

7,132
defendants prosecuted

5,429
cases completed

1,840
confiscation orders obtained

90
percent of cases securing a conviction

88.6
million pounds of criminal assets recovered

1

Revenue and Customs Prosecutions Office 2005–2009

Revenue and Customs Prosecutions Office

Annual Report and Resource Accounts 2008/09

Resource Accounts presented to the House of Commons pursuant to s.6(4)
of the Government Resources and Accounts Act 2000 c.20.

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

Annual Report presented to Parliament by Command of Her Majesty.

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Confidence restored

I have pleasure in submitting my Annual Report on the work of the Revenue and Customs Prosecutions Office (RCPO) in its fourth year of operation.

During 2008/09, we completed 1,121 cases involving 1,506 defendants. We achieved the conviction of at least one defendant in 92% of those cases. We collected £21.89 million in confiscated criminal assets, and obtained 499 confiscation orders to the value of £69.17 million.

Inevitably, this report is overshadowed by recent events. Just after the end of the reporting year, your Strategic Board decided that RCPO and the Crown Prosecution Service (CPS) would merge to form a modern public prosecution service. I firmly believe that since its launch in 2005, RCPO has succeeded in its key objective of restoring public and judicial confidence in Her Majesty's Revenue and Customs (HMRC) prosecutions: a judgement shared by Her Majesty's Crown Prosecution Service Inspectorate (HMCPSI) in their recent report. At the same time, the number of cases referred by HMRC to RCPO has continued its steady decline since 2004. It is also the case that, in current economic conditions, there are sensible savings to be made by sharing back office services. In this context, it makes sense that prosecutions for HMRC should be serviced by a specialist headquarters division of the CPS. Merger will be effected by April 2010, and further consolidated in 2010/11.

This is a merger and not a takeover, and we have ample time to plan the change. Details have yet to be settled, but it is envisaged that HMRC work will be given appropriate priority and serviced within a ring-fenced division where established expertise can be preserved and new talent grown. The specialist division will handle cases within HMRC's remaining remit, namely all types of tax fraud including missing trader intra-community (MTIC) fraud, excise fraud and export control offences. The merger of RCPO and CPS will offer an enhanced service to the public by making expertise in fiscal prosecution more widely available offering a one-stop shop for the Serious Organised Crime Agency (SOCA) and conducting the traditional customs prosecutions through an organisation with a national presence. In addition, the merger will offer enhanced career opportunities for all staff.

Once again, MTIC fraud has presented our biggest casework challenge. Over the course of the year we have prosecuted seven MTIC trials obtaining the conviction of 23 defendants. Particular successes include the first phase of Operation Euripus, our biggest case so far, which resulted in the conviction of three defendants who shared 19.5 years

imprisonment, and the successful completion of Operations Emerged, Shepherd and Shoot which between them involved a £138 million fraud on the Exchequer. Overall, we obtained confiscation orders to the value of £40 million as a result of MTIC-related convictions. At present we have 15 MTIC cases involving 124 suspects at the pre-charge stage and 11 MTIC cases involving 70 defendants awaiting trial.

In March, RCPO prosecutors secured the extradition of Raymond Woolley from Switzerland after four years on the run. Woolley was sentenced to nine years imprisonment for MTIC fraud in December 2002 but absconded in February 2005. Our asset forfeiture specialists are fully engaged in enforcing the £9.5 million confiscation order made against him.

The confiscation of criminal assets remains a top priority for RCPO. This year, we succeeded in our objective of increasing the amount we confiscate year-on-year. The £21.9 million we confiscated generated £3.8 million in income for the Department under the Asset Recovery Incentivisation Scheme (ARIS). This has enabled us to continue investment in our confiscation capability. Prosecutors from our Asset Forfeiture Division

£108^M

Value of confiscation orders
we've imposed to date



succeeded in taking cutting-edge points on appeal to the Court of Appeal (*Glatt and Stodgell*) and the House of Lords (*May and Samsul Islam*).

Our Serious Organised Crime Division has continued to produce high quality casework in the areas of large-scale drug smuggling, weapon smuggling and related money laundering for SOCA. During the year, RCPO charged 129 defendants in SOCA cases.

Revenue fraud cases prosecuted this year have included organised attacks on the tax credit system and the off-record payment of wages in the building industry.

Excise fraud, involving evasion of duty on tobacco, oils and alcohol, remains a priority for HMRC, and, as with all our fraud work, the taxpayer is the ultimate victim. One such case of organised smuggling prosecuted by our Manchester office involved £11 million in duty evaded on 55 million cigarettes.

We have continued our work in relation to strategic exports and the illegal arms trade, and referrals of cases in this category by HMRC to

RCPO have increased. In Operation Almud, three businessmen received prison sentences of two and a half to five years following their conviction for supplying military aircraft spares to Iran. In another referred case, a company agreed to pay a penalty of £0.5 million to HMRC for breaches of export controls for military items.

Towards the end of the year we had our first full statutory inspection by HMCPSP. Their report found that the quality of RCPO's decision-making was "very good at all stages". The report also identified the availability and early involvement of RCPO prosecutors, MTIC case handling and our foreign evidence gathering as particular strengths. In addition, the report makes a number of constructive recommendations which we will implement in the context of the merger.

In May 2008, I gave evidence to the Public Accounts Committee. The hearing and the subsequent report finally put to rest the difficulties we had experienced in relation to our first set of accounts and the control of fees paid to counsel.

Over the year, I have continued a programme of visits to our principal European colleagues, visiting prosecutors in Madrid, Paris and Warsaw. Much assisted by the hospitality of Her Majesty's Ambassadors and Embassy staff, an RCPO delegation gave presentations on our statutory powers in relation to organised crime, the civil and criminal confiscation of the proceeds of crime and letters of request.

In January 2009, the RCPO Board approved our first corporate social responsibility strategy, entitled *Value Added*. This builds on existing initiatives by RCPO including mentoring, working with schools in Newham, coaching young people in job application and interview skills and attendance at court open days.

Finally, I have been much assisted by the support and dedication of RCPO's senior management team and that of our non-executive directors. Together with our focussed and highly motivated staff, they have made RCPO a successful organisation which has achieved the task it was set whilst remaining a stimulating and happy place to work.

David Green QC

Director
Revenue and Customs
Prosecutions Office
10 July 2009

Our vision, aim, objectives and values

On 3 April 2009, the Attorney General announced the decision to merge the Revenue and Customs Prosecutions Office (RCPO) and the Crown Prosecution Service (CPS) in order to provide enhanced prosecution services for the public, and safeguard and improve the already high quality work done in both services on serious and complex cases.

As part of the new, merged organisation, we will provide a specialist tax and revenue prosecution service. This dramatic structural change significantly alters our plans for the future. Our vision and strategic aim have been amended to reflect these changes.

Our vision



We will continue to provide an excellent service while ensuring a smooth transition into an enhanced, combined prosecution service.

Our aim



Our aim is to be an effective, specialist prosecuting authority that commands public confidence. We aim to maintain the same high quality of prosecution as we move smoothly into the new, merged organisation.

Our objectives



- To prosecute cases efficiently, effectively and in accordance with the *Code for Crown Prosecutors*
- To increase, year-on-year, the amount confiscated from criminals
- To engage actively with Her Majesty's Revenue & Customs (HMRC) and the Serious Organised Crime Agency (SOCA) to ensure that appropriate weight is given to prosecutions
- To maintain and develop an appropriate specialist caseload
- To provide a rewarding and stimulating working environment in which our staff can develop and excel
- To make an effective contribution to the objectives of the Attorney General's Office and the wider Criminal Justice System

Our values



Our values guide everything we do. These values:

- keep us focused on what really matters and inform our decisions
- help us pull in the same direction
- underpin how we act, manage and lead
- ensure that we provide a high-quality service.

Integrity

- We conduct ourselves fairly and honestly.
- We keep our word.
- We build trust by maintaining high standards in our conduct.

Professionalism

- We maintain professional standards.
- We identify best practice and apply it in our work.

- We are accountable for our decisions.
- We work together as a team to achieve shared objectives.
- We use public funds wisely and provide value for money.

Respect

- We treat others the way we would wish to be treated.
- We are open and transparent.
- We actively promote equality and diversity.
- We acknowledge and encourage good performance.

Opportunity

- We recognise that every member of staff has a stake in our business.
- We encourage individual development where it supports the needs of RCPO.
- We encourage continuous improvement.

Our work: some examples



the exporter claims back the VAT paid on the phones in the UK from HMRC but, crucially, the company that originally imported them disappears without paying the VAT due on the original sale. The phones are sold on at a price that would ostensibly be at a loss but for the VAT element, which is pocketed and not accounted for.

The gang in these linked operations divided the profits of the fraud and laundered them through various bank accounts, some based in Gibraltar and Hong Kong. The frauds were linked together by some common defendants. The links between the frauds added a host of additional twists to what were already complex cases.

Trial management was a huge undertaking with so many defendants, hundreds of thousands of documentary exhibits, and trials that each lasted six or seven months. In order to get the facts of each case over to the juries, our prosecutors split the defendants into groups and relied upon electronic presentation of evidence as much as possible. Our prosecutors proved that, far from being involved in legitimate trade, the main defendants were highly organised career criminals involved in deliberate fraud on the Exchequer to the tune of more than £138 million.

The first of the three linked prosecutions was a £20 million MTIC fraud, Operation Emersed. The 12 defendants included Craig Johnson from Operation Shepherd

RCPO successfully prosecutes three multi-million pound carousel frauds

In September last year, the final defendants in a series of trials for carousel, or missing trader intra-community (MTIC) fraud, were sentenced at Worcester Crown Court. This marked the conclusion of more than eight years of hard work by our prosecutors on a series of three interconnected cases – Operations Emersed, Shepherd and Shoot – involving over 20 defendants.

All three frauds involved the bogus trade in mobile telephones in order to manipulate the VAT system and cheat the Exchequer of revenue owed. As the phones were sourced from the EU, no VAT was payable upon importation into the UK, but VAT would be payable upon subsequent resale. Typically in

carousel frauds, the goods are sold on through a chain of companies with VAT charged but not accounted for. In due course the goods are exported back out of the UK, often to the original supplier who then re-circulates the same items back into the UK (hence the term ‘carousel fraud’). Meanwhile,

£26^M

Value of the confiscation order we were granted against Craig Johnson

and Stephen Hancock from Operation Shoot. The total sentences handed down amounted to 119 years.

Operation Shepherd, the second fraud, resulted in the convictions of Clive Saunders, Craig Johnson, D G Routledge, Craig Jones, Philip Hague, Michael West and Charles Hackney. At the time of their trial, this was the largest MTIC fraud ever prosecuted, valued at approximately £68 million. The convicted

defendants received a total of 39 years in prison.

In the last of the three frauds – Operation Shoot – four defendants, Gerard Forrest, Shane Matthews, Stephen Hancock and Barbara Moran, were convicted of controlling a series of ‘buffer’ companies designed to give an air of legitimacy to the fraudulent transactions. Between them, they deprived the Exchequer of £50 million and were sentenced to 19 years imprisonment.

The recovery of criminal assets is also a vital part of our casework. Confiscation proceedings have been instigated against the defendants to recover the stolen money and strip them of the benefit of their crimes. On 20 November 2008, prosecutors from our Asset Forfeiture Division were granted a confiscation order for £26 million against Craig Johnson. The order was the second largest confiscation order ever obtained by RCPO against a single defendant.

RCPO makes first use of serious crime prevention orders in England and Wales



In June 2008, RCPO made the first ever use of a serious crime prevention order in England and Wales in the prosecution of three individuals for money laundering. Loch Hakimzada, his wife Praveen Hakimzada and Kuljeet Grover received a total of 17 years imprisonment for their part in laundering cash for organised crime networks. Three serious crime prevention orders were secured against them at Isleworth Crown Court.

Serious crime prevention orders were created by the Serious Crime Act 2007, which came into force in April 2008. They allow prosecutors to apply to a judge to place conditions, restrictions or requirements on those involved in serious crime. The purpose of an order is to protect the public by preventing, restricting or deterring those involved in serious crime from continuing their involvement. Breach of a serious crime prevention order is punishable by up to five years' imprisonment and an unlimited fine. A serious crime prevention order can last for up to five years from the date on which it commences.

£25^M

The amount the Hakimzadas laundered during a period of just over two years

The serious crime prevention orders secured in this case mean that for five years from their release from prison, the defendants will be at risk of an additional five years in prison if they breach the terms of their orders, which are designed to stop them carrying out activities related to the possession and movement of money.

The Hakimzadas, with Grover's assistance, used the cover of a money service bureau¹ to launder £25 million during a period of just over two years. Huge sums of Scottish and English bank notes were collected by the gang in bags or boxes typically in the street or in a car park. The cash was then passed through counting machines at the family home

¹ Legitimate money service bureaux provide the following services: currency exchange; money transmitting; cheque cashing etc.

before being transferred abroad – mainly to Dubai where other contacts, probably relatives, continued the process. The true nature of the activities was concealed by the creation of false records. Painsstaking investigation revealed links to drugs and other illegal activity.

In addition to the sentences, the Hakimzadas and Grover were given financial reporting orders requiring them to report all their financial details every year and, on release, every six months for the next ten years. Deportation orders were made in respect of Loch Hakimzada and Grover, and confiscation proceedings will now follow.

Proving a drug importer's bad character

In 2008, Daljit Singh Jandu was convicted of one of the largest importations of ecstasy and amphetamine in recent years. Jandu was responsible for the importation worth over £1 million in street value. An HGV driver was subsequently acquitted.



On 16 February 2007, HMRC officers intercepted a freight vehicle at Eastern Docks in Dover. In response to questioning, the driver informed officers that he had collected his load from Holland and that the load consisted of removals. During a search of the vehicle, officers found a total of 19 packages containing white powder, 20 packages containing brown powder and three packages containing tablets. Analysis proved these to be over 15kg of pure ecstasy and over 11kg of amphetamine.

During interview, the driver stated that he worked for SDR International and that his boss, Jandu, had asked him to pick up the load in Holland. While it was clear to the investigators and to our prosecutors that Jandu was responsible for the importation, it was to be a difficult case to prove as he had not driven the drugs to the UK himself.

Much time was spent by the investigating officers examining telephone evidence and by our prosecutor in putting that evidence into an admissible format. Schedules were produced showing a pattern of calls between Jandu and the driver that linked the importation back to him.

In addition to this evidence, our prosecutor submitted a bad character application using evidence from two previous occasions when Jandu had been linked to loads containing cannabis: once in Holland and once in Hull. He had been questioned on these occasions but no charges had ever been brought against him.

Bad character applications were introduced in 2005 to allow the admission of additional evidence. The application required the prosecution to persuade the trial judge that the probative value of the evidence

outweighed any prejudicial effect that the evidence would have on the jury's view of the defendant. After obtaining assistance from the Dutch authorities and reviewing papers from HMRC officers in Hull, the application was made. It concluded: "Jandu's proximity to three drug importations in the space of three years cannot be mere coincidence."

The judge agreed. On conviction, Jandu was sentenced to 18 years in prison.

Illegal bush meat importer convicted

In September 2008, we secured a conviction against Christine Manu for illegally importing bush meat in the form of smoked cane rats. Charged under the Products of Animal Origin Regulations 2002, Manu pleaded guilty at Greenwich Magistrates' Court on 17 September.

In January 2008, a consignment of synthetic hair was intercepted at Tilbury Docks. When HMRC officers opened the non-refrigerated container to examine the contents, they discovered boxes of synthetic hair at the front of the load, but behind these they found more boxes containing hundreds

of illegally imported cane rats from Ghana. The headless carcasses, individually wrapped in newspaper, amounted to 340kg of meat with a street value of around £25,000.

This was an unusual case for RCPO and the largest we have ever prosecuted under these regulations. Such cases are rare and our prosecutor and case manager put in many hours of research, reading DEFRA papers on the microbiological hazards of bush meat. An officer even visited London Zoo to talk to veterinary scientists in order to find out about the health implications of illegally imported meat.

Weighing up the options, RCPO took the decision to charge the defendant under the Products of Animal Origin Regulations – a strict liability offence. This means that the prosecutor simply has to prove the fact of the importation. Alongside the evidence gathered at the port of entry, detailed analysis of telephone evidence ordered by



340 ^{KG}

HMRC officers seized 340kg of illegal cane rat meat imported from Ghana

our prosecutor confirmed communication between the defendant and importing agent, strengthening the case against the defendant.

As a result of these efforts, following the defendant's guilty plea, the pre-sentence report proposed an 18-month suspended sentence with community service instead of the usual fine.

It is illegal to smuggle meat, animal products and some plants into the UK from a non-EU country, and all meat imported from outside Europe should be checked by a vet at the point of entry into the country and certified as safe. There is evidence that some of the health epidemics of recent years may have been caused by poor quality meat coming illegally into the UK.



customers to make cheques payable to him personally rather than to his business and these sums would not pass through the books and records of the company.

At court, our prosecutors presented evidence of a complex direct tax fraud going back several years. The complexity and absence of some documentation, as well as the fact that the Jersey account was used for honest transactions as well as dishonest ones, necessitated the instruction of a forensic accountant.

When interviewed, Cronin said that no "significant" amounts of money had been involved. Although individual sums were relatively small, over the course of six years of trading, Cronin siphoned off money amounting to a very significant tax loss of over £98,000.

Jonathan Cronin was sentenced to 18 months in jail. Confiscation proceedings will be brought against Cronin to ensure that the money lost is returned to the public purse. We made a successful application to have Cronin disqualified from acting as a company director for five years from 13 March 2009.

Businessman convicted of "insignificant" tax offence

In February 2009, our specialist direct tax division secured the conviction and sentencing of Jonathan Cronin, a businessman who had diverted more than £220,000 into offshore bank accounts in order to avoid paying tax.

Cronin, who ran two security systems firms in Worcester, pleaded guilty to two counts of cheating the public revenue and two further counts relating to VAT payments. Over many years, the defendant had diverted company income into his own personal off-shore bank account in Jersey. He would ask

£11 million cigarette smuggling case ends in prison for seven men

In January 2009, seven men were found guilty of a multi-million pound, highly organised trade in illegal and counterfeit cigarettes.

Based on four seizures of cigarettes in Manchester and Liverpool between December 2006 and April 2007, what had been a relatively simple case involving four defendants grew into a larger trial of 11 defendants. Our prosecutor – alongside two counsel – had a serious challenge on his hands. A combination of telephone evidence, written records of the deals and surveillance by HMRC officers of the defendants proved that the offence involved over 55 million cigarettes and £11 million of evaded duty. The defendants were members of Manchester gangs who were trading illegal cigarettes with each other at great profit – a profit gained at the expense of the taxpayer.

Ordinarily, when cigarettes are produced, they are held in the manufacturer's bonded warehouse. When they are sold in the UK, duty is paid on them to HM Treasury. The duty on cigarettes in some foreign countries is far lower than in the UK so, when cigarettes are smuggled into this country and sold, the smugglers avoid paying any tax, depriving the UK of revenue that would be spent on public services. In addition, some of the cigarettes traded by these gangs were counterfeit, which would not have been subject to the same manufacturing standards as legal cigarettes and therefore posed additional health risks.

With a case of this size, the prosecuting team had to be highly organised and work closely with the investigators and trial counsel. Case planning was a substantial task as the evidence of 50 mobile phones had to be analysed and presented in court through charts based on cell site analysis that showed which defendants were talking to each other, when and where. Records kept by one of the defendants were found during a search that documented all the deals



55^M

This case involved over 55 million cigarettes and £11 million in evaded duty

in illegal cigarettes. These had to be transcribed for the jury. In such a document heavy case the hard work of the case manager and support staff was essential to ensure that all the relevant documents were made available to the court, the defence and the prosecution.



International co-operation and new technology results in jail for drug conspirators

In May 2008, 12 men, part of a major UK drugs network, were found guilty of smuggling large quantities of heroin and cocaine into Britain from the continent. The operation spanned three countries with investigations and evidence taken in the UK, Belgium and Holland. The men were sentenced to a total of 125 years following the conclusion of a case marked by successful co-operation between RCPO, the Serious Organised Crime Unit (SOCU) of Lancashire Police and the Serious Organised Crime Agency (SOCA).

The defendants, under the leadership of Damien O'Connor, were charged with the importation of 10kg of heroin and 10kg of cocaine from the continent with a street value in excess of £1 million, although we believe this importation was one of many.

O'Connor was based in Antwerp, Belgium, and operated through two lieutenants, James Craw and Stephen Marshall, based in the UK. Drugs were sourced on the continent by O'Connor and then imported into the UK by lorry for delivery to networks of dealers in Merseyside and Lancashire.

This case was complicated due to the number of defendants. At the time of the investigation, O'Connor was in hiding in Belgium following a separate money laundering investigation. Lawyers in our International, Policy and Advisory Division applied for a European arrest warrant to bring him back to the UK to answer both sets of charges. This involved close co-operation between RCPO and law enforcement agencies in the UK and Belgium to ensure that O'Connor's arrest and property search in Belgium happened at the same time as the arrests and searches of his co-conspirators in the UK so that none of them were forewarned of the intentions of the investigators. In a series of co-ordinated early morning raids, more than 200 police, including dog handlers and firearms officers, swooped on 22 addresses in Hyndburn, Merseyside and Belgium, and O'Connor and his gang were arrested.

The trial involved of 12 defendants and 16 barristers. Technology played a crucial part with the presentation of the evidence. Jurors were provided with headphones so that they could hear everything that was going on in court and listen to taped evidence from undercover investigations.

Telephone evidence from 80 mobile phones was analysed by a specialist and presented electronically. This linked each phone to a user, which helped determine a defendant's location at the time the call was made. Taped evidence from covert

investigations was admitted at the trial after our prosecutors served bad character and hearsay notices on the defendants, arguing for its admission.

Eleven of the defendants pleaded guilty to conspiracy to supply drugs at Liverpool Crown Court. O'Connor was convicted by

the jury. Five defendants were sentenced in May 2008 to 34 years in jail. The defendants at the top of the conspiracy were sentenced in February 2009 to a combined 91 years in jail.

Confiscation proceedings will follow.

22

Number of co-ordinated raids which more than 200 police took part in to arrest O' Connor

Sharing our expertise with other prosecutors

Last year, the revised Legal Information Online Network (LION) website was launched by the Attorney General following six months of hard work and co-operation across the Government Legal Service (GLS). Originally launched on 14 January 2002, LION is an online resource for information and guidance for Government lawyers. It is also available to the Crown Prosecution Service (CPS).

Administered from within the GLS Secretariat, LION has a team of authors and editors from across several Government departments, contributing on a wide variety of legal topics and areas of practice. One of the sections of the site is aimed at prosecutors, but it had become out of date and had fallen into disuse. The Attorney General was keen to get the prosecution area up and running again, and charged a number of prosecution lawyers with this task.

Because of our expertise in international work, the head of our International, Policy and Advisory

Division at the time, was asked to chair the working group developing the new international section of the prosecutors' area of LION. The working group included a senior lawyer from her own team and lawyers from the Department for Business Enterprise and Regulatory Reform, the Serious Fraud Office and the CPS.

We took the lead in developing the section and shared our expertise in extradition, letters of request, mutual legal assistance and mutual administrative assistance. The

website makes our templates and notes on all these areas available to other Government lawyers and enables them to use our template letters of request to gather information from other countries for UK cases.

As a result of our work on the international section, we have been invited to give international casework seminars to other Government lawyers, sharing our skills and knowledge and promoting the sharing of information.





Convicted carousel fraudster extradited from Switzerland

In March this year, lawyers in our International, Policy and Advisory Division secured the extradition from Switzerland of Raymond Woolley who had been convicted of a £38 million carousel fraud.

Between May 2000 and January 2001, Woolley, together with Robert Garner and others, conducted an elaborate missing trader intra-community fraud (MTIC) through purporting to trade in mobile phones. Woolley controlled a network of companies in order to create the appearance of a bona fide trade. Through the companies, he was able to use EU rules on the VAT-free movement

of goods between member states to defraud HM Treasury of over £38 million.

Woolley was convicted of conspiring to cheat the public revenue in December 2002 and sentenced to nine years' imprisonment. He also pleaded guilty to two counts of concealing the proceeds of criminal conduct.

In March 2005, prosecutors from our Asset Forfeiture Division secured a confiscation order against Woolley for £9.5 million, which to date remains unpaid. The judge set a default sentence of imprisonment of four years if the sum was not paid in full by April

2006. Woolley was not in court for the hearing as days before, on 23 February 2005, he had absconded from Sudbury Prison. He is believed to have spent some time in Spain before being tracked to Switzerland in 2006.

The extradition was the result of over two years' painstaking work by RCPO, assisted by HMRC officers and the Swiss authorities. The extradition hinged on RCPO's ability to demonstrate to the satisfaction of the Swiss authorities that Woolley was convicted of a deliberate and calculated theft from the public purse as opposed to simple tax evasion. Convincing them of this distinction was vital as, under Swiss law, tax evasion is not an offence for which Woolley could have been extradited. The UK embassy in Berne assisted throughout, ensuring that channels of communication with the Swiss authorities were opened and remained open.

Woolley pursued a number of appeals against the decision to extradite him. However, on 26 February, the Federal Supreme Court of Switzerland dismissed his final appeal and his surrender to the UK was ordered.

£9.5^M

Our prosecutors secured a confiscation order against Woolley for £9.5 million

Defendants were successfully prosecuted for their roles in a series of large drug importations

Assets confiscated from defendants on the run for ten years

On 15 January 2009, our Asset Forfeiture Division obtained confiscation orders against two defendants, Kieran Briggs and Henry Dumas, using the powers contained within section 19 of the Drug Trafficking Act 1994, which gives the High Court discretion to make confiscation orders against unconvicted defendants who have absconded. The usual process is that prosecutors must secure a conviction before a confiscation order can be granted. This was the first occasion that we have used these powers and only the second time that the powers have ever been exercised by the courts.

During 1999, 11 defendants were successfully prosecuted for their roles in a series of large drug importations and subsequently sentenced to periods of imprisonment of up to 20 years. In total, drugs with a street value well in excess of £20 million had been purchased in South America and smuggled into the UK in vehicle tyres.

However, two defendants were absent from the dock – Kieran Briggs and Henry Dumas. Both had left the UK during 1998, around the time of the final, failed importation. Warrants were issued for their arrest and their assets were restrained.

In spite of a number of attempts to locate both defendants over the years, predominantly in Ireland and Spain, they remain at large.

As ten years had passed since the defendants absconded, there was little prospect of prosecuting them and a decision was taken to seek a confiscation order against each

man. The powers in section 19 of the Drug Trafficking Act (replicated in the Proceeds of Crime Act 2002) give the High Court discretion to make confiscation orders against unconvicted defendants who have absconded.

Having decided to take this route, notice of the application was given to Briggs and Dumas by way of notices published in *The Times* and

London Gazette newspapers. Neither of the two men or any of their family members came forward to claim the restrained assets so the hearing progressed.¹

As a result of the evidence presented to the High Court by our counsel, Mr Justice Simon was satisfied that both Briggs and Dumas had indeed absconded, that proceedings against each had commenced by reason of the warrants being issued for their arrests, and that each had personally benefited from his involvement in a sophisticated conspiracy to import class A drugs. In those circumstances, we were granted confiscation orders of £59,600 against Dumas and £75,600 against Briggs, representing restrained money largely held in financial institutions and by a receiver.



¹ The ex-spouse of Dumas had asserted an interest in the former matrimonial home and consequently RCPO did not seek confiscation in respect of that particular asset.



Adding value

In January 2009, the our Board approved our first corporate social responsibility strategy, *Value Added*. It builds on our informal community engagement and volunteering activity which has included court open days, mentoring, coaching young people preparing for the world of work and charitable fundraising.

Following the Prime Minister's announcement in March 2000 that all Government departments would allow staff one day each year to volunteer, and spurred on by the Attorney General's enthusiastic support for community engagement and volunteering, we embarked on developing a corporate strategy to provide a formal framework for this area of our work. A new role

was created to develop and manage the strategy, including identifying community engagement and volunteering opportunities and engaging colleagues from across the organisation in delivering them. The strategy offers staff the opportunity of two days' special leave for community engagement activity and one day of special leave for volunteering.

£3,000

Amount raised by RCPO staff through fundraising activities for various charities

We are already sending our staff out into the community to use their skills for the benefit of others and to raise awareness of our role. For several years, we have been attending Crown Court open days. At these open days, we explain our role within, and contribution to, the Criminal Justice System to the public. Our staff have also been working with schools in the London Borough of Newham, coaching pupils on CV writing and taking part in mock interviews to help young people search for employment when they leave school.

We are raising the awareness of our specialist areas of prosecution among young people who are interested in entering the legal profession by providing six-month work placements for six students from Brunel University. We also have a well established scheme for providing post-qualification legal training for our staff and we currently have four trainee lawyers on the scheme.

Mentoring has been a strand of our community engagement work for some time. Three members of staff mentor students studying law at the University of East London or London South Bank University, and one has been involved in the University of London Disability Mentoring Programme for several years (see case study).

In addition to these activities, in the past 12 months, staff have taken part enthusiastically in fundraising activities for a variety of charities, raising over £3,000 in the process.

We are raising the awareness of our specialist areas of prosecution among young people who are interested in entering the legal profession by providing six-month work placements for six students from Brunel University.

Case study

LeRoy currently mentors a disabled student studying at the University of East London as part of the University of London Disability Mentoring Programme, something he has been doing every academic year since 2003.

With RCPO's support, LeRoy meets regularly with the student and provides advice through telephone calls and emails.

In the past, he has helped students to write their CVs and with coursework, and has accompanied them when attending job fairs.

In 2007, the student LeRoy was mentoring won the 'Mentee of the Year' award.

LeRoy attends training every year for this role and has become so committed to it that he is about to take up a two-year secondment with the programme. Speaking of the support he has received in fulfilling this role, he said: "I appreciate the support I have been given from my divisional heads at RCPO as this is something very close to my heart. I encourage the new focus on corporate social responsibility 110%."

Case study

Through a law enforcement background and her work at RCPO, Farina became aware that she wanted to do more to support the community and prevent crime, without changing her career. After attending a recruitment drive and passing a two-day assessment, Farina signed up to become a special constable.

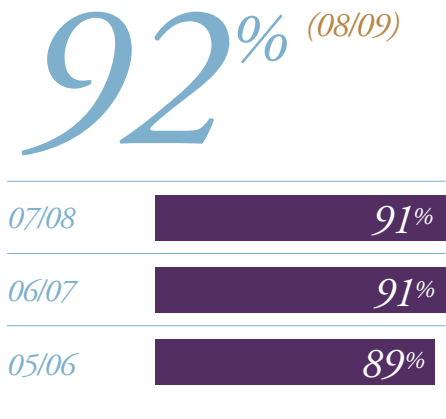
Farina was supported in doing this by RCPO who allowed her

special leave for half of the 18 days' training required to become a special constable. Speaking about the training, Farina said: "It's been a real confidence boost. I'm physically fitter and more confident. I'm really looking forward to getting started."

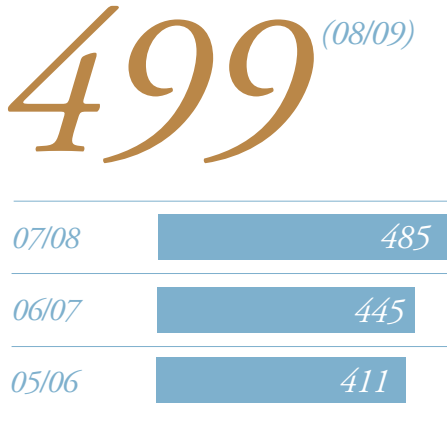
Farina attended her passing out parade as a new special constable in February 2009.

Our casework statistics

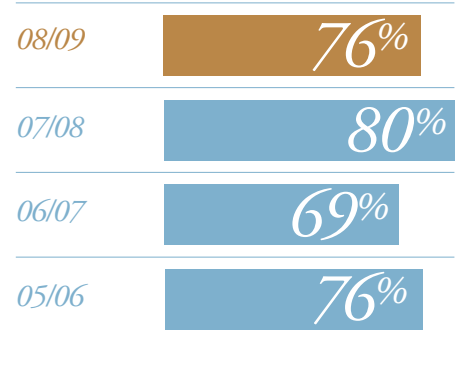
% of our prosecutions resulting in the conviction of at least one defendant



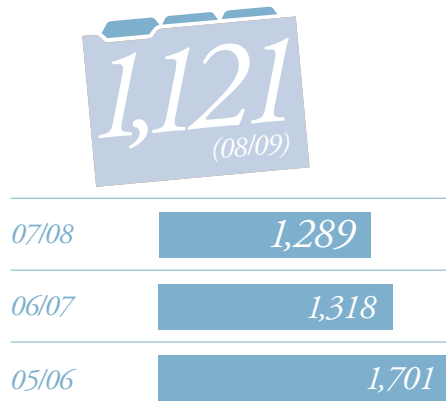
Confiscation orders obtained



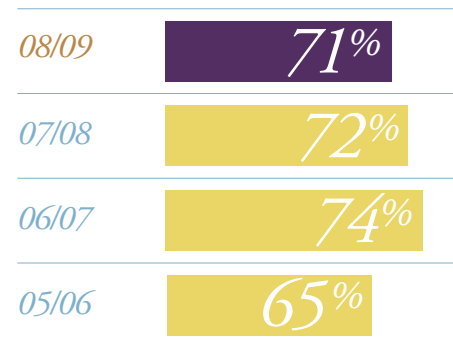
% of defendants in the magistrates' courts who pleaded guilty and were sentenced



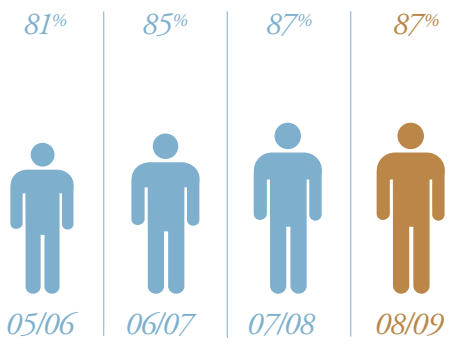
Number of cases completed



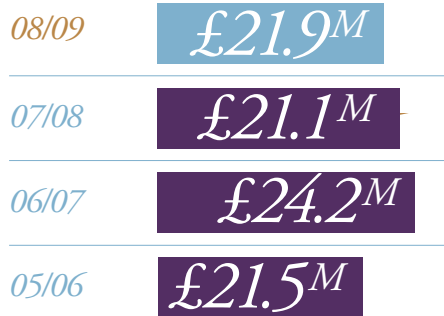
% of defendants in the Crown Court who pleaded guilty and were sentenced



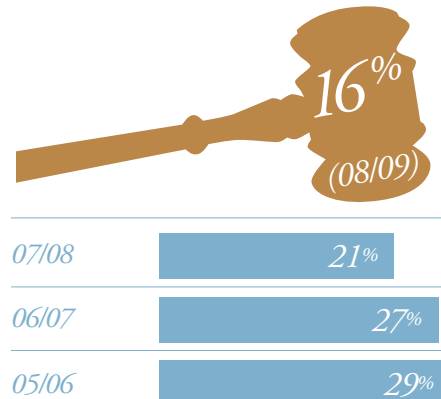
% of defendants in our cases who were convicted



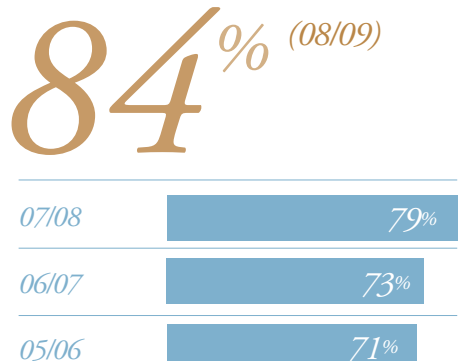
Criminal assets recovered



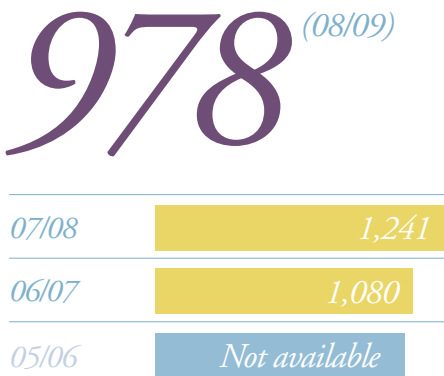
% of our cases that were concluded in the magistrates' courts



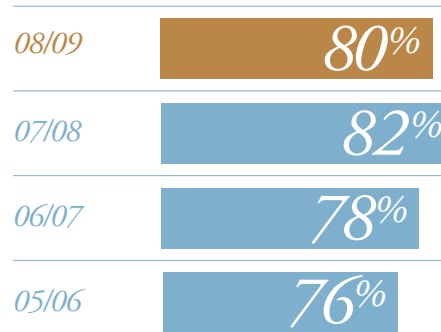
% of our cases that were concluded in the Crown Court



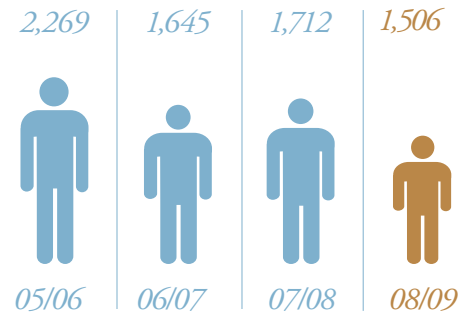
Number of cases in progress at 31 March 2009



% of our prosecutions where at least one defendant pleaded guilty

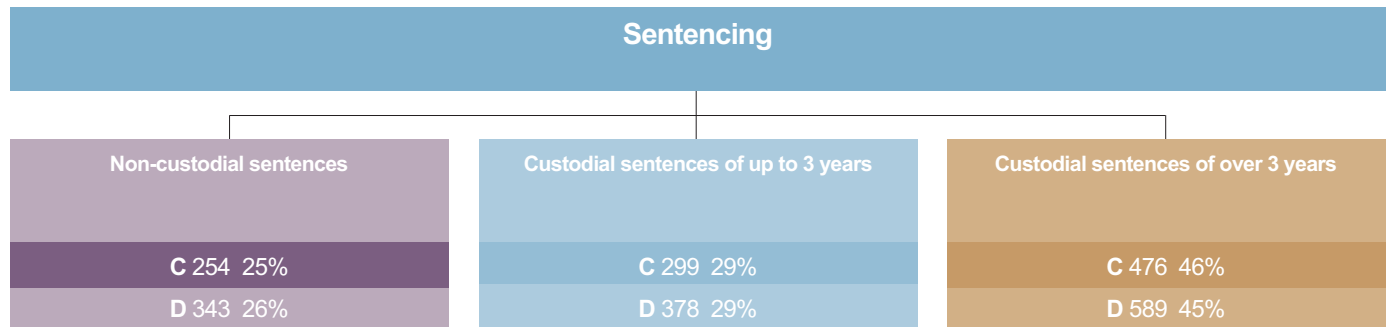
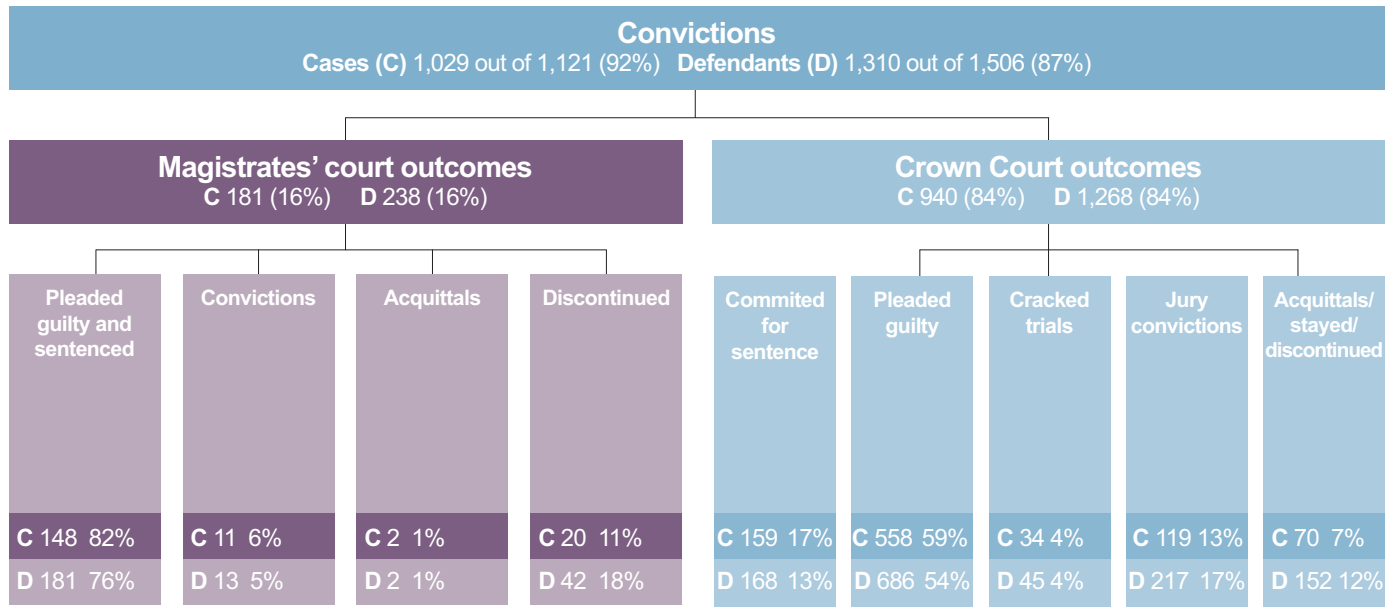


Number of defendants involved



Our casework statistics

Cases closed between 1 April 2008 and 31 March 2009: outcomes by case and by defendant



Review of 2008/09

While the number of cases referred to us by HMRC has continued to fall this year, our efficiency and effectiveness in dealing with them has improved. Our conviction rate has risen from 91% in 2007/08 to 92% this year.

The number of confiscation orders we have secured and the amount of money we have confiscated from criminals has risen from 485 confiscation orders and £21.1 million confiscated in 2007/08 to 499 orders and £21.9 million this year. This means we have achieved one of our key corporate objectives to increase year-on-year the amount of money confiscated from criminals.

Missing trader intra-community fraud

We have continued to provide strategic leadership for the prosecution of missing trader intra-community (MTIC) fraud cases. At the beginning of 2008, we held a seminar for our prosecutors and counsel who frequently prosecute these cases for us, as well as guests from HMRC's policy and criminal investigation directorates. This was followed by a further workshop in November for all our lawyers who conduct, or advise in these cases.

Operation Lexis was an investigation into the trade in mobile phones and led to the arrest of Robert Hulme and Keith Giles.

They were instrumental in MTIC mobile phone frauds that defrauded the taxpayer of over £55 million. In August 2008, following a six week trial at Liverpool Crown Court before HHJ Norman Wright, the defendants were convicted and sentenced to nine years and three months and six and a half years respectively.

At present, we have 26 MTIC cases awaiting trial and at the pre-charge advisory stage. The largest of these is Operation Euripus, a £250 million case. The first trial is now complete. Three defendants were convicted and sentenced to a total of 19.5 years' imprisonment. A second trial is presently underway.

We have also had major successes in securing post-conviction confiscation orders. In Operation Dossal, a confiscation order of almost £4 million was made. In Operation Maypole, three defendants appealed against a £4.7 million confiscation order. In dismissing the appeal, the Court of Appeal held that a trial judge was not only confined to the factual basis of a jury's verdict in determining benefit but was

entitled to take into account all of the evidence he had heard.

Asset forfeiture

Over the course of the year, the Asset Forfeiture Division enforced confiscation orders to a combined value of £21.9 million and enforced orders made overseas to a value of £0.26 million. It obtained 59 confiscation orders worth £40.9 million, thus making a significant contribution to our overall performance of 499 orders worth £69.2 million. It also obtained 112 restraint orders and 16 receivership orders.

Our Asset Forfeiture Division has continued to take a strong line in its casework. Twice this year, we have had cases before the House of Lords and have been successful in both. In *R v May*, the court upheld a £3.2 million confiscation order made against an MTIC fraudster and handed down important guidance on making confiscation orders. The second was *R v Samsul Islam*, where the court accepted our arguments about the correct way to approach the question of how to ascribe a value to controlled drugs when making confiscation

It has been a significant year in proceeds of crime law with important judgements on a range of issues, including the making of confiscation orders, the prosecutor's discretion and the scope of restraint orders.

orders. Other cases of note include *R v Glatt*, where we took over proceedings on behalf of a receiver and were successful before the Court of Appeal in defining the scope of a receiver's lien (a charge upon real or personal property for the satisfaction of some debt or duty ordinarily arising by operation of law), and *Stodgell v Stodgell*, where we successfully argued that the spouse of a convicted tax fraudster should not have her claim for ancillary relief determined before the confiscation order was paid.

The most eye-catching case of the year was the £26 million confiscation order against Craig Johnson, a multi-million pound MTIC fraudster (see case study on page 10).

It has been a significant year in proceeds of crime law with important judgements on a range of issues, including the making of confiscation orders, the prosecutor's discretion and the scope of restraint orders. Our Asset Forfeiture Division has also been active in developing and delivering training to our lawyers and HMRC investigators on these issues.

Money laundering

We have had major successes in prosecuting money laundering

this year. For example, Operation Bluejay saw 11 defendants convicted and sentenced to a total of just over 26 years' imprisonment. Other successes included *R v Frolovs, Sanina & Rudzitis*. This case involved a highly organised cigarette and money laundering ring. The three defendants, Latvian nationals, imported and distributed millions of cigarettes into and around the UK, hidden in purpose-built reinforced concrete beams. The duty evaded was in excess of £3 million and a multitude of different accounts were used to launder the enormous cash profits. The defendants were sentenced to ten and a half years, three years and five years respectively.

Operation Elemi was a long running investigation into the money laundering activities of an organised crime group. Monies laundered included the profits from drug trafficking, VAT fraud, counterfeiting and credit card fraud. Five men were convicted and sentenced by the Crown Court at Birmingham for their part in the conspiracy and received jail sentences totalling more than 30 years.

We also had a success in the Court of Appeal in the case of *R v B B Wright*. Wright went to the

Court of Appeal in relation to the imposition of a financial reporting order under the Serious Organised Crime Prevention Act 2005. The trial judge concluded that there was a sufficiently high risk that Wright would commit a money laundering offence, as he had control of very substantial assets (i.e. unrecovered/identified proceeds of crime), and upheld the order.

Tax and tax credit fraud

Our division with strategic lead in relation to direct tax and tax credits continued to strengthen our ties with HMRC and secure significant sentences for those convicted. There are a number of large and complex tax cases pending.

In the current economic climate, we anticipate that tax fraud and organised attacks on the tax credit system will be under closer scrutiny from the public who may also expect to see more prosecution and confiscation of assets. We are continuing to work closely with HMRC with this in mind.

In the latest of a long running series of cases involving false accounting and off-record wages for building contractors that led to a £10 million tax loss, our prosecutors achieved the conviction of two defendants who received five- and six-year sentences respectively in the case of *R v Mulligan and Bennie*.

In 2008/09, we prosecuted numerous people involved in well organised and concerted attacks on the tax credit system

499

Number of confiscation orders we have secured this year

including those who stole or hijacked identities. Some of these cases involved foreign nationals and many involved corrupt insiders. In many instances, money was sent abroad.

Tax credit cases have included *R v Kolapo and others*, an organised attack on the tax credit system run by Kolapo, his three sisters, two of their husbands and a friend. The fraud was committed by hijacking identities and making hundreds of false claims totalling over £1 million. Sentences of imprisonment ranged between two and four and a half years. Operation Paris focused on separate individuals suspected of tax credit fraud across the same geographical region and involved co-ordinated arrests on one day of 12 individuals in the same area. The trials are on-going. In a third case, two foreign students, Abimbola and Abioje, used hundreds of false identities and bank accounts to obtain VAT and tax credits totalling £5 million. They received four years and 21 months imprisonment respectively.

During the year, we successfully prosecuted two HMRC security guards, Alo and Aina, who ran a confidence-based inheritance fraud. Over an 18-month period, substantial sums were deposited into their bank accounts by various people from all over the world, including Madagascar. In total, the sums deposited amounted to approximately £330,000. Letters of request were sent out and statements revealed that this was



a fraud that involved false identity documents and forgery. The men pleaded guilty to a ten count indictment and received three and six year custodial sentences respectively. Aina is currently appealing his sentence.

We have continued to break new ground under national minimum wage legislation. The case of *R v Jackson and Smout* was the first prosecution for non payment of the national minimum wage. The defendants were charged with non payment, for failure to keep records



215

Number of defendants charged by our Serious Organised Crime Division during 2008/09

and failure to provide information to HMRC compliance officers. Sheffield Magistrates' Court awarded compensation to the two complainants representing arrears of wages and fines totalling £700.

Serious organised crime

Our Serious Organised Crime Division maintained good relationships with SOCA during 2008/09. The division charged 215 defendants during the year: 129 in SOCA cases and 86 in HMRC cases. On 31 March 2009, the division had 182 defendants on hand: 122 in SOCA cases and 60 in HMRC cases. In addition to casework, lawyers from our Serious Organised Crime Division

regularly appeared as trainers on SOCA courses on topics such as advanced and specialist disclosure, court skills and lead officer training. They also contributed to the programmes of activity that comprise the UK Control Strategy for Serious Organised Crime and the divisional head continues to be a member of the Senior Assurance Group for the Control Strategy and a member of the Programme Review Group.

A significant case prosecuted by the division was Operation Caroché, involving the importation by boat of 15 metric tonnes of cannabis. The trial secured sentences of 83 years for ten defendants.

Smuggling

Drug-related cases accounted for 64% of our caseload in 2008/09, with 722 of our 1,121 cases involving drugs, compared to 58% in 2007/08. We have also prosecuted cases involving the smuggling of pornography, endangered species and illegal animal materials (see page 13).

Evasion of the duty on tobacco, alcohol and oils

We have prosecuted a number of excise duty frauds, including Operation Bruise where 10 defendants pleaded guilty to evasion charges relating to commercial quantities of tobacco and related money laundering charges, and were sentenced to a total of just over 11 years' imprisonment (see page 15 for a further tobacco duty evasion case study).

Export controls

This year we have received an increasing amount of strategic goods work from HMRC. Strategic goods are those cases dealing with unlicensed arms dealing or sending goods to embargoed destinations. We have been advising HMRC and liaising with our UK and foreign partners on a number of serious cases as a result of these referrals, some of which are now before the courts but cannot be reported on. One recently concluding prosecution saw Milestone Trading Ltd fined £666 for trying to export without a licence two Mercedes Unimog vehicles and three Land Rovers - all classified as military vehicles



because of their fittings - to Sierra Leone.

During the year we completed the bulk of the preparation work in relation to Operation Almud, a prosecution brought against three businessmen for deliberately breaching export control laws and sourcing and shipping aircraft and other military listed items to Iran. The men were sentenced to a total of ten years in prison.

One of our heads of division chairs the Strategic Control Export Committee that is made up of our prosecutors, policy and investigative officers from HMRC and HMRC lawyers. The committee meets regularly to discuss policy developments and the roles the respective parties should play in dealing with these offences, and examines progress in all the cases under investigation or before the courts to ensure that they are being dealt with in a timely way.

Policy

Our International, Policy and Advisory Division continues to represent us across the Criminal Justice System and to improve and refine our own ways of working. We engage with the wider Criminal Justice System and work closely with the Attorney General's Office, the Home Office, the Ministry of Justice, Whitehall prosecutor colleagues and the other Law Officers' Departments on the development of policy, legislation and guidance. Examples of topics covered by our policy work during

Drug-related cases accounted for 64% of our caseload in 2008/09, with 722 of our 1,121 cases involving drugs, compared to 58% in 2007/08. We have also prosecuted cases involving the smuggling of pornography, endangered species and illegal animal materials.

2008/09 include:

- the Attorney General's Strategic Review
- constitutional renewal
- the development of the National Fraud Authority
- the renewal of the Prosecutors' Convention
- Government Legal Service 20/20
- disclosure
- the prosecution of companies
- the national minimum wage
- national and international initiatives around the sharing of information.

Our International, Policy and Advisory Division also undertook a number of quality assurance exercises during the year to provide the Director, David Green QC, with assurance regarding the operation of RCPO. These included assessments of the level of compliance with the casework requirements set out in our *Prosecution Manual* and thematic reviews of both casework and non-casework systems and processes. These reviews highlighted areas of strength in RCPO and also identified where improvements could be made.

The recommendations from these quality assurance exercises have been implemented and have improved both the quality of our casework and made the organisation more efficient and effective. This activity was supported by a training programme, *Seven Key Themes*, delivered to all casework staff, which included training on:

- recording decisions
- prioritising confiscation
- indictment quality
- telephone manner
- quality of correspondence
- provision of case summaries
- compliance with the counsel fees regime.

Further quality assurance exercises have followed the delivery of this training programme, and we expect to complete the reports on these shortly.

The *Prosecution Manual* is a comprehensive step-by-step procedural guide for all stages of casework, and provides links to other relevant guidance. The manual is a constantly evolving document reflecting best practice. Following a wide consultation

Our International, Policy and Advisory Division is our link with Her Majesty's Crown Prosecution Service Inspectorate (HMCPPI) on independent, external inspection.

with staff during the summer of 2008, the manual has been comprehensively revised and rewritten.

Our International, Policy and Advisory Division is our link with Her Majesty's Crown Prosecution Service Inspectorate (HMCPPI) on independent, external inspection. A thematic review of our prosecutor charging scheme was undertaken towards the end of 2008. Despite having been in operation for less than a year at the time of the inspection, HMCPPI found that the scheme had been implemented effectively and was well received by both prosecutors and investigators. A full inspection of RCPO began early in 2009, the results of which are expected in the summer.

International

During 2008/09, the Director visited five foreign jurisdictions:

- in May 2008, he and a team of our lawyers went to Holland to meet with Dutch prosecutors and members of Eurojust.
- in June 2008, he met with the Spanish anti-drug prosecution service and the Spanish Ministry of Justice and Judiciary Council in Madrid

- in August 2008, he attended the International Association of Prosecutors conference in Singapore
- in November 2008, he met with French judiciary and prosecutors
- in February 2009, he attended a meeting of European prosecutors in Paris
- in March 2009, he attended an Anti-Fraud Office of the European Union (OLAF) conference in Dublin on cross-border fraud, corruption and financial interests.

During the year, our International, Policy and Advisory Division continued to improve the support it offers to the casework divisions in obtaining evidence and other assistance from abroad. This assistance plays an often critical role in securing convictions and in stripping criminals of the proceeds of their crimes. They sent out 435 letters of request during the year. They redesigned our country-specific precedents for asset forfeiture lawyers to make it easier for them to request assistance in restraint of assets and the enforcement of confiscation orders. They also designed and delivered a training programme for new lawyers covering both mutual legal assistance and extradition. The

training was supported by comprehensive guidance published on our intranet during the year.

Other lawyers in the Government Legal Service, who may be doing international work for the first time, can now share our expertise. During the year, we were delighted to support the work of the Attorney General that culminated in the launch in October 2008 of the prosecutors' zone of the LION website by making our country-specific precedents and guidance for obtaining evidence available on the website. The LION website is a source of practical information and guidance for all Government lawyers (see case study on page 17).

Our most notable extradition success of the year was to secure the return of Raymond Woolley from Switzerland (see case study on page 18.) During 2008/09, there was a 33% increase in the number of applications for European arrest warrants.

Human resources

As a result of continued cross-Government collaboration with our partners within the Law Officers' Departments, we have successfully implemented and embedded an integrated HR and payroll database. This has delivered efficiencies within the team and, through self service, is contributing to our organisational effectiveness by ensuring the process of recording, reporting and managing HR issues is completed in a timely manner.

We carried out a job evaluation exercise during the year using Job Evaluation and Grading Support (JEGS) to ratify our grading structure and identified only a few anomalies that are being addressed. We are currently agreeing grading guidance using the information from the JEGS exercise. This will help to ensure the consistency of our grading decisions and continue to give confidence to all in our grading structure.

We are currently updating our HR policies and writing new policies where gaps have been identified. This year, we formalised a Pay Committee to oversee pay arrangements for the Senior Civil Service (SCS) and developed an SCS Pay Strategy based on Cabinet Office guidelines. We need to continue to work to clearly formalise our terms and conditions.

This year, we revised our Learning and Development Policy and undertook a comprehensive training needs analysis that shaped our 2008/09 training plan. The plan focuses on legal knowledge

and skills, people management and leadership skills, and core business skills. The plan was delivered through blended learning solutions including:

- on-the-job learning
- shadowing
- internal and external workshops
- conferences
- all-staff events
- professional subscriptions
- coaching
- e-learning
- support for professional qualifications.

All our internal events are evaluated to assess their quality, and substantial progress was made in meeting our business plan's key

performance indicator of delivering five training days and an average investment of £1,000 per person per year.

The summer 2008 training needs analysis produced a training plan that was signed off by the Board. A course catalogue was published that maps each course to a business objective. The revised Learning and Development Policy provides guidance for staff on how to plan their development, get the best use of resources, and how development will meet the diverse needs of staff. Internally run courses are designed around learning objectives that enable staff to be evaluated to determine success. Over 110 hours of continuing professional development (CPD) accredited



We applied for, and were successfully accredited with, the Two Ticks Disability Symbol, recognition of our positive attitude towards disabled people.

in-house training was delivered and 96% of delegates surveyed would recommend internal training to colleagues. Our induction programme comprises a corporate welcome, a core job induction and learning from each other. The legal trainee programme and professional qualification programme develops existing talent.

Membership of the Equality and Diversity Committee has been reviewed to include individuals able to promote equality and diversity in their areas of responsibility. We have a new single Equality Scheme and have been progressing the supporting action plan.

We applied for, and were successfully accredited with, the Two Ticks Disability Symbol, recognition of our positive attitude towards disabled people. Certificates confirming our accreditation are displayed in our reception areas in both London and Manchester, and the symbol appears on our stationery and documentation (see page 39 for further information on our equality and diversity work).

Corporate services

In December 2008, we awarded a contract to technology consultancy Detica to configure and install a new legal case management system.

The package uses off-the-shelf software supplied by LexisNexis. This new technology will support a number of changes that will further improve our case management processes.

In response to the Government's data security reviews, we strengthened our data handling arrangements. Over 85% of our staff completed data security training. We also led the way in ensuring that counsel understand their responsibilities in relation to handling sensitive data in our cases. In addition to data security, we also strengthened our corporate governance arrangements in the areas of procurement, risk management and business continuity planning.

We continued to make a significant contribution to sharing services across the Law Officers' Departments. Work has begun on establishing a joint IT disaster recovery system with the Treasury Solicitor's Department, and we are continuing to work on a number of collaborative procurement exercises that through harnessing bulk-buying power, will realise significant savings across the Law Officers' Departments.

On behalf of the Attorney General's Office, we continued to administer the Attorney General's Unified List of Approved Prosecuting Counsel. During 2008/09, we began an

exercise to appoint additional barristers to the list. This exercise is due to be completed over the summer. Through advertising in minority group media, we have taken positive steps to increase the diversity of representation on the list.

In May 2008, staff in our Manchester office returned to their newly refurbished accommodation in Ralli Quays after seven weeks in temporary accommodation in a separate building provided by HMRC. While in temporary accommodation, emergency plans were put in place, desk space was offered to staff on a daily basis according to need and ability to work from home, all files and case papers were stored in remote storage with a three hour retrieval system in place and post was collected from Ralli Quays on a daily basis. The Manchester office now has a dedicated video conference facility with the London office and its own conference room.

We have continued to work with the other Law Officers' Departments to continuously improve our performance against the Government's sustainable development targets.

Communications

In 2008, we expanded our Communications Team to implement our new communications strategy. We successfully recruited two new posts and a new Head of Strategic Communications. We also seconded a press officer to support the work of the Attorney General's Office.

20/20

During 2008/09 we included Government Legal Service 20/20 as part of our policy work

We drafted and implemented a Partner Engagement Strategy, a Marketing Services Strategy and a Community Engagement Strategy (see case study on page 20).

This year, we developed a new internal communication channel in the shape of a weekly email staff bulletin populated with legal information, important announcements and general news that would previously have been stored on our intranet. This allows us to direct staff to information rather than requiring them to seek it out.

We have supported three major change programmes during the year by devising and delivering communications strategies, facilitating stakeholder meetings, designing and testing new e-communications and communicating with staff through our intranet and staff newsletter.

As part of our work on partner engagement, we began a stakeholder mapping exercise across the organisation to enable us to identify and allocate leadership for stakeholder engagement to key personnel. This will enable us to engage our partners more effectively and ensure that we deliver our key messages more consistently. We also sought opportunities to contribute to the internal communications of our key partners including those of HMRC, SOCA and HM Courts Service. We have also improved our parliamentary monitoring and contributed to a cross-departmental MTIC communications strategy being developed by HMRC.



Alongside our Private Office, we initiated activity to improve our relationship with our designated courts. As a result, a case progression champion and a single point of contact have been appointed within RCPO for each designated court to ensure high quality liaison work. We now attend case progression meetings at Croydon and Manchester. Following the success of the Croydon model, in particular, we have requested meetings with



This year, there has been a substantial increase in press coverage of our work by the local, regional, national, online and specialist press. In all, there has been a 12-fold increase in our direct media coverage between mid-January and the end of March 2009 when compared to the previous nine months.

court managers at a number of other key designated courts to discuss extending the case progression system.

This year, we have taken the lead in a shared services project developing new websites for ourselves, the Attorney General's Office and the National Fraud Authority. We launched our new website at the end of December 2008.

In May 2009, we hosted our first national conference – *Is prosecution the answer?* – with high profile speakers from across the Criminal Justice System including the Attorney General and the Director of Public Prosecutions. The conference was well received by around 250 delegates from HMRC, SOCA, CPS, Whitehall prosecutors and the Bar.

This year, there has been a substantial increase in press coverage of our work by the local, regional, national, online and specialist press. In all, there has been a 12-fold increase in our

direct media coverage between mid-January and the end of March 2009 when compared to the previous nine months. New relationships have been forged with national newspaper journalists, as well as numerous regional newspapers. As part of this work, we have improved and developed our media planning and forward look.

During the year, we ran two all-staff conferences that were well received by staff and the Board.

Finance

Since our creation in 2005, we have developed our financial control framework. As part of this process, we implemented delegated budgeting to business managers from the start of 2008/09. The business objectives for delegating budgets were to ensure that:

- accountability was placed at the point where spending decisions are taken
- levels of scrutiny were raised in terms of financial data held in the finance system

- improvements were achieved in the quality of financial reporting and management information, leading to improved decision making
- better value for money was obtained from improved resource management.

To ensure that budget managers had sufficient skills and awareness, the Finance Team issued a *Budget Manager's Guide to Budgeting* and ran a series of workshops through the year, including one event with the National School of Government that prepared managers for the 2009/10 budget planning round.

The Finance Team also wrote a number of financial reports that were made available online to budget managers. Recipients of these reports are able to monitor their expenditure in real time and take prompt corrective action where this is deemed necessary.

The transition to fully International Financial Reporting Standards (IFRS)-compliant accounts within central Government in 2009/10 is being facilitated through a 'Trigger Point' process. For Trigger Point 1, conducted at the end of 2008, we produced a restated version of our 2007/08 balance sheet in accordance with international reporting standards. The National Audit Office gave the opinion that this information presented a true and fair view of the state of our financial affairs as at 1 April 2008.

Departmental governance and organisation

Our functions

RCPO is one of the Law Officers' Departments alongside the Attorney General's Office (AGO), the Crown Prosecution Service (CPS), HM Crown Prosecution Service Inspectorate (HMCPPI), the Serious Fraud Office (SFO) and the Treasury Solicitor's Department. The Law Officers are the Attorney General and the Solicitor General.

RCPO was established by the Commissioners for Revenue and Customs Act 2005 as a specialist and independent government department that receives supply funding from Parliament. RCPO is responsible for carrying out criminal prosecutions for HMRC and SOCA.

RCPO is a major Crown Court prosecutor. In addition, it prosecutes a large number of cases in the magistrates' courts. RCPO's prosecutions include many large and complex cases. The full remit of our casework covers a wide range including:

- VAT fraud – from the simplest repayment fraud to complex cases involving multiple traders
- direct tax fraud – from large and sophisticated evasion cases on an international scale to less complex shadow economy fraud
- tax credit fraud
- excise fraud – tobacco, alcohol and fuels
- drug smuggling of all kinds, from those carrying goods on or in their person to massive quantities of Class A drugs smuggled by air or sea
- money laundering – generally involving the proceeds of fraud or drug trafficking
- UN sanctions cases – these usually involve exports to embargoed destinations or export of military or dual use goods
- exotic goods – from conflict diamonds to trafficking in endangered species governed by the Convention on International Trade in Endangered Species (CITES)
- national minimum wage
- restraint, confiscation and enforcement proceedings undertaken by the Asset Forfeiture Division.

RCPO is also involved in a range of initiatives within the Criminal Justice System, contributing to debate, consultation and policy development.

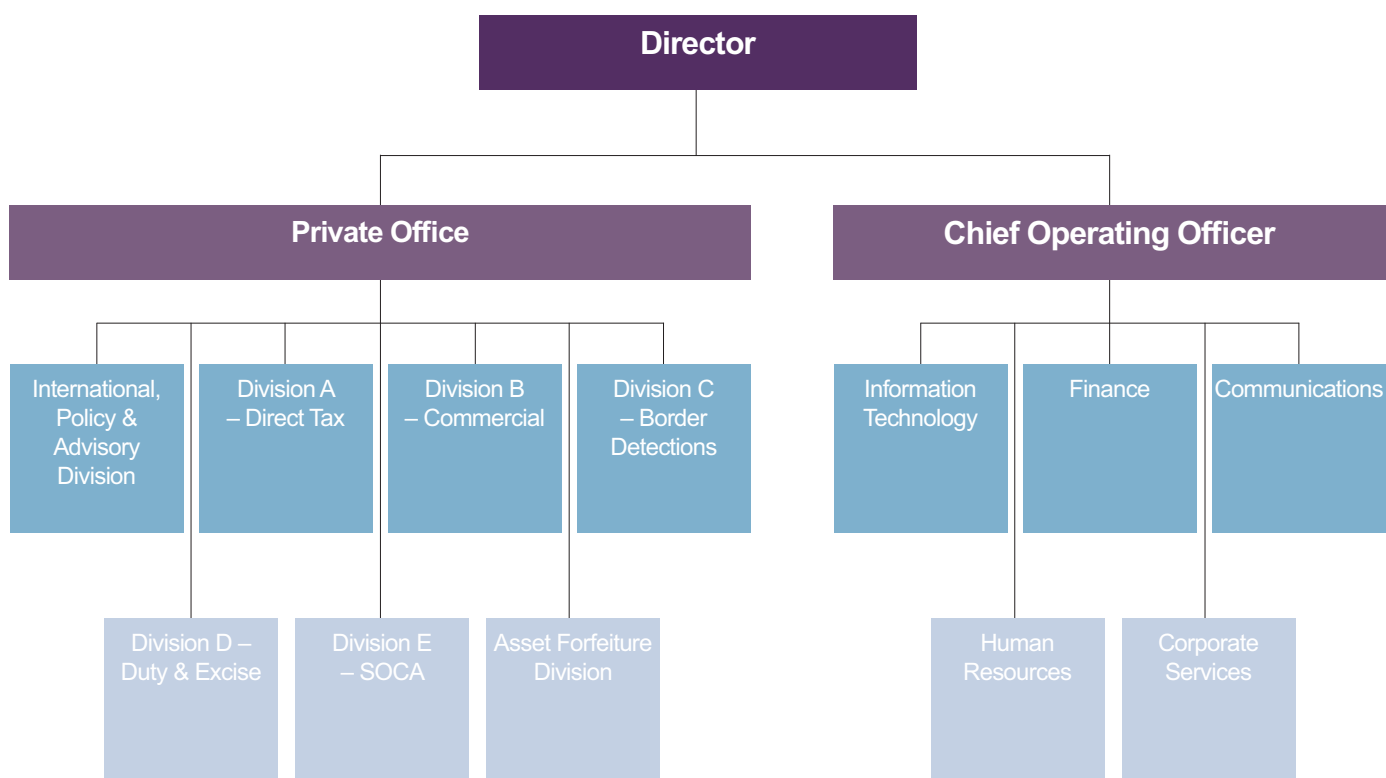
Our Board

David Green QC, as Director and Accounting Officer of RCPO, is accountable to the Attorney General and responsible for the management of RCPO. He is supported in delivering his responsibilities by the RCPO Board.

The Board sets RCPO's strategic goals and oversees the achievement of RCPO's objectives. It also ensures that RCPO runs efficiently and effectively and achieves value for money for the taxpayer. The Board sat 12 times in the year. At March 31 2009, membership of the Board was as follows:

David Green QC	Director, Accounting Officer and Chair
David Richardson	Chief Operating Officer
Justin Freebairn	Head of Finance
Alun Milford	Head of Asset Forfeiture Division
Annewen Rowe	Head of International, Policy and Advisory Division
Malcolm McHaffie	Temporary Head of Division A
Matthew Wagstaff	Head of Division B
Bill Wheeldon	Head of Division C
Elizabeth Bailey	Head of Division D
Gregor McGill	Head of Division E

In addition, there were three non-executive directors on the RCPO Board throughout 2008/09 Sarah Brown, Paul White and Steven Redmond. An additional non-executive director, Claire Dodgson, left the Board in January 2009. Saleem Naqvi also served during the year as a temporary head of Division A, up to 31 September 2008.



Details of the remuneration of the Board are set out in the Remuneration Report.

Directorships and other significant interests

None of RCPO's Board members hold any company directorships or significant interests that conflict with their management responsibilities.

Audit Committee

The Audit Committee's role is to advise the Accounting Officer and the Board on the adequacy of internal controls, corporate governance, risk management, financial reporting and audit arrangements. The Audit Committee comprises all non-executive Board members, one of whom serves as the Chair.

The Audit Committee sits at least once every quarter, and in 2008/09, it met four times. It has overseen the development of the risk registers and addresses the management of risk at each meeting. The Committee also considers the accounts and reports from both external and internal auditors. It commissions other work as it deems necessary to provide an assurance to the RCPO Board on governance, internal control and risk issues. It also oversees health and safety issues.

Other committees

The Board is also supported by four other key committees.

- **Operations Committee and Corporate Services Committee**

These committees ensure that RCPO delivers high quality services to the wider Criminal Justice System and has the necessary casework and corporate systems in place to achieve its objectives.

- **Equality and Diversity Committee**

This committee ensures that RCPO's staff enjoy a workplace where each individual is valued and does not suffer from discrimination. It also implements measures to ensure that RCPO's work is free from bias.

- **Change Programme Committee.**

This committee ensures that the RCPO's major projects are properly managed and are delivered in time and within budget.

Our organisation

The Attorney General appointed David Green QC as the Director of RCPO in December 2004 with responsibility for leading RCPO's prosecution activity, managing all legal issues, and determining policy. The appointment, which was initially until December 2007, has been extended for a further two years until December 2009. The Director heads an organisation of approximately 338 permanent staff (on a full-time equivalent basis), which includes lawyers, caseworkers and administrators, who are based in London and Manchester.

There are six operational divisions reporting to the Director. Each division has a lead activity, although A-D are multifunctional. They are:

Division A	(Direct Tax)
Division B	(Commercial)
Division C	(Border Detections)
Division D	(Duty and Excise)
Division E	(Serious Organised Crime)
Asset Forfeiture Division	(Restraint, Confiscation and Enforcement)

Also reporting to the Director is the Head of the International, Policy and Advisory Division, who provides him with support on policy and internal quality assurance, and the Chief Operating Officer who is responsible for Finance, HR, IT, Communications and Corporate Services.

This year RCPO has spent £432,000 on consultancy services.

This year, RCPO has dealt with 27 Freedom of Information Act requests and 10 Data Protection Act requests.

Due to improved reporting of sickness, the absence rate for the year ending 31 March 2009 is 9.1 days. While this is an increase on previous quarters, it is still below the latest available published figures for the Civil Service as a whole.

Annual reports

RCPO publishes annual reports in accordance with the requirements of schedule 3 of the Commissioners for Revenue and Customs Act 2005, and the reports contain information on the full range of RCPO's work as well as a number of case studies. Additionally, the RCPO Business Plan 2008 sets out the RCPO's work programme for the period 2008–11. This document is available on the RCPO website at www.rcpo.gov.uk.

RCPO's spending plans were set out in HM Treasury's Main Estimate 2008/09 (pages 295 to 304). This document is available on the HM Treasury website at www.hm-treasury.gov.uk.

Pensions

Details of RCPO's pension arrangements are included in the Remuneration Report and in the notes to these accounts.

Provision of information and consultation with employees

RCPO staff are kept up to date on operational and organisational matters in a number of ways, including the intranet, which also serves as an electronic library for legal guidance, internal policy and procedural documents, and the publication of a regular newsletter that contains key news from across the business with particular emphasis on RCPO's core activity. RCPO continues to engage with trade union representatives. RCPO undertakes a biennial staff opinion survey, in which staff are asked for feedback on their thoughts and feelings about working for RCPO. Meetings are now held twice a year for the Director, Chief Operating Officer and other senior managers to address all staff. In addition, a bi-monthly open forum has been introduced where staff have the opportunity to raise and discuss any business issues with the Director, Chief Operating Officer and divisional heads.

Equality and diversity

RCPO is committed to equal opportunities in all areas of employment. It aims to treat all staff fairly, with dignity and respect regardless of any factor which is unrelated to their performance in their current or future role. Policies are in place to ensure that no job applicant or member of staff receives less favourable treatment on grounds of gender, gender reassignment, age, marital status, race, ethnic background, colour, nationality, disability, religion or belief, sexual orientation, or any other irrelevant factor. This is in line with Civil Service policy statements, United Kingdom legislation on equality of opportunity and pay, and European Union law.

Diversity is also fundamental to the way in which RCPO carries out prosecutions and other aspects of its business. RCPO policies and functions are being subjected to equality impact assessments to ensure that there is no unlawful discrimination against different groups. As part of the equality impact assessment process RCPO will consult with all those that have an interest, including minority groups. RCPO continues to work to develop better links with stakeholders to inform RCPO's policies and actions.

RCPO is a member of the Attorney General's Equality and Diversity Advisory Group, has an active Equality and Diversity Committee and has published its Equality Scheme, Diversity Statement and Equality Action Plan on its website. The Committee has been further strengthened by becoming part of RCPO's formal corporate governance structure reporting to the Board. The former committee is being retained as an equality and diversity consultative forum with members being consulted over such issues as the outcome of the equality impact assessments.

The RCPO Equality Scheme and Action Plan were updated in 2008 in line with earlier recommendations in relation to carrying out risk-based equality impact assessments. The scheme sets out how RCPO intends to meet its equality and diversity responsibilities and commitments, and builds equality into its business activities and employment responsibilities. The programme for carrying out risk-based assessments now forms part of the Action Plan and good progress has been made in carrying out the equality impact assessments.

Employment of disabled persons

The policy statement above affirms RCPO's commitment to equality of opportunity in employment, and ensuring that diversity is fundamental to the way in which RCPO carries out its prosecutions and other areas of business. In particular, RCPO is aware of the general duty under the Disability Discrimination Act 2005 and has incorporated its statutory duty into its Equality Scheme.

RCPO has policies in place to prevent unfair discrimination against staff or eligible applicants for posts on any grounds, including disability.

RCPO has a culture of inclusiveness and is working towards removing barriers and promoting positive attitudes to achieve full diversity. RCPO's commitment to ensuring equal opportunities for all is demonstrated by the fact that we have been successfully accredited with the positive about disabled people, Two Ticks Symbol.

Recruitment

RCPO held sixteen external recruitment campaigns during 2008/9 and the following appointments were made: one Grade 6 senior lawyer, one Grade 6 head of strategic communications, ten Grade 7 lawyers, one Grade 7 Financial accountant, five legal officers, one SEO partner engagement manager, one HEO marketing services manager, one HEO press officer, one EO communications officer, one EO assistant learning and development manager, one EO assistant librarian, four EO case managers, two EO front of house managers and four administrative officers.

All external recruitment was carried out on the basis of fair and open competition and selection on merit, in accordance with the provisions of the Civil Service Commissioners' Recruitment Code, and was subject to an internal compliance check. Of the 34 candidates appointed from the external campaigns, 15 were male and 19 female. Candidates from all campaigns were selected in accordance with equal opportunity principles.

Sustainable development

RCPO will work with the other Law Officers' Departments to continuously improve its performance against the Government's sustainable development targets. RCPO will work more closely with Her Majesty's Revenue and Customs (HMRC), that will continue to act as RCPO's estates service provider up until at least the end of 2011.

In order to increase recycling, reduce waste and limit its overall impact on the environment, RCPO will be collaborating with the other Government departments and private enterprises that it shares the estate with in

London to jointly implement recycling schemes.

The expiration of RCPO's lease on the Manchester office in March 2010 will allow it to consider options for moving to more modern, energy efficient premises.

These measures will ensure that RCPO contributes to the Government's sustainable development targets, including:

- 10% reduction in transport-related CO² emissions
- reduction of waste arising by 1%
- increase recycling to a rate of 5% of total waste arising
- 15% reduction in energy usage
- procurement of 10% of energy from renewable sources
- all new builds and major refurbishments to consider sustainability
- introduction and maintenance of robust reporting and verification processes.

Personal data-related incidents

There were no personal data-related incidents reportable to the Information Commissioner's Office in 2008/09.

RCPO will continue to monitor and assess its information risks in order to identify and address any weaknesses and ensure continuous improvement of its systems.

During 2009/10, RCPO will continue to implement the latest Government data security standards. RCPO will also continue to work with its service delivery partners in order to ensure that they also adhere to the necessary guidelines and that the risk of loss of personal data is minimised.

Payment of suppliers

RCPO aims to pay all bills in accordance with agreed contractual conditions or, where no such conditions exist, within 30 days of receipt of goods and services or receipt of a valid invoice, whichever is the latter. On average, 93% (2007/08: 86%) of bills were paid within terms from April 2008 to March 2009. This continued improvement in the efficiency of the payments process is due to RCPO bringing the invoice batching process in-house, together with further improvements in communication and guidance regarding counsel fees. In November 2008, the Government tightened their prompt payment target from 30 days to 10 days. During 2008/09 RCPO was on average paying bills in 15 days, with 50% of invoices being paid within the 10-day target.

Auditors

The Comptroller and Auditor General is the external auditor for RCPO. The notional external audit fee for 2008/09 was £62,000 (2007/08: £68,000). In addition, a fee of £3,000 was paid to the external auditors relating to their audit of RCPO's restated 31 March 2008 "shadow" balance sheet prepared under International Financial Reporting Standards. No further assurance or advisory services were provided by the external auditors. RCPO incurred £48,965 (excluding VAT) of actual audit cost for internal audit work carried out by HMRC's internal auditors.

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

Future events

On 3 April 2009 the Attorney General announced the decision to merge RCPO and the CPS in order to provide an enhanced prosecution services. Following the announcement, a joint Programme Board and

Transition Team comprised of representatives from RCPO, CPS and the Attorney General's Office were established to take forward the programme of work required to give effect to the merger.

At its first meeting, held on 27 April, the Programme Board agreed that, from the outset, the way the two departments would approach the merger should be a model of how the combined service will operate moving forward. The outcome of the merger would be an enhanced public prosecution service that is 'greater than the sum of its parts'.

The Programme Board agreed that the merger would be based on the following six principles:

- a joint commitment to create an enhanced public prosecution service
- shared leadership and decision-making
- partnership working
- engagement with staff
- engagement with partners and stakeholders
- effective and independent assurance.

The first phase of the merger is intended to be completed by the end of 2009/10 with full integration planned before the end of 2010/11.

Financial review

RCPO's Vote for 2008/09 was £34.397 million. Against Voted expenditure, the net resource outturn for the year was £33.978 million, creating a resource surplus of £0.419 million and a cash surplus of £3.395 million.

There were no significant changes in the RCPO's objectives and activities, its investment strategy and its long term liabilities that had financing implications during the year.

Staff costs rose by £2.1 million from £14.0 million in 2007/08 to £16.1 million in 2008/09. This increase was due to the arrival of staff recruited in 2007/08 and the early part of 2008/09 which saw full time equivalents rise to a peak of 359, combined with the effect of a general pay rise. In the autumn of 2008, the Board made a decision to restrict staff complements and, in consequence, some of the increase has now been reversed.

Direct case costs rose from £12.8 million in 2007/08 to £13.2 million in 2008/09. This rise was driven mainly by a sharp increase in court costs which went up from £0.2 million in 2007/08 to £1.3 million in 2008/09: an unusually high figure. Underlying expenditure on direct case costs fell from £12.6 million in 2007/08 to just £12.0 million in 2008/09.

Explanation for variation between actuals, budget and Estimates

As shown below, the only reconciling item for the year 2008/09 between net resource outturn, net operating cost and resource budget outturn, was a Consolidated Fund extra receipt of £755,000. This is the excess appropriation in aid (A in A) from asset forfeiture activity.

Reconciliation of resource expenditure between Estimates, accounts and budgets

	2008/09	2007/08
	£000	£000
Net resource outturn (Estimates)	33,978	31,016
Adjustments to additionally include:		
Non-Voted expenditure in the OCS	-	-
Consolidated Fund Extra Receipts in the OCS	(755)	-
Other adjustments	-	-
Net operating cost (accounts)	33,223	31,016
Adjustments to additionally include:		
Other Consolidated Fund Extra Receipts	-	-
Unallocated resource provision	-	-
Other adjustments	-	-
Resource budget outturn (budget) of which	33,223	31,016
Departmental expenditure limits (DEL)	33,223	31,016
Annually managed expenditure (AME)	-	-

Accounting boundary

RCPO does not exercise in-year budgetary control over any other public or private body. It is a single entity department whose entire operations are within the accounting boundary reflected in these accounts.

Going concern

On 2 April 2009, it was decided that RCPO should be merged with the CPS. On the basis that RCPO's prosecution functions will continue within the new organisation, and will continue to be financed by funds Voted by Parliament, it has been deemed appropriate to adopt the going concern basis in preparing these accounts.

Value for money and efficiency¹

Under its 2004 Spending Review settlement, RCPO had a target to make efficiency savings of £2.5 million by the end of 2007/08. Through attaining better value in the procurement of legal services and tightening control of administrative costs, total efficiency savings of £3.1 million were achieved over the three-year period.

Under the 2007 Comprehensive Spending Review (CSR), which covers the period 2008 to 2011, RCPO, together with other Law Officers' Departments, is committed to cash-releasing savings of 3.5% of total expenditure per annum in real terms over the CSR period. This is an ambitious target, but by the further tightening of controls of administrative costs, continued effective management of counsel fees and investment in technology to support the prosecution process, RCPO is confident it will fulfil its commitment whilst maintaining both the quality and volume of its work.

During 2008, RCPO completed a self-assessment against the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Model which included a series of good practice statements. RCPO assessment against the model found that most of our existing procedures closely with good practice however, in some areas, we identified potential improvements. RCPO also took part in the CIPFA Value for Money Benchmarking exercise, designed for use by senior managers to help them monitor and improve efficiency and effectiveness in the organisation's corporate services. This work should help to inform future initiatives within the Law Officers' Departments on shared services and act as an enabler for further improvements in financial management.

RCPO's Value for Money Delivery Agreement and Business Plan for 2008–11 contains further material relating to its efficiency commitments over the 2007 CSR period and its objectives and delivery plans for the next three years respectively.

Update on the report of the Public Accounts Committee

In May 2008, the Public Accounts Committee held a session on RCPO, which examined the circumstances of its creation, the qualification of its 2005/06 accounts, the measures taken to address issues identified and the lessons learned for other new organisations.

A report, *Revenue and Customs Prosecutions Office* published by the Committee following the session, noted developments since 2005/06 and made recommendations relating to RCPO in three specific areas.

1. The figures in this section do not form part of the accounts and have not been audited by NAO.

250

Number of delegates who attended our first national conference

Recommendation

To encourage compliance with the new fee regime, RCPO should explore and develop a common range of sanctions in conjunction with other Law Officers' Departments (LODs).

RCPO should liaise with the CPS and Serious Fraud Office (SFO) to align processes for appointing counsel and managing fees.

RCPO should keep the level and values of work to specialist chambers under review.

Response

RCPO has put in place a clear fee regime for all its cases, which has been communicated to all barristers on the Attorney General's Unified List of Prosecuting Advocates (the List). RCPO has the ultimate sanction that it would not continue to instruct counsel who failed to comply with its fee regime. In addition, RCPO is exploring how best practice in the management of counsels' fees can be identified and shared across the LODs and is engaged with the NAO's Counsel Fees Good Governance Study across those departments. This work will continue whilst CPS and RCPO are combined.

The LODs have recently established a Strategy Programme, which is aiming to prepare the delivery of effective and efficient prosecution and legal services for the future. This programme is driving better joined-up delivery across the LODs and will encompass the relationship with counsel.

RCPO has a demonstrably open and fair appointment system, designed to attract and recruit the best applicants, wherever they are from. It is constantly trying to improve the selection and appointment process for counsel to ensure that it appoints the best candidates (including solicitor advocates) from as wide a pool as possible.

To this end, it has taken advice and has:

- improved its advertisements to make them more attractive to a wider audience
- taken steps to advertise more widely
- modified the application form to enable good applicants without all of the stated skills, experience and knowledge to give good examples of comparable skills etc
- improved the selection process by involving external assessors in the panels.

Remuneration report

Ministers and senior officers

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

Remuneration policy

The Prime Minister sets the remuneration of Senior Civil Servants (SCS) following independent advice from the Review Body on Senior Salaries (SSRB).

In reaching its recommendations, the Review Body has regard to the following considerations:

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

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at www.ome.uk.com.

Remuneration for RCPO's SCS members is determined in accordance with the latest SSRB Report on Senior Salaries. The Director, with the advice of his Non-executive Directors, considers pay increases and bonus payments in accordance with the recommendations of this report.

All SCS participated in a performance review and assessment process based on the common framework advised by the Cabinet Office. Performance assessments were made on the basis of each individual's contribution to RCPO relative to others, and these formed the basis of decisions on base pay and bonuses in line with SSRB recommendations.

For grades below SCS, there are annual performance-related pay awards based upon an appraisal of competency and the achievement of objectives. A formal review of each individual's performance is conducted at least once a year. Pay awards are measured against affordability criteria and are set within the bounds of the HM Treasury remit. Managers can also award recognition awards for extra effort to individuals or teams under RCPO's Recognition Scheme arrangements. In 2008/09, recognition awards to non-SCS staff totalled £14,995 (2007/08: £20,179).

Service contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code. The code requires appointments to be on merit on the basis of fair and open competition, but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments that 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 Commissioners can be found at www.civilservicecommissioners.org.

The Director, David Green QC, was initially appointed by the Attorney General on a three year contract, commencing in December 2004. In 2007, the Director was re-appointed for a further two years until December 2009.

Sarah Brown and Paul White were initially appointed as non-executive directors on three-year contracts until June 2008. In June 2008, Sarah Brown was re-appointed for a further three years whilst Paul White was re-appointed until June 2009. Claire Dodgson and Stephen Redmond were appointed as non-executive directors on three-year contracts in January 2008. Claire Dodgson left her position with RCPO in January 2009.

Salary and pension entitlements

The salary and pension entitlements of RCPO's senior management during 2008/09 are set out below. This information has been subject to audit.

Remuneration

	2008/09	2007/08
	Salary	Salary
Officials	£000	£000
David Green QC, Director	205–210	200–205
David Richardson, Chief Operating Officer	85–90	75–80
Justin Freebairn, Head of Finance	60–65	60–65
Alun Milford, Head of Asset Forfeiture Division	75–80	70–75
Annewen Rowe, Head of International, Policy and Advisory Division	75–80	0–5 (75–80 full year equivalent)

David Green QC's remuneration is agreed by the Attorney General.

	2008/09	2007/08
	Salary	Salary
Officials	£000	£000
Malcolm McHaffie, Temporary Head of Division A (from 1 October 2008)	35–40 (75–80 full year equivalent)	–
Saleem Naqvi ¹ , Temporary Head of Division A (from 31 March 2008 to 30 September 2008)	35–40 (75–80 full year equivalent)	–
Matthew Wagstaff, Head of Division B	80–85	80–85
Bill Wheeldon, Head of Division C	80–85	70–75
Elizabeth Bailey, Head of Division D	70–75	70–75
Gregor McGill, Head of Division E	75–80	75–80

¹Saleem Naqvi was appointed as temporary Head of Division A with effect from 31 March 2008. 2007/08 remuneration figures have not been disclosed for Mr Naqvi on the basis of materiality.

None of the senior officials received any benefits in kind during the year.

Salary

‘Salary’ includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; Private Office allowances; and any other allowance to the extent that it is subject to UK taxation.

Benefits in kind

The above does not include the estimated monetary value of benefits in kind, which relate solely to the provision of interest free loans for the purchase of season tickets for home to office travel.

Fees of non-executives

The non-executive directors received the following fees in 2008/09.

	£
Sarah Brown	13,487
Claire Dodgson	14,773
Stephen Redmond	22,617
Paul White	10,400

Pension benefits

	2009		2008				
	Accrued pension at age as at 31/3/09	Related lump sum at 31/3/09	Real increase in pension at pension age	Related real increase in lump sum at pension age	CETV at 31/3/09	CETV at 31/3/08 ¹	Real increase in CETV
	£000	£000	£000	£000	£000	£000	£000
David Green QC Director	5–10	-	0–2.5	-	147	107	29
David Richardson Chief Operating Officer	15–20	50–55	0–2.5	5–7.5	267	226	25
Justin Freebairn Head of Finance	10–15	-	0–2.5	-	150	131	2
Alun Milford Head of Asset Forfeiture Division	15–20	45–50	0–2.5	0–2.5	215	194	6
Annewen Rowe Head of International, Policy and Advisory Division	10–15	-	0–2.5	-	245	192	37
Malcolm McHaffie Temporary Head of Division A (from 1 October 2008)	15–20	45–50	0–2.5	2.5–5	195	176	12
Saleem Naqvi, Temporary Head of Division A (from 31 March 2008 to 30 September 2008)	10–15	40–45	0–2.5	2.5–5	201	179	18
Matthew Wagstaff Head of Division B	15–20	20–25	0–2.5	-2.5–0	166	148	5
Bill Wheeldon Head of Division C	15–20	55–60	0–2.5	0–2–5	296	270	6
Elizabeth Bailey Head of Division D	15–20	45–50	0–2.5	2.5–5	269	237	13
Gregor McGill Head of Division E	15–20	55–60	0–2.5	2.5–5	293	262	12

1. The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

There were no employer contributions to partnership pension accounts.

Civil Service pensions

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

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. 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' 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, immediately after the scheme year ends, the accrued pension is uprated in line with RPI. In all cases, members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.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 individual 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 calculated in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 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.



David Green QC
Accounting Officer

10 July 2009

Accounts

Introduction

These accounts relate to the operation of the Revenue and Customs Prosecutions Office (RCPO) for the period 1 April 2008 to 31 March 2009. They have been prepared on an accruals basis in accordance with the Government Resources and Accounts Act 2000 and HM Treasury's *Financial Reporting Manual*.

Statement of Accounting Officer's responsibilities

1. Under the Government Resources and Accounts Act 2000, HM Treasury has directed RCPO 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.
2. The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department, the net resource outturn, resources applied to objectives, recognised gains and losses, and cash flows for the financial year.
3. In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government *Financial Reporting Manual* and in particular to:
 - a. observe the relevant accounts direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
 - b. make judgments and estimates on a reasonable basis
 - c. state whether applicable accounting standards, as set out in the Government *Financial Reporting Manual*, have been followed and disclose and explain any material departures in the accounts
 - d. prepare the accounts on a going concern basis.
4. HM Treasury has appointed the Director of RCPO as Accounting Officer of the Department with responsibility for preparing the Department's accounts and for transmitting them to the Comptroller and Auditor General.
5. 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 Department's assets, are set out by HM Treasury and published in *Managing Public Money*.

Statement on internal control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of RCPO's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

The purpose of the system of internal control

The system of internal control based on an ongoing process is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is designed to:

- identify and prioritise the risks to the achievement of departmental policies, aims and objectives
- evaluate the likelihood of those risks being realised and the impact should they be realised
- manage these risks efficiently, effectively and economically.

The system of internal control has been in place at RCPO for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

As Accounting Officer, I am ultimately responsible for the effective management of RCPO and for ensuring that there are adequate risk management arrangements and a sound system of internal control in place.

Divisional heads manage risk in their areas of responsibility and ensure compliance with the procedures set out in the risk management strategy. Managers ensure that staff understand their risk management responsibilities and the extent to which they are empowered to take risks.

All staff are encouraged to report risks that affect our business and operations. The process of learning lessons, particularly as part of our casework procedures, contributes to business improvements and the sharing of good practice. This process is led by a best practice group. A programme to increase risk awareness throughout RCPO has recently commenced. This includes workshops, one-to-one sessions and training events for key staff. This process is being overseen by the Risk Group, with the ultimate aim of embedding risk management throughout RCPO and its policies and procedures.

The risk and control framework

RCPO's risk strategy is linked to aims and objectives set out in the departmental business plan. This link ensures that all underlying risks that have the potential to affect business operations are adequately covered in the risk management process.

A control framework that includes internal and external components underpins the risk strategy. Key elements in place throughout the year include:

- the Board, which owns the departmental risk management strategy and is responsible for ensuring that strategic risks are properly managed, and receives regular reports from the Audit Committee to support this function
- a management information system that provides the Board with regular updates relating to casework activity and outcomes
- regular reviews by the Board of in-year expenditure against forecasts to ensure effective allocation and control of RCPO's financial resources
- Board scrutiny of the performance against key targets in the business plan
- a system of risk registers designed to provide RCPO with an effective and reliable tool for the management of risk (see below)
- a clear structure of delegated responsibility

- a *Prosecution Manual* that provides detailed guidance to staff on handling cases
- an Asset Forfeiture Division manual that provides detailed guidance to staff on handling the restraint and confiscation of criminal assets
- regular reviews by Divisional heads of casework quality
- a staff appraisal process that incorporates personal objectives and key performance indicators that support RCPO's approach to risk management
- a commitment to the development of individuals including formal training where necessary to ensure everyone can contribute fully to the work of RCPO
- a whistle-blowing policy that protects individuals, who believe that RCPO has fallen below its standards, policies and practices
- a set of human resource policies
- a system of regular reviews of counsel nominations and fee levels
- a system for timely preparation of monthly management accounts and reconciliations
- a system that ensures that financial information required by HM Treasury and Parliament is filed within the statutory timeframes.

Assurance that these internal controls are being applied effectively is provided by the following independent functions, which have been in place throughout the year:

- an Audit Committee composed of up to four non-executive directors, one of whom serves as the chair, which assists me in fulfilling my oversight responsibilities and which is authorised to review and, where necessary, advise on RCPO's annual resource accounts, internal and external audit, risk management, corporate governance, financial discipline and control, and health and safety processes
- statutory inspection by HM Crown Prosecution Service Inspectorate to promote continuous improvement in the efficiency, effectiveness and fairness of RCPO's prosecution services through a process of inspection and evaluation, the provision of advice, and identification of good practice
- an Internal Audit function that operates to Government internal audit standards and which reviews the effectiveness of RCPO's risk management, control and governance processes, and which regularly reports to the Audit Committee
- reports from RCPO's external auditors, the National Audit Office.

RCPO's approach to risk management is to foster a culture in which all staff are aware of the need to be alert to a broad range of risks. This approach is reflected in risk registers, which list the risks identified and provide a framework within which action to mitigate risk can be monitored.

A strategic risk register is used to record and monitor high level risks to RCPO and its operations. It has been updated throughout the financial year, and is reviewed quarterly by the Audit Committee. Operational risk registers underpinning the strategic risk register are reviewed regularly by the Risk Group, which presents a quarterly report to the Audit Committee.

As part of the Transition Programme there is a separate transition risk register which is under continuous review with regular reports being given to the Transition Programme Board and RCPO and CPS Audit Committees.

The effectiveness of risk registers is reviewed regularly while the measurement of the overall success of controls is performed through regular monitoring with updates where necessary. The context of the registers is revisited periodically to identify any new risks and to confirm that existing risks are managed actively.

Information risk

As Accounting Officer, I am also responsible for safeguarding information, including personal data, as part of RCPO intangible assets, ensuring appropriate standards of collection, use, control and access are enforced in relation to information handled by RCPO. The safeguarding of information is covered as part of my review of the effectiveness of the system of internal control.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Ongoing review of the effectiveness of the control and risk management system in RCPO is provided by:

- **the Board**

The Board which met 12 times in the year and comprised myself, the Chief Operating Officer, all division heads, the Head of International, Policy and Advisory Division, the Head of Finance and the non-executive directors. The Board routinely examines strategic issues including, but not limited to, operational matters, risk and finance.

- **the Audit Committee**

The Audit Committee met four times in the year and reviews the strategic risk register and, since, December 2007, a report from the Risk Group. It also considers reports from both external and internal auditors and commissions such other work as it deems necessary to provide an assurance to the Board on governance, internal control and risk issues.

- **a business change and risk senior manager**

A business change and risk senior manager is responsible for managing the risk process within RCPO and a Risk Group, which meets once a quarter. This Group reviews and challenges identified risks, and provides support to the Corporate Services and Audit Committees in discharging their duties in relation to risk.

- **the International, Policy and Advisory Division.**

The International, Policy and Advisory Division conducts internal quality assurance of casework on my behalf.

Significant internal control issues 2008/09

No significant internal control issues in RCPO were identified in 2008/09.



David Green QC
Accounting Officer,
10 July 2009

The certificate and report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the Revenue and Customs Prosecutions Office for the year ended 31 March 2009 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, the Statement of Net Operating Costs by Departmental Strategic Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and Auditor

The Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made there under and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000.

I report to you whether, in my opinion, the information which comprises the Departmental governance and organisation section (excluding the subsections entitled Sustainable development and Value for money and efficiency), included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Department has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed. I review whether the Statement on Internal Control reflects the Department's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises all sections and subsections not listed above and the unaudited part of the Remuneration Report. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the

Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Department's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Department's affairs as at 31 March 2009, and the net cash requirement, net resource outturn, net operating cost, net operating costs applied to objectives, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- information, which comprises the Departmental governance and organisation section (excluding the subsections entitled Sustainable development and Value for money and efficiency), included in the Annual Report, is consistent with the financial statements.

Opinion on Regularity

In my opinion, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
London
SW1W 9SS

13 July 2009

Statement of parliamentary supply

Summary of resource outturn 2008/09

		2008/09							2007/08
		Estimate			Outturn				Outturn
		Gross expenditure	A in A	Net total	Gross expenditure	A in A	Net total	Net total outturn compared with Estimate: saving/ (excess)	Net total
Request for Resources	Note	£000	£000	£000	£000	£000	£000	£000	£000
1 The effective and efficient prosecution of cases in accordance with the <i>Code for Crown Prosecutors</i>	2	37,397	(3,000)	34,397	36,978	(3,000)	33,978	419	31,016
Total resources	3	37,397	(3,000)	34,397	36,978	(3,000)	33,978	419	31,016
Non-operating cost A in A		-	-	-	-	-	-	-	-

Net cash requirement 2008/09

		2008/09			2007/08
		Estimate		Outturn	Outturn
				Outturn	Outturn
		Net total		Outturn	Outturn
		£000		£000	£000
Note		£000		£000	£000
Net cash requirement	4	36,397		33,002	33,092

Summary of income payable to the Consolidated Fund

In addition to appropriations in aid, the following income relates to RCPO and is payable to the Consolidated Fund (cash receipts being highlighted)

		Forecast 2008/09		Outturn 2008/09	
		Income	Receipts	Income	Receipts
		£000	£000	£000	£000
Note		£000	£000	£000	£000
Total	5	-	-	755	-

Explanations of variances between Estimate and Outturn are given in Note 2, and in the 'Departmental governance and organisation' section.

The notes on pages 63 to 75 form part of these accounts.

Operating cost statement

For the year ended 31 March 2009

	Note	2008/09			2007/08
		Staff costs £000	Other costs £000	Income £000	£000
Staff costs	7	16,052			14,032
Other administration costs	8		7,718		7,656
Direct case costs	9		13,208		12,823
Operating income	10			(3,755)	(3,495)
Total		16,052	20,926	(3,755)	31,016
Net operating cost	3			33,223	31,016

All income and expenditure are derived from continuing operations.

Statement of recognised gains and losses

For the year ended 31 March 2009

	Note	2008/09	2007/08
		£000	£000
Net gain on revaluation of tangible fixed assets	17	27	-
Recognised gains for the financial year		27	-

The notes on pages 63 to 75 form part of these accounts.

Balance sheet

As at 31 March 2009

	Note	31 March 2009		31 March 2008	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	11	1,836		1,656	
Intangible assets	12	795		28	
			2,631		1,684
Current assets					
Debtors	13	4,105		2,055	
Cash at bank and in hand	14	1,955		916	
		6,060		2,971	
Creditors (amounts falling due within one year)	15	(12,040)		(7,061)	
Net current liabilities			(5,980)		(4,090)
			(3,349)		(2,406)
Taxpayers' equity					
General fund	16	(3,368)		(2,406)	
Revaluation reserve	17	19		-	
			(3,349)		(2,406)

The notes on pages 63 to 75 form part of these accounts.



David Green QC
Accounting Officer

10 July 2009

Cash flow statement

For the year ended 31 March 2009

		2008/09	2007/08
	Note	£000	£000
Net cash outflow from operating activities	18a	(31,390)	(30,401)
Capital expenditure and financial investment	18b	(1,612)	(1,946)
Payments of amounts due to the Consolidated Fund		-	(18)
Financing	18d	34,041	32,201
Increase/(decrease) in cash in the period	18e	1,039	(164)

Reconciliation of change in cash in the period to cash in bank

		2008/09	2007/08
	Note	£000	£000
Increase/(decrease) in cash in the period		1,039	(164)
Overdraft		-	(476)
Net change in cash balances	14	1,039	(640)

The notes on pages 63 to 75 form part of these accounts.

Statement of net operating costs by departmental strategic objective

For the year ended 31 March 2009

	2008/09			2007/08		
	Gross £000	Income £000	Net £000	Gross £000	Income £000	Net £000
Aim To be an effective, independent and specialist prosecuting authority that commands public confidence. We will promote the interests of witnesses and victims of crime.						
Objective	36,978	(3,755)	33,223	34,511	(3,495)	31,016
Net operating costs	36,978	(3,755)	33,223	34,511	(3,495)	31,016

The Department's objective was as follows:

to prosecute cases efficiently, fairly and effectively in accordance with the *Code for Crown Prosecutors* whilst prioritising the seizure of criminal assets.

The notes on pages 63 to 75 form part of these accounts.

Notes to the departmental resource accounts

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2008/2009 Government *Financial Reporting Manual (FReM)* issued by HM Treasury. The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

In addition to the primary statements prepared under UK GAAP, the FReM also requires RCPO to prepare two additional primary statements. The 'Statement of parliamentary supply' and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. The 'Statement of net operating costs by departmental strategic objective' analyses RCPO's income and expenditure by objective.

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of RCPO for the purpose of giving a true and fair view has been selected. RCPO's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets, where material, at their value to the business by reference to their current costs. RCPO does not have any entities either within or without the departmental boundary to consolidate.

1.2 Fixed assets

Tangible fixed assets

Assets are capitalised if they are intended for use on a continuing basis and their original purchase cost, on an individual basis, is £10,000 or more. For IT expenditure the £10,000 threshold is applied to assets on a grouped basis. Tangible fixed assets are initially measured at cost and once, brought into use, are thereafter restated using *Price Index Numbers for Current Cost Accounting: MM17* (source: www.statistics.gov.uk). In 2007/08, fixed assets were stated at depreciated historical cost, which was adopted as a proxy for current valuation on the basis that a valuation based on historical cost would not be materially different from a current cost valuation. The fixed asset valuation policy has been changed in 2008/09 because a historical cost valuation would result in a materially different value to a current cost valuation.

Intangible fixed assets

Intangible fixed assets relate to licences to use software developed by third parties and development costs of RCPO's new case management system, which are initially measured at cost.

1.3 Depreciation and amortisation

Both tangible and intangible fixed assets are depreciated at rates calculated to write them off on a straight-line basis over their estimated useful lives. Depreciation charges on assets acquired during the year are made from the month in which the asset becomes available for use. Assets are depreciated over the following periods:

- leasehold improvements over the remaining term of the lease
- computer equipment 4 years
- telephone equipment 4 years
- software licences 3 years.

1.4 Income from the Asset Incentivisation Scheme

Under the Asset Incentivisation Scheme RCPO is allowed to retain 18.75% (2007/08: 16.67%) of the total value of assets recovered in the year relating to cases successfully prosecuted by RCPO. Income generated from this scheme is recognised in RCPO's accounts when the Home Office recognises it in their accounts. Income from the Asset Incentivisation Scheme is intended to offset the costs of asset forfeiture activity.

1.5 Costs awarded to RCPO

RCPO may be awarded costs against convicted defendants at the discretion of the judge or magistrate. Responsibility for recording, enforcing and collecting these costs rests with the appropriate court which is also responsible for forwarding collected monies to RCPO. Accordingly, RCPO records these receipts on a cash basis.

1.6 Costs awarded against RCPO

Any costs awarded against RCPO are accounted for in the year in which the awards are made.

1.7 Administration and programme expenditure

From 2008/09, RCPO has not been subject to a limited Administration budget and, for parliamentary reporting purposes, classifies all expenditure under other categories (see note 2). In prior years the operating cost statement was analysed between administration and programme costs.

1.8 Capital charge

A charge, reflecting the cost of capital utilised by RCPO, is included in operating costs. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities, except for:

- a. cash balances with the Office of the Paymaster General where the charge is nil
- b. liabilities for amounts to be surrendered to the Consolidated Fund for which no credit against the charge is allowed.

1.9 Foreign exchange

Transactions which are denominated in a foreign currency are translated at the rate of exchange ruling on the date of the transaction.

1.10 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pensions Scheme (PCSPS). The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. RCPO recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, RCPO recognises the contributions payable for the year.

1.11 Operating leases

Rentals due under operating leases are charged to the operating cost statement over the lease term on a straight-line basis, or on the basis of actual rentals payable where this fairly reflects the usage.

1.12 Provisions

RCPO's policy on provisions follows FRS 12. RCPO provides for legal or constructive obligations which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation.

1.13 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, RCPO 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 that are required to be disclosed under FRS 12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

1.14 Value Added Tax

Input tax is recoverable on certain services procured by RCPO, and in such circumstances the amounts are stated net of VAT. Irrecoverable VAT is charged to the relevant expenditure category. VAT is not recoverable on the purchase of tangible fixed assets, and any VAT incurred on such purchases is included as part of the capitalised asset cost.

2. Analysis of net resource outturn by section

	2008/09					2007/08	
	Outturn			Estimate		Outturn	
	Other current	Gross resource expenditure	A in A	Net total	Net total	Net total outturn compared with Estimate	Prior year
	£000	£000	£000	£000	£000	£000	£000
Request for Resources 1	36,978	36,978	(3,000)	33,978	34,397	419	31,016
Resource outturn	36,978	36,978	(3,000)	33,978	34,397	419	31,016

Key to request for resources

Request for Resources 1 – The effective and efficient prosecution of cases in accordance with the *Code for Crown Prosecutors*.

Explanation of the variance between Estimate and outturn

Outturn is dependant on the number, complexity and timing of cases, and this varies from year-to-year.

Detailed explanations of the variance for this year are included in the 'Departmental governance and organisation' section.

3. Reconciliation of net resource outturn to net operating cost

	Note	2008/09			2007/08	
		Outturn	Supply Estimate	Outturn compared with Estimate	Outturn	
		£000	£000	£000	£000	£000
Net resource outturn	2	33,978	34,397	419	31,016	
Non-supply income (CFERs)	5	(755)	-	755	-	
Net operating cost		33,223	34,397	1,174	31,016	

From 2008/09, RCPO has not been subject to a limited Administration budget, and for Parliamentary reporting purposes classifies all expenditure under other categories (see note 2).

4. Reconciliation of resources to cash requirement

		2008/09			2007/08
		Estimate	Outturn	Net total outturn compared with Estimate: saving/(excess)	Outturn
		£000	£000	£000	£000
	Note				
Resource outturn	2	34,397	33,978	419	31,016
Capital					
Acquisition of fixed assets	11,12	2,000	1,612	388	1,946
Accruals adjustments					
Non-cash items	8	-	(698)	698	(253)
Changes in working capital other than cash		-	(1,890)	1,890	383
Net cash requirement		36,397	33,002	3,395	33,092

5. Analysis of income payable to the Consolidated Fund

In addition to appropriations in aid, the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being highlighted).

	Forecast 2008/09		Outturn 2008/09		Outturn 2007/08	
	Income	Receipts	Income	Receipts	Income	Receipts
	£000	£000	£000	£000	£000	£000
Operating income & receipts – excess A in A	-	-	755	-	-	-
Total income payable to the Consolidated Fund	-	-	755	-	-	-

6. Reconciliation of income recorded within the operating cost statement to operating income payable to the Consolidated Fund

		2008/09	2007/08
	Note	£000	£000
Operating income	10	3,755	3,495
Income authorised to be appropriated-in-aid		(3,000)	(3,495)
Operating income payable to the Consolidated Fund		755	-

7. Staff numbers and related costs

	2008/09			2007/08
	Total	Permanently employed staff	Others	Total
	£000	£000	£000	£000
Wages and salaries	12,697	11,926	771	11,047
Social security costs	932	932	-	901
Other pension costs	2,423	2,423	-	2,084
Total net costs	16,052	15,281	771	14,032

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

For 2008/09, employer's contributions of £2,423,374 were payable to the PCSPS (2007/08: £2,083,959) at one of four rates in the range 17.1%–25.5% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2009/10, the rates will be in the range 16.7%–24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2008/09 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. During 2008/09, no employer contributions of this kind were paid to the panel of three appointed stakeholder pension providers.

The salary and pension entitlements of the Director and Board of RCPO are disclosed in the remuneration report.

Average number of persons employed

The average number of whole-time equivalent persons employed during the year is shown in the table below.

	2008/09			2007/08
	Number			Number
	Total	Permanently employed staff	Others	Total
Request for Resources 1	359	338	21	323
	359	338	21	323

8. Other administration costs

	2008/09	2007/08
	£000	£000
IT & telecoms	1,375	2,002
Travel and subsistence	443	513
Consultancy	432	273
Service charges & rates	2,878	2,864
Estates maintenance	136	148
Printing & stationery	266	231
Recruitment	120	106
Training	330	297
Rentals under operating leases	102	86
Postage & other carriers	232	263
Publicity & advertising	75	84
Library services	147	113
Internal audit fees	56	53
Other	428	370
Non-cash items		
Depreciation	630	262
Downward revaluation of fixed assets	62	-
Auditors' remuneration and expenses ¹	65	68
Cost of capital charges	(59)	(77)
	7,718	7,656

1. There was no auditor remuneration for non-audit work. Included in the external audit fee disclosed above is £3,000 relating to the National Audit Office's audit of RCPO's restated 31 March 2008 "shadow" balance sheet prepared under International Financial Reporting Standards, as required by HM Treasury's timetable for cross-government transition to these standards.

9. Direct case costs

	2008/09	2007/08
	£000	£000
Counsel fees	11,256	11,404
Costs payable	1,255	245
Transcription fees	110	77
Translation fees	181	163
Electronic presentation of evidence	171	210
Other expenditure ¹	235	724
	13,208	12,823

1. Other expenditure includes forensic analysis, expert witnesses and other direct legal costs.

10. Income

	2008/09	2007/08
Request for Resources 1	£000	£000
Income		
Court costs recovered	69	134
Asset incentivisation income	3,686	3,361
	3,755	3,495

11. Tangible fixed assets

	Information technology	Leasehold improvements	Total
	£000	£000	£000
Cost or valuation			
At 1 April 2008	1,011	900	1,911
Additions	588	241	829
Revaluations	(70)	30	(40)
At 31 March 2009	1,529	1,171	2,700
Depreciation			
At 1 April 2008	147	108	255
Charged in year	265	349	614
Revaluations	(8)	3	(5)
At 31 March 2009	404	460	864
Net book value at 31 March 2009	1,125	711	1,836
Net book value at 31 March 2008	864	792	1,656

RCPO owns all the assets disclosed above, and is not party to any PFI contracts.

Tangible fixed assets are revalued on the basis of latest available indices (refer to note 1.2).

12. Intangible fixed assets

Intangible fixed assets comprises software licences and costs relating to the development of RCPO's new case management system. The new case management system is under construction at 31 March 2009 and will be amortised once in use.

	Assets under construction	Software licenses	Total
	£000	£000	£000
Cost or valuation			
At 1 April 2008	-	35	35
Additions	663	120	783
At 31 March 2009	663	155	818
Amortisation			
At 1 April 2008	-	7	7
Charged in year	-	16	16
At 31 March 2009	-	23	23
Net book value at 31 March 2009	663	132	795
Net book value at 31 March 2008	-	28	28

13. Debtors

13(a) Analysis by type

	2008/09	2007/08
	£000	£000
Amounts falling due within one year		
VAT debtor	1,003	747
Other debtors ¹	1,760	1,212
Prepayments	1,342	96
	4,105	2,055

13(b) Intra-Government balances

	2008/09	2007/08
	£000	£000
Balances with other central Government bodies	2,608	1,885
Balances with bodies external to Government	1,497	170
At 31 March	4,105	2,055

RCPO has no debtor balances falling due after more than one year.

1. Other debtors includes amounts due to the Consolidated Fund, principally excess A in A. In 2008/09, RCPO had £755,000 excess A in A (2007/08: £nil).

14. Cash at bank and in hand

	2008/09	2007/08
	£000	£000
Balance at 1 April	916	1,556
Net change in cash balances	1,039	(640)
Balance at 31 March	1,955	916
The following balances at 31 March are held at:	£000	£000
Office of HM Paymaster General	538	685
Commercial banks and cash in hand	1,417	231
Balance at 31 March	1,955	916

RCPO had no cash in hand balances at 31 March 2009.

15. Creditors

15(a) Analysis by type

	2008/09	2007/08
	£000	£000
Amounts falling due within one year		
Payroll creditor	28	1,165
Other taxation and social security	2	83
Trade creditors	7,416	813
Accruals	1,884	4,084
Amounts issued from the Consolidated Fund for supply but not spent at year end	1,210	171
Consolidated Fund excess receipts due to be paid to the Consolidated Fund - received	745	745
Consolidated Fund excess receipts due to be paid to the Consolidated Fund - receivable	755	-
	12,040	7,061

15(b) Intra-Government balances

	2008/09	2007/08
	£000	£000
Balances with other central Government bodies	5,507	3,062
Balances with bodies external to Government	6,533	3,999
At 31 March	12,040	7,061

RCPO has no creditor balances falling due after more than one year.

16. General fund

The general fund represents the total assets less liabilities of each of the entities within the accounting boundary, to the extent that the total is not represented by other reserves and financing items.

	2008/09	2007/08
	£000	£000
Balance at 1 April	(2,406)	(4,473)
Net parliamentary funding		
Drawn down	34,041	32,201
Deemed	171	1,062
Year end adjustment		
Supply (creditor)/debtor-current year	(1,210)	(171)
Net transfer from operating activities		
Net operating cost	(33,223)	(31,016)
CFERs repayable to Consolidated Fund	(755)	-
Non cash charges		
Cost of capital	(59)	(77)
Auditor's remuneration	65	68
Transfer from revaluation reserve	8	-
Balance at 31 March	(3,368)	(2,406)

17. Revaluation reserve

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation adjustments.

	2008/09	2007/08
	£000	£000
Balance at 1 April	-	-
Arising on revaluation during the year (net)	27	-
Transferred to general fund in respect of realised element of revaluation reserve	(8)	-
Balance at 31 March	19	-

18. Notes to the cash flow statement

18(a) Reconciliation of operating cost to operating cash flows

		2008/09	2007/08
	Note	£000	£000
Net operating cost	3	(33,223)	(31,016)
Adjustments for non-cash transactions	8	698	253
Decrease/(increase) in debtors	13a	(2,050)	(2)
(Decrease)/increase in creditors	15a	4,980	(545)
Less: movements in creditors relating to items not passing through OCS	15a	(1,795)	909
Net cash outflow from investing activities		(31,390)	(30,401)

18(b) Analysis of capital expenditure and financial investment

		2008/09	2007/08
	Note	£000	£000
Tangible fixed asset additions	11	(829)	(1,911)
Intangible fixed asset additions	12	(783)	(35)
Net cash outflow from investing activities		(1,612)	(1,946)

18(c) Analysis of capital expenditure and financial investment by request for resources

	Capital expenditure
	£000
Request for Resources 1	(1,612)
Total 2008/09	(1,612)
Total 2007/08	(1,946)

18(d) Analysis of financing

		2008/09	2007/08
	Note	£000	£000
From the Consolidated Fund (Supply) - current year	16	34,041	32,201
Net financing		34,041	32,201

18(e) Reconciliation of net cash requirement to decrease in cash

		2008/09	2007/08
	Note	£000	£000
Net cash requirement	4	(33,002)	(33,092)
From the Consolidated Fund (Supply) - current year	18d	34,041	32,201
Amounts due to the Consolidated Fund received in a prior year and paid over		-	(18)
Amounts due to the Consolidated Fund received but not paid over		-	745
Increase/(decrease) in cash		1,039	(164)

19. Capital commitments

	2008/09	2007/08
	£000	£000
Contracted capital commitments at 31 March 2009 for which no provision has been made	593	166
	593	166

The 2008/09 commitment relates to a contract RCPO has entered into for the development of a new case management system.

20. Commitments under leases

20.1 Operating leases

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

	2008/09	2007/08
	£000	£000
Obligations under operating leases comprise		
Land and buildings	-	-
Other		
Expiry within one year	1	8
Expiry after 1 year but not more than 5 years	13	10
Expiry thereafter	-	-
	14	18

20.2 Finance leases

RCPO has no obligations under finance leases.

21. Commitments under PFI contracts

RCPO is not party to any PFI contracts.

22. Other financial commitments

RCPO has entered into contracts for the provision of IT services and HR systems. These contracts expire in 2011 and 2012 respectively, and RCPO expects to pay out £888,000 in respect of these services during 2009/10, although the exact amounts paid may fluctuate according to levels of service provision.

In 2008/09 the Department entered into a contract with Detica for the provision of a new case management system. The Department expects to pay £260,000 in respect of this contract during 2009/10.

23. Losses and special payments

23 (a) Losses statement

There were no material losses.

23 (b) Special payments

There were no special payments during the period which in aggregate exceeded £250,000.

24. Financial instruments

As the cash requirements of RCPO 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 to buy non-financial items in line with RCPO's expected purchase and usage requirements, and RCPO is therefore exposed to little credit, liquidity or market risk.

25. Contingent liabilities disclosed under FRS 12

As at 31 March 2009, RCPO has identified 6 (2007/08: 11) cases where RCPO may face liability for legal costs and compensation to defendants and third parties. Receivership costs may also be incurred in those cases which have involved the forfeiture of assets. RCPO's best estimate is that these cases may, subject to the judge's ruling, result in overall settlements of £955,000 (2007/08: £2,614,000).

Costs awarded against RCPO may be contested on appeal.

26. Contingent liabilities not required to be disclosed under FRS12 but included for parliamentary reporting and accountability

There were no contingent liabilities of this nature at the year-end.

27. Related party transactions

There have been a small number of transactions with other Government departments and other central Government bodies. Most of these transactions have been with HM Revenue and Customs and relate to the provision of accommodation services.

None of the Board members, key managerial staff or other related parties undertook any material transactions with RCPO during the year.

28. Third party assets

RCPO held no third party assets at the balance sheet date.

29. Post balance sheet events

There have been no post balance sheet events that adjust the values included in the accounts as at balance sheet date.

On 2 April 2009, the Attorney General's Strategic Board decided to merge RCPO with the CPS. The merger will take place during 2009/10, with further consolidation in 2010/11.

In accordance with the requirements of FRS21, post balance sheet events are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the certificate and report of the Comptroller and Auditor General.

Appendix: Common core tables

The table below sets out RCPO's budgets in term of the its ongoing resource expenditure and capital spend. It compares previous annual outturns from 2003/04 onwards with the outturn from 2008/09, and with the planned budgets for the remaining two years of the CSR period.

This table does not form part of the accounts and is included this year because the Law Offices' Department are not publishing a separate departmental report. The information contained in the table has not been audited by the NAO.

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
	Outturn	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans
	£000	£000	£000	£000	£000	£000	£000	£000
The effective and efficient prosecution of cases in accordance with the <i>Code for Crown Prosecutors</i>	26,358	32,052	33,880	32,398	31,016	33,978	36,072	32,949
Near cash	26,358	32,052	33,880	32,398	30,754	33,280		
Non cash	-	-	-	-	262	698		
Total resource budget DEL ⁴	26,358	32,052	33,880	32,398	31,016	33,978	36,072	32,949
Total capital budget DEL	-	-	-	-	1,946	1,612	-	-
Less depreciation					(253)	(630)		
Total departmental spending	26,358	32,052	33,880	32,398	34,916	34,960	36,072	32,949

Notes:

1. The Resource budget DEL sets out the RCPO spending limit for the effective and efficient prosecution of cases in accordance with the *code for crown prosecutors*. There are two opportunities in the financial year to revise DEL budgets. These are the Winter and Spring Supplementary estimates and the documents are subject to approval (Vote) by Parliament in the same way as main estimates.
2. Total departmental spending consists of RCPO resource and capital budgets (DEL) less depreciation.
3. Outturns prior to 2005/06, when prosecuting functions were carried out by offices within Customs & Excise and the Inland Revenue, are not directly comparable to outturns since the creation of RCPO.
4. The figure of £33,978, total resource budget DEL, for 2008/09 does not include CFER's of £755,000.



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