
Serious Fraud Office

Annual Report and Accounts
2017-18

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Annual Report and Accounts
2017-18
(For the year ended 31 March 2018)

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Government Resources and Accounts Act 2000

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Performance Report

Statement from the Interim Director

I present the Annual Report for the Serious Fraud Office for the reporting year 2017-18.

It has been a significant year for the Serious Fraud Office (SFO). Key events and milestones include the departure of Sir David Green CB QC as Director in April 2018, the introduction of Unexplained Wealth Orders, the announcement of the creation of the National Economic Crime Centre and the signing of the SFO's fourth Deferred Prosecution Agreement. Through all of these developments, the SFO has remained committed to its core focus of reducing the harm caused by high level economic crime and preserving the reputation of the UK as a safe place to do business.

The SFO opened seven new criminal investigations during the year. Those investigations included suspected criminal activity by major organisations such as Chemring Group Plc, which provides products and services to the aerospace, defence and security markets, and Amec Foster Wheeler Plc, a multi-national consultancy, engineering and project management company, among others who cannot be named while our investigations proceed.

We have charged four companies and 24 individuals in eight different cases this year. For example, the second phase of our investigation into F.H. Bertling Ltd saw further charges of conspiracy to make corrupt payments brought against seven individuals along with the company itself.

Last year, the Director drew attention to the complexity of the SFO's cases by highlighting that more than two million documents were processed on average each month. Since then, that has increased substantially and we are now processing in excess of six million documents on average each month. We have introduced a new document review system with advanced analytical and artificial intelligence capabilities which will help our case teams deal with this influx of material. We have also approved a range of measures to enhance our digital forensic capabilities. Our capability to analyse and review information is a key factor in ensuring we keep pace with the innovations of criminals and the general growth in the amount of data that our investigations routinely encounter.

Early in the year, the SFO was party to its fourth Deferred Prosecution Agreement (DPA), which was agreed with Tesco Stores Ltd. The company agreed, under the DPA approved by the Court, to a financial penalty of £129m plus costs.

Due to the relatively small number of trials that the SFO brings to court, our conviction rates can potentially vary quite widely. This year, ten of 13 defendants were convicted, giving a conviction rate of 76.9% by defendant. Four of the five cases that we prosecuted were successful, giving a conviction rate of 80% by case.

The work of the SFO does not end with a conviction, and our Proceeds of Crime and International Assistance Division continues to ensure that the defendants in our cases do not profit from the crimes they commit. This year, we obtained a Civil Recovery Order of £4.4m and recovered over £419,000 of illegally obtained funds through the enforcement of confiscation orders. This work remains an important focus for the SFO and I very much welcome the introduction of Unexplained Wealth Orders in January this year.

These orders include provision to compel those involved in serious crime who hold property worth more than £50,000 to explain how they acquired their assets if it is reasonable to suspect that their legitimate income would not afford them. This is a powerful tool for the SFO because, where a defendant cannot provide an explanation for their wealth, there is now a presumption that it was the product of a crime and we can recover it.

The SFO has participated in the work to create the National Economic Crime Centre (NECC), which is due to be fully operational by January 2019. The aim of the NECC is to maximise the value of intelligence, tasking and coordination to achieve the greatest impact possible for the UK's operational response to economic crime. This year we have worked closely with the National Crime Agency and partners across the law enforcement community to develop a shared understanding of the threat the UK faces and agree a prioritisation mechanism.

Looking ahead, Lisa Osofsky has been appointed as the new Director of the SFO. She will begin her tenure on 28 August 2018 for a term of five years. I look forward to welcoming her and working with her when she takes over the leadership of the SFO.

Finally, I would like to take a moment to reflect on the tenure of my predecessor Sir David Green CB QC, who was appointed Director of the SFO in April 2012 and stood down in April this year. Sir David's leadership had a transformative effect on the organisation, embedding a renewed focus on the SFO's core mission of reducing the harm caused by economic crime and preserving the reputation of the UK as a safe place to do business. Of the 47 cases we prosecuted during his tenure, 39 were successful – an impressive overall case conviction rate of 83%. He has left the SFO stronger and better prepared for the challenges of the future.

Mark Thompson
Interim Director
Serious Fraud Office

11 July 2018

Statement of Purpose and Activities

The Serious Fraud Office (SFO) is a small independent non-ministerial Government department under the superintendence of the Attorney General. It was established by the Criminal Justice Act (CJA) 1987 and commenced operations in 1988. It is part of the UK criminal justice system covering England, Wales and Northern Ireland, but not Scotland, the Isle of Man or the Channel Islands.

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 has five strategic objectives:

- investigate and, where appropriate, prosecute serious or complex fraud, bribery and corruption cases fairly and effectively;
- recover the proceeds of serious or complex fraud, bribery and corruption fairly and effectively;
- develop, and strengthen, constructive relationships with partners both in the UK and internationally;
- build and maintain an effective workforce, treating our staff fairly and with respect and dignity; and,
- provide value for money in everything we do.

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 strategic risks at 31 March 2018 were:

- the undermining of cases by internal and external threat actors;
- cyber-attack leading to data loss or compromising of investigations;
- data loss leading to reputational and/or financial damage and distress to information owners and others affected by any loss;
- delays to case progression arising from the effect of processing an increasing and/or unpredictable quantity of seized digital material (new for 2017-18);

- poor information management leading to a lack of compliance with legislation and/or regulations, and ineffective management of cases;
- insufficient business continuity planning leading to a lack of adequate facilities, including data centre IT equipment, in the event of an incident;
- a loss of access to EU measures and tools arising from Brexit leading to an adverse effect on investigations and prosecutions (new for 2017-18);
- reduced effectiveness of security arrangements arising from the transition to the central clustering of departmental security services (new for 2017-18);
- insufficient resources leading to an adverse effect on operational and business delivery; and,
- investigations and prosecutions are adversely affected by failure to secure full assistance from external partners and stakeholders (new for 2017-18).

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, as amended in March 2018, 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

This was another strong year for our casework results. Ten defendants were convicted in four cases, giving conviction rates by defendant of 76.9%¹ and by case of 80%.

We continue to build on the successes we have had in using our power to obtain Deferred Prosecution Agreements (DPA's). We secured one DPA in 2017-18 with Tesco Stores Ltd where the company agreed to a financial penalty of £129m plus costs.

Our proceeds of crime work resulted in the obtaining of a Civil Recovery Order of £4.4m and the recovery of £419,743 from the enforcement of confiscation orders.

In delivering value for money, our outcomes this year have enabled us to achieve a positive net financial impact of £460.5m over the four years covering 2014-15 to 2017-18.

The SFO works closely with overseas law enforcement agencies, prosecutors and regulators in nearly all its cases. This year, we received 31 requests for mutual legal assistance and European Investigation Orders (EIO's) from our overseas partners, and we ourselves issued 66 Letters of Request and EIO's.

Performance Analysis

Our casework

The Director accepted seven new cases for investigation this year, bringing the SFO's total caseload to around 75 cases. We charged 28 defendants and closed three investigations without charge. 46 defendants were awaiting trial at the end of the year.

Of the 13 prosecutions that reached a conclusion this year, ten defendants were convicted. This resulted in conviction rates of 76.9% by defendant and 80% by case. Some of the highlights from these convictions are as follows:

¹ For 2016-17, we reported a conviction rate by defendant of 87%. This is restated as 89.5%.

- Our investigation into F. H. Bertling concerned corrupt payments made to an agent of the Angolan state oil company, Sonangol, in relation to F.H Bertling's freight forwarding business in Angola. This included a contract worth approximately \$20 million, as well as corrupt practices in relation to the award and retention of contracts for the supply of freight forwarding services to a North Sea oil exploration project known as Jasmine. Stephen Emler, Christopher Lane and the company itself were convicted of conspiracy to make corrupt payments, contrary to Section 1 of the Criminal Law Act 1977.
- Our case against Luis Michael Training focused on a 16 month period in which the company obtained around £5m of public money by falsely claiming to have delivered apprenticeship training to young people. Keith Williams, Mark Aizlewood, Paul Sugrue and Jack Harper were convicted of various offences concerning conspiracy to commit fraud by false representation.
- Our investigation into allegations of attempts by traders and submitters at Deutsche Bank and Barclays Bank to manipulate the rate at which the Euro Interbank Offered Rate (Euribor) was set, saw the conviction of Christian Bittar, who pleaded guilty to conspiracy to defraud.

Over the last four years (2014 – 2018), our conviction rate by defendant was 68.9% and 83.3% by case. Due to the relatively small number of cases the SFO takes on each year, our conviction rates are subject to significant fluctuation.

Proceeds of crime and international assistance

The SFO continues to recover the proceeds of crime mainly using the powers in the Proceeds of Crime Act 2002 (POCA). A number of amendments to this Act came into force on 31 January 2018 providing the SFO with additional tools to help combat illicit finance. They included Unexplained Wealth Orders, Account Forfeiture Orders and the extension of POCA powers to 'SFO officers'.

The specialist Proceeds of Crime and International Assistance 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 24 individuals or companies.

This year, we obtained two confiscation orders with a combined value of £275,891. We also recovered £419,743 by enforcing confiscation orders previously obtained and secured the activation of four default terms of imprisonment for non-payment.

Among our other achievements, we obtained:

- one Civil Recovery Order of £4.4m;
- five orders that restrained or froze assets;
- one cash seizure with £20,000 forfeited; and
- four cash detentions totalling £110,750.

Our International Assistance team received 31 Mutual Legal Assistance requests and European Investigation Orders (EIO's) and, on behalf of the criminal case teams, issued 66 Letters of Request and EIO's.

Casework quality

The Case Evaluation Board (CEB), coupled with Case Review Panels (CRP), formed the main elements of a robust quality assurance control process. Towards the end of the year, a process of peer review was introduced to provide further assurance in relation to the investigation stage of our cases.

The CEB enables the Director to make an informed decision based on its recommendation to initiate or decline an investigation. It meets periodically, depending upon the intelligence pipeline, and reports to the Director. Core members are the General Counsel, Chief Investigator and an appropriate member of the Intelligence Unit.

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 and resource implications; and,
- where appropriate, considers potential cases in the context of the Government's strategic approach to economic crime.

CRP's are held several times a month and the Director is kept informed of their outcomes. The Panel comprises General Counsel, the Chief Investigator, the relevant Head of Division and appropriate members of the relevant case team. The Director may also attend at his discretion.

CRP's ensure that a level of appropriate scrutiny and challenge is given to every case by reviewing:

- case progress against case strategy;
- casework risks together with plans to mitigate them; and,
- value for money issues.

The frequency of CRP's 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.

Towards the end of the year, we introduced a process of Peer Review to provide General Counsel and the Chief Investigator with an analysis of our approach to investigations. These reviews highlight areas for improvement and identify where good practice can be shared across all case teams.

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 SFO's Operational Handbook also provides the vehicle to ensure that we operate consistently and follow best practice.

Stakeholder engagement and contributions to cross-Whitehall policy development

The SFO's relationship with UK and International partners is well-established and is constructive at both strategic and operational levels. Over the last year, the SFO has continued to develop and strengthen relationships with partners, seeking opportunities for closer collaboration and to build on our strong international reputation.

Illicit finance continues to be a topic of national and international concern. In recognition of the need to understand and mitigate its impact on the UK, the SFO provided detailed evidence to inform the National Risk Assessment of Money Laundering, published in October 2017. In support of the Financial Action Taskforce Mutual Evaluation Review of the UK's effectiveness in tackling money laundering, the SFO contributed data, evidence and case studies to the HM Treasury-led preparations. In March 2018, the SFO played an active role with other partners in representing the UK Law enforcement position during the onsite visit.

The SFO was closely involved in the drafting and formation of the UK Government's first Anti-Corruption strategy, published in December 2017, which represented a significant piece of cross government collaboration. As part of the strategy, the SFO led on a refresh of the Tackling Foreign Bribery Memorandum of Understanding (MoU), which has now been agreed by a wide number of UK law enforcement and regulatory partners. The MoU sets out the mechanisms by which the participants will co-ordinate the UK's response to foreign bribery, and outlines the foreign bribery remit and focus of each participant.

As part of the strategy, the SFO also led on the drafting and agreement of General Principles to compensate overseas victims (including affected States) in bribery, corruption and economic crime cases. The principles are designed to ensure that, in appropriate cases, overseas victims who have suffered the consequences of corruption, benefit from law enforcement action in the UK, and that redress is made safely, fairly and transparently. In line with this commitment, the SFO applied these

principles when it successfully made restitution of monies obtained in a recent Civil Recovery Order. As a result, £4.4m will be returned to the people of Chad through a World Bank humanitarian project.

The SFO continues to contribute in full to the Government's response to serious, organised crime and participated in the Home Office-led National Security Capability Review of Serious and Organised Crime (SOC) and the ongoing refresh of the UK's SOC strategy.

A significant piece of work this year was the SFO contribution to the Cabinet Office-led examination of the UK's effectiveness in tackling economic crime. As a result of this review, the Home Secretary announced a series of measures in December 2017 including the creation of the National Economic Crime Centre (NECC). This multi-agency centre will plan, task and coordinate operational responses across agencies bringing together the UK's capabilities to tackle economic crime more effectively. The SFO has embraced the opportunity to work with law enforcement partners in the design of the NECC and this will build on the SFO's ongoing participation in, and contribution to, various cross-Government threat, delivery and working groups and regular bilateral liaison meetings at both senior and operational levels.

Recognising the transnational nature of serious organised crime, the SFO is committed to joint working with International partners. The SFO implemented new processes for engaging with European partners via the European Investigation Order and worked with Government, Crown Dependencies and British Overseas Territories partners in order to achieve enhanced access to information from their beneficial ownership registers. The SFO has also contributed to the shaping of the draft legislation underpinning the UK-US Data Sharing Agreement.

The SFO has a strong commitment to supporting government priorities in relation to international multi-agency engagement. This is reflected most prominently in the SFO's engagement with the Organisation for Economic Co-operation and Development's (OECD) Working Group on Bribery. The SFO's Director completed his chairmanship of the Working Group's Informal Meeting of Law Enforcement Officials and, in August 2017, the Director personally supported an OECD capability programme enabling Argentina to introduce a corporate liability regime in relation to bribery. This involved attending high-level meetings organised by the Argentine Anti-Corruption Commission in Buenos Aires and sharing the SFO's experience and expertise with senior politicians, officials and legislators. The SFO also supported the OECD in preparations for the second meeting of the Global Network of Law Enforcement Practitioners (GLEN) against Transnational Bribery in June 2017. The meeting focussed broadly on international cooperation including sessions on mutual legal assistance and interactive case studies.

The SFO worked closely with the Home Office Joint Anti-Corruption Unit in relation to the preparations for the Global Forum on Asset Recovery (GFAR), co-hosted by the UK and US in Washington in December 2017 and attended by a representative from the SFO. In support of the Stolen Asset Recovery Initiative, a partnership between the World Bank Group and the United Nations Office on Drugs and Crime, an SFO officer delivered training in Sri Lanka to senior law enforcement, legal, and government representatives aimed at building capacity to successfully investigate and prosecute cases with international reach.

Furthering its association with the Economic Crime Agencies Network, the SFO attended the 6th annual meeting in Indonesia in March 2018. The theme of the meeting was the Investigation and Prosecution of Corporates and was attended by partner agencies from Indonesia, Malaysia, Hong Kong, Singapore, USA, Australia and New Zealand as well as the European Anti-Fraud Office, OLAF. A prosecutor from the Attorney General's Chambers in Singapore completed an eight-week secondment with the SFO to gain experience and a better understanding of how the SFO investigates and prosecutes its cases.

The SFO continues to play a significant role, alongside other criminal justice and law enforcement partners, in preparations and contingency planning for the UK's exit from Europe, providing evidence and data to inform the UK's negotiating position in these areas.

The SFO is committed to supporting new legislative developments. Several new pieces of legislation of relevance to the work of the SFO came into force this year. The SFO worked on implementation plans with HM Revenue and Customs and the Home Office for the new Criminal Finances Act 2017

offence of failure to prevent the criminal facilitation of tax evasion which came into force on 30 September 2017. The SFO also contributed to the formulation of the associated Criminal Procedure Rules through the Criminal Procedure Rules Committee as well as contributing to draft legislation and associated policy papers, which was completed in July 2017.

The SFO collaborated across Government and with other agencies on work to implement new provisions on pre-charge police bail and the EU Directive concerning European Investigation Orders and managing their impact on the work of the SFO. In response to the Ministry of Justice's call for evidence on changing the law on corporate criminal liability, the SFO provided a detailed submission drawing on its specialist expertise and extensive experience, and invited the Law Commission to include this and other topics of SFO interest in their 13th Programme of Law Reform.

Digital and technological capability

Technology is at the heart of the SFO's business, and our operational teams rely on a range of business critical systems which allow us to investigate and prosecute our cases efficiently and effectively.

We work on some of the most complex and data-heavy cases, and the amount of data in our cases continues to grow exponentially. At the beginning of the financial year, our Digital Forensic Unit (DFU) was processing and releasing 2.5 million documents per month to our case teams. By the end of the second quarter, that had doubled to 5 million per month. By the end of the third quarter, that had doubled again to 10 million per month. Because of this, we have taken steps to ensure we are able to deal with this influx, both in the medium and long term. Our Board approved an increase in the budget for this area which has allowed us to physically increase the size of our forensic lab, and effectively double our headcount in this area, which should help meet the demands we are facing. In addition, we have invested in a range of new systems which allow us to access and extract material from the latest devices.

Once processed by our DFU, this data is then ingested into our eDiscovery platform, which our operational divisions use to review evidence electronically. The growth in data is also clearly apparent here: in the last reporting period, the largest case on this system held just over 30 million documents, and that has now been overtaken by another case with more than 50 million documents.

We have just launched our new eDiscovery platform, which is available for new cases, and the majority of our existing cases will be migrated to it during the 2018-19 year. This is the largest project the SFO has undertaken to date, and we have passed this major milestone while remaining within the original project budget. This new platform will build on the success of the LPP robot which we first deployed in the Rolls Royce case, and the advanced analytical functions and the wider Technology Assisted Review tools in this system will form a key part of our investigative process in the future. This investment and adoption of new and advanced technology based on Artificial Intelligence and Machine Learning will allow us to take a more targeted approach to our investigations, enable us to reach charging decisions sooner, and help ensure the SFO continues to operate as efficiently and effectively as possible.

We are also undertaking an ambitious Information Management programme, looking at how we manage our operational and corporate data, which is seeking to create efficiencies in our internal processes wherever possible, and ensure we are compliant with the Public Records Act, the General Data Protection Regulation (GDPR), and other relevant legislation.

Our people

The SFO strives to be an employer of choice with effective, highly skilled, capable and motivated employees. Our approach to building and maintaining an effective workforce, and treating our people fairly and with respect and dignity, is measured to an extent through our participation in the Civil Service People Survey. We have continued to improve year-on-year since 2012-13. In 2017, our engagement score was 67%, compared to 65% in 2015, with encouraging upward trends in many areas.

All civil servants are entitled to five days of learning and development each year. During 2017-18, SFO staff undertook 2,997 days of training which equates to an average of 7.5 days per person.

As part of our commitment to developing our people, we:

- continued to develop investigative skills by working alongside the College of Policing in delivering an Investigation Training Programme and introducing a new programme for Leading Complex Investigations that reflects authorised professional practice;
- continued to offer a sandwich placement programme for digital forensics students;
- continued to encourage staff in their personal development through the provision of support for obtaining professional qualifications where it relates to the business needs of the SFO;
- introduced a performance management training programme for all Band A and Band B staff which will be rolled-out to more junior managers in 2018-19; and,
- launched a Talent Management Programme, initially for Band A staff, but which will be rolled-out to all staff during 2018-19.

We have a formal consultation framework with three recognised Trade Unions: the First Division Association (FDA); Prospect; and, the Public and Commercial Services Union (PCS).

A total of 12 staff across all grades from Band D to SCS1 took voluntary exit in 2017-18. The costs of these exits are disclosed within the remuneration section of the Accountability Report.

The 2017-18 pay award was delivered on the basis of a performance matrix enabling top performing staff to move up the pay bands more quickly than other colleagues.

Financial performance

The SFO's Resource DEL outturn for the year totals £55.6m against a voted limit of £58.6m, an underspend of £3.0m. Capital DEL was underspent by £0.2m while AME was underspent by £1.0m. Expenditure within ring fenced depreciation was £1.3m lower than the estimate while non-ring fenced DEL outturn was £1.7m or just under 3% of non-ring fenced expenditure. Due to its unpredictable nature it is very difficult to estimate spend within AME and in this instance the underspend is wholly related to the lack of significant new provisions in year and the clearance of the Early Departure provision.

The 2015 Spending Review, as amended in March 2018, 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 year by year basis.

The increase in Resource DEL funding from the £35.7m agreed at the 2015 Spending Review to the final funding total for the year of £58.6m was a result of additional Reserve financing agreed with HM Treasury. During the year the SFO called on a Contingencies Fund Advance of £9.5m which was repaid following publication of the 2018 Supplementary Estimate.

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**.

Mark Thompson
Accounting Officer

11 July 2018

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, including the former Management 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, page 51, confirms that no member of the Board, including non-executive directors, has any related-party interests.

EU withdrawal

On 29 March 2017, the UK Government submitted its notification to leave the EU in accordance with Article 50. The triggering of Article 50 starts a two-year negotiation process between the UK and the EU. The SFO is not in receipt of EU funding nor does it manage any EU projects. Any subsequent changes or impacts on the SFO's work with European Investigation Orders and Eurojust is subject to the outcome of the negotiations.

Personal data related incidents

In 2017-18 there were no incidents reportable to the Information Commissioner's Office (ICO). There were 21 minor (non-reportable) data related incidents recorded.

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 2017-18 was £50,000, (2016-17: £50,000), and £5,000 (2016-17: £10,000) for the audit of the Trust Statement.

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.

Mark Thompson
Accounting Officer

11 July 2018

Governance Statement

Scope of responsibility

This statement covers the SFO's governance arrangements for the year ended 31 March 2018 for both the Departmental Resource Accounts and the SFO's Trust Statement at page 56.

The Director is responsible for the discharge of the organisation's functions through the SFO's Board, Executive Group, Audit & Risk Committee and other supporting governance forums. He is supported by the SFO's General Counsel, who has direct responsibility for overseeing the operational work of the organisation, and the Chief Operating Officer, who has responsibility for the organisation's corporate functions, including Finance, IT and Human Resources.

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.

The three main governance forums are the Board, the Executive Group and the Audit and Risk Committee. There are also two committees which support the Executive Group. Alongside this, there are a number of supporting working groups, all of which feed into the work and responsibilities of at least one of the main Governance forums.

In accordance with superintendence arrangements, the Director meets the Attorney General regularly to discuss progress, key risks and issues arising.

Committee structure

The membership of the Board, Executive Group and Audit and Risk Committee are set out in the tables below, and their purpose and arrangement in the succeeding sections.

Members	The Board	Executive Group (EG)
Sir David Green CB QC Director	Chair Attended 6 of 6	Chair Attended 5 of 8
Simon Duckworth OBE DL Non-Executive Director	Attended 6 of 6	Attended 6 of 8
Tony Osbaldiston Non-Executive Director	Attended 6 of 6	Attended 6 of 8
Ruth Evans Non-Executive Director	Attended 5 of 6	Attended 3 of 8
Alun Milford General Counsel	Attended 4 of 6	Attended 7 of 8
Mark Thompson Chief Operating Officer	Attended 6 of 6	Attended 7 of 8
Elizabeth Baker Head of Proceeds of Crime		Attended 4 of 8

John Carroll Head of Strategy & Policy Division		Attended 6 of 8
Kevin Davis Chief Investigator		Attended 6 of 8
Ben Denison Chief Technology Officer		Attended 7 of 8
Matthew Wagstaff Head of Operational Division		Attended 7 of 8
Ben Morgan Head of Operational Division		Attended 2 of 3
Clare Whitaker Head of Operational Division		Attended 5 of 8
Hannah von Dadelszen Head of Operational Division		Attended 8 of 8
Camilla De Silva Head of Operational Division		Attended 5 of 6

Members	Audit and Risk Committee
Tony Osbaldiston Non-Executive Director	Chair Attended 3 of 3
Simon Duckworth OBE DL Non-Executive Director	Attended 3 of 3
Ruth Evans Non-Executive Director	Attended 1 of 3

The Board

The Director chairs the Board which aims to meet six times per annum. Membership comprises General Counsel, the Chief Operating Officer and the three non-executive Directors. The Board is the SFO's principal forum that sets the strategic direction and provides the senior leadership for both the corporate and operational functions of the SFO. Through membership of its three non-executive Directors, it seeks to provide independent scrutiny and challenge to SFO business delivery processes. The Board specifically:

- sets the priorities for the SFO's Strategic Plan;
- sets the SFO's vision, direction and values;
- provides effective challenge to the Executive Group, as appropriate, and holds senior staff to account for operational delivery;
- oversees SFO Performance (immediate and future objectives);
- considers ways to improve performance (value for money);
- provides leadership to ensure strategic and operational functions are effective, efficient and delivered in an ethical manner;
- sets the priorities for strategic engagement with the SFO's partners and stakeholders in the form of an Engagement Strategy; and,
- monitors the SFO's external reputation and brand, and its relationships with key stakeholders.

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.

Executive group

Under delegated authority from the Board, the Executive Group is responsible for overseeing the SFO's overall performance and delivery against its stated objectives. It is chaired by the Director and is comprised of General Counsel, the Chief Operating Officer, and all senior civil servants at SCS1 level (operational and corporate). It is also attended by the Heads of Finance, HR, Communications and Governance and Private Office. The Executive Group aims to meet on a minimum of eight occasions per annum. It is the principal decision-making body which delivers the Board's vision through the annual Business Plan and oversees operational delivery of the business. To support that delivery the People and Culture Committee and the Strategy and Engagement Committee have delegated responsibility to develop policies and ideas on behalf of the Executive Group, make recommendations and implement those decisions that are relevant to that committee.

The Executive Group:

- provides assurance to the Board on implementation of the SFO's Strategic Plan;
- reviews, challenges and scrutinises performance against the SFO's Business Plan;
- sets corporate governance and assurance arrangements;
- sets the risk appetite ensuring that controls are in place to identify, manage and monitor strategic risks to which the organisation may be exposed, and provides assurance to the Board on the management of risk;
- ensures the SFO's core values are embedded within the culture of the organisation;
- ensures sound financial management and scrutiny to achieve business objectives;
- provides approval for large SFO projects and programmes;
- ensures Talent Management and succession plans are in place;
- monitors delivery of Equality and Diversity Strategy and objectives; and,
- oversees key infrastructure matters (accommodation / IT investment strategy).

The Executive Group 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 Executive Group may meet to discuss important issues that could affect the SFO's strategy, results or performance.

Staff are routinely encouraged to attend Executive Group meetings as observers which brings transparency to the function of the meetings and the way in which decisions are made at a corporate level.

Executive group committees

The two Executive Group committees are:

- **Strategy and engagement** – under delegated authority from the Executive Group, the Strategy and Engagement Committee is responsible for developing and maintaining constructive relationships with all external partners reinforcing the SFO's reputation as a single focus specialist investigative and prosecuting authority tackling the top level of serious or complex fraud, bribery and corruption.

- **People and culture** – under delegated authority from the Executive Group, the People and Culture Committee is responsible for developing strategies and policies to foster an inclusive workplace for all its people supported by the Diversity Champion, and consider and advise on matters affecting its people.

Audit and risk committee

The Committee is chaired by a non-executive Director (NED) and meetings are attended by all current NEDs who are standing members. Others who attended by invitation throughout the year included the Chief Operating Officer, the Chief Technology Officer, the Head of Strategy & Policy, the Head of Finance and the Senior Information Risk Information Owner (SIRO). Representatives from the SFO's Internal Audit function and the National Audit Office also attended, providing the Committee with the independence it needs to discharge its responsibilities appropriately.

The Committee is a peer group to the Executive Group and supports the Director in his role as Accounting Officer. It reviews and assesses the reliability of the assurances that the Director and Executive Group 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 and management procedures, and internal control systems which are overseen by the Risk Management Group.

Risk management group

The Risk Management Group (RMG) is chaired by the Chief Operating Officer. Working with the Executive Group and Audit and Risk Committee, the RMG coordinates and guides risk management across the SFO, implementing change when required. The Group considers the SFO's risk appetite and adequacy of its risk assessment and management procedures as well as internal control systems. It is responsible for ensuring that the SFO's Strategic Risk Register is up-to-date and accurately reflects the risks faced by the organisation.

Other committees

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. The Heads of Communications and Governance and Private Office also attend. The SCSG is the principal forum for handling the SFO's day-to-day management decisions.

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. It 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)

CRP's are held several times a month and the Director is kept informed of their outcomes. Panels comprise General Counsel, the Chief Investigator, the relevant Head of Division and appropriate members of the relevant case team. The Director may also attend at his discretion.

CRP's ensure 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.

Strategic and Tactical Tasking and Co-ordination Group (STT&G)

The Strategic Tasking and Coordination Group is chaired by the Chief Investigator and meets quarterly or more frequently should operational circumstances dictate. It provides a governance process that enables senior managers to consider operational priorities and the prioritisation and alignment of resources to meet agreed objectives. The Group also considers operational priorities set out in the Strategic Assessment, the Control Strategy and SFO intelligence requirements. Group membership includes the General Counsel, Heads of Division and the Head of Intelligence.

Resourcing Steering Group (RSG)

The RSG supports the Executive Group in delivering a strategic and consistent approach to resourcing. It equips the SFO to deliver its objectives through the effective prioritisation of recruitment and by ensuring a coordinated approach to identifying resourcing requirements. RSG members ensure that the collective views of the Executive Group are represented, and where appropriate, take decisions on the Executive Group's behalf.

Other working groups

The work of the Executive Group and its committees is 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, training, evidence handling, the SFO's digital review system, community engagement and charities and victims and witnesses.

Risk management

The SFO has a multi-layered approach to identifying and managing potential risks to the organisation. Its strategy is to identify and counter risks based on clear senior management leadership and responsibility and delegating authority to appropriate levels. Each Head of Division is accountable for risk and risk mitigation in their respective divisions.

Risks are monitored and reviewed within the SFO by various different Groups and Committees. The Executive Group leads on the SFO's approach to risk and its committee, the Risk Management Group, provides advice and guidance to risk owners and an assurance to the Board and the Audit & Risk Committee on risk governance. The Executive Group works with the Audit and Risk Committee to set the risk appetite and ensure that controls are in place to identify, manage and monitor strategic risks to which the organisation may be exposed.

In 2017-18, the Chief Operating Officer led on the management of risk. The SFO has a risk management policy statement and a Risk Management Booklet that set out the approach to risk and the expectations and standards the organisation is expected to attain.

Risk registers

The Strategic Risk Register (SRR) is a log of individual risks which carry the potential to impact upon the delivery of the SFO's strategic aims and objectives. The SRR is updated on a monthly basis and is considered and monitored by the Risk Management Group, Audit and Risk Committee and the Executive Group.

Divisional Risk Registers (DRR) are maintained by each division and are a log of risks which have the potential to affect the operational capabilities of the SFO. DRRs are reviewed by the Chief Operating Officer and any risks that could potentially be elevated to the SRR were referred to, and considered by, the Risk Management Group.

Individual case risks are recorded in a Case Risk Register which is maintained by each operational division. Risk is inherent in the operational aspects of the SFO's business, particularly in the investigation and prosecution of cases. Managers and casework staff keep case risks under continuing review and they are taken into account when commencing an investigation and, where appropriate, a prosecution. At the prosecution stage, risks are balanced against the need to pursue cases in the public interest. 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.

As part of our programme and project management procedures, risk registers are used to manage and mitigate the associated risks. For the more significant programmes or projects, a Risks, Issues and Decisions Log is used to enhance risk management. An escalation process enables programme and project risks to be referred to the Chief Operating Officer as circumstances require.

Risk appetite

A Risk Management Booklet is published on the SFO's intranet and is available to all staff. This outlines the SFO's approach to risk management, risk ratings, review processes and roles and responsibilities. The risk appetite is set as low, medium or high dependant on the residual risk deemed acceptable to the SFO.

Information assurance

The SFO's security arrangements (including information security) comply with the Cabinet Office Security Policy Framework (SPF) that sets out a range of mandatory security outcomes and risk management requirements. The SPF underpins the SFO's security policies and procedures that are applicable to all staff. The SFO operates a rolling information security awareness programme that includes mandatory induction and annual information security training, regular intranet updates, poster campaigns and reinforcement of information security at divisional level.

A Security Working Group meets quarterly to promote knowledge and understanding of information (and other) security risks to promote and maintain a healthy security culture. Our electronic data is encrypted in line with guidance issued by the National Cyber Security Centre (NCSC) and complies with Public Services Network (PSN) requirements. Unencrypted data can only be removed from the SFO's premises with the express permission of the SIRO. The SFO's Information Asset Owners (IAOs) are primarily senior civil servants (SCS) who are responsible for assuring information security within their area and providing quarterly assurance reports to the SIRO. The SIRO maintains strategic oversight and accountability for managing and assuring information risks and regularly reports to (and advises) the Accounting Officer, Board and Audit and Risk Committee.

Whistleblowing

The Chief Investigator maintains overall responsibility for the SFO's whistleblowing policy and practice. As a permanent member of the Executive Group and an invited attendee of the Audit & Risk Committee, he makes periodic reports to these governance groups, and to the Board, on the effectiveness of the SFO's procedures. A register of referrals is maintained together with a record of complaints of victimisation. There were no internal whistleblowing referrals within the accounting period.

Individuals may decide to blow the whistle to a prescribed person rather than their employer. The Director is a prescribed person to whom a whistleblower may make complaints about fraud or bribery and corruption. The SFO's Intelligence Unit frequently receives reports from whistleblowers relating to individuals or companies receiving or making bribes to secure a benefit for themselves or others and in respect of fraudulent conduct. Further details on the role of prescribed persons may be found in guidance published by the Department for Business, Energy & Industrial Strategy – "Whistleblowing: list of prescribed people and bodies".

Inspection

There have been three inspections of the SFO by HM Crown Prosecution Service Inspectorate (HMCPSI) since April 2012. The first two inspections were by invitation of the Director and concerned casework. The third was a statutory inspection of the SFO's governance arrangements using new powers in the Anti-Social Behaviour, Crime and Policing Act 2014.

The Governance Inspection found that the SFO had achieved a positive transformational change to its direction and purpose over the four years between 2012 and 2016. Implementation of the recommendations from the inspection was completed in 2017-18 which has further enhanced the SFO's governance arrangements.

Quality assurance

Quality assurance provides the Director with objective information about the efficiency and effectiveness of the SFO's work and about the extent of compliance with systems, policies and guidance. This helps the SFO to deliver on its strategic objectives, deliver value for money, comply with statutory requirements and operate in accordance with its values.

The Quality Assurance Team is part of the Governance Unit and reports to the Director on progress and performance. It works closely with the SFO's internal auditors so that the programme of audit and assurance work is comprehensive and joined-up. The Quality Assurance Team also manages the SFO's relationship with HMCPSI with the aim of securing fair and proportionate improvements to the SFO's efficiency and effectiveness. The Director and the Law Officers take assurance from all this activity.

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, quality assurance 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 2017-18, the HIA opinion is of Moderate Assurance (level two from a four tier structure), namely that some improvements are required to enhance the adequacy and effectiveness of the SFO's framework of governance, risk management and control. The framework in place increases the likelihood that objectives and risk tolerance will be met, although further management actions are required to ensure the risk exposure is moved within tolerance.

The arrangements set out in this Governance Statement are adequate and meet the requirements set out in *Managing Public Money* and the *Code of Good Practice for Corporate Governance in Central Government Departments*, as they apply to the SFO. The A&RC conducts a cyclical assessment of its arrangements with the next review planned for 2018-19. Data reported to the Board in the performance dashboard is based on existing SFO systems such as the case monitoring database which are accurate and fit for purpose. Papers submitted to the Board during the year include a regular report by the Director to the Board, the annual report of the Audit Committee on its activity and regular updates by the Chief Operating Officer, General Counsel and Chief Investigator.

The Board 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 Board; and,
- regular advice on the effectiveness of the system of internal control.

Mark Thompson
Accounting Officer

11 July 2018

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 2017-18, the annual performance bonus accrual for grades below the SCS totalled £155,853 (2016-17: £132,219).

Senior official appointments

Sir 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 was extended by two years and ended on 20 April 2018. Mark Thompson was appointed Director on an interim basis on 21 April 2018. Lisa Osofsky has been appointed as the new Director of the SFO. She will begin her tenure on 28 August 2018 for a term of five years.

Remuneration (including salary) and pension entitlements

This information has been audited.

The following sections provide details of the remuneration and pension interests of the SFO's senior management (i.e. Board members) during the year.

Non-Executive board members remuneration

Name and title	Salary £000		Benefits in Kind (to nearest £100)		Total £000	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
Simon Duckworth OBE DL Non-Executive Director	10-15	10-15	-	-	10-15	10-15
John Anthony Osbaldiston Non-Executive Director	20-25	15-20	800	1,400	20-25	15-20
Ruth Evans Non-Executive Director	10-15	10-15	100	100	10-15	10-15

The non-executive directors have been appointed on a three-year renewable contract with their remuneration determined by the number of days required for their duties at a rate per diem plus reimbursement of expenses. None of the current non-executive directors are members of the Civil Service Pension Scheme.

Executive board members remuneration

	Salary (£'000)		Bonus payment (£'000)		Pension benefits (to nearest £1,000) ¹		Total (£'000)	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
Sir David Green CB QC Director	175-180	175-180	-	-	67	66	240-245	240-245
Alun Milford General Counsel	125-130	120-125	-	5-10	55	70	180-185	200-205
Mark Thompson Chief Operating Officer (Interim Director from 21 April 2018)	115-120	100-105	-	-	99	113	215-220	210-215

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 a transfer of pension rights.

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 2017-18 relate to performance in 2016-17, and the comparative bonuses reported for 2016-17 relate to performance in 2015-16.

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.

	2017-18		2016-17
Highest paid individual (£000)	175-180	Highest paid individual (£000)	175-180
Median total (£)	36,232	Median total (£)	34,553
Remuneration ratio	4.90	Remuneration ratio	5.13

The banded remuneration of the highest-paid board member at SFO in the financial year 2017-18 was £175,000-£180,000 (2016-17: £175,000-£180,000). This was 4.90 times (2016-17: 5.13) the median remuneration of the workforce, which was £36,232 (2016-17: £34,553). The reduction in the ratio reflects the impact of pay increases for staff in 2017-18 while the remuneration of the highest paid board member has remained at 2016-17 values.

In 2017-18, 0 (2016-17: 0) employees received remuneration in excess of the highest-paid board member. Remuneration ranged from £15,000 - £20,000 to £175,000 – £180,000 (2016-17: £15,000 – £20,000 to £175,000 - £180,000).

Pension Benefits Board Executive Members

	Accrued pension at pension age as at 31/3/18 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/18	CETV at 31/3/17	Real increase in CETV
	£000	£000	£000	£000	£000
Sir David Green CB QC Director	20-25	2.5-5.0	421	335	58
Alun Milford General Counsel	40-45 plus 110-115 lump sum	2.5-5.0 plus 0-2.5 lump sum	787	709	29
Mark Thompson Chief Operating Officer (Interim Director from 21 April 2018)	30-35	5.0-7.5	467	380	58

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: 3 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 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and 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 8% and 14.75% (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 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 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 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, 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

	2017-18		2016-17	
	£000		£000	
	Permanently employed staff	Others	Total	Total
Wages and salaries	18,610	6,996	25,606	24,457
Social security costs	2,000	-	2,000	1,916
Other pension costs	3,731	3	3,734	3,609
Sub Total	24,341	6,999	31,340	29,982
Less recoveries in respect of outward secondments	-	-	-	-
Total net costs	24,341	6,999	31,340	29,982

£78k of other staff costs have been capitalised and are not included in the figures above (2016-17: £52k).

For 2017-18, employers' contributions of £3,677k were payable to the PCSPS (2016-17: £3,525k) 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 £82k (2016-17: £72k) 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 (2016-17: £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 (2016-17: £nil). Contributions prepaid at that date were £nil (2016-17: £nil).

Off-Payroll Engagements (e.g. contractors, consultants) as at 31 March 2018, for more than £220 per day and that last for longer than six months

Number of existing engagements as at 31 March 2018	6
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	3
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	6

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 audited.

Reporting of Civil Service and other compensation schemes - exit packages

Exit package cost band	2017-18			2016-17
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total number of exit packages by cost band
<£10,000	-	1	1	-
£10,000 - £25,000	-	4	4	7
£25,000 - £50,000	-	5	5	6
£50,000 - £100,000	-	2	2	2
£100,000 - £150,000	-	-	-	1
£150,000 - £200,000	-	-	-	-
Total Number of exit packages	-	12	12	16
Total cost £000	-	405	405	602

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

This information has been audited.

Average number of employees

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

			2017-18	2016-17
Permanently employed staff	Fixed Term Appointments	Agency Staff	Total	Total
375	25	129	529	514

SCS by pay band

The number of SCS staff by pay band in the SFO as at 31 March 2018 was as follows:

	2017-18	2016-17
SCS 3	1	1
SCS 2	2	2
SCS 1	8	10
Total (excluding non-executives)	11	13

Staff composition

The gender breakdown of permanent and fixed term staff at the SFO at 31 March 2018 was as follows:

	Male	Female
SCS	7	4
Non SCS staff	236	183
Total	243	187

The proportion of staff who are recorded as being from a black and minority and ethnic (BME) background is 14.1%. 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 2016-17 of 9.9%.

Declaration rates for personal sensitive information by staff at the SFO is below 70% across all protected characteristics. A plan is in place for 2018-19 to improve the quality of our diversity data.

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. The SFO now has 4 staff on the PAP programme.

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 a slight increase in Average Working Days Lost (AWDL) from 6.23 days in 2016-17 to 6.92 days in 2017-18 against a Civil Service average in 2016 of 7 days. This still represents a significant reduction in absence as against the position in 2015-16 of 8.61 days but as a result of the increase there will be a renewed emphasis in addressing attendance management issues via monthly reporting of sickness to senior management and the implementation of the management and leadership training programme.

Trade union facility time information

Relevant union officials

Number of employees who were relevant union officials during the period	Full-time equivalent employee number
6	5.17

Percentage of time spent on facility time

Percentage of time	Number of employees who were relevant union officials during the period
0%	2
1-50%	4
51-99%	-
100%	-

Percentage of pay bill spent on facility time

Total cost of facility time (£)	5,635
Total pay bill (£)	24,340,660
Percentage spent on facility time (%)	0.02

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours	100%
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Expenditure on consultancy

There was no spend on consultancy in 2017-18 (2016-17: £nil).

Mark Thompson
Accounting Officer

11 July 2018

Parliamentary Accountability and Audit

Accountability

This information has been audited

Losses and special payments

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

Contingent liabilities

The SFO is in discussions with HMRC concerning a potential tax liability arising from the off-payroll engagement of contractors in contravention of HMRC's IR35 legislation and the revisions to that legislation that came into force in April 2017. At present counsel engaged for disclosure review of SFO case documents are treated as contracts for service and payment is made on submission of a properly authorised invoice. Discussions are ongoing as to whether these are in fact contracts of service and therefore should be regarded as employees for tax purposes.

The SFO position is that the current treatment is correct and reflects the reality of the engagement however it is possible that HMRC will take a contrary view. In the event that the SFO is required to correct its approach to these individuals there will be a financial liability. The scale of any liability will be dependent on the nature of any settlement with HMRC and the extent to which all or part of this work is deemed to be employment for tax. Any liability arising will be mitigated in respect of the VAT paid on these services. Current estimates are that it could take between 12 to 18 months to resolve this issue.

Remote contingent liabilities

The SFO has a legacy Proceeds of Crime enforcement case, dating to 2008, which relates to a high value complex confiscation order. By order of the court an Enforcement Receiver (ER) was appointed. The assets which are potentially subject to the enforcement receivership are held by a number of corporate entities and spread across a number of jurisdictions.

The costs of the ER are covered by statutory provision within the Criminal Justice Act 1988 which amounts to an indemnity for the ER in the event that their costs exceed recoveries by the end of the receivership. In such an event the costs would then fall on the SFO to pay.

The SFO is of the view that there remain significant sums potentially available to recover and that these far exceed the fees likely to be incurred in the receivership.

Long-term expenditure trends

The SFO's planned expenditure as agreed with HM Treasury is shown below, this covers the net expenditure which is met from the Parliamentary Estimate. Totals for 2016-17 and 2017-18 were set in the 2015 Spending Review while those for 2018-19 and 2019-20 are as amended by the Chief Secretary to the Treasury in March 2018. For details of the final outturn for the year see the Statement of Parliamentary Supply on page 30.

	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000
Non-ring fenced DEL	32,800	32,900	50,000	48,600
Ring fenced DEL	2,900	2,800	2,700	2,700
Resource DEL	35,700	35,700	52,700	51,300
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.

Ring fenced DEL is non cash funding to cover the anticipated costs of depreciation of non-current assets financed via Capital DEL.

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 audited

Summary of Resource and Capital Outturn

£000								2017-18 £000	2016-17 £000
	Estimate			Outturn			Voted outturn compared with Estimate: saving/ (excess)	Outturn	
	Note	Voted	Non Voted	Total	Voted	Non Voted			Total
Departmental Expenditure Limit									
- Resource	1.1	58,600	-	58,600	55,592	-	55,592	3,008	51,825
- Capital	1.2	1,700	-	1,700	1,526	-	1,526	174	3,985
Annually Managed Expenditure									
- Resource	1.1	1,000	-	1,000	32	-	32	968	(1,157)
Total Budget		61,300	-	61,300	57,150	-	57,150	4,150	54,653
Total Resource		59,600	-	59,600	55,624	-	55,624	3,976	50,668
Total Capital		1,700	-	1,700	1,526	-	1,526	174	3,985
Total		61,300	-	61,300	57,150	-	57,150	4,150	54,653

Net Cash Requirement

		2017-18 £000			2016-17 £000
	SoPS Note	Estimate		Outturn	Outturn compared with Estimate: saving
		Estimate		Outturn	Outturn
Net Cash Requirement	3	57,500		53,243	4,257

Administration Costs

	2017-18 £000		2016-17 £000
	Estimate		Outturn
	Estimate		Outturn
Administration Costs	7,400		6,235

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

	2017-18 £000									2016-17 £000
	Outturn						Estimate			Outturn
	Administration			Programme			Net Total	Net total to		Total
	Gross	Inc.	Net	Gross	Inc.	Net		Net Total	Estimate	
Spending in Departmental Expenditure Limit										
Voted:										
Investigations and Prosecutions	6,235	-	6,235	50,347	(990)	49,357	55,592	58,600	3,008	51,825
Annually Managed Expenditure										
Voted:										
New provision and adjustment to existing provisions	(-)	-	(-)	32	-	32	32	1,000	968	(1,157)
Total	6,235	-	6,235	50,379	(990)	49,389	55,624	59,600	3,976	50,668

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

There has been an overall underspend of £3,976k against the Estimate.

Of the above amount £3,008k was within Resource DEL. Resource DEL outturn for ring fenced depreciation was £1,349k lower than the estimate while non-ring fenced DEL outturn was £1,659k or just under 3% of non-ring fenced expenditure.

The remaining underspend of £968k relates to AME. Due to its unpredictable nature it is very difficult to estimate spend within AME and in this instance the anticipated requirement for cover for new provisions has not materialised.

SOPS1.2 Analysis of net capital outturn by section

	2017-18			2016-17	
	£000			£000	
	Outturn			Estimate	
	Gross	Income	Net	Net total compared to Estimate	Outturn
				Net Total	Total
Spending in Departmental Expenditure Limit					
Voted:					
A Investigations and Prosecutions	1,526	-	1,526	1,700	3,985
Total	1,526	-	1,526	1,700	3,985

Explanation of variance between Estimate and Outturn:

Capital DEL is underspent by £174k for 2017-18 against an allocation at Estimate of £1,700k. The variance is due to the timing of expenditure and the slippage of procurement of a document management system to 2018-19.

SOPS2. Reconciliation of outturn to net operating expenditure

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

	SoPS Note	2017-18	2016-17
		£000	£000
		Outturn	Outturn
Total resource outturn in Statement of Parliamentary Supply	1.1	55,624	50,668
Less income payable to the Consolidated Fund	4.1	(576)	(1,486)
Net operating expenditure in Statement of Comprehensive Net Expenditure		55,048	49,182

SOPS3 Reconciliation of Net Resource Outturn to Net Cash Requirement

	SoPS Note	Estimate	Outturn	2017-18 £000 Net total outturn compared with Estimate: saving / (excess)
Net Resource Outturn	1.1	59,600	55,624	3,976
Capital outturn	1.2	1,700	1,526	174
Accruals to cash adjustments				
Depreciation		(2,800)	(1,451)	(1,349)
New Provisions and adjustments to previous provisions		(1,000)	(86)	(914)
(Increase) / Decrease in payables		-	(1,050)	1,050
Increase / (Decrease) in receivables		-	(1,315)	1,315
Other non-cash items		-	(59)	59
Use of provision		-	54	(54)
Net cash requirement		57,500	53,243	4,257

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.

	2017-18 Outturn £000		2016-17 Outturn Restated £000	
	Income	Receipts	Income	Receipts
Income outside ambit of the Estimate	(576)	(633)	(1,486)	(1,434)
Excess cash surrenderable to the Consolidated Fund	-	-	-	-
Total payable to the Consolidated Fund	(576)	(633)	(1,486)	(1,434)

Income outside the ambit of the Estimate primarily refers to receipts from the Asset Recovery Incentivisation Scheme (ARIS). 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

Opinion on financial statements

I certify that I have audited the financial statements of the Serious Fraud Office for the year ended 31 March 2018 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Department's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. 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 Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2018 and of the Department's net operating expenditure 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 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 2018 and shows that those totals have not been exceeded; and
- the income and expenditure 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.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Serious Fraud Office in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Accounting Officer for the financial statements

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.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Serious Fraud Office's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Serious Fraud Office's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of 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;
- in the light of the knowledge and understanding of the Serious Fraud Office and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in the Performance and Accountability Reports 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 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
17 July 2018

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

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2018

		2017-18	2016-17
	Note	£000	£000
Income			
Cost awards and other income	4	990	1,112
Consolidated fund extra receipts	4	576	1,486
Total operating income		1,566	2,598
Expenditure			
Staff costs	2	31,340	29,982
Purchase of goods and services	3	19,542	16,466
Accommodation	3	4,140	3,947
Depreciation and impairment charges	3	1,451	1,723
Provisions increase	3	86	1
Provisions not required	3	-	(399)
Other operating expenditure	3	55	60
Total operating expenditure		56,614	51,780
Net operating expenditure		55,048	49,182

There is no other comprehensive net expenditure

The notes on page 42 to 55 form part of these accounts.

Statement of Financial Position

As at 31 March 2018

	Note	2017-18 £000	2016-17 £000
Non-current assets:			
Property, plant and equipment	5	2,609	3,492
Intangible assets	6	3,984	3,029
Trade and other receivables	11	49	52
Total non-current assets		6,642	6,573
Current assets:			
Trade and other receivables	11	1,223	2,594
Cash and cash equivalents	10	4,764	1,905
Total current assets		5,987	4,499
Total assets		12,629	11,072
Current liabilities:			
Trade and other payables	12	(10,634)	(6,783)
Provisions	13	(12)	(54)
Total current liabilities		(10,646)	(6,837)
Non-current assets plus net current assets		1,983	4,235
Non-current liabilities			
Trade and other payables	12	-	-
Provisions	13	(75)	(1)
Total non-current liabilities		(75)	(1)
Assets less liabilities		1,908	4,234
Taxpayers' equity and other reserves:			
General fund		1,797	4,123
Revaluation reserve		111	111
Total equity		1,908	4,234

Mark Thompson
Accounting Officer

11 July 2018

The notes on pages 42 to 55 form part of these accounts.

Statement of Cash Flows

For the year ended 31 March 2018

	Note	2017-18 £000	2016-17 £000
Cash flows from operating activities			
Net operating expenditure		(55,048)	(49,182)
Adjustments for non-cash transactions	3	1,595	1,385
(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	1,374	(229)
		-	-
Increase/(Decrease) in trade payables <i>less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>	12	3,851	(1,427)
		(2,530)	1,339
Use of provisions	13	(54)	(760)
Net cash outflow from operating activities		(50,812)	(48,874)
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(191)	(1495)
Purchase of intangible assets	6	(1,606)	(2,555)
Proceeds of disposal of property, plant and equipment		-	-
Net cash outflow from investing activities		(1,797)	(4,050)
Cash flows from financing activities			
From the Consolidated Fund (Supply) - current year		56,124	52,849
Advances from the Contingencies Fund		9,500	5,500
Repayments to the Contingencies Fund		(9,500)	(5,500)
Net financing		56,124	52,849
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		3,515	(75)
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		-	-
Payments of amounts due to the Consolidated Fund		(656)	(1,255)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		2,859	(1,330)
Cash and cash equivalents at the beginning of the period	10	1,905	3,235
Cash and cash equivalents at the end of the period	10	4,764	1,905

The notes on pages 42 to 55 form part of these accounts.

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2018

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2016		377	111	488
Net Parliamentary Funding		52,849	-	52,849
Net Parliamentary Funding – deemed		2,881	-	2,881
Supply payable adjustment	12	(1,376)	-	(1,376)
CFERS payable to the Consolidated Fund	4	(1,486)	-	(1,486)
Net operating expenditure		(49,182)	-	(49,182)
Non-Cash Adjustments				
Auditor's remuneration	3	60	-	60
Movements in Reserves				
Transfer between reserves		-	-	-
Balance at 31 March 2017		4,123	111	4,234
Net Parliamentary Funding		56,124	-	56,124
Net Parliamentary Funding – deemed		1,376	-	1,376
Supply payable adjustment	12	(4,257)	-	(4,257)
CFERS payable to the Consolidated Fund	4	(576)	-	(576)
Net operating expenditure		(55,048)	-	(55,048)
Non-Cash Adjustments				
Auditor's remuneration	3	55	-	55
Movements in Reserves				
Transfer between reserves		-	-	-
Balance at 31 March 2018		1,797	111	1,908

The notes on pages 42 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 2017-18 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, page 31, and supporting notes, pages 32 to 34, show outturn against Estimate in terms of the net resource requirement and the net cash requirement.

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.

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. Note 11 on page 53 sets out the closing receivable values at 31 March.

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. Note 10 on page 52 sets out the closing cash balances held by the SFO.

Trade payables

Trade payables are not interest bearing and are stated at their fair value. Note 12 on page 53 sets out the closing receivable values at 31 March.

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. 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. Notes 5.1 page 48 and 6.1 page 50 detail the closing position at 31 March.

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.

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:

<u>Property, plant and equipment</u>	
Improvements to leasehold property	Over the unexpired term of the lease
Information technology	5 years
Furniture and fittings	5-10 years
<u>Intangible assets</u>	
Software licenses	Over the term of the software license
Information technology	5 years or over the unexpired term of the software license (whichever is the shorter)
Website	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.

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.

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 unless awarded against the SFO due to inadequacy on the part of the SFO. In such cases costs awarded against the SFO are included within the losses and special payments note on page 29 as part of the Parliamentary Accountability and Audit section.

Asset Recovery Incentivisation Scheme

SFO receipts from the Asset Recovery Incentivisation Scheme (ARIS) for Civil Recovery and Confiscation Orders 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 the Statement of Parliamentary Supply note 4.1 on page 34.

Other income

Any amounts relating to 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 and recorded as such in the Statement of Parliamentary Supply note 4.1 on page 34.

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.

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.

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. Note 13 on page 54 sets out the current value of provisions at the SFO.

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. Note 13 on page 54 sets out the current value of provisions at the SFO.

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, note 7.2 on page 51 sets out the current value of lease commitments.

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.

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, details of sums held are disclosed in note 15 on page 55.

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.

The contingent and remote contingent liabilities for the year are reported on Page 29 within the Accountability Report.

Operating segments

The Department does not have any operating segments to report.

Application of newly issued accounting standards not yet effective

The SFO has reviewed the IFRSs in issue but not yet effective, to determine if it needs to make any disclosures in respect of those new IFRSs that are or will be applicable. In the case of IFRS 9, Financial Instruments and IFRS 15, Revenue from Contracts with Customers effective from 2018-19 the SFO's assessment is that these new statements will not have a material impact on its accounts as the SFO's exposure to both is minimal.

In the case of IFRS 16, Leases effective from 2019-20 this will change the way in which the SFO accounts for leases unless such leases are short-term or low value if adopted by HM Treasury. HM Treasury has yet to decide whether this IFRS will be incorporated in to the Government Financial Reporting Manual (FRM) which is the technical accounting guide for departments when preparing their accounts and as such detailed guidance on implementation has yet to be published.

2. Staff costs

	2017-18			2016-17
	£000			£000
	Permanently employed staff	Others	Total	Total
Wages and salaries	18,610	6,996	25,606	24,457
Social security costs	2,000	-	2,000	1,916
Other pension costs	3,731	3	3,734	3,609
Sub Total	24,341	6,999	31,340	29,982
Less recoveries in respect of outward secondments	-	-	-	-
Total net costs	24,341	6,999	31,340	29,982

£78k of other staff costs have been capitalised and are not included in the figures above (2016-17: £52k).

3. Operating costs

	Note	2017-18	2016-17
		£000	£000
Rentals under operating leases:		2,208	1,791
Non-cash items:			
Depreciation		1,071	1,428
Amortisation		380	275
Loss on disposal of property, plant, and equipment		3	20
Increase in provisions		86	1
Provisions not required written back		-	(399)
External auditors' remuneration		55	60
		1,595	1,385
Purchase of goods and services:			
Civil litigation		197	326
Counsel costs		11,281	9,274
IT costs		3,651	3,342
Other accommodation costs		2,015	2,228
Other case costs		2,135	1,388
General administration		1,728	1,635
Travel and subsistence		485	400
Proceeds on asset disposals		(21)	-
Costs awarded against the SFO		-	29
		21,471	18,622
Total		25,274	21,798

4. Income

	2017-18	2016-17
	£000	£000
Costs awards	990	546
Other income	-	566
Total income within the ambit	990	1,112
Payable to the Consolidated Fund		
Consolidated Fund Extra Receipts	576	1,486
Total income	1,566	2,598

5.1 Property, plant and equipment 2017-18

All assets are owned.

	Improvements to Leasehold Property	Information Technology	Furniture & Fittings	Assets under construction	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2017	1,820	7,368	32	-	9,220
Additions	-	191	-	-	191
Disposals	-	(200)	-	-	(200)
Reclassifications	-	-	-	-	-
At 31 March 2018	1,820	7,359	32	-	9,211
Depreciation					
At 1 April 2017	1,782	3,939	7	-	5,728
Charged in year	8	1,057	6	-	1,071
Disposals	-	(197)	-	-	(197)
Reclassifications	-	-	-	-	-
At 31 March 2018	1,790	4,799	13	-	6,602
Net book value at 31 March 2018	30	2,560	19	-	2,609
Net book value at 31 March 2017	38	3,429	25	-	3,492

Reconciliation of cash flows to property, plant and equipment additions

	2017-18 £000	2016-17 £000
Total property, plant and equipment additions	191	1,248
Opening property, plant and equipment accrual	-	247
Closing property, plant and equipment accrual	-	-
Cash flows for property, plant and equipment additions	191	1,495

5.2 Property, plant and equipment 2016-17

	Improvements to Leasehold Property £000	Information Technology £000	Furniture & Fittings £000	Assets under construction £000	Total £000
Cost or valuation					
At 1 April 2016	1,775	6,695	22	-	8,492
Additions	45	1,193	10	-	1,248
Disposals	-	(520)	-	-	(520)
Reclassifications	-	-	-	-	-
At 31 March 2017	1,820	7,368	32	-	9,220
Depreciation					
At 1 April 2016	1,297	3,517	2	-	4,816
Charged in year	485	938	5	-	1,428
Disposals	-	(516)	-	-	(516)
Reclassifications	-	-	-	-	-
At 31 March 2017	1,782	3,939	7	-	5,728
Net book value at 31 March 2017	38	3,429	25	-	3,492
Net book value at 31 March 2016	478	3,178	20	-	3,676

6.1 Intangible assets 2017-18

	Information Technology	Software Licenses	Website Costs	Development Expenditure	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2017	3,600	1,794	169	2,077	7,640
Additions	-	349	-	986	1,335
Disposals	-	-	-	-	-
Reclassifications	-	3,020	-	(3,020)	-
At 31 March 2018	3,600	5,163	169	43	8,975
Amortisation					
At 1 April 2017	3,590	880	141	-	4,611
Charged in year	5	367	8	-	380
Disposals	-	-	-	-	-
Reclassifications	-	-	-	-	-
At 31 March 2018	3,595	1,247	149	-	4,991
Net book value at 31 March 2018	5	3,916	20	43	3,984
Net book value at 31 March 2017	10	914	28	2,077	3,029

Reconciliation of cash flows to intangible asset additions

	2017-18	2016-17
	£000	£000
Total intangible asset additions	1,335	2,737
Opening intangible asset accrual	271	89
Closing intangible asset accrual	-	(271)
Cash flows for intangible assets additions	1,606	2,555

6.2 Intangible assets 2016-17

	Information Technology	Software Licenses	Website Costs	Development Expenditure	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2016	3,600	1,134	397	-	5,131
Additions	-	660	-	2,077	2,737
Disposals	-	-	(228)	-	(228)
Reclassifications	-	-	-	-	-
At 31 March 2017	3,600	1,794	169	2,077	7,640
Amortisation					
At 1 April 2016	3,452	771	325	-	4,548
Charged in year	138	109	28	-	275
Disposals	-	-	(212)	-	(212)
Reclassifications	-	-	-	-	-
At 31 March 2017	3,590	880	141	-	4,611
Net book value at 31 March 2017	10	914	28	2,077	3,029
Net book value at 31 March 2016	148	363	72	-	583

7. Capital commitments and other commitments

7.1 Capital commitments

Capital commitments at 31 March 2017 totalled £139k (2016-17: £56k).

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:

	2017-18 £000	2016-17 £000
Obligations under operating leases comprise:		
Buildings:		
Not later than 1 year	2,363	2,155
Later than 1 year and not later than 5 years	7,796	9,971
Later than 5 years	-	-
	10,159	12,126
Other:		
Not later than 1 year	21	50
Later than 1 year and not later than 5 years	-	-
Later than 5 years	-	-
	21	50

Property lease commitments relate to office space and offsite IT hosting for business continuity purposes:

- 2-4 Cockspur Street to 24 March 2022;
- Spring Park, Corsham, to 31 March 2023.

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, these contracts have been extended to August 2018, at the latest.

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

	2017-18	2016-17
	£000	£000
Balance at 1 April	1,905	3,235
Net change in cash and cash equivalent balances	2,859	(1,330)
Balance at 31 March	4,764	1,905
The following balances at 31 March were held at:		
Government Banking Service	4,764	1,905
Balance at 31 March	4,764	1,905

11. Trade receivables and other current assets

11(a) Due within one year

	2017-18	2016-17
	£000	£000
Amounts falling due within one year:		
VAT receivable	154	184
Deposits and advances	179	305
Other receivables	91	446
Prepayments and accrued income	779	1,328
Consolidated Fund extra receipts	8	66
Costs awarded to the SFO	54	308
Provision for bad and doubtful debt	(42)	(43)
	1,223	2,594

11(b) Due after more than one year

	2017-18	2016-17
	£000	£000
Amounts falling due after more than one year:		
Costs awarded to the SFO	49	52

12. Trade payables and other current liabilities

	2017-18	2016-17
	£000	£000
Amounts falling due within one year:		
Taxation and social security	599	-
Trade payables	1,175	1,450
Accruals and deferred income	3,667	3,091
Pension providers	421	-
Non-current asset accruals	-	271
Amounts issued from the Consolidated Fund for supply but not spent at year end	4,257	1,376
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:		
Received	507	529
Receivable	8	66
	10,634	6,783

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 2017	54	-	1	-	55
Provided in the year	-	-	74	12	86
Provisions not required written back	-	-	-	-	-
Provisions utilised in the year	(54)	-	-	-	(54)
Balance at 31 March 2018	-	-	75	12	87
Amounts falling due within one year	-	-	-	12	12
Amounts falling due after one year	-	-	75	-	75
Total	-	-	75	12	87

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.

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 current lease ends in 2021-22.

13.3 Legal claims

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

Other provisions 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 2018 was £102,300 (2016-17: £18,600).

16. Events after the reporting period

There were no events after the reporting period.

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

Trust Statement

Accounting Officer's Foreword

Scope

This Trust Statement reports on receipts arising from Deferred Prosecution Agreements concluded by the Serious Fraud Office during the financial year. These sums are paid into HM Treasury's Consolidated Fund.

Deferred Prosecution Agreements are a means of disposing of cases involving corporate defendants and arise from the operational activity of the Serious Fraud Office, the costs of which are accounted for in the separate financial statements contained in this Annual Report.

Statutory Background

Deferred Prosecution Agreements were introduced on 24 February 2014, under the provisions of Schedule 17 of the Crime and Courts Act 2013. A Deferred Prosecution Agreement (DPA) is an agreement reached between a prosecutor and an organisation which could be prosecuted, under the supervision of a judge. They are available to the SFO and there is a Code of Practice for Prosecutors which was published jointly by the SFO and Crown Prosecution Service on 14 February 2014 after a public consultation.

A DPA allows a prosecution to be suspended for a defined period provided the organisation meets certain specified conditions. DPAs can be used for fraud, bribery and other economic crime. They apply to organisations only, never individuals. The key features of DPAs are:

- They enable a corporate body to make full reparation for criminal behaviour without the collateral damage of a conviction (for example sanctions or reputational damage that could put the company out of business and destroy the jobs and investments of innocent people);
- They are concluded under the supervision of a judge, who must be convinced that the DPA is 'in the interests of justice' and that the terms are 'fair, reasonable and proportionate';
- They avoid lengthy and costly trials;
- They are transparent, public events.

Under a DPA, a prosecutor charges a company with a criminal offence but proceedings are automatically suspended if the DPA is approved by the judge. A company would only be invited to enter DPA negotiations if there was full cooperation with an SFO investigation.

If the negotiations go ahead, the company agrees to a number of terms, such as paying a financial penalty, paying compensation, paying the costs of the SFO and co-operating with future prosecutions of individuals. If the company does not honour the conditions, the prosecution may resume. Arrangements for monitoring compliance with the conditions is set out in the terms of the DPA.

Financial Background

The receipts from DPAs relating to financial penalties and compensation are not retained by the SFO and are payable to HM Treasury's Consolidated Fund. Where the terms of the DPA include payment of the SFO's investigation costs in cases funded from the Reserve ("Blockbuster" cases), the applicable portion of those costs is also payable to the Consolidated Fund and included in this Trust Statement.

In cases which are funded from the SFO's core vote, any relevant costs awards are retained by the SFO and accounted for as income in the accompanying separate financial statements for that vote. Costs in excess of SFO limits for retained income that arise from a DPA are also included in this Trust Statement.

No material expenditure was incurred in the process of collecting and processing these receipts.

Business Review

One DPA was concluded in the financial year.

Tesco Stores Limited

On 10 April 2017 the SFO's application for a DPA was approved by Lord Justice Leveson. This DPA only relates to the potential criminal liability of Tesco Stores Limited and does not address whether liability of any sort attaches to Tesco Plc or any current or former employee or agent of Tesco Plc or Tesco Stores Ltd.

Publication of the DPA and the statement of facts in support of the DPA is postponed until the conclusion of the trial of three individuals in relation to the conduct of Tesco Stores Limited's business.

The company incurred a total charge of £235m, comprising a penalty payable to the SFO of £129m plus costs and payment to the FCA of £85m for an investors compensation scheme and costs associated with this.

Other income

Other income for the year totalled £6.5m comprising £2.1m, as the share of costs arising from the Tesco Stores Ltd DPA payable to the Consolidated Fund and £4.4m in compensation arising from a Civil Recovery Order obtained by the SFO's Proceeds of Crime Division.

Results and Appropriations

The net revenue for the Consolidated Fund for the year was £135m. During the year receipts of £120m in respect of prior year DPA's were received, including £119m as the first tranche of payments from the Rolls Royce Plc DPA approved in 2016-17. Total transfers to the Consolidated Fund from the Trust amounted to £251m, which left a balance due to the Consolidated Fund of £385m at 31 March 2018. Cash balances at the year-end were nil.

Mark Thompson
Director

11 July 2018

Statement of the Accounting Officer's Responsibilities

Under Section 2(3) of the Exchequer and Audit Departments Act 1921 HM Treasury has directed the SFO to prepare, for each financial year, a Trust Statement in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Trust Statement and of its: Statement of revenue, other income and expenditure; Statement of financial position; and Statement of 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 Trust Statement; and,
- prepare the Trust Statement on a going concern basis.

HM Treasury has appointed the Director of the SFO as Accounting Officer. 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.

Accounting Officer's confirmation

As Accounting Officer, as far as I am aware, there is no relevant audit information of which the SFO's auditors are unaware. I have taken all of the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the National Audit Office are aware of that information.

The annual report and accounts as a whole is fair, balanced and understandable and I take personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

Mark Thompson
Accounting Officer

11 July 2018

Performance report and accountability report

The Department's Performance Report covering both the Department and the Trust Statement is shown on page 1.

The Department's Accountability Report covering both the Department and the Trust Statement is shown on page 10.

Governance statement

The Department's governance statement covering both the Department and the Trust Statement is shown on page 12.

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

Opinion on financial statements

I certify that I have audited the Trust Statement of the Serious Fraud Office for the year ended 31 March 2018 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statement of Revenue, Other Income and Expenditure, the Statement of Financial Position, the Statement of Cash Flows and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

In my opinion:

- the Serious Fraud Office Trust Statement gives a true and fair view of the state of affairs of Deferred Prosecution Agreements and Other Income as at 31 March 2018 and of the net revenue 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 regularity

In my opinion, in all material respects the income and expenditure 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.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Serious Fraud Office in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Accounting Officer for the audit of the financial statements

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.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Serious Fraud Office's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Serious Fraud Office's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure 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.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion, 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 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
17 July 2018

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

Statement of Revenue, Other Income and Expenditure

For the year ended 31 March 2018

	Note	2017-18 £000	2016-17 £000
Revenue			
Deferred Prosecution Agreements:			
Financial penalties and disgorgement of profits		(128,992)	(503,805)
Compensation		-	-
Total		(128,992)	(503,805)
Other income			
DPA costs payable to the Consolidated Fund		(2,080)	(12,961)
Compensation		(4,400)	-
Total revenue		(135,472)	(516,766)
Expenditure			
Other expenditure		-	-
Total operating expenditure		-	-
Net revenue for the Consolidated Fund		(135,472)	(516,766)

There were no recognised gains or losses accounted for outside the above Statement of Revenue, Other Income and Expenditure (2016-17: nil).

The notes on pages 66 to 67 form part of these accounts.

Statement of Financial Position

As at 31 March 2018

	Note	2017-18 £000	2016-17 £000
Non-current assets			
Trade and other receivables	2(b)	280,092	381,012
Total non-current assets		280,092	381,012
Current assets:			
Trade and other receivables	2(a)	105,320	119,920
Cash and cash equivalents		-	-
Total current assets		105,320	500,932
Total assets		385,412	500,932
Current liabilities:			
Trade and other payables		-	-
Total current liabilities		-	-
Assets less liabilities		385,412	500,932
Balance on Consolidated Fund account at 31 March		385,412	500,932

Mark Thompson
Accounting Officer

11 July 2018

The notes on pages 66 to 67 form part of these accounts.

Cash Flow Statement

For the year ended 31 March 2018

		2017-18	2016-17
	Note	£000	£000
Cash flows from revenue activities		250,992	15,834
Cash paid to Consolidated Fund		(250,992)	(15,834)
Increase/(decrease) in cash and cash equivalents		-	-

Notes to the Statement of cash flows

Reconciliation of net cash flows to movement in net funds		2017-18	2016-17
	Note	£000	£000
Net revenue for Consolidated Fund		135,472	516,766
Decrease / (increase) in non-cash assets	2	115,520	(500,932)
Increase in liabilities		-	-
Net cash flow from revenue activities		250,992	15,834

Analysis of changes in net funds		2017-18	2016-17
	Note	£000	£000
Increase/(decrease) in cash in this period		-	-
Net funds as at 1 April (opening cash at bank)		-	-
Net cash as at 31 March (closing cash at bank)		-	-

The notes on pages 66 to 67 form part of these accounts.

Notes to the Trust Statement

1. Principal accounting policies

Basis of accounting

The Trust Statement is prepared in accordance with the accounts direction issued by HM Treasury in accordance with section 2(3) of the Exchequer and Audit Departments Act 1921. The Trust Statement is prepared in accordance with the 2017-18 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.

The income and associated expenditure contained in this statement are those flows of funds which the SFO handles on behalf of the Consolidated Fund and Treasury where it is acting as an agent rather than principal.

Accounting convention

These accounts have been prepared under the historical cost convention.

Revenue recognition

Receipts from Deferred Prosecution Agreements (DPA) are recognised at the point that settlement is confirmed by the Courts. DPA cost awards, where they are payable to the Consolidated Fund are also recognised at the point that settlement is confirmed by the Courts.

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.

Payables

Payables are stated at their fair value and includes interest payable as specified in the DPA agreement where applicable.

Receivables

Receivables are stated at their fair value and includes interest payable as specified in the DPA agreement where applicable, note 2 on page 67 refers.

Expenditure

The notional audit fee for the Trust Statement is included within operating costs note 3, page 47, of the SFO accounts. Any expenditure included in the Trust Statement is the direct cost of collection of sums owing.

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.

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.

Receivables

2(a) Due within one year

	2017-18	2016-17
	£000	£000
Amounts falling due within one year:		
Financial penalties and disgorgement of profits	105,320	119,920
Compensation	-	-
Costs awarded to the SFO	-	-
	105,320	119,920

2(b) Due after more than one year

	2017-18	2016-17
	£000	£000
Amounts falling due after one year:		
Financial penalties and disgorgement of profits	280,092	381,012
Compensation	-	-
Costs awarded to the SFO	-	-
	280,092	381,012

3. Events after the reporting period

There were no events after the reporting period.

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

ACCOUNTS DIRECTION GIVEN BY HM TREASURY IN ACCORDANCE WITH SECTION 2(3) OF THE EXCHEQUER AND AUDIT DEPARTMENTS ACT 1921.

This direction applies to the Serious Fraud Office in respect of revenue and other income not accounted for via the SFO's main statements.

The Serious Fraud Office shall prepare a Trust Statement ("the Statement") for the financial year ended 31 March 2018 for the revenue and other income, as directed by the Treasury, collected by the Department as an agent for others, in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual by HM Treasury ("FReM") which is in force for 2017-18.

The Statement shall be prepared, as prescribed in appendix 1, so as to give a true and fair view of (a) the state of affairs relating to the collection and allocation of fines, penalties and other income by the Serious Fraud Office as agent and of the expenses incurred in the collection of those fines, penalties and other income insofar as they can properly be met from that revenue and other income; (b) the revenue and expenditure; and (c) the cash flows for the year then ended.

The Statement shall also be prepared so as to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

When preparing the Statement, the Serious Fraud Office shall comply with the guidance given in the FReM (Chapter 8). The Serious Fraud Office shall also agree with HM Treasury the format of the Principal Accounting Officer's Foreword to the Statement, and the supporting notes, and the accounting policies to be adopted, particularly in relation to revenue recognition. Regard shall also be given to all relevant accounting and disclosure requirements in Managing Public Money and other guidance issued by HM Treasury, and to the principles underlying International Financial Reporting Standards.

Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.

The Statement shall be transmitted to the Comptroller and Auditor General for the purpose of his examination and report by a date agreed with the Comptroller and Auditor General and HM Treasury to enable compliance with the administrative deadline for laying the audited accounts before Parliament before the Summer Recess.

The Trust Statement, together with this direction (but with the exception of the related appendices) and the Report produced by the Comptroller and Auditor General under section 7(2) of the Government Resources and Accounts Act 2000 shall be laid before Parliament at the same time as the Department's Resource Accounts for the year unless the Treasury have agreed that the Trust Statement may be laid at a later date.

Ian Bulmer

Deputy Director, Government Financial Reporting
Her Majesty's Treasury

19 December 2017

Sustainability Report

Greening Government

The Serious Fraud Office is committed to play a part in meeting the government's ambitious goals for 2020 to improve sustainability and is working towards meeting the Greening Government Commitment (GGC) targets baselined against performance in 2009-10.

Compared to 2009-10, by 2019-20, the SFO will:

- Cut greenhouse gas (GHG) emissions by 32% from the whole estate and UK business transport;
- Reduce the number of domestic business flights taken by 30%;
- Reduce waste sent to landfill to less than 10% of overall waste;
- Continue to reduce the amount of waste generated and increase the proportion of waste which is recycled;
- Reduce paper consumption by 50%;
- Continue to further reduce water consumption;
- The Serious Fraud Office will continue to buy more sustainable and efficient products and services with the aim of achieving the best long-term, overall value for money for Society.

Area		2017-18 Performance		2016 - 17
		2017 – 18	Target	
Greenhouse Gas emissions (Scopes 1, 2 & 3 business travel including air and rail travel)		609 (tCO ₂ e)	1,367 (tCO ₂ e)	582 (tCO ₂ e)
Estate Energy	Consumption	1,707K kWh	-	1,632K kWh
	Expenditure (£000)	135	-	105
Estate Waste	Amount	38 tonnes	63 tonnes	43 tonnes
	Expenditure (£000)	8	-	8*
Estate Water	Consumption	3,503 m ³	4,467 m ³	2,882 m ³
	Expenditure (£000)	4.5	-	15

*figure restated following revised information received in the year.

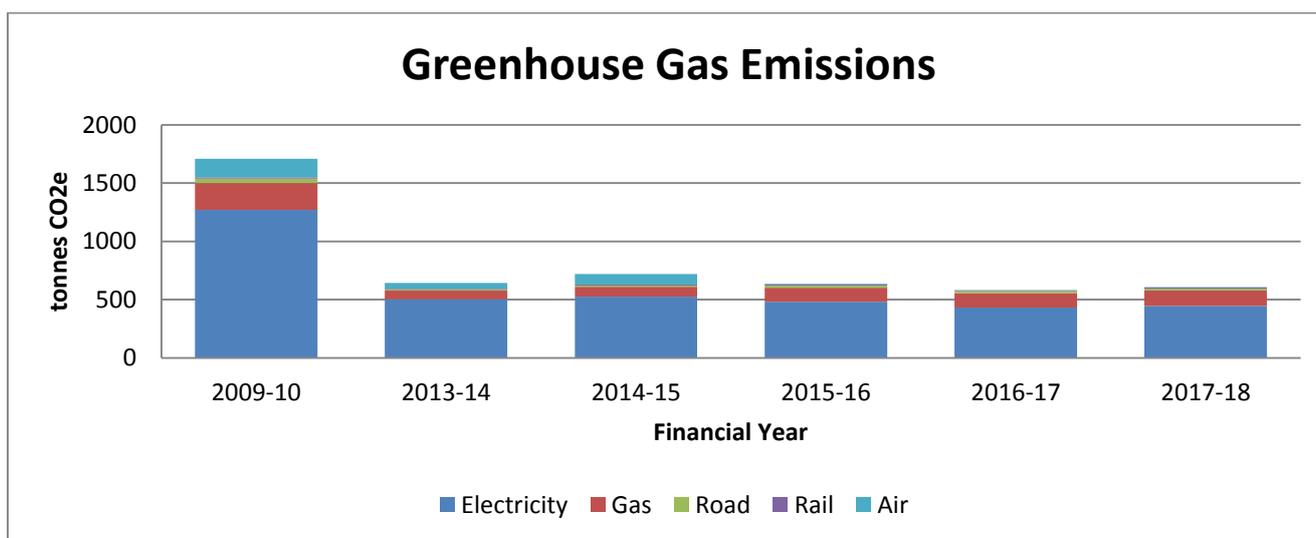
For 2017-18 Greenhouse Gas emissions are 44.5% below target, Estate Energy consumption has increased by 4.6% while quantities of Estate Waste has reduced by a further 11.6% from 2016 -17 figures and is 39.7% lower than the baseline target.

Water usage has increased due to larger staff numbers over the year however it still remains 22% below baseline targets.

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	2013-14	2014-15	2015-16	2016-17	2017-18
Non-financial indicators (tCO₂e)	Total Gross Emissions for Scopes 1 & 2	1,409	537	568	567	520	540
	Total Net Emission for Scopes 1 & 2	1,409	537	568	567	556	540
	Gross Emissions Scope 3 Business Travel	209	67	113	34	26	33
	Other Scope 3 Emissions Measured	93	40	42	37	36	37
Related Energy Consumption (kWh,000s)	Electricity: Non Renewable	2,220	1,041	1,003	963	964	990
	Electricity: Renewable	166	0	0	0	0	0
	Gas	1,254	401	458	660	668	717
Financial Indicators (£000)	Expenditure on Energy	309	161	121	113	105	135
	CRC Licence Expenditure	0	0	0	0	0	0
	Expenditure on Accredited Offsets	0	0	0	0	0	0
	Expenditure on Official Business Travel	303	154	220	95	116	125

In line with the requirements given in [Public sector annual reports: sustainability reporting guidance 2017-18](#) international air travel is not included in our business travel reporting.

Combined energy consumption has increased by 247k (kWh) on 2016-17 levels, overall the total gross emissions has increase by 28 tonnes CO2e. Electricity consumption has increased by 2.7% from 2016-17 and reflects an increase in SFO staff numbers.

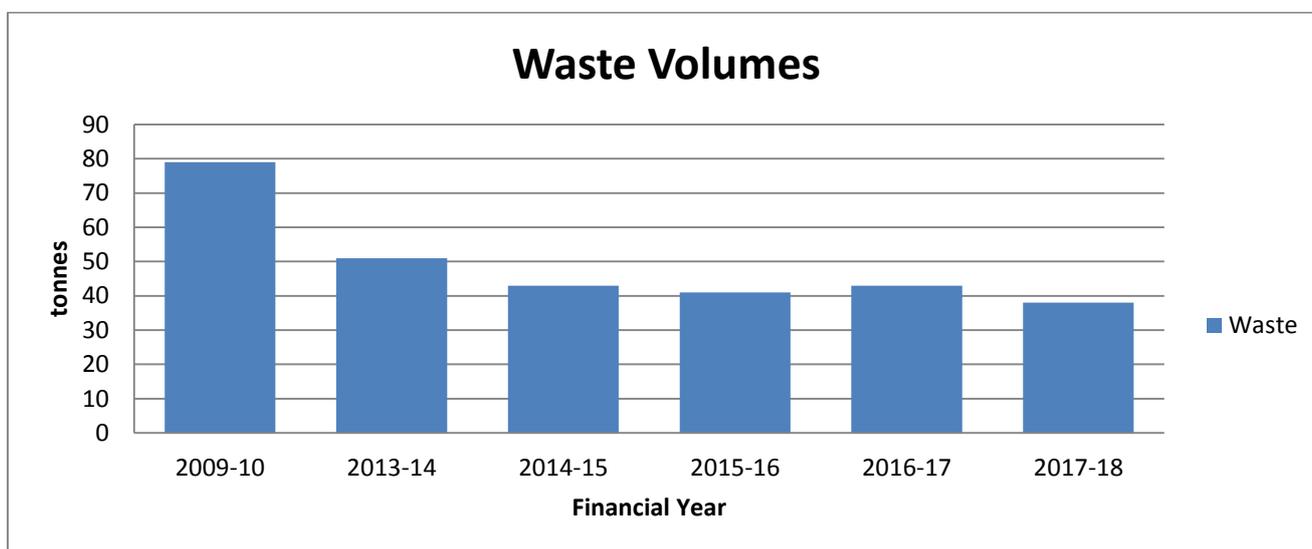
Domestic flights

The number of domestic flights taken by SFO staff on official business has fallen from the 2009-10 baseline of 99. For 2017-18, 46 domestic flights were taken, a 53.5% reduction from the baseline. 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 sent to landfill to less than 10% of overall waste compared to the 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.

The SFO utilises 100% recycled paper for printing and redundant IT equipment is disposed of under the WEEE Directive.

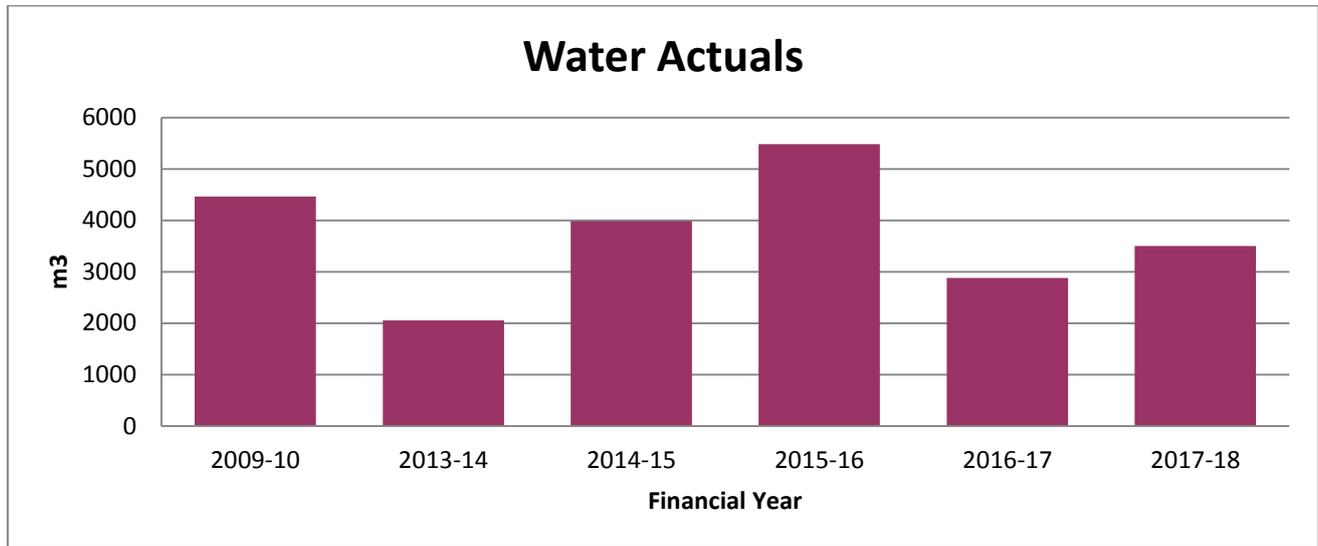


			2009-10	2013-14	2014-15	2015-16	2016-17	2017-18
Weight (t)	Non Hazardous Waste	Landfill	40	36	18	17	0	0
		Reused/Recycled	39	14.5	26	24	26	22
		Incinerated/Energy from waste	0	0	0	0	17	17
Cost (£000)	Non Hazardous Waste	Landfill	18	11	4.5	4.5	0	0
		Reused/Recycled	31	2	3	3	2.5	3
		Incinerated/Energy from waste	0	0	0	0	5.5*	5

*figure restated following revised information received in the year

Initiatives to encourage recycling and reducing waste include increasing the number of bins for the collection of recyclable waste and installing environmentally friendly hand dryers to reduce paper towel use. Westminster Council waste collection no longer send commercial waste to landfill and instead uses, mixed recycling which is processed dependant on materials. Landfill materials are now incinerated to produce electricity for 50,000 homes and businesses, the TFL tube system and residual ash is used in road building and repair.

Finite resource consumption



Finite Resource Consumption	2009-10	2013-14	2014-15	2015-16	2016-17	2017-18
Water Consumption (m ³)	4,466	2,054	3,985	5,485	2,882	3,503
Water Supply Costs (£000)	3	7	6	9	15	4.5

The Greening Government target is to ensure that water consumption is reduced from 2009-10 baseline and for each Department to continue to reduce its water usage from 2014-15. The Serious Fraud Office occupies a shared building as a tenant as such it is difficult to control overall usage which can result in fluctuations in consumption.

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 centralised framework contracts where appropriate, that embed the Government Buying Standards (GBS) within them. Where 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 2017-18 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. 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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