



# SFO

SERIOUS FRAUD OFFICE



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# ANNUAL REPORT AND ACCOUNTS 2022-23



# **ANNUAL REPORT AND ACCOUNTS 2022-23**

(For the year ended 31 March 2023)

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

Annual Report presented to Parliament pursuant to Section 1(15) and Paragraph 3 of Schedule 1 to the Criminal Justice Act 1987

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

Ordered by the House of Commons to be printed on 18 July 2023

## **OGL**

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## Contents

Statement from the Director	2	<b>Financial Statements</b>	<b>78</b>
<b>Performance Overview</b>	<b>6</b>	Statement of Comprehensive Net Expenditure	79
SFO at a Glance	6	Statement of Financial Position	80
Statement of Purpose and Activities	8	Statement of Cash Flows	81
Summary of Performance During the Year	12	Statement of Changes in Taxpayers' Equity	83
<b>Performance Analysis</b>	<b>18</b>	Notes to the Accounts	84
Our Performance During the Year	19	<b>Trust Statement</b>	<b>103</b>
Our People	20	Accounting Officer's Foreword	104
Intelligence	21	Statement of the Accounting Officer's Responsibilities	106
Casework	22	Performance Report and Accountability Report	107
Proceeds of Crime and International Assistance	24	Governance Statement	107
Victims & Witness Care	26	The Certificate and Report of the Comptroller and Auditor General to the House of Commons	108
Policy & Engagement	27	Statement of Revenue, Other Income and Expenditure	113
Independent Reviews	28	Statement of Financial Position	114
Technology	29	Statement of Cash Flows	115
Change Delivery	30	Notes to the Trust Statement	116
Financial Performance	31	Accounts direction given by HM Treasury in accordance with Section 2 of the Exchequer and Audit Departments Act 1921	118
Sustainability	34	<b>Annex A – Sustainability Report</b>	<b>120</b>
Future Plans	35	Sustainability Report	121
<b>Accountability Report</b>	<b>36</b>	Greenhouse Gas Emissions	123
Corporate Governance Report	37	Waste volumes	127
Statement of Accounting Officer's Responsibilities	38	Water	128
Governance Statement	39		
Executive Committee	43		
Remuneration and Staff Report	50		
<b>Parliamentary Accountability and Audit</b>	<b>63</b>		
Statement of Outturn against Parliamentary Supply (SoPS) Accountability	64 71		
The Certificate and Report of the Comptroller and Auditor General to the House of Commons	73		

## Statement from the Director



### **I present the Annual Report for the Serious Fraud Office for the reporting year 2022-23.**

Here at the Serious Fraud Office (SFO), we specialise in fighting the most complex economic crimes. These often involve thousands of victims and the loss of tens of millions of pounds, across dozens of countries. It is my honour to lead the staff of the SFO to fight these crimes, to deliver justice for victims, and to protect the UK's reputation as a safe place to do business. You will read in this document about our many successes, about some things that did not go as well as we had anticipated, and about our ambitions for the future. As I reflect on the year, I am filled with pride.

### **Operational Successes**

This year again we received referrals which lay bare the huge impact of fraud, bribery and corruption on all those affected and on our economy at large. This why I am so very proud of the outcomes we deliver for victims and the public.

The SFO punches way above its weight. We brought nine prosecutions before the courts, more than twice our recent annual average, and secured the conviction of eight business executives. They were sentenced to a collective 61 years behind bars – an important deterrent against future wrongdoing.

And we made criminal justice history. Our investigation and prosecution of Glencore Energy UK for seven counts of international bribery led to the UK's largest ever penalty for a corporate criminal conviction: £280m. Money that goes via HM Treasury back to the taxpayer.

We owe much to the brave witnesses who step forward. We helped over 100 of them give evidence this year. This formed a key part of our cases and helped us deliver justice for over 10,000 victims.

Despite our relatively small size, we are one of the UK's leading law enforcement agencies when it comes to asset recovery. This annual report rightly highlights our performance in this important area – we have recovered £95.2 million in twelve months, hitting the criminals where it hurts them most: in their pockets.

### **A Learning Organisation**

It has been a year of great successes, but we are not complacent. We have experienced setbacks too – and we are aware we need to change to meet the evolving challenges of our work.

In July 2022, two separate independent reviews (on our handling of the Unaoil investigation and the 'R v Woods and Marshall' trial) called for swift and meaningful change in the way we work – their conclusions and recommendations made for sobering reading and we accepted them in full.

Since then, we have delivered against all 29 recommendations, as reported by the Attorney General to Parliament and as recently recognised by His Majesty's Crown Prosecution Service Inspectorate (HMCPPI), the independent body responsible for inspecting our work.

We are clear that some recommendations require further or ongoing work, and remain committed to full and ongoing implementation as part of our comprehensive change programme.

In March this year, I also took the decision to close our prosecution of G4S, after determining it was no longer in the public interest. We had faced significant challenges as we moved towards the opening of trial. We are now committed to learning from this, and I am grateful for HMCPPI's commitment to expedite a review of our approach to disclosure.

## Operating Environment

The G4S case and others have reinforced our view that the operating environment is becoming harder for organisations such as ours to deliver justice effectively. Together with our law enforcement partners, we worked hard to make a shared case for disclosure reform. I am pleased that the government has heard us, with the new Fraud Strategy committing to a review of the disclosure regime.

More broadly, on legislative change, we proposed the expansion of our section 2A powers across all cases, as part of the Economic Crime and Corporate Transparency (ECCT) Bill. This will allow our Intelligence Division earlier access to key information held by individuals or companies before we decide whether to open a full criminal investigation. Previously, this has only applied to international corruption cases but an expansion would allow us to apply it to all

types of investigation, including on fraud, and will enable us to come to quicker decisions on where to invest our finite investigative resource.

We are following developments in Parliament on the ECCT Bill closely as we have a particular interest in a new 'failure to prevent fraud' offence. This change, if enacted, would mean we could hold corporate executives to account on fraud in the same way as we already do with bribery – a potential game changer.

## Our People

Across the public sector, we face headwinds around recruitment and retention, including on pay, and this year we have held high vacancy rates. We have used a mixture of temporary staff and counsel to fill these gaps, but this is not sustainable. Our top priority for financial year 2023-2024 is redoubling efforts to permanently recruit and train the people we need. Foreshadowing these efforts, I am incredibly proud of the SFO Trainee Investigator Scheme, which recently passed the milestone of our 100th trainee joining the programme.



**We made criminal justice history... the UK's largest ever penalty for a corporate criminal conviction: £280m**



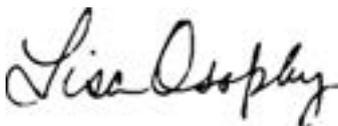
Thank you to Martin Spencer and Emir Feisal for their leadership and critical insight as Non-Executive Directors who completed their tenures during the reporting period. I was delighted to welcome Claire Bassett, former Deputy Director General at the Independent Office for Police Conduct, and James Thomson, Chair of the City of London Police Authority Board, who joined the Board as new Non-Executive Directors.

## My Tenure

As I complete my term as the eighth Director of the SFO, I feel privileged to have led the organisation in achieving 29 convictions, eight deferred prosecution agreements amounting to over £1 billion, and over £150 million seized from criminals. I am also proud to have forged stronger international relationships. This has borne spectacular results on cases such as Airbus and, as covered in this report, Glencore, and will continue to bear fruit in many of our investigations.

All of our results, from successful prosecutions to meaningful internal change, are achieved through the hard work of my SFO colleagues and our domestic and international partners. I thank them for their dedication.

It has been an honour to lead the SFO and witness the remarkable dedication and resilience of its people. We have a difficult job in a challenging context; we have to adapt, learn and remain determined to make a positive difference – and I believe we have done exactly that.



Lisa Osofsky  
Director  
Serious Fraud Office

13 July 2023



# 2022-23 Performance

<b>Performance Overview</b>	<b>6</b>
SFO at a Glance	6
Statement of Purpose and Activities	8
Summary of Performance During the Year	12
<b>Performance Analysis</b>	<b>18</b>
Our Performance During the Year	19
Our People	20
Intelligence	21
Casework	22
Proceeds of Crime and International Assistance	24
Victim & Witness Care	26
Policy & Engagement	27
Independent Reviews	28
Technology	29
Change Delivery	30
Financial Performance	31
Sustainability	34
Future Plans	35

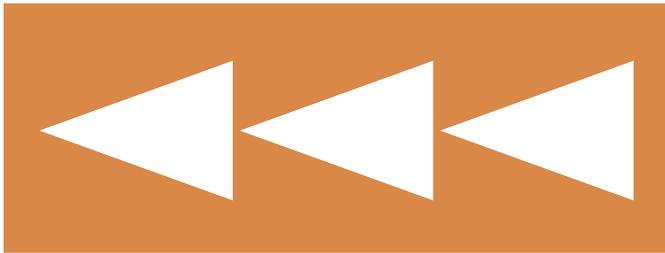
## Performance Overview

This section sets out a summary of the SFO's performance over the year. It outlines the mission, structures and objectives of the organisation, alongside a brief summary of the activities taken within the year to deliver against our ambitions and the risks that we have identified to success.

### The SFO at a Glance

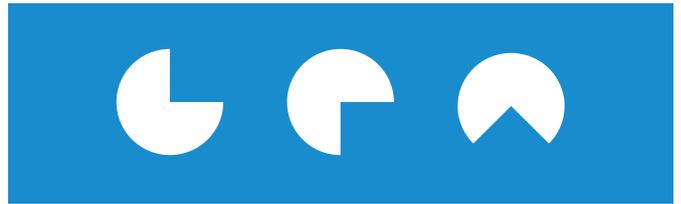
# £280 million

paid by Glencore Energy UK – the largest corporate sentence imposed in the UK to date\*



## £95 million+

recovered in connection to crimes investigated by the SFO and partner agencies\*



## £78.6 million

SFO annual budget for the year

# 8

business executives convicted

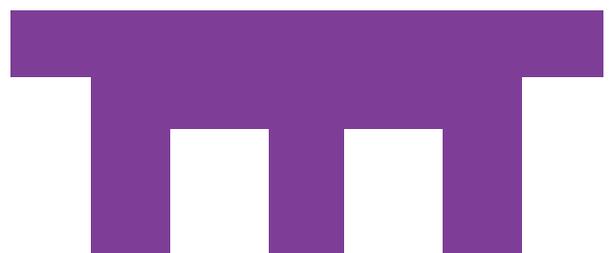
resulting in

# 61.5

cumulative years in prison

# 9

trials at court (as of March 2023, 1 ongoing)



\* Where these funds are awarded to the SFO, they are then transferred to HM Treasury. The SFO does not retain any share of these funds.



**c.35** criminal cases currently open

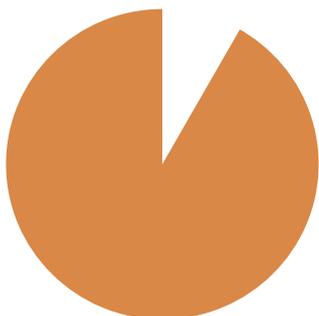


**73%**

of our leadership roles are filled by women

**c.450**

permanent and fixed term officers working at the SFO



**8.5%**

vacancy rate of 8.5% as at March 2023 (including those currently filled by temporary appointments)



**c.1,200**

referrals from whistle-blowers and other agencies



**103**

witnesses supported to give evidence at trial

**10,500**

victims affected by crimes prosecuted this year alone by the SFO

## Statement of Purpose and Activities

### Who we are

The SFO is a non-ministerial department superintended by the Attorney General's Office. A Framework Agreement sets out the relationship between the Attorney General, Solicitor General (the Law Officers) and the Director of the SFO.

Our core purpose is the investigation and prosecution of serious and complex fraud, bribery and corruption.

It is empowered within the UK criminal justice system with jurisdiction over England, Wales and Northern Ireland.

### SFO's mission

The SFO fights complex financial crime, delivers justice for victims and protects the UK's reputation as a safe place to do business. In so doing, the SFO also recovers proceeds of crimes, and assists law enforcement agencies from partner countries in their investigations into fraud, bribery and corruption.

### How the SFO delivers its mission

The investigation and prosecution of our cases is carried out by multi-disciplinary case teams of lawyers, investigators, forensic accountants, forensic and e-discovery experts along with external counsel and other experts. This joint investigatory prosecutorial case-team structure is known as the 'Roskill' model. Unique powers of compulsion under section 2 of the Criminal Justice Act 1987 enable the SFO to enforce the requirement of attendance at interview or the production of information<sup>1</sup> or, in certain circumstances, to apply for a warrant to enter and search premises to take possession of information.

The SFO will investigate 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 and the resources which the organisation has available to undertake an effective investigation:

The Director may investigate any suspected offence which appears to them on reasonable grounds to involve serious or complex fraud.

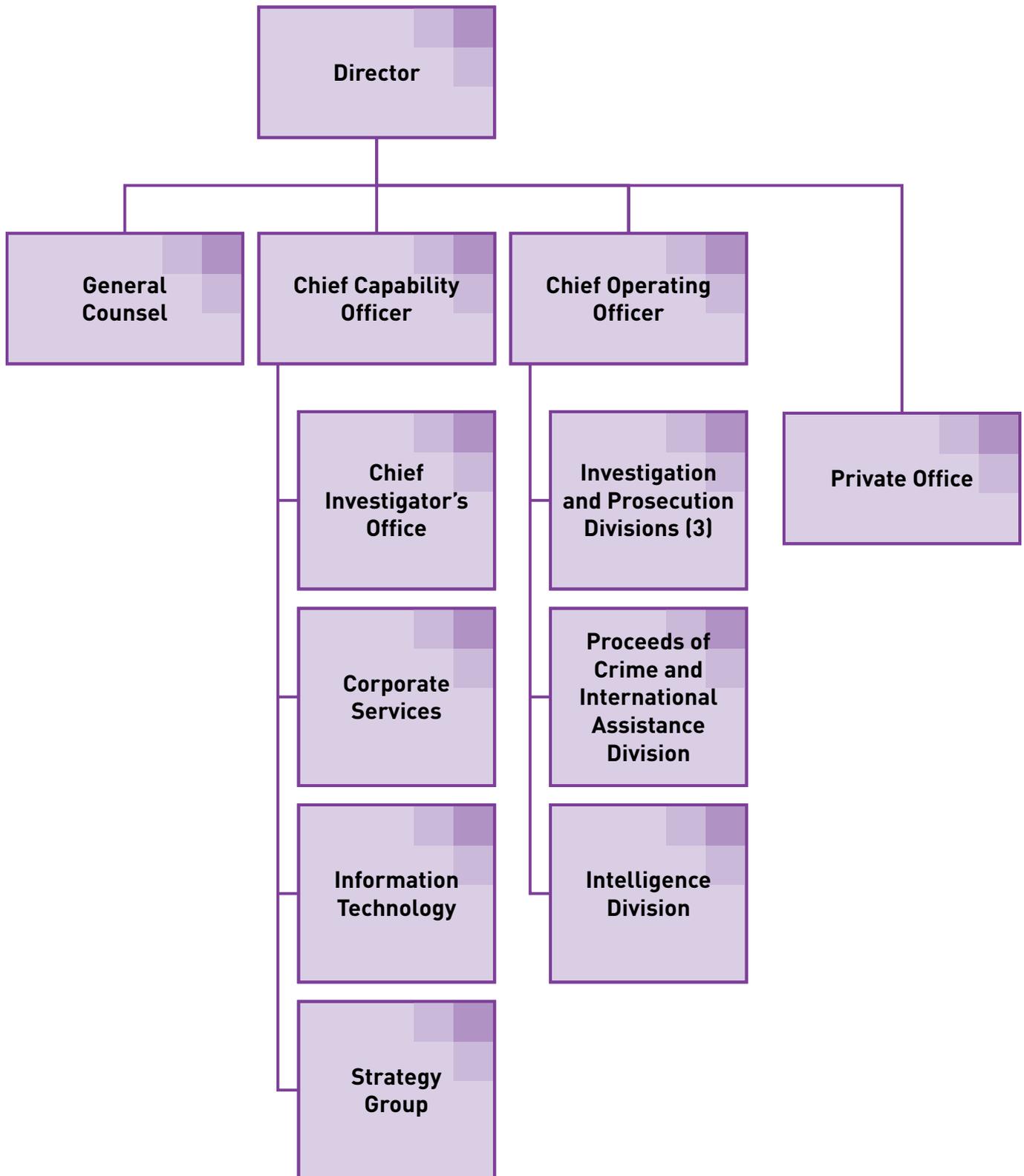
In considering whether to authorise an investigation the Director will take into account the actual or intended harm that may be caused to:

- The public, or
- The global reputation and integrity of the UK as an international financial centre and as a safe place to invest and do business, or
- The economy and prosperity of the UK

And whether the complexity and nature of the suspected offence warrants the application of the SFO's specialist skills, powers and capabilities to investigate and prosecute.

1. A failure to comply is a criminal offence.

# SFO Structure



# Strategic Objectives

## Objectives:



To investigate and prosecute the most serious or complex cases of fraud, bribery and corruption.



To uphold the rule of law, deliver justice for victims and recover the proceeds of financial crime.



To deter criminals and require offending companies to reform in order to protect the UK's economy and global reputation as a safe place to invest and do business.

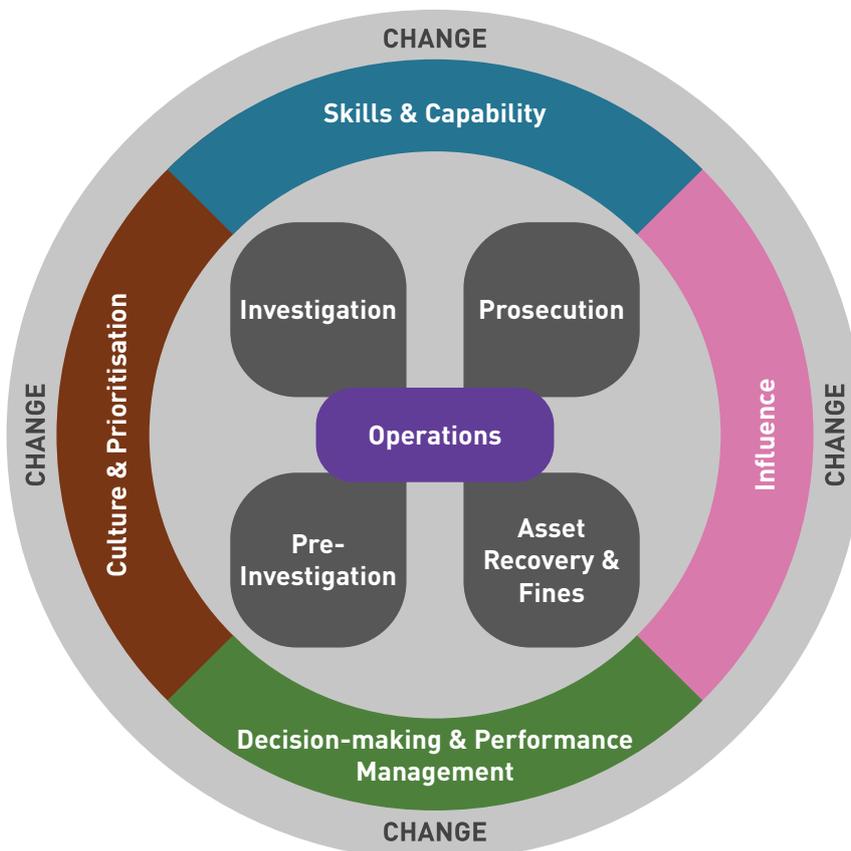


To collaborate with partners in the UK and overseas to ensure there is no safe haven for those who commit serious financial crime.

## 2025 Strategy

To deliver against these strategic objectives, the SFO launched a three-year strategy in 2022 which focuses on four key pillars.

To support the delivery of this strategy, the SFO designs and publishes an annual business plan which sets out the major projects to be delivered over the course of the year.





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## Summary of Performance During the Year

Our performance this year was characterised by a higher number of prosecutions than in previous years, a steady number of active investigations, and the beginning of a wide-ranging programme of internal reform.

### Operations

We secured the conviction of eight business executives for economic crimes worth hundreds of millions of pounds.

In May, Andrew Skeene and Omari Bowers – the executives behind Global Forestry Investments (GFI) – both received an 11-year sentence, for their role in a fraudulent investment scheme which purported to support indigenous communities and plant trees in the Amazon but deceived around 2,000 investors out of £37 million.

In August, we secured a 14-year sentence for Timothy Schools, a disbarred lawyer who defrauded investors in a network of legal firms out of £100 million, while siphoning off money for himself through a company named “ATM Solicitors”.

In September, David Ames, former Chairman of the Harlequin Group, was sentenced to 12 years for his role in a £226 million fraudulent property development scheme which affected over 8,000 investors.

At the start of 2023, we secured the conviction of three executives that ran Balli Steel, a company that received over \$500 million<sup>1</sup> worth of loans through forged shipping records. One pleaded guilty and the other two were convicted after trial, receiving combined sentences of over 13 years.

While we successfully prosecuted a high number of business executives, we also secured a significant corporate conviction. Glencore Energy UK Ltd, the UK branch

of one of the world’s largest trading and mining companies, pleaded guilty to seven counts of bribery in relation to its oil trade in five countries in Africa. The company was sentenced to pay £280m – the largest corporate sentence imposed in the UK to date.

Beyond prosecutions and investigations, our proceeds of crime team recovered £95.2 million through confiscation orders on behalf of the taxpayer, more than doubling what we recovered in the previous financial year.

We also obtained an account forfeiture order for over \$7.7 million, the highest amount ever recovered from a single bank account in the UK. We also kept up the pace on recovering assets following past successful prosecutions, with a further £1 million recovered and returned to victims from Jeffrey Revell-Reade, the fraudster behind the world’s largest ‘boiler room’ scam who was convicted of conspiracy to defraud and sentenced to over nine years’ imprisonment.

While much of our investigative work remains highly confidential for operational reasons, this year we can report we conducted a section 2 operation in relation to our investigation into GFG Alliance. We also conducted a search and three arrests in connection with a company operating in the energy sector.

Reports from members of the public and potential whistle-blowers, as well as referrals from other law enforcement bodies remained steady. The trends we observed include a rise in the number of fraudulent environmental investment opportunities (capitalising on climate change concerns or situations such as

1. Currencies used reflect that in which an amount was secured.

the GFI scheme where investors are seeking 'green' investments), and potential criminal behaviour around the supply of energy (following market shifts caused by Russia's invasion of Ukraine).

## Resourcing

Our finances remained stable this year. We spent £71.6 million against a budget of approximately £78.6 million. In line with government financial best practice we maintained a contingency of 5% to meet unforeseen pressures.

Our headcount remained broadly steady at c.450 permanent and temporary staff. However, with inflation adding to the pressure on civil service pay, we faced growing challenges with the recruitment and retention of staff and we are currently carrying a high vacancy rate. Within the remit of Cabinet Office pay guidance, we were able to increase staff pay for those at Bands F and G, our most junior grades, and starting salaries for our investigators and lawyers. Our Board have

agreed that one of our priorities for the next financial year will be to recruit permanent staff to fill our permanent vacancies.

## Progress against our 2025 strategy and change

At the beginning of the financial year, we launched our new 2022-2025 Strategy. This aims to drive forward improvements in the way we work and puts operational success at the heart of everything we do. We are implementing the strategy over three financial years and through annual business plans. Our annual business plan for 2022-2023 focused on building our skills and capability, shaping our culture and prioritisation, and influencing our operating environment.

### Skills and capability

We introduced a new Learning and Development Plan. This built on successful initiatives like 'reverse mentoring' for senior leaders, and included new approaches on skillsets such as leadership.



**We also obtained an account forfeiture order for over \$7.7 million, the highest amount ever recovered from a single bank account in the UK**



We continue to run our well-regarded and highly sought-after Trainee Investigator Scheme, which received hundreds of applications for only a handful of places. This aims to equip participants with the skills needed to work as a public sector investigator and provides the organisation with an essential pipeline of new talent. This year's cohort of 21 trainees took the scheme over the threshold of 100 investigators trained.

We also expedited training of case staff on 'Accelerate', our principal e-Discovery software, as part of ongoing plans to improve how we manage disclosure.

As part of developing our skills, we continue to invest in new technology. We piloted a new document management system to enable better collaboration between teams and across locations (e.g. between investigation sites and our office, between our office and the courts).

We updated our digital forensics systems to meet higher demand for the digital forensic lab services as a result of the unusually high number of cases going to trial in the reporting period.

We remain vigilant in relation to the risks posed by cyber-attacks and have been working with our suppliers to roll out new external security systems.

This year, we worked closely with the Government Property Agency to identify a new location for our office on the government estate, to better meet the requirements of our current ways of working and to optimise our accommodation costs. We currently expect to move to Canary Wharf (London) in 2024.

### **Culture and prioritisation**

Work to improve our culture this year included a focus on greater engagement between our senior leadership teams and our own staff across a wide range of topics including our

strategy and the need for change. This has included new and more frequent engagements with staff in more varied forums, offering regular opportunities for colleagues to ask direct questions of all senior leaders.

We also developed a case prioritisation tool which allows for resources to be flexed across the organisation and within casework divisions to support our priority cases. This brings together leadership from across the SFO to ensure our cases continue to progress efficiently.

### **Influencing our operating environment**

This year, we worked with the Attorney General's Office and Home Office as they considered possible legislative changes which will enhance our work. Working with the Home Office, we helped inform the content of the ECCT Bill currently before Parliament. Working closely with law enforcement partners, we have also continued to seek the updating of the disclosure regime, to bring it in line with the requirements of prosecuting in the digital age.

We have continued to invest in communication and public information. We are reaching new audiences with information about our work – including participating in an ITV special episode that reached approximately two million people on investment fraud on our Global Forestry Investment case. We continued to develop our fledgling social media presence, adding over 10,000 followers across our channels and releasing content that reached over 60,000 people. We also built awareness of our role and results in under-reported areas of our operations, including, on recovering proceeds of crime. Our news desk dealt with over 1,000 media queries, secured nearly 200 media reports and 16 corrections to inaccurate reporting.

## Principal Risks

The SFO's principal risks are those identified as critical potential inhibitors to the successful delivery of our mission and strategic objectives. Below is a description of the risks we face, their level of severity and an indication of their status compared to that outlined in the 2021-22 annual report.

Risk category	Risk level	Risk description
 Digital & Technology	Very high	Risk arising from a failure of technology to deliver the expected services needed to meet organisational goals; due to inadequate or deficient system/process development and performance or inadequate resilience.
 Information Management	High	Risk arising from a failure to securely, effectively manage data and information, which may lead to SFO not meeting its obligations under General Data Protection Regulation (GDPR) law.
 Legal Decision Making & Casework	Medium	Risk arising from defective casework practices, transactions or some other legal event that results in a liability, loss, or failure by SFO to meet ethical, legal or regulatory requirements.
 Security	Medium	Risk arising from a failure to prevent unauthorised and/or inappropriate access to SFO systems and assets; includes the loss or compromise of sensitive information, cyber-attack and eavesdropping, leading to potential major disruption to core business operations.
 Commercial	Medium	Risk arising from weaknesses in the management of commercial partnerships, supply chains and contractual requirements, resulting in poor performance, inefficiency, poor value for money, fraud, and/or failure to meet business requirements/objectives.
<b>NEW</b> Projects	Medium	Risks arising from the development, planning and delivery of organisational change programs and projects, including: <ul style="list-style-type: none"> <li>a. Cost risks</li> <li>b. Scope risks</li> <li>c. Time risks</li> <li>d. Specification (performance) risks</li> <li>e. Schedule (planning) risks</li> <li>f. Communications risks etc</li> </ul>

Risk category	Risk level	Risk description
<p><b>NEW</b> Finance</p>	Medium	<p>Risks arising from organisational inability to demonstrate the effective use of public monies and/ or the achievement of value for money criteria in delivering organisational goals, aims and objectives; also the loss of public funds through inadequate control arrangements and/or criminal activity against the department. Risks include:</p> <p>a. Liquidity risks - Insufficient funding to deliver organisational goals, aims and objectives.</p> <p>b. Operational risk - Operational failures such as mismanagement or technical failures, leading to financial losses, damage or harm.</p> <p>c. Legal risks - Legal constraints such as lawsuits (compensation, penalties etc).</p> <p>d. Opportunity risks - Uncertainty of delivering speculative improvements, resulting in financial losses, damage or harm to the organisation.</p>
<p> People</p>	Medium	<p>Risk factors that can negatively impact the performance, success and output of our people, including:</p> <p>a. Leadership</p> <p>b. Engagement</p> <p>c. Organisational culture</p> <p>d. Organisational change</p> <p>e. Resourcing.</p>
<p> Governance</p>	Medium	<p>Risk arising from unclear or ineffective oversight of SFO decision-making arrangements and/or failures to apply organisational standards criteria in the delivery of our services.</p>

Further information on how risks are managed can be found within the Governance Statement on page 39.

## Going concern basis

The financial statements have been prepared on a going concern basis in accordance with the Government Financial Reporting Manual. The SFO is a non-ministerial government department providing services that are anticipated to continue, evidenced by the provision of future supply funding voted by Parliament.

The Board reviews our going concern on an annual basis. It considers government funding, our business plan, our risk management framework, and our principal risks. 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 SFO has secured funding for the next financial year via Spending Review 2021 and will agree future funding as part of the next Spending Review, 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 Analysis



## Our Performance During the Year

This section provides a detailed examination of the SFO's performance. It includes a summary of progress on key indicators which are used to measure performance, as well as detailed assessments of significant milestones across all areas of the organisation in 2022-23 and a precis of our financial outlook.



**In 2022-23, we secured our largest ever financial penalty following a guilty plea.**

### Key Indicators

100% of cases successfully progressed past the 'no case to answer' stage in criminal trials where a jury is sworn and the judge allows the case to proceed to the jury at the end of the prosecution case.<sup>1</sup>

On average, the time taken from formally opening an investigation to the first outcome is four years.

Secured over £1.7bn since 2015-16 to the end of this reporting period through the continued use of Deferred Prosecution Agreements.

96% of victims and witnesses who are called to give evidence are satisfied with the experience provided by the SFO.

A 100% recovery rate against financial orders secured on realisable assets, totalling £95.2m.

# 2022-23

1. The trial against three former G4S colleagues which we closed in January 2023 did not have a jury sworn and therefore is not included.

## Our People

**The SFO wants to be a great place to work for all our staff. In 2022-23, we have helped staff to feel they are part of an effective and efficient workforce and to develop the skills they need for our current and future context.**

### 2022-23 milestones

- **Recognised and supported high-quality performance.** We piloted and introduced a new performance management system focused on continuous feedback and support. We also celebrated the breadth of passion and talent at the SFO at our first Commendation Ceremony, recognising staff from across the whole organisation who have delivered on behalf of victims and the public.
- **Invested in diverse and high-quality future talent.** We built on our established Investigator Trainee Scheme and apprenticeships, partnered with the Bar Council on their internship scheme and sponsored staff to take part in the Civil Service Future Leaders Scheme.
- **Developed our skills.** We created a new learning and development strategy and piloted a new leadership and management programme. We continued our mentoring and reverse mentoring schemes.
- **Gathered feedback.** We measure the effectiveness of our interventions through the annual Civil Service People Survey and other regular feedback opportunities. Like many departments, we saw our people engagement results fall this year. We are determined to give our staff the support they need and the findings have informed the priorities we will focus on in the year ahead. 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), and continue to engage constructively with them on a range of matters.
- **Maintained our focus on culture change.** Following a series of workshops to give colleagues an opportunity to shape the next phase of the programme, we agreed to focus on improving SFO's practice in four key areas: senior leadership team visibility; senior leadership development; staff-led innovation; and values and behaviours.
- **Prioritised our culture.** We established a Freedom to Speak Up Champion to give independent support and advice to any member of staff who wishes to raise any matter that concerns them within the SFO. This is in addition to the whistleblowing procedure set out on page 47.
- **Championed diversity and inclusion.** The Inclusion Council and Working Group support an inclusive environment for all colleagues. We strive to prevent discrimination in all forms. In 2022-23, a network of committed volunteers continued to promote events across the D&I calendar, using blogs, meetings, drop-in sessions and "cafes" to share experiences, raise awareness and support each other. Particular highlights have been celebrating National Inclusion Week, Black History Month, and creating a new network of Menopause Ambassadors.
- **Revised pay and bonuses.** Our 2022-23 pay award utilised the average increase of 2% permitted under the pay remit, targeting the 1% flexibility on specific priorities in our workforce and pay strategies. The Executive Committee agreed that, following the introduction of the new performance management scheme, annual performance bonuses would no longer be paid and the funds instead diverted to in-year bonuses.

## Intelligence

**This year, the Intelligence Division has continued to collaborate closely with domestic and international partners to identify and develop cases related to the most serious and complex fraud, bribery and corruption offences.**

### 2022-23 milestones

Received, researched and analysed c.1200 referrals from the public relating to allegations of serious economic crime. Those relating to serious economic crime were assessed, resulting in over 900 intelligence reports, many of which were shared with partner agencies.

Developed 27 in-depth operations to assess whether there was a case for investigation and potential prosecution.

Maximised the use of powers available to tackle serious economic crime through Assisting Offenders and Serious Crime Prevention Orders. The SFO is now regarded as a demonstrator of best practice on the former and works with wider law enforcement to share our experiences.

Developed our control strategy, which focuses on tackling established and emerging crime threats linked to the growth of an increasingly green economic model.

2022-23

## Casework

The SFO currently has an active caseload of around 120, including criminal, civil, proceeds of crime and international assistance cases. In 2022-23, we opened one criminal case and closed five. This section covers a selection of key successes and challenges from the year which are in the public domain.

### 2022-23 milestones

MAY

**In May 2022**, one individual pleaded guilty pre-trial to two counts of bribery in connection with payments to win contracts within the UK construction sector. The individual was later sentenced to nine months imprisonment suspended for 18 months on the grounds of poor health. Three other defendants were acquitted in January 2023 after a trial.

2022

JUN

**In June 2022, Glencore Energy (UK) Ltd pleaded guilty to bribery charges.** They were sentenced in November 2022 to pay a total of £280 million. This followed an SFO investigation that revealed it had paid \$29 million in bribes to gain preferential access to oil in five countries in West Africa. This is our largest ever financial penalty following a guilty plea. It is also the first use of substantive bribery offences for a company, meaning that senior individuals at Glencore authorised the bribery instead of simply failing to prevent it. This is also the largest ever confiscation from a corporate – over £93 million was secured by our proceeds of crime team.

JUL

**In July 2022, the jury in the GPT trial was discharged for reasons currently subject to reporting restrictions.** This case features two defendants charged with offences of corruption arising out of the provision of communications equipment to the Saudi Arabian National Guard. A retrial is scheduled for later in 2023.



**A jury unanimously found the defendant guilty in our Harlequin case, a £226 million investment fraud.**

MAR

**In March 2023**, we informed the court that we would not proceed with the trial of three former G4S executives, having determined that it would no longer be in the public interest to continue. We carefully considered the time required to review the estimated seven million documents, and the impact of further delay on the three defendants, who had all been under suspicion for some time. We have already taken steps to learn from our experiences in this case and will continue to do so in the year ahead.

FEB

**In February 2023, the Balli Steel trial concluded**, involving a \$500m fraud within the steel industry. Two defendants were convicted of ten counts of conspiracy to defraud. A third defendant, the company's CEO, pleaded guilty to a single count of fraudulent trading before the start of the trial. Sentences totalling 13.5 years' imprisonment for all three defendants were imposed. A fourth defendant was acquitted of all charges and a fifth remains to be dealt with.

2023

AUG

**In August 2022, a jury unanimously found the defendant guilty in our Harlequin case**, a £226 million investment fraud that resulted in over 8,000 investors being deceived. As a result, David Ames was convicted on two counts of fraud by abuse of position and sentenced to 12 years' imprisonment. He was also disqualified from acting as a company director for 15 years.

## Proceeds of Crime and International Assistance

In this reporting year, the proceeds of crime team secured a total of £95.2m for the benefit of the UK taxpayer. The SFO does not retain any of the funds recovered which go directly to HM Treasury. The proceeds of crime team also returned £1.1m paid as compensation to victims. A total of £1.2m has also been forfeited from bank accounts.<sup>1</sup>

A large proportion of the SFO's cases involve gathering evidence from other countries. The international assistance team support colleagues within the SFO working on those cases by obtaining evidence from overseas partners. This is done by issuing mutual legal assistance requests – this year we issued 31 compared with 29 in 2021-22. The International Assistance Team also received 35 new incoming requests and provided assistance to overseas partners across 30 countries over the course of the year. This represents a small increase of incoming requests from the previous reporting year.

### 2022-23 milestones

- **Reached a settlement of over £1 million benefiting more than 200 victims, following one of the largest boiler room frauds ever pursued by a UK authority.** In 2014, Jeffrey Revell-Reade was sentenced, following an SFO prosecution, to nine years and six months in prison for masterminding and conning UK investors out of around £70 million from a boiler room scheme. The court also imposed a total confiscation order of approximately £7.5 million<sup>2</sup>. Since 2016, the proceeds of crime team has vigorously pursued the enforcement of Revell-Reade's confiscation order, to recoup his illicit gains to compensate his victims. In previous years, over £3 million had already been returned to victims. This year, with the help of international partners in Spain, we succeeded in securing compensation funds via the settlement of a luxury penthouse apartment in the Costa del Sol.
- **Secured a prison sentence of six years and seven months for Michael Strubel for failing to pay his 2019 confiscation order of over £1.2 million<sup>3</sup>.** The fraudster, convicted in 2016 following an SFO prosecution, had conned investors out of £72.5 million with false claims of supplying services to the London Olympic Village. He was originally sentenced to seven years in prison. This year, the proceeds of crime team referred the matter to court after Strubel failed to adequately pay back the money he made from his Ponzi-style crimes, which he had spent buying luxury items and property. In May 22, the court handed down a default sentence, returning him to prison for failing to pay his confiscation order.
- **Brought contempt proceedings against Dr Gerald Smith for breaching his 2005 restraint order, resulting in an eight month custodial sentence suspended for 18 months.** Dr Smith previously pleaded guilty in April 2006 to misappropriating over £34m in funds from Izodia Plc. He admitted to ten counts of theft and one count of false accounting and was sentenced to eight years' imprisonment. The SFO uncovered subsequently that Dr Smith had been using previously unknown online banking facilities in breach of the restraint order that was put in place in 2005 which prevented him from

1. This figure refers to forfeitures which have been completed, not orders which have been obtained but are currently pending.

2. The value of the original confiscation order was £10.8m, later revised under a S22 of the Proceeds of Crime Act 2002.

3. The value of the original confiscation order was £2.1m, later revised under a S22 of the Proceeds of Crime Act 2002.



spending or accessing his assets. Dr Smith admitted three separate breaches and was sentenced in July 2022. Dr Smith has an outstanding confiscation order valued at over £75 million. The proceeds of crime team continue to progress enforcement action against Dr Smith and his realisable assets to pay this order.

- **Recovered over £1.7 million of the proceeds of a fraud perpetrated by Mr Addis Melaiu against would-be investors between 2004 and 2006 following his conviction in Switzerland.** The recovered funds have been returned to Switzerland so that they can be used to compensate 356 victims.
- **Obtained an account forfeiture order for over USD \$7.7 million from convicted money launderer, Mario Ildeu de Miranda.** Our investigation revealed he had channelled criminal proceeds through multiple international bank accounts using several different company names. This is the largest ever amount seized by the SFO from a single bank account. Miranda was

convicted of 37 counts of money laundering in Brazil in 2019 as part of 'Operation Car Wash', in which Brazilian authorities uncovered extensive and systemic bribery centred around state-owned oil company Petrobras<sup>4</sup>.

- **Confiscated an additional £92,500 from Achilles Kallakis, one of the fraudsters behind the UK's largest ever mortgage fraud case – ten years after his conviction.** The SFO had already confiscated £3.25 million from Mr Kallakis after the SFO's original investigation into Kallakis and co-conspirator Alexander Williams exposed a £740 million fraud, resulting in their imprisonment in 2013. A recent investigation uncovered how criminal proceeds from this fraud were donated towards a theatre at Mr Kallakis' child's London private school in 2005. Following a hearing at Southwark Crown Court in March 23, this donation, paid through a complex family trust fund, was confirmed as the proceeds of crime. He was ordered to pay within 28 days or face a custodial sentence.

4. Mario Ildeu de Miranda has appealed and a court date has been set for February 2024.

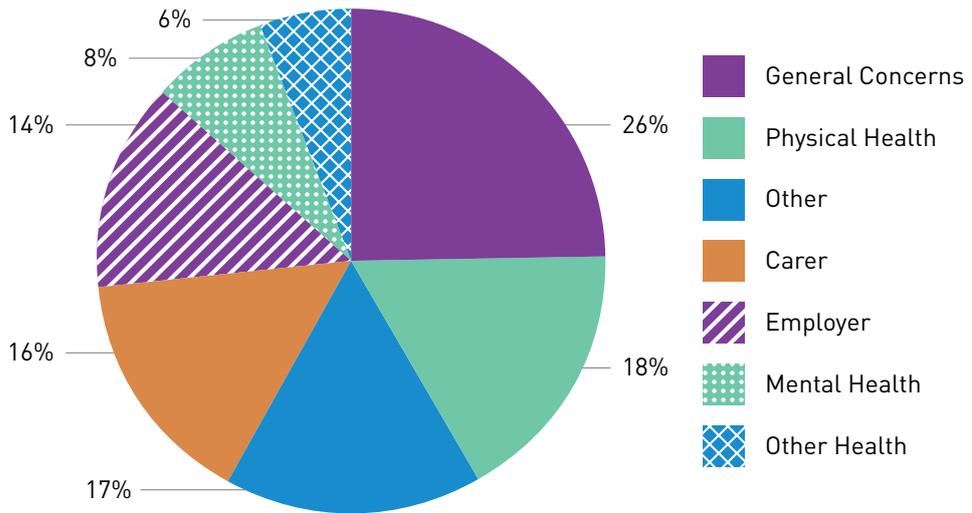
## Victim & Witness Care

The SFO puts victims at the heart of every case. Our expert victim and witness care team of dedicated staff supports the victims and witnesses who are crucial to our cases by explaining processes, communicating developments, signposting to specialist advice and providing support to those required to give evidence at court.

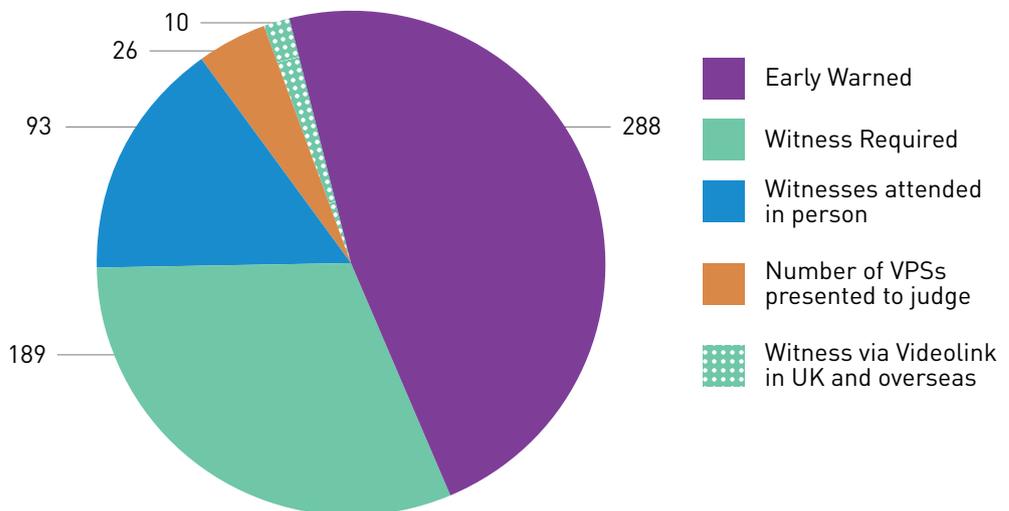
### 2022-23 milestones

- Supported 288 witnesses across seven trials, supporting 103 to give evidence either in person or via video link from the UK and abroad.
- Received feedback through our regular satisfaction survey that 96% of respondents were satisfied with the support and conduct of their SFO Witness Care Officer.
- Renewed our victim and witness care policy, process and materials in line with HMCPSP's recommendations in their 2022 report **Victim and witness care in the Serious Fraud Office**.
- Updated our training for operational staff in line with the Witness Charter and Code of Practice for Victims of Crime.

### Needs Identified



### Witness Numbers



## Policy and Engagement

The SFO policy and engagement function supports the organisation to influence key stakeholders in order to seek changes that improve our operating environment.

### 2022-23 milestones

**Made sure that corporates can be held to account for criminality.** Under the current corporate criminal liability regime, it is more difficult to establish criminal liability for fraud for some larger companies than smaller companies. For several years, the SFO has used a 'failure to prevent' offence against companies in bribery cases where the evidence supports such a charge. We have seen the positive impact that this has in companies working actively to prevent bribery. We have therefore welcomed the Government's decision to propose a new failure to prevent fraud offence in the ECCT Bill as this would mean we could hold large corporates to account in the same way as small businesses or individuals.

**The SFO to more quickly obtain vital evidence in cases.** Historically, our Section 2 powers have only allowed the SFO to compel the provision of information at the pre-investigation stage in a case of suspected international corruption but, after we made the case to extend these powers to all SFO case types, the Government introduced legislation to do so last September.

**Explained our work to Parliamentarians.** We gave evidence to the Justice Select Committee and the ECCT Bill Committee in October 22. We invited members of the Justice Select Committee and Nickie Aiken MP, MP for the Cities of London and Westminster, to the SFO to learn about our work.

**Developed our ability to fight bribery, fraud and corruption on a global scale.** We hosted international delegations – including India, Kenya, South Africa, and Canada – and welcomed the US Department of Justice to London for our SFO-DoJ symposium sharing best practice on the investigation and prosecution of bribery and corruption cases.

# 2022-23

## CASE STUDY: Disclosure

- The SFO continued to call for the need for disclosure reform throughout 2022-23, working with the Attorney General and a wide range of law enforcement and prosecution partners.
- Effective disclosure is critical to a fair trial for both victims and suspects and it supports public confidence in criminal justice.
- The current legislative framework was designed before the advent of mass digital data, which now creates ever-increasing practical challenges to investigating and prosecuting complex economic crime cases. Our lives are digital by default, meaning that every case can involve multiple phones, laptops and company servers with a storage capacity unimaginable even a decade ago. It takes considerable resource to process and examine that data in order to identify the information that is relevant to a case.
- In SFO cases, the regime requires the prosecution to read, review and describe hundreds of thousands of documents and requires the defence to review schedules with thousands of items.
- The criminal justice system needs a regime that allows law enforcement and the defence to work together to identify the most pertinent documents to a case at the earliest stages of a case.
- We have been working with our partners across the system to discuss potential solutions. In March, we welcomed the Government's Economic Crime Plan 2023-2026 commitment to "re-examine what more can be done to make the disclosure process more manageable in the digital age, including exploring options for both legislative and non-legislative reforms." We look forward to working with the person who will lead this review.

## Independent Reviews

In April 2021, following the end of the R v Woods & Marshall trial, the Director of the SFO commissioned Brian Altman KC to conduct a review into SFO's handling of the case. In December 2021, following the Court of Appeal's decision to overturn a conviction in the Unaoil case, the Attorney General commissioned Sir David Calvert-Smith to conduct a review into the SFO's handling of that case. Both reviews were published in July 2022, alongside the SFO's response to the Altman review and the Attorney General's Office's (AGO) response to the Calvert-Smith review. The reviews made a total of 29 recommendations for the SFO and AGO to implement.

The SFO implemented a number of changes immediately after both cases, meaning that several recommendations had been fulfilled

by the time of the reviews' publications. In November 2022, the Attorney General provided an update to Parliament on all the positive steps taken by the SFO to implement the recommendations in Sir David Calvert-Smith's review and the SFO published an update on the significant progress made against the actions outlined in Brian Altman KC's review.

In May 2023, the Attorney General provided a final update to Parliament on the SFO's work to deliver on the Calvert-Smith review and the Altman review. During the 2022-23 financial year, the SFO has put the necessary steps in place to embed the recommended changes. We recognise the need for further or ongoing work on some recommendations and will continue to carry this out as part of our wider change programme.

## Technology

**The SFO continued to use technology to support better operational outcomes, allowing frontline staff to deliver their work more quickly and efficiently.**

2022-23

### 2022-23 milestones

Met high levels of demand for services across all teams, given the relatively high number of SFO cases in court this year. This included managing and processing physical evidence, digital forensics, eDiscovery support, graphics for court presentation and printing of court materials.

Continued to migrate cases onto SFO's newer document review system, enabling more case teams to benefit from its advanced capabilities.

Undertook planning and preparation for a forthcoming office move, including rationalisation of existing systems.

Completed a programme of IT infrastructure upgrades to resolve legacy technology risks.

Piloted a new document management system to make collaboration easier and to support effective information management.

Enhanced the Digital Forensics Unit by implementing a new forensics case management system to improve control and visibility.

Prioritised cyber security by enhancing supplier assurance processes and exercising incident response.

Reviewed and updated the SFO's information retention policies.

Undertook preparatory work towards replacing legacy HR and finance systems.

## Change Delivery

In 2022, we established a new division to support the management and delivery of the SFO's portfolio of internal change projects.

### 2022-23 milestones

- **Drove improvement across the business.**  
We used our expertise to guide the business, helping to deliver work such as the Case Progression Project, which – in response to a 2019 HMCPSI report – developed a series of tools to improve the way that we support, monitor and assess the progress of our cases. This ongoing work also supported our response to the Altman and Calvert-Smith reviews.
- **Established the Change Delivery Division and Change Portfolio.** We brought together a mix of project management, business analysis and change management specialists and developed the SFO's key change projects into a single portfolio, enabling more consistent and co-ordinated management.
- **Introduced new governance arrangements for managing change.** We created new ways of working, including by clarifying the role and purpose of our Portfolio Board and setting up six-monthly reviews of the Change Portfolio to make sure work is delivered at the right time, in the right order and in the right way.
- **Embedded a fit-for-purpose change framework.** We carefully designed, tested and embedded a new approach which works for the SFO and is in line with government standards.
- **Introduced effective project sponsorship of our projects.** We put in place the right level of oversight by ensuring that all of our projects report to a Senior Responsible Owner and Project Board.
- **Helped colleagues to engage with change.** We introduced Change Champions and set up regular communications to ensure that staff at all levels understand the changes underway, how they will be impacted and how they can get involved.

## Financial performance

**SFO expenditure, directly or indirectly, is for the investigation and prosecution of the most complex fraud, bribery and corruption cases – no-one else does what we do to investigate, prosecute and retrieve the proceeds of crime.**

The SFO’s Resource Departmental Expenditure Limit (DEL) outturn for the year totals £71.6 million, an underspend of £7.0 million or 8.9%. Capital DEL outturn totals £3.8 million, an underspend of £1.8 million. Annually Managed Expenditure (AME) outturn was £4.2 million, an underspend of £0.3 million.

The SFO’s net spending is broken down into several different spending totals, for which Parliament’s approval is sought. The Department’s running costs are covered by the DEL and our provision for legal costs arising from events in year but expected to be paid in future financial years are classified as AME.

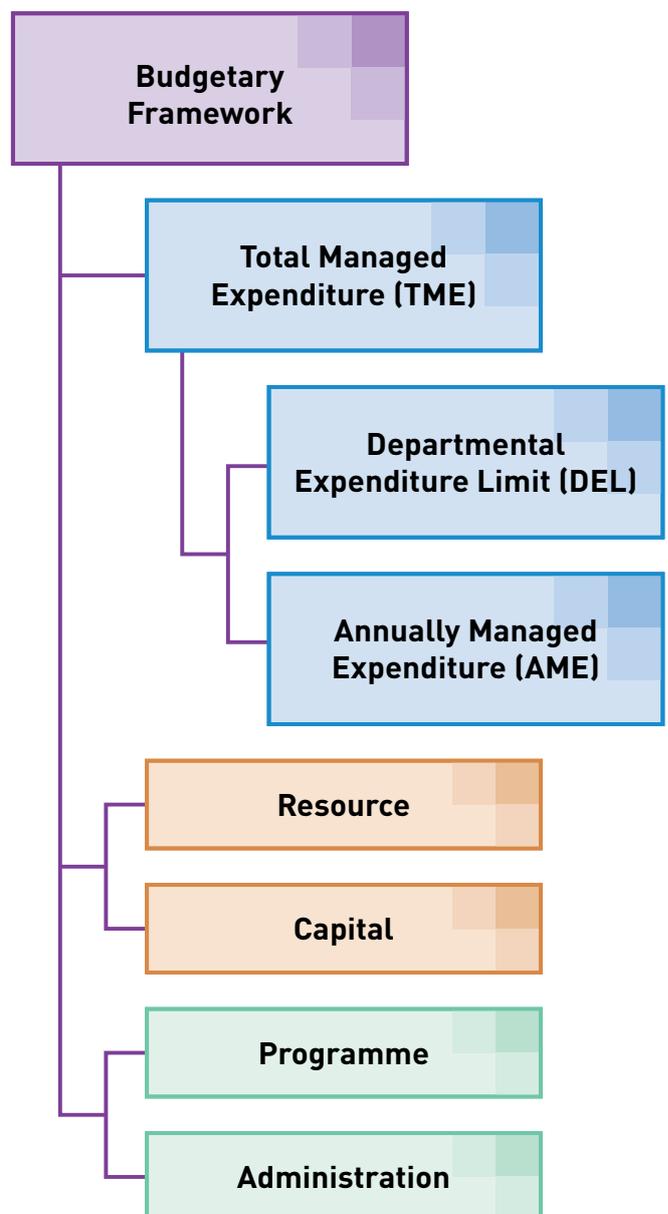
Where costs are recovered on our cases, these are shown as receipts in DEL, up to the amounts agreed by Parliament. Any amounts in excess of this are surrendered to HM Treasury. Fines and penalties not included in the Trust statement, attached to these accounts, are paid directly to HM Treasury via the Court Service.

### Where our funding comes from

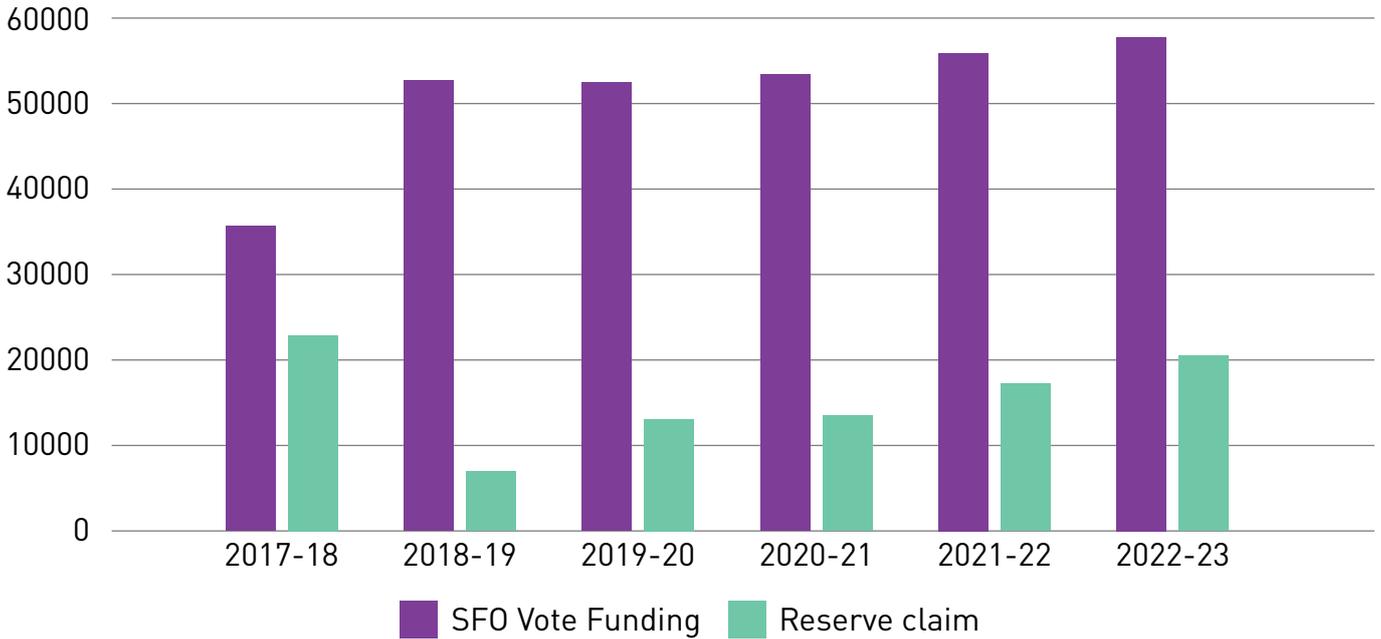
Our funding comes directly from government as part of the Spending Review, which normally occurs every three to five years. HM Treasury set limits for DEL budgets, as DEL budgets are understood and controllable. AME budgets are agreed with HM Treasury each year, as these capture spending which is more volatile or demand led.

The 2021 Spending Review set the SFO’s financing for 2022-23 and renewed the principle that access to Reserve funding will continue to be a part of the SFO’s settlement

for those cases where individual case costs are above 4% of non-ringfenced DEL. This additional financing will continue to be agreed with HM Treasury on a year by year basis and confirmed in the Supplementary Estimate.

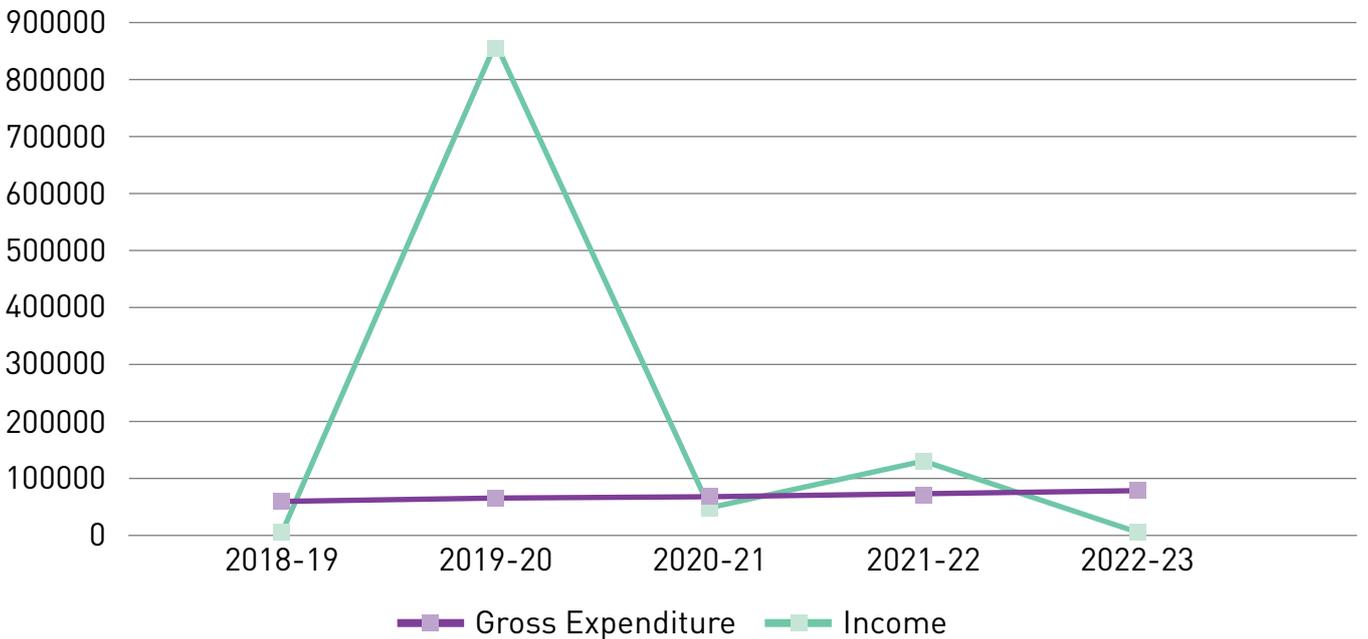


### RDEL funding for the past 5 years, £000



The chart above shows our funding over the last five year period.

### Gross expenditure and income for the past 5 years, £000



The chart above shows our funding against income over the last five year period.

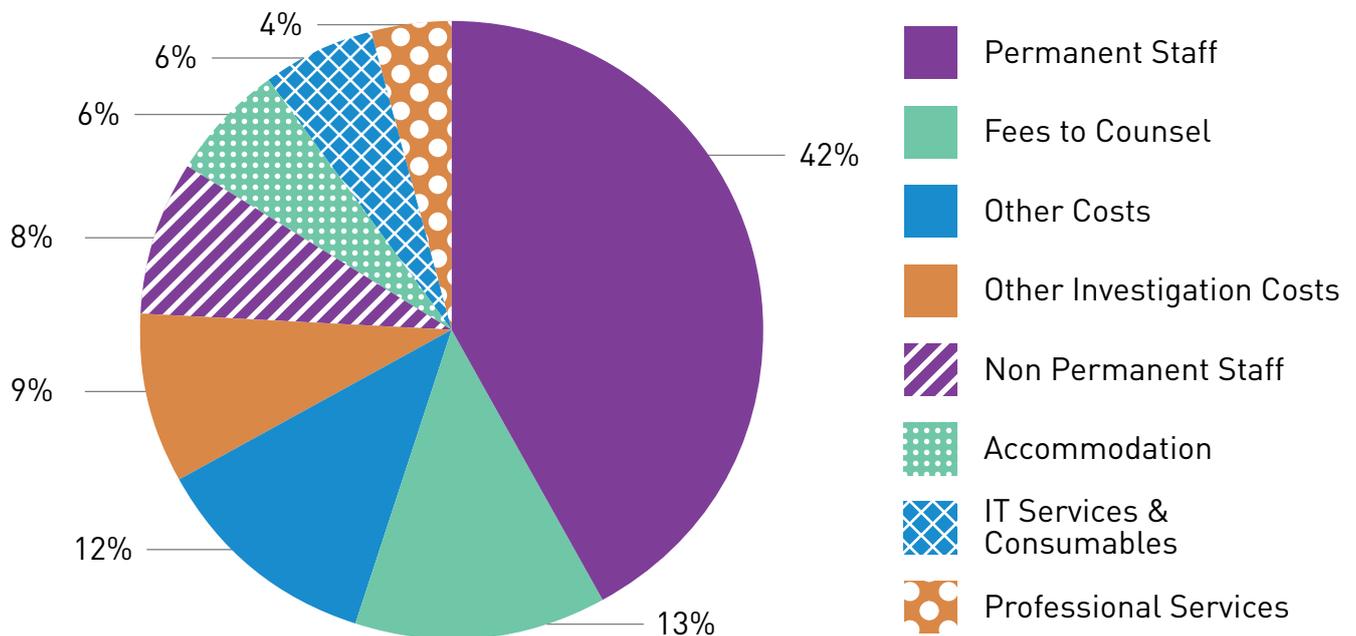
The 2022-23 net Resource DEL has increased by £20.79m since the Main Estimate was agreed. This is reflective of the particular circumstances of the SFO whereby access to the Reserve is available for the additional cost of cases above 4% of non-ringfenced Resource DEL. Of the £20.79m increase, £14.93m is attributed to cases which will cost above the 4% threshold for the year and £3.5m to cover the in-year cost of civil litigation. The remainder of £2.36m relates to an IFRS16 adjustment for our accommodation lease.

## Our summary expenditure

Our total operational expenditure was £71.6 million, an underspend of £7 million or 8.9%. HM Treasury guidance which requires departments to budget a contingency of 5% in order to manage unforeseen pressures contributed to this level of underspend. In addition, there were budgeted costs relating to our cases which did not crystallise as planned in the last quarter of the year. Our costs are driven by our case work, either directly or indirectly through the provision of our enabling functions. For example, a significant proportion of our IT costs are incurred by the SFO's digital forensic unit to process the vast quantities of digital material in our cases and enabling it to be accessed and reviewed by our case teams.

Operational expenditure			
	Funding £m	Outturn £m	Variance £m
<b>Total RDEL</b>	<b>78.6</b>	<b>71.6</b>	<b>7.0</b>

A summary breakdown of SFO expenditure is shown in the chart below. The main categories of spending are staff costs, counsel fees, accommodation and IT costs.



Capital investment			
	Funding £m	Outturn £m	Variance £m
<b>Total CDEL*</b>	<b>5.5</b>	<b>3.8</b>	<b>1.8</b>

\* Capital department expenditure limit

Overall, our investment this year was £3.8 million, which was £1.8 million less than our CDEL funding. The underspend is largely due to project slippage as a result of global supply shortages for IT equipment and a shift in our cost profile, away from physical hardware to cloud services in some areas. Included in our investment this year was £2.2 million of right of use assets relating to leases.

Despite the challenges presented by the global supply shortages, we have been able to deliver a significant amount of our planned capital investment for the year. 2021-22 marked the start of a new phase of significant capital expenditure over the Spending Review period. Our capital expenditure in 2022-23 was focused on; replacement of existing IT assets, delivering technology solutions that support effective end-to-end case delivery; and enabling the SFO to continue to invest in essential IT and digital infrastructure to respond to the increasing volume and complexity of case data and the challenges this poses for disclosure. We have also invested in addressing key cyber and legacy IT risks.

## Our provisions

**G4S:** Following the end of the case in March 2023, the defendants in the G4S case submitted orders for all recoverable costs incurred by their defence. Hearings and settlement negotiations have not yet taken place, so the cost is unlikely to crystallise before the accounts are signed and therefore will not be scored against Resource DEL in 2022-23. Due to the uncertainty on both timing and quantum this has been accounted for as a provision (AME) in these accounts.

## Sustainability

Information on SFO progress can be found at page 120.

### Contributions to the United Nations Sustainable Development Goals (SDGs)

We are committed to playing an important role in achieving the United Nations SDGs. Our remit means that we focus on Goal 16:

“Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.”

There are two targets in which the work of the SFO actively contributes to achieving this goal:

**16.5 – Substantially reduce corruption and bribery in all their forms.**

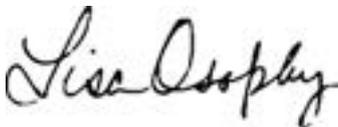
**16.10 – Ensure public access to information and protect fundamental freedoms in accordance with national legislation and international agreements.**

## Future Plans

In 2023-24, we will prioritise recruitment across the organisation to meet operational demand, supporting all our staff to develop the skills that they need and deserve and giving them the tools required to fulfil our mission – from modern, efficient technology to the right physical working environment.

These steps will enable us to make progress against the significant ambitions we have laid out in our three-year strategy. By taking this longer-term perspective, we can ensure that the SFO is best-placed to fulfil its role in the criminal justice system and carry out our mission to fight complex financial crime, deliver justice for victims and protect the UK's reputation as a safe place to do business.

In September 2023, the tenure of the current Director of the SFO will come to an end. The Attorney General has appointed Nick Ephgrave as the next Director.



**Lisa Osofsky**  
**Accounting Officer**

13 July 2023

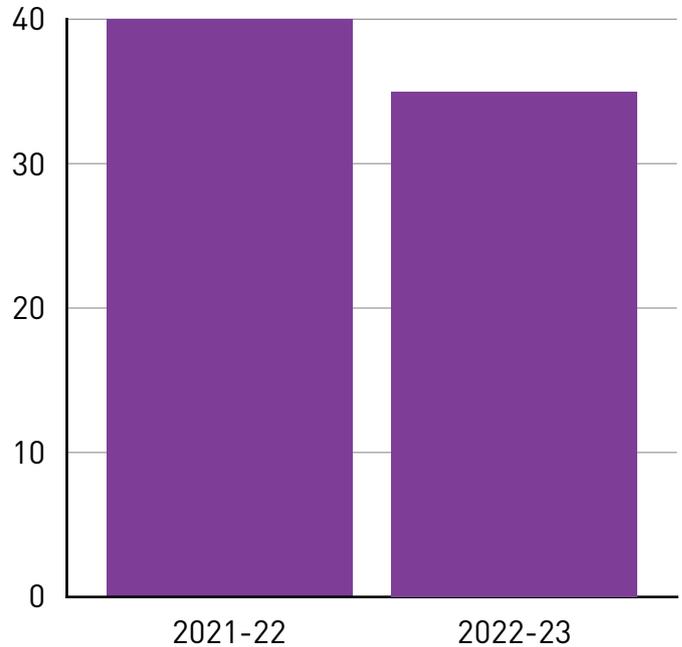
# Accountability Report

<b>Accountability Report</b>	<b>36</b>
Corporate Governance Report	37
Statement of Accounting Officer's Responsibilities	38
Governance Statement	39
Executive Committee	43
Remuneration and Staff Report	50
<b>Parliamentary Accountability and Audit</b>	<b>63</b>
Statement of Outturn against Parliamentary Supply (SoPS)	64
Accountability	71
The Certificate and Report of the Comptroller and Auditor General to the House of Commons	73

The Accountability Report includes a corporate governance report, a remuneration and staff report and a parliamentary accountability and audit report. These sections reflect financial reporting and parliamentary accountability reporting requirements.

## Corporate Governance Report

### Reportable data related incidents



No personal data breaches were reported to ICO.

### Auditors

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

### Remuneration to auditors for non-audit work

The SFO did not pay any remuneration to its auditors for non-audit work. The notional fee for the audit of the Department's Accounts for 2022-23 was £63,000 (2021-22: £56,000), and £7,250 (2021-22: £6,000) 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.
- 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 HM Treasury.

The Accounting Officer has taken all the steps that she ought to have taken to make herself 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 she takes personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

# Governance Statement

## Scope of responsibility

This statement covers the SFO's governance arrangements for the year ended 31 March 2023 for both the Departmental Resource Accounts and the SFO's Trust Statement at page 103.

The Serious Fraud Office (SFO) was set-up in 1988 as a non-ministerial department and given its powers under the Criminal Justice Act 1987. Ministerial oversight and accountability to Parliament lies with the Attorney General.

The Director is responsible for the discharge of the organisation's functions through the SFO's Board, Executive Committee, Audit Risk & Assurance Committee and other supporting governance forums. She is supported by the Chief Operating Officer (COO), Chief Capability Officer (CCO), General Counsel and Chief Financial Officer (CFO). The COO, CCO and General Counsel have direct responsibility for overseeing the organisation's operational work and corporate functions.

The Director is responsible for maintaining a sound system of internal control which supports the achievement of the SFO's aims and objectives and compliance with its policies. The Director is also charged with safeguarding public funds and Departmental assets, for which she is personally responsible, in accordance with the responsibilities assigned to her in Managing Public Money.

## Governance structure

The SFO’s governance arrangements are in line with HM Treasury’s and Cabinet Office’s Code of Good Practice for Corporate Governance. The three main governance forums are the Board, the Executive Committee, and the Audit Risk & Assurance Committee. There are also five sub-committees which support the Executive Committee in achieving the SFO’s objectives and risk management. 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.

A Framework Agreement published in January 2019 sets out the relationship between the Law Officers and the Director. This relationship is an essential component of our governance. In accordance with the sponsorship and statutory superintendence arrangements, the Director meets with the Law Officers regularly. The Framework Agreement describes the Ministerial Strategic Board (MSB), which meets three times per year. The MSB’s overarching aims are to oversee the strategic direction for the SFO and to hold the SFO to account for delivery of its strategic objectives. Other responsibilities include supporting the roles and responsibilities of the Law Officers and the Director, agreeing and supporting the SFO’s engagement priorities and reviewing financial management, performance and efficiency.

The MSB is chaired by the Attorney General or the Solicitor General and its membership comprises the Law Officers, the Director, the COO, the Director-General (AGO) and an appropriate SFO non-executive director. The Chief Inspector of HM Crown Prosecution Service Inspectorate and the SFO CCO attend by invitation as required.

The following sections set out the membership and arrangement of the SFO’s key governance structures.

## Governance structure



## The Board

Chaired by the Director, the Board's membership comprises the COO, CCO, GC, CFO and the four non-executive directors.

### Membership as at 31 March:



**Lisa Osofsky, Director**



**Michelle Crotty, CCO**



**Abigail Howarth, COO<sup>1</sup>**



**Sara Lawson KC,  
General Counsel**



**Liz Corrin, CFO**



**Sanjay Bhandari,  
Non-Executive Director**



**Magnus Falk,  
Non-Executive Director**

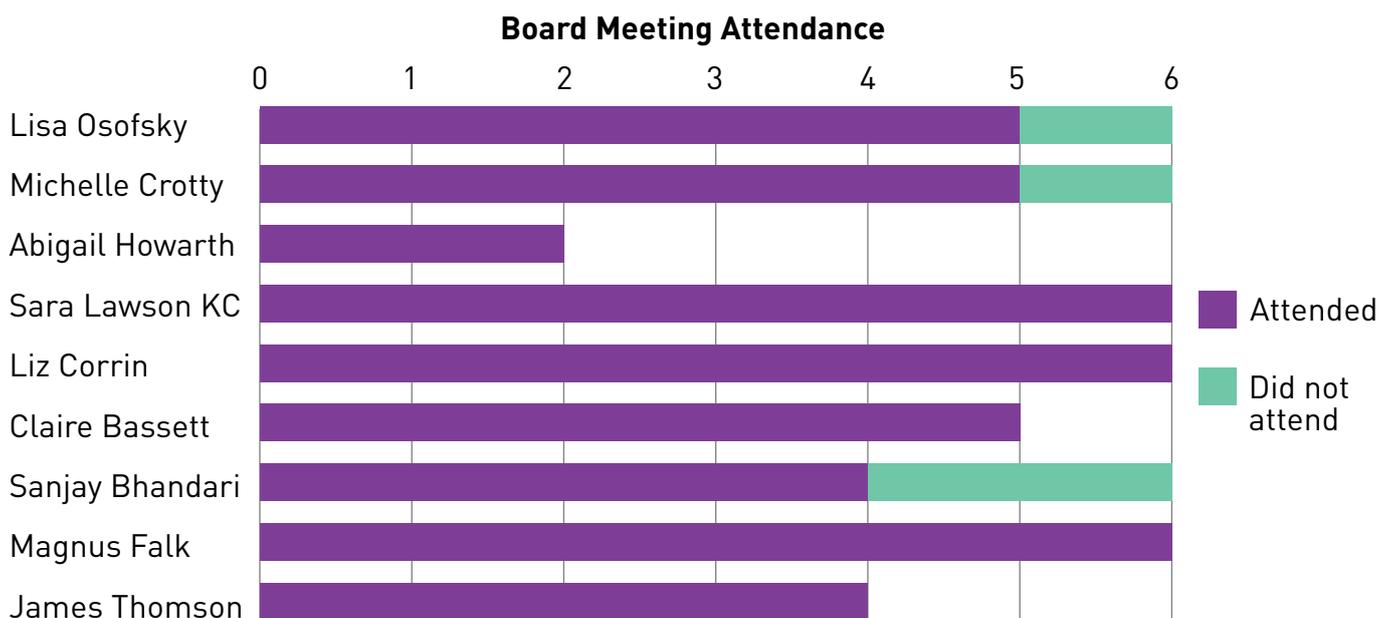


**James Thomson,  
Non-Executive Director**



**Claire Bassett,  
Non-Executive Director**

1. The previous COO, John Carroll, left the SFO on 8 June 2022. This was the only SCS1/2 departure during the reporting period.



This graph sets out attendance at Board meetings throughout the reporting period. Since some Board members joined mid-way through the financial year, they were unable to attend all meetings.

### The Board:

- Sets the SFO’s vision, mission, direction and values.
- Sets the priorities for the SFO’s strategic plan and approves it.
- Sets the priorities for the SFO’s annual business plan and approves it.
- Monitors progress against the strategic plan and annual business plan.
- Reviews the Annual Report and Accounts.
- Ensures strategic and operational functions are performing effectively, efficiently and delivered in an ethical manner.
- Approves the SFO’s annual budget.
- Provides independent, effective and robust challenge to the Executive Committee as appropriate / holds members to account for operational delivery.
- Oversees SFO Performance (immediate and future objectives).

- Considers ways to improve performance (value for money).
- Sets the priorities for strategic engagement with the SFO’s partners/stakeholders.
- Monitors the SFO’s external reputation and its relationships with key stakeholders.

The Board ensures that a sound system of internal control is maintained. It aims to reach decisions by consensus but in exceptional cases a decision may be taken by the Director alone because of her ultimate personal responsibility for the SFO as Accounting Officer.

Cabinet Office and HM Treasury’s **Code of Good Practice for Corporate Governance** cites a nominations and governance committee as good practice. Because the SFO is a small, non-ministerial 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 Committee

The Executive Committee, comprising the Director, CCO, COO and General Counsel, is the principal senior management authority responsible for delivering the SFO's strategic plan effectively, efficiently and economically through its business planning process.

The Executive Committee:

- Provides assurance to the Board on implementation of the SFO's strategic plan.
- Is accountable for delivery of the SFO's business plan by reviewing, challenging, and scrutinising performance against the business plan and taking appropriate action to ensure successful delivery.
- Assures the Board through its Audit and Risk & Assurance Committee that controls are in place, fit for purpose and are operating as intended.
- Ensures the SFO's core values are embedded within the culture of the organisation with support of the Culture Change Programme.
- Develops and communicates strategic plans and decisions.
- Delegates regular operational oversight and decision making arrangements to the supporting sub-committees and requires that they escalate issues as necessary in accordance with their roles and responsibilities.
- Oversees the work of and decides upon matters escalated by sub-committees or divisions.
- Ensures sound financial management and scrutiny to achieve business objectives.

The Executive Committee aims to reach decisions by consensus. In exceptional cases a decision may be taken by the Director alone because of her ultimate personal responsibility for the SFO as Accounting Officer.

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

### Executive Committee Sub-Committees

The following sub-committees report into the Executive Committee. During the year, they were chaired by either the General Counsel, CCO, CFO, Chief Technology Officer or Head of Strategy Group.

**The Operations Committee** is responsible for governance and oversight of all operational activity and relevant working groups responsible for effective case progression, operational guidance and training, and organisational learning to ensure that all operational activity is conducted lawfully and in accordance with the DSFO's Statement of Principle.

**The Portfolio Board** oversees the effective assurance and delivery of the SFO's Change Portfolio, ensuring that it remains focused on achieving its objectives and realising the benefits associated with SFO's investment in major change and improvement.

**The People, Culture and Capability Committee** is responsible for overseeing the delivery of the SFO's people strategy and related policies. It ensures that the SFO has the right capacity, resource and expertise to deliver its mission and that the SFO's values and behaviours are embedded within the organisation.

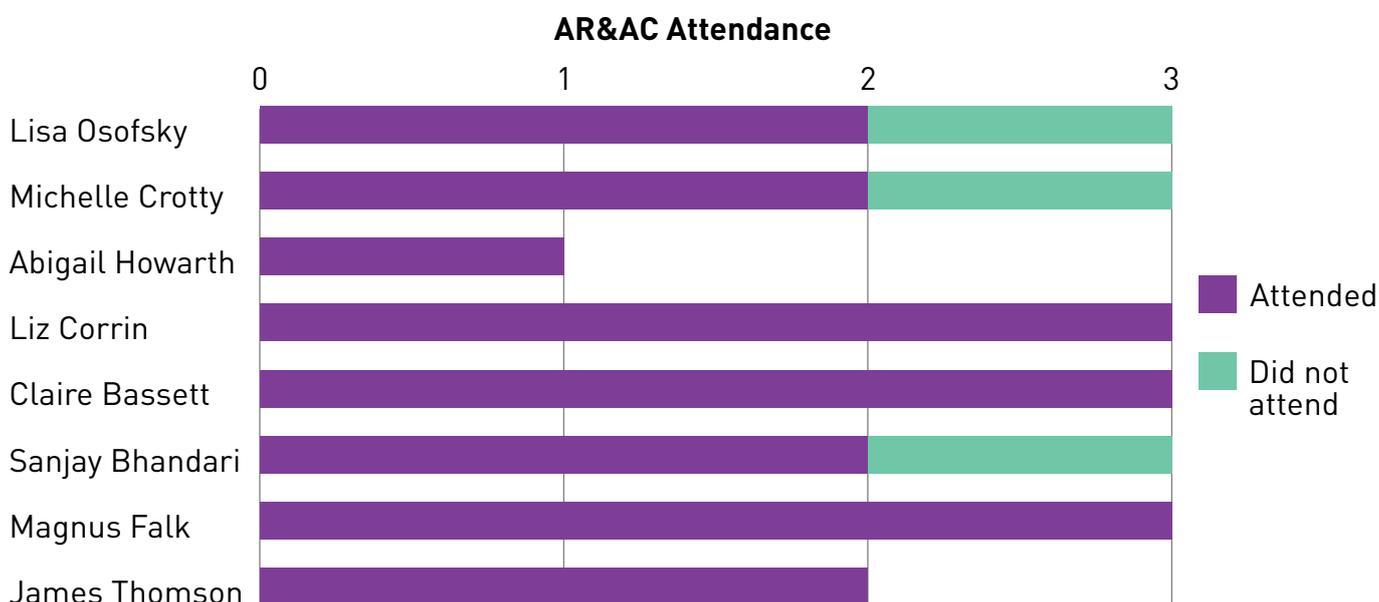
**The Technology and Business Engagement Committee** oversees the digital, data and technology strategy for the SFO and provides authority and guidance as required to ensure its delivery. It also ensures that the strategy, approach and solutions are underpinned by the needs and requirements of the SFO business and are fully aligned to its strategic objectives and business plan.

**The Stakeholder Engagement Committee** is responsible for developing and maintaining constructive relationships and effective communications with its stakeholders and external partners, in order to reinforce the SFO’s reputation and recognition as a specialist investigation and prosecution authority tackling the top level of serious or complex fraud, bribery & corruption.

### Audit Risk & Assurance Committee (AR&AC)

AR&AC is chaired by a non-executive director<sup>1</sup> and attended by all current Non-Executive Directors. Other attendees who are considered by the Chair for invitation at each meeting include: the Director (in her capacity as Accounting Officer); COO; CCO; CFO; and Risk and Assurance Lead. Representatives from the Government Internal Audit Agency and the National Audit Office are also invited to attend, providing AR&AC with the independent assurance to discharge its responsibilities appropriately.

This graph sets out attendance at AR&AC meetings throughout the reporting period. Since some AR&AC members joined mid-way through the financial year, they were unable to attend all meetings.



AR&AC supports the Director in discharging her role as Accounting Officer. It reviews and assesses the reliability of the assurances that the Director and Executive Committee receive. AR&AC 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 risk management procedures, as well as the internal control systems which are overseen by the Risk Management Group.

1. Emir Feisal chaired the AR&AC until 28 August 2022, when he finished his term and James Thomson assumed the role of Chair.

## Risk Management Group (RMG)

Working with the Executive Committee and AR&AC the RMG is chaired by the CCO. It coordinates and guides risk management across the SFO, overseeing the effective management of risk across the organisation and implementing change when required.

## Other forums

### Intelligence Division Oversight Committee

The Oversight Committee allows the COO's senior leadership team to have oversight of ongoing cases within the Intelligence Division, ensuring cases can be prioritised for CEBs and appropriate resources across divisions are aligned.

### Case Evaluation Board (CEB)

Chaired by General Counsel, the CEB enables the Director to make an informed decision based on its recommendation to initiate or decline an investigation. It meets according to the intelligence pipeline and reports to the Director. Core members are General Counsel, the COO, the Chief Investigator and the Chief Intelligence Officer (CIO).

### Case Review Meetings (CRM)

The CRM is chaired by the Head of Division with responsibility for a case. The general purpose of the CRM is to ensure that sound judgement and appropriate investigative and legal expertise are being brought to bear on cases, and that cases are progressing in an appropriate manner in compliance with all relevant legal and operational guidance.

## Risk management and internal control systems

The SFO has a multi-layered approach to identifying and managing potential risks to the organisation. Our strategy is to identify and mitigate risks based on clear management leadership and by delegating authority to

appropriate levels. Each Head of Division is accountable for risk and risk mitigation in their respective divisions.

The Board and Executive Committee members lead on the SFO's risk management, supported by the RMG and sub-committees with responsibility for key areas of risk.

The SFO has a risk management policy statement and a risk management booklet (aligned to the HM Treasury Orange Book) that set out our corporate approach to managing risk and the organisation's expectations and standards.

Within the current reporting cycle, the SFO has continued to develop its risk management framework. We have standardised arrangements for the management of risk across the organisation and integrated effective enterprise risk management methodology into our wider planning processes.

In the coming year, we will further develop our processes and systems so that the SFO is able to control the hazards, threats and risks it faces even more effectively and take advantage of available opportunities.

Our principal risks at the end of 2022-23 are outlined on page 15. These risks were agreed by AR&AC, Board, Executive Committee and the RMG as the risks and opportunities that are key to the SFO achieving its strategic objectives.

## Risk registers

The SFO framework for managing risks consists of three tiers of risk register:

- **The principal risk register:** This sits at the top of the organisation and consists of significant thematic risks that have the potential to disrupt the SFO's ability to achieve its mission, goals, aims or objectives.
- **Functional risk registers:** These are overseen and managed at an intermediate level by the Executive Committee sub committees.
- **Case risk registers:** Each live case has a risk register of all of the specific risks pertaining to it. Where aggregated case risks are identified across divisions, risks are escalated up to the functional risk registers in the form of thematic strategic or operational risks.

## Risk appetite

Our risk appetite is measured in accordance with the standards, requirements and criteria outlined within the HM Treasury Orange Book and associated publications, using a tiered five-bar scale to measure actual levels of risk against what is deemed acceptable by the Board. Our appetite ratings are formally reviewed by the RMG on behalf on the Board each year and whenever there occurs a significant change in environmental or risk conditions. This process of review ensures that our organisational appetites reflect the Board's willingness to accept and tolerate changing risk conditions.

## Functional Standards

The SFO's functional arrangements are continuously improved towards compliance with appropriate Government Functional Standards. The functional standards are designed to promote consistent and coherent

working within government organisations. During 2022-23 the SFO has continued to embed the functional standards that are applicable. Regular reporting on compliance was included as part of the 2022-23 business plan to enable monitoring on progress.

## Information assurance

The SFO's security programme delivers continuous protective security improvements with the aim of achieving full compliance with mandated government security standards. The programme includes addressing recommendations from security assessments, prioritisation of organisational learning, a full review and update of security policies, clearer definitions of roles, responsibilities and accountability and the introduction of mandatory in-person inductions so that SFO assets (people, information, systems and property) are appropriately protected.

The SFO's security education and awareness plan has included the delivery of information handling training to all staff to ensure information assets are classified and managed according to the Government's classification policy, industry standard cyber security awareness training for all staff provided by the City of London Police, training options for the senior leadership team as part of the National Cyber Security Centre's Cyber Board Toolkit and testing of strategic cyber resilience and business continuity plans using a ransomware attack scenario desktop exercise.

The SFO's Departmental Security Unit provides expert protective security advice, working collaboratively with supporting agencies to strengthen the SFO's security posture. The focus is on developing a greater understanding of security threats posed to SFO operations, ensuring proportionate risk mitigations are in place for business critical activities and systems, supporting the SFO's office relocation plans to ensure commensurate security measures are

implemented and assuring the SFO's supply chain against emerging risks posed to the wider government security landscape.

## Casework Assurance

We have created a new case assurance framework during the reporting period which includes various elements to ensure that we are progressing cases effectively and efficiently at key decision points.

As we further embed the new approach in the coming year, we will review its effectiveness and make any further improvements to ensure that we have the most effective case assurance in place. This will incorporate various tiers of assurance, including the regular consideration of case risks and how we manage and mitigate those, where possible.

## Register of interests

Senior managers within the SFO, including the non-executive directors, are required to complete a declaration of any interest. Details of the Director's and our non-executive directors' declaration of interests can be found on our website. Note 15 to the accounts, page 102, confirms that no member of the Board, including non-executive directors, has any related-party interests and no conflicts of interest or potential conflicts of interest have been identified.

### Departmental assurance process on management of interests and business appointments

The SFO has a policy for the declaration and management of interests in place for all staff. This policy aims to ensure that all staff are able to recognise any potential conflict of interest and ensure that this does not affect, or appear to allow their judgement or integrity to be compromised. The policy exists to protect the SFO and its investigations and prosecutions and adheres to the requirements

of the Civil Service Management Code (section 4.3). It also ensures that any outside employment held by senior civil servants does not present a conflict of interest.

In particular:

- All staff are required to complete a 'Register of Interests' form as part of the SFO recruitment checks, whether they have a conflict of interest or not.
- All staff are required to re-submit the Register of Interest form whenever their circumstances change.
- All staff must declare any new conflicts as part of the annual security appraisal process or if circumstances change.
- All staff are required to declare conflicts before any access is granted to case information once they are assigned to a SFO investigation.
- When an interest is declared, it must be risk assessed and a mitigation strategy must be agreed. All decisions must be recorded on the Register of Interests.

One application was received during the year from a former SCS2 and conditions were set for this application. (2021-22, none).

## Whistleblowing

Whistleblowing is covered by the SFO's 'Raising a concern (including whistleblowing)' policy which is available to all staff via the SFO intranet. The policy sets out how staff can raise a concern and has a section specifically covering whistleblowing with a link to the Public Interest Disclosure Act 1998 (PIDA). The SFO is committed to ensuring high standards of conduct in all that it does. We believe our people share this commitment and understand that if they suspect wrongdoing they have a responsibility to speak up.

We are committed to:

- Ensuring everyone feels able to, and understands their responsibility to speak up when they see something that doesn't feel right.
- Listening to those who raise a concern and treating them with respect.
- Handling concerns responsibly, professionally and in a positive manner.
- Ensuring those raising a concern are afforded protection as detailed in the procedure.
- Supporting those involved.

### Complaints about the organisation by the Parliamentary Ombudsman

The Parliamentary Ombudsman has not received any complaints regarding the SFO in the financial year.

The Parliamentary Ombudsman allows victims to exercise their right to complain where their needs are not being met under the Victim's Code.

### Inspection

In 2022-23, one inspection was undertaken by HMCPSI: a follow-up to their 2019 inspection on case progression.

The report – which was published in May 2023 – noted that, whilst some challenges remain, “action taken since 2019 has made a real difference” to the delivery and management of SFO cases. The report also acknowledged the progress made by the SFO on the recommendations made by the 2021 Altman and Calvert-Smith reviews.

### 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. Her 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.

The annual internal audit opinion is a key element of the assurance framework, which the Accounting Officer needs to inform her annual Governance Statement. It does not detract from the Accounting Officer's personal responsibility for the framework of governance, risk management and control, on the effectiveness of which she takes assurance from her senior management and format controls, as well as from internal audit. The SFO Internal Audit function is provided by the cross-Whitehall Government Internal Audit Agency (GIAA), an executive agency of HM Treasury. The SFO Annual Opinion and Report covered the period 1 April 2022 to 31 March 2023. The Head of Internal Audit issued an annual opinion of Moderate. This means that some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

During 2022-23, the GIAA has held regular meetings with HMCPSI to discuss where each party can place reliance on each other's work and this working relationship will continue during 2023-24. The GIAA has ensured that the agreed audit plan was reviewed, prioritised and delivered. The planned internal audit programme, including revisions to the programme during the course of the year,

were reviewed and endorsed by the AR&AC and Accounting Officer. The GIAA has delivered a proportionate programme of internal audit engagements in 2022-23 which includes reviews of organisational performance management, risk management and follow-up on existing actions.

The arrangements set out in this Governance Statement are adequate and meet the requirements set out in Managing Public Money and Corporate Governance in Central Government Departments: Code of Good Practice, as they apply to the SFO. The exception being the Board has agreed not to convene a Nominations Committee as this responsibility has been undertaken both by the Executive, specifically the Workforce Planning Committee, and consistent engagement at official level with the AGO on Board structures and membership. In line with our usual practice, a Board Effectiveness Review was undertaken during the year, as recommended within the Code. Learning from the review has been implemented throughout the year. Data reported to the Board is based on existing SFO systems such as the Central Reporting Database which are accurate and fit for purpose. Papers submitted to the Board during the year include the annual report of the AR&AC on its activity and regular updates by the COO, CCO, CFO, General Counsel and Heads of Divisions. The AR&AC conducts a cyclical assessment of its arrangements.

The Board and AR&AC have advised the Director on the effectiveness of the system of internal control. There is a continuing plan to address weaknesses and make sure the system is continuously improved. We continue to take action on the following:

- 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 AR&AC to the Board.
- Regular advice on the effectiveness of the system of internal control.



**Lisa Osofsky**  
Accounting Officer

13 July 2023

# Remuneration and Staff Report

## 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](http://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;
- 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 is chaired by the Director and consists of two 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. During 2022-23, we moved from a process which relied on an annual formal review to one based on ongoing, regular performance feedback. Bonuses can be paid in-year to individuals to reward work on particularly demanding tasks or situations. The 2022-23 bonus budget was utilised in full for in-year bonus awards.

In 2022-23, the annual performance bonus accrual for grades below the SCS totalled £0 (2021-22: £171,680) and for SCS grades was £0 (2022-23: £30,825).

## Senior official appointments

Abigail Howarth was appointed to the role of COO from 16 January 2023.

Abi brings extensive experience of overseeing and modernising the operational delivery of public sector organisations, both at the Parliamentary and Health Service Ombudsman (PHSO) where she held the position of Director of Operations, and at the Disclosure and Barring Service, where she was Assistant Director for Operations between 2014 and 2018.

Abi's knowledge and lived experience of streamlining the delivery of high-profile and high-volume casework will be of great value to us, especially as we continue to implement the recommendations and learnings from the recent reviews.

## 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	
	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
<b>James Thomson</b> Non-Executive Director (from 1 August 2022)	5-10 (10-15 FYE)	-	-	-	5-10 (10-15 FYE)	-
<b>Claire Bassett</b> Non-Executive Director (from 1 June 2022)	10-15 (10-15 FYE)	-	-	-	10-15 (10-15 FYE)	-
<b>Sanjay Bhandari</b> Non-Executive Director	10-15	10-15	-	-	10-15	10-15
<b>Magnus Falk</b> Non-Executive Director	10-15	10-15	-	-	10-15	10-15
<b>Martin Spencer</b> Non-Executive Director (until 28 February 2022)	-	5-10 (10-15 FYE)	-	-	-	5-10 (10-15 FYE)
<b>Emir Feisal</b> Non-Executive Director (to 28 August 2022)	0-5 (10-15 FYE)	10-15	-	-	0-5 (10-15 FYE)	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 as a result of their contract with the SFO.

## Executive board members remuneration

	Salary £000		Bonus payment £000		Pension benefits to nearest £1,000 <sup>1</sup>		Total £000	
	2022- 23	2021 - 22	2022 - 23	2021 - 22	2022 - 23	2021- 22	2022 - 23	2021 - 22
<b>Lisa Osofsky</b> Director	185 -190	180- 185	-	-	72	70	255- 260	250- 255
<b>Liz Corrin</b> CFO	90-95	90-95	0-5 <sup>2</sup>	-	-25	9	65-70	100- 105
<b>Sara Lawson KC</b> General Counsel	150 -155	145-150	5-10	5-10	59	58	215- 220	215- 220
<b>Michelle Crotty</b> CCO	125 -130	120-125	15-20	5-10	50	48	190- 195	175- 180
<b>Abigail Howarth</b> COO (from 16 January 2023)	25-30 (120-125 FYE)	-	-	-	10	-	35-40	-
<b>John Carroll</b> COO (to 8 June 2022)	20-25 (115-120 FYE)	115-120	-	5-10	-4	20	20-25	145- 150

## 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. There were no benefits in kind paid in the current or previous financial year.

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.

2. All eligible staff received a one off bonus during 2022-23.

## 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 2022-23 relate to performance in 2021-22, and the comparative bonuses reported for 2021-22 relate to performance in 2020-21.

## Fair Pay

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.

	2022-23	2021-22
Highest paid individual (£000)	185-190	180-185
Median total (£)	40,500	40,210
Remuneration ratio	4.63	4.54

The increase in the ratio reflects the relative increase in the highest paid board member in comparison to the rest of the workforce.

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the lower quartile, median and upper quartile remuneration of the organisation's workforce. The banded remuneration of the highest-paid director in SFO in the financial year 2022-23 was £185,000-190,000 (2021-22: £180,000-185,000). This was 4.63 times (2021-22: 4.54) the median remuneration of the workforce, which was £40,500 (2021-22: £40,210).

Year	25th percentile pay ratio for pay and benefits	25th percentile pay ratio for salary only	75th percentile pay ratio for pay and benefits	75th percentile pay ratio for salary only
2022-23	30,490	29,990	57,361	56,861
	6.15	6.25	3.27	3.30
2021-22	26,972	26,347	55,951	55,534
	6.77	6.93	3.26	3.29

	2022-23 Total Salary	2022-23 Bonus Payments	2021-22 Total Salary	2021-22 Bonus Payments
Staff average	-0.1%	9.6%	0.4%	-4.3%
Highest-paid director	1.6%	0.0%	0.0%	0.0%

In 2021-22, nil (2021-22: nil) employees In 2022-23, nil (2021-22: nil) employees received remuneration in excess of the highest-paid board member. The figures include both permanent and non-permanent staff. Remuneration ranged from £20,000 – £25,000 to £185,000 - £190,000 (2021-22: £15,000 – £20,000 to £180,000 - £185,000).

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.

### Pension Benefits Board Executive Members

Accrued pension at pension age as at 31/3/23 or date of leaving and related lump sum £000		Real increase in pension and related lump sum at pension age £000	CETV at 31/3/23 £000	CETV at 31/3/22 £000	Real increase in CETV <sup>1</sup> £000
<b>Lisa Osofsky</b> Director	20-25	2.5-5	311	231	52
<b>Liz Corrin</b> CFO	55-60	0	1,133	1,044	-38 <sup>2</sup>
<b>Sara Lawson KC</b> General Counsel	10-15	2.5-5	182	129	34
<b>Michelle Crotty</b> CCO	30-35	2.5-5	394	340	27
<b>Abi Howarth</b> COO (from 16 Jan 23)	15-20	0-2.5	212	204	6
<b>John Carroll</b> COO (to 8 June 2022)	30-35 plus a lump sum of 85-90	0	630	638	-4

1. CETV figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates that was extant at 31 March 2023. HM Treasury published updated guidance on 27 April 2023; this guidance will be used in the calculation of 2023-24 CETV figures.

2. Taking account of inflation, the CETV funded by the employer has decreased in real terms.

## 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 (CSOPS) or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension

with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 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](http://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 (subject to audit)

	2022-23 £000			2021-22 £000
	Permanently employed staff	Others	Total	Total
Wages and salaries	21,964	5,630	27,594	28,810
Social security costs	2,611		2,611	2,526
Other pension costs	5,840		5,840	5,801
<b>Sub Total</b>	<b>30,415</b>	<b>5,630</b>	<b>36,045</b>	<b>37,137</b>
Less recoveries in respect of outward secondments				-
<b>Total net costs</b>	<b>30,415</b>	<b>5,630</b>	<b>36,045</b>	<b>37,137</b>

No staff costs have been capitalised in 2022-23 (2021-22: £Nil).

£5,630k of contingent labour<sup>1</sup> expenditure was incurred in 2022-23 (2021-22: £6,630k). 79% of the contingent labour employed is for the purpose of document review to meet our disclosure requirements. There are nil members of staff on short-term loan and five on long-term loan to other government departments with an average duration of two years. The cost of staff on short-term loans are classified as programme.

For 2022-23, employers' contributions of £5,735k were payable to the PCSPS (2021-22: £5,694k) 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 £119k (2021-22: £139k) were paid to one or more of the panel of 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 (2021-22: £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 £17.8k (2021-22: £13k). Contributions prepaid at that date were £nil (2021-22: £nil).

1. Non-Civil Service temporary labour - contractors, agency workers and temps - who will often, but not always, be recruited to undertake work in a BAU environment.

### High paid off-payroll appointments

Following the Review of Tax Arrangements of Public Sector Appointees published by the Chief Secretary to the Treasury on 23 May 2013, departments must publish information on their high paid and/or senior off-payroll engagements.

For the SFO, these engagements are principally made up of temporary agency ICT staff to undertake specific IT tasks, in addition to some who have been there for longer periods.

### Off-payroll Engagements (e.g. contractors, consultants) as at 31 March 2023, for more than £245 per day and that last for longer than six months (not subject to audit)

<b>Number of existing engagements as at 31 March 2023</b>	<b>2</b>
of which:	
Number that have existed for less than one year at time of reporting	0
Number that have existed for between one and two years at time of reporting	1
Number that have existed for between two and three years at time of reporting	0
Number that have existed for between three and four years at time of reporting	0
Number that have existed for four years or more at time of reporting	1

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.

Off-payroll temporary off-payroll appointments (e.g. contractors, consultants) engaged between 1 April 2022 and 31 March 2023, for more than £245 per day and that last for longer than six months (not subject to audit).

<b>Number of temporary off-payroll appointments engaged between 1 April 2022 and 31 March 2023</b>	<b>4</b>
of which:	
Not subject to off-payroll legislation	0
Subject to off-payroll legislation and determined as in-scope of IR35	4
Subject to off-payroll legislation and determined as out-of-scope of IR35	0
No. of engagements reassessed for compliance or assurance purposes during the year	0
Of which: No. of engagements that saw a change to IR35 status following review	0

All Board members, and/or senior officials with significant financial responsibility, between 1 April 2022 and 31 March 2023 were on payroll. (2021-22: all Board members on payroll).

### Reporting of Civil Service and other compensation schemes – exit packages (subject to audit)

Exit package cost band	2022-23			2021-22
	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	-	-	-	-
£10,000 – £25,000	-	-	-	-
£25,000 – £50,000	-	-	-	-
£50,000 – £100,000	-	1	1	-
£100,000 – £150,000	-	-	-	-
£150,000 – £200,000	-	-	-	-
<b>Total Number of exit packages</b>	-	<b>1</b>	<b>1</b>	-
<b>Total cost £000</b>	-	<b>67.6</b>	<b>67.6</b>	-

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.

### Average number of employees (subject to audit)

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

				2022-23	2021-22
Permanently employed staff	Fixed Term Appointments	Agency Staff	Total		Total
435.0	11.8	118.0	<b>564.8</b>		<b>604.0</b>

The staff turnover percentage for 2022-23 for SFO was 17.6% (2021-22: 16.8%). This has been calculated as the number of leavers within that period divided by the average of staff in post over the period (headcount) in accordance with the definition for 'Departmental Turnover' (staff leaving the Civil Service or a particular department) provided by the Cabinet Office.

### SCS by pay band

The number of SCS staff by pay band in the SFO as at 31 March 2023 was as follows:

	2022-23	2021-22
SCS 3	1	1
SCS 2	3	3
SCS 1	11	9
<b>Total (excluding non-executives)</b>	<b>15</b>	<b>13</b>

### Staff composition

The gender breakdown of permanent and fixed term staff at the SFO as at 31 March 2023 was as follows:

	Male	Female
SCS	4	11
Non SCS staff	279	277
<b>Total</b>	<b>283</b>	<b>288</b>

The proportion of staff who are recorded as being from a black and ethnic minority (BAME) background is 23.8%. No SCS staff are recorded as being from a BAME background. Levels of staff recorded as having a disability are: 13.3% of SCS and 9.6% of non-SCS which is below the total Civil Service figure for 2022 of 13.6%.

The SFO is committed to equality of opportunity and diversity in all its employment practices, policies and procedures. This means that no employee or potential employee will receive less favourable treatment due to their race, sexual orientation, nationality, ethnic origin, disability, religion and belief, gender identity or marital status. We are committed to the employment and career development

of people with disabilities. To demonstrate our commitment we display the 'Disability Confident' symbol in all our recruitment literature.

As an accredited Disability Confident Employer we:

- Have undertaken and successfully completed the Disability Confident self-assessment;
- Are taking all of the core actions to be a Disability Confident employer;
- Are offering at least one activity to get the right people for our business and at least one activity to keep and develop our people.

In addition, 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 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 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.

The development and implementation of the SFO's Equality and Diversity Action plan is overseen by a Diversity Champion at SCS level.

### Staff feedback

The SFO takes engagement with staff very seriously. The annual Civil Service People Survey is one of the tools that we use to gather feedback and understand what is important to our staff. Like many departments, our 2022 results were down on the previous year: our Employee Engagement Index was 57% compared to 63% in 2021. Six of the eight engagement areas dropped by between 2% and 6%, whilst the remaining two (Leadership & Managing Change and Pay & Benefits) fell by 8% and 15% respectively. The findings from the survey were an important consideration when developing the SFO's 2023-24 Business Plan.

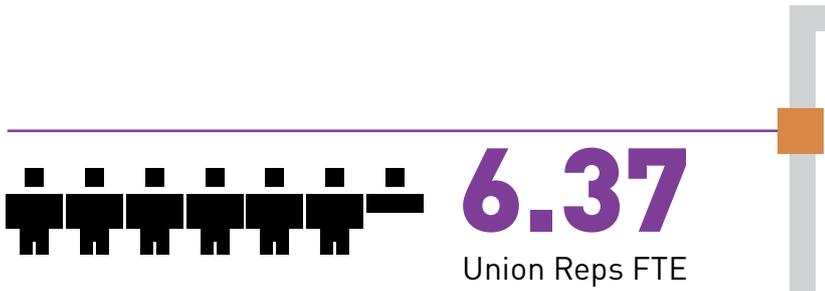
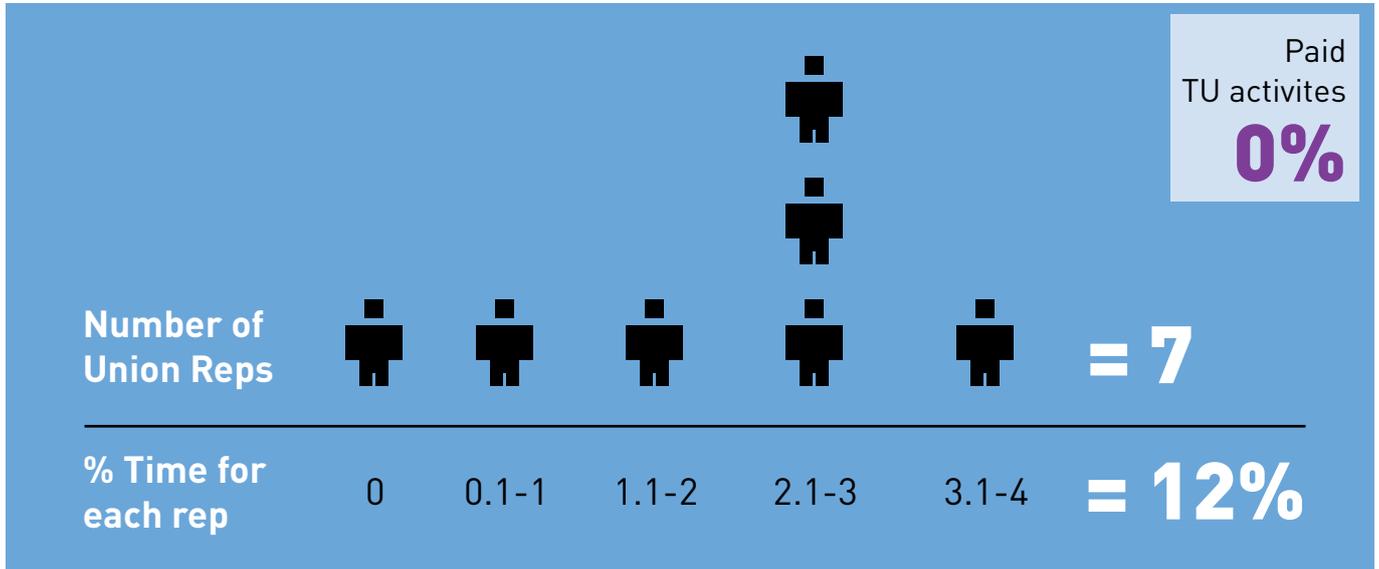
### For any off-payroll engagements of board members, and/or senior officials with significant financial responsibility, between 1 April 2022 and 31 March 2023

No. of off-payroll engagements of Board members and/or senior officials with significant financial responsibility, during the financial year	-
Total no. of individuals on payroll and off-payroll that have been deemed "Board members, and/or senior officials with significant financial responsibility", during the financial year. This figure includes both on and off payroll engagements	11

### Sickness absence

There has been an increase in Average Working Days Lost (AWDL) from 4.9 days in 2021-22 to 5.8 days in 2022-23.

## Trade union facility time information




Lisa Osofsky  
Accounting Officer

13 July 2023



# Parliamentary Accountability and Audit



## Statement of Outturn against Parliamentary Supply (SoPS)

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FRm) requires the SFO to prepare a Statement of Outturn against Parliamentary Supply (SOPS) and supporting notes.

The SOPS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

The SOPS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimate. Supply is the monetary provision (for resource and capital purposes) and cash (drawn primarily from the Consolidated Fund), that Parliament gives statutory authority for entities to utilise. The Estimate details supply and is voted on by Parliament at the start of the financial year.

Should an entity exceed the limits set by their Supply Estimate, called control limits, their accounts will receive a qualified opinion.

The format of the SoPS mirrors the Supply Estimates, published on [gov.uk](https://www.gov.uk), to enable comparability between what Parliament approves and the final outturn.

The SOPS contain a summary table, detailing performance against the control limits that Parliament has voted on, cash spent (budgets are compiled on an accruals basis and so outturn will not exactly tie to cash spent) and administration.

The supporting notes detail the following: Outturn by Estimate line, providing a more detailed breakdown (SOPS 1); a reconciliation of outturn to net operating expenditure in the SOCNE, to tie the SOPS to the financial statements (SOPS 2); a reconciliation of outturn to net cash requirement (SOPS 3); and, an analysis of income payable to the Consolidated Fund (SOPS 4).

The SOPS and Estimates are compiled against the budgeting framework, which is similar to, but different to, IFRS. An explanation of the budgeting framework and of key terms is provided on page 31, in the financial performance section of the Performance Analysis. Further information on the Public Spending Framework and the reasons why budgeting rules are different to IFRS can also be found in Chapter 1 of the Consolidated Budgeting Guidance, available on [gov.uk](https://www.gov.uk).

The SOPS provides a detailed view of financial performance, in a form that is voted on and recognised by Parliament. The financial performance section, in the Performance Analysis, provides a summarised discussion of outturn against estimate and functions as an introduction to the SOPS disclosures.

## Summary tables - mirrors part 1 of the Estimates

Summary table, 2022-23, all figures presented in £000's

	Note	2022-23 £000						2021-22 £000	
		Outturn			Estimate			Outturn	
		Voted	Non Voted	Total	Voted	Non Voted	Total	Voted outturn compared with Estimate: saving/ (excess)	Total
<b>Departmental Expenditure Limit</b>									
Resource	1.1	71,595	-	71,595	78,565	-	78,565	6,970	69,352
Capital	1.2	3,752	-	3,752	5,502	-	5,502	1,750	2,595
<b>Annually Managed Expenditure</b>									
Resource	1.1	4,230	-	4,230	4,500	-	4,500	270	(1,780)
<b>Total Budget</b>		<b>79,577</b>	<b>-</b>	<b>79,577</b>	<b>88,567</b>	<b>-</b>	<b>88,567</b>	<b>8,990</b>	<b>70,167</b>
Total Resource		75,825	-	75,825	83,065	-	83,065	7,240	67,572
Total Capital		3,752	-	3,752	5,502	-	5,502	1,750	2,595
<b>Total</b>		<b>79,577</b>	<b>-</b>	<b>79,577</b>	<b>88,567</b>	<b>-</b>	<b>88,567</b>	<b>8,990</b>	<b>70,167</b>

Figures in the areas outlined in thick line cover the voted control limits voted by Parliament. Refer to the Supply Estimates guidance manual, available on gov.uk, for detail on the control limits voted by Parliament.

## Net Cash Requirement

	2022-23 £000			2021-22 £000	
	SoPS Note	Outturn	Estimate	Outturn compared with Estimate: saving	Outturn
Net Cash Requirement	3	63,886	78,916	15,030	70,552

## Administration Costs

	2022-23 £000		2021-22 £000
	Outturn	Estimate	Outturn
Administration Costs	8,062	9,635	8,172

Although not a separate voted limit, any breach of the administration budget will also result in an excess vote. Explanation of variances between Estimate and Outturn are given in SoPS Note 1.

**SoPS1 Outturn detail, by Estimate Line****SoPS1.1 Analysis of resource outturn by Estimate line**

	2022-23 £000									2021-22 £000	
	Outturn						Estimate			Outturn	
	Administration			Programme			Net Total	Virements	Net Total	Net total compared to Estimate	Total
	Gross	Income	Net	Gross	Income	Net					
<b>Spending in Departmental Expenditure Limit</b>											
<b>Voted:</b> Investigations and Prosecutions	8,062	-	8,062	65,433	(1,900)	63,533	71,595	-	78,565	6,970	<b>69,352</b>
<b>Spending in Annually Managed Expenditure</b>											
<b>Voted:</b> New provision and adjustment to existing provisions				4,230	-	4,230	4,230	-	4,500	270	<b>(1,780)</b>
<b>Total</b>	<b>8,062</b>	<b>-</b>	<b>8,062</b>	<b>69,663</b>	<b>(1,900)</b>	<b>67,763</b>	<b>75,825</b>	<b>-</b>	<b>83,065</b>	<b>7,240</b>	<b>67,572</b>

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

There has been an overall underspend against the Estimate.

The underspend on Resource DEL was £6,970k. In line with HMT's consolidated budgeting guidelines, the SFO held a contingency of 5% to meet unforeseen pressures, which has contributed to the underspend. In addition, there were budgeted costs relating to our cases which did not crystallise as planned in the last quarter of the year.

The AME outturn was £4,230k, a small underspend of £270k (or 6%) against the estimate. The SFO's AME outturn represents our legal provisions, which by their nature are difficult to predict.

## SoPS1.2 Analysis of capital outturn by Estimate line

	2022-23 £000						2021-22 £000
	Outturn			Estimate			Outturn
	Gross	Income	Net	Virements	Net Total	Net total compared to Estimate	Total
<b>Spending in Departmental Expenditure Limit</b>							
<b>Voted:</b> Investigations and Prosecutions	3,752	-	3,752	-	5,502	1,750	2,595
<b>Total</b>	<b>3,752</b>	<b>-</b>	<b>3,752</b>	<b>-</b>	<b>5,502</b>	<b>1,750</b>	<b>2,595</b>

**Explanation of variance between Estimate and Outturn:**

Capital DEL is underspent by £1,750k, the underspend is largely due to project slippage as a result of global supply shortages for IT equipment and a shift in our cost profile, away from physical hardware to cloud services in some areas. Included in our investment this year was £2,162k of right of use assets relating to leases.

Our capital expenditure in 2022-23 was focused on; replacement of existing IT assets, delivering technology solutions that support case delivery; and to enable the SFO to continue to invest in essential IT and digital infrastructure to respond to the increasing volume and complexity of case data and the challenges this poses for disclosure. We have also invested in addressing key cyber and legacy IT risks.

The total Estimate columns include virements. Virements are the reallocation of provision in the Estimates that do not require parliamentary authority (because Parliament does not vote to that level of detail and delegates to HM Treasury). Further information on virements is provided in the Supply Estimates Manual, available on gov.uk. The outturn vs estimate column is based on the total including virements. The estimate total before virements have been made is included so that users can tie the estimate back to the Estimates laid before Parliament.

**SoPS2 Reconciliation of outturn to net operating expenditure**

	SoPS Note	2022-23 £000	2021-22 £000
		Outturn	Outturn
Total resource outturn in Statement of Parliamentary Supply	1.1	75,825	67,572
Less income payable to the Consolidated Fund	4.1	(4,071)	(28,229)
<b>Net Operating Cost in Statement of Comprehensive Net Expenditure</b>		<b>71,754</b>	<b>39,343</b>

As noted in the introduction to the SOPS (page 64), outturn and the Estimates are compiled against the budgeting framework, which is similar to, but different from, IFRS. Therefore, this reconciliation bridges the resource outturn to net operating expenditure, linking the SOPS to the financial statements.

### SoPS3 Reconciliation of Net Resource Outturn to Net Cash Requirement

	SoPS Note	2022-23 £000		
		Outturn	Estimate	Net total outturn compared with Estimate: saving / (excess)
<b>Net Resource Outturn</b>	1.1	<b>75,825</b>	<b>83,065</b>	<b>7,240</b>
<b>Capital outturn</b>	1.2	<b>3,752</b>	<b>5,502</b>	<b>1,750</b>
<b>Accruals to cash adjustments</b>				
Depreciation		(2,022)	(5,339)	(3,317)
New Provisions and adjustments to previous provisions		(6,000)	-	6,000
(Increase) / Decrease in payables		(3,316)	188	3,504
Increase / (Decrease) in receivables		(1,706)	-	1,706
Other non-cash items		(2,747)	-	2,747
Leased asset additions and adjustments		(1,670)	-	1,670
Use of provision		1,770	(4,500)	(6,270)
<b>Net cash requirement</b>		<b>63,886</b>	<b>78,916</b>	<b>15,030</b>

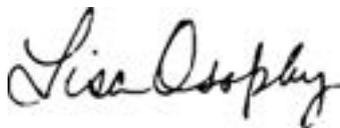
As noted in the introduction to the SOPS above, outturn and the Estimates are compiled against the budgeting framework, not on a cash basis. Therefore, this reconciliation bridges the resource and capital outturn to the net cash requirement. SoPS4 Income payable to the Consolidated Fund.

**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.

	2022-23		2021-22	
	Outturn £000		Outturn £000	
	Income	Receipts	Income	Receipts
Income outside ambit of the Estimate	(4,071)	(12,944)	(28,229)	(12,300)
Excess cash surrenderable to the Consolidated Fund	-	-	-	-
<b>Total payable to the Consolidated Fund</b>	<b>(4,071)</b>	<b>(12,944)</b>	<b>(28,229)</b>	<b>(12,300)</b>

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.



**Lisa Osofsky**  
Accounting Officer

13 July 2023

## Accountability

This information has been audited.

### Losses and special payments

HMT's publication - Managing Public Money - requires a statement showing losses and special payments by value and by type to be shown where they exceed £300k in total, and those individually that exceed £300k.

#### Losses

We were developing a document and case management system (DCMS) to provide both a document management system to replace the shared drives used as the SFO's primary document storage area, and a case management system to better manage case data and workflow. Configuration of the platform was halted due to concerns that an on premise system requiring significant bespoke development no longer aligned with the SFO's emerging Digital, Data and Technology Strategy and collaboration needs. With the closure of the DCMS project, two new projects have been initiated in its place - a Case Management Platform (CMP) project and a Document Management System (DMS) project to implement SharePoint as an enterprise document and records management solution. This changes the build of the system and, as a result, any of the build and associated costs incurred to date relating to DCMS are no longer useable, leading to a £2.7 million impairment (constructive loss) of platform assets.

#### Special payments

A provision for special payments has been included in respect of G4S - following the end of the case in March 2023, the defendants in the G4S case have submitted orders for all recoverable costs incurred by their defence. Hearings and settlement negotiations are ongoing.

### Contingent liabilities

There are no contingent liabilities.

#### Remote contingent liabilities

**ENRC** - In May 2022 the initial ("Phase 1") judgment in ENRC v SFO / ENRC v Dechert and Gerrard was handed down. Proceedings had been brought against the SFO with various allegations including claims of misconduct by former staff in relation to communications between those individuals and Neil Gerrard (a former Dechert partner) during the period before the SFO's criminal investigation into ENRC was opened in 2013. The court did not find that there had been misfeasance in public office but did find that a number of contacts between those former SFO employees and Mr Gerrard involved bad faith opportunism on the part of the SFO which could, if causation and loss were proved, give rise to liability for inducing breach of the contract between ENRC and Dechert. As a result of that finding, Mr Justice Waksman moved to "Phase 1A" of the case to determine whether the SFO's conduct had caused loss to ENRC. The Phase 1A trial took place in March 2023 and judgment is awaited. As a result of the uncertainties regarding the outcome, we have assessed the claim as a remote contingent liability.

**Enforcement case** - 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 (not audited)

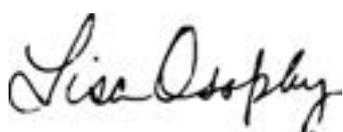
The SFO's planned expenditure as agreed with HM Treasury is shown below, this covers the net expenditure which is met from the Parliamentary Estimate. Totals for 2018-19 and 2019-20 were set in the 2015 Spending Review but were amended by the Chief Secretary to the Treasury in March 2018. Spending Round 2019 set the totals for 2020-21 and the Spending Review 2021 for 2021-22 and 2022-23. For details of the final outturn for the year see the Statement of Parliamentary Supply on page 64.

	2018-19 £000	2019-20 £000	2020-21 £000	2021-22 £000	2022-23 £000
<b>Non-ring fenced DEL</b>	57,000	49,760	50,677	53,214	<b>52,434</b>
<b>Ring fenced DEL</b>	2,700	2,700	2,700	2,700	<b>5,339</b>
<b>Resource DEL</b>	59,700	52,460	53,377	55,914	<b>57,773</b>
<b>Capital DEL</b>	2,200	2,900	3,600	3,900	<b>5,502</b>

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 and Case Management System and keep pace with technological developments.



**Lisa Osofsky**  
Accounting Officer

13 July 2023

# 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 2023 under the Government Resources and Accounts Act 2000. The financial statements comprise the Serious Fraud Office's:

- Statement of Financial Position as at 31 March 2023;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Serious Fraud Office's affairs as at 31 March 2023 and its net operating expenditure for the year then ended; and
- 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 Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2023 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 for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022). 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 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Serious Fraud Office in accordance with the ethical requirements that are relevant to my audit of 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.

## Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Serious Fraud Office's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that,

individually or collectively, may cast significant doubt on the Serious Fraud Office's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Serious Fraud Office is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

### Other information

The other information comprises information included in the Annual Report, but does not include the financial statements and my auditor's certificate and report thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- 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 and is in accordance with the applicable legal requirements.

### Matters on which I report by exception

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 material misstatements in the Performance and Accountability Report.

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 by the Serious Fraud Office or returns adequate for my audit have not been received from branches not visited by my staff; or

- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.
- ensuring that the financial statements give a true and fair view and are prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- ensuring that the annual report, which includes the Remuneration and Staff Report, is prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- assessing the Serious Fraud Office's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Serious Fraud Office will not continue to be provided in the future.

### 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:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Serious Fraud Office from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;

### 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.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. 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.

**Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud**

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

**Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud**

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Serious Fraud Office’s accounting policies.
- inquired of management, Serious Fraud Office’s head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Serious Fraud Office’s policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Serious Fraud Office’s controls relating to the Serious Fraud Office’s compliance with the Government Resources and Accounts Act 2000, Managing Public Money, and the Supply and Appropriation (Main Estimates) Act 2022.

- inquired of management, Serious Fraud Office’s head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations;
  - they had knowledge of any actual, suspected, or alleged fraud,
- discussed with the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Serious Fraud Office for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Serious Fraud Office’s framework of authority and other legal and regulatory frameworks in which the Serious Fraud Office operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Serious Fraud Office. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money, Supply and Appropriation (Main Estimates) Act 2022, Criminal Justice Act 1987, the Prosecution of Offences Act 1985, the Criminal Procedure and Investigations Act 1996, Employment Law and tax Legislation.

**Audit response to identified risk**

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board; and internal audit reports;
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- I addressed the risk of fraud in revenue recognition, by substantively testing income recognised and assessing the completeness of income; and
- I assessed the completeness, recognition, measurement and regularity of provisions associated with legal cases.

I also communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my certificate.

### **Other auditor's responsibilities**

I am required to obtain appropriate evidence sufficient to give reasonable assurance that the Statement of Outturn against 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 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.

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 I identify during my audit.

### **Report**

I have no observations to make on these financial statements.

**Gareth Davies**  
**Comptroller and Auditor General**

17 July 2023

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

# Financial Statements

<b>Financial Statements</b>	<b>78</b>
Statement of Comprehensive Net Expenditure	79
Statement of Financial Position	80
Statement of Cash Flows	81
Statement of Changes in Taxpayers' Equity	83
Notes to the Accounts	84
<b>Trust Statement</b>	<b>103</b>
Accounting Officer's Foreword	104
Statement of the Accounting Officer's Responsibilities	106
Performance Report and Accountability Report	107
Governance Statement	107
The Certificate and Report of the Comptroller and Auditor General to the House of Commons	108
Statement of Revenue, Other Income and Expenditure	113
Statement of Financial Position	114
Statement of Cash Flows	115
Notes to the Trust Statement	116
Accounts direction given by HM Treasury in accordance with Section 2 of the Exchequer and Audit Departments Act 1921	118



# Statement of Comprehensive Net Expenditure

For the year ended 31 March 2023

	Note	2022-23 £000	2021-22 £000
<b>Income</b>			
Cost awards and other income	4	1,900	990
Consolidated fund extra receipts	4	4,071	28,229
<b>Total operating income</b>		<b>5,971</b>	<b>29,219</b>
<b>Expenditure</b>			
Staff costs	2	36,045	37,137
Purchase of goods and services	3	27,042	23,557
Accommodation	3	3,869	4,820
Depreciation and impairment charges	3	2,022	1,302
Provisions increase/(decrease)	3	6,000	1,684
Other operating expenditure	3	2,747	62
<b>Total operating expenditure</b>		<b>77,725</b>	<b>68,562</b>
<b>Net operating expenditure</b>		<b>71,754</b>	<b>39,343</b>

No other comprehensive expenditure has been incurred.

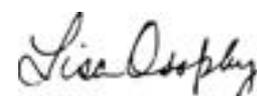
The notes on pages 84-102 form part of these accounts.

## Statement of Financial Position

As at 31 March 2023

	Note	2022-23 £000	2021-22 £000
<b>Non-current assets:</b>			
Property, plant and equipment	5	2,895	2,027
Intangible assets	6	1,715	5,111
Trade and other receivables	11	41	43
Right-of-use asset	14	2,029	
<b>Total non-current assets</b>		<b>6,680</b>	<b>7,181</b>
<b>Current assets:</b>			
Trade and other receivables	11	3,615	20,949
Cash and cash equivalents	10	15,030	3,812
<b>Total current assets</b>		<b>18,645</b>	<b>24,761</b>
<b>Total assets</b>		<b>25,325</b>	<b>31,942</b>
<b>Current liabilities:</b>			
Trade and other payables	12	(27,502)	(28,598)
Provisions	13	(6,451)	(2,221)
Lease liability	14	(1,841)	
<b>Total current liabilities</b>		<b>(35,794)</b>	<b>(30,819)</b>
<b>Non-current assets plus net current assets</b>		<b>(10,469)</b>	<b>1,123</b>
<b>Non-current liabilities</b>			
Trade and other payables	12	-	-
Provisions	13	-	-
Lease liability	14	(277)	
<b>Total non-current liabilities</b>		<b>(277)</b>	
<b>Assets less liabilities</b>		<b>(10,746)</b>	<b>1,123</b>
<b>Taxpayers' equity and other reserves:</b>			
General fund		(10,857)	1,012
Revaluation reserve		111	111
<b>Total equity</b>		<b>(10,746)</b>	<b>1,123</b>

The notes on pages 84-102 form part of these accounts.



Lisa Osofsky,  
Accounting Officer  
13 July 2023

## Statement of Cash Flows

For the year ended 31 March 2023

	Note	2022-23 £000	2021-22 £000
<b>Cash flows from operating activities</b>			
Net operating cost		(71,754)	(39,343)
Adjustments for non-cash transactions	3	10,769	3,048
(Increase)/Decrease in trade and other receivables	11	17,336	(16,094)
less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure		-	-
Increase/(Decrease) in trade payables	12	(1,096)	17,083
less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		4,412	(16,566)
Use of provisions	13	(1,770)	(3,465)
Use of leases	14	(492)	
<b>Net cash outflow from operating activities</b>		<b>(42,595)</b>	<b>(55,337)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5	(1,468)	(1,448)
Purchase of intangible assets	6	(122)	(1,466)
Proceeds of disposal of property, plant and equipment	5	-	-
<b>Net cash outflow from investing activities</b>		<b>(1,590)</b>	<b>(2,914)</b>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply) – current year		75,104	71,510
Advances from the Contingencies Fund		-	-
Repayments to the Contingencies Fund		-	-

	Note	2022-23 £000	2021-22 £000
<b>Net financing</b>		<b>75,104</b>	<b>71,510</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>		<b>30,919</b>	<b>13,259</b>
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		-	-
Payments of amounts due to the Consolidated Fund		(19,701)	(12,301)
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>		<b>11,218</b>	<b>958</b>
<b>Cash and cash equivalents at the beginning of the period</b>	10	<b>3,812</b>	<b>2,854</b>
<b>Cash and cash equivalents at the end of the period</b>	10	<b>15,030</b>	<b>3,812</b>

The notes on pages 84-102 form part of these accounts.

## Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2023

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
<b>Balance at 31 March 2021</b>		<b>(2,030)</b>	<b>111</b>	<b>(1,919)</b>
Net Parliamentary Funding		71,510	-	71,510
Net Parliamentary Funding – deemed		2,854	-	2,854
Supply payable adjustment	12	(3,812)	-	(3,812)
CFERS payable to the Consolidated Fund	4	(28,229)	-	(28,229)
Comprehensive Net Expenditure		(39,343)	-	(39,343)
<b>Non-Cash Adjustments</b>				
Auditor's remuneration	3	62	-	62
<b>Movements in Reserves</b>				
Transfer between reserves		-	-	-
Initial adoption of IFRS 16 on 1 April 2022		-	-	-
<b>Balance at 31 March 2022</b>		<b>1,012</b>	<b>111</b>	<b>1,123</b>
Net Parliamentary Funding		75,104	-	75,104
Net Parliamentary Funding – deemed		3,812	-	3,812
Supply payable adjustment	12	(15,030)	-	(15,030)
CFERS payable to the Consolidated Fund	4	(4,071)	-	(4,071)
Comprehensive Net Expenditure		(71,754)	-	(71,754)
<b>Non-Cash Adjustments</b>				
Auditor's remuneration	3	70	-	70
<b>Movements in Reserves</b>				
Transfer between reserves		-	-	-
<b>Balance at 31 March 2023</b>		<b>(10,857)</b>	<b>111</b>	<b>(10,746)</b>

The notes on pages 84-102 form part of these accounts.

## Notes to the Accounts

### 1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2022-23 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 SFO for the purpose of giving a true and fair view has been selected. The particular policies adopted by the SFO are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

#### 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.

#### Going Concern

These accounts have been prepared on a going concern basis. Further information is included on page 17.

#### 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 98 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 97 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 99 sets out the closing payable 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 93 and 6.1 page 95 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:

<b>Property, plant and equipment</b>	
Improvements to leasehold property	Over the unexpired term of the lease
Information technology	5 years
Furniture and fittings	5-10 years
Right of use assets	Over the unexpired term of the lease

<b>Intangible assets</b>	
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 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 71 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 70. The SFO does not retain any receipts from ARIS.

### **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 70.

### **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 – 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 100 sets out the current value of provisions at the SFO.

### **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 16 on page 102.

### **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.

### **Operating segments**

The Department does not have any operating segments to report.

### **Right of use assets**

Right-of-use assets are depreciated on a straight line basis over the associated lease term, or estimated useful life where this is shorter. Impairment losses are charged in the same way as those arising on property, plant and equipment.

As permitted by the FReM, right-of-use assets are subsequently measured using the cost model as a proxy for the measurement of the cost value in use. This is because lease terms require lease payments to be updated for market conditions, for example, rent reviews for leased properties, which will be captured in the IFRS 16 cost measurement provisions. Right-of-use assets also have shorter useful lives and values than their respective underlying assets and, as such, cost can be used as a proxy for assets with shorter economic lives or lower values in accordance with the FReM.

### **Leases**

The SFO has adopted IFRS 16, as interpreted and adapted in the FReM, with effect from 1 April 2022.

Where a lease has been identified, the SFO recognises a right-of-use asset and a corresponding lease liability, except for short term leases and leases for which the underlying asset is of low value. For such leases, the lease payments are recognised as an expense on a straight line basis over the lease term.

The SFO has not set a specific threshold for identifying assets that are of low value, and applies the guidance in IFRS 16 on a case by case basis.

Where the interest rate implicit in a lease cannot be readily determined, the SFO calculates the lease liability using the HM Treasury discount rates promulgated in PES papers as the incremental borrowing rate. For leases that commence or are re-measured in the 2022 calendar year, this rate is 3.51%.

### **Initial application of IFRS 16**

IFRS 16 "Leases" introduces a single lessee accounting model, removing the distinction between operating and finance leases and requiring a lessee to recognise 'right of use' assets and liabilities for all leases (apart

from the exemptions included below). For government bodies reporting under the FReM, IFRS 16 was implemented on 1 April 2022 and replaces IAS 17 (Leases).

The SFO leasing activities relate to being a lessee in respect of buildings occupied for operational purposes.

### Implementation and assumptions

HM Treasury has withdrawn the accounting policy choice to apply IFRS 16 retrospectively to each prior reporting period presented in accordance with IAS 8. At the date of initial application, therefore, the SFO has recognised the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of taxpayers' equity.

HM Treasury has also withdrawn the option to reassess whether a contract is, or contains, a lease at the date of initial application. The SFO therefore initially applied IFRS 16 to any contracts previously identified as a lease, or containing a lease, under IAS 17 and did not apply IFRS 16 to any contracts not previously identified as such. The following leased assets were identified in this way:

- a. Land and buildings – Property lease commitments relate to office space and offsite IT hosting for business continuity. Under IAS 17, these contracts were treated as operating leases and under IFRS16 they are treated as right of use assets.
- b. Multi-Function Devices (MFDs) – The SFO leases MFDs to provide printing, scanning and copying functionality. Under the contract in force on 1 April 2022, the pricing model for the majority of these devices was on a usage driven 'per click' basis with no minimum charges. Under IAS 17, these devices were treated as operating leases with zero minimum lease rental. Additionally, some MFDs were outside the 'per click' model and subject to a fixed charge. On transition to IFRS 16, these

leases were treated as short term leases as the contract was expected to end within 12 months.

In accordance with the FReM, the SFO has elected not to recognise right of use assets and lease liabilities for the following leases:

- low value assets (these are determined to be in line with capitalisation thresholds on Property, Plant and Equipment); and
- leases with a lease term of 12 months or less.

On initial application of IFRS 16, the SFO has recognised right-of-use assets at an amount equal to the initial lease liability, adjusted by the amount of any prepaid or accrued lease payments recognised immediately before the date of initial application. The initial lease liability has been calculated based on the present value of future cash flows for each lease over the applicable lease term determined in accordance with the new standard.

As required by the standard, provisions for dilapidations on leased properties, where a right-of-use asset has been recognised, are capitalised as part of the asset value. On initial application of IFRS 16, the value of existing dilapidations provisions has been included in initial right-of-use asset values through an adjustment to the opening balance of taxpayers' equity.

### Impact on financial statements

On initial application of IFRS 16, the department recognised an additional £0.36m of right of use assets and £0.36m of lease liabilities, representing an increase in equity of nil therefore no adjustment is made to Taxpayers' equity as at 31 March 2022.

## **1.2 Application of newly issued accounting standards not yet effective**

IFRS 17 Insurance Contracts, which replaces IFRS4, was issued in May 2017 and applies to the public sector for annual reporting periods beginning on or after 1 January 2025. An assessment has been made and this standard will have no impact on SFO's financial statements.

## **1.3 Significant judgements and estimates**

**Provisions** - The recognition and valuation of provisions relies on the application of professional judgement, historical experience, and other factors expected to influence future events. A provision is recognised where, on the balance of probability, we expect to have to settle an existing liability as a result of past event(s) at some point after 31 March 2023, and where we can make a reasonable estimate of that future liability, but where the timing or exact amount are uncertain. The liability may be a legal obligation or a constructive obligation. A constructive obligation arises from the entity's actions, through which it has indicated to others that it will accept certain responsibilities, and as a result has created an expectation that it will discharge those responsibilities.

**Right of use assets** - As noted above, the SFO has adopted IFRS16 Leases. Management have applied their professional judgement in determining the period of the lease on Cockspur Street as a formal lease extension is currently in negotiation with our Landlords.

## 2. Staff costs

	2022-23 £000			2021-22 £000
	Permanently employed staff	Others	Total	Total
Wages and salaries	21,964	5,630	27,594	28,810
Social security costs	2,611	-	2,611	2,526
Other pension costs	5,840	-	5,840	5,801
<b>Sub Total</b>	<b>30,415</b>	<b>5,630</b>	<b>36,045</b>	<b>37,137</b>
Less recoveries in respect of outward secondments	-	-	-	-
<b>Total net costs</b>	<b>30,415</b>	<b>5,630</b>	<b>36,045</b>	<b>37,137</b>

£nil of other staff costs have been capitalised and are not included in the figures above (2021-22: £138k).

### 3. Operating costs

	Note	2022-23 £000	2021-22 £000
<b>Purchase of goods and services:</b>			
Counsel costs		9,025	10,238
IT costs		4,157	3,065
General administration		4,564	4,155
Rentals under operating leases		1,715	2,726
Costs awarded against the SFO		1,363	2,159
Other accommodation costs		2,154	2,094
Other case costs		7,759	3,691
Travel and subsistence		174	154
Consultancy		-	95
Proceeds on asset disposals		-	-
		<b>30,911</b>	<b>28,377</b>
<b>Non-cash items:</b>			
Depreciation		600	673
Amortisation		842	629
Lease depreciation		492	
Lease interest		88	
Increase/(decrease) in provision		6,000	1,684
Impairment of property, plant and equipment		2,677	
External Auditors' remuneration		70	62
		<b>10,769</b>	<b>3,048</b>
<b>Total</b>		<b>41,680</b>	<b>31,425</b>

## 4. Income

	<b>2022-23</b> <b>£000</b>	<b>2021-22</b> <b>£000</b>
Costs awards	1,900	990
Other income	-	-
<b>Total income within the ambit</b>	<b>1,900</b>	<b>990</b>
<b>Payable to the Consolidated Fund</b> Consolidated Fund Extra Receipts	4,071	28,229
<b>Total income</b>	<b>5,971</b>	<b>29,219</b>

## 5. Property, plant and equipment

### 5.1 Property, plant and equipment 2022-23

All assets are owned.

	Improvements to Leasehold Property £000	Information Technology £000	Furniture & Fittings £000	Total £000
<b>Cost or valuation</b>				
At 1 April 2022	1,820	8,061	63	<b>9,944</b>
Additions	-	1,329	139	<b>1,468</b>
Disposals	-	(57)	-	<b>(57)</b>
Reclassifications	-	-	-	-
<b>At 31 March 2023</b>	<b>1,820</b>	<b>9,333</b>	<b>202</b>	<b>11,355</b>
<b>Depreciation</b>				
At 1 April 2022	1,820	6,052	45	<b>7,917</b>
Charged in year	-	582	18	<b>600</b>
Disposals	-	(57)	-	<b>(57)</b>
Reclassifications	-	-	-	-
<b>At 31 March 2023</b>	<b>1,820</b>	<b>6,577</b>	<b>63</b>	<b>8,460</b>
<b>Net book value at 31 March 2023</b>	<b>-</b>	<b>2,756</b>	<b>139</b>	<b>2,895</b>
<b>Net book value at 31 March 2022</b>	<b>-</b>	<b>2,009</b>	<b>18</b>	<b>2,027</b>

**Reconciliation of cash flows to property, plant and equipment additions**

	<b>2022-23 £000</b>	<b>2021-22 £000</b>
Total property, plant and equipment additions	1,468	1,347
Opening property, plant and equipment accrual	-	101
Closing property, plant and equipment accrual	-	-
<b>Cash flows for property, plant and equipment additions</b>	<b>1,468</b>	<b>1,448</b>

**5.2 Property, plant and equipment 2021-22**

	<b>Improvements to Leasehold Property £000</b>	<b>Information Technology £000</b>	<b>Furniture &amp; Fittings £000</b>	<b>Total £000</b>
<b>Cost or valuation</b>				
At 1 April 2021	1,820	8,985	63	<b>10,868</b>
Additions	-	1,347	-	<b>1,347</b>
Disposals	-	(2,271)	-	<b>(2,271)</b>
Revaluations	-	-	-	-
<b>At 31 March 2022</b>	<b>1,820</b>	<b>8,061</b>	<b>63</b>	<b>9,944</b>
<b>Depreciation</b>				
At 1 April 2021	1,814	7,663	38	<b>9,515</b>
Charged in year	6	660	7	<b>673</b>
Disposals	-	(2,271)	-	<b>(2,271)</b>
Revaluations	-	-	-	-
<b>At 31 March 2022</b>	<b>1,820</b>	<b>6,052</b>	<b>45</b>	<b>7,917</b>
<b>Net book value at 31 March 2022</b>	<b>-</b>	<b>2,009</b>	<b>18</b>	<b>2,027</b>
<b>Net book value at 31 March 2021</b>	<b>6</b>	<b>1,322</b>	<b>25</b>	<b>1,353</b>

## 6. Intangible assets

### 6.1 Intangible assets 2022-23

	Information Technology £000	Software Licenses £000	Website Costs £000	Development Expenditure £000	Total £000
<b>Cost or valuation</b>					
At 1 April 2022	3,600	6,481	169	2,719	<b>12,969</b>
Additions	-	122	-	-	<b>122</b>
Disposals	-	(1,700)	-	-	<b>(1,700)</b>
Impairment	-	-	-	(2,677)	<b>(2,677)</b>
Reclassifications	-	-	-	-	-
<b>At 31 March 2023</b>	<b>3,600</b>	<b>4,903</b>	<b>169</b>	<b>42</b>	<b>8,714</b>
<b>Amortisation</b>					
At 1 April 2022	3,600	4,089	169	-	<b>7,858</b>
Charged in year	-	841	-	-	<b>841</b>
Disposals	-	(1,700)	-	-	<b>(1,700)</b>
Reclassifications	-	-	-	-	-
<b>At 31 March 2023</b>	<b>3,600</b>	<b>3,230</b>	<b>169</b>	<b>-</b>	<b>6,999</b>
<b>Net book value at 31 March 2023</b>	<b>-</b>	<b>1,673</b>	<b>-</b>	<b>42</b>	<b>1,715</b>
<b>Net book value at 31 March 2022</b>	<b>-</b>	<b>2,392</b>	<b>-</b>	<b>2,719</b>	<b>5,111</b>

**Reconciliation of cash flows to intangible asset additions**

	<b>2022-23 £000</b>	<b>2021-22 £000</b>
Total intangible asset additions	122	1,247
Opening intangible asset accrual	-	219
Closing intangible asset accrual	-	-
Cash flows for intangible assets additions	<b>122</b>	<b>1,466</b>

**6.2 Intangible assets 2021-22**

	<b>Information Technology £000</b>	<b>Software Licenses £000</b>	<b>Website Costs £000</b>	<b>Development Expenditure £000</b>	<b>Total £000</b>
<b>Cost or valuation</b>					
At 1 April 2021	3,600	5,591	169	2,362	<b>11,722</b>
Additions	-	890	-	357	<b>1,247</b>
Disposals	-	-	-	-	-
Reclassifications	-	-	-	-	-
<b>At 31 March 2022</b>	<b>3,600</b>	<b>6,481</b>	<b>169</b>	<b>2,719</b>	<b>12,969</b>
<b>Amortisation</b>					
At 1 April 2021	3,600	3,461	169	-	<b>7,230</b>
Charged in year	-	628	-	-	<b>628</b>
Disposals	-	-	-	-	-
Reclassifications	-	-	-	-	-
<b>At 31 March 2022</b>	<b>3,600</b>	<b>4,089</b>	<b>169</b>	<b>-</b>	<b>7,858</b>
<b>Net book value at 31 March 2022</b>	<b>-</b>	<b>2,392</b>	<b>-</b>	<b>2,719</b>	<b>5,111</b>
<b>Net book value at 31 March 2021</b>	<b>-</b>	<b>2,130</b>	<b>-</b>	<b>2,362</b>	<b>4,492</b>

## 7. Capital commitments and other commitments

### 7.1 Capital commitments

Capital commitments at 31 March 2023 totalled £nil (2021-22: £nil).

## 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.

## 10. Cash and cash equivalents

	<b>2022-23 £000</b>	<b>2021-22 £000</b>
Balance at 1 April	3,812	2,854
Net change in cash and cash equivalent balances	11,218	958
<b>Balance at 31 March</b>	<b>15,030</b>	<b>3,812</b>
The following balances at 31 March were held at:		
Government Banking Service	15,030	3,812
<b>Balance at 31 March</b>	<b>15,030</b>	<b>3,812</b>

## 11. Trade receivables and other current assets

### 11(a) Due within one year

	2022-23 £000	2021-22 £000
<b>Amounts falling due within one year:</b>		
VAT receivable	67	1,248
Deposits and advances	73	3
Other receivables	133	380
Prepayments and accrued income	1,019	1,610
Costs awarded to the SFO	411	168
Provision for bad and doubtful debt	(35)	(37)
Consolidated Fund extra receipts	1,947	17,577
	<b>3,615</b>	<b>20,949</b>

### 11(b) Due after more than one year

	2022-23 £000	2021-22 £000
<b>Amounts falling due after more than one year:</b>		
Costs awarded to the SFO	41	43

## 12. Trade payables and other current liabilities

	2022-23 £000	2021-22 £000
<b>Amounts falling due within one year:</b>		
Taxation and social security	643	619
Trade payables	516	446
Accruals and deferred income	8,733	4,350
Payable to other Government Departments	-	1,198
Pension providers	633	596
Non-current asset accruals	-	-
Amounts issued from the Consolidated Fund for supply but not spent at year end	15,030	3,812
<b>Consolidated Fund extra receipts due to be paid to the Consolidated Fund:</b>		
Received	-	-
Receivable	1,947	17,577
	<b>27,502</b>	<b>28,598</b>

## 13. Provisions for liabilities and charges

	Legal claims £000	Leasehold property dilapidations £000	Total £000
Balance at 1 April 2022	1,770	451	2,221
Provided in the year	6,000	-	6,000
Provisions not required written back	-	-	-
Provisions utilised in the year	(1,770)	-	(1,770)
<b>Balance at 31 March 2023</b>	<b>6,000</b>	<b>451</b>	<b>6,451</b>
Amounts falling due within one year	6,000	451	6,451
Amounts falling due after one year	-	-	-
<b>Total</b>	<b>6,000</b>	<b>451</b>	<b>6,451</b>

### 13.1 Leasehold property dilapidations

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

### 13.2 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. In 2022-23, provisions of £6 million were made in respect of claims against the SFO.

## 14. Leases

### 14.1 Quantitative disclosures around right-of-use assets

2022-23	Buildings £000	Other £000	Total £000
<b>At 31 March 2022</b>	-	-	-
Initial adoption of IFRS16 on 1 April 2022	-	359	359
Right of use assets at 1 April 2022	-	359	359
Recognised in year	2,162	-	2,162
Depreciation expense at 31 March 2023	(432)	(60)	(492)
<b>At 31 March 2023</b>	<b>1,730</b>	<b>299</b>	<b>2,029</b>

**14.2 Quantitative disclosures around lease liabilities of right-of-use assets**

	2022-23 £000	2021-22 £000
<b>Buildings</b>		
Not later than 1 year	(1,840)	-
Later than 1 and not later than 5 years	-	-
Later than 5 years	-	-
<b>Less interest element</b>	62	-
<b>Present Value of obligations</b>	<b>(1,778)</b>	-
<b>Other:</b>		
Not later than 1 year	(75)	-
Later than 1 and not later than 5 years	(301)	-
Later than 5 years		
<b>Less interest element</b>	36	-
<b>Present Value of obligations</b>	<b>(340)</b>	-
<b>Total Present value of obligations</b>	<b>(2,118)</b>	-
<b>Current portion</b>	<b>(1,841)</b>	-
<b>Non-current portion</b>	<b>(277)</b>	-

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

- Buildings: 2-4 Cockspur Street to 31 March 2024
- Other: Spring Park, Corsham and Farnborough to 31 March 2028

**14.3 Quantitative disclosures around elements in the Statement of Comprehensive Net Expenditure**

	2022-23 £000	2021-22 £000
<b>Expense related to low-value asset leases</b>	<b>8</b>	-

**14.4 Quantitative disclosures around cash outflow for leases**

	2022-23 £000	2021-22 £000
<b>Total cash outflow for leases</b>	<b>492</b>	-

## 15. 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.

## 16. 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 2023 was £30,402 (2021-22: £43,122).

## 17. Events after the reporting period

On 6 July 2023, the Criminal Cases Review Commission (CCRC) announced it is referring one conviction in the Libor rate rigging case (2015) to the Court of Appeal. The Court of Appeal will now consider the safety of the conviction of Mr Tom Hayes for conspiracy to defraud.

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 SFO during the financial year. These sums are paid in total into HM Treasury's Consolidated Fund. The SFO does not obtain any receipts from these agreements.

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, including 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 are set out in the terms of the DPA. Once all the terms of the DPA have been met at the conclusion of the time period of the DPA, the court is notified and DPA is agreed as concluded.

### 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, 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.

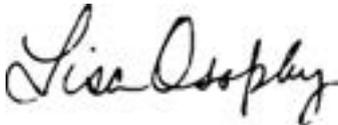
## **Business Review**

No DPAs were entered into during 2022-23.

One DPA was concluded in the financial year (2021-22: nil).

## **Results and Appropriations**

The net revenue for the Consolidated Fund for the year was £nil (2021-22: £102m). Total transfers to the Consolidated Fund from the Trust amounted to £28m (2021-22: £46m), which left a balance due to the Consolidated Fund of £30m at 31 March 2022 (2021-22: £58m). Cash balances at the year-end were £nil (2021-22: £nil).



**Lisa Osofsky**  
**Director**

13 July 2023

## 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 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:

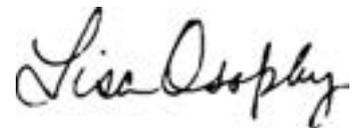
- Observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards, as set out in the 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.



Lisa Osofsky  
Director

13 July 2023

## **Performance report and accountability report**

The Department's Performance Report covering both the Department and the Trust Statement is shown on page 5.

The Department's Accountability Report covering both the Department and the Trust Statement is shown on page 71.

## **Governance statement**

The Department's governance statement covering both the Department and the Trust Statement is shown on page 39.

# 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 – Trust Statement for the year ended 31 March 2023 under the Exchequer and Audit Departments Act 1921.

The financial statements comprise: the Name of audited entity's

- Statement of Financial Position as at 31 March 2023;
- Statement of Revenue, Other Income and Expenditure and Statement of Cash Flows for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Serious Fraud Office – Trust Statement's affairs as at 31 March 2023 and its net revenue for the year then ended; and
- have been properly prepared in accordance with Exchequer and Audit Departments Act 1921 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 for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 **Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)**. 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 2019**. I am independent of the Serious Fraud Office – Trust Statement in accordance with the ethical requirements that are relevant to my audit of 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.

## Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Serious Fraud Office – Trust Statement's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Serious Fraud Office – Trust Statement's ability to continue as a going

concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Serious Fraud Office – Trust Statement is adopted in consideration of the requirements set out in HM Treasury’s Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

### Other Information

The other information comprises information included in the Annual Report but does not include the financial statements and my auditor’s certificate and report thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under Exchequer and Audit Departments Act 1921;
- 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 and is in accordance with the applicable legal requirements.

### Matters on which I report by exception

In the light of the knowledge and understanding of the Serious Fraud Office – Trust Statement and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports.

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 by the Serious Fraud Office – Trust Statement or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or

- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of the Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Serious Fraud Office – Trust Statement from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- ensuring that the financial statements give a true and fair view;
- ensuring that the annual report, is prepared in accordance with HM Treasury directions made under the Exchequer and Audit Departments Act 1921; and

- assessing the Serious Fraud Office – Trust Statement's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Serious Fraud Office – Trust Statement will not continue to be provided in the future.

## 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 Exchequer and Audit Departments Act 1921.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. 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.

### Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

### Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Serious Fraud Office – Trust Statement’s accounting policies;
- inquired of management, the Serious Fraud Office – Trust Statement’s head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Serious Fraud Office – Trust Statement’s policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Serious Fraud Office – Trust Statement’s controls relating to the Serious Fraud Office – Trust Statement’s compliance with the Exchequer and Audit Departments Act 1921 and Managing Public Money;
- inquired of management, Serious Fraud Office – Trust Statement’s head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations;
  - they had knowledge of any actual, suspected, or alleged fraud,

- discussed with the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Serious Fraud Office – Trust Statement for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals and complex transactions. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Serious Fraud Office – Trust Statement’s framework of authority and other legal and regulatory frameworks in which the Serious Fraud Office – Trust Statement operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of Serious Fraud Office – Trust Statement. The key laws and regulations I considered in this context included Exchequer and Audit Departments Act 1921 and Managing Public Money.

### Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;

- I reviewed minutes of meetings of those charged with governance and the Board; and internal audit reports;
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments, and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- in addressing the risk of fraud in revenue recognition, I tested the completeness and recognition of income arising from deferred prosecution agreements.

I also communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my certificate.

### Other auditor's responsibilities

I am 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.

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 I identify during my audit.

## Report

I have no observations to make on these financial statements.

**Gareth Davies**  
**Comptroller and Auditor General**

17 July 2023

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 2023

	Note	2022-23 £000	2021-22 £000
<b>Revenue</b>			
<b>Deferred Prosecution Agreements:</b>			
Financial penalties		-	(102,225)
Interest income		-	-
Compensation		-	-
<b>Total</b>		-	<b>(102,225)</b>
<b>Other income</b>			
DPA costs payable to the Consolidated Fund		-	-
Compensation		-	-
(Gain)/loss on DPA		-	-
<b>Total revenue</b>		-	-
<b>Expenditure</b>			
Other expenditure		-	-
<b>Total operating expenditure</b>		-	-
<b>Net revenue for the Consolidated Fund</b>		-	<b>(102,225)</b>

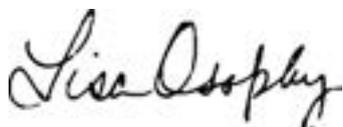
There were no recognised gains or losses accounted for outside the above Statement of Revenue, Other Income and Expenditure (2021-22: nil).

The notes on pages 116-117 form part of these accounts.

## Statement of Financial Position

As at 31 March 2023

	Note	2022-23 £000		2021-22 £000	
<b>Non-current assets</b>					
Trade and other receivables	2(b)	2,070		30,020	
<b>Total non-current assets</b>			<b>2,070</b>		<b>30,020</b>
<b>Current assets:</b>					
Trade and other receivables	2(a)	27,950		27,950	
Cash and cash equivalents		-		-	
<b>Total current assets</b>			<b>27,950</b>		<b>27,950</b>
<b>Total assets</b>			<b>30,020</b>		<b>57,970</b>
<b>Current liabilities:</b>					
Trade and other payables		-		-	
<b>Total current liabilities</b>			<b>-</b>		<b>-</b>
<b>Assets less liabilities</b>			<b>30,020</b>		<b>57,970</b>
<b>Balance on Consolidated Fund account at 31 March</b>			<b>30,020</b>		<b>57,970</b>



Lisa Osofsky  
Accounting Officer

13 July 2023

The notes on pages 116-117 form part of these accounts.

## Statement of Cash Flows

For the year ended 31 March 2023

	Note	2022-23 £000	2021-22 £000
Cash flows from revenue activities		27,950	46,325
Cash paid to Consolidated Fund		(27,950)	(46,325)
Increase/(decrease) in cash and cash equivalents		-	-

### Notes to the Statement of cash flows

<b>Reconciliation of net cash flows to movement in net funds</b>	Note	2022-23 £000	2021-22 £000
Net revenue for Consolidated Fund		-	102,225
Decrease / (increase) in non-cash assets	2	27,950	(55,900)
Adjustments for non-cash transactions		-	-
<b>Net cash flow from revenue activities</b>		<b>27,950</b>	<b>46,325</b>

<b>Analysis of changes in net funds</b>	Note	2022-23 £000	2021-22 £000
Increase/(decrease) in cash in this period		-	-
Net funds as at 1 April (opening cash at bank)		-	-
<b>Net cash as at 31 March (closing cash at bank)</b>		<b>-</b>	<b>-</b>

The notes on pages 116-117 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 2022-23 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 SFO for the purpose of giving a true and fair view has been selected. The particular policies adopted by the SFO 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 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 DPAs in progress as contingent

assets. For the purposes of the accounting treatment DPA's are recognised at the point that the agreement is approved.

#### Interest

Interest is recognised separately to the principal as it is based on future LIBOR rates and cannot be reliably estimated due to uncertainty about those rates.

#### 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 117 refers.

#### Expenditure

The notional audit fee for the Trust Statement is included within operating costs note 3 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.

## 2. Receivables

### 2(a) Due within one year

	2022-23 £000	2021-22 £000
<b>Amounts falling due within one year:</b>		
Financial penalties and disgorgement of profits	27,950	27,950
Compensation	-	-
Costs awarded to the SFO	-	-
	<b>27,950</b>	<b>27,950</b>

### 2(b) Due after more than one year

	2022-23 £000	2021-22 £000
<b>Amounts falling due after one year:</b>		
Financial penalties and disgorgement of profits	2,070	30,020
Compensation	-	-
Costs awarded to the SFO	-	-
	<b>2,070</b>	<b>30,020</b>

## 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 of the Exchequer and Audit Departments Act 1921

1. This direction applies to those government departments listed in appendix 2.
2. The Department shall prepare a Trust Statement ("the Statement") for the financial year ended 31 March 2023 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 2022-23.
3. 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 taxes, licence fees, fines and penalties and other income by the Department as agent and of the expenses incurred in the collection of those taxes, licence fees, fines and penalties 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.
4. 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.
5. When preparing the Statement, the Department shall comply with the guidance given in the FReM (Chapter 8). The Department 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.
6. 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.
7. 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.
8. 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 2 of the Exchequer and Audit Departments Act 1921 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.

**Michael Sunderland**  
Deputy Director,  
Government Financial Reporting  
Her Majesty's Treasury

**15 December 2022**

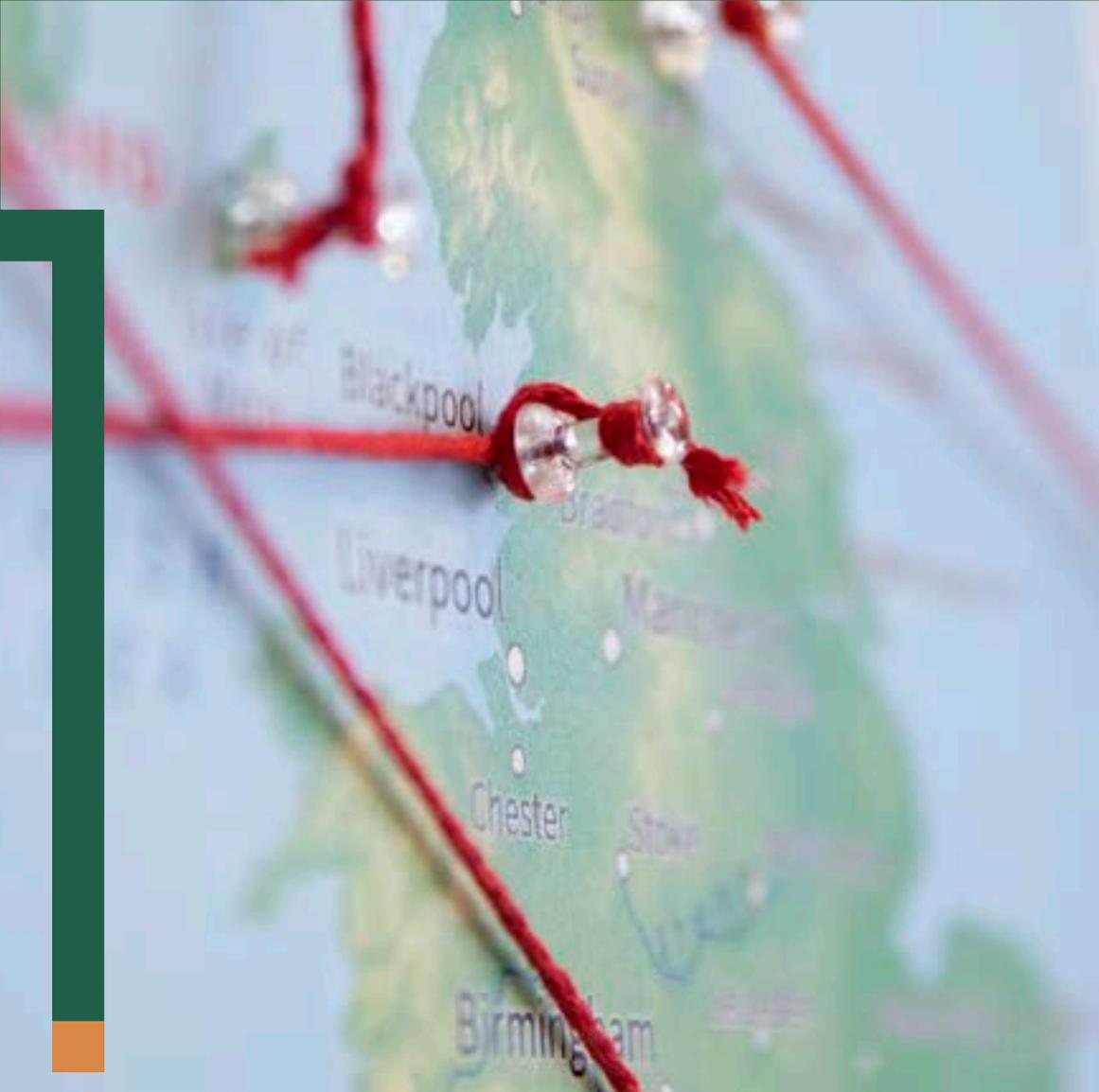
**Extract from Appendix 2**

<b>No</b>	<b>Sponsoring Department</b>	<b>Income Stream</b>	<b>Responsible Entity</b>
8	Serious Fraud Office	Deferred Prosecution Agreements	SFO



# Annex A – Sustainability Report

<b>Annex A – Sustainability Report</b>	<b>120</b>
Sustainability Report	121
Greenhouse Gas Emissions	123
Waste volumes	127
Water	128



# Sustainability Report

## Greening Government

The SFO is committed to playing a part in meeting the Gambitious goals for 2025 to improve sustainability. The SFO is working towards meeting the Greening Government Commitment (GGC) targets against our 2017-18 baseline.

The GGC's for 2021-25 were published in 2020-21 and set out the actions that UK Government Departments and their partner organisations need to take to reduce their impact on the environment. The key changes to the new GGC's are:

- The baseline of 2009-10 used to measure performance has changed and the new baseline has been set using sustainable data from 2017-18. This new baseline will more accurately reflect the current government estate and ensure the government builds on the progress it has already achieved since 2009 to 2021.
  - Setting more stretching targets on the core areas of emissions, water, waste and domestic flights.
  - Introducing new measures on biodiversity, climate adaptation and food waste and integrating the transparent reporting requirements into the core GGC targets for biodiversity and climate adaptation
  - Reorganising the targets into headline commitments and sub-commitments, so that departments can commit to common overall objectives, with sub-commitments which contribute to the overall aims.
- The headline targets for GGC for 2021-25 are as follows:
- Reduce the overall greenhouse gas emissions from a 2017 to 2018 baseline (49%) and also reduce direct greenhouse gas emissions from estate and operations from a 2017 to 2018 baseline (25%).
  - Reduce the overall amount of waste generated by 15% from the 2017 to 2018 baseline.
  - Reduce water consumption by at least 8% from the 2017 to 2018 baseline.
  - 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.
  - Departments and partner organisations with the greatest potential to improve biodiversity should develop and deliver Nature Recovery Plans for their land, estates, development, and operations.
  - Develop an organisational Climate Change Adaptation Strategy across estates and operations.
  - Departments should report on the adoption of the [Greening Government: ICT and Digital Services Strategy](#) and associated targets and ensure they provide membership to the Sustainable Technology Advice and Reporting team, who manage and deliver the Greening Government Commitments ICT reporting.

Area		2022-23 Performance		2021-22
		2022-23	2025 Target	
<b>Greenhouse Gas emissions (Scopes 1, 2 &amp; 3 business travel including air and rail travel)</b>		275 (tCO <sub>2</sub> e)	311 (tCO <sub>2</sub> e)	199 (tCO <sub>2</sub> e)
<b>Estate Energy</b>	Consumption	1,149 kWh	-	780 kWh
	Expenditure	£162k	-	£72k
<b>Estate Waste</b>	Amount	71 tonnes	33.15 tonnes	47 tonnes
	Expenditure	£17k	-	£17k
<b>Estate Water</b>	Consumption	1,518 m <sup>3</sup>	3,223 m <sup>3</sup>	1,816 m <sup>3</sup>
	Expenditure	£10k	-	£10k

Compared to last year, the SFO's overall greenhouse gas emissions (as anticipated) have increased by 38%. This increase is as result of staff returning to the workplace post Covid and feeds into our overall estate energy usage increase of 47% compared to 2021-22.

Estate waste has increased by 51%. The increase in estate waste is a direct result of the SFO clearing and vacating the 5th floor in order to return this floor back to the landlord. Following the return of the 5th floor on 1st December 2022, the SFO total estate size reduced from 3601m<sup>2</sup> to 3035m<sup>2</sup>.

Water usage for the estate has decreased by 16.4% following the introduction of our flexible working policy which only requires 40% on-site attendance for staff.

## Greenhouse Gas Emissions

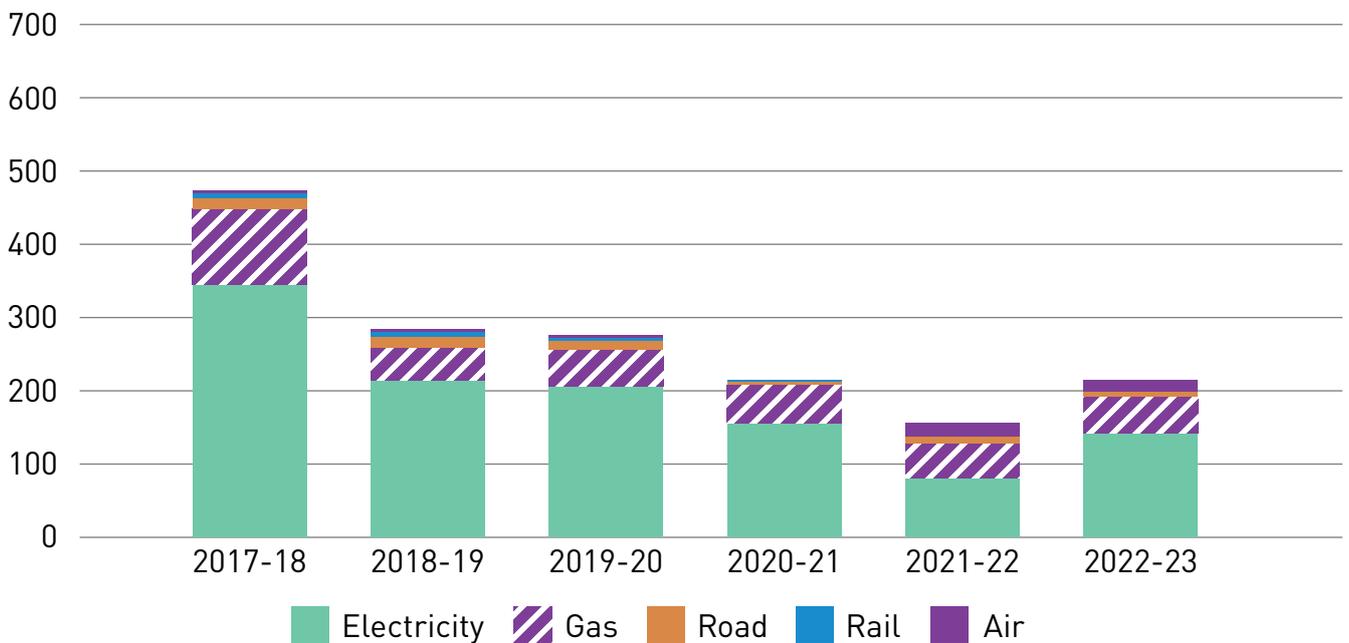
There are three different classifications of greenhouse emissions, known as Scopes:

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

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

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

**Greenhouse Gas Emissions (by financial year)**



<b>Greenhouse Gas Emissions</b>		<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
<b>Non-financial indicators (tCO2e)</b>	Total <b>Gross</b> Emissions for Scopes 1 & 2	540	313	308	251	156	234
	Total <b>Net</b> Emission for Scopes 1 & 2	540	313	308	251	156	234
	Gross Emissions Scope 3 Business Travel	33	31	26	4	35	27
	Other Scope 3 Emissions Measured	37	22	21	16	9	15
<b>Related Energy Consumption (kWh, 000s)</b>	Electricity: Non Renewable	990	900	860	648	453	793
	Electricity: Renewable	0	0	0	0	0	0
	Gas	717	312	349	367	326	355
<b>Financial Indicators (£k)</b>	Expenditure on Energy	135	134	174	143	72	162
	CRC Licence Expenditure	0	0	0	0	0	0
	Expenditure on Accredited Offsets	0	0	0	0	0	0
	Expenditure on Official Business Travel	125	106	104	38	76	174

## Scope 1 – Direct emissions

The 2025 target for the AGO offices for direct emissions is an overall reduction of 25% on the 2017-18 baseline figure. In 2017-18, the SFO consumed 717,110kwh of energy via gas, which is within the scope 1 emissions. For 2022-23 the SFO consumed 355,813kwh via gas which is a reduction of 50.38% against the baseline.

### Flights

In 2017-18, there were 46 domestic flights covering a total of 32,807km. In 2022-23, 20 domestic flights were taken covering a total of 10,142km, this is a reduction of 56.5% against the baseline in terms of the number of flights.

For 2022-23, there were 39 international flights taken with an average of 4,058km per flight. This reporting requirement was introduced in 2021-22, so we only have one year's worth of data to compare this with. For 2021-22, there were 32 international flights with an average of 4,117km per flight, meaning our number of international flights has increased but on average the distance of those flights has reduced.

The table below show the details for international air travel for each category and class.

This area is demand-led by the SFO's operational case requirements and the SFO's climate change adaptation strategy will be used to promote and aim to reduce the number of international and domestic flights where possible.

Flight Category	Business (km)	Premium Economy (km)	Economy (km)
Short-haul	11,112	0	12,141
Long-haul	11,482	87,999	35,515

## Overall Greenhouse Gas emissions

The 2025 target for the AGO offices for overall emissions is to achieve a reduction of 49% on the 2017-18 baseline figure. In 2017-18, the SFO generated 610 tCO<sub>2</sub>e, so our 2025 target is to reduce this to 311 tCO<sub>2</sub>e. Our current consumption of 275.05 tCO<sub>2</sub>e suggests that we are currently on target to achieve this reduction.

### Hire Cars

The SFO does not own any vehicles. All vehicles are hired from a supplier via a Crown Commercial Services framework contract. 83 vehicles were hired in 2022-23 and of those hired 7% were Ultra Low emissions vehicles, 12% were electric or hybrid vehicles and there were no zero emission vehicles hired. The SFO are seeking to increase this by encouraging through its travel policies and practices the booking of electric and hybrid vehicles. Furthermore, we are working with our supplier to ensure that where possible we are supplied with electric/hybrid vehicle as we have experienced difficulties with availability.

### Paper Usage

For 2022-23 the SFO ordered 979 reams of A4 paper and 47 reams of A3 paper – this is equivalent to a total of 1073 reams of A4. In 2017-18, the SFO ordered the equivalent of 4,414 reams of A4 paper. 2022 -23 has seen a 77% reduction against the baseline figure as the SFO is using more digital data. This area is demand-led by the SFO's operational case requirements and those of the courts. With multiple trials scheduled for 2023-24 there may be some increase.

## Waste minimisation and management

The SFO's baseline figure for waste is 39 tonnes and by 2025 the SFO is required to achieve an overall reduction of 15% i.e. 33.15 tonnes. For 2022-23, 71 tonnes of waste was generated and this figure is anticipated to increase over the next two years due to the SFO's relocation to a government hub. Following this relocation, we would expect to meet the target figure. As stated above, this year's increase is mainly as a result of the disposals of waste and furniture following the return of a floor to the landlord.

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 also recycles 100% of its waste paper and uses 100% recycled paper for its floor printers. In relation to disposal of IT equipment, the SFO complies with the requirements under the WEEE Directive.

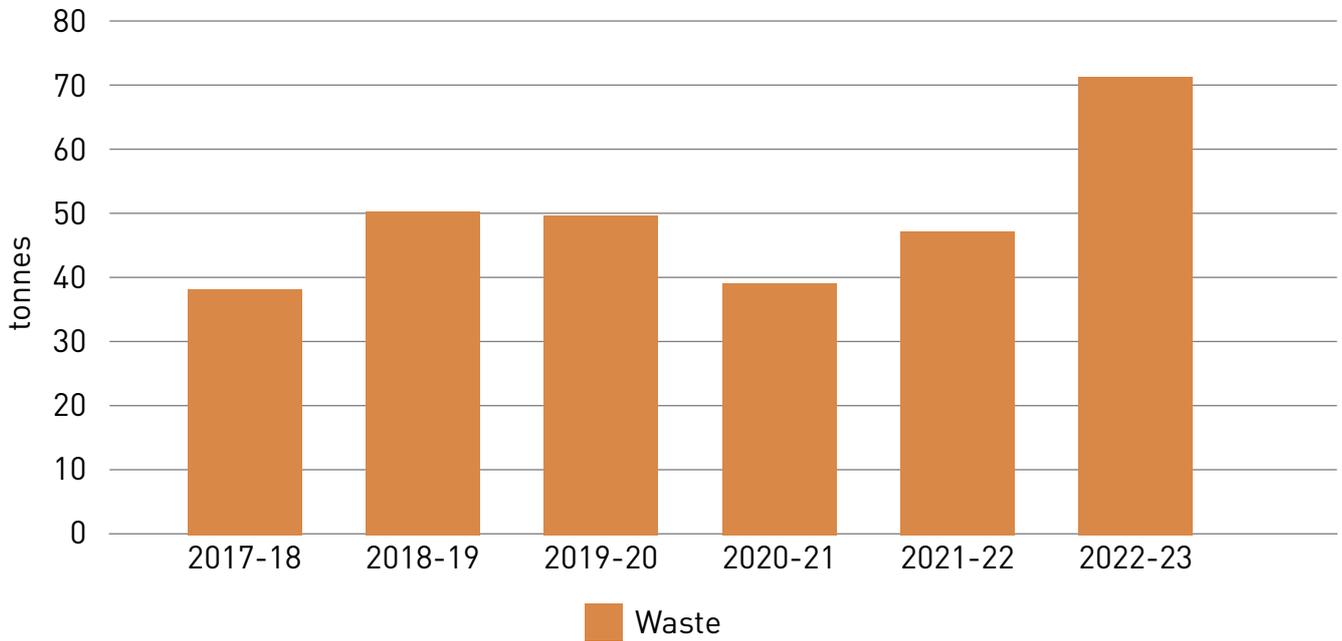
The SFO continues to work with our landlords seeking initiatives to reduce and manage its waste further.

Westminster Council waste collection continues to use mixed recycling (which is processed dependant on materials) and landfill materials are incinerated to produce electricity for 50,000 homes and businesses and the TFL tube system and residual ash is used in road building and repair.

For 2022-23, the SFO had a total of 366 CSUP (consumer single use plastics) items. These items were all stationery items i.e. pens, highlighters, plastic wallets and dividers. The SFO aligns its policies to reduce CSUP items where possible, however in 2023-24 the total number of items is likely to increase as we are expecting a number of trials to occur. The SFO does not provide food and refreshments on its estate.

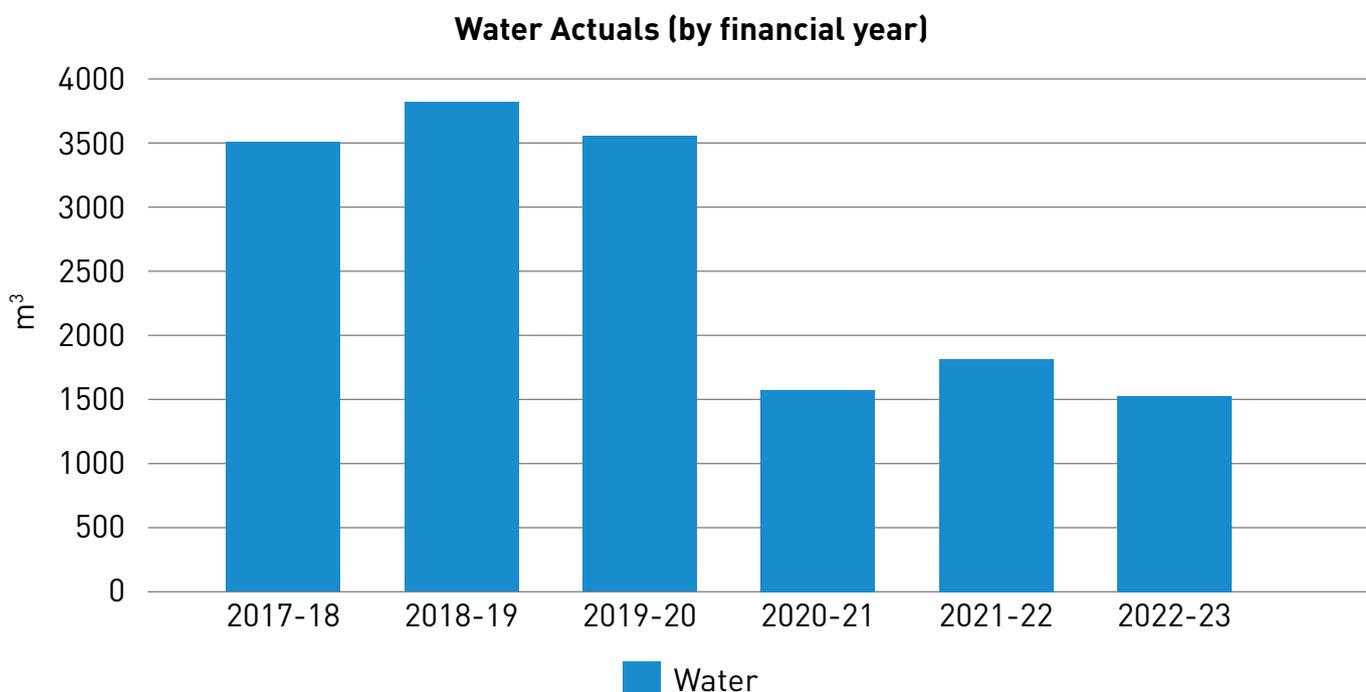
## Waste volumes

Waste Volumes (by financial year)



			2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Weight (t)</b>	Non Hazardous Waste	Landfill	0	2	0	0	0	0
		Reused/ Recycled	22	30	32	22.5	25	37
		Incinerated/ Energy from waste	17	17	17	17	22	34
<b>Cost (£k)</b>	Non Hazardous Waste	Landfill	0	0.5	0	0	0	0
		Reused/ Recycled	3	3	3	0.6	14	7
		Incinerated/ Energy from waste	5	6	5	5	3	7

## Finite resource (Water) consumption



Finite Resource Consumption		2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Non-financial indicators (m³)	Water Consumption	3,503	3,804	3,544	1,580	1,816	1,518
Financial Indicators (£k)	Water Supply Costs	4.5	11	11	0.1	10	10

The SFO's 2025 target (3223m<sup>3</sup>) for water usage is to achieve an overall reduction of 8% on the baseline figure of 3503m<sup>3</sup>. For 2022-23, the SFO used 1518m<sup>3</sup>, which is 56.66% below the 2025 target.

The SFO occupies a shared building and does not have overall control of water consumption throughout the estate. The landlord's managing agent holds responsibility for water consumed on the estate and the SFO pays a percentage through the service charge.

## 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.

## Climate Change adaption strategy

As part of its relocation to a government hub, the SFO will work with GPA in supporting the development and implementation of the climate change adoption strategy.

## Governance

The Solicitor General represents the Law Officers' Departments (LODs) on sustainable development matters. Under the GGC targets the SFO are part of the AGO's departments for reporting.

Our results against the GGC targets are reported annually.

### Notes:

1. Estimates have been used in some instances where complete data was not available from suppliers or service providers. Electricity figures only relate to SFO consumption and they do not include electricity consumption for common parts of the building.





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