



**SFO**

serious  
fraud  
office

**SERIOUS FRAUD OFFICE**  
**ANNUAL REPORT AND ACCOUNTS**  
**2018-19**

**HC2400**





# **Serious Fraud Office Annual Report and Accounts 2018-19**

(For the year ended 31 March 2019)

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  
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# PERFORMANCE REPORT

## Statement from the Director

I present the Annual Report for the Serious Fraud Office for the reporting year 2018-19.

I became Director in August 2018. Since my arrival, I have worked closely with the SFO's determined and dedicated staff: immersing myself in our casework and considering, with colleagues, how we will meet the challenges of a shrinking world and a constantly evolving technological landscape. We must keep pace with these challenges and remain focused on our fight against fraud and corruption that does significant harm to its victims, the public and the reputation of the United Kingdom as a safe place to do business.

Immediately prior to my arrival, the Chief Operating Officer, Mark Thompson, had been the SFO's Interim Director. I want to thank Mark for his excellent work during that time, for his willingness to take on difficult issues and especially for his sincere commitment to the well-being and development of our staff.

During the year, we opened 11 new criminal investigations, five of which are now in the public domain. These include allegations of corruption related to Ultra Electronic Holdings' conduct of business in Algeria, of false accounting at Patisserie Valerie, of investment fraud conducted by property developers in Liverpool and Manchester and by individuals associated with London Capital & Finance, and of biodiesel fuel trading irregularities at Greenergy.

We have charged eight individuals, including three former employees of Güralp Systems for conspiring to make corrupt payments to a Korean public official, four in connection with our investigation into alleged corrupt activities at Unaoil and one for alleged EURIBOR rate rigging.

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Given our caseload, which consists of a relatively small number of large cases, our conviction rate can vary significantly. This year, 17 of 32 defendants were convicted giving a conviction rate of 53% by defendant and 86% by case. A significant success was the conviction of six individuals who engaged in a £17m fraudulent scheme to install solar panels. Many of the 1,500 victims were vulnerable retired people who were manipulated by these fraudsters. 2018-19 also saw the conclusion of a long-running investigation into corruption at Alstom. The two convictions obtained this year brought the total in this case to five (two corporate and three individuals). Also notable this year were convictions obtained in the F.H. Bertling, Afren and EURIBOR cases.

Acquittals included individuals in the case regarding accounting practices at Tesco Stores Ltd. The corporate entered into a Deferred Prosecution Agreement (DPA) in 2017.

In November, the UK's first DPA successfully concluded. We confirmed that Standard Bank plc had fully complied with the terms of the agreement, which had followed the first charges under section 7 of the Bribery Act 2010. We aim to build upon this with greater private sector cooperation and we seek to provide transparency regarding what a company should expect if it decides to self-report.

This year has seen the launch of the National Economic Crime Centre (NECC). The SFO is a partner in the NECC, which coordinates the UK's response to economic crime. The London Capital & Finance case noted above is the first to be referred to the SFO by the NECC.

We continue to increase and improve our use of technology. Nearly 95% of our evidence is digital, and we are leveraging powerful tools and emerging technologies to process it more effectively. Our goal is to increase the pace and focus of our investigations. This includes using technology-assisted review (TAR) and artificial intelligence (AI) solutions to manage familiar and traditional investigative and legal processes, including document review and disclosure.

The Criminal Finances Act 2017 introduced new powers to facilitate the recovery of the proceeds of crime, including Account Forfeiture Orders and Unexplained Wealth Orders. This year, the SFO secured its first Account Forfeiture Order, enabling the forfeiture of £1.5m, which represented the spoils of a mortgage fraud scheme. There will be more to follow. In total, our proceeds of crime team has secured over £10m in new financial orders, with payments received against orders of more than £8m.

Finally, there have been some significant senior personnel changes. I have taken steps to increase the number of non-executive directors from three to four so that we benefit from a broader range of experience and

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expertise and strengthen the challenge and assurance function. I would like to thank Simon Duckworth OBE DL, whose service as a non-executive director concluded during the year, and to welcome Emir Feisal JP and Martin Spencer. Further changes to non-executive director personnel will take place in the coming year. I have recruited a new General Counsel, Sara Lawson QC, who brings a wealth of experience to her role of providing oversight and quality control on our cases and trial preparation. Former case controller John Kielty has been promoted to a new SCS role as Chief Intelligence Officer. I am also pleased to welcome Liz Corrin as Head of Corporate Services.

The SFO remains firmly focused on undertaking the effective investigation and prosecution of top-tier serious and complex economic crime. I am eager for the SFO to remain a trusted leader in this fight.

Lisa Osofsky

Director

Serious Fraud Office

16 July 2019

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## Statement of Purpose and Activities

The Serious Fraud Office (SFO) is a non-ministerial department headed by the Director. It also forms one of the Law Officers' Departments and, as such, constitutes a public arm's length body sponsored by the Attorney General's Office. A new Framework Agreement was published in January 2019 and sets out the relationship between the Law Officers and the Director of the SFO. This agreement replaces the protocol between the Attorney General and the Prosecuting Departments, including the SFO, signed in July 2009.

The SFO was established by the Criminal Justice Act (CJA) 1987 and commenced operations in 1988. It is part of the UK criminal justice system covering England, Wales and Northern Ireland, but not Scotland, the Isle of Man or the Channel Islands.

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

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

The SFO will investigate those cases which call for the legal powers and multi-disciplinary approach available to the SFO. In considering whether to take on an investigation, the Director applies a Statement of Principle. This was reviewed and revised during the past year to provide further guidance on the cases the Director will accept for investigation, and to emphasise the relevance of the SFO's specific powers and multi-disciplinary structure (the Roskill Model). The Statement of Principle is as follows:

The Director may investigate any suspected offence which appears to her 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
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- the reputation and integrity of the UK as an international financial centre, 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.

To support this, the SFO has five strategic objectives:

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

The values of the SFO are:

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

The SFO's strategic risks at 31 March 2019 were:

- **Cyber Threat (Technical):** cyber-attack leading to data loss and/or the compromising of investigations and/or network security;
  - **Internal Threat Actors:** unauthorised disclosure of information leading to the undermining of cases and/or reputational damage;
  - **Cyber Threat (Behavioural):** low organisational security posture leading to an increased risk of a successful cyber-attack (new for 2018-19);
  - **Data Loss:** non-adherence to policy, guidance and/or lax control measures leading to reputational and/or financial damage and distress to information owners and others affected by any loss;
  - **External Threat Actors:** unlawful access to SFO data leading to the undermining of cases and/or reputational damage;
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- **Digital Forensics:** an increasing, and/or unpredictable, quantity of seized digital material leading to a reduced digital forensics service and consequent delay to case progression;
- **Information Management and Data Protection (GDPR):** poor information management leading to a lack of compliance with legislation and/or regulations and the consequent impact on the SFO's business; and,
- **EU Exit:** a loss of access to EU measures and tools arising from the UK's exit from the EU leading to an adverse effect on investigations and prosecutions.

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

### Going concern basis

In common with other government departments, the future financing of the SFO's liabilities is met by future grants of supply and the application of future income, both of which are to be approved by Parliament each year. The 2015 Spending Review, as amended in March 2018, confirmed the SFO's budgetary limits through to 2019-20 and in consequence there is no reason to believe that future approvals will not be forthcoming. It was therefore appropriate to prepare these financial statements on a going concern basis.

## Performance Overview

It has been a positive year for our casework results, particularly as trials have concluded during the year at the Crown Court for more defendants than in any of the previous six years. 17 defendants out of 32 were convicted in five cases, giving conviction rates by defendant of 53% and 86% by case.

The new National Economic Crime Centre (NECC) is now fully operational, and we have received our first referral from the NECC which involves London Capital & Finance plc.

We concluded the UK's first Deferred Prosecution Agreement (DPA) in November. This was agreed with Standard Bank plc and they fully complied with the terms of the DPA. We are also using the new powers granted in the Criminal Finance Act 2017 and have secured a £1.5m Account Forfeiture Order relating to the proceeds of a mortgage fraud scheme.

We continue to deliver value for money and have maintained a positive net financial impact of over £450m over the period 2015-16 to 2018-19.

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Our engagement with overseas law enforcement agencies, prosecutors and regulators is a core aspect of all our investigations. This year has seen an increase in the number of requests we receive for Mutual Legal Assistance and European Investigation Orders (EIOs) from 31 to 41. We have also increased the number of Letters of Requests and EIOs we issue to partners from 66 to 104, representing an increase of approximately 37% from last year.

## Performance Analysis

### Our casework

We opened 11 new criminal investigations this year. Eight defendants were charged, whilst 14 investigations were closed without charge. 16 defendants were awaiting trial at the end of the year. Our total caseload now stands at around 70 cases.

In the 10 prosecutions that reached conclusion this year, 17 defendants were convicted. This resulted in conviction rates of 53% by defendant and 86% by case. Highlights include:

- our investigation into Solar Energy Savings Ltd, in which individuals devised a £17m fraudulent scheme to sell and install solar energy panels and deceiving their customers. This led to 1,500 victims losing between £10,000 and £20,000 each. Six individuals were found guilty of conspiracy to defraud by false representation and were sentenced to a total of 30 years and 4 months imprisonment;
- our continuing investigation into allegations of attempts made by traders and submitters at Deutsche Bank to manipulate the rate at which the Euro Interbank Offered Rate (Euribor) was set, saw the conviction of a further three individuals. Phillippe Moryoussef, Carlo Palombo, and Colin Bermingham were sentenced to a total of 17 years; and,
- our case involving the investigation of Petrofac PLC has so far resulted in a guilty plea by David Lufkin, former global head of sales for Petrofac International Limited. The charges brought against Lufkin concerned bribery, contrary to section 1(1) and 1(2) of the Bribery Act 2010. The offences related to the making of corrupt offers to influence the awards of contracts to Petrofac, worth in excess of USD \$730m in Iraq and in excess of USD \$3.5bn in Saudi Arabia.

Over the last four years (2015-2019), our conviction rate was 60% by defendant and 79% by case. Due to the relatively small number of cases the SFO takes on each year, our conviction rates are subject to significant fluctuation.

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## Proceeds of crime and international assistance

The SFO continues to recover the proceeds of crime mainly using the powers in the Proceeds of Crime Act 2002 (POCA). A number of amendments to this Act (which were enacted by the Criminal Finances Act 2017) came into force on 31 January 2018 providing the SFO with additional tools to help combat illicit finance. They included Unexplained Wealth Orders, Account Freezing and Forfeiture Orders and the extension of POCA powers to 'SFO officers'. The specialist Proceeds of Crime and International Assistance Division also investigates and prosecutes cases where money laundering is alleged to have taken place. In addition, the Division provides assistance to overseas authorities by freezing and confiscating assets in the UK.

This year, we obtained 11 confiscation orders with a combined value of almost £4.1m. We also recovered over £3.9m by enforcing confiscation orders previously obtained and secured the activation of one default term of imprisonment for non-payment.

Among our other achievements, we obtained:

- one Civil Recovery Order of £4.4m<sup>1</sup>;
- SFO's first Account Forfeiture Order of £1.5m;
- 11 orders that restrained or froze assets;
- seven cash seizures with £99,870 forfeited; and,
- seven cash detentions totalling £217,198.

The SFO is an executing authority for requests to obtain evidence made by Letter of Request or European Investigative Orders. Our International Assistance team received 41 Mutual Legal Assistance requests and European Investigation Orders (EIOs), and, on behalf of the criminal case teams, issued 104 Letters of Request and EIOs.

## Casework quality

The Case Evaluation Board (CEB), Case Review Panels (CRP) and a process of Peer Review formed the main elements of a robust quality assurance control process. Additionally, during the year, a Casework Assurance Framework was introduced to provide Heads of Casework Divisions with information on case progression and strategy.

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<sup>1</sup> This was included in last year's report when the Order was made, but is included again this year to reflect the date that the Order was sealed and to align with the SFO's published information.

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The CEB enables the Director to make an informed decision based on its recommendation to initiate or decline an investigation. The frequency of meetings is dependent upon the intelligence pipeline. During the year, the core membership was adjusted to take account of revised roles and responsibilities. Core members are General Counsel, the Chief Operating Officer, the Chief Investigator and the Chief Intelligence Officer.

The purpose of the CEB is to:

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

CRPs ensure that a level of appropriate scrutiny and challenge is given to every case. Following the appointment of the Director in August 2018, the CRP process was reviewed and refreshed. The Terms of Reference were accordingly revised to ensure that the Director is provided with assurance that:

- cases under investigation are being progressed at pace in an appropriate manner with a view to charging, discontinuance or other disposal;
- cases at the prosecution or post-trial stage are being prepared effectively for court in an appropriate manner;
- cases involving actual or anticipated civil litigation are being managed in a manner appropriate to the particular risks and issues arising;
- proceeds of crime matters are considered appropriately throughout the lifecycle of cases; and,
- appropriate consideration is being given at all stages of a case to the particular risks, challenges, resource requirements and legal or operational issues arising in that case.

The review determined that CRPs are to be convened by General Counsel in consultation with the Chief Investigator as they deem appropriate, but with the aim that all cases are scrutinised at least twice per calendar year.

A process of Peer Review was used during the year to provide assurance in relation to the investigation stage of our cases. It provided senior managers with an analysis of the approach taken in our investigations, highlighted areas for improvement and identified where good practice could be shared across all our case teams. Nine Peer Reviews were conducted during the year.

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The purpose of the Case Assurance Framework is to ensure that, at regular intervals, Heads of Operational Divisions are provided with assurance that cases are progressing well and that any strategic areas of concern (specifically those identified either by way of a Peer Review or at the CRP) are being addressed. The aim of the process is to:

- guard against investigative drift;
- ensure that the investigation is proceeding at a suitable pace;
- ensure that the gathering of evidence is 'front loaded' as much as possible;
- ensure that, as investigations progress and develop, they do so on the basis of informed hypothesis and admissible evidence; and,
- ensure adherence to approved professional practice, the standards set out in the SFO's Operational Handbook and any other relevant SFO policies.

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

### Stakeholder engagement and contributions to cross-Whitehall policy development

The SFO has long-standing and highly effective working relationships with its partners in the UK and overseas at both strategic and operational levels. Over the last year, we have continued to strengthen these relationships, maximising the mutual benefits of existing ties and seeking out new opportunities for closer collaboration and to enhance the SFO's strong international reputation and brand.

Domestically, the SFO's focus this year has been on the refresh and implementation of the Government's Serious and Organised Crime (SOC) Strategy 2018 and continuing work to deliver the Government's Anti-Corruption Strategy and the Action Plan for Anti-Money Laundering and Counter-Terrorist Finance. These have provided opportunities for the SFO to support the reforms and measures introduced to combat the rapidly evolving threat posed by economic crime. The SFO has contributed throughout the development and implementation of these strategies, providing evidence, information and feedback to inform the drafting process and policy considerations.

A key part of the SFO's contribution to delivering the Government's strategies, has been the significant role played in the design, development and establishment of the National Economic Crime Centre (NECC) since its inception through to launch in October 2018. The SFO continues to play a full and active role in the

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NECC, with three staff embedded full-time and a commitment to provide additional resource in 2019-20. The SFO also contributes to the overall governance to combat economic crime from participation in the Economic Crime Strategic Board, jointly chaired by the Home Secretary and the Chancellor, through the Economic Crime Delivery Board and the NECC Strategic and Tactical Committees as well as the relevant Inter-Ministerial Groups on SOC and Anti-Corruption. The SFO, with other NECC partners, has helped to set the strategic direction, and shaped the NECC's business plan, for 2019-20. The SFO will continue to play a full role in the NECC's development and its work to deliver a step change in the response to tackling serious and organised economic crime.

Relations with UK law enforcement and regulatory partners have been further enhanced through our contributions to various cross-government tactical and operational forums, including threat, delivery and working groups and regular bilateral meetings. These are underpinned by Memorandums of Understanding or operational protocols where necessary. Our commitment to joint working and information sharing has directly benefited a number of active SFO investigations, as well as those of partner agencies.

The SFO has been consulted on, or contributed to, a wide range of legislative and cross-Whitehall policy developments relevant to our work. These include the Sanctions and Money Laundering Act; proposed legislation on Limited Liability Partnerships and a Register of Overseas Entities Beneficial Ownership; the Home Office consultation on Regulation on European Production and Preservation Orders; the Attorney General's review of disclosure; and, the Law Commission consultations on search warrants and confiscation under Part 2 of the Proceeds of Crime Act 2002. The SFO has also assisted the Home Office through the provision of data and evidence to inform the drafting and passage of the Crime (Overseas Production Orders) Bill 2019 through both Houses of Parliament to gain Royal Assent.

The SFO was designated as a UK Competent Authority for the purposes of the Passenger Name Record (PNR) Data and Miscellaneous Amendments Regulations 2018. This resulted in increased capacity for the SFO to obtain PNR Data for the detection, prevention and investigation of serious crime.

Senior officials have provided evidence to the House of Lords Select Committee on the Bribery Act 2010; the Treasury Select Committees on Economic Crime and Illicit Finance and Fraud; and, the Joint Select Committee on the Draft Registration of Overseas Entities Bill. This is in addition to the Director's regular appearances before the Justice Select Committee.

The arrival of the new Director in August 2018 initiated a programme of meetings with partners, parliamentarians and senior officials from across government. The programme introduced the new Director,

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highlighted the plans for her tenure, and confirmed the SFO's stance on extending corporate criminal liability and / or the failure to prevent offence to other forms of economic crime, such as fraud, false accounting and money laundering. It also included meetings with members of the All-Party Parliamentary Groups (APPG) on Responsible Tax, Anti-Corruption, Fair Business Banking and Finance as well as individual meetings with politicians from all sides.

The SFO continues to play a significant role, alongside other Whitehall, criminal justice and law enforcement partners, in contingency planning for the UK's withdrawal from the European Union (EU), providing evidence and data to inform policy departments of the impact of losing access to EU criminal justice measures and tools, as well as ensuring the SFO's interests and strategic objectives are promoted and catered for in the plans.

The SFO has actively contributed to a number of cross-government working groups on data protection, looking at both the implementation of the new legislation and preparing for Brexit. Working across government and with the Information Commissioner's Office, the SFO has helped develop good practice and consistency in the approach to the legislation across law enforcement.

As in previous years, the SFO fully contributed to the Government's response to peer reviews and mutual evaluations by international bodies. This year saw the completion of the Financial Action Taskforce's (FATF) Mutual Evaluation Review of the UK's measures to combat money laundering and terrorist financing (AML/CTF). The SFO provided comprehensive data, case studies and information that helped to inform FATF's findings that the UK has the strongest overall AML/CTF regime of over 60 countries assessed. Similarly, the SFO supported the Home Office throughout the Organisation for Economic Co-operation and Development's (OECD) Working Group on Bribery Phase 4 Two-Year Follow-Up Report on Implementing the OECD Anti-Bribery Convention. The review welcomed recent developments at the SFO, including the new funding model and the Director's revised Statement of Principle, published in January 2019, that have the potential to enhance the investigation and prosecution of foreign bribery cases, as well as commenting positively on the SFO's implementation of other recommendations made in the Phase 4 review in 2017.

Recognising the transnational nature of economic crime, the SFO is committed to collaborative and mutually beneficial joint working with overseas partners in support of the government's priority to tackle international illicit finance, reduce threats to the UK and protect and promote the UK's role as a financial centre. This is reflected in the SFO's engagement with the OECD Working Group on Bribery and in relations with partners such as the World Bank and various non-governmental organisations. During the year, the SFO supported two OECD regional capability building programmes: the first hosted in Argentina with

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members of the OECD's Latin American Network of countries; the second hosted in the Czech Republic for OECD's East European Network of countries, and welcomed a broad range of visits from overseas partners seeking to learn from the SFO's experience.

Furthering its association with the Economic Crime Agencies Network, the Director attended the 7th annual meeting in New Zealand in March 2019. The theme of the meeting was '*Developing Capability*' and was attended by partner agencies from Australia, Hong Kong, Indonesia, Malaysia, New Zealand, Singapore and the USA.

The SFO has welcomed officers on secondments from the Singapore Attorney General's Chambers and from the US Department of Justice. This has enabled a useful exchange of ideas, experience and best practice regarding the investigation and prosecution of complex economic crime.

## Digital and technological capability

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

We continue to investigate the most complex and data-heavy cases. The amount of data obtained during our investigations continues to grow in line with advances in technology. Our Digital Forensics Unit (DFU) continued to process millions of documents on behalf of our case teams and, at the same time, applied a more targeted approach towards the data we obtained to improve efficiency and effectiveness.

Following the launch of our new eDiscovery platform, the way in which data is obtained and provided is changing, with the DFU working more closely with case teams to obtain and produce datasets that will assist the investigators and support the analytical functions of the platform. We have an onsite project team working closely with case teams to utilise technology to advance investigations and handle large datasets.

Our Information Management Programme continues, with projects being developed and commissioned in line with a new Information Management Strategy. A significant project to implement a new Document and Case Management system has begun, and the project team will be working across both operational and corporate areas to improve the way that information is managed and exploited. New processes to ensure compliance with the General Data Protection Regulations (GDPR) and Data Protection Act 2018 have been developed and embedded, with regular reporting to the SFO's Senior Information Risk Owner and Board. We are also working closely with The National Archives on our archiving obligations under the Public Records Act 1958.

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## Our people

The SFO strives to be an employer of choice with effective, highly-skilled, capable and motivated employees. Our approach to building and maintaining an effective workforce, and treating our people fairly and with respect and dignity, is measured to an extent through our participation in the Civil Service People Survey. Our engagement score in 2018 was 63%, a reduction of 4% compared with 2017, but 1% higher than the Civil Service average for 2018.

All civil servants are entitled to five days of learning and development each year. During 2017-18, SFO staff undertook 3,089 days of training which equates to an average of 7.5 days per person.

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

- continued to develop investigative skills by working alongside the College of Policing in delivering an Investigation Training Programme and a Leading Complex Investigations programme as well as introducing a new programme for Leading Complex Prosecutions;
- continued to offer a sandwich placement programme for digital forensics students;
- continued to provide a performance management training programme for all managerial staff. This programme will have been delivered to all SFO managers by the middle of 2019;
- commenced roll-out of a Talent Management Programme with the expectation that all staff will be part of the programme by the end of June 2019;
- developed a new Professional Qualifications and Supplemental Training Policy to support those staff looking to attain professional qualifications;
- appointed a further 22 trainee investigators to our trainee programme; and,
- appointed four apprentices on Business Administration apprenticeships and one on an accountancy apprenticeship.

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).

The 2018-19 pay award was delivered on the basis of a performance matrix enabling top performing staff to move up the pay bands more quickly than other colleagues. Eligible staff received awards of between 1.6 and 2.5%.

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## Financial performance

The SFO's Resource DEL outturn for the year totals £58,024k against a voted limit of £59,700k, an underspend of £1,676k. Excluding the underspend on depreciation of £818k, the underspend on our non ringfenced expenditure was £858k. This latter underspend represents 2% of our non ringfenced expenditure.

Capital DEL was underspent by £780k while AME was underspent by £2,136k. Due to its unpredictable nature it is very difficult to estimate spend within AME and in this instance the underspend is wholly related to the lack of significant new provisions in year and the utilisation of the Early Departure provision.

The 2015 Spending Review, as amended in March 2018, set the SFO's financing requirements through to 2019-20 and renewed the principle that access to Reserve funding will continue to be a part of the SFO's settlement. This additional financing will continue to be agreed with HM Treasury on a year by year basis.

The increase in Budgeted Resource DEL in year by £7,000k was a result of additional resource funding agreed with HM Treasury. This is reflective of the particular circumstances of the SFO whereby access to the Reserve is available for the additional cost of cases above £2,500k (5% of non-ringfenced DEL). Of the £7,000k increase, £5,000k is attributed to cases which cost above £2,500k for the year while £2,000k was to cover cost awards against the SFO settled or part settled in year.

## Sustainability

The SFO is committed to government policy to improve sustainability and is working towards meeting the Greening Government Commitment (GGC) targets which started on 1 April 2011 with a baseline period of 2009-10. Information on SFO progress can be found at [Annex A](#).

Lisa Osofsky

Accounting Officer

16 July 2019

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# ACCOUNTABILITY REPORT

## Corporate Governance

### Directors' report

#### Directors

The Governance Statement on page 25 includes the name of the Director and the composition of the SFO Board, including the former Management Board.

#### Register of interests

Senior managers within the SFO, including the non-executive directors, are required to complete a declaration of any interests. No significant company directorships or other interests were held by Board members which may have conflicted with their responsibilities. Note 14 to the accounts, page 85, confirms that no member of the Board, including non-executive directors, has any related-party interests.

#### EU withdrawal

On 29 March 2017, the UK Government submitted its notification to leave the EU in accordance with Article 50. The SFO is not in receipt of EU funding nor does it manage any EU projects. Any subsequent changes or impacts on the SFO's work with EU law enforcement and criminal justice tools is subject to the outcome of the negotiations.

#### Personal data related incidents

There were no personal data breaches reported to the Information Commissioner's Office (ICO) in the accounting period. There were 117 non-reportable data-related incidents recorded.

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## 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 external audit of the Department's Accounts for 2018-19 was £50,000, (2017-18: £50,000), and £5,000 (2017-18: £5,000) for the external audit of the Trust Statement.

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## Statement of Accounting Officer's Responsibilities

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

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

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and,
- prepare the accounts on a going concern basis.

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

The Accounting Officer has taken all the steps that 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.

Lisa Osofsky

Accounting Officer

16 July 2019

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## Governance Statement

### Scope of responsibility

This statement covers the SFO's governance arrangements for the year ended 31 March 2019 for both the Departmental Resource Accounts and the SFO's Trust Statement at page 86.

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

The Director is responsible for maintaining a sound system of internal control, which supports the achievement of the SFO's 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 Group and the Audit and Risk Committee. There are also two committees which support the Executive Group. Alongside this, there are a number of supporting working groups, all of which feed into the work and responsibilities of at least one of the main governance forums.

A new Framework Agreement was published in January which 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 a new Ministerial Strategic Board which meets three times per year. The Board'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 Board is chaired by the Attorney General or the Solicitor General and its membership comprises the Law Officers, the Director, the Director-General (AGO), the Chief Operating Officer and an appropriate non-executive director. The Chief Inspector of HM Crown Prosecution Service Inspectorate attends by invitation as required.

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## Committee structure

During the year, the SFO expanded and restructured its leadership team, to strengthen the organisation's intelligence and case development function and to bring a clearer focus to the Chief Investigator and General Counsel roles.

A new role of Chief Intelligence Officer was created to accelerate the drive to a more proactive approach to sourcing new cases. This enabled the Chief Investigator, who previously oversaw the Intelligence Unit, to devote his full attention to his core role of advising on investigative strategy and, as Head of Profession, leading the professional development of investigators.

Arrangements were also put in place to create a new post of Head of Corporate Services to manage the finance, human resources, procurement and facilities management functions. This enabled line management responsibility for operational staff to be moved from General Counsel to the Chief Operating Officer, allowing the role of General Counsel to return to a more focused legal role.

The membership of the Board, Executive Group and Audit and Risk Committee is set out in the tables below, and the purpose and arrangement of these forums is contained in the succeeding sections.

### Attendance:

Members	The Board	Executive Group (EG)	Audit and Risk Committee
<b>David Green CB QC</b> Director (until 20 April 2018)		Chair 1/1	
<b>Mark Thompson</b> as Interim Director (from 21 April 2018 to 27 August 2018) as Chief Operating Officer (until 20 April 2018 and from 21 August 2018)	Chair 2/2 4/4	Chair 2/2 3/3	
<b>Lisa Osofsky</b> Director (from 28 August 2018)	Chair 4/4	Chair 2/2	
<b>Simon Duckworth OBE DL</b> Non-Executive Director (until 31 December 2018)	4/4	3/4	1/2

Members cont.	The Board	Executive Group (EG)	Audit and Risk Committee
<b>Tony Osbaldiston</b> Non-Executive Director	6/6	4/5	Chair 3/3
<b>Ruth Evans</b> Non-Executive Director	6/6	1/5	3/3
<b>Emir Feisal JP</b> Non-Executive Director <i>(from 1 March 2019)</i>	1/1		1/1
<b>Martin Spencer</b> Non-Executive Director <i>(from 1 March 2019)</i>	1/1		1/1
<b>Alun Milford</b> <i>General Counsel (until 21 December 2018)</i>	3/4	3/4	
<b>Elizabeth Baker</b> Head of Proceeds of Crime and International Assistance Division		3/5	
<b>John Carroll</b> Head of Strategy and Policy Division		4/5	
<b>Kevin Davis</b> Chief Investigator		3/4	
<b>Marc Brown</b> Interim Chief Investigator <i>(from 30 January 2019)</i>		1/1	
<b>John Kielty</b> Chief Intelligence Officer <i>(from 7 January 2019)</i>		0/1	
<b>Ben Denison</b> Chief Technology Officer		3/5	
<b>Matthew Wagstaff</b> Head of Operational Division		5/5	
<b>Hannah von Dadelszen</b> Head of Operational Division		4/5	
<b>Camilla de Silva</b> Head of Operational Division		5/5	

## The Board

The Director chairs the Board and its membership additionally comprises the Chief Operating Officer, General Counsel, and the non-executive directors. In 2018-19, the Board met six times, but it was agreed during the year that the number of meetings should increase to eight. This arrangement is expected to have full effect in 2019-20. The Board is the SFO's principal forum that sets the strategic direction and provides the senior leadership for both the corporate and operational functions of the SFO. During the year, the Director put in place arrangements to increase the number of non-executive directors from three to four with the intention of enhancing the degree of independent scrutiny and challenge to the Board and SFO business delivery processes.

The Board specifically:

- sets the SFO's vision, mission, direction and values;
- sets the priorities for the SFO's Strategic Plan and approves it;
- leads by example and provides support and leadership to the Executive Group;
- 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 Group as appropriate and 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 and stakeholders; and,
- monitors the SFO's external reputation and its relationships with key stakeholders.

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

The Board aims to reach decisions by consensus. In exceptional cases, however, a decision may be taken by the Director alone because of the Director's ultimate personal responsibility for the SFO as Accounting Officer.

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

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

## Executive Group

Under delegated authority from the Board, the Executive Group is responsible for overseeing the SFO's overall performance and delivery against its stated objectives. It is chaired by the Director and its membership comprises the Chief Operating Officer, General Counsel and all senior civil servants at SCS1 level (operational and corporate). During the year, the Heads of Finance, Human Resources, Communications and Governance and Private Office also attended meetings.

In 2018-19, the frequency of Executive Group meetings was reduced. The effect was that five meetings were held during the year, with the aim that, in future, there will be four per annum.

The Executive Group delivers the Board's vision through the annual Business Plan and oversees the operational delivery of the business. To support that delivery, the People and Culture Committee (PCC) and the Strategy and Engagement Committee have delegated responsibility to develop policies and ideas on behalf of the Executive Group, make recommendations and implement those decisions that are relevant to that committee.

The Executive Group:

- provides assurance to the Board on implementation of the SFO's Strategic Plan;
  - reviews, challenges and scrutinises performance against the SFO's annual Business Plan;
  - sets corporate governance and assurance arrangements;
  - provides assurance to the Board on budgetary matters by monitoring and ensuring the SFO continues to live within its means;
  - works with the Audit and Risk Committee to set the risk appetite and ensures that controls are in place to identify, manage and monitor strategic risks to which the organisation may be exposed;
  - provides assurance to the Board on the management of risk supported by the Risk Management Group;
  - ensures the SFO's core values are embedded within the culture of the organisation and monitors delivery of diversity and inclusion strategies and objectives, supported by the PCC;
  - ensures people policies, such as training, talent management and succession plans, are in place,
-

supported by the PCC;

- ensures external stakeholder engagement remains coherent, relevant and consistent supported by the Strategy and Engagement Committee;
- oversees key infrastructure matters (accommodation / IT investment strategy); and,
- ensures sound financial management and scrutiny to achieve business objectives and value for money.

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

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

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

## Executive Group committees

The two Executive Group committees are:

- **Strategy and Engagement** – under delegated authority from the Executive Group, the Strategy and Engagement Committee is responsible for developing and maintaining constructive relationships with all external partners reinforcing the SFO's reputation as a single focus specialist investigative and prosecuting authority tackling the top level of serious or complex fraud, bribery and corruption.
- **People and Culture** – under delegated authority from the Executive Group, the People and Culture Committee is responsible for developing strategies and policies to foster an inclusive workplace for all its people supported by the Diversity Champion, and consider and advise on matters affecting its people.

## Audit and Risk Committee

The Committee is chaired by a non-executive director (NED) and meetings are attended by all current NEDs who are standing members. Others who attended by invitation throughout the year included the Director, Chief Operating Officer, Chief Technology Officer, Head of Strategy & Policy, Head of Finance, Head of Governance and Private Office and the Senior Information Risk Information Owner (SIRO). Representatives

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from the SFO's Internal Audit function and the National Audit Office also attended, providing the Committee with independent assurance to discharge its responsibilities appropriately.

The Committee is a peer group to the Executive Group and supports the Director in her role as Accounting Officer. It reviews and assesses the reliability of the assurances that the Director and Executive Group receive. The Committee reviews and oversees the organisation's internal and external auditing arrangements, plans, results, and management responses. It also considers the adequacy of the SFO's risk assessment and risk management procedures, as well as the internal control systems which are overseen by the Risk Management Group.

### Risk Management Group

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

### Other committees

#### *SCS Group (SCSG)*

The SCSG holds an informal weekly meeting chaired by the Director. It is attended by the SFO's members of the Senior Civil Service and the Heads of Communications and Governance and Private Office. The SCSG is the principal forum for handling the SFO's day-to-day management decisions.

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

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

#### *Case Evaluation Board (CEB)*

The CEB enables the Director to make an informed decision based on its recommendation to initiate or decline an investigation. It meets according to the intelligence pipeline and reports to the Director.

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Core members are General Counsel, the Chief Operating Officer, the Chief Investigator and the Chief Intelligence Officer.

#### *Case Review Panel (CRP)*

The general purpose of the CRP 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.

During the year, CRPs were reviewed and refreshed. The revised core membership allows for inclusion of a wider range of key contributors and incorporates those with legal and investigative expertise. The aim is that all cases will be scrutinised at least twice per calendar year.

#### *Strategic and Tactical Tasking and Co-ordination Group (STT&CG)*

The Strategic and Tactical Tasking and Co-ordination Group is chaired by the Chief Intelligence Officer and usually meets on a quarterly basis. The Group provides a governance process that enables senior managers to consider the intelligence picture, operational priorities, the prioritisation of casework and alignment of resources to meet agreed objectives. The Group also considers the priorities and objectives set out in the SFO's Strategic Intelligence Assessment and future intelligence requirements. Group membership includes General Counsel, heads of operational divisions and the Chief Intelligence Officer.

#### *Other working groups*

The work of the Executive Group and its committees is supported by a number of working groups set up to address specific issues or to update processes and practices within the SFO. Such groups cover areas including equality and diversity, the Operational Handbook, training, evidence handling, community engagement and charities and victims and witnesses.

## Risk management

The SFO has a multi-layered approach to identifying and managing potential risks to the organisation. 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. We aim to involve all our staff in taking a collaborative approach to managing risk.

Risks are monitored and reviewed within the SFO by various different Groups and Committees. The Board and Executive Group lead on the SFO's approach to risk management. The Risk Management Group (RMG), a committee of the Executive Group, provides advice and guidance to risk owners and an assurance

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to the Board and the Audit & Risk Committee on risk governance.

The SFO has a risk management policy statement and a Risk Management Booklet that set out the approach to risk and the expectations and standards the organisation aims to attain.

## Risk registers

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

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

Individual casework risks are recorded in a Case Risk Register which is maintained by heads of operational divisions. Risk is inherent in the operational aspects of the SFO's business, particularly in the investigation and prosecution of cases. Managers and casework staff keep case risks under continuing review and they are taken into account when commencing an investigation and, where appropriate, a prosecution. At the prosecution stage, risks are balanced against the need to pursue cases in the public interest. The SFO also ensures that it complies with best practice guidance in respect of undertaking operational risk assessments particularly when deploying staff outside of the SFO estate on search operations.

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

## Risk appetite

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

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## Information assurance

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

Information security is discussed at the Data Protection Working Group that meets monthly to ensure risks to data protection compliance are identified and mitigated in a timely manner. The forum also provides a network to share knowledge arising from cross-government groups and ICO guidance and enforcement action.

The RMG reports to the Board and Executive Group on *inter alia* information assurance risk as appropriate. The SFO's Information Asset Owners (IAOs) are primarily senior civil servants (SCS) who are responsible for assuring information security within their areas of responsibility and for providing quarterly assurance reports to the SIRO. During the accounting period, the IAOs received refresher training delivered by the Security Advisor and Information Management Team. The SIRO maintains strategic oversight and accountability for managing and assuring security and information risks and regularly reports to (and advises) the Accounting Officer, the Board and the Audit and Risk Committee.

## Whistleblowing

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

Workers may decide to blow the whistle to a prescribed person rather than their employer. The Director is a prescribed person to whom a whistleblower may make complaints about fraud and/or bribery and corruption. Further details on the role of prescribed persons may be found in guidance published by the Department for Business, Energy and Industrial Strategy. An annual report on whistleblowing disclosures is made in accordance with the Prescribed Persons (Reports on Disclosures of Information) Regulations 2017 and published on the SFO's website.

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## Inspection

There have been five inspections of the SFO by HM Crown Prosecution Service Inspectorate (HMCPPI). The first two inspections were by invitation of the Director and concerned casework. The third was a statutory inspection of the SFO's governance arrangements using new powers in the Anti-social Behaviour, Crime and Policing Act 2014. The fourth and fifth inspections took place towards the end of 2018-19 and concerned case progression and leadership and change management.

The case progression inspection was undertaken on a statutory basis and examined issues relating to the pace of our investigations, focusing on the period between case acceptance and charge. The report from this work will be published in 2019-20.

The Director invited HMCPPI to conduct an inspection on leadership and change management to provide an independent view to help inform our response to the issues raised in the Civil Service People Survey. A summary report will be published in 2019-20.

## Quality assurance

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

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

## Effectiveness of the risk management and governance framework

The Director, as Accounting Officer, is responsible for reviewing the effectiveness of the system of internal control. 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 Accounting Officer has had discussions with the previous Accounting Officers to ensure that she is aware of any issues.

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For 2018-19, the HIA opinion is of Limited Assurance (level three from a four tier structure), namely that there are significant weaknesses in the framework of governance, risk management and control such that it could be, or could become, inadequate and ineffective. As a result, residual risk exposure is outside business tolerance and is unlikely to reduce without intervention. The HIA opinion acknowledged that the SFO directed Internal Audit to take a targeted approach to focus on areas with known issues that would enable the required remedial action to be identified and undertaken.

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 Audit and Risk Committee (A&RC) conducts a cyclical assessment of its arrangements with the next review planned for 2020-21. 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 A&RC on its activity and regular updates by the Chief Operating Officer, General Counsel and Heads of Divisions.

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

Measures in place include:

- regular reports by the internal auditors, based on the annual Internal Audit Plan, and in line with the Government Internal Audit Standards, together with any recommendations for improvement;
- improved business and strategic planning processes;
- improved data security procedures and supporting communications;
- regular reports from the chair of the A&RC to the Board; and,
- regular advice on the effectiveness of the system of internal control.

Lisa Osofsky

Accounting Officer

16 July 2019

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# Remuneration and Staff

## Remuneration

### Service contracts

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

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at:

[www.civilservicecommission.org.uk](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; and,
- the Government's inflation target.

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

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## Remuneration committee

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

## Performance appraisal

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

In 2018-19, the annual performance bonus accrual for grades below the SCS totalled £129,458 (2017-18: £155,853).

## Senior official appointments

Sir David Green CB QC was appointed Director by the Attorney General in April 2012 for a fixed term of four years, ending in 2016. His contract was extended by two years and ended on 20 April 2018. Mark Thompson was appointed Director on an interim basis on 21 April 2018. Lisa Osofsky has been appointed as the new Director of the SFO. She began her tenure on 28 August 2018 for a term of five years.

## Remuneration (including salary) and pension entitlements

This information has been audited.

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

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## Non-Executive board members remuneration

Name and title	Salary £000		Benefits in Kind (to nearest £100)		Total £000	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
<b>Simon Duckworth OBE DL</b> Non-Executive Director <i>(to 31 December 2018)</i>	5-10 (10-15 FYE)	10-15	-	-	5-10 (10-15 FYE)	10-15
<b>John Anthony Osbaldiston</b> Non-Executive Director	15-20	20-25	1,700	800	15-20	20-25
<b>Ruth Evans</b> Non-Executive Director	10-15	10-15		100	10-15	10-15
<b>Emir Feisal</b> Non-Executive Director <i>(from 1 March 2019)</i>	0-5 (10-15 FYE)	-	-	-	0-5 (10-15 FYE)	-
<b>Martin Spencer</b> Non-Executive Director <i>(from 1 March 2019)</i>	0-5 (10-15 FYE)	-	-	-	0-5 (10-15 FYE)	-

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

## Executive board members remuneration

	Salary (£000)		Bonus payment (£000)		Pension benefits (to nearest £1,000) <sup>1</sup>		Total (£000)	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
<b>Sir David Green</b> CB QC Director (to 20 April 2018)	5-10 (175-180 FYE)	175-180	-	-	4	67	10-15	240-245
<b>Lisa Osofsky</b> Director (from 28 August 2018)	105-110 (180-185 FYE)	-	-	-	41	-	145-150	-
<b>Mark Thompson</b> Chief Operating Officer (Interim Director from 21 April 2018 to 27 August 2018)	135-140	115-120	-	-	150	99	285-290	215-220
<b>Alun Milford</b> General Counsel (to 21 December 2018)	95-100 (125-130 FYE)	125-130	-	-	22	55	115-120	180-185

## 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.

<sup>1</sup> 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.

## 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 2018-19 relate to performance in 2017-18, and the comparative bonuses reported for 2017-18 relate to performance in 2016-17.

## Pay multiples

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

	2018-19	2017-18
Highest paid individual (£000)	180-185 (FYE)	175-180
Median total (£)	36,481	36,232
Remuneration ratio	5.00	4.90

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

In 2018-19, 0 (2017-18: 0) employees received remuneration in excess of the highest-paid board member. Remuneration ranged from £15,000 - £20,000 to £180,000 – £185,000 (2017-18: £15,000 – £20,000 to £175,000 - £180,000).

## Pension Benefits Board Executive Members

	Accrued pension at pension age as at 31/3/19 or date of leaving and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31/3/19 £000	CETV at 31/3/18 £000	Real increase in CETV £000
<b>Sir David Green CB QC</b> Director (to 20 April 2018)	20-25	0-2.5	438	421	3
<b>Mark Thompson</b> Chief Operating Officer (Interim Director from 21 April 2018 to 27 August 2018)	40-45	7.5-10	647	467	103
<b>Lisa Osofsky</b> Director (from 28 August 2018)	0-5	0-2.5	35	-	26
<b>Alun Milford</b> General Counsel (at 21 December 2018)	45-50 plus 110-115 lump sum	0-2.5 plus 0 lump sum	885	787	8

## 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).

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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.

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## Staff

### Audited Staff costs

		£000	2018-19 £000	2017-18 £000
	Permanently employed staff	Others	Total	Total
Wages and salaries	19,133	5,455	24,588	25,606
Social security costs	2,130	-	2,130	2,000
Other pension costs	3,879	-	3,879	3,734
<b>Sub Total</b>	<b>25,142</b>	<b>5,455</b>	<b>30,597</b>	<b>31,340</b>
Less recoveries in respect of outward secondments	-	-	-	-
<b>Total net costs</b>	<b>25,142</b>	<b>5,455</b>	<b>30,597</b>	<b>31,340</b>

£nil of other staff costs have been capitalised and are not included in the figures above (2017-18: £78k).

£5,455k of contingent labour expenditure was incurred in 2018-19 (2017-18: £6,996k). There are five members of staff on long-term loan to other government departments with an average duration of just over one year.

For 2018-19, employers' contributions of £3,789k were payable to the PCSPS (2017-18: £3,677k) 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 £73k (2017-18: £82k) 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 (2017-18: £nil), were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill-health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £nil (2017-18: £nil). Contributions prepaid at that date were £nil (2017-18: £nil).

Off-Payroll Engagements (e.g. contractors, consultants) as at 31 March 2019, for more than £245 per day and that last for longer than six months

<b>Number of existing engagements as at 31 March 2019</b>	<b>2</b>
Of which:	
Number that have existed for less than one year at time of reporting	1
Number that have existed for between one and two years at time of reporting	0
Number that have existed for between two and three years at time of reporting	0
Number that have existed for between three and four years at time of reporting	1
Number that have existed for four years or more at time of reporting	0
<b>Total</b>	<b>2</b>

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

This information has been audited.

## Reporting of Civil Service and other compensation schemes - exit packages

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	2018-19	2017-18
			Total number of exit packages by cost band	Total number of exit packages by cost band
<£10,000	-	-	-	1
£10,000 - £25,000	-	1	1	4
£25,000 - £50,000	-	-	-	5
£50,000 - £100,000	-	2	2	2
£100,000 - £150,000	-	-	-	-
£150,000 - £200,000	-	-	-	-
Total Number of exit packages	-	3	3	12
<b>Total cost £000</b>	-	<b>198</b>	<b>198</b>	<b>405</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.

This information has been audited.

## Average number of employees

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

			2018-19	2017-18
Permanently employed staff	Fixed Term Appointments	Agency Staff	Total	Total
398	18	112	528	529

## SCS by pay band

The number of SCS staff by pay band in the SFO as at 31 March 2019 was as follows:

	2018-19	2017-18
SCS 3	1	1
SCS 2	1	2
SCS 1	9	8
<b>Total</b> (excluding non-executives)	11	11

## Staff composition

The gender breakdown of permanent and fixed term staff at the SFO at 31 March 2019 was as follows:

	Male	Female
SCS	7	4
Non SCS staff	239	208
Total	246	212

The table below is unaudited

Gender Pay Gap	As at 31 Mar 2019	As at 31 Mar 2018	As at 31 Mar 2017
Mean Gender pay gap – ordinary pay	9.5%	11.7%	11.7%
Median Gender pay gap – ordinary pay	9.9%	12.8%	13.5%
Mean Gender pay gap – bonus pay in 12 mths ended 31 March	4.9%	16.2%	18.8%
Median Gender pay gap – bonus pay in 12 mths ended 31 March	9.1%	20.0%	-12.7%
Proportion of male and female employees paid a bonus in the 12 mths ended 31 March	Male 44%	75%	80%
	Female 43%	79%	83%

Gender Pay Gap Cont.	As at 31 Mar 2019		As at 31 Mar 2018		As at 31 Mar 2017	
	Female	Male	Female	Male	Female	Male
Proportion of male and female employees in each quartile						
Lower Quartile	62.0%	38.0%	54.8%	45.2%	56.0%	44.0%
Lower Middle Quartile	42.6%	57.4%	42.7%	57.3%	45.5%	54.5%
Upper Middle Quartile	40.7%	59.3%	40.8%	59.2%	38.0%	62.0%
Upper Quartile	35.2%	64.8%	31.1%	68.9%	35.6%	64.4%

The proportion of staff who are recorded as being from a black and minority and ethnic (BME) background is 16.6%. No SCS staff are recorded as being from a BME background. Levels of staff recorded as having a disability are: 0% of SCS and 2.5% of non-SCS which is below the total Civil Service figure for 2017-18 of 10.0%.

An exercise took place in 2018-19 that resulted in an improved declaration rate for personal sensitive information by staff at the SFO. However, the overall declaration rate is still lower than we would like and a further exercise is being considered for 2019-20.

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 a 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 Board level.

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

The SFO also supports the Civil Service wide Future Leaders Scheme and currently has 4 members of staff on that programme.

**For any off-payroll engagements of board members, and/or senior officials with significant financial responsibility, between 1 April 2018 and 31 March 2019**

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	<b>8</b>

### Sickness absence

There has been a slight decrease in Average Working Days Lost (AWDL) from 6.92 days in 2017-18 to 6.42 days in 2018-19 against a Civil Service average in 2018 of 6.9 days.

## Trade union facility time information

### Relevant union officials

Number of employees who were relevant union officials during the period	Full-time equivalent employee number
7	6.2

### Percentage of time spent on facility time

Percentage of time	Number of employees who were relevant union officials during the period
Less than 1%	7
1-50%	0
51-99%	0
100%	0

### Percentage of pay bill spent on facility time

Total cost of facility time (£)	2,047
Total pay bill (£)	19,040,685
Percentage spent on facility time (%)	0.01

### Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours	0%
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### Expenditure on consultancy

There was no spend on consultancy in 2018-19 (2017-18: £nil).

Lisa Osofsky

Accounting Officer

16 July 2019

# Parliamentary Accountability and Audit

## Accountability

This information has been audited

### Losses and special payments

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

### Contingent liabilities

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

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

### Remote contingent liabilities

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

The costs of the ER are covered by statutory provision within the Criminal Justice Act 1988. A letter of comfort has been issued to 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.

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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.

Eurasian Natural Resources Corporation Ltd have commenced proceedings against the SFO for c£70m in damages for alleged misfeasance.

### Long-term expenditure trends

The SFO's planned expenditure as agreed with HM Treasury is shown below, this covers the net expenditure which is met from the Parliamentary Estimate. Totals for 2016-17 and 2017-18 were set in the 2015 Spending Review while those for 2018-19 and 2019-20 are as amended by the Chief Secretary to the Treasury in March 2018. For details of the final outturn for the year see the Statement of Parliamentary Supply on page 54.

	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000
Non-ring fenced DEL	32,800	32,900	52,700	49,760
Ring fenced DEL	2,900	2,800	2,700	2,700
Resource DEL	35,700	35,700	59,700	52,460
Capital DEL	5,200	1,500	2,200	2,900

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.

# Statement of Parliamentary Supply

This information has been audited

## Summary of Resource and Capital Outturn

£000								2018-19 £000	2017-18 £000
	Note	Estimate			Outturn			Voted outturn compared with Estimate: saving/ (excess)	Outturn
		Voted	Non Voted	Total	Voted	Non Voted	Total	Total	
Departmental Expenditure Limit - Resource	1.1	59,700	-	59,700	58,024	-	58,024	1,676	55,592
- Capital	1.2	2,200	-	2,200	1,420	-	1,420	780	1,526
Annually Managed Expenditure - Resource	1.1	2,500	-	2,500	364	-	364	2,136	32
<b>Total Budget</b>		<b>64,400</b>	<b>-</b>	<b>64,400</b>	<b>59,808</b>	<b>-</b>	<b>59,808</b>	<b>4,592</b>	<b>57,150</b>
Total Resource		62,200	-	62,200	58,388	-	58,388	3,812	55,624
Total Capital		2,200	-	2,200	1,420	-	1,420	780	1,526
<b>Total</b>		<b>64,400</b>	<b>-</b>	<b>64,400</b>	<b>59,808</b>	<b>-</b>	<b>59,808</b>	<b>4,592</b>	<b>57,150</b>

## Net Cash Requirement

					2018-19 £000	2017-18 £000
	SoPS Note	Estimate	Outturn	Outturn compared with Estimate: saving	Outturn	
Net Cash Requirement	3	59,200	59,026	174	53,243	

## Administration Costs

	Estimate	2018-19 £000	2017-18 £000
		Outturn	Outturn
Administration Costs	7,400	7,274	6,235

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

## SoPS1 Net outturn

*SoPS1.1 Analysis of net resource outturn by section*

	2018-19 £000									2017-18 £000
	Outturn						Estimate			Outturn
	Administration			Programme			Net Total	Net Total	Net total compared to Estimate	Total
	Gross	Inc.	Net	Gross	Inc.	Net				
<b>Spending in Departmental Expenditure Limit</b>										
<b>Voted:</b>										
Investigations and Prosecutions	7,324	-	7,324	50,896	(196)	50,700	58,024	59,700	1,676	55,592
<b>Voted:</b>										
New provision and adjustment to existing provisions	-	-	-	364	-	364	364	2,500	2,136	32
<b>Total</b>	7,324	-	7,324	51,260	(196)	51,064	58,388	62,200	3,812	55,624

### 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 £1,676k, of this the outturn for ring fenced depreciation was £818k lower than the estimate while non-ring fenced DEL outturn was £858k or 2% of non-ring fenced expenditure.

The underspend of £2,136k on AME was due to its unpredictable nature. It is very difficult to estimate spend within AME and in this instance the anticipated requirement for cover for new provisions has not materialised.

### SoPS1.2 Analysis of net capital outturn by section

	2018-19 £000			2017-18 £000		
	Outturn		Estimate	Outturn		
	Gross	Income	Net	Net Total	Net total compared to Estimate	Total
<b>Spending in Departmental Expenditure Limit</b>						
<b>Voted:</b>						
A Investigations and Prosecutions	1,420	-	1,420	2,200	780	1,526
<b>Total</b>	<b>1,420</b>	<b>-</b>	<b>1,420</b>	<b>2,200</b>	<b>780</b>	<b>1,526</b>

### Explanation of variance between Estimate and Outturn:

Capital DEL is underspent by £780k for 2018-19 against an allocation at Estimate of £2,200k. The variance is due to the timing of development expenditure on the document management system slipping into Q1 2019-20.

## SoPS2. Reconciliation of outturn to net operating expenditure

## SoPS2.1 Reconciliation of net resource outturn to net operating cost

	SoPS Note	2018-19 £000	2017-18 £000
		Outturn	Outturn
Total resource outturn in Statement of Parliamentary Supply	1.1	58,388	55,624
Less income payable to the Consolidated Fund	4.1	(2,182)	(576)
<b>Net Operating Cost in Statement of Comprehensive Net Expenditure</b>		<b>56,206</b>	<b>55,048</b>

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

	SoPS Note	Estimate	Outturn	2018-19 £000
				Net total outturn compared with Estimate: saving / (excess)
Net Resource Outturn	1.1	62,200	58,388	3,812
Capital outturn	1.2	2,200	1,420	780
<b>Accruals to cash adjustments</b>				
Depreciation		(2,700)	(1,882)	(818)
New Provisions and adjustments to previous provisions		(2,500)	(376)	(2,124)
(Increase) / Decrease in payables		-	153	(153)
Increase / (Decrease) in receivables		-	1,366	(1,366)
Other non-cash items		-	(55)	55
Use of provision		-	12	(12)
<b>Net cash requirement</b>		<b>59,200</b>	<b>59,026</b>	<b>174</b>

## 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.

	2018-19		2017-18	
	Outturn £000		Outturn £000	
	Income	Receipts	Income	Receipts
Income outside ambit of the Estimate	(2,907)	(884)	(576)	(633)
Excess cash surrenderable to the Consolidated Fund	-	-	-	-
<b>Total payable to the Consolidated Fund</b>	<b>(2,907)</b>	<b>(884)</b>	<b>(576)</b>	<b>(633)</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.

# 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 2019 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Department's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2019 and of the Department's net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

## Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2019 and shows that those totals have not been exceeded; and
- the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial

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Reporting Council's Revised Ethical Standard 2016. I am independent of the Serious Fraud Office in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Serious Fraud Office's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

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

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

### Auditor's responsibilities for the audit of the financial statements

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

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

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

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- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Serious Fraud Office's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

## Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent

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with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- in the light of the knowledge and understanding of the Serious Fraud Office and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I report by exception

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

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

## Report

I have no observations to make on these financial statements.

Gareth Davies

Comptroller and Auditor General

19 July 2019

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

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## FINANCIAL STATEMENTS

### Statement of Comprehensive Net Expenditure

For the year ended 31 March 2019

	Note	2018-19 £000	2017-18 £000
<b>Income</b>			
Cost awards and other income	4	196	990
Consolidated fund extra receipts	4	2,182	576
<b>Total operating income</b>		<b>2,378</b>	<b>1,566</b>
<b>Expenditure</b>			
Staff costs	2	30,597	31,340
Purchase of goods and services	3	21,098	19,542
Accommodation	3	4,578	4,140
Depreciation and impairment charges	3	1,880	1,451
Provisions increase	3	376	86
Other operating expenditure	3	55	55
<b>Total operating expenditure</b>		<b>58,584</b>	<b>56,614</b>
<b>Net operating expenditure</b>		<b>56,206</b>	<b>55,048</b>

There is no other comprehensive net expenditure.

The notes on pages 70 to 85 form part of these accounts.

# Statement of Financial Position

As at 31 March 2019

	Note	2018-19 £000	2017-18 £000
<b>Non-current assets:</b>			
Property, plant and equipment	5	1,945	2,609
Intangible assets	6	4,186	3,984
Trade and other receivables	11	48	49
<b>Total non-current assets</b>		<b>6,179</b>	<b>6,642</b>
<b>Current assets:</b>			
Trade and other receivables	11	4,613	1,223
Cash and cash equivalents	10	218	4,764
<b>Total current assets</b>		<b>4,831</b>	<b>5,987</b>
<b>Total assets</b>		<b>11,010</b>	<b>12,629</b>
<b>Current liabilities:</b>			
Trade and other payables	12	(7,958)	(10,634)
Provisions	13	-	(12)
<b>Total current liabilities</b>		<b>(7,958)</b>	<b>(10,646)</b>
<b>Non-current assets plus net current assets</b>		<b>3,052</b>	<b>1,983</b>
<b>Non-current liabilities</b>			
Trade and other payables	12	-	-
Provisions	13	(451)	(75)
<b>Total non-current liabilities</b>		<b>(451)</b>	<b>(75)</b>
<b>Assets less liabilities</b>		<b>2,601</b>	<b>1,908</b>

# Statement of Financial Position

As at 31 March 2019 cont.

	Note	2018-19 £000	2017-18 £000
<b>Taxpayers' equity and other reserves</b>			
General fund		2,490	1,797
Revaluation reserve		111	111
<b>Total equity</b>		<b>2,601</b>	<b>1,908</b>

Lisa Osofsky

Accounting Officer

16 July 2019

The notes on pages 70 to 85 form part of these accounts.

# Statement of Cash Flows

For the year ended 31 March 2019

	Note	2018-19 £000	2017-18 £000
<b>Cash flows from operating activities</b>			
Net operating expenditure		(56,206)	(55,048)
Adjustments for non-cash transactions	3	2,311	1,595
(Increase)/Decrease in trade and other receivables <i>less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>	11	(3,389)	1,374
		-	-
Increase/(Decrease) in trade payables <i>less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>	12	(2,676)	3,851
		1,627	(2,530)
Use of provisions	13	(12)	(54)
<b><i>Net cash outflow from operating activities</i></b>		<b>(58,345)</b>	<b>(50,812)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5	(416)	(191)
Purchase of intangible assets	6	(106)	(1,606)
Proceeds of disposal of property, plant and equipment		-	-
<b><i>Net cash outflow from investing activities</i></b>		<b>(522)</b>	<b>(1,797)</b>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply) - current year		54,943	56,124
Advances from the Contingencies Fund		-	9,500
Repayments to the Contingencies Fund		-	(9,500)
<b><i>Net financing</i></b>		<b>54,943</b>	<b>56,124</b>

# Statement of Cash Flows

For the year ended 31 March 2019 Cont.

	Note	2018-19 £000	2017-18 £000
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		(3,924)	3,515
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		-	-
Payments of amounts due to the Consolidated Fund		(622)	(656)
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>		<b>(4,546)</b>	<b>2,859</b>
Cash and cash equivalents at the beginning of the period	10	4,764	1,905
Cash and cash equivalents at the end of the period	10	218	4,764

The notes on pages 70 to 85 form part of these accounts.

# Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2019

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
<b>Balance at 31 March 2017</b>		<b>4,123</b>	<b>111</b>	<b>4,234</b>
Net Parliamentary Funding		56,124	-	56,124
Net Parliamentary Funding – deemed		1,376	-	1,376
Supply payable adjustment	12	(4,257)	-	(4,257)
CFERS payable to the Consolidated Fund	4	(576)	-	(576)
Net operating expenditure		(55,048)	-	(55,048)
<b>Non-Cash Adjustments</b>		<b>55</b>	<b>-</b>	<b>55</b>
Auditor's remuneration	3			
<b>Movements in Reserves</b>		<b>-</b>	<b>-</b>	<b>-</b>
Transfer between reserves				
<b>Balance at 31 March 2018</b>		<b>1,797</b>	<b>111</b>	<b>1,908</b>
Net Parliamentary Funding		54,943	-	54,943
Net Parliamentary Funding – deemed		4,257	-	4,257
Supply payable adjustment	12	(174)	-	(174)
CFERS payable to the Consolidated Fund	4	(2,182)	-	(2,182)
Net operating expenditure		(56,206)	-	(56,206)
<b>Non-Cash Adjustments</b>		<b>55</b>	<b>-</b>	<b>55</b>
Auditor's remuneration	3			
<b>Movements in Reserves</b>		<b>-</b>	<b>-</b>	<b>-</b>
Transfer between reserves				
<b>Balance at 31 March 2019</b>		<b>2,490</b>	<b>111</b>	<b>2,601</b>

The notes on pages 70 to 85 form part of these accounts.

# Notes to the accounts

## 1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2018-19 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Serious Fraud Office for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Serious Fraud Office are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires the Department to prepare one additional primary statement. The Statement of Parliamentary Supply, page 54, and supporting notes, The notes, pages 70 to 85, show outturn against Estimate in terms of the net resource requirement and the net cash requirement.

### *Accounting convention*

These accounts have been prepared under the historical cost convention and where material modified to account for the revaluation of property, plant and equipment and intangible assets at their value to the business by reference to their current costs.

### *Financial instruments*

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the SFO becomes a party to the contractual provisions of the instrument. The Department is subject to a limited range of financial instruments as its cash requirements are met through the Estimates process, and it is not exposed to significant credit, liquidity or market risk.

### *Borrowings*

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

### *Trade receivables*

Trade and other receivables are non-interest bearing and stated at fair value. Provision is made where

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there is evidence that the balances will not be recovered in full. Note 11 on page 83 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 82 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 84 sets out the closing receivable values at 31 March.

### *Property, plant and equipment and intangible assets*

The Department does not own any freehold land or buildings. Property, plant and equipment assets are included in the Statement of Financial Position at their fair values. Expenditure on property, plant and equipment and intangible assets is capitalised when that expenditure, on an individual basis, is £2,000 or more. For IT expenditure the £2,000 threshold is applied to assets on a grouped basis. Development expenditure represents internally generated assets under construction.

Property, plant and equipment and intangible assets are subject to consideration for an annual impairment review if there are any indicators of such impairments arising. Notes 5.1 page 77 and 6.1 page 79 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.

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

#### **Property, plant and equipment**

Improvements to leasehold property	Over the unexpired term of the lease
Information technology	5 years
Furniture and fittings	5-10 years

#### **Intangible assets**

Software licenses	Over the term of the software license
Information technology	5 years or over the unexpired term of the software license (whichever is the shorter)
Website	5 years

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

#### *Costs awarded to the Serious Fraud Office (SFO)*

Costs may be awarded to the SFO as prosecutor under Section 18 of the Prosecution of Offences Act 1985 following a successful prosecution, or as a result of subsequent appeal proceedings. Where costs are awarded, they may subsequently be revoked or reduced as a result of a successful appeal by the defendant. The court may order that they are not to be recovered without leave of the court, defer recovery until a future date, or subsequently vary the amount and/or timing of recovery or waive it altogether. Responsibility for the recovery of costs awarded rests with the appropriate magistrates' court. The SFO has no powers to recover costs awarded to it.

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

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

### *Costs awarded against the SFO*

Any costs awarded against the SFO are included under prosecution costs for the year in which the awards are made unless awarded against the SFO due to inadequacy on the part of the SFO. In such cases costs awarded against the SFO are included within the losses and special payments note on page 52 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 54.

### *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 54.

### *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.

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

### *Operating leases*

Operating lease rentals and lease incentives are charged to the Statement of Comprehensive Net Expenditure in equal amounts over the lease term. The Department currently holds operating leases for premises as well as reprographic equipment, note 7.2 on page 81 sets out the current value of lease commitments.

### *Value Added Tax (VAT)*

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

### *Third party assets*

The Department may seize monetary assets. If the Department retains any monetary assets, it invests the sums in an interest-bearing account. The principal and the interest earned are held on behalf of the third party and are not a part of the Department's accounts, details of sums held are disclosed in note 15 on page 85.

### *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.

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## Operating segments

The Department does not have any operating segments to report.

## Application of newly issued accounting standards not yet effective

The SFO has reviewed the IFRSs in issue but not yet effective, to determine if it needs to make any disclosures in respect of those new IFRSs that are or will be applicable. In the case of IFRS 16, Leases, which will be effective from 2020-21, this will change the way in which the SFO accounts for leases unless such leases are short-term or low value. An assessment has been made of the potential impact on the SFO's accounts and has determined that it is material. The relevant accounting treatment will be applied in SFO's 2020-21 Annual Report and Accounts.

In the case of IFRS 9 Financial Instruments and IFRS 15, Revenue from Contracts with Customers effective from 2018-19, the SFO's assessment is that these new standards will not have a material impact on its accounts as the SFO's exposure to both is minimal.

## 2. Staff costs

			2018-19 £000	2017-18 £000
	Permanently employed staff	Others	Total	Total
Wages and salaries	19,133	5,455	24,588	25,606
Social security costs	2,130	-	2,130	2,000
Other pension costs	3,879	-	3,879	3,734
<b>Sub Total</b>	<b>25,142</b>	<b>5,455</b>	<b>30,597</b>	<b>31,340</b>
Less recoveries in respect of outward secondments	-	-	-	-
<b>Total net costs</b>	<b>25,142</b>	<b>5,455</b>	<b>30,597</b>	<b>31,340</b>

£nil of other staff costs have been capitalised and are not included in the figures above (2017-18: £78k).

## 3. Operating costs

	2018-19 £000	2017-18 £000
Rentals under operating leases:	2,368	2,208
<b>Non-cash items:</b>		
Depreciation	1,079	1,071
Amortisation	801	380
Loss on disposal of property, plant, and equipment	-	3
Increase in provisions	376	86
External auditors' remuneration	55	55
	2,311	1,595
<b>Purchase of goods and services:</b>		
Civil litigation	107	197
Counsel costs	10,643	11,281
IT costs	3,056	3,651
Other accommodation costs	2,244	2,015
Other case costs	1,476	2,135
General administration	2,975	1,728
Travel and subsistence	528	485
Proceeds on asset disposals	(5)	(21)
Costs awarded against the SFO	2,284	-
	23,308	21,471
<b>Total</b>	<b>27,987</b>	<b>25,274</b>

#### 4. Income

	2018-19 £000	2017-18 £000
Costs awards	57	990
Other income	139	-
<b>Total income within the ambit</b>	<b>196</b>	<b>990</b>
<b>Payable to the Consolidated Fund</b>		
Consolidated Fund Extra Receipts	2,182	576
<b>Total income</b>	<b>2,378</b>	<b>1,566</b>

#### 5. Property, plant and equipment

##### 5.1 Property, plant and equipment 2018-19

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 2018	1,820	7,359	32	9,211
Additions	-	416	-	416
Disposals	-	-	-	-
Reclassifications	-	-	-	-
<b>At 31 March 2019</b>	<b>1,820</b>	<b>7,775</b>	<b>32</b>	<b>9,627</b>
<b>Depreciation</b>				
At 1 April 2018	1,790	4,799	13	6,602
Charged in year	8	1,065	7	1,080
Disposals	-	-	-	-
Reclassifications	-	-	-	-
<b>At 31 March 2019</b>	<b>1,798</b>	<b>5,864</b>	<b>20</b>	<b>7,682</b>
<b>Net book value at 31 March 2019</b>	<b>22</b>	<b>1,911</b>	<b>12</b>	<b>1,945</b>
<b>Net book value at 31 March 2018</b>	<b>30</b>	<b>2,560</b>	<b>19</b>	<b>2,609</b>

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

	2018-19 £000	2017-18 £000
Total property, plant and equipment additions	-	191
Opening property, plant and equipment accrual	-	-
Closing property, plant and equipment accrual	-	-
<b>Cash flows for property, plant and equipment additions</b>	<b>-</b>	<b>191</b>

## 5.2 Property, plant and equipment 2017-18

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

## 6. Intangible assets

## 6.1 Intangible assets 2018-19

	Information Technology £000	Software Licenses £000	Website Costs £000	Development Expenditure £000	Total £000
<b>Cost or valuation</b>					
At 1 April 2018	3,600	5,163	169	43	8,975
Additions	-	106	-	898	1,004
Disposals	-	-	-	-	-
Reclassifications	-	-	-	-	-
<b>At 31 March 2019</b>	<b>3,600</b>	<b>5,269</b>	<b>169</b>	<b>941</b>	<b>9,979</b>
<b>Amortisation</b>					
At 1 April 2018	3,595	1,247	149	-	4,991
Charged in year	5	789	8	-	802
Disposals	-	-	-	-	-
Reclassifications	-	-	-	-	-
<b>At 31 March 2019</b>	<b>3,600</b>	<b>2,036</b>	<b>157</b>	<b>-</b>	<b>5,793</b>
<b>Net book value at 31 March 2019</b>	<b>-</b>	<b>3,233</b>	<b>12</b>	<b>941</b>	<b>4,186</b>
<b>Net book value at 31 March 2018</b>	<b>5</b>	<b>3,916</b>	<b>20</b>	<b>43</b>	<b>3,984</b>

## Reconciliation of cash flows to intangible asset additions

	2018-19 £000	2017-18 £000
Total intangible asset additions	1,004	1,335
Opening intangible asset accrual	-	271
Closing intangible asset accrual	(898)	-
<b>Cash flows for intangible assets additions</b>	<b>106</b>	<b>1,606</b>

## 6.2 Intangible assets 2017-18

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

## 7. Capital commitments and other commitments

## 7.1 Capital commitments

Capital commitments at 31 March 2019 totalled £nil (2017-18: £139k).

## 7.2 Commitments under leases

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

	2018-19 £000	2017-18 £000
<b>Obligations under operating leases comprise:</b>		
<b>Buildings:</b>		
Not later than 1 year	2,481	2,363
Later than 1 year and not later than 5 years	5,317	7,796
Later than 5 years	-	-
	<b>7,798</b>	<b>10,159</b>
<b>Other:</b>		
Not later than 1 year	31	21
Later than 1 year and not later than 5 years	100	-
Later than 5 years	-	-
	<b>131</b>	<b>21</b>

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

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

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

The SFO entered into one five year contract on 24 May 2018 and one five year contract on 6 August 2018 for the provision of reprographic equipment.

## 8. Other Financial Commitments

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

## 9. Financial instruments

As the cash requirements of the Department are met through the Estimates process, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the expected purchase and usage requirements and the Department is therefore not exposed to significant credit, liquidity or market risk.

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

## 10. Cash and cash equivalents

	2018-19 £000	2017-18 £000
Balance at 1 April	4,764	1,905
Net change in cash and cash equivalent balances	(4,546)	2,859
<b>Balance at 31 March</b>	<b>218</b>	<b>4,764</b>
The following balances at 31 March were held at:		
Government Banking Service	218	4,764
<b>Balance at 31 March</b>	<b>218</b>	<b>4,764</b>

## 11. Trade receivables and other current assets

## 11(a) Due within one year

	2018-19 £000	2017-18 £000
<b>Amounts falling due within one year:</b>		
VAT receivable	316	154
Deposits and advances	208	179
Other receivables	126	91
Prepayments and accrued income	1,924	779
Consolidated Fund extra receipts	2,031	8
Costs awarded to the SFO	49	54
Provision for bad and doubtful debt	(41)	(42)
	<b>4,613</b>	<b>1,223</b>

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

	2018-19 £000	2017-18 £000
<b>Amounts falling due after more than one year:</b>		
Costs awarded to the SFO	48	49

## 12. Trade payables and other current liabilities

	2018-19 £000	2017-18 £000
<b>Amounts falling due within one year:</b>		
Taxation and social security	581	599
Trade payables	532	1,175
Accruals and deferred income	3,262	3,667
Pension providers	436	421
Non-current asset accruals	898	-
Amounts issued from the Consolidated Fund for supply but not spent at year end	174	4,257
<b>Consolidated Fund extra receipts due to be paid to the Consolidated Fund:</b>		
Received	44	507
Receivable	2,031	8
	<b>7,958</b>	<b>10,634</b>

## 13. Provisions for liabilities and charges

	Legal claims £000	Leasehold property dilapidations £000	Other £000	Total £000
Balance at 1 April 2018	-	75	12	87
Provided in the year	-	376	-	376
Provisions not required written back	-	-	-	-
Provisions utilised in the year	-	-	(12)	(12)
<b>Balance at 31 March 2019</b>	<b>-</b>	<b>451</b>	<b>-</b>	<b>451</b>
Amounts falling due within one year	-	-	-	-
Amounts falling due after one year	-	451	-	451
<b>Total</b>	<b>-</b>	<b>451</b>	<b>-</b>	<b>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 current lease ends in 2021-22. A valuation exercise was undertaken in March 2019 resulting in an adjustment to the amount provided of £376k.

### 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.

### 13.3 Other

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

## 14. Related-party transactions

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

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

## 15. Third party assets

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

The assets held at the reporting date to which it was practical to ascribe monetary values comprised monetary assets such as bank balances and monies on deposit. The balance held at 31 March 2019 was £51,553 (2017-18: £102,300).

## 16. Events after the reporting period

There were no events after the reporting period.

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

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# TRUST STATEMENT

## Accounting Officer's Foreword

### Scope

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

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

### Statutory Background

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

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

- They enable a corporate body to make full reparation for criminal behaviour without the collateral damage of a conviction (for example sanctions or reputational damage that could put the company
-

out of business and destroy the jobs and investments of innocent people);

- They are concluded under the supervision of a judge, who must be convinced that the DPA is 'in the interests of justice' and that the terms are 'fair, reasonable and proportionate';
- They avoid lengthy and costly trials;
- They are transparent, public events.

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

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

### Financial Background

The receipts from DPAs relating to financial penalties and compensation are not retained by the SFO and are payable to HM Treasury's Consolidated Fund. Where the terms of the DPA include payment of the SFO's investigation costs in cases funded from the Reserve, 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.

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## Business Review

No DPAs were concluded in the financial year (2017-18: one).

## Results and Appropriations

The net revenue for the Consolidated Fund for the year was £2m (2017-18: £135m). Total transfers to the Consolidated Fund from the Trust amounted to £109m (2017-18: £251m), which left a balance due to the Consolidated Fund of £278m at 31 March 2019 (2017-18: £385m). Cash balances at the year-end were £nil (2017-18: £nil).

Lisa Osofsky

Director

16 July 2019

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## Statement of the Accounting Officer's Responsibilities

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

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

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the Trust Statement; and,
- prepare the Trust Statement on a going concern basis.

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

### Accounting Officer's confirmation

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

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

Lisa Osofsky

Accounting Officer

16 July 2019

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## Performance report and accountability report

The Department's Performance Report covering both the Department and the Trust Statement is shown on page 7.

The Department's Accountability Report covering both the Department and the Trust Statement is shown on page 22.

## Governance statement

The Department's governance statement covering both the Department and the Trust Statement is shown on page 25.

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# The Certificate and Report of the Comptroller and Auditor General to the House of Commons

## Opinion on financial statements

I certify that I have audited the Trust Statement of the Serious Fraud Office for the year ended 31 March 2019 under the Exchequer and Audit Departments Act 1921. The financial statements comprise the Statement of Revenue, Other Income and Expenditure, the Statement of Financial Position, the Statement of Cash Flows and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

In my opinion:

- the Serious Fraud Office Trust Statement gives a true and fair view of the state of affairs of Deferred Prosecution Agreements and Other Income as at 31 March 2019 and of the net revenue for the year then ended; and
- the financial statements have been properly prepared in accordance with the 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 of opinions

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

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## Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Serious Fraud Office's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

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

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

## Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Exchequer and Audit Departments Act 1921.

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error,
-

as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Serious Fraud Office's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## Other Information

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

## Opinion on other matters

In my opinion:

- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
-

## Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## Report on Other Legal and Regulatory Requirements

I am also required to perform and report on additional procedures and express an opinion on specific matter on the Serious Fraud Office's Trust Statement, as required by Section 2 of the 1921 Exchequer Act. These responsibilities are beyond those required under the ISAs. Under the legislation as he is required to, the C&AG has:

- Examined, on behalf of the House of Commons, the money which is by law payable into the Exchequer in order to ascertain that adequate regulations and procedures have been framed to secure an effective check on the assessment, collection, and proper allocation of revenue, and to satisfy myself that any such regulations and procedures have been duly carried out.

In my opinion:

- I am satisfied that adequate regulation and procedures have been framed to secure an effective check on the assessment, collection, and proper allocation of revenue and procedures are being duly carried out.

Gareth Davies

Comptroller and Auditor General

19 July 2019

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

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## Statement of Revenue, Other Income and Expenditure

For the year ended 31 March 2019

	2018-19 £000	Restated 2017-18 £000
<b>Revenue</b>		
<b>Deferred Prosecution Agreements</b>		
Financial Penalties	-	(128,992)
Interest income	-	-
Compensation	-	-
<b>Total</b>	-	(128,992)
<b>Other income</b>		
DPA costs payable to the Consolidated Fund	-	(2,080)
Compensation	-	(4,400)
(Gain)/loss on DPA	(1,687)	(1,815)
<b>Total revenue</b>	<b>(1,687)</b>	<b>(137,287)</b>
<b>Expenditure</b>		
Other expenditure	-	-
<b>Total operating expenditure</b>	-	-
<b>Net revenue for the Consolidated Fund</b>	<b>(1,687)</b>	<b>(137,287)</b>

There were no recognised gains or losses accounted for outside the above Statement of Revenue, Other Income and Expenditure (2017-18: nil).

The notes on pages 98 to 100 form part of these accounts.

## Statement of Financial Position

As at 31 March 2019

	Note	31 March 19 £000	Restated 31 March 18 £000	1 April 17 £000
<b>Non-current assets</b>				
Trade and other receivables	2(b)	150,620	280,092	381,012
<b>Total non-current assets</b>		<b>150,620</b>	<b>280,092</b>	<b>381,012</b>
<b>Current assets:</b>				
Trade and other receivables	2(a)	131,256	107,135	119,920
Cash and cash equivalents		-	-	-
<b>Total current assets</b>		<b>131,256</b>	<b>107,135</b>	<b>119,920</b>
<b>Total assets</b>		<b>281,876</b>	<b>387,227</b>	<b>500,932</b>
<b>Current liabilities:</b>				
Trade and other payables		-	-	-
<b>Total current liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Assets less liabilities</b>		<b>281,876</b>	<b>387,227</b>	<b>500,932</b>
<b>Balance on Consolidated Fund account at 31 March</b>		<b>281,876</b>	<b>387,227</b>	<b>500,932</b>

Lisa Osofsky  
Accounting Officer  
16 July 2019

The notes on pages 98 to 100 form part of these accounts.

## Cash Flow Statement

For the year ended 31 March 2019

	Note	2018-19 £000	2017-18 £000
Cash flows from revenue activities		109,405	250,992
Cash paid to Consolidated Fund		(109,405)	(250,992)
Adjustments for non-cash transactions		346	
<b>Increase/(decrease) in cash and cash equivalents</b>		-	-

### Notes to the Statement of cash flows

Reconciliation of net cash flows to movement in net funds	Note	2018-19 £000	Restated 2017-18 £000
Net revenue for Consolidated Fund		1,687	137,287
Decrease / (increase) in non-cash assets	2	105,351	113,705
Adjustments for non-cash transactions		(346)	-
<b>Net cash flow from revenue activities</b>		<b>106,692</b>	<b>250,992</b>

Analysis of changes in net funds	Note	2018-19 £000	2017-18 £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 98 to 100 form part of these accounts.

# Notes to the Trust Statement

## 1(a). 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 2018-19 Government Financial Reporting Manual (FReM) issued by HM Treasury.

The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Serious Fraud Office for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Serious Fraud Office are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

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

### *Accounting convention*

These accounts have been prepared under the historical cost convention.

### *Revenue recognition*

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

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

### *Interest*

Interest on DPAs is recognised at amortised cost with gains or losses showing in the Statement of Revenue, Other Income and Expenditure as per IFRS 9.

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### *Gain/Loss on DPA*

Gain or Loss from interest income on DPAs is accounted for and recognised in accordance with IFRS 9.

### *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 unless the DPA includes interest, which is then recognised at amortised cost as per IFRS 9. Note 2 on page 100 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.

### *Application of newly issued accounting standard*

SFO have reviewed IFRS 9, Financial Instruments which is effective from 2018-19 and have applied this to the recognition of interest paid as a result of a DPA. IFRS 15 is not applicable to the SFO's Trust Statement income/

### *1(b) Restatement of prior year*

The prior year Trust Statement has been restated to take account of interest due on a DPA which was previously accounted for on a receipts basis. The effect of this adjustment is shown in the table below:

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	Published 2017-18 £000	Restatement £000	Restated 2017-18 £000
<b>Statement of Revenue, Other income and Expenditure</b>			
(Gain)/loss on amortisation	-	(1,815)	(1,815)
<b>Statement of Financial Position</b>			
<b>Current Assets:</b>			
Trade receivables and other current assets	105,320	1,815	107,135
<b>Consolidated Fund</b>			
Consolidated Fund	385,412	1,815	387,227

## Receivables

### 2(a) Due within one year

	2018-19 £000	2017-18 £000
<b>Amounts falling due within one year:</b>		
Financial penalties and disgorgement of profits	131,256	107,135
Compensation	-	-
Costs awarded to the SFO	-	-
	<b>131,256</b>	<b>107,135</b>

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

	2018-19 £000	2017-18 £000
<b>Amounts falling due after one year:</b>		
Financial penalties and disgorgement of profits	150,620	280,092
Compensation	-	-
Costs awarded to the SFO	-	-
	<b>150,620</b>	<b>280,092</b>

## 3. Events after the reporting period

The SFO received approval for a DPA with SERCO Geografix Ltd in July 2019.

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 2019 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 2018-19.
  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 before the Summer Recess.

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.

Vicky Rock

Interim Director, Government Financial Reporting

Her Majesty's Treasury

4 March 2019

## EXTRACT FROM APPENDIX 2

No	Sponsoring Department	Income Stream	Responsible Entity
7	Serious Fraud Office	Deferred Prosecution Agreements	SFO



## SUSTAINABILITY REPORT (ANNEX A)

### Greening Government

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

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

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

Area		2018-19 Performance		
		2018 – 19	Target	2017 - 18
Greenhouse Gas emissions (Scopes 1, 2 & 3 business travel including air and rail travel)		364 (tCO <sub>2</sub> e)	1,367 (tCO <sub>2</sub> e)	609 (tCO <sub>2</sub> e)
Estate Energy	Consumption	1,212 kWh	-	1,707 kWh
	Expenditure	£134k	-	£135k
Estate Waste	Amount	49 tonnes	63 tonnes	38 tonnes
	Expenditure	£9.5k	-	£8k
Estate Water	Consumption	3,804 m <sup>3</sup>	4,467 m <sup>3</sup>	3,503 m <sup>3</sup>
	Expenditure	£5.5k	-	£4.5k

For 2018-19 Greenhouse Gas emissions are significantly below the target by 73%. Estate Energy Consumption has decreased by 29% whilst Estate Waste and Water usage have increased by 29% and 9% respectively from 2017-18, however both are still below the baseline target.

## Green House Gas emissions

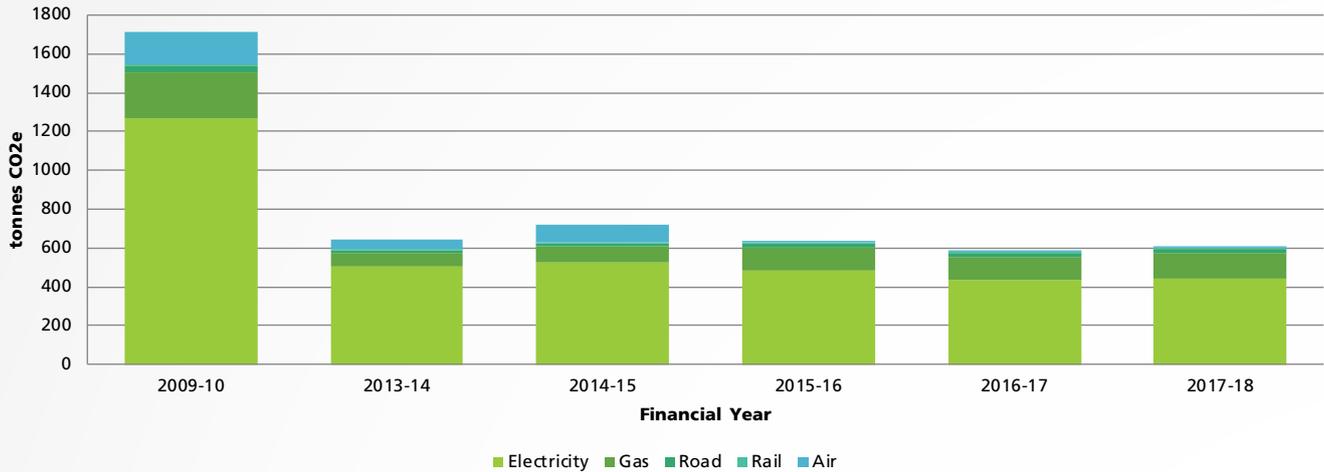
There are three different classifications of greenhouse emissions, known as Scopes:

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

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

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

## Greenhouse Gas Emissions



Greenhouse Gas Emissions		2009-10	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Non-financial indicators (tCO2e)	Total Gross Emissions for Scopes 1 & 2	1,409	537	568	567	520	540	313
	Total Net Emission for Scopes 1 & 2	1,409	537	568	567	556	540	313
	Gross Emissions Scope 3 Business Travel	209	67	113	34	26	33	31
	Other Scope 3 Emissions Measured	93	40	42	37	36	37	22
Related Energy Consumption (kWh,000s)	Electricity: Non Renewable	2,220	1,041	1,003	963	964	990	900
	Electricity: Renewable	166	0	0	0	0	0	0
	Gas	1,254	401	458	660	668	717	312
Financial Indicators (£k)	Expenditure on Energy	309	161	121	113	105	135	134
	CRC Licence Expenditure	0	0	0	0	0	0	0
	Expenditure on Accredited Offsets	0	0	0	0	0	0	0
	Expenditure on Official Business Travel	303	154	220	95	116	125	106

Combined Related Energy Consumption has decreased by 495k kWh (29%) on 2017-18 levels, and therefore the overall total gross emissions has also decreased by 244 tonnes CO<sub>2</sub>e (40%). This decrease is mainly due to the landlord's optimisation of their building management systems, which now enable pre time shut downs, i.e. weekends. Additionally replacement of the main boiler system resulted in a series of shut downs that lead to a reduction in gas consumption. Therefore the combined Related Energy Consumption and Gross Emissions will increase in 2019-20 against these figures, but will still remain lower than the baseline target.

## Domestic flights

The number of domestic flights taken by SFO staff on official business continues to be below the 2009-10 baseline of 99 flights. In 2018-19, 50 domestic flights were taken, which is a slight increase from the 2017-18 figure of 46. However this is still 49% less than the baseline. This area of expenditure is a direct result of operational case requirements<sup>1</sup>.

## Waste minimisation and management

The target is to reduce landfill waste generated by 10% from the 2009-10 baseline. For 2018-19, 49 tonnes of waste was generated against 39 tonnes for 2017-18. This is due to the SFO disposing of redundant items, (which could not be reused) following changes to improve space utilisation. Whilst this shows an increase of 12 tonnes on the 2017-18 figure it is still below the 63 tonne baseline (a 22% decrease against the baseline).

The SFO operates in a flexible working environment where waste is collected at central points on each floor, encouraging recycling and an overall reduction in the volume of waste. The SFO also recycles 100% of its waste paper and uses 100% recycled paper for its in-house printing facility and floor printers. In relation to disposal of IT equipment the SFO complies with the requirements under the WEEE Directive.

The SFO continues to look for initiatives to reduce and manage its waste further with its landlord.

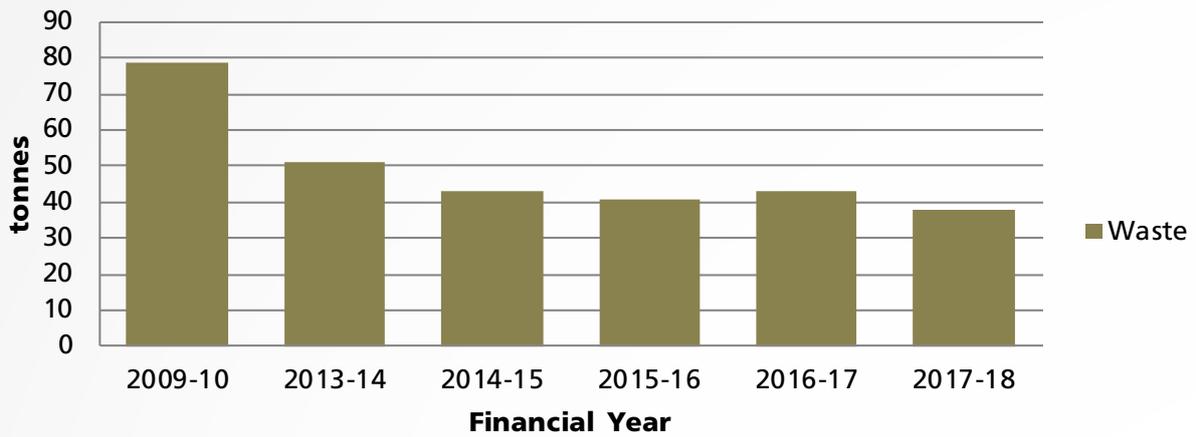
Westminster Council waste collection continues to use mixed recycling (which is processed dependent on materials) and landfill materials are incinerated to produce electricity for 50,000 homes and businesses, the TFL tube system and residual ash is used in road building and repair.

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<sup>1</sup> *In line with the requirements given, international air travel is not included in our business travel reporting.*

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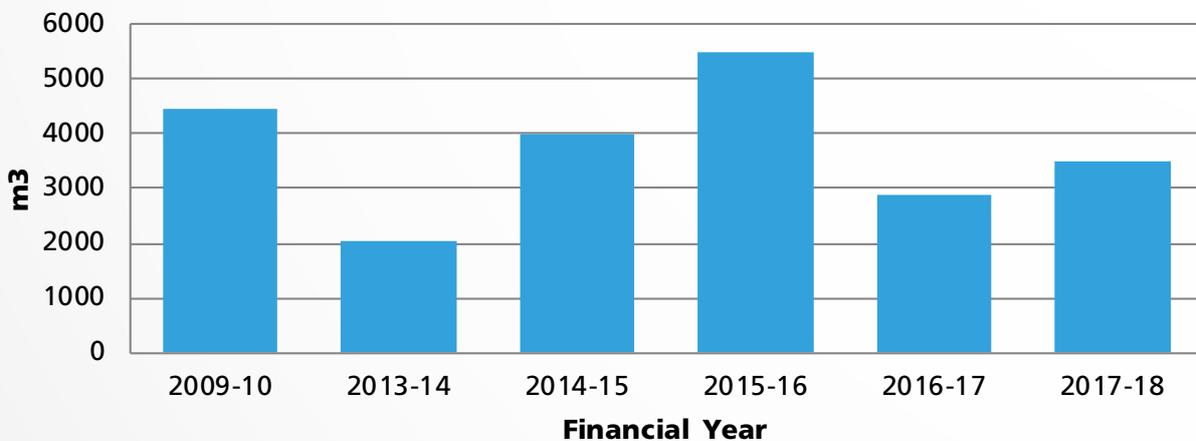
## Waste Volumes



			2009-10	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Weight (t)	Non Hazardous Waste	Landfill	40	36	18	17	0	0	2
		Reused/Recycled	39	14.5	26	24	26	22	30
		Incinerated/Energy from waste	0	0	0	0	17	17	17
Cost (£k)	Non Hazardous Waste	Landfill	18	11	4.5	4.5	0	0	0.5
		Reused/Recycled	31	2	3	3	2.5	3	3
		Incinerated/Energy from waste	0	0	0	0	5.5	5	6

Finite resource (Water) consumption

## Water Actuals



Finite Resource Consumption		2009-10	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Non-financial indicators (m <sup>3</sup> )	Water Consumption	4,466	2,054	3,985	5,485	2,882	3,503	3,804
Financial Indicators (£k)	Water Supply Costs	3	7	6	9	13*	4.5	5.5

*\*figure restated following revised information received in the year*

Water usage for 2018-19 has increased on the previous year by 301m<sup>3</sup> (9%). this is as a result of an increase in staff numbers and leaks discovered in landlord's building infrastructure. Usage however still remains at 15% below baseline target.

The Greening Government target is to ensure that water consumption is reduced from 2009-10 baseline and for each department to continue to reduce its water usage from 2014-15. As the SFO occupies a shared building as a tenant, and water is managed under the service charge as a percentage, it is difficult to control overall usage which can result in fluctuations in consumption figures.

### Sustainable procurement

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

### Governance

The Solicitor General represents the Law Officers' Departments (LODs) on Sustainable Development matters.

Our results against the GGC targets are reported annually.

*Notes: Figures have been presented using the 2018-19 FREM guidance and Defra conversion figures.*

*Estimates have been used in some instances where complete data was not available from suppliers or service providers.*

*Figures are only for electricity consumed by the SFO. As the minor occupier they do not attempt to reflect any charges made through the service charge.*

## Our Senior Team



Lisa Osofsky – Director



Elizabeth Baker – Head of Proceeds of Crime  
and International Assistance Division



Ben Denison – Chief Technology Officer



John Carroll –  
Head of Strategy and Policy Division



John Kielty - Chief Intelligence Officer



Hannah von Dadelszen –  
Head of Operational Division

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Camilla de Silva –  
Head of Operational Division



Matthew Wagstaff –  
Head of Operational Division



Kevin Davis – Chief Investigator



Liz Corrin – Head of Corporate Services



Mark Thompson – Chief Operating Officer



Sara Lawson QC – General Counsel

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