
Serious Fraud Office

Annual Report and Accounts
2015-16

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Annual Report and Accounts

2015-16

(For the year ended 31 March 2016)

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Government

Resources and Accounts Act 2000

Accounts presented to the House of Lords by Command of Her Majesty

Annual Report presented to Parliament pursuant to Section 1(15) and Paragraph 3
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Performance Report

Statement from the Director, SFO

I present the Annual Report for the Serious Fraud Office for the reporting year 2015-16.

The SFO has continued to focus on the kind of casework for which it was established in 1988. These are cases of top-level suspected fraud or bribery which tend to undermine UK plc in general and the City of London and its reputation in particular.

Our cases have common features: they are always complex, data-heavy, technically and legally challenging. Evidence has to be gathered from multiple jurisdictions, and outcomes may need to be coordinated with regulators and foreign agencies. Our investigations are met with responses varying from less than minimal to full cooperation from well-resourced companies and individuals. We maintain a strong system of internal challenge.

This year I have opened 12 new criminal investigations and three civil recovery investigations. We only announce an investigation if the company concerned needs to inform the market or there is some other good reason to do so. The 12 include Soma and Quindell. Critics occasionally compare the number of reports made to us with the number of investigations opened. In reality, very few of the allegations reported fall within the SFO's statutory ambit. Cases come to us from whistle-blowers, informants, corporate self-reporting, by referral from other agencies or through proactive analysis carried out by our own expanded intelligence unit or the Proceeds of Crime division.

Ongoing investigations include Tesco, Libor, Rolls Royce, GlaxoSmithKline, Barclays Bank, ENRC and GPT. Each of those have made significant progress towards resolution during the year.

Reflecting our strategic focus and the exercise of newly-available powers, the SFO secured the first Deferred Prosecution Agreement (DPA) in November 2015. In it, Standard Bank accepted responsibility for having failed to prevent bribery in connection with operations in Tanzania. As conditions of the DPA, the bank paid £4.7m (\$7m) in compensation to the government of Tanzania and a fine and disgorgement of £16.8m (\$25.2m). The judgment of Sir Brian Leveson PQBD has provided valuable guidance in a new area. By contrast the Sweett group was prosecuted and pleaded guilty to the corporate offence of failing to prevent bribery by associated persons under section 7 of the Bribery Act 2010.

Tom Hayes was convicted in the first Libor trial. The linked cash brokers were acquitted in January. The Barclays Libor trial was underway at the end of the reporting year; the Euribor trial has been fixed for next year and the complex and challenging investigation continues.

Trials tend to be few in number and last up to 3-4 months. Accordingly, our conviction rate can vary significantly year on year. In 2015-16, 6 defendants in 4 cases were convicted, giving an unusually low conviction rate of 32% by defendant and 57% by case. A more representative perspective is achieved by examination of the statistics over a longer period. Between 2012 and 2016, the conviction rate was 65% by defendant and 81% by case, with 75 defendants in 25 cases convicted.

We have invested in the recovery of the proceeds of crime. Over 2015-16 we obtained confiscation orders totalling £3.4m and recovered £19.6m. This latter figure represents 11% of the total recovered in the UK over the reporting period.

Looking ahead, 31 defendants have been charged and are awaiting trial in 7 cases. These include 10 individuals in the Alstom investigation, which has lasted over 4 years.

Our staff survey results continued on an encouraging and upward trajectory. The staff engagement figure was 66%; this was 8% better than the civil service average and 3% better than the high performers amongst the civil service.

We also received a very positive and helpful report on our governance from HMCPs Inspectorate, which clearly recognised the positive changes across the SFO since 2012. We are in the process of addressing its recommendations.

The SFO continues to be well equipped and confident in its exacting role and mission.

David Green CB QC
Director
Serious Fraud Office

12 July 2016

Statement of purpose and activities

The Serious Fraud Office (SFO) was established by the Criminal Justice Act (CJA) 1987 and commenced operations in 1988.

The SFO's purpose is to investigate and, where appropriate, prosecute cases of serious or complex fraud, bribery and corruption. In addition, the SFO recovers the proceeds of those crimes it investigates and assists overseas jurisdictions in their investigations into serious or complex fraud, bribery and corruption.

The SFO has unique powers under section 2 of the Criminal Justice Act 1987 to require attendance at interview or the production of information or, in certain circumstances, to apply for a warrant to enter and search premises to take possession of information. The SFO has multi-disciplinary case teams of lawyers, investigators, forensic accountants, external counsel and other experts, led by a case controller. This joint investigatory prosecutorial case-team structure is known as the 'Roskill' model.

The SFO will investigate those cases which call for the legal powers and multi-disciplinary approach available to the SFO. In considering whether to take on an investigation, the Director applies a Statement of Principle, which includes consideration of:

- whether the apparent criminality undermines UK PLC's commercial or financial interests in general and the City of London in particular;
- whether the actual or potential financial loss involved is high;
- whether actual or potential economic harm is significant;
- whether there is a significant public interest element and;
- whether there is a new type of fraud.

To support this, the SFO:

- endeavours to ensure it achieves value for money in everything it does;
- builds and maintains an effective workforce, treating its staff fairly, and with respect and dignity;
- commits to treating victims and witnesses fairly and with respect;
- supports the Government's Serious and Organised Crime Strategy;
- works collaboratively with domestic law enforcement partners on sharing data, IT infrastructure, digital working and best practice for disclosure;
- builds constructive relationships with non-governmental organisations (NGOs) and other stakeholders both domestically and internationally;
- engages with international law enforcement partners to facilitate the effective investigation and prosecution of cross-border cases;
- provides mutual legal assistance to requesting states; and
- and
- continuously improves its operational capabilities through making use of technological advances and better working practices.

The values of the SFO are:

- Integrity and professionalism: we make objective decisions whilst always mindful of quality and value for money;
- Openness and transparency: we share information with each other and, where appropriate, others; explaining our decisions and learning from our mistakes;
- Respect: we show respect to one another, to our external colleagues and to the wider public; and,
- Excellence: we strive for excellence in all that we do.

The SFO's current strategic risks are:

- SFO unable to retain key individuals within the organisation and cannot attract sufficiently experienced replacements;
- Risk of internal and external threat actors undermining cases;
- Data loss leading to reputational damage and distress to individuals or other entities;
- Risk of cyber-attack leading to data loss or compromising of investigations;
- Insufficient business continuity planning or inadequate facilities in case of a continuity incident;
- Technical failure of critical IT systems.

Further information on how risks are managed and mitigated can be found within the Governance Statement.

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 of which are to be approved by Parliament each year. The 2015 Spending Review confirmed the SFO's budgetary limits through to 2019-20 and in consequence 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.

Performance overview

The SFO continues to take on the topmost tier of serious or complex fraud, bribery and corruption cases. This year, the SFO opened 12 criminal investigations (16 in 2014-15) and three civil recovery investigations. The SFO currently has around 60 active investigations, seven of which, involving 31 defendants, are awaiting trial.

The SFO charged 16 defendants¹ during the year. Six convictions were secured, which was 31.6% of the defendants prosecuted. The SFO also secured the first Deferred Prosecution Agreement (DPA), a landmark in the UK criminal justice system, resulting in the imposition of a £16.8m (\$25.2m) penalty. The DPA goes further than addressing the financial impact of the offending. It also regulates the future behaviour of the company, compelling it to pay for, and submit to, an independent review of safeguards put in place to prevent future offending. The SFO worked alongside its international criminal justice partners to achieve better outcomes and, as a direct consequence of the DPA, returned £4.7m (\$7m) worth of compensation to the government of Tanzania.

The SFO will continue to attack criminal finances by recovering the proceeds of crime and investigating money laundering through the effective use of available powers and the enforcement of court orders. This year, the SFO obtained five restraint orders, six confiscation orders and recovered £19,612,132 by enforcing confiscation orders previously obtained. This was 11% of the total recovered by UK law enforcement. Separately, the SFO revisited two confiscation orders where uplifts were obtained as a result.

At the same time, the SFO has provided mutual legal assistance to requesting states, executing 44 requests during the financial year. The SFO continues to build and co-ordinate strong bilateral engagement with its partners overseas. To underpin this joint working with its partners, the SFO has 15 Memoranda of Understanding with other bodies.

The SFO has delivered a new Time Recording System on time and on budget to improve its ability to measure staff activity. The system will better enable the SFO to manage and measure how its resources are being utilised across the organisation. It will capture accurate and reliable data to measure time spent on cases and identify where the SFO can make value for money improvements.

¹ One defendant was previously charged in separate proceedings in 2014/15 and is counted again in 2015/16.

Performance Analysis

Our casework

The Intelligence Unit (IU) receives credible information and intelligence from a variety of sources. Primary referrers include law enforcement agencies, regulators, other UK authorities, whistleblowers and self-reports from corporate bodies. The IU evaluates corporate referrals within a 90 day deadline and if appropriate submits its assessment to the SFO's Case Evaluation Board.

The SFO opened 12 new criminal investigations during this reporting year, and concluded one without charge². The SFO ended the reporting year with around 60 active investigations, seven of which, involving 31 defendants, were awaiting trial. The SFO's conviction rate by defendant for the reporting year was unusually low at 31.6%. Due to the SFO's casework profile (small numbers of large cases, which typically take years to come to trial), this rate is subject to significant fluctuation. From April 2012 to March 2016, the SFO has secured a conviction rate of 65.3% by defendant and 80.6% by case. It continues to take on the most difficult top-tier cases of fraud, bribery and corruption.

In this reporting year, the SFO secured its first conviction (Sweett Group) under section 7 of the Bribery Act 2010 and concluded the first UK Deferred Prosecution Agreement, with ICBC Standard Bank Plc, also in relation to an offence under section 7 of the Bribery Act 2010. Compensation to the government of Tanzania was a key component of this agreement.

The SFO continues to recover the proceeds of crime mainly using the powers in the Proceeds of Crime Act 2002. The specialist Proceeds of Crime Division also investigates and prosecutes cases where money laundering is alleged to have taken place. In addition, the Division provides assistance to overseas authorities by freezing and confiscating assets in the UK. During the reporting year, enforcement proceedings were underway against 36 individuals or companies.

The tables below set out the value of Proceeds of Crime Orders obtained over the past five years as well as the payments made by defendants in respect of orders made against them. The amount of compensation imposed on a defendant is determined by the judge and varies from case to case, being dependent on the value of realisable assets and the amount of money obtained illegally from victims. Should a defendant fail to comply with a confiscation order, they can incur a default prison sentence.

Proceeds of Crime Orders obtained by the SFO

	Total of Confiscation Orders obtained £000	Compensation included as part of total confiscation £000	Stand-alone compensation £000	Civil recovery orders £000	Total* £000
2015-16	3,388	121	–	–	3,388
2014-15	22,720	3,014	2,443	521	25,684
2013-14	2,869	2,869	–	7	2,876
2012-13	38,880	7,002	5,025	1,960	45,865
2011-12	1,896	232	150	16,224	18,270
2010-11	28,328	25,929	224	7,028	35,580

* The total amount of orders obtained by the SFO constitutes the total confiscation orders made plus any additional compensation orders not included within the confiscation orders, plus any civil recovery orders imposed. For example, in 2010-11, the total amount of money due from orders obtained by the SFO comprised £28,328k in confiscation orders obtained, £224k in stand-alone compensation and £7,028k in civil recovery orders totaling £35,580k.

² The number of investigations reported as concluding without charge in 2014-15 is restated as 3.

Payments made in respect of SFO Orders

	Confiscation payments received £000	Compensation included within confiscation payments £000	Stand-alone compensation £000	Civil recovery orders £000	Total* £000
2015–16	19,612	7,519	-	-	19,612
2014–15	12,766	1,575	500	521	13,787
2013–14	1,578	1,222	-	7	1,585
2012–13	3,874	1,301	5,000	1,960	10,834
2011–12	3,328	1,560	-	16,224	19,552
2010–11	2,379	1,809	-	7,028	9,407

* The total amount paid as a result of orders obtained by the SFO constitutes the total amount paid as a result of confiscation orders plus any additional compensation orders not included within the confiscation orders, plus any civil recovery orders imposed. For example, in 2012-13, the total amount of money recovered as a result of SFO action comprised £3,874k in confiscation payments received, £5,000k in stand-alone compensation and £1,960k in civil recovery orders totaling £10,834k.

Alongside this the SFO continues to be challenged on its decisions but has been successful in two (out of two) Judicial Reviews during the past year.

Casework quality

The SFO's process for case acceptance is designed to provide layers of scrutiny and challenge. The Case Evaluation Board considers and challenges the case assessment presented by the Head of Intelligence. It is chaired by the SFO's General Counsel and attended by the Special Adviser (to 31 July 2015), the Head of the relevant Operational Division and the Chief Investigator among others. It is for this Board to decide whether a case is recommended to the Director for acceptance as an investigation. The Case Evaluation Board, coupled with Case Review Panels, form the main elements of a robust quality assurance control process. During the year, a total of 51 Case Review Panels were held. These Panels, which are prioritised by risk, are chaired by General Counsel and attended by the Chief Investigator, the Case Controller and members of the case team. They consider the investigative plan, challenge the case team about the approach to be taken and identify any further risks to the case. Crucially, the Panels provide strategic direction, offer advice and assurance when required, ensure momentum is maintained and consider value for money issues.

The SFO continues to measure its performance by demonstrating organisational learning at different levels throughout the operational and non-operational divisions. By sharing lessons learnt at different phases of the case life cycle, the SFO is able to ensure this informs the training strategy. The Operational Handbook also provides the vehicle to ensure that the SFO operates consistently and follows best practice.

Stakeholder engagement

The SFO continues to collaborate with partner organisations, at home and overseas, such as the Financial Conduct Authority, the National Crime Agency, the Police and the US Department of Justice, as well as non-governmental organisations including Transparency International and Corruption Watch, to share lessons learnt, information and best practice.

This year, SFO personnel have hosted 66 international visits and given 61 speeches in the UK and abroad.

There have been a series of exchange programmes including the secondment of a senior investigator and a lawyer to Sri Lanka for six and three months respectively, and the inclusion of investigators and prosecutors from Sri Lanka on the SFO's Investigation Training Programme. These initiatives provided advice, guidance and training on building capacity to investigate fraud, bribery and corruption.

The SFO, together with partners from across Government, was actively engaged in preparations for the Prime Minister's Anti-Corruption Summit on 12 May 2016. Policy initiatives to which the SFO contributed included working with domestic and international partners to ensure that victims of bribery and corruption are compensated following successful enforcement actions, working to secure greater transparency of beneficial ownership data and making the case for an extension of corporate liability for failing to prevent bribery to other economic crimes.

Digital and technological capability

Technology is at the heart of the SFO's operations. Continual investment in the SFO's infrastructure, systems, and resources, is critical to ensuring that it can operate as efficiently and effectively as possible.

The SFO currently stores around two petabytes of data, which is significant given the size of the organisation, and includes standard corporate data in addition to material related to cases and intelligence. The majority (95%) of the material acquired and processed by the SFO is now electronic. All hard copy material is digitised so that it can be processed alongside digital material.

The SFO's specialist Digital Forensic Unit processes and sifts this material before it is passed to the investigative teams. This enables a targeted approach to investigations by removing data which is not relevant. The volume of evidence that is ingested into the SFO's eDiscovery platform has increased by 1,000% over the last five years, and continues to grow by 40-50 million documents annually. This reflects the scope and complexity of the SFO's cases.

A project is underway to replace the SFO's current eDiscovery platform, which is the tool that our investigative staff use to review evidence electronically. The new system is expected to be introduced before the end of the 2016-17 financial year. The market place has matured and the technology has developed significantly since the SFO's current system was implemented in 2009. By upgrading to a more modern system, the SFO will enhance its technologically-assisted investigative capability, which should allow a more targeted and intelligent approach to the review process, and ultimately reduce the time it takes to bring cases to trial.

Once the new system is in place, the SFO plans to invest further in its data analysis capability, where it will seek to utilise Artificial Intelligence and machine learning techniques to help make the review process more efficient.

The SFO will continue to act as a centre of excellence in this area, and joint investigations with other law enforcement agencies are currently being supported by its staff and systems. The SFO has collaborated with other departments wherever possible, and made use of central commercial initiatives that allow it to take advantage of the buying power of government. One example is the SFO's use of Crown Hosting Data Centres to provide resilience for core IT services, which has resulted in a saving of more than £60k per year by comparison with other commercial arrangements. These savings will increase over time as the SFO migrates other services to the facility.

A number of other projects are currently underway, including a project to introduce a document management system. The SFO has implemented a new time recording system, which will allow better use of information and resources, create efficiencies by improving internal processes, and help demonstrate value for money.

Our People

The SFO strives to be an employer of choice with effective, highly skilled, capable and motivated employees. All civil servants are entitled to five days of learning and development each year and, during 2015-16, the SFO delivered 2,488 days of core training which equates to six days on average per person. The SFO has additionally supported employees to attend a range of external training courses.

The SFO has:

- invested in developing investigative skills by working alongside the College of Policing to deliver an Investigation Training Programme that reflects authorised professional practice (85% of operational staff have commenced this three week programme and 45% have completed the full programme);
- developed a sandwich placement programme for digital forensics students with one student in 2015-16 and a further two in 2016-17;
- supported 15 permanent and fixed-term appointment staff in their personal development through the provision of support for both professional qualifications and further education where it relates to the business needs of the SFO;
- re-launched a Leadership and Management Programme for HEO and SEO staff in December 2015.

The SFO's approach to building and maintaining an effective workforce, treating its people fairly and with respect and dignity, is measured to an extent through its participation in the Civil Service People Survey. The SFO has continued to improve year on year since 2012-13. This year, the SFO's engagement score was 66% compared to 65% last year with encouraging upward trends in many areas. The SFO also has a formal consultation framework with three recognised Trade Unions; the First Division Association (FDA), Prospect and the Public and Commercial Services Union (PCS). There is also an active Staff Engagement Forum which draws on volunteer representation from across all business areas.

HR Policies

Modernised terms and conditions were introduced for those new to the Civil Service to align with the wider Civil Service. HR policies were revised and updated during the year to provide additional guidance and support to line managers, and to incorporate legislative changes and Civil Service best practice.

A new pay structure was implemented with the aim of improving the SFO's recruitment and retention of staff. A new pay model comprising seven pay bands across three specialisms – Corporate, Operational and Digital – was developed for introduction in 2016-17.

Shared Services

The SFO is in discussion with the Crown Prosecution Service about sharing payroll services to deliver greater resilience. The SFO continues to explore options to share procurement services.

Robert and Vincent Tchenguiz

With regard to the civil damages claims brought by Messrs Robert and Vincent Tchenguiz and their respective business interests against the SFO in January 2013, following judicial review proceedings in 2012, four payments amounting to a total of £6.75m were made this financial year in full and final settlement of the SFO's outstanding costs liability to those claimants following the settlement of the damages claims in July 2014. The damages claims arose out of the arrest of Messrs Robert and Vincent Tchenguiz and the searches of their homes and business premises in March 2011. The final expenditure of £6.75m this financial year means that the SFO has no further liability in respect of those damages claims. Those claims were of the order of £300m. Since July 2014 the SFO has paid out, in total, £4.5m in full and final settlement of the damages claims and £9.75m in full and final settlement of its costs liability in respect of those claims. Defending the damages claims cost the SFO a total of £14.3m (plus VAT where non-recoverable) in legal fees and associated expenditure.

Financial Performance

The SFO's Resource DEL outturn for the year totals £60.3m against a voted limit of £61.8m, an underspend of £1.5m. Capital DEL was underspent by £0.3m while AME was underspent by £15.6m. The increase in Resource DEL funding from the £33.8m agreed at the 2013 Spending Review to £61.8m for the year was a result of the additional Reserve financing available to the SFO to support the work of the SFO as agreed with HM Treasury. During the year the SFO called on a Contingencies Fund Advance of £15.5m which was repaid following publication of the 2016 Supplementary Estimate.

The underspend on AME is the result of the resolution of a significant element of the amount provided in previous years for legal claims. Provisions have reduced from £14.8m in 2014-15 to £1.2m in 2015-16.

The 2015 Spending Review set the SFO's financing requirements through to 2019-20 and renewed the principle that access to Reserve funding will continue to be a part of the SFO's settlement. This additional financing will continue to be agreed with HM Treasury on a case by case and year by year basis.

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. Information on SFO progress can be found at Annex A.

DAVID GREEN CB QC
Accounting Officer

12 July 2016

Accountability Report

Corporate governance

Directors' Report

Directors

The Governance Statement on page 12 includes the name of the Director and the composition of the SFO Board.

Register of interests

Senior managers within the SFO, including the non-executive directors, are required to complete a declaration of any interests. No significant company directorships or other interests were held by Board members which may have conflicted with their responsibilities. Note 14 to the accounts confirms that no member of the Board, including non-executive directors, has any related-party interests.

Personal data related incidents

In 2015-16 there were no protected personal data related incidents formally reported to the Information Commissioner's Office (ICO).

There were nine other protected personal data related incidents which have to be recorded by the Department but which are deemed by the Data Controller not to fall within the criteria for report to the ICO.

Auditors

The Serious Fraud Office's Accounts are audited by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General. No further assurance or other advisory services were provided by the auditors.

Remuneration to auditors for non-audit work

The SFO did not pay any remuneration to its auditors for non audit work. The notional fee for the audit of the Department's Accounts for 2015-16 was £55,000 (2014-15: £60,000).

Statement of Accounting Officer's Responsibilities

Under Section 5 (2) of the Government Resources and Accounts Act 2000 HM Treasury has directed the SFO to prepare, for each financial year resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the Department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the SFO and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- 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,
- prepare the accounts on a going concern basis.

HM Treasury has appointed the Director of the SFO as Accounting Officer of the SFO. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the SFO's assets, are set out in *Managing Public Money* published by the HM Treasury.

The Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the SFO's auditors are aware of that information. So far as the Accounting Officer is aware, there is no relevant audit information of which the SFO's auditors are unaware.

The Accounting Officer confirms that the annual report and accounts as a whole are fair, balanced and understandable and that he takes personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

DAVID GREEN CB QC
Accounting Officer

12 July 2016

Governance Statement

Scope of responsibility

This statement covers the SFO's governance arrangements for the year ended 31 March 2016.

The Serious Fraud Office (SFO) is a small independent non-ministerial 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 in turn speaks for the Government in Parliament on matters relating to the SFO.

The Director 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 the HM Treasury and Cabinet Office code of good practice for corporate governance. There are two main governance forums: the Management Board and the Audit and Risk Committee (A&RC). There are also three committees which support the Management Board and an Oversight and Governance Board. Alongside this, there are a number of supporting working groups and boards, all of which feed into the work and responsibilities of at least one of the committees.

In accordance with superintendence arrangements 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 and the Audit and Risk Committee. Their memberships are set out in the table below and their purpose and arrangements in the succeeding sections.

Members	Management Board (MB)	Audit & Risk Committee (A&RC)
David Green CB QC Director	Chair Attended 8 of 8	
Tony Osbaldiston Non-Executive Director	Attended 7 of 8	Chair Attended 5 of 5
Simon Duckworth OBE DL Non-Executive Director	Attended 6 of 8	Attended 4 of 5
Ruth Evans Non-Executive Director	Attended 4 of 8	Attended 3 of 5
Alun Milford General Counsel	Attended 6 of 8	
His Honour Geoffrey Rivlin QC* Special Adviser (To 31 July 2015)	Attended 1 of 3	

Members	Management Board (MB)	Audit & Risk Committee (A&RC)
Lesley Dugdale Head of Human Resources	Attended 8 of 8	
Barny Todd* Chief Financial Officer (To 31 May 2015)	Attended 1 of 1	
Kristin Jones Head of Strategic Relations	Attended 7 of 8	
Matthew Wagstaff Head of Division A	Attended 7 of 8	
Ben Morgan Head of Division B	Attended 5 of 8	
Simon Daniel Head of Division D (To 29 February 2016)	Attended 8 of 8	
Jane de Lozey** Head of Division D (From 29 February 2016)	Attended 2 of 2	
Clare Whitaker Head of Division C	Attended 7 of 8	
Stuart Alford QC Head of Division E	Attended 8 of 8	
Mark Thompson Head of Proceeds of Crime (to 31 May 2015) then Chief Financial Officer and Head of Proceeds of Crime thereafter	Attended 6 of 8	
Kevin Davis Chief Investigator	Attended 7 of 8	
Ben Denison Chief Technology Officer	Attended 7 of 8	

* Dates given for His Honour Geoffrey Rivlin QC and Barny Todd are the date of their departure.

** Jane de Lozey attended 2 Board Meetings prior to her official return from maternity leave.

Management Board

The Director chairs the Management Board which meets every six weeks and comprises the SCS team plus the non-executive directors (NEDs). The Board met eight times during 2015-16.

The Board operates as a team with each member 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 Board 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 Board 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;
- monitors performance against the operational business plan with reference to strategic aims and objectives and management information 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;
- oversees equality and diversity issues across the SFO;
- resolves any issue referred to the Board by any other committee; and,
- sets, through the Risk Management and Moderation Group (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 Board can discharge its responsibilities effectively. These practices deal with the cycle of meetings, setting agendas, the timetable for distributing papers and communicating decisions.

The Board aims to reach decisions 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 as Accounting Officer.

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

The 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 Board does not consider that a separate nominations and governance committee is necessary. Instead, the Board 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 is attended by all current NEDs who are standing members. Other attendees who attended by invitation throughout the year included the former Chief Financial Officer and his successor, the Chief Technology Officer, the 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.

For the 2015-16 meetings cycle, Tony Osbaldiston was the Chair supported by Simon Duckworth OBE DL, and Ruth Evans.

The A&RC met five times in 2015-16 (three in 2014-15).

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 reviews and oversees the organisation's internal and external auditing arrangements, plans, results, and management responses. It also considers the adequacy of the SFO's risk assessment, management procedures and internal control systems which are predominantly dealt with through the Risk Management and Moderation Group.

Management Board Committees

The three Management Board committees are:

Strategy Committee – responsible for matters relating to the SFO's overarching strategy;

People and Culture Committee – responsible for reporting on the recruitment, development and working environment of the SFO's staff, ensuring that the principles of equality and diversity are promoted and embedded within the organisation, fostering an inclusive workplace and monitoring the SFO's performance as an employer;

Infrastructure Committee – responsible for infrastructure matters including accommodation, ICT, evidence handling and risk.

The committees are chaired by members of the Board. All SCS other than the Director are members of at least one committee, with each committee also having one of the three NEDs as a member. The chairmanship of these committees is rotated periodically.

In addition to the above, the work of the Management Board is supported by the Oversight and Governance Board and Risk Management Moderation Group.

The Oversight and Governance Board (OGB)

The OGB monitors progress and intervenes, as required, if a project or programme needs strengthening or if concerns need to be addressed. It also ensures that dependencies and cross-cutting issues between projects and programmes are considered and addressed.

Risk Management and Moderation Group (RMMG)

The RMMG considers the adequacy of the SFO's risk assessment, management procedures and internal control systems and is responsible for ensuring that the SFO's strategic risk register is up to date and accurately reflects the risks faced by the SFO.

Other Committees

There were also a number of supporting committees which fed into the work and responsibilities of the Board. These were:

- SCS Group;
- Case Evaluation Board;
- Case Review Panel;
- Strategic and Tactical Tasking and Co-ordination Group (STT&G);
- Training Board;
- Business Planning Steering Group.

SCS Group (SCSG)

The SCSG holds an informal 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.

Case Evaluation Board (CEB)

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

The Board meets periodically, depending on the intelligence pipeline, and reports to the Director. Core members are the General Counsel and Chief Investigator. The relevant intelligence lead will also attend.

Specifically the CEB:

- evaluates and challenges 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);
- assesses strategic and tactical risk, cost/resource implications; and, where appropriate
- considers potential cases in the context of HMG's strategic approach to economic crime.

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 (to 31 July 2015), the Chief Investigator, the relevant Head of Division and appropriate members of the relevant case team. The Director also attends at his discretion.

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.

Strategic & Tactical Tasking & Coordination Group (STT&CG)

The STT&CG, chaired by the Chief Investigator, meets on a bi-monthly basis. It is a governance and planning body that operates within the framework of the National Intelligence Model (NIM). Members include the General Counsel and all Heads of Operational Divisions.

Training Board

The Board, chaired by the Head of Proceeds of Crime Division, met once in the reporting year. Its functions have been absorbed by the People and Culture Committee and the Board was therefore formally dissolved in April 2016. The People and Culture Committee now has responsibility for identifying ways of broadening capability, including the development and delivery of a programme of training to ensure staff are provided with the practical experience, knowledge and skills they need to investigate and prosecute SFO cases effectively.

Business Planning Steering Group (BPSG)

The BPSG is responsible for considering the implications of the 2015 Spending Review and ensuring efficiencies are identified and subsequently implemented. The BPSG also has responsibility for reviewing and resourcing the outputs of the Skills, Capability, Pay and Grading Review against the organisation's baseline. Its membership comprises a member of each of the Management Board Committees, Heads of Finance, HR Operations and Governance. It reports directly to the Director with a dotted line to all three committees.

Working groups

The work of the Management Board and its committees is also supported by a number of working groups set up to address specific issues or to update processes and practices within the SFO. Such groups cover areas including equality and diversity, the operational handbook, evidence handling, the SFO's digital review system, community engagement and charities and victims and witnesses.

Risk management

The SFO actively identifies and manages potential risks to the organisation. Its strategy to identify and counter risks is 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 Management Board covers strategic and project risks that are sufficiently significant that they require monitoring at Board level. This is supported by subsidiary risk registers maintained by each division within the SFO to manage and monitor lower tier operational and corporate risks.

The A&RC is responsible for ensuring that the SFO's 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's work new risks are added to the registers, and others removed, as appropriate. Both the Management Board and A&RC agendas include risk identification and management.

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, risk ratings and review processes and the roles and responsibilities. The risk appetite is set as low, medium or high dependant on the residual risk deemed acceptable to the SFO for the risk.

³ For the SFO's non-casework areas only. The Code for 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.

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 supported by the RMMG. From April 2015 to March 2016 the RMMG met seven times.

Each member of the SCS is accountable for risk and mitigation in their respective 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 Management Board. It also receives reports on the effectiveness of risk management processes and systems from the RMMG (as described above).

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. 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.

Strategic risks

The SFO's current strategic risks are:

- SFO unable to retain key individuals within the organisation and cannot attract sufficiently experienced replacements;
- Risk of internal and external threat actors undermining cases;
- Data loss leading to reputational damage and distress to individuals or other entities;
- Risk of cyber-attack leading to data loss or compromising of investigations;
- Insufficient business continuity planning or inadequate facilities in case of a continuity incident;
- Technical failure of critical IT systems.

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 all information is suitably protected at all times. There is a system to provide exemptions if unencrypted data needs to be taken off the premises.

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.

⁴ The Code for Crown Prosecutors.

In 2015-16 there were no protected personal data related incidents formally reported to the Information Commissioner's Office (ICO). There were nine other protected personal data related incidents which have to be recorded by the Department but which are deemed by the Data Controller not to fall within the criteria for report to the ICO.

Whistleblowing

The SFO's policy on whistleblowing was revised in March 2015 to reflect recommendations from the Public Accounts Committee (PAC) and subsequent practice directions issued by Civil Service Human Resources. These include:

- Appointment of the Senior Information Risk Owner to maintain overall responsibility for whistleblowing practices;
- Ensuring whistleblowing is considered at Audit & Risk Committee when appropriate;
- Ensuring data is collected on the number of concerns and any complaints of victimisation;
- Signposting support and advice such as access to legal and counselling services;
- Providing a route map that outlines appropriate reporting pathways for employees;
- Using standard wording in confidentiality clauses to ensure no provision or agreement can prevent an individual from making a protected disclosure;
- Reporting the effectiveness of whistleblowing procedures to the Management Board.

Inspection

The Anti-Social Behaviour, Crime and Policing Act 2014 provides HM Crown Prosecution Service Inspectorate (HMCPSI) with the statutory powers to inspect the SFO.

In November 2015 HMCPSI carried out an inspection into the SFO's Governance arrangements. The inspection was carried out to evaluate whether the SFO's structures, procedures, leadership, accountability and direction are effective and efficient, and provide the strategic direction needed to achieve its intended outcome for stakeholders.

The report found that the SFO has achieved a positive transformational change to its direction and purpose over the past four years.

It also outlines recommendations for further potential reform and these will be carefully considered by the Management Board over the coming months. Recommendations include the appointment of a new Chief Executive Officer or Chief Operating Officer, changes to the structure of the Management Board, consideration of the SFO's funding model and evidencing value for money more robustly.

Quality assurance

The Head of Strategic Relations reports to the Director on assurance in the SFO. Quality assurance provides the Director with an effective and robust function that ensures the 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 the quality assurance team in relation to HMCPSI. This includes the facilitation of inspections and the development of action plans relating to the implementation of recommendations.

Effectiveness of the risk management and governance framework

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 (HIA) provides an annual report and opinion on the adequacy and effectiveness of the SFO's framework of governance, risk management and controls.

For 2015-16 the HIA opinion is of Moderate Assurance (level two from a four tier structure), namely that "the SFO's framework of governance, risk management and control is adequate and effective, except that some improvements or enhancements are required."

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;
- improved business and strategic planning processes;
- improved data security procedures and supporting communications;
- regular reports from the chair of the A&RC to the Management Board; and,
- regular advice on the effectiveness of the system of internal control.

David Green CB QC
Accounting Officer

12 July 2016

Remuneration and Staff

Remuneration

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 for misconduct, 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

Remuneration policy

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 Servants (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.

Performance Appraisal

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. 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 2015-16, the annual performance bonus accrual for grades below the SCS totalled £121,411 (2014-15: £227,252).

Senior Official Appointments

David Green CB QC was appointed Director by the Attorney General in April 2012 for a fixed term of four years, ending in 2016. His contract has been extended by two years and will now end on 20 April 2018. His Honour Geoffrey Rivlin QC was appointed to a two-year fixed-term appointment from 1 August 2012 which, following permission from the Civil Service Commissioners, was extended to 31 December 2015, he left his post on 31 July 2015 after serving three years.

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 (i.e. Management Board members) during the year.

Non-Executive Board Members Remuneration

Name and title	Salary £000		Benefits in Kind (to nearest £100)		Total £000	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Simon Duckworth OBE DL Non-Executive Director	10-15	10-15	-	-	10-15	10-15
John Anthony Osbaldiston Non-Executive Director	15-20	20-25	1,500	1,100	15-20	20-25
Ruth Evans Non-Executive Director (from 26 January 2015)	10-15	0-5	100	-	10-15	0-5
Norman Pickavance Non-Executive Director (to 17 July 2014)	-	5-10	-	-	-	5-10

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 are members of the Civil Service Pension Scheme.

Senior Management

Executive Board Members	Salary (£'000)		Bonus payment (£'000)		Pension benefits (to nearest £1,000) ¹		Total (£'000)	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
David Green CB QC Director	170-175	170-175	-	-	66	65	235-240	235-240
Alun Milford General Counsel	115-120	115-120	-	5-10	36	24	150-155	150-155
His Honour Geoffrey Rivlin QC Special Advisor (to 31 July 2015)	30-35 (180-185 full year equivalent)	100-105 (180-185 full year equivalent)	-	-	-	-	30-35	100-105
Kevin Davis Chief Investigator	80-85	75-80 (80-85 full year equivalent)	-	-	58	71	140-145	145-150
Kristin Jones Head of Strategic Relations	85-90	85-90	5-10	-	35	35	130-135	120-125
Barry Todd Chief Financial Officer (to 31 May 2015)	10-15 (80-85 full year equivalent)	80-85	-	-	3	17	15-20	95-100
Matthew Wagstaff Head of Division A	85-90	80-85	-	-	40	30	125-130	110-115
Jane de Lozey Head of Division D (Maternity leave from 2 February 2015 to 29 February 2016)	55-60 (80-85 full year equivalent)	80-85	-	-	25	16	80-85	95-100
Clare Whitaker Head of Division C	80-85	80-85	-	-	27	19	105-110	95-100
Mark Thompson Head of Proceeds of Crime (to 31 May 2015) Chief Financial Officer and Head of Proceeds of Crime (from 1 June 2015)	85-90	80-85	-	-	39	20	120-125	100-105
Lesley Dugdale Head of Human Resources	80-85	80-85	-	-	37	17	115-120	95-100
Stuart Alford QC Head of Division E	80-85	80-85	-	5-10	32	30	110-115	120-125
Ben Morgan Head of Division B	85-90	80-85	5-10	5-10	34	32	125-130	125-130

Executive Board Members	Salary (£'000)		Bonus payment (£'000)		Pension benefits (to nearest £1,000) ¹		Total (£'000)	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Ben Denison Chief Technology Officer	90-95	55-60 (85-90 full year equivalent)	5-10	-	35	21	130-135	75-80
Simon Daniel Head of Division D (from 2 February 2015 to 29 February 2016)	70-75 (80-85 full year equivalent)	10-15 (80-85 full year equivalent)	-	-	67	13	140-145	20-25

1. The 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 increase excludes increases due to inflation or any increase or decrease due to transfer of pension rights. Where prior year figures have changed, this is due to a retrospective update to salary data.
2. Simon Daniel received a bonus of £0-£5k paid in 2015-16 for 2014-15 performance prior to becoming a Board Member.

Salary

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; 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.

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 2015-16 relate to performance in 2014-15, and the comparative bonuses reported for 2014-15 relate to performance in 2013-14.

Pay multiples

The SFO is required to disclose the relationship between the remuneration of the highest-paid director and the median remuneration of the SFO's workforce. Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

	2015-16		2014-15
Highest paid individual (£000)	170-175	Highest paid individual (£000)	285-290
Median total (£)	33,407	Median total (£)	35,000
Remuneration ratio	5.16	Remuneration ratio	8.14

The ratio has reduced significantly in 2015-16 compared to 2014-15. The ratio for 2014-15 includes the full time equivalent cost of the interim Chief Technology Officer. This employment ceased in 2014-15.

The banded remuneration of the highest-paid board member at SFO in the financial year 2015-16 was £170,000-£175,000 (2014-15, £285,000-290,000). This was 5.16 times (2014-15, 8.14) the median remuneration of the workforce, which was £32,446 (2014-15, £35,000).

In 2015-16, 0 (2014-15, 0) employees received remuneration in excess of the highest-paid board member. Remuneration ranged from £15,000 - £20,000 to £170,000 – £175,000 (2014-15, £15,000 – £20,000 to £285,000 - £290,000).

Pension Benefits

Executive Board Members	Accrued pension at pension age as at 31/3/16 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/16	CETV at 31/3/15	Real increase in CETV
	£000	£000	£000	£000	£000
David Green CB QC Director	15-20	2.5-5.0	258	176	50
Alun Milford General Counsel	35-40 plus 100-105 lump sum	0-2.5 plus 2.5- 5.0 lump sum	635	554	25
His Honour Geoffrey Rivlin QC Special Adviser (to 31 July 2015)	-	-	-	-	-
Kevin Davis Chief Investigator	35-40 plus 110-115 lump sum	2.5-5.0 plus 7.5-10.0 lump sum	758	652	51
Kristin Jones Head of Strategic Relations	40-45 plus 55-60 lump sum	0-2.5 plus 0-2.5 lump sum	794	706	31
Barry Todd Chief Financial Officer (to 31 May 2015)	30-35 plus 90-95 lump sum	0-2.5 plus 2.5-5.0 lump sum	530	518	2
Matthew Wagstaff Head of Division A	25-30 plus 25-30 lump	0-2.5 plus 0-2.5 lump sum	407	349	17
Jane de Lozey Head of Division D (Maternity leave from 2 February 2015 to 29 February 2016)	15-20	0-2.5	215	183	10
Clare Whitaker Head of Division C	25-30 plus 85-90 lump sum	0-2.5 plus 5.0-7.5 lump sum	586	514	21
Mark Thompson Head of Proceeds of Crime (to 31 May 2015) Chief Financial Officer and Head of Proceeds of Crime (from 1 June 2015)	5-10	0-2.5	107	76	15

Executive Board Members	Accrued pension at pension age as at 31/3/16 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/16	CETV at 31/3/15	Real increase in CETV
	£000	£000	£000	£000	£000
Lesley Dugdale Head of Human Resources	25-30 Plus 70-75 lump sum	0-2.5 plus 0-2.5 lump sum	448	392	19
Stuart Alford QC Head of Division E	5-10	0-2.5	79	54	13
Ben Morgan Head of Division B	5-10	0-2.5	45	26	9
Ben Denison Chief Technology Officer (from 14 August 2014)	0-5	0-2.5	27	10	9
Simon Daniel Head of Division D (from 2 February 2015 to 29 February 2016)	25-30 Plus 70-75 lump sum	2.5-5.0 plus 7.5-10.0 lump sum	471	395	52

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections, three providing benefits on a final salary basis (**classic**, **premium** or **classic plus**) with a normal pension age of 60; and one providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

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**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes.) 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 3% and 8.05% of pensionable earnings for members of **classic** (and members of **alpha** who were members of **classic** immediately before joining **alpha**) and between 4.6% and 8.05% for members of **premium**, **classic plus**, **nuvos** and all other members of **alpha**. 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 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. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. 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% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of 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 up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 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**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**. (The pension figures quoted for officials show pension earned in PCS or alpha – as appropriate. Where the official has benefits in both the PCS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

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 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

Staff

Staff costs

	2015-16			2014-15
	£000			£000
	Permanently employed staff	Others	Total	Total
Wages and salaries	17,028	6,991	24,019	19,790
Social security costs	1,465	-	1,465	1,295
Other pension costs	3,482	-	3,482	2,934
Sub Total	21,975	6,991	28,966	24,019
Less recoveries in respect of outward secondments	-	-	-	-
Total net costs	21,975	6,991	28,966	24,019

No staff costs have been charged to capital (2014-15 £14k).

For 2015-16, employers' contributions of £3,445k were payable to the PCSPS (2014-15: £2,883k) at one of four rates in the range of 20.0% to 25.5% 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 reflect benefits as they are accrued, not when the costs are actually incurred and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £48k (2014-15: £30k) 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 (2014-15: £nil), were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill-health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £nil. (2014-15: £nil). Contributions prepaid at that date were £nil (2014-15: £nil).

This information has been subject to audit.

Off-Payroll Engagements (e.g. contractors, consultants) as at 31 March 2016, for more than £220 per day and that last for longer than six months

Number of existing engagements as at 31 March 2016	3
Of which:	
Number that have existed for less than one year at time of reporting	3
Number that have existed for between one and two years at time of reporting	0
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	3

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 correct amount of tax and, where necessary, that assurance has been sought.

This information has been subject to audit.

Reporting of Civil Service and other compensation schemes – redundancy and exit packages

There were no exits arising from the Civil Service Compensation Scheme in 2015-16 (2014-15 nil)

This information has been subject to audit.

Average number of employees

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

			2015-16	2014-15
Permanently employed staff	Fixed Term Appointments	Agency Staff	Total	Total
369	35	106	510	423

SCS by pay band

The number of SCS staff by pay band in the SFO as at 31 March 2016 was as follows:

	2015-16	2014-15
SCS 3	1	1
SCS 2	1	2
SCS 1	10	12
Total (excluding non-executives)	12	15

Staff composition

The gender breakdown of permanent and fixed term staff at the SFO at 31 March 2016 was as follows:

	Male	Female
SCS	8	4
Non SCS staff	214	177
Total	222	181

The proportion of staff who are recorded as being from a black and minority and ethnic (BME) background is 17.4%. No SCS staff are recorded as being from a BME background. Levels of staff recorded as having a disability are: 0% of SCS and 3.6% of non-SCS which is below the total Civil Service figure for 2015-16 of 8.9%.

The SFO operates a guaranteed interview scheme which means that it is committed to interviewing all disabled applicants who meet the minimum criteria for a job vacancy and to consider them on their abilities. On a case by case basis the SFO seeks to make reasonable adjustments to support employees who are or become disabled to make sure they stay in employment. The guaranteed interview scheme applies equally to all staff applying for positions through internal promotion.

The SFO is committed to providing an environment where everyone is treated with dignity and respect, recognising the differences between people and positively valuing the spectrum of skills and talent of its people. The development of the Public Sector Equality Duty action plan is overseen by a Diversity Champion at Board level.

The SFO actively supports the Civil Service Positive Action Pathway (PAP) Programme. The programme provides support to staff from four Equality Act strands (gender, ethnicity, disability and sexual orientation) by delivering a programme of activities and workshops aimed at breaking down barriers to promotion; in particular, lack of confidence, role modelling and mentoring. Two SFO staff entered the PAP programme in March 2016.

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

Sickness absence

There has been an increase in Average Working Days Lost (AWDL) from 5.97 days in 2014-15 to 8.61 days in 2015-16 against a Civil Service average in 2015 of 7.4 days. The SFO's Management Board has adopted a more pro-active approach to attendance management to ensure compliance with the SFO's policy and to enable line managers to improve the management of sick absence across the organisation.

Expenditure on consultancy

There was no spend on consultancy in 2015-16 (2014-15 £7k).

David Green CB QC
Accounting Officer

12 July 2016

Parliamentary Accountability and Audit

Accountability

This information has been subject to audit

Losses and special payments

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

The Department made a total of four special payments in 2015-16 amounting to £6,750k to settle the outstanding cost claims of Robert and Vincent Tchenguiz.

Robert and Vincent Tchenguiz prior year events

In July 2014 the SFO settled the civil damages claims brought by Mr Vincent Tchenguiz and Mr Robert Tchenguiz and their business interests arising from their arrests and the searches of their homes and business premises in March 2011.

As a result of the July 2014 settlement the SFO paid Mr Vincent Tchenguiz and his business entities the total sum of £3m in full and final settlement of their civil claims. The SFO also paid £3m on account against the costs incurred by Mr Vincent Tchenguiz. The SFO paid Mr Robert Tchenguiz, R20 and the Trustee the total sum of £1.5m in full and final settlement.

Details of payments over £300,000:

In 2015-16 further payments on account for costs were made in July 2015 of £1m to Mr Vincent Tchenguiz and £3m to Mr Robert Tchenguiz. Final payments of £1m to Mr Vincent Tchenguiz and £1.75 to Mr Robert Tchenguiz were made in March 2016.

The payment of these sums means that the SFO has no further liability arising from the searches and arrests of Vincent and Robert Tchenguiz.

Remote contingent liabilities

The SFO brought charges in January 2013 against six people, including two former Directors of Celtic Energy Ltd. The SFO alleged conspiracy to defraud however Mr Justice Hickinbottom dismissed the charges in February 2014 after successful applications by the defendants. The SFO applied to the High Court for a voluntary bill of indictment which was refused by Lord Justice Fulford on the basis that neither the interests of justice nor the exceptional circumstances tests were made out. This brought the prosecution to an end and gave rise to a liability for costs.

The defendants were awarded costs by Mr Justice Hickinbottom which were paid in June 2015. The cost payment made by the SFO included an interim payment against the costs of the voluntary bill stage of the prosecution. The SFO engaged a costs lawyer to carry out a detailed review of the outstanding liabilities and made further payments based on their assessment. While it is the SFO's view that all liabilities have now been settled it is possible that further court hearing may determine that the defendants are entitled to additional costs. It is the SFO's considered view that the payments made to date are sufficient.

Long-term expenditure trends

The SFO's planned expenditure as agreed with HM Treasury during the 2015 Spending Review is as follows, this covers the net expenditure which is met from the Parliamentary Estimate.

	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000
Resource DEL	35,700	35,700	34,300	33,500
Capital DEL	5,200	1,500	2,300	2,800

The Resource Departmental Expenditure Limit (DEL) funding is to cover the costs of the SFO incurred in investigating and, where appropriate, prosecuting cases of serious or complex fraud, bribery and corruption. In addition to the above the SFO currently has access to HM Treasury Reserve funding to finance the costs of investigating very large and complex cases. This financing is agreed with HM Treasury on a case by case and year by year basis.

The Capital DEL Funding is to enable the SFO to invest in improving and developing its IT infrastructure to meet its operational needs, procure a new Document Review System and keep pace with technological developments.

Statement of Parliamentary Supply

This information has been subject to audit

Summary of Resource and Capital Outturn 2015-16

£000								2015-16	2014-15
	Estimate			Outturn			£000	£000	
	Note	Voted	Non Voted	Total	Voted	Non Voted	Total	Voted outturn compared with Estimate: saving/ (excess)	Total
Departmental Expenditure Limit									
- Resource	1.1	61,768	-	61,768	60,314	-	60,314	1,454	54,762
- Capital	1.2	2,115	-	2,115	1,787	-	1,787	328	2,373
Annually Managed Expenditure									
- Resource	1.1	2,000	-	2,000	(13,601)	-	(13,601)	15,601	13,885
Total Budget		65,883	-	65,883	48,500	-	48,500	17,383	71,020
Total Resource		63,768	-	63,768	46,713	-	46,713	17,055	68,647
Total Capital		2,115	-	2,115	1,787	-	1,787	328	2,373
Total		65,883	-	65,883	48,500	-	48,500	17,383	71,020

Net Cash Requirement 2015-16

				2015-16	2014-15
	SoPS Note	Estimate	Outturn	£000	£000
Net Cash Requirement	3	61,821	58,940	2,881	55,835

Administration Costs 2015-16

			2015-16	2014-15
	Estimate	Outturn	£000	£000
Administration Costs	7,351	5,973	5,973	6,237

Explanation of variances between Estimate and Outturn are given in SoPS Note 1.

SOPS1 Net outturn
SOPS1.1 Analysis of net resource outturn by section

	2015-16 £000									2014-15 £000 Outturn
	Outturn						Estimate			
	Administration			Programme			Total	Net Total	Net total to Estimate	Total
	Gross	Inc.	Net	Gross	Inc.	Net				
Spending in Departmental Expenditure Limit										
Voted:										
Investigations and Prosecutions	5,973	-	5,973	55,208	(867)	54,341	60,314	61,768	1,454	54,762
Annually Managed Expenditure										
Voted:										
New provision and adjustment to existing provisions	437	-	437	(14,038)	-	(14,038)	(13,601)	2,000	15,601	13,885
Total	6,410	-	6,410	41,170	(867)	40,303	46,274	63,768	17,055	68,647

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

There has been an overall underspend of £17,055k against the Estimate. Of this £1,454k was within DEL. This is largely due to reduced expenditure on Civil Litigation and Blockbuster cases than anticipated at the time the SFO's Supplementary Estimate for 2015-16 was agreed. The remaining underspend of £15,601k relates to AME. Due to its unpredictable nature it is very difficult to estimate spend within AME and in this instance the underspend is wholly related to clearance of provisions, primarily legal, set aside in previous years.

SOPS1.2 Analysis of net capital outturn by section

				2015-16	2014-15	
				£000	£000	
	Outturn			Estimate	Outturn	
	Gross	Income	Net	Net Total	Net total compared to Estimate	Total
Spending in Departmental Expenditure Limit						
Voted:						
A Investigations and Prosecutions	1,787	-	1,787	2,115	328	2,373
Total	1,787	-	1,787	2,115	328	2,373

Explanation of variance between Estimate and Outturn:

Capital Del is underspent by £328k for 2015-16. The SFO received additional financing for capital expenditure at the Supplementary Estimate of £750k and while the bulk of this was spent in addition to its initial allocation there was a limited time available to procure and install additional equipment prior to 31 March.

SOPS2. Reconciliation of outturn to net operating expenditure

SOPS2.1 Reconciliation of net resource outturn to net operating cost

	SoPS Note	2015-16	2014-15
		£000	£000
		Outturn	Outturn
Total resource outturn in Statement of Parliamentary Supply	1.1	46,713	68,647
Less income payable to the Consolidated Fund	4.1	(26,552)	(3,051)
Net Operating Cost in Statement of Comprehensive Net Expenditure		20,161	65,596

SOPS3 Reconciliation of Net Resource Outturn to Net Cash Requirement

	SoPS Note	Estimate	Outturn	2015-16 £000 Net total outturn compared with Estimate: saving / (excess)
Net Resource Outturn	1.1	63,768	46,713	17,055
Capital outturn	1.2	2,115	1,787	328
Accruals to cash adjustments				
Depreciation		(2,062)	(2,186)	124
New Provisions and adjustments to previous provisions		(2,000)	3,804	(5,804)
(Increase) / Decrease in payables		-	(279)	279
Increase / (Decrease) in receivables		-	(584)	584
Other non-cash items		-	(110)	110
Use of provision		-	9,795	(9,795)
Net cash requirement		61,821	58,940	2,881

SOPS4. Income payable to the Consolidated Fund

SOPS4.1 Analysis of income payable to the Consolidated Fund

In addition to income retained by the Department, the following income is payable to the Consolidated Fund.

	2015-16 Outturn £000		2014-15 Outturn £000	
	Income	Receipts	Income	Receipts
Income outside ambit of the Estimate	(26,552)	(27,050)	(3,051)	(2,211)
Excess cash surrenderable to the Consolidated Fund	-	-	-	-
Total payable to the Consolidated Fund	(26,552)	(27,050)	(3,051)	(2,211)

Income outside the ambit of the Estimate refers receipts from the Asset Recovery Incentivisation Scheme (ARIS) as well as Deferred Prosecution Agreements (DPA). The ARIS scheme permits investigators and prosecutors to receive a percentage of confiscated criminal assets and income from civil settlements.

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 2016 under the Government Resources and Accounts Act 2000. The Department consists of the core Department only. The financial statements comprise: the Department's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Remuneration and Staff report and the Parliamentary Accountability disclosures that is described in those reports and disclosures 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 2016 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 2016 and of the Department's 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 parts of the Remuneration and Staff report and the Parliamentary Accountability disclosures within the Accountability report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance Report and Accountability 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 returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration and Staff report and the Parliamentary Accountability disclosures within the Accountability 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

13 July 2016

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

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2016

	Note	2015-16 £000	2014-15 £000
Income			
Cost awards and other income	4	867	1,675
Consolidated fund extra receipts	4	26,552	3,051
Total operating income		27,419	4,726
Expenditure			
Staff costs	2	28,966	24,019
Purchase of goods and services	3	17,938	28,151
Accommodation	3	2,001	1,836
Depreciation and impairment charges	3	2,186	1,908
Provisions increase	3	737	14,379
Provisions not required	3	(4,541)	(31)
Other operating expenditure	3	293	60
Total operating expenditure		47,580	70,322
Net operating expenditure		20,161	65,596

The notes on page 43 to 55 form part of these accounts.

Statement of Financial Position

As at 31 March 2016

	Note	2015-16 £000	2014-15 £000
Non-current assets:			
Property, plant and equipment	5	3,676	3,517
Intangible assets	6	583	1,195
Trade and other receivables	11	54	56
Total non-current assets		4,313	4,768
Current assets:			
Trade and other receivables	11	2,362	3,445
Cash and cash equivalents	10	3,235	897
Total current assets		5,597	4,342
Total assets		9,910	9,110
Current liabilities:			
Trade and other payables	12	(8,210)	(6,093)
Provisions	13	(1,109)	(14,633)
Total current liabilities		(9,319)	(20,726)
Non-current assets plus net current assets		591	(11,616)
Non-current liabilities			
Trade and other payables	12	-	-
Provisions	13	(103)	(178)
Total non-current liabilities		(103)	(178)
Assets less liabilities		488	(11,794)
Taxpayers' equity and other reserves:			
General fund		377	(11,905)
Revaluation reserve		111	111
Total equity		488	(11,794)

David Green CB QC
Accounting Officer

12 July 2016

The notes on pages 43 to 55 form part of these accounts.

Statement of Cash Flows

For the year ended 31 March 2016

	Note	2015-16 £000	2014-15 £000
Cash flows from operating activities			
Net operating cost		(20,161)	(65,596)
Adjustments for non-cash transactions	3	(1,509)	16,316
(Increase)/Decrease in trade and other receivables <i>less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>	11	1,083	(2,306)
		-	-
Increase/(Decrease) in trade payables <i>less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>	12	2,117	1,875
		(1,942)	(1,217)
Use of provisions	13	(9,795)	(460)
Net cash outflow from operating activities		(30,207)	(51,388)
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(1,516)	(2,044)
Purchase of intangible assets	6	(168)	(192)
Net cash outflow from investing activities		(1,684)	(2,236)
Cash flows from financing activities			
From the Consolidated Fund (Supply)- current year		60,924	56,073
Advances from the Contingencies Fund		15,500	26,500
Repayments to the Contingencies Fund		(15,500)	(26,500)
Net financing		60,924	56,073
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		29,033	2,449
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		-	-
Payments of amounts due to the Consolidated Fund		(26,695)	(2,211)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		2,338	238
Cash and cash equivalents at the beginning of the period	10	897	659
Cash and cash equivalents at the end of the period	10	3,235	897

The notes on pages 43 to 55 form part of these accounts.

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2016

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2014		817	140	957
Net Parliamentary Funding		56,073	-	56,073
Net Parliamentary Funding – deemed		659	-	659
Supply payable adjustment		(897)	-	(897)
CFERS payable to the Consolidated Fund		(3,051)	-	(3,051)
Comprehensive Net Expenditure		(65,596)	-	(65,596)
Non-Cash Adjustments				
Auditor's remuneration		60	-	60
Movements in Reserves				
Transfer between reserves		30	(29)	1
Balance at 31 March 2015		(11,905)	111	(11,794)
Net Parliamentary Funding		60,924	-	60,924
Net Parliamentary Funding – deemed		897	-	897
Supply payable adjustment	12	(2,881)	-	(2,881)
CFERS payable to the Consolidated Fund	4	(26,552)	-	(26,552)
Comprehensive Net Expenditure		(20,161)	-	(20,161)
Non-Cash Adjustments				
Auditor's remuneration	3	55	-	55
Movements in Reserves				
Transfer between reserves		-	-	-
Balance at 31 March 2016		377	111	488

The notes on pages 43 to 55 form part of these accounts.

Notes to the accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2015-16 *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 and where material modified to account for the revaluation of property, plant and equipment and intangible assets at their value to the business by reference to their current costs.

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 or 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 mis-stated.

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.

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 retrospectively. 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	5-10 years
------------------------	------------

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 make provisions 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 Asset Recovery Incentivisation Scheme and Deferred Prosecution Agreements

SFO receipts from the Asset Recovery Incentivisation Scheme (ARIS) for Civil Recovery and Confiscation Orders and receipts from Deferred Prosecution Agreements (DPA) are recognised at the point that settlement is confirmed by the Courts. From April 2014 all ARIS receipts are paid to the Consolidated Fund as a Consolidated Fund Extra Receipt (CFER) and recorded as such in note 4.1 to the Statement of Parliamentary Supply. Receipts in respect of DPAs are also paid to the Consolidated Fund and accounted for as a CFER in the SoPS.

Due to the uncertainty of the DPA process and a lack of historic data to indicate the probability of a DPA being agreed the SFO does not classify DPA's in progress as contingent assets. For the purposes of the accounting treatment DPA's are recognised at the point that the agreement is approved.

1.9 Other income

Any amounts relating to other income not covered above is recognised at the point of payment and includes both budgetary and non-budgetary income. Non-budgetary income is outside the ambit of the Department and is surrenderable to the Consolidated Fund as a CFER, refer to SoPS 4.1.

1.10 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.

1.11 Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new scheme, **alpha**, was introduced with transition arrangements in place for staff who were members of the prior scheme the Principal Civil Service Pension Scheme (PCSPS). Both alpha and PCSPS schemes are unfunded and are non-contributory except in respect of dependants' benefits. The Department recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the schemes of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on alpha and the PCSPS.

1.12 Provisions – Early departure costs

Under the Civil Service Compensation Scheme rules in place until 22 December 2010 the Department was required to meet 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 provision reflects costs associated with staff who retired early prior to 22 December 2010. The provision is written off to the Statement of Comprehensive Net Expenditure, as and when the liabilities materialise.

1.13 Provisions – Legal, Leasehold and 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 HM Treasury discount rate.

1.14 Operating leases

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

1.15 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.

1.16 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.

1.17 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.

1.18 Disclosure policy on losses and special payments

Costs awarded against the SFO due to inadequacy on the part of the SFO are included within the losses and special payments note to the accounts. Cost awards against the SFO that do not fall within this category are excluded as these are within the ambit of the SFO.

1.19 Operating segments

The Department does not have any operating segments to report.

1.20 International Finance Reporting Standards issued but not yet effective

International Finance Reporting Standards 9 (financial instruments), 15 (revenue from contracts with customers) and 16 (leases) are deemed to have an impact on the SFO when these revisions come into force.

2. Staff costs

	2015-16			2014-15
	£000			£000
	Permanently employed staff	Others	Total	Total
Wages and salaries	17,028	6,991	24,019	19,790
Social security costs	1,465	-	1,465	1,295
Other pension costs	3,482	-	3,482	2,934
Sub Total	21,975	6,991	28,966	24,019
Less recoveries in respect of outward secondments	-	-	-	-
Total net costs	21,975	6,991	28,966	24,019

3. Operating costs

	Note	2015-16	2014-15
		£000	£000
Rentals under operating leases:		2,001	1,836
Non-cash items:			
Depreciation		1,382	1,104
Amortisation		804	804
Loss on disposal of property, plant, and equipment		54	-
Write-offs		184	-
Increase in provisions		737	14,379
Provisions not required written back		(4,541)	(31)
Auditors' remuneration		55	60
		(1,325)	16,316
Purchase of goods and services:			
Civil litigation		99	4,549
Counsel costs		9,632	8,248
IT costs		3,435	2,974
Other accommodation costs		1,722	1,631
Other case costs		1,200	1,014
General administration		1,540	1,657
Costs awarded against the SFO		-	7,725
Travel and subsistence		310	353
		17,938	28,151
Total		18,614	46,303

4. Income

	2015-16 £000	2014-15 £000
Costs awards	757	1,544
Other income	110	131
Total income within the ambit	867	1,675
Payable to the Consolidated Fund		
Consolidated Fund Extra Receipts	26,552	3,051
Total Income	27,419	4,726

5.1 Property, plant and equipment 2015-16

All assets are owned.

	Improvements to Leasehold Property £000	Information Technology £000	Furniture & Fittings £000	Assets under construction £000	Total £000
Cost or valuation					
At 1 April 2015	1,773	5,318	-	-	7,091
Additions	2	1,523	22	-	1,547
Disposals	-	(146)	-	-	(146)
Reclassifications	-	-	-	-	-
At 31 March 2016	1,775	6,695	22	-	8,492
Depreciation					
At 1 April 2015	780	2,794	-	-	3,574
Charged in year	517	863	2	-	1,382
Disposals	-	(140)	-	-	(140)
Reclassifications	-	-	-	-	-
At 31 March 2016	1,297	3,517	2	-	4,816
Net book value at 31 March 2016	478	3,178	20	-	3,676
Net book value at 31 March 2015	993	2,524	-	-	3,517

Reconciliation of cash flows to property, plant and equipment additions

	2015-16 £000	2014-15 £000
Total property, plant and equipment additions	1,547	2,163
Opening property, plant and equipment accrual	216	97
Closing property, plant and equipment accrual	(247)	(216)
Cash flows for property, plant and equipment additions	1,516	2,044

5.2 Property, plant and equipment 2014-15

	Improvements to Leasehold Property £000	Information Technology £000	Furniture & Fittings £000	Assets under construction £000	Total £000
Cost or valuation					
At 1 April 2014	1,668	3,260	-	-	4,928
Additions	105	2,058	-	-	2,163
Disposals	-	-	-	-	-
Reclassifications	-	-	-	-	-
At 31 March 2015	1,773	5,318	-	-	7,091
Depreciation					
At 1 April 2014	316	2,154	-	-	2,470
Charged in year	464	640	-	-	1,104
Disposals	-	-	-	-	-
Reclassifications	-	-	-	-	-
At 31 March 2015	780	2,794	-	-	3,574
Net book value at 31 March 2015	993	2,524	-	-	3,517
Net book value at 31 March 2014	1,352	1,106	-	-	2,458

6.1 Intangible assets 2015-16

	Information Technology	Software Licenses	Website Costs	Development Expenditure	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2015	3,600	963	358	30	4,951
Additions	-	231	1	8	240
Disposals	-	(60)	-	-	(60)
Reclassifications	-	-	38	(38)	-
At 31 March 2016	3,600	1,134	397	-	5,131
Amortisation					
At 1 April 2015	2,734	721	301	-	3,756
Charged in year	718	62	24	-	804
Disposals	-	(12)	-	-	(12)
Reclassifications	-	-	-	-	-
At 31 March 2016	3,452	771	325	-	4,548
Net book value at 31 March 2016	148	363	72	-	583
Net book value at 31 March 2015	866	242	57	30	1,195

Reconciliation of cash flows to intangible asset additions

	2015-16	2014-15
	£000	£000
Total intangible asset additions	240	210
Opening intangible asset accrual	18	-
Closing intangible asset accrual	(89)	(18)
Cash flows for intangible assets additions	169	192

6.2 Intangible assets 2014-15

	Information Technology	Software Licenses	Website Costs	Development Expenditure	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2014	7,570	1,189	358	76	9,193
Additions	-	194	-	16	210
Disposals	(4,032)	(420)	-	-	(4,452)
Reclassifications	62	-	-	(62)	-
At 31 March 2015	3,600	963	358	30	4,951
Amortisation					
At 1 April 2014	6,058	1,090	256	-	7,404
Charged in year	708	51	45	-	804
Disposals	(4,032)	(420)	-	-	(4,452)
Reclassifications	-	-	-	-	-
At 31 March 2015	2,734	721	301	-	3,756
Net book value at 31 March 2015	866	242	57	30	1,195
Net book value at 31 March 2014	1,512	99	102	76	1,789

7. Capital commitments and other commitments

7.1 Capital commitments

The Department has no contracted capital commitments (2014-15: £nil).

7.2 Commitments under leases

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

	2015-16 £000	2014-15 £000
Obligations under operating leases comprise:		
Buildings:		
Not later than 1 year	1,716	1,868
Later than 1 year and not later than 5 years	26	1,813
Later than 5 years	-	-
	1,742	3,681
Other:		
Not later than 1 year	74	74
Later than 1 year and not later than 5 years	50	113
Later than 5 years	-	-
	124	187

The building payments relate to two properties leased for office space and business continuity purposes:

- 2-4 Cockspur Street to 25 March 2017;
- Spring Park, Corsham, to 15 March 2018.

The properties have been assessed against IAS 17 Leases and determined as operating leases and therefore the associated commitments have been recorded in this note.

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

8. Other Financial Commitments

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

9. 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 is 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.

10. Cash and cash equivalents

	2015-16	2014-15
	£000	£000
Balance at 1 April	897	659
Net change in cash and cash equivalent balances	2,338	238
Balance at 31 March	3,235	897
The following balances at 31 March were held at:		
Government Banking Service	3,235	897
Commercial banks and cash in hand	-	-
Balance at 31 March	3,235	897

11. Trade receivables and other current assets

11(a) Due within one year

	2015-16 £000	2014-15 £000
Amounts falling due within one year:		
VAT receivable	99	68
Deposits and advances	235	227
Other receivables	122	49
Prepayments and accrued income	1300	937
Consolidated Fund extra receipts	342	840
Costs awarded to the SFO	308	1,370
Provision for bad and doubtful debt	(44)	(46)
	2,362	3,445

11(b) Due after more than one year

	2015-16 £000	2014-15 £000
Amounts falling due after more than one year:		
Costs awarded to the SFO	54	56

12. Trade payables and other current liabilities

	2015-16 £000	2014-15 £000
Amounts falling due within one year:		
VAT creditor	-	-
Trade payables	1,207	528
Accruals and deferred income	3,090	3,593
Pension providers	-	-
Non-current asset accruals	336	235
Amounts issued from the Consolidated Fund for supply but not spent at year end	2,881	897
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:		
Received	354	-
Receivable	342	840
	8,210	6,093

13. Provisions for liabilities and charges

	Early departure costs	Legal claims	Leasehold property dilapidations	Other	Total
	£000	£000	£000	£000	£000
Balance at 1 April 2015	216	14,112	110	373	14,811
Provided in the year	439	78	27	193	737
Provisions not required written back	(5)	(4,536)	-	-	(4,541)
Provisions utilised in the year	(141)	(9,654)	-	-	(9,795)
Balance at 31 March 2016	509	-	137	566	1,212
Amounts falling due within one year	406	-	137	566	1,109
Amounts falling due after one year	103	-	-	-	103
Total	509	-	137	566	1,212

13.1 Early departure costs

The provision recognised for early retirement reflects the full anticipated costs associated with staff who retired before the transition to the new Civil Service Compensation Scheme. These have not been discounted. The provision is written off to the Statement of Comprehensive Net Expenditure, as and when the liabilities materialise. It is expected that early departure payments will be incurred to 2017-18.

13.2 Leasehold property dilapidations

This provision is for the estimated costs of restoring the Cockspur Street property to a state specified within the property lease when the SFO's occupation ends in March 2017.

13.3 Legal costs

This provision reflects all known legal claims where legal advice indicates that the claim is more likely than not to be successful and the amount of the claim can be reliably estimated.

13.4 Other

Others reflects all known claims that do not fall under early departure costs, leasehold property or legal costs.

14. Related-party transactions

The SFO has had a small number of transactions with other Government Departments.

No Board member, key manager or other related party has undertaken any material transactions with the Department during the year.

15. Third party assets

The SFO manages a small number of sterling interest-bearing accounts containing seized monies. These are not SFO assets but are held as part of the SFO'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 2016 was £49,978 (2014-15: £nil).

16. Events after the reporting period

The result of the referendum held on 23 June was in favour of the UK leaving the European Union. This is a non adjusting event. A reasonable estimate of the financial effect of this event cannot be made.

On 8 July the SFO's application for a Deferred Prosecution Agreement was approved by Lord Justice Leveson at Southwark Crown Court, sitting at the Royal Courts of Justice. As a result of the DPA the company will pay financial orders of £6,553,085, comprised of a £6,201,085 disgorgement of gross profits and a £352,000 financial penalty. This is a non-adjusting event as set out in International Accounting Standard 10.

The financial statements were approved by the Accounting Officer for issue on the date they were certified by the Comptroller and Auditor General.

Sustainability Report

Greening Government

The Serious Fraud Office is committed to improve sustainability and is working towards meeting the Greening Government Commitment (GGC) targets which came into force on 1 April 2011 baselined against performance in 2009-10.

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

- Reduce greenhouse gas emissions by 25% from a 2009-10 baseline from the whole estate and business related transport:
- Reduce waste generated by 25% from a 2009-10 baseline:
- Reduce water consumption from a 2009-10 baseline:
- Ensure procurement of sustainable and efficient products whilst reducing the impact of the supply chain.

Area		2015-16 Performance		2014-15
		2015 - 16	Target	
Greenhouse Gas emissions (Scopes 1, 2 & 3 business travel including air and rail travel)		638 (tCO ₂ e)	1,367 (tCO ₂ e)	724 (tCO ₂ e)
Estate Energy	Consumption	1,622k kWh	-	1,461k kWh
	Expenditure	£113k	-	£121k
Estate Waste	Amount	41 tonnes	63 tonnes	43 tonnes
	Expenditure	£7.5k	-	£7.5k
Estate Water	Consumption	5,485m ³	4,467 m ³	3,985m ³
	Expenditure	£9k	-	£6k

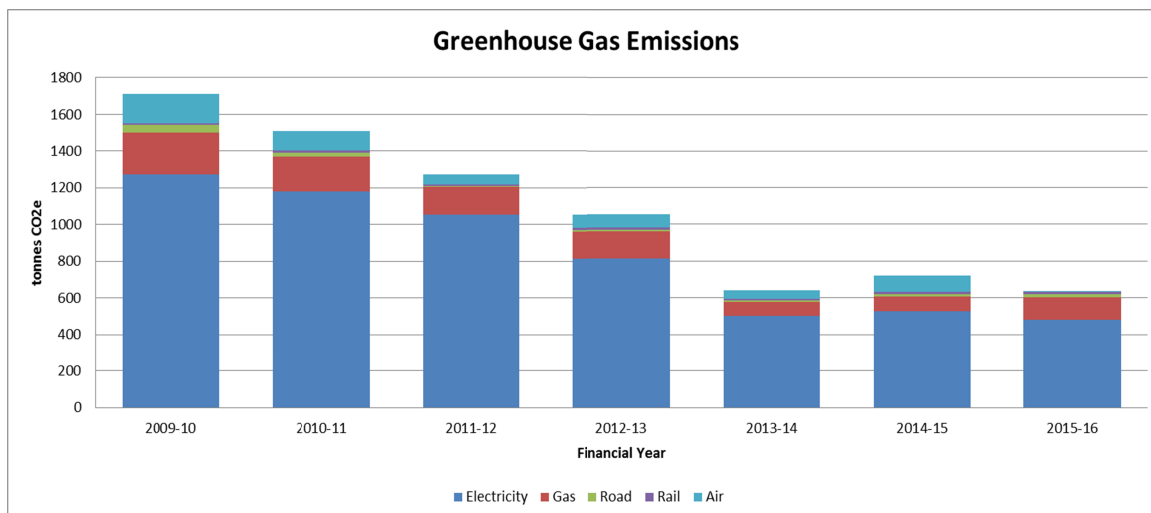
For 2015-16 Greenhouse Gas emissions are below the target by 53%, a further 6% reduction on 2014-15. Estate Consumption has increased by 11% while Estate Waste for is 35% below target, a further 3% reduction 2014-15.

Water usage is 23% above target due to an increase in staffing numbers and the Canadian High Commission taking full occupancy of their area of the building during the year.

Green House 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.



Greenhouse Gas Emissions		2009-10	2012-13	2013-14	2014-15	2015-16
Non-financial indicators (tCO ₂ e)	Total Gross Emissions for Scopes 1 & 2	1,409	901	537	568	567
	Total Net Emission for Scopes 1 & 2	1,409	901	537	568	567
	Gross Emissions Scope 3 Business Travel	209	94	67	113	34
	Other Scope 3 Emissions Measured	93	59	40	42	37
Related Energy Consumption (kWh,000s)	Electricity: Non Renewable	2,220	1,414	1,041	1,003	963
	Electricity: Renewable	166	72	0	0	0
	Gas	1,254	795	401	458	660
Financial Indicators (£k)	Expenditure on Energy	309	218	161	121	113
	CRC Licence Expenditure	0	0.07	0	0	0
	Expenditure on Accredited Offsets	0	0	0	0	0
	Expenditure on Official Business Travel	303	115	154	220	95

In line with the requirements given in [Public sector annual reports: sustainability reporting guidance 2015-16](#) international air travel is not included in our business travel reporting.

Combined energy consumption has increased by 161k (kWh) on 2014-15 levels. During 2014-15 the building was under renovation and no gas supply was available between May and September of that year, figures for 2015-16 show the usage for the full reporting year. Electricity consumption has reduced due to improvements to automated lighting systems.

Domestic flights

The number of domestic flights taken by SFO staff on official business has fallen from 99 in 2009-10 to 66 in 2015-16 (82 in 2014-15) against a target of 85. This area of expenditure is demand led and a direct result of operational case requirements.

Waste minimisation and management

The target is to reduce waste generated by 25% from a 2009-10 baseline. The SFO operates in a flexible working environment where waste is collected at central points on each floor encouraging recycling and an overall reduction in the volume of waste.

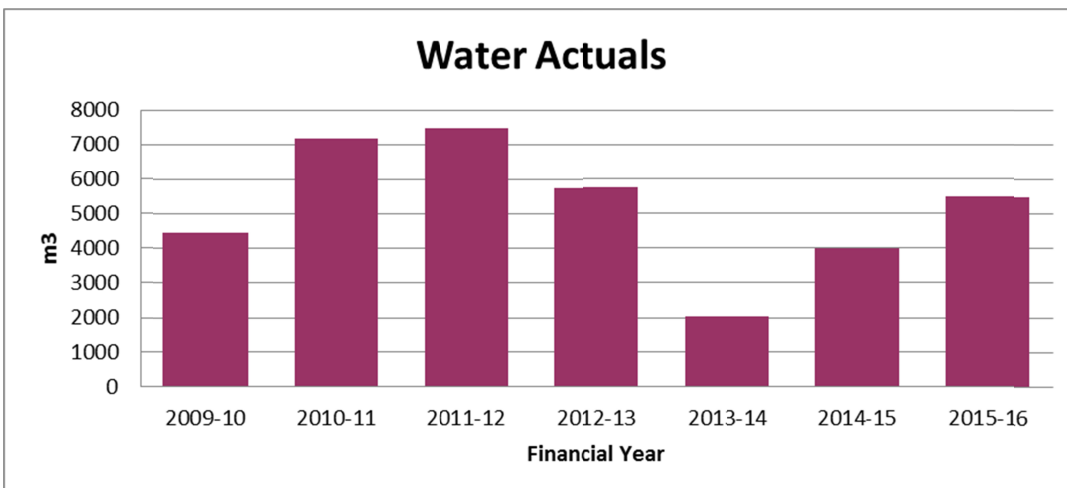
During the year the SFO utilised the “Closed Loop Procedure” for purchasing paper and any IT equipment is disposed of under the WEEE Directive.



			2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Weight (t)	Non Hazardous Waste	Landfill	40	38	22	35	36	18	17
		Reused/Recycled	39	44	39	101	14.5	26	24
		Incinerated/Energy from waste	0	0	6	0	0	0	0
Cost (£k)	Non Hazardous Waste	Landfill	18	15	11	12	11	4.5	4.5
		Reused/Recycled	31	20	19	32	2	3	3
		Incinerated/Energy from waste	0	0	0	0	0	0	0

The SFO has an informal working group looking at green issues. Recent initiatives have included increasing the recycling waste bins and encouraging reuse.

Finite resource consumption



Finite Resource Consumption		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Non-financial indicators (m ³)	Water Consumption	4,467	7,187	7,476	5,747	2,054	3,985	5,485
Financial Indicators (£k)	Water Supply Costs	3	5	6	6	18	6	9

The Greening Government target is to ensure that water consumption is reduced from 2009-10 to 2015-16 although no specific target has been set for this, unlike waste and greenhouse gas emissions.

Climate change adaptation

The SFO has a business continuity plan that we can invoke if required, in response to the impact of any climate change either nationally or globally.

Sustainable 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.

Notes:

1. Figures have been presented using the 2015-16 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.

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