reduce waste generated by 25% from a 2009-10 baseline by 2014-15. Our move to new premises did, of course, generate considerable amounts of waste which accounts for the poor performance in 2012-13. However following our move we now operate in a flexible working environment where waste bins are not permitted under each desk allowing waste to be collected at central points on each floor encouraging recycling and an overall reduction in the volume of waste.

The SFO continues to utilise the “Closed Loop Procedure” for purchasing paper and any IT equipment is disposed of under the WEEE Directive.

WATER

WATER ACTUALS



Finite Resource Consumption		2009-10	2010-11	2011-12	2012-13	2013-14
Non-financial indicators (m3)	Water Consumption	4,467	7,187	7,476	5,747	2,054
Financial Indicators (£k)	Water Supply Costs	3	5	6	6	18

- Costs shown for 2013-14 cover both water and sewerage charges. It is not possible split these costs further.

The Greening Government target is to ensure that water consumption is reduced over the period 2009-10 to 2014-15 although no specific target has been set for this, unlike waste and greenhouse gas emissions. The move to much smaller more efficient premises has had an huge impact on water consumption. However this should be viewed in the context of the fact that, on our previous estate, substantial works were undertaken on the heating and cooling plant which required extensive use of water for the flushing of the system which explains the high volumes used in 2010-11 and 2011-12 compared to the 2009-10 baseline.

PAPER USE

Paper use in the SFO has reduced on the 2009-10 baseline figures (14,791 A4 Reams) to 5,397 A4 Reams for 2013-14. This is a 63% reduction on baseline and due to the use of “paperless” office technology such as “autonomy” (digital case management system) and the electronic presentation of evidence.

DOMESTIC FLIGHTS

The target is to reduce commercial air flights in the UK by 20%. The SFO is currently ahead of this target and the indications are that this will continue.

The number of domestic flights taken by SFO staff on official business has fallen from the 2009-10 baseline of 99 to 20 for 2013-14 against a target of 85.

PROCUREMENT

The SFO makes use of mandated centralised framework contracts where appropriate, that embed the Government Buying Standards (GBS) within them. However, if there are no centralised contracts available then any contract entered into will meet the GBS requirements.

GOVERNANCE

The Solicitor General represents the Law Officers' Departments (LODs) on Sustainable Development matters. The minister is supported by the LOD Sustainable Development Steering Group chaired by the Crown Prosecution Service (CPS) Finance Director. The SFO is a member of this group. The CPS is the Secretariat to this Group and represents the LODs on any relevant Sustainable Development committees.

Our results against the GGC targets will be reported annually

TRANSPARENCY COMMITMENTS

The following areas applied to the SFO in 2013-14:-

- ***Sustainable construction and People***

Minor works were carried out during a recent restacking project at Cockspur Street. This work was necessary to organise the floor plates for our business operation. The work did not meet the criteria needed for a Building Research Establishment (BRE) Environmental Assessment Method for buildings (BREEAM) however the work was completed to the "very good" standard by the contractors.

Notes:

1. *Figures have been presented using the 2013-14 FREM guidance and Defra conversion figures.*
2. *Estimates have been used in some instances where complete data was not available from suppliers or service providers.*
3. *Electricity figures are only for electricity consumed by the SFO. As the minor occupier they do not attempt to reflect any charges made through the service charge.*

NOTES

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