



**CRB**



Criminal Records Bureau

# Annual Report

Annual Report and Accounts 2004/05



# Annual Report and Accounts 2004/05



Criminal Records Bureau

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# Chief Executive's Report



*Aim of the CRB – To help organisations make more informed recruitment decisions, thereby providing greater protection to children and vulnerable adults.*

I am pleased to report that throughout 2004/05 the Criminal Records Bureau (CRB) continued to build upon the solid foundations laid down last year. For the second year running, the CRB achieved its public service standards, expanded its customer base and introduced new services. Perhaps, even more importantly, independent research conducted with our customers has confirmed their overall improved satisfaction with the service we are providing and, crucially, it has confirmed the hugely important role we are playing in protecting children and vulnerable adults from those that may wish to harm them.

This is our first full financial year operating as a stand alone Executive Agency of the Home Office and my second year as the Chief Executive of the CRB. In the year to 31 March 2005, the CRB issued 2.5 million (2.2 million in 2003/04) Disclosures to over 13,000 organisations with 6.2 million Disclosures having been issued since the launch in 2002. Over the last year we saw continued growth in demand for CRB checks from both new and existing customers as they expanded their usage of CRB checks into more of their recruitment decisions. We also saw additional growth as a result of the introduction of the Protection of Vulnerable Adults (POVA) List and the introduction of legislation requiring CRB checks on a wider range of health sector personnel. This expansion clearly demonstrates the Government's confidence in the CRB and its ability to deal with growing volumes in a timely and effective manner.

One of the main challenges faced by the CRB last year was Sir Michael Bichard's Inquiry into the tragic events of Soham. The Inquiry, launched in December 2003, published its report in June 2005 and, as expected, it focused on the events surrounding the vetting of Ian Huntley by Humberside Police and Cambridgeshire Constabulary. It also looked at the current framework in terms of issues and improvements. Sir Michael's report contained thirty-one recommendations, the majority of which will be taken forward by the Home Office, the police and other government departments and do not directly involve the CRB; however, their impact will further enhance the service that we provide. Eleven of the recommendations focused on the current framework in terms of the CRB service, on which we made substantial progress during the year, including the development and launch of a new database called I-PLX - the interim police local cross referencing database.

The launch of I-PLX, on time and on budget in February 2005, is an important development in vetting and security checks, representing a significant advancement in the protection of the vulnerable. The information held on the I-PLX database supplements the existing process for CRB checks, highlighting if any force, not

just those where the applicant has lived, holds information about an applicant that may be relevant to disclosure. This has reduced our reliance on applicants providing their previous addresses and provides a fuller picture of information across the country. In the future, I-PLX will also enable the CRB to add new data sources to our records more easily and quickly than before.

During 2004/05, in September 2004, I appointed an additional non-executive Director, Mike Lewis, a retired Assistant Chief Constable from South Wales, who was at the time CRB's main liaison with the Association of Chief Police Officers (ACPO). I also expanded the number of customer consultative groups through the establishment of a group focusing on faith communities. In addition, significant improvements have been made to enhance our internal control environment with plans in place for further improvements.

The CRB and the Home Office remain committed to the policy of providing free CRB checks to volunteers. Throughout 2004/05, the CRB issued over half a million free of charge checks to volunteers, representing a saving of over £17 million to volunteering organisations. However, it must be remembered that the cost of these checks is covered by fee paying customers and as this volume of free checks continues to rise, year on year, there is continued pressure on our ability to achieve self-funding status. We will continue to work with the Home Office to find a suitable resolution to this funding issue.

As a direct result of the service improvements that we put in place, and by the way the service is delivered, I was pleased that by the end of the year I was able to keep the promise made in the CRB Strategic Plan for 2004/07, not to increase Disclosure fees, in real terms. This was seen as a welcome change by all of our customers.

The service improvements we have already made, combined with the sustained overall performance of the CRB, could only have been achieved through the efforts of all staff who work for this Agency. It is through their dedication and commitment that we have been able to improve the reputation of the CRB and deliver the results we have done.

I remain confident that over the next twelve months we can continue to build upon our achievements through the delivery of a modern, efficient and effective service that ensures the safety of the children and vulnerable adults that we were set up to protect.



**Vince Gaskell**

*Chief Executive*

Criminal Records Bureau

Date: 13 July 2005

### Supportive quotes from customers

*“I recently completed the Enhanced Disclosure process prior to starting a job in the NHS. I’d like to say how impressed I was by the openness, clarity and speed with which my check was carried out.”*

*“Remember that for every person who shouts at you don’t lose sight of the hundreds you have helped.”*

*“Thank you for the very swift service. I have recently applied for my taxi license and was told all sorts of horror stories about how long my Enhanced Disclosure would take. I am happy to say that you returned it to me within 2½ weeks. Thank you, keep up the good work.”*



*“The Home Secretary would like to commend the CRB for dealing with an average 20% increase in demand, and the way in which you are gradually pushing up the percentage of cases dealt with within the accepted turnaround time.”*

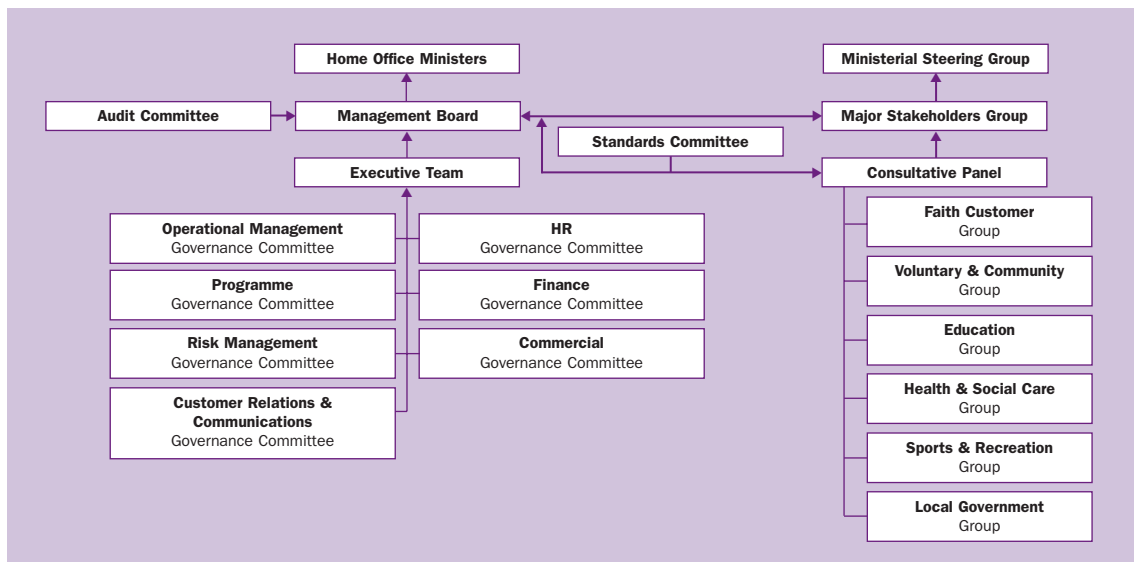
*“The Disclosure service offered is now more comprehensive and consistent.”*

# 1 Management and governance

During 2004/05 I appointed Mike Lewis as a Non-executive Director. Mike is a retired Assistant Chief Constable from South Wales and was at the time CRB's main liaison with ACPO.

Over the last 12 months the CRB has continued to work with key stakeholders through its consultative groups. These forums have proved invaluable to both the membership and the CRB, acting as a communication channel of open and honest dialogue. During the year, we expanded the number of consultative groups to six with the introduction of the Faith Customer Group.

The CRB's governance structure is detailed in its Framework Document.



# Year in focus

## 2 Year in focus

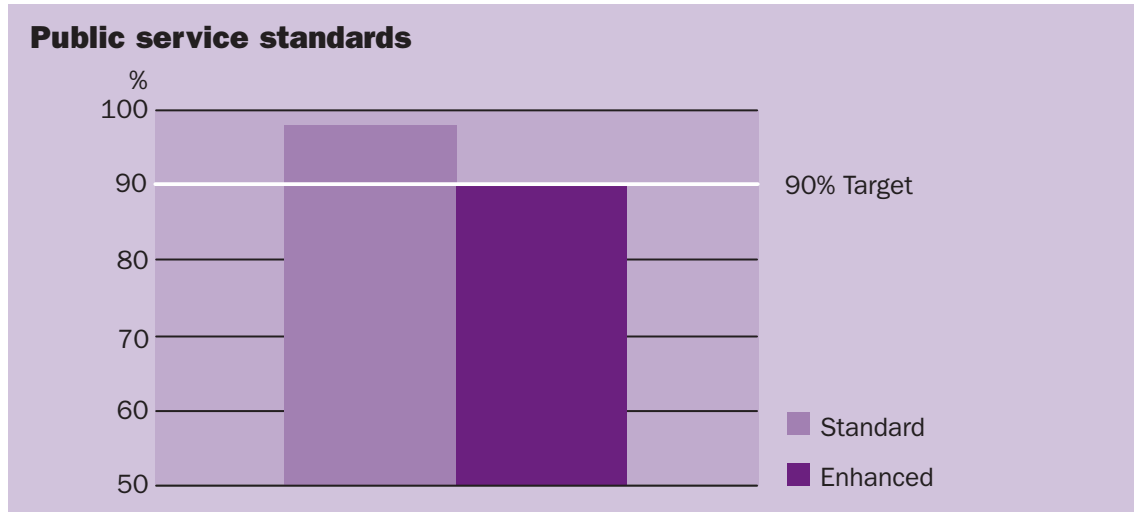
The table below provides a time line of the year's key milestones for the CRB.

April 04	Introduction of revised fees
May 04	4 millionth Disclosure issued
June 04	Publication of the Bichard Inquiry Report
July 04	Launch of the Protection of Vulnerable Adults List
August 04	Publication of 'Employing Ex-Offenders - a practical guide'
September 04	Appointment of Non-executive Director - Mike Lewis
October 04	5 millionth Disclosure issued Publication of Public Accounts Committee Report 'Criminal Records Bureau: Delivering safer recruitment?' Completion of checks on all existing care workers
November 04	Appointment of new Finance Director CRB checks commenced on existing General Practitioners
December 04	Baroness Scotland took on ministerial responsibility for the CRB
January 05	Publication of the Home Office response to the Bichard Inquiry Report Publication of the CRB's Annual Report and Accounts 2003/04
February 05	Publication of the CRB's Independent Complaint Mediator's Report 2003/04 Introduction of CRB checks for new National Health Service staff Launch of the I-PLX database Announcement of proposals to introduce measures to reduce the number of organisations that are currently registered with the CRB
March 05	6 millionth Disclosure issued Bichard Inquiry reconvened

# Performance

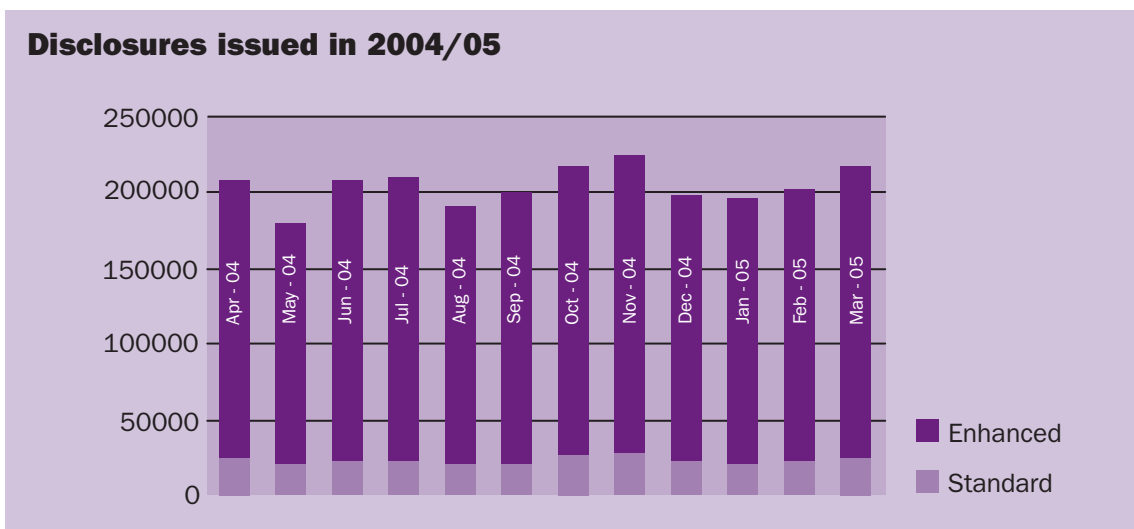
## 3 Performance

For the year 2004/05, the CRB has achieved its service standards for processing Standard and Enhanced Disclosure applications. For Standard Disclosures, where all of the required checks fall within the direct control

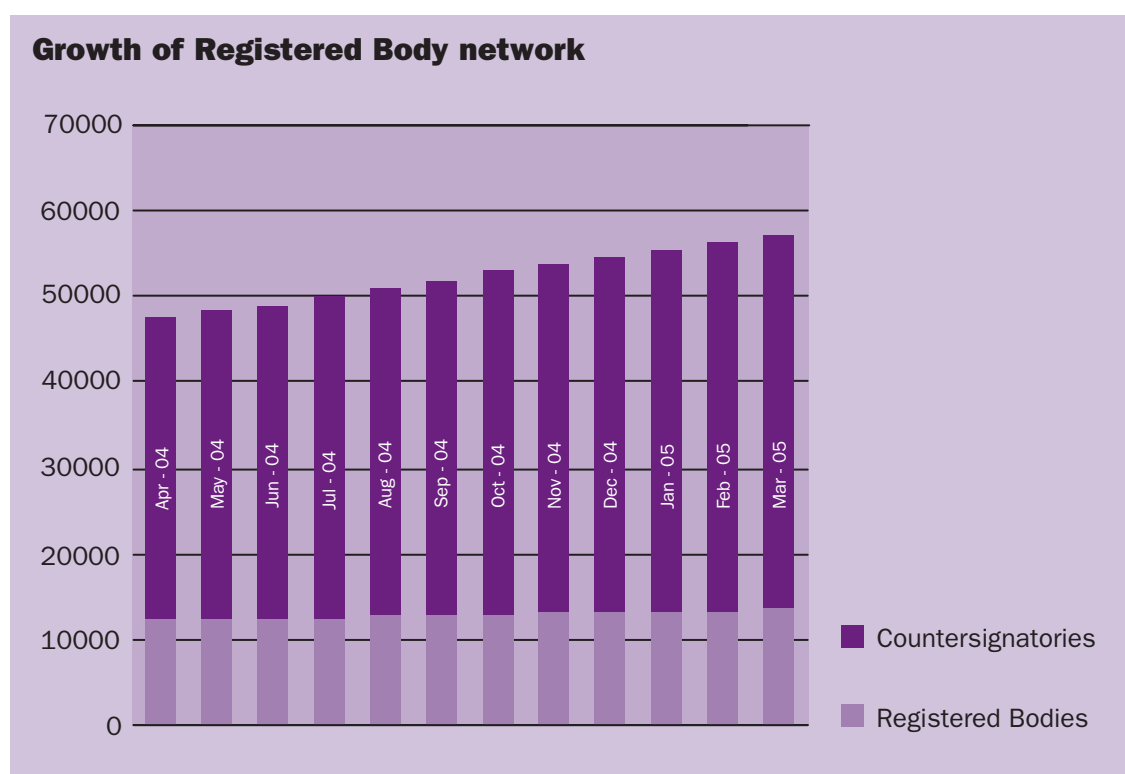


of the CRB, we are able to complete 98% within 2 weeks; however, Enhanced Disclosures require an additional check carried out by the police. The CRB is reliant on the police carrying out their checks quickly and in accordance with their internal service level agreement. Most forces met or even exceeded the targets set out in the service level agreement; however, some forces took longer to carry out their checks and this put pressure on our ability to achieve the published service standard of 90% in 4 weeks. The main causes of this were:

- The publication of the Bichard Inquiry Report in June 2004, which criticised forces about the thoroughness and integrity of their local searches, has led to many of them reviewing and revising their checking arrangements.
- Internal staffing and operational problems within their local Disclosure Units.



The CRB has worked closely with each force to help them improve their processing times for these local checks through the provision of seconded CRB staff. This action has delivered significant improvement in the performance of those forces targeted. However this is only a short-term measure. CRB and ACPO are now working together to put in place longer-term measures to improve police performance. These include a review of the service level agreement between the CRB and the forces, a review of Disclosure Unit findings and the introduction of standardised processes for the checking of local intelligence.



Demand for the service has increased steadily month on month, for the third year running. Many of our customers are now starting to introduce checks on existing staff and introducing re-checking policies on all staff. We have also seen an increase in checks from the health sector as a result of new legislation requiring checks on new NHS staff and all GPs. Checks relating to the security industry have also increased following the launch of the Security Industry Authority (SIA) and the introduction of the requirement for CRB checks on door supervisors and manned guards. With three years operating experience behind us we are now seeing trends in monthly demand with three peak periods in July, November and March.

For the third year running, the Registered Body network continued to grow, with over 1,665 new organisations registered with us during the year. This growth may reflect the desire of organisations to take greater ownership of their recruitment decisions and to enhance their child and vulnerable adult protection policies. However, from surveys conducted by the CRB, a considerable number of Registered Bodies do need substantial assistance if they are to carry out their role effectively. This would place a major burden on the CRB's Assurance

regime and on the overall cost of the service. As a result of this, on 2 February 2005 the Home Office announced a proposal to introduce measures to reduce the number of organisations that are currently registered with the CRB, through the setting of an annual threshold for the submission of Disclosure applications by Registered Bodies.

The setting of an annual threshold will form a key part of our strategy to enhance the efficiency of, and improve standards within, the Registered Body network. This was also a key recommendation of the recent Bichard Inquiry and of the 2003 Independent Review. A more compact Registered Body network, working in greater partnership with the CRB and composed of high-volume users, would allow the CRB to focus its resources more effectively to improve compliance and support the evolving role of Registered Bodies.

Over the next 12 months the CRB will develop this proposal further and launch a formal consultation in the summer of 2005.

## 4 Customer Perception and Impact on Recruitment

The CRB is committed to providing a high level of customer service and to a programme of continual improvements based on customer feedback. To this end, each year the CRB commissions MORI to conduct a programme of customer research to gauge satisfaction levels with the service we provide. Each survey consisted of a telephone survey of a random sample of 300 Lead or Countersignatories in Registered and Umbrella Bodies.

The recent survey demonstrates that customer satisfaction is higher now than at any time since the launch of the CRB in 2002 with 4 out of 5 customers now satisfied with the service provided by the CRB and over 1 in 4 customers now “very satisfied”.

Last year, we carried out additional independent research to gauge the impact of the CRB on recruitment decisions. This research has shown that the CRB is making a valuable contribution to the protection of children and the vulnerable. In 2004, out of 2.5 million CRB checks issued, customers using our service prevented around 20,000 unsuitable people from gaining access to children or the vulnerable.

The research also showed that CRB customers use the information we provide in accordance with our policy on the recruitment of ex-offenders.

Other findings include:

- Over 80% of our customers said that CRB checks improve their ability to protect children and improve their confidence in the recruitment decisions they make; and
- Three quarters of the general public said CRB checks have a positive deterrent effect on unsuitable people applying for these jobs and improves an organisations ability to protect children and vulnerable adults.

This is the first research of this kind that we have undertaken, clearly demonstrating that the CRB has an important role to play in the protection of the vulnerable.

## 5 Key tasks set for 2004/05

A number of key tasks to be completed during this year were set out in last year's report. I am pleased to note that we have achieved them all.

<b>Key Task</b>	<b>Progress</b>	<b>Comment</b>
1. Introduction of the Protection of Vulnerable Adults List (POVA)	Achieved	Launched on 26 July 2004
2. Development and launch of the I-PLX database	Achieved	Launched on 28 February 2005
3. Expansion of the service to cover other data sources	Achieved	Provision made in the Serious Organised Crime and Police Act 2005
4. Improving the Internal Control environment	Achieved	Review of internal controls completed and a dedicated Internal Audit and Assurance Team now in place
5. Greater assurance and support for Registered Bodies	Achieved	Proposals announced in February 2005



# 6 Future challenges for 2005/06

Over the coming 12 months the CRB will need to focus on the implications of the recommendations made by Sir Michael Bichard. These are:

## **Achieving self-funding status**

Change initiatives stemming from the Bichard recommendations, in addition to business development initiatives such as introduction of an e-channel application route, overseas development, identity authentication pilots and the like are competing for funding against pressures to make savings.

## **Managing the increase in the number of Disclosures that are issued free of charge**

The current level of free of charge Disclosures for volunteers has grown from the original estimate of 15% of all Disclosures issued to around 21%. To address this the CRB will recover the fee for inappropriately submitted free of charge applications, placing more stringent checks and balances into the system, and, in the medium term, considering a revision to the eligibility criteria for free of charge Disclosures.

## **Her Majesty's Inspectorate of Constabulary (HMIC)/ACPO/CRB to develop the standards to be observed by police forces in carrying out vetting checks**

The CRB has developed a Quality Assurance Framework (QAF) process to guide local police forces through the process of determining the release of information as part of an Enhanced Disclosure. QAF has already been piloted at three police forces and will be rolled out to the remaining 43 English and Welsh police forces by the end of 2005.

## **All posts, including those in schools, that involve working with children and vulnerable adults should be subject to the Enhanced Disclosure regime**

The CRB is working with the Home Office and other government stakeholder departments to finalise regulations to bring enhanced eligibility in line with the recommendation. It is envisaged that these regulations will come into force during the next 12 months.

## **New declaration for Registered Body to sign on application form**

From 5 April 2005 Registered Bodies will be required to sign against a new declaration when submitting Disclosure application forms. The new declaration reflects the Registered Bodies role in the checking and validation of an applicant's identity.

## **New consent statement for applicants on Disclosure application form**

To be taken forward when the CRB introduces a new form; which is currently under review.

### **Incomplete or withdrawn applications should, in future, be returned to the Registered Body and not to the applicant**

In progress and scheduled to commence by the end of May 2005

### **Improve the checking of overseas applicants**

There are a number of initiatives within the EU in relation to the exchange of criminal records and other relative information. The CRB is taking a leading role in ongoing negotiations. A clause has also been included in the Serious Organised Crime and Police Act 2005 giving the CRB powers to disclose information recorded overseas on an Enhanced Disclosure.

### **Give the CRB access to new data sources i.e. HMCE, NCIS, NCS, and Scottish and NI POVA and POCA lists**

Provision has been made in the Serious Organised Crime and Police Act 2005 to allow the CRB to request information from the above data sources as part of an Enhanced Disclosure check. To that end the CRB is engaged in discussions with these data sources with a view to bringing them on-line.

### **Reduction in the size of the Registered Body network**

Over the course of 2005 the CRB will introduce measures to reduce the number of organisations currently registered with the CRB through the setting of an annual threshold for the submission of Disclosure applications by Registered Bodies. At present, 20% of Registered Bodies countersign and submit 80% of all Disclosure applications. Setting an annual threshold will be a key part of the CRB's strategy to enhance the efficiency of, and improve standards within, the Registered Body network. Those organisations that remain registered will be better equipped to carry out their responsibilities under the CRB Code of Practice, and will receive enhanced support and assistance from the CRB in carrying out their obligations. We shall consult widely with Registered Bodies and other stakeholders prior to introducing any substantive measures.

### **Working with DfES to implement the new Registration Scheme**

CRB is closely involved in the development of the Registration Scheme in both technical and policy terms. CRB business analysts are working closely with colleagues on the project team as well as a CRB representative on the Project Board of the Safeguarding Children Bill, which is intended to give effect to the new Registration Scheme.

# CRB Accounts – Year ended 31 March 2005

# Foreword to the Accounts

## History and Background

The Criminal Records Bureau (CRB) is an Executive Agency of the Home Office and was established under Part V of the Police Act 1997 as one of the two operating arms of the Passport and Records Agency (PRA). On 1 September 2003, the CRB was established as a separate Agency, with its own framework document and Chief Executive, and ceased to be an operating arm of the PRA.

## Principal Activities

The function of the CRB is to help organisations make more informed recruitment decisions and to help protect children and vulnerable adults by processing applications for and issuing criminal records Disclosures. The CRB handled 2.6 million applications for such Disclosures during the year (2003/04 - 2.4 million).

## Basis for Preparing the Accounts

A Treasury Direction, DAO GEN 1/01, requires the CRB to produce accounts to conform with the accounting principles and disclosure requirements of the Resource Accounting Manual (RAM), in respect of the financial year ending 31 March 2004 and future years.

No assets were transferred on the split from the PRA.

## Key Events during the Year

### Operations

The CRB has continued to make good progress and is continually improving performance and building on its solid foundations in order to develop the Disclosure service to meet the expectations of Government and the general public. The CRB has met its published service standards for issuing Disclosures for the whole of the year ended 31 March 2005.

### Finance

During the year demand for Disclosures has increased over prior years although there is still a high number of volunteer applications for which the CRB collects no income.

The increased demand, together with tight cost control, means that the CRB has reduced its operating deficit for the year ended 31 March 2005 to £8.0 million (2003/04 - £22.2 million), a £14.2 million improvement on the previous year.

In the short-term, the CRB will continue to incur deficits but the increased demand for Disclosures, and improved operational performance and efficiencies, means that financial break-even is still a target. The Home Office, however, remains committed to the work of the CRB as a vital element of its programme to protect children and vulnerable adults and will not sacrifice accuracy and quality of Disclosures in order to achieve financial break-even.

### Police Costs

Prior to January 2004, the CRB paid police forces full total costs for authorised and agreed levels of staffing per force. Under relevant legislation, however, the CRB should have paid police forces for their support on a cost per transaction basis and should have sought amendment to the legislation before implementing the change to paying full costs. Without this reimbursement, police forces would have significantly reduced capacity to support the CRB, which would have damaged the CRB's performance levels. Current demand for Disclosures is now at levels that allow for payment to police forces on an economic cost basis.

### Capital Expenditure

In the year, £24,000 was spent on capital expenditure (2003/04 £294,000). During the year the CRB changed the minimum level for capitalisation as a tangible fixed asset to £2,000 per item from £500 per item. Following this change in the level of capitalisation of fixed assets, assets totalling £108,833 were written off during the year.

The India Mill site at Darwen is no longer used as an operations centre and is now retained as a disaster recovery site. The value of the assets at this site have been impaired by £2.1 million during the year to reflect this change in use.

### Cash Balances

As at 31 March 2005 the CRB's cash balance was £1.7 million (2003/04 £4.0 million).

### Pension Scheme

Comprehensive details of the various pension schemes available to CRB employees are contained within notes 3 and 10 to these accounts.

### Post Balance Sheet Events

There have been no significant post balance sheet events.

### Business Assurance

Robust business assurance arrangements, in line with best practice, continue to be the aim of the CRB and continuous enhancement will be sought in both the organisational structure and in business practices.

## Business and Future Developments

The fees for Disclosure applications remained constant during the year ended 31 March 2005 at £33 for Enhanced Disclosures and £28 for Standard Disclosures. As part of the move towards full-cost recovery the fees for Disclosure applications increased with effect from 1 April 2005 to £34 for Enhanced Disclosures and £29 for Standard Disclosures. Until the CRB achieves financial break-even the main departments with policy interests, the Home Office, Department for Education and Skills and Department of Health will continue to support the CRB.

## Strategic Plan

The 2005/06 Business Plan (to be published in July) supports the implementation of the CRB strategy for 2005/06 - 2007/08. This strategy is guided by the following:

- The need to implement the recommendations, relevant to the CRB, of the Bichard Inquiry, which proposed wide-ranging changes as a consequence of the tragic events at Soham in 2002. Most prominent amongst these is the introduction of a Registration service for the reporting of new criminal information.
- A need to further improve the overall efficiency and effectiveness of the CRB, coupled with the need to meet the aspirations and expectations of our customers.
- The Modernising Government White Paper which sets out the agenda for moving to electronic means of communication in the delivery of public services.

The Strategic Plan has four main aims for future action:

**Aim 1** - Improving Quality and Accuracy.

**Aim 2** - Reducing Cost and Bureaucracy.

**Aim 3** - Developing Capacity.

**Aim 4** - Improving Delivery Times.

In order to achieve these goals the CRB is committed to implementing a series of changes during this year:

- Introducing a programme of process assurance that will reduce risk and improve the accuracy of data provided by Registered Bodies, as well as reducing the number allowed to use the service.
- Extending the e-channel access to the CRB's services.
- Reviewing the CRB's internal processes and organisation to ensure that the CRB is shaped to provide the support appropriate to business operations, without compromising the requirement of providing an accurate matching service.
- Supporting the development of a national database of Police Intelligence (PLX) and close collaboration and co-operation with the IMPACT programme.
- Updating of our Service Level Agreement (SLA) with Local Police forces (LPFs).
- Standardisation of the internal processes within LPFs.
- Continuing to work closely and collaboratively with the DfES to ensure that the proposed Registration Scheme, recommended by Sir Michael Bichard, has effective arrangements for the notification of changes to an applicant's Disclosure.
- Undertaking a detailed feasibility study for the development of the Basic Disclosure service.

## Outsourcing

A contract for service provision was awarded to Capita Plc (Capita) in August 2000 and renegotiated in 2003/04. The revised contractual terms have achieved a better alignment with the business aims of the CRB.

Capita is responsible for:

- Systems development;
- Capture of application and registration data;
- Call centre operations;
- Issue of Disclosure notices;
- Issue of invoices;
- Banking of income; and
- Other parts of the Disclosure process.

## Corporate Governance

These accounts incorporate a statement on the CRB's system of internal controls, as required by Chapter 21 of the Resource & Accounts Act 2000.

The statement is supported by work carried out by PricewaterhouseCoopers, the CRB's appointed internal auditors. The CRB's Audit Committee, which meets at least quarterly, oversees all audit work.

The CRB's risk and contingency planning and disaster recovery arrangements, as well as risk management for all future initiatives, have, during the year, come under the responsibility of the CRB Management Team. Since its migration to separate agency status, the CRB is implementing its own thorough risk management process and recruiting appropriate expertise.

## Audits

The Comptroller and Auditor General is the external auditor of the CRB supported by the National Audit Office (NAO) and is appointed under statute, reporting to Parliament. For the year the CRB paid a notional fee to the NAO of £146,000 (2003/04 £160,000) for the statutory audit carried out on this Annual Report and Accounts.

## Resource Accounting and Budgeting

The Home Office will prepare resource accounts for the year that will consolidate the accounts for the CRB. Consistency of accounting policies and treatment has been assisted by the requirement on both parties to prepare accounts in accordance with the Resource Accounting Manual (RAM).

## Diversity

The CRB has a responsibility for promoting diversity and developing equality and remains committed to implementing best practice in the Civil Service. To this end, the CRB has established an Equal Opportunity Action Plan and assesses its performance against targets set in the plan. The CRB is an Equal Opportunities Employer.

## Health and Safety

The CRB is committed to maintaining the standards required by the Health and Safety at Work Act 1974 and other United Kingdom and international regulations relating to the health and safety of its employees and the public. It will continue to raise staff awareness on all aspects of health and safety of its employees and the public. It will continue to raise staff awareness on all aspects of health and safety as required by the 1992 EC Health and Safety Directive.

## Payment Performance

If there is no alternative contractual provision or other understanding, payment is due to be made within 30 days of receipt of a valid invoice. The CRB's overall performance during the year was 98% (2003/04 97%) of invoices paid within the agreed credit period.

In November 1998, the Late Payment of Commercial Debts (Interest) Act came into force, providing small businesses with a statutory right to claim interest from large businesses and all public sector bodies on payments that are more than 30 days overdue. Amended legislation, the Late Payment of Commercial Debts Regulations 2002, came into force on 7 August 2002 providing all businesses, irrespective of size, with the right to claim statutory interest for the late payment of commercial debts. No interest has been claimed by CRB creditors under this Act.

## Management Board

The Management Board members during the year were as follows:

### Executive members:

Vince Gaskell

John O'Brien

Edward James (until 1/11/04)

Rosa Davis

Steve Long

John Scullion (from 1/11/04)

### Non-executive members

John Holden

Jim Michie

Mike Lewis



There have been no changes between the year-end and the date of signing the accounts. Details of any significant interests held by Management Board members are maintained in a Register of Interests, which can be obtained from the CRB.

The names, positions and brief personal details of the Management Board are also set out in note 3b of the accounts. The Chief Executive is a permanent member of staff appointed by the Home Office under senior civil service terms. The Civil Service Management Code contains provision for the termination of this contract.

Executive Directors remuneration is within the CRB agreed pay scales adjusted to effect reasonable comparison with similar roles within the Civil Service. Full details of remuneration paid to Management Board members are contained within note 3 to these accounts.

## **Staff Communication and Employee Involvement**

The CRB continues to take action to strengthen its internal communication channels. The CRB seeks to maintain good communication with its staff through its monthly Team Brief, the CRB intranet, the staff newsletter 'Off the Record' and other staff notices and circulars. The CRB will continue to work closely with colleagues in the Public and Commercial Services Union (PCS) building on the partnership agreement signed in 2002.

## **Research & Development**

The CRB has continued to undertake research into the factors influencing the volume and pattern of demand for Disclosures and has a Demand Forecasting Team to ensure reliable forecasts are available to the CRB Management Team.

### **Vince Gaskell**

*Chief Executive*

Criminal Records Bureau

13 July 2005

# Statement on Criminal Records Bureau's and Chief Executive's Responsibilities

Under section 7(2) of the Government Resources and Accounting Act 2000 the Treasury has directed the CRB to prepare a statement of accounts for each financial year in the form and on the basis set out in the Accounts Direction on page 50 of these financial statements. The accounts are prepared on an accruals basis and must give a true and fair view of the CRB's state of affairs at the year end and of its income and expenditure, recognised gains and losses and cash flows for the year.

In preparing the accounts the CRB is required to:

- Observe the Accounts Direction issued by Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the CRB will continue in operation.

The Accounting Officer for the Home Office has designated the Chief Executive of the CRB as the Accounting Officer. His relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances and for the keeping of proper records and safeguarding assets, are set out in the Accounting Officers' Memorandum issued by the Treasury and published in Government Accounting.

## **Vince Gaskell**

*Chief Executive*

Criminal Records Bureau

13 July 2005

# Statement on Internal Control – 2005

## 1. Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the CRB'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 Government Accounting. As Accounting Officer for the period under review at the date of these accounts, I am required to report on the state of internal control in the CRB during that period. I also recognise that I am fully accountable for the management, performance and future development of the CRB.

I am assisted in meeting this accountability through my relationship with the Home Office. CRB's Business Plan, which describes the Agency's approach to risk management, is agreed with the Agency's Sponsor Unit within the Home Office and approved by the Home Office Minister with responsibility for CRB. Each month I provide the Minister with a 'Vital Signs' report of the previous month's service performance and an assessment of, and proposed mitigation of risk to performance in the months ahead. We also meet several times throughout the year to discuss these. Furthermore, the quarterly meetings of the CRB's Management Board and Audit Committee have Home Office representation, from a senior member of the Sponsor Unit and the Department's Head of Audit respectively.

## 2. The purpose of the system of internal control

The system of internal control 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 provide only reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the CRB's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them economically, efficiently and effectively.

## 3. Capacity to handle risk

The Agency has a risk management strategy endorsed by the Board and Audit Committee. A risk register has been developed linking bottom up with top down risks. Ownership has been taken of strategic risks by named members of the Executive Team. A system of monthly reporting of the status of each risk is being developed with the help of the Agency's audit and assurance unit who are currently holding a series of workshops to further engage management in the risk management process. These workshops are also designed to match control systems to risks and identify those responsible for the day to day management of those systems.

We participate in the Home Office's risk improvement programme and attend relevant fora facilitated by the Treasury.

#### 4. The risk and control framework

The CRB has established the following processes to identify, evaluate, control and manage risk:

- A Management Board, including three independent non-executive directors, that meets quarterly, with regular review of significant risk and assurance issues.
- An Audit Committee comprising the three non-executive directors that meets at least quarterly.
- Regular reports by internal audit, to GIAS standards, which include recommendations for improvement. CRB internal audit services are currently provided on an out-sourced basis.
- The Head of Audit and Assurance has responsibility for developing the overall risk and control framework within the CRB.
- A number of other internal committees are in place to address detailed governance matters.
- Risk registers are maintained and reviewed regularly by directorates and a central risk co-ordinator.
- All projects are subject to risk analysis and the maintenance of project risk registers.
- A security team. Given the nature of the CRB's business, a specialist CRB security team has been set up.
- Business continuity plans to manage the risks of loss of key premises and processes.

During 2004/05 a decision was taken to subsume the work of the Standards Committee within the remit of the Audit Committee in recognition that the financial control issues that have necessarily occupied the latter committee are progressively being resolved and that it should now consider wider operational matters.

#### 5. Review of effectiveness in the year to 31 March 2005

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control in place in the year, and a process has been established to do this. This consists of:

- Review by the Management Board of significant risks and the controls in place to manage them.
- Quarterly meetings of the Audit Committee at which all assurance activities are reviewed, including internal and external audit, risk management, and other reviews as appropriate.
- The maintenance of detailed risk registers.
- Work carried out by Internal Audit and approved by the Audit Committee. As agreed with the Audit Committee, internal audit work in the period was restricted primarily to the financial controls in the CRB but did include the other areas of Corporate Governance and Performance Management.

Internal audit has produced an annual report setting out their opinion on internal control in the CRB for the year ended 31 March 2005. The head of internal audit's opinion acknowledges the limitations to their coverage which means that they are not in a position to provide assurance over the CRB's whole control environment and their work does not support an assessment that systems are wholly adequate and operating effectively.

Their overall assessment was:

“In our opinion, we are able to offer a limited assurance over the effectiveness of the risk management, control and governance processes in CRB. This assurance is qualified by the limited amount of agreed internal audit activity during the year and weaknesses found in financial systems.

In terms of the financial systems that operated during the financial year, our reviews in this and earlier years have found a number of control weaknesses, which mean we are unable to provide assurance on their operation. However, recent work has revealed that with only a small number of exceptions, management has now implemented the recommendations that we have made in our reports on financial systems. It will be appreciated that many of these improvements did not take effect until well after the start of the financial year.

Other than these areas, our work has demonstrated that, overall, controls reviewed were broadly adequate but there is further scope to improve the effectiveness of their operation.

As Internal Auditors of CRB, we are required to comply with the Government Internal Auditing Standard (GIAS) and we are able to confirm that we have done so during the year and in the production of this report.”

CRB management acknowledges the findings of the head of internal audit.

## **6. Significant internal control issues**

In my 2004 Statement on Internal Control I recognised that there was a need to further develop and enhance the general control environment throughout the CRB, and outlined some of the steps the Bureau would take to ensure the implementation within two years of system of control, fully embedded and compliant with the relevant Government requirements.

2004/05 constituted the first in this two-year development plan. Significant progress was made in the financial and accounting systems, although later in the financial year than planned, and the few remaining issues will be resolved during 2005/06. Following an internal review, CRB has set up a new Performance Management Unit to provide controlled integrated financial, operational and risk reports. Progress was also made in the year to fully embed risk management. Both the Management Board and the Audit Committee agreed the top risks facing the Bureau. Each of the risks has been assigned to a Director with clear lines of accountability for managing the component parts of each top-level risk.

The requirement to address legacy financial and accounting issues limited the scope of the 2004/05 internal audit programme. However, now that these issues are being resolved the programme for the second year of the recovery plan will be much wider in content, encompassing all the major activities of the Bureau and providing good coverage against each of the high level risks. The Head of Internal Audit presented a broad

audit programme for 2005/06 that makes use of the Agency's expanded Audit and Assurance function to more than double the number of audit days.

In parallel with the expanded programme the Bureau will, during 2005/06, increase the resources devoted to the assurance of the Registered Body community's compliance with the Code of Practice. The Bureau will also work with its other major partner in the Disclosure process, the local police forces, in rolling out a Quality Assurance Framework, while at the same time drawing up revised Service Level Agreements.

With these developments and our expectation to have refinements to the risk management system fully embedded in 2005/06, I am confident that CRB is on track to supporting a robust Statement of Internal Control in 2006.

**Vince Gaskell**

*Chief Executive*

Criminal Records Bureau

13 July 2005

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

I certify that I have audited the financial statements on pages 31 to 49 under the Government Resources and Accounts Act 2000. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 34 to 35.

## **Respective responsibilities of the Accounting Officer and auditor**

As described on page 24, the Bureau and Chief Executive are responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. The Bureau and Chief Executive are also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Government Resources and Accounts Act 2000 and Treasury directions made thereunder, and 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. The Bureau and Chief Executive are also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Bureau has not kept proper accounting records or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 25 to 28 reflects the Bureau's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by the Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

## Basis of opinion

I conducted my audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Bureau and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Bureau'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 are free from material misstatement, whether caused by error, or by fraud or other irregularity, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conformed to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Criminal Records Bureau at 31 March 2005 and of the deficit, total recognised gains and losses and cash flows for the year then ended, and the statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by the Treasury; and
- 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.

I have no observations to make on these financial statements.

## John Bourn

*Comptroller and Auditor General*

14 July 2005

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



# Income and Expenditure Account

## for the year ended 31 March 2005

	Notes	2004/05 £'000	2003/04 £'000
<b>Turnover from Continuing Activities</b>	2a	65,239	50,879
<b>Cost of Sales</b>	2b	(52,276)	(52,114)
<b>Gross Surplus</b>		12,963	(1,235)
<b>Administrative Expenses</b>	2c	(19,956)	(20,385)
<b>Operating Deficit</b>	4	(6,993)	(21,620)
<b>Cost of Capital</b>	5	(975)	(594)
<b>Deficit on Ordinary Activities</b>		<u>(7,968)</u>	<u>(22,214)</u>

All income and expenditure is derived from continuing activities. There are no recognised gains or losses other than the operating deficit.

# Balance Sheet

## as at 31 March 2005

	Notes	as at 31 March 2005 £'000	as at 31 March 2004 £'000
<b>Fixed Assets</b>			
Tangible Assets	6	620	3,309
<b>Debtors</b>			
Debtors falling due after one year	7b	88	967
<b>Current Assets</b>			
Work in Progress		76	83
Debtors & Prepayments	7a	25,249	36,128
Cash at Bank & in Hand	12	1,712	4,043
		<u>27,037</u>	<u>40,254</u>
<b>Current Liabilities</b>			
Creditors falling due within one year	8	<u>(6,506)</u>	<u>(5,042)</u>
<b>Net current assets</b>			
		20,531	35,212
<b>Total assets less current liabilities</b>			
		21,239	39,488
<b>Provision for liabilities and charges</b>			
	13	<u>(133)</u>	<u>(120)</u>
		<u>21,106</u>	<u>39,368</u>
<b>Taxpayers' Equity</b>			
General Fund	9	<u>21,106</u>	<u>39,368</u>
		<u>21,106</u>	<u>39,368</u>

### Vince Gaskell

*Chief Executive*

Criminal Records Bureau

13 July 2005

# Cashflow Statement

## for the year ended 31 March 2005

		<b>2004/05</b>	<b>2003/04</b>
	<i>Notes</i>	<b>£'000</b>	<b>£'000</b>
Net Cashflow from Operating Activities		9,152	(59,490)
Capital Expenditure & Financial Investment		(24)	(294)
Net Cash Flow from Financing		<u>(11,459)</u>	<u>21,658</u>
Decrease in cash in year	12	<u><b>(2,331)</b></u>	<u><b>(38,126)</b></u>

### Reconciliation of Operating Deficit to Operating Cash Inflows

Deficit on Ordinary Activities		(7,968)	(22,214)
Non cash transactions	11a	3,878	1,319
Movements in Working Capital other than cash	11b	<u>13,242</u>	<u>(38,595)</u>
Net Cashflow from Operating Activities		<u><b>9,152</b></u>	<u><b>(59,490)</b></u>

### Analysis of Capital Expenditure & Financial Investment

Purchase of Fixed Assets	6	<u>(24)</u>	<u>(294)</u>
Net Cash Outflow from Investment Archives		<u><b>(24)</b></u>	<u><b>(294)</b></u>

### Analysis of Financing

Net Cash Funding from Home Office and Other Government Departments	9	<u>(11,459)</u>	<u>21,658</u>
Net Cash Requirement		<u><b>(11,459)</b></u>	<u><b>21,658</b></u>

# Notes to the Accounts

## for the year ended 31 March 2005

### Note 1. Accounting policies

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The accounts are prepared using the historic cost convention modified by the inclusion of fixed assets at current cost. Without limiting the information given, the accounts meet the accounting and disclosure requirements of the Resource Accounting Manual (RAM), the Companies Act 1985 and the accounting standards issued or adopted by the Accounting Standards Board so far as these requirements are relevant.

#### Note 1.1. Fixed assets

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##### a. Tangible fixed assets

The Criminal Records Bureau's (CRB) fixed assets are stated at current cost. Major refurbishment works are capitalised and written off over the remaining length of the lease agreement.

##### b. Depreciation

A full year's depreciation is provided on all tangible fixed assets in the year of acquisition at rates calculated to write off the cost or valuation of each asset evenly over its expected useful life as follows:

Refurbishment	Over the period of the lease
Equipment	2 - 11 years
Fixtures & Fittings	10 Years

##### c. Revaluation

The CRB's policy is to annually re-value fixed assets by applying appropriate indices compiled by the Office of National Statistics to each class of asset.

##### d. Capitalisation

During the year the CRB changed the minimum level for capitalisation as a tangible fixed asset to £2,000 per item from £500 per item. Costs associated with the Public Private Partnership (PPP) contract are not capitalised in the CRB's balance sheet in line with all relevant guidance.

##### e. Research

All research expenditure is written off as incurred.

#### Note 1.2. Operating leases

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Rental payments for land and buildings occupied by the CRB on the basis of operating leases are charged to the Operating Cost Statement on a straight line basis over the lease term.

### **Note 1.3. Non-cash costs**

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A charge, reflecting the cost of capital utilised by the CRB, is included in the Operating Cost Statement. 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 cash balances with the Office of the Paymaster General (see Note 5).

### **Note 1.4. Funding**

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The CRB is currently funded on a gross cost basis from Home Office.

### **Note 1.5. Pension costs**

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The CRB participates in the Principal Civil Service Pension Scheme (PCSPS) which is a statutory defined benefit scheme. The CRB is required to pay an employer's contribution that is currently between 11% and 18.5% of pensionable pay depending on the grade of staff. These contributions are charged to operating expenses as and when they become due.

Past and present employees are covered by the provisions of the PCSPS that are described in Note 10. The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. The CRB 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, the CRB recognises the contributions payable for the year.

### **Note 1.6. Work in progress**

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Work in progress relates to applications initiated by the customer but not yet returned to the CRB. It is valued at the lower of actual unit processing cost relevant to the stage in production reached at 31 March 2005 or net realisable value.

### **Note 1.7. Turnover from continuing activities**

---

Turnover from continuing activities represents income generated from services provided during the year.

Turnover represents:

- Fees charged to applicants for applications for Enhanced and Standard Disclosure of prescribed criminal record information.
- Fees charged to register corporate bodies and signatories to access the criminal record process.

Disclosures for volunteers are issued free of charge.

### **Note 1.8. Public Private Partnership (PPP) transactions**

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PPP transactions (Note 15) have been accounted for in accordance with HM Treasury Technical Note No. 1 (revised), entitled "How to Account for PFI transactions", as required by the RAM.

**Note 2a. Turnover**

	<b>2004/05</b>	<b>2003/04</b>
	<b>£'000</b>	<b>£'000</b>
Issue of Disclosure notices	64,697	50,070
Registration of corporate bodies and signatories	542	809
	<b><u>65,239</u></b>	<b><u>50,879</u></b>

**Note 2b. Cost of sales**

	<b>2004/05</b>	<b>2003/04</b>
	<b>£'000</b>	<b>£'000</b>
PPP service charges	39,831	39,214
Police and other data source costs	12,445	12,900
	<b><u>52,276</u></b>	<b><u>52,114</u></b>

**Note 2c. Administrative costs**

	<b>2004/05</b>	<b>2003/04</b>
	<b>£'000</b>	<b>£'000</b>
Staff	11,246	10,724
Accommodation	1,467	1,321
PPP contract change costs	2,021	719
Other costs	2,934	3,025
Increase in provision for liabilities and charges	13	–
Provision for bad debts	(1,375)	2,444
Professional and legal fees	598	1,269
Depreciation	496	513
Impairment of assets (Note 6)	2,108	–
Assets written off (Note 6)	109	–
Internal audit fees	149	163
Non - cash costs		
NAO – External audit	146	160
HO Payroll	36	39
HO Accounts Branch	8	8
	<b><u>19,956</u></b>	<b><u>20,385</u></b>

### Note 3. Staff costs

#### a. The total remuneration of the Chief Executive, the highest paid member of the Management Board, was:

	2004/05 £'000	2003/04 £'000
Mr Vince Gaskell (appointed 1 September 2003)	118,945	85,138

The Chief Executive's pay is covered by the Senior Civil Service pay arrangements and he is an ordinary member of the Civil Service Pension Scheme. Mr Gaskell receives an allowance additional to his salary to cover the expense of renting accommodation in Liverpool whilst he is in post. No other benefits in kind were paid to the Chief Executive or to any other members of the Management Board.

#### b. Senior staff pay and allowances for 2004/05

Senior Staff	Title	Salary including performance pay (£'000)	Real increase in pension and related lump sum at 60 (£'000)	Total accrued pension at age 60 at 31/03/05 and related lump sum	CETV at 31/03/05 (nearest £'000)	Real increase in CETV after adjustment for inflation and changes in market investment (nearest £'000)
		2004/05	2004/05	2004/05	2004/05	2004/05
Mr. V. Gaskell	Chief Executive	115 - 120	15 - 17.5 plus 45 - 47.5 lump sum	42.5 - 45 plus 130 - 132.5 lump sum	713	260
Mr. J. O'Brien	Director of Operations	115 - 120	0 - 2.5 plus 2.5 - 5 lump sum	2.5 - 5 plus 10 - 12.5 lump sum	44	17
Mr. E. James	Director of Finance (until 1/11/04)	70 - 75	N/A	N/A	N/A	N/A
Mrs. R. Davis	Director of Human Resources	35 - 40	7.5 - 10 plus 2.5 - 5 lump sum	10 - 12.5 plus 35 - 37.5 lump sum	166	19
Mr. S. Long	Director of Customer Relations and Communications	50 - 55	0 - 2.5 plus 0 - 2.5 lump sum	0 - 2.5 plus 0 - 2.5 lump sum	9	8
Mr. J. Scullion	Director of Finance (from 1/11/04)	55 - 60	0 - 2.5 plus 2.5 - 5 lump sum	17.5 - 20 plus 52.5 - 55 lump sum	268	30

Mr E James was employed on a short term contract basis during this period.

Column 6 of the above table shows the member's Cash Equivalent Transfer Value (CETV) accrued at the end of the reporting year. Column 7 reflects the increase in CETV effectively funded by the employer. It takes

account of the increases in accrued pension due to inflation, contributions paid by 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 year.

### Senior staff pay and allowances for 2003/04

Senior Staff	Title	Salary including performance pay (£'000)	Real increase in pension and related lump sum at 60 (£'000)	Total accrued pension at age 60 at 31/03/04 and related lump sum	CETV at 31/03/04 (nearest £'000)	Real increase in CETV after adjustment for inflation and changes in market investment (nearest £'000)
		2003/04	2003/04	2003/04	2003/03	2003/04
Mr. V. Gaskell	Chief Executive (from 01/09/03)	85 - 90	0 - 2.5 plus 5 - 10 lump sum	0 - 2.5 plus 5 - 10 lump sum	11	11
Mr. B. Herdan	Chief Executive (until 31/08/03)	60 - 65	0 - 2.5 plus 2.5 - 5 lump sum	15 - 20 plus 50 - 55 lump sum	306	23
Mr. J. O'Brien	Director of Operations	85 - 90	0 - 2.5 plus 2.5 - 5 lump sum	0 - 2.5 plus 5 - 10 lump sum	26	17
Mr. E. James	Director of Finance	100 - 105	N/A	N/A	N/A	N/A
Mrs. R. Pearson	Director of Human Resources (until 31/08/03)	35 - 40	0 - 2.5 plus 2.5 - 5 lump sum	1 - 5 plus 1 - 5 lump sum	18	13
Mr. A. Cook	Director of Finance (until 31/08/03)	40 - 45	2.5 - 5 plus 7.5 - 10 lump sum	10 - 15 plus 40 - 45 lump sum	141	31
Mr. J. Davis	Director of Systems (until 31/08/03)	30 - 35		<b>Consent to Disclose Witheld</b>		
Mrs R. Davis	Director of Human Resources (from 25/10/03)	15 - 20		<b>Consent to Disclose Witheld</b>		
Mr. S. Long	Director of Customer Relations and Communications (from 09/02/04)	5 - 10	0 - 2.5 plus 0 - 5 lump sum	0 - 2.5 plus 0 - 5 lump sum	1	1

A 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 CETV figures, and from 2003/04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate



to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETV's are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

### c. Total staff costs

	<b>2004/05</b>	<b>2003/04</b>
	<b>£'000</b>	<b>£'000</b>
Salaries	8,271	7,533
National Insurance	645	651
Pension costs	897	866
Employee costs	9,813	9,050
Contracted staff	1,433	1,674
Total staff costs	<b><u>11,246</u></b>	<b><u>10,724</u></b>

These costs are also included in Note 2c

### d. Average Number of Employees

The average monthly number of employees on the CRB payroll during the year was:

	<b>2004/05</b>	<b>2003/04</b>
	<b>Number</b>	<b>Number</b>
Management	198	210
Administration	251	229
	<b><u>449</u></b>	<b><u>439</u></b>

### e. Remuneration of the Non Executive Directors

There are three Non-executive Directors: Jim Michie, John Holden and Mike Lewis. During 2004/05 Jim Michie received £16,000, John Holden received £15,500 and Mike Lewis received £10,000 for their services.

The Non-executive Directors do not receive any pension benefits.

## Note 4. Operating deficit

---

The deficit for the year is shown after charging:

		<b>2004/05</b>	<b>2003/04</b>
	<b>Notes</b>	<b>£'000</b>	<b>£'000</b>
Hire of plant and machinery		12	24
Depreciation	2c	496	513
Audit fees		146	160
Property rental		1,467	1,629

The auditors have received no remuneration for non audit work (2003/04 £ Nil).

Property rental costs include the annual rental charge for Shannon Court and India Mill.

## Note 5. Interest on capital

---

Notional interest on capital is made in accordance with HM Treasury guidelines at a rate of 3.5%.

	<b>2004/05</b>	<b>2003/04</b>
	<b>£'000</b>	<b>£'000</b>
Notional Cost of Capital	<u>975</u>	<u>594</u>

## Note 6. Tangible fixed assets

	Fixtures and Fittings £'000	Refurbishment £'000	IT Equipment £'000	Total £'000
<b>Cost or Valuation</b>				
At 1 April 2004	69	3,518	569	4,156
Additions	–	12	12	24
Assets written off	(15)	–	(261)	(276)
Disposals	–	–	–	–
<b>At 31 March 2005</b>	<b>54</b>	<b>3,530</b>	<b>320</b>	<b>3,904</b>
<b>Depreciation</b>				
At 1 April 2004	13	552	282	847
Assets written off	(8)	–	(159)	(167)
Charge for year	7	375	114	496
Impairment of assets	–	2,108	–	2,108
<b>At 31 March 2005</b>	<b>12</b>	<b>3,035</b>	<b>237</b>	<b>3,284</b>
Net Book Value at 31 March 2005	42	495	83	<b>620</b>
Net Book Value at 31 March 2004	56	2,966	287	<b>3,309</b>

The application of indices in the current year in accordance with the CRB's stated revaluation policy and HM Treasury guidance produced an immaterial result and no amendment has therefore been made (2003/04 immaterial and no amendment made).

The India Mill site is no longer used as an operations centre and is now retained as a disaster recovery site. The value of the assets at this site have been impaired by £2.1 million during the year to reflect this change in use.

During the year ended 31 March 2005, the CRB changed the minimum level for capitalisation as a tangible fixed asset to £2,000 per item from £500 per item. Following this change in the level of capitalisation of fixed assets, assets totalling £108,833 were written off during the year.

## Note 7. Debtors & Prepayments

### a. Debtors & Prepayments falling due within one year

	<b>2004/05</b>	<b>2003/04</b>
	<b>£'000</b>	<b>£'000</b>
Trade debtors	11,418	11,654
VAT Recoverable	2,247	5,822
Other HMG debtors	675	7,400
Staff debtors	32	10
Prepayments	9,802	9,833
Police set up funding (Note 7b)	1,049	1,222
Other debtors	26	187
Total	<b><u>25,249</u></b>	<b><u>36,128</u></b>

### b. Debtors falling due after one year

	<b>2004/05</b>	<b>2003/04</b>
	<b>£'000</b>	<b>£'000</b>
Police set up funding	<b><u>88</u></b>	<b><u>967</u></b>

The CRB agreed to fund the set up costs incurred by police forces in providing the search activities on its behalf. These set up costs relate to IT, accommodation and recruitment and the advances to police forces have been included in debtors.

The advance payments made to the police will be written off over five years, the anticipated life of the underlying assets purchased by the police forces through the advances.

## Note 8. Creditors

	<b>2004/05</b>	<b>2003/04</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	118	517
Accruals	3,917	3,845
Prepaid Disclosure notices expected to be returned	858	680
Other creditors	1,613	–
<b>Total</b>	<b>6,506</b>	<b>5,042</b>

Following the re-negotiation of the PPP contract during 2003/04, the CRB recognises income on the receipt of a counter-signed application. Monies received for Disclosure notices that are not expected to be returned are included in Other creditors.

## Note 9. Reconciliation of movements in General fund

		<b>2004/05</b>	<b>2003/04</b>
	<b>Notes</b>	<b>£'000</b>	<b>£'000</b>
Balance at 1 April		39,368	39,118
Deficit on ordinary activities		(7,968)	(22,214)
Net funding from Home Office/OGD	16a	(11,459)	21,658
Payroll costs		–	5
Notional cost of capital	5	975	594
Non cash costs	2c	190	207
<b>Balance at 31 March</b>		<b>21,106</b>	<b>39,368</b>

## Note 10. Pension Costs

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The PCSPS is an unfunded multi-employer defined benefit scheme but the CRB is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 1999, details of which can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

The conditions of the Superannuation Acts 1965 and 1972 and subsequent amendments apply to those employees of the CRB who are civil servants. For the year, contributions of £897,294 were paid to the Paymaster General at between 11% and 18.5% of salary as determined by the Government Actuary and advised by HM Treasury.

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based “final salary” defined benefit schemes (classic, premium, and classic plus). New entrants after 1 October 2002 may choose between membership of premium or joining a good quality “money purchase” stakeholder based arrangement with a significant employer contribution (partnership pension account).

### (a) Classic Scheme

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Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years’ pension is payable on retirement. Members pay contributions of 1.5% of pensionable earnings. On death, pensions are payable to the surviving spouse at a rate of half the member’s pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse’s pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

### (b) Premium Scheme

---

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, but members may commute some of their pension to provide a lump sum up to a maximum of 3/80ths of final pensionable earnings for each year of service or 2.25 times pension if greater (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purposes of pension disclosure the tables assume maximum commutation. Members pay contributions of 3.5% of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at a rate of 3/8ths the member’s pension (before any commutation). On death in service, the scheme pays a lump-sum benefit of three times pensionable earnings and also provides a service enhancement on computing the spouse’s pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member’s ill health is such that it permanently prevents them undertaking any gainful employment service is enhanced to what they would have accrued at age 60.

**(c) Classic Plus Scheme**

This is essentially a variation of the Premium Scheme, but with benefits in respect of service before 1 October 2002 calculated broadly as per the Classic Scheme.

Pensions payable under the Classic, Premium and Classic Plus Schemes are increased in line with the Retail Prices Index.

**(d) Partnership Pension Account**

This is a stakeholder-type arrangement where the employer pays a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product. The employee does not have to contribute but where they do make contributions, these will be matched by the employer up to a limit of 3% (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of risk benefit cover (death in service and ill health retirement). The member may retire at any time between the ages of 50 and 75 and use the accumulated fund to purchase a pension. The member may choose to take up 25% of the fund as a lump sum.

**Note 11a. Non-cash transactions**

		<b>2004/05</b>	<b>2003/04</b>
	<b>Notes</b>	<b>£'000</b>	<b>£'000</b>
Depreciation	6	496	494
Backlog depreciation		–	19
Cost of Capital	5	975	594
Other non cash costs	2c	190	207
Impairment in assets	6	2,108	–
Assets written off	6	109	–
Payroll costs	9	–	5
Total		<b><u>3,878</u></b>	<b><u>1,319</u></b>

**Note 11b. Movements in working capital other than cash**

	<b>2004/05</b>	<b>2003/04</b>
	<b>£'000</b>	<b>£'000</b>
Decrease (Increase) in Debtors	11,758	(23,282)
Decrease in Work in Progress	7	400
Increase (Decrease) in Creditors	1,464	(15,725)
Increase in provision for liabilities and charges	13	12
Total	<b><u>13,242</u></b>	<b><u>(38,595)</u></b>

## Note 12. Analysis of movements in cash balances

	<b>2004/05</b>	<b>2003/04</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 April	4,043	42,169
Movement in CRB non-fee accounts	(740)	383
Movement on Consolidated Fund	<u>(1,591)</u>	<u>(38,509)</u>
Decrease in Cash	<u>(2,331)</u>	<u>(38,126)</u>
Balance at 31 March	<u><u>1,712</u></u>	<u><u>4,043</u></u>
Balance at Commercial Bank	118	858
Balance at office of Paymaster General	<u>1,594</u>	<u>3,185</u>
<b>Balance at 31 March</b>	<b><u><u>1,712</u></u></b>	<b><u><u>4,043</u></u></b>

## Note 13. Provision for liabilities and charges

The CRB has accounted for estimates of its future liability in respect of compensation claims in this year's annual accounts. As at 31 March 2005 this represented £98,500 (2003/04 £119,750).

	<b>Compensation</b>		<b>Dilapidations</b>	<b>Total</b>	<b>Total</b>
	<b>to staff</b>	<b>to public</b>		<b>2004/05</b>	<b>2003/04</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance at 1 April	11	109	–	120	108
Amount utilised	(7)	(52)	–	(59)	(108)
Arising in the year	<u>–</u>	<u>37</u>	<u>35</u>	<u>72</u>	<u>120</u>
Balance at 31 March	<u><u>4</u></u>	<u><u>94</u></u>	<u><u>35</u></u>	<u><u>133</u></u>	<u><u>120</u></u>

Provision has been made for various legal claims against the CRB. This provision reflects all known claims where the CRB believes that the claim will be successful and where the amount of the claim can be reliably estimated. Expenditure is likely to be incurred within 1 year of the balance sheet date.

## Note 14. Contingent liabilities

As at 31 March 2005 the CRB had received claims for compensation the amount of which cannot be reliably estimated. These claims are being contested and, in management's opinion, will not lead to a liability.



## Note 15. Lease obligations and other financial commitments

### a. The CRB has annual commitments under operating leases which expire as follows:

	Land and Buildings £'000	Other £'000	Total at 31 March 2005 £'000	Total at 31 March 2004 £'000
Within 1 year	–	3	3	24
Within 1 to 5 years	–	–	–	4
Over 5 years	1,695	–	1,695	1,629
	<b>1,695</b>	<b>3</b>	<b>1,698</b>	<b>1,657</b>

Land and buildings rental includes the annual rental commitment for Shannon Court and India Mill. These costs are also included in the estimated contract value shown below.

### b. PPP - value and length of contract

2004/05 was the third year of the ten year contract awarded under the PPP initiative to provide the Disclosure processing service. The contract (from March 2002 to March 2012) has an estimated total value of £400m, with the actual final value determined by demand for Disclosure notices.

### c Capital Commitments

The CRB has no capital commitments as at 31 March 2005 (2003/04: £ Nil).

## Note 16. Related parties

The Home Office is regarded as a related party. Material transactions between the Home Office and the CRB that occurred during the year are as follows:

- Net funding paid to the Home Office and Other Government Departments under a gross running cost regime during the year was £11.5 million (2003/04 received £21.7 million). This amount included £7.1 million (2003/04 £7.4 million) contributed by the Department for Education and Skills and the Department of Health.
- The CRB incurred costs during the year of £12.4 million (2003/04 £12.8 million) to police authorities in respect of running and set up costs.
- During the years ended 31 March 2005 and 2004, none of the Management Board members, key management staff or other related parties had undertaken any transactions with the CRB.

## Note 17. Financial Instruments

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FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities, and the way in which government agencies are financed, the CRB is not exposed to the degree of financial risk faced by business entities.

Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies.

The CRB has no powers to borrow, invest surplus funds or purchase foreign currency. Financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the department in undertaking its activities.

As permitted by FRS 13, debtors and creditors that mature or become payable within 12 months from the balance sheet date have been omitted from the currency profile.

The CRB has no borrowings, relies primarily on the Home Office for cash requirements and is therefore not exposed to liquidity risks. The CRB also has no material deposits, and all material assets and liabilities are denominated in Sterling, so the CRB is not exposed to interest rate or currency risk. The fair value of cash is the same as the book value.

## Note 18. Intra-Government Balances

	<b>Debtors falling due within one year £'000</b>	<b>Debtors falling due after more than one year £'000</b>	<b>Creditors falling due within one year £'000</b>
Balances with other			
central government bodies	5,666	88	–
Balances with local authorities	3,512	–	–
Balances with NHS Trusts	1,886	–	–
Balances with bodies external to government	14,185	–	6,506
<b>At 31 March 2005</b>	<b><u>25,249</u></b>	<b><u>88</u></b>	<b><u>6,506</u></b>
Balances with other			
central government bodies	16,274	967	–
Balances with local authorities	4,721	–	–
Balances with NHS Trusts	1,616	–	–
Balances with bodies external to government	13,517	–	5,042
At 31 March 2004	<u>36,128</u>	<u>967</u>	<u>5,042</u>

## **Accounts Direction given by the Treasury in accordance with section 7(2) of the Government Resources and Accounts Act 2000.**

1. The CRB will prepare accounts for the year ended 31 March 2005 in compliance with the accounting principles and disclosure requirements of the edition of the Resource Accounting Manual issued by HM Treasury which is in force for 2004/05.

2. The accounts shall be prepared so as to:

- a) Give a true and fair view of the income and expenditure (or, as appropriate, net resource outturn), total recognised gains and losses (or, as appropriate, recognised gains and losses), and cash flows of the CRB for the financial year, and of the state of affairs as at 31 March 2005; and
- b) Provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

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

### **David Cruden FCA**

*Head of the Central Accountancy Team*

Her Majesty's Treasury

16 February 2005

# Appendix A

## Glossary

ACPO	Association of Chief Police Officers
CETV	Cash Equivalent Transfer Value
CRB	Criminal Records Bureau
DfES	Department for Education and Skills
GIAS	Government Internal Auditing Standard
HMCE	Her Majesty's Customs and Excise
HMIC	Her Majesty's Inspectorate of Constabulary
HO	Home Office
I-PLX	Interim Police cross checking system
LPF	Local Police Force
MORI	Marketing & Opinion Research International
NAO	National Audit Office
NCIS	National Criminal Intelligence Service
NCS	National Crime Squad
PCS	Public and Commercial Services Union
PCSPS	Principal Civil Service Pension Scheme
PFI	Private Financial Initiative
PLX	Police cross checking system
POCA	Protection of Children Act (list 99)
POVA	Protection of Vulnerable Adults List
PPP	Public Private Partnership
PRA	Passport and Records Agency
QAF	Quality Assurance Framework
RAM	Resource Accounting Manual
SIA	Security Industry Authority
SLA	Service Level Agreement



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