

# **National Fraud Authority**

# **Annual Report and Accounts**

# **2011-12**

(For the year ended 31 March 2012)

# National Fraud Authority

## Annual Report and Accounts 2011-12

(For the year ended 31 March 2012)

Accounts presented to the House of Commons pursuant to Section 7  
of the Government Resources and Accounts Act 2000

Annual Report presented to the House of Commons by Command of Her Majesty

Annual Report and Accounts presented to the House of Lords by Command of Her Majesty

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## **Chief Executive's Foreword**

The National Fraud Authority (NFA) was created as an Executive Agency of the Attorney General's Office in October 2008 to spearhead the fight against fraud and, more specifically, to provide strategic oversight and coordination of counter-fraud activity affecting the public, private and not for profit sectors, and fraud against the individual.

Since our inception, we have established a stable, delivery focussed organisation. We have become recognised by our stakeholders for championing the fight against fraud; for raising its profile, awareness of risks and the need to self protect; for improving fraud reporting; for breaking down barriers to information sharing and for improving fraud measurement.

During 2011-12, following our machinery of government transfer of sponsorship to the Home Office and in partnership with our stakeholders, we have continued to deliver specific counter-fraud initiatives, alongside developing, publishing and co-ordinating the delivery of Fighting Fraud Together; the cross sector strategic plan to reduce fraud.

This report sets out the way in which we have used the NFA's £6.78 million budget during 2011-12 to make our country more resilient to fraud.

Stephen Harrison  
Chief Executive and Accounting Officer  
National Fraud Authority  
14 June 2012

## Management Commentary

On 1 April 2011, given the strong relationship between tackling fraud and wider economic crime and the importance of maintaining a close relationship with the police and other law enforcement agencies, sponsorship for the agency was formally transferred from the Attorney General's Office to the Home Office through a machinery of government transfer.

NFA's Accounting Officer is the Chief Executive, who must run the NFA in compliance with the Treasury document "*Managing Public Money*", in particular with regard to the Accounting Officer responsibilities set out in Chapter 3. These accounts, for 2011-12, are consolidated into the Home Office's accounts.

The NFA is a small organisation of about 50 people, which also operates Action Fraud, the national reporting centre for fraud and internet crime, through an outsourced contact centre. We were allocated ring-fenced funding through to 2014-15 by HM Treasury as part of the Spending Review. In April 2011 we were awarded additional funding from the National Cyber Security Programme to enhance and expand the Action Fraud service to deliver the Strategic Defence and Security Review commitment to provide a reporting service for cyber crime. Our total budget for 2011-12 was £6.78 million.

Our aim is to reduce fraud by leading and coordinating the work of many agencies across sectors and helping victims and potential victims of fraud to protect themselves.

The threat from fraud continues to have a damaging effect on our country with estimated losses of £73 billion per annum<sup>1</sup>. Fraudsters attack all economic sectors and parts of our society and we have learned that our fight against them is much more effective when working together.

Our 2011-12 work has focussed on delivering our Business Plan commitments, articulated in our ambition:

- to be the acknowledged champion of the country's fight against fraud, driving effective collaborative efforts and sharing good practice across all sectors in order to secure a demonstrable and substantial reduction in the cost of tackling fraud and the harm it causes

Our strategic objectives:

- to build and apply knowledge about fraud
- to set clear and evidence-based fraud strategy
- to raise the profile and awareness of fraud among individuals, businesses and the public sector and empower them to self protect
- to coordinate the counter-fraud community to tackle the most harmful fraud threats and enablers

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<sup>1</sup> 2012 NFA Annual Fraud Indicator, published in March 2012

And our key success indicators:

- publishing the third Annual Fraud Indicator in quarter four 2011-12: to be even more comprehensive than the last, targeting priority areas for more detailed measurement and analysis
- agreeing a "collectively-owned" strategic plan ("Fighting Fraud Together") for the counter-fraud community with a wide range of key stakeholders in quarter two 2011-12, and thereafter producing quarterly performance reports on progress against it
- developing Action Fraud to take on more police fraud crime reports, new cyber crime reports and other fraud and cyber information (such as attempted crimes) to reach more victims and increase support levels. Through this and our wider awareness building work, to contribute to increasing public awareness of fraud and improving self-protection from it
- supporting the Cabinet Office Fraud, Error and Debt Task Force and drafting an interim (June 2011) and final (March 2012) Task Force report to detail the successes of the first year's programme of work; driving the delivery of pilot counter fraud activity and developing a greater focus on prevention and the use of data assets and intelligence across government
- delivering a demonstrable difference, confirmed by our stakeholders, as we contribute to a range of initiatives to tackling fraud against businesses, charities and individuals, with a primary focus on raising awareness, prevention and disruption

Our achievements against the above have been as follows; we have:

- expanded and enhanced Action Fraud which took 50,000 crime reports (more than any single police force) and 140,000 calls from victims with a 97% satisfaction score. New features to support the recording of 'cyber crime' such as phishing attacks were implemented in 2012. 12,000 reports were taken by the end of the 2011-12 financial year. Processes have been established with the National Fraud Intelligence Bureau run by the City of London Police to suspend websites and email addresses linked to fraud. Over 4,000 such 'disruptions' have taken place this financial year
- developed, in partnership with the private sector, a groundbreaking on-line campaign 'The Devil's In Your Details' to explain to targeted groups of the population the risks of not protecting their personal information. This will be a model for a sustained programme of awareness and behaviour change campaigns in the future, to achieve measurable change in how resilient our society is to fraud
- produced reports to reduce procurement, grant and insider-enabled fraud in central government and a toolkit to develop an anti-fraud culture across government. It has supported the Cabinet Office's Fraud Error and Debt taskforce to develop a programme of activity covering all aspects of fraud against government – tax, benefits and cross-cutting frauds like procurement

- produced the first ever strategy to tackle the £2.2 billion of fraud in local government that has been endorsed by the Local Government Association and Local Authority Chief Executives
- worked with the voluntary sector to develop a package of measures to reduce the £1.1 billion of fraud against charities
- in partnership with the City of London Police and the Association of British Insurers, secured over £8 million of private sector funding for a dedicated police unit to investigate insurance fraudsters and bring them to justice

We have also worked with Home Office colleagues to support the development of the Economic Crime Command in the National Crime Agency programme.

Building on the above, our 2012-13 Business Plan focuses 93% of our staff resources on the direct delivery of our 2012 -13 objectives and broader oversight of *Fighting Fraud Together* and related strategies on organised crime and cyber security. We will also continue to support the development of the new National Crime Agency (NCA) and its Economic Crime Command.

### **The NFA Management Board**

The NFA Management Board is chaired by Stephen Harrison, Chief Executive. The Board comprises the Chief Executive Officer, three Directors, plus a senior finance professional, two Non-Executive Directors and representatives from our sponsor team. Other persons may attend at the invitation of the Chief Executive. Board meetings have been held every two months.

The Board has responsibility for establishing the NFA's strategic direction for approval by the Home Office, ensuring that risks to the NFA's objectives are actively identified and addressed, and agreeing an appropriate performance monitoring framework for the NFA. It also develops an annual business plan and agrees NFA corporate policies (e.g. employment policies).

### **Diversity**

The NFA operates an Equal Opportunities policy in all areas including recruitment, training and development, and offers working arrangements such as flexible and part-time working to accommodate family or other personal commitments. It encourages active involvement from all staff members and continues to engender positive two-way communication including regular whole agency briefings and workshops.

The NFA supports and promotes the Government's Modernising Government Agenda for "a dramatic improvement in diversity", and works with staff to build a workplace environment and culture in which everyone is valued as an individual, nurturing the development of its staff.

## **Sickness**

The NFA aims to ensure the regular attendance of all its employees. However, it recognises that from time to time, employees may be unable to attend work due to ill health. Working in partnership with the employees, the NFA aims to find ways to manage sick absences and ensure employees return to work at the earliest possible opportunity. The average number of sick days per permanent member of NFA staff during the year was 4.2 days (2010-11: 2.7 days).

## **Environmental Policy and Sustainability**

The NFA is below the minimum reporting threshold (less than 250 employees and occupying less than 1,000 square feet) required for sustainability reporting.

## **Going Concern Basis**

The activities of the NFA are financed through a budget delegated by the central Home Office. The Home Office also provides transactional services including the payment of the NFA's invoices. The Statement of Financial Position shows net liabilities of £493,000. The payables and accruals will be paid in full. The NFA was allocated funding by the Comprehensive Spending Review 2010, which covers the period 2011-15. It is considered appropriate, therefore, to adopt a going concern basis for the preparation of these financial statements. The accounts have been prepared under a direction issued by HM Treasury, under section 7 of the Government Resources and Accounts Act 2000.

## **Payment of Suppliers**

The Home Office processed payments of supplier invoices on behalf of the NFA since October 2011. The NFA policy is to pay undisputed invoices within agreed contractual payment terms. Where there is no specific deadline, the policy is to pay undisputed invoices within 30 days of receipt.

There were a few delays in making payments whilst the NFA moved to the Home Office finance system. However, since migration 96% of valid invoices were paid within 30 days.

## **Events after the Reporting Period**

In accordance with the requirements of *International Accounting Standard 10 'Events after the reporting period'* 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. Details are provided in note 18 of the accounts.

## External Audit Arrangements

The Comptroller and Auditor General is the external auditor of the NFA. The notional audit fee for the period of these accounts was £43,000 (2010-11: £33,000).

As Accounting Officer, I am also able to disclose the following:

- as far as I am aware, there is no relevant audit information of which the NFA auditors are not aware; and
- I have taken all steps that ought to have been taken in order to make myself aware of any relevant audit information, and also to ensure that the NFA's auditors are aware of that information.

No further assurance or other advisory services were provided by the auditors.

Stephen Harrison  
Chief Executive and Accounting Officer  
National Fraud Authority  
14 June 2012

## **Remuneration Report**

### **Remuneration Policy**

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Senior Salaries Review Body.

### **Senior Official Appointments**

Stephen Harrison was appointed as Chief Executive by the Home Office Permanent Secretary.

### **Salaries, emoluments and pension entitlements of the NFA Management Board**

The current board members relevant to this section are the Chief Executive, three Directors and two Non-Executive Directors.

The costs relating to all the Directors including funds paid to organisations / suppliers for the services of those individuals (including Recruitment Agency and other on-costs) are listed in the table that follows.

The disclosures within this Remuneration Report are subject to audit.

### **Service Contracts**

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

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

Further information about the work of the Civil Service Commission can be found at [www.civilservicecommission.org.uk](http://www.civilservicecommission.org.uk).

### **Policy**

The Chief Executive was appointed and his salary set in accordance with the Review Body on Senior Salaries taking account of the skills and experience required.

Other Senior Civil Servants (SCS) have been appointed by the Chief Executive in accordance with Cabinet Office guidance on SCS reward, benefits and recruitment.

The start and end dates of the current Non-Executive Directors are as follows:

Non-Executive Director	Start Date	Current End Date
Alison Porter	1 April 2009	31 March 2013
Stephen Barrett	1 April 2009	31 March 2013

### Remuneration (including salary) and pension entitlements

The following sections provided details of the remuneration and pension interests of the most senior NFA management.

### Remuneration (salary and payments in kind)

Where an individual has only served for part of the year, the full year equivalent salary is reported in brackets.

Officials	2011-12			2010-11		
	Salary £000	Bonus Payments £000	Benefits in kind (to nearest £100)	Salary £000	Bonus Payments £000	Benefits in kind (to nearest £100)
Stephen Harrison <i>As Chief Executive (from 1 September 2011)</i>	50-55 (85-90)	-	-	-	-	-
Bernard Herdan <i>Chief Executive (until 31 August 2011)</i>	45-50 (105-110)	10-15	-	105-110	35-40	-
Stephen Harrison <i>As Director of Enforcement (until 31 August 2011)</i>	30-35 (80-85)	-	-	80-85	5-10	-
Edward Nkune <i>Director of Knowledge</i>	70-75	-	-	70-75	-	-
Mike Haley <i>Director of Intervention</i>	80-85	5-10	-	80-85	5-10	-
Peter Wilson <i>Director of Engagement</i>	115-120	-	-	115-120	-	-

Officials	2011-12			2010-11		
	Salary £000	Bonus Payments £000	Benefits in kind (to nearest £100)	Salary £000	Bonus Payments £000	Benefits in kind (to nearest £100)
Alistair Cook* <i>Director of Programme Delivery (until 30 September 2011)</i>	65-70	-	-	130-135	-	-

\* Alistair Cook was agency staff and was paid on a daily basis. The cost above includes all agency fees and on-costs

Amanda McFeeters, the Director of Finance (from 1 October 2011), and Christopher Blairs, the NFA sponsor (also from 1 October 2011), are paid by the Home Office and fulfil their Management Board roles at no cost to the NFA.

Non-Executive Directors	2011-12		2010-11	
	Salary £000	Benefits in kind (to nearest £100)	Salary £000	Benefits in kind (to nearest £100)
Stephen Barrett	15-20	1,100	15-20	-
Alison Porter	15-20	700	15-20	-

The non-executive directors listed above were appointed on 1 April 2009 and their remunerations are in line with the recommendations made by the Cabinet Office.

## Salary

'Salary' includes gross salary; 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. This report is based on accrued payments made by the Agency and thus recorded in these accounts.

## Fair Pay Disclosure

The 2011-12 Hutton fair pay disclosure for the NFA is listed below.

Band of Highest Paid Director's Total Remuneration (£'000)	115-120
Median (£000)	43.7
Remuneration Ratio	2.7

## Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue & Customs as a taxable emolument. Benefits reported are calculated as the taxable value and include the private use of a car, travel and accommodation.

## Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonus payments disclosed in this report for 2011-12 are bonus payments for the 2010-11 performance year which were paid in 2011. For prior year comparatives the bonus payments are for the 2009-10 performance year, which were paid in 2010. Payments relating to 2011-12 are yet to be finalised.

## Pension Benefits

Officials	Accrued pension at pension age as at 31 March 2012 and related lump sum	Real increase / (decrease) in pension and related lump sum at pension age	CETV at 31 March 2012	CETV at 31 March 2011	Real increase / (decrease) in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	Nearest £100
Stephen Harrison <i>Chief Executive (from 1 September 2011), Director of Enforcement (until 31 August 2011)</i>	25-30 plus lump sum of 75-80	0-2.5 plus lump sum of 2.5-5	422	371	18	-
Bernard Herdan <sup>1</sup> <i>Chief Executive (until 31 August 2011)</i>	-	-	-	-	-	7,000
Edward Nkune <i>Director of Knowledge</i>	10-15 plus lump sum of 40-45	0-2.5 plus lump sum of 0-2.5	201	183	2	-
Mike Haley <i>Director of Intervention</i>	10-15	0-2.5	195	171	7	-
Peter Wilson <i>Director of Engagement</i>	5-10	0-2.5	117	90	16	-
Alistair Cook <sup>2</sup> <i>Director of Programme Delivery (until 30 September 2011)</i>	N/A	N/A	N/A	N/A	N/A	N/A

<sup>1</sup> Bernard Herdan is not a member of the civil service pension scheme

<sup>2</sup> Alistair Cook was an agency employee.

## 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 Consumer Prices Index (CPI). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a '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**. Increases to employee contributions will apply from 1 April 2012. Benefits in **classic** accrue at the rate of 1/80 of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60 of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is up rated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 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.gov.uk/my-civil-service/pensions/index.aspx](http://www.civilservice.gov.uk/my-civil-service/pensions/index.aspx)

## Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits

valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### **Real increase in CETV**

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period. Where the individual was not in post for the full year, the CETV at 31 March 2011 represents the value as at their start date and the CETV at 31 March 2012 represents the value as at their end date.

The actuarial factors used to calculate CETVs were changed in 2011-12. The CETVs at 31 March 2011 and 31 March 2012 have both been calculated using the new factors, for consistency. The CETV at 31 March 2011 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

Stephen Harrison  
Chief Executive and Accounting Officer  
National Fraud Authority  
14 June 2012

## **Statement of Accounting Officer's Responsibilities**

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the National Fraud Authority 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 Agency during the year.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Agency, the income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

The Home Office Permanent Secretary formally appointed the Chief Executive of the National Fraud Authority as Accounting Officer.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual (FReM) prepared by HM Treasury, and in particular to:

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

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 Agency's assets, are set out in Managing Public Money guidance published by HM Treasury.

Stephen Harrison  
Chief Executive and Accounting Officer  
National Fraud Authority  
14 June 2012

## **Governance Statement**

### **Scope of responsibility**

As the Chief Executive and Accounting Officer of the National Fraud Authority, I have personal responsibility for maintaining a sound system of governance, internal control and risk management within my agency to support the achievement of our 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* and the Government's Financial Reporting Manual.

I am assisted by the NFA Management Board in ensuring that the NFA continues to operate effectively within the control and delegation framework specified by the Home Office. This statement sets out how I have discharged my responsibility to manage and control NFA's resources during the course of the year.

### **The purpose of the system of governance, internal control and risk management**

The systems in place are designed to manage rather than eliminate the risk of failure to achieve aims and objectives; they can therefore only provide high and not absolute assurance of effectiveness.

These systems have been in place for the year ended 31 March 2012 and up to the date of approval of the Annual Accounts, and accord with Treasury Guidance. This governance statement covers the year ending March 2012 but will remain open until the Annual Report and Accounts are signed.

### **The governance framework**

We continued to operate under our pre machinery of government change Framework Document arrangements, updated in an exchange of formal letters to take account of our change of sponsorship, my taking over as Chief Executive Officer and Accounting officer, with effect from 1 September 2011 and our re-location (in October 2011) to Home Office premises at 2 Marsham Street, and to Home Office infrastructure and shared service systems. Our Framework Document sets out the arrangements and accountabilities and is compliant with the relevant sections of the *Corporate Governance Code* and *Managing Public Money*. During the year, the Home Office provided the strategic and business sponsorship role overseeing the NFA. The NFA is financially accountable to the Home Office's Accounting Officer for its funding and through the consolidation of its accounts into the Home Office's annual accounts.

Our governance structure has developed during the year, to take account of our move to the Home Office; of our administrative cost savings and, most importantly, to provide effective delivery management of Fighting Fraud Together (FFT), the four year cross sector, national strategic plan for reducing fraud, published in October 2011.

The NFA Management Board has remained at the heart of our corporate committee structure, meeting every two months to support me in providing strategic leadership and in:

- establishing the NFA's strategic direction for approval by the Home Office
- ensuring that risks to the NFA's objectives are actively identified and addressed
- agreeing an appropriate performance monitoring framework for the NFA
- developing an annual business plan
- agreeing NFA corporate policies (e.g. employment policies)

The Board also scrutinises and challenges our performance and risk management and oversees the management of corporate resources, including staff, finance, information, security and physical resources.

The Board comprised the Chief Executive Officer; two Non-Executive Directors; the five NFA Directors (one acting as senior finance professional) for the first half of the year, reducing to the three remaining Directors plus a Home Office senior finance professional and a representative of the Home Office sponsoring unit. Our two Non-Executive Directors continued to provide externally informed challenge and advice and our Home Office sponsor member ensured alignment with wider departmental objectives.

During 2011-12 the Management Board met seven times. Across the full year, six members attended all the meetings which took place while they were in post; two attended five; one four and one two.

The Management Board was supported by the Audit Committee, which comprises the two Non-Executive Directors, one of whom is Chair of the Committee. Meetings are also attended by the Chief Executive Officer, NFA's finance professional, the lead Home Office Internal Auditor and representatives from National Audit Office. This Committee is appointed by the Chief Executive and established as a committee of the NFA Management Board in accordance with Government Accounting and the Cabinet Office and Treasury Guidance. Its membership and functions are in accordance with the Cabinet Office Guidance on codes of practice for Board Members of Public Bodies and the Treasury's Audit Committee Handbook. It advises me on:

- strategic processes for risk management, control and governance; the accounting policies; and on this report and the review and audit of these accounts
- planning, conduct, results and responses to both internal and external audit and assurance activity
- anti-fraud policies, whistle-blowing processes, and arrangements for special investigations

For the first part of the year, the Committee consisted of an independent Chair and the two Non-Executive Directors. The Chief Executive Officer, the Director of Programme Delivery, the Head of Finance, HMRC Audit Manager and the National Audit Office External Audit representative also attended the meetings. All members attended the meeting in June. Subsequently the restructured Committee has met three times, with full attendance at all meetings.

The Audit Committee was provided with assurance from audits carried out by Home Office Internal Audit on systems and services we share with the Home Office, and on our management of risks associated with our transfer to the Home Office.

I was also supported by the Leadership Team - myself and the three Directors, meeting monthly to review organisational management, risks, policy, resourcing and performance.

The Fraud Programme Board, established to oversee the delivery of the 2009 National Fraud Strategy, was abolished. It was replaced by new arrangements under the Economic Crime Coordination Board (ECCB) which is chaired by the Director General of the new National Crime Agency.

The Fraud Programme Board met six times between April and November 2011, the last meeting being in November. There were seventeen member organisations; one member attended no meetings; two attended three; four attended four meetings; three attended five and seven members attended six meetings. The ECCB has met three times since its inception in December 2011.

## **Risk management**

Risk management in the NFA is led from the top and in line with its Risk Management policy. Risks to achieving our 2011-12 objectives were reviewed as part of compiling the NFA's Business Plan as well as reviewing progress on existing key risks at each meeting; the Management Board conducted two extended risk workshops to review the full range of strategic and corporate risks and to identify and assess any new risks. The Leadership Team also regularly reviewed progress on managing our strategic, corporate and our programme risks, escalating the latter to the Management Board if appropriate. The Audit Committee has reviewed the policy and processes for risk management, and is content with them; we are currently improving the processes to identify and manage risks to our programmes of work and to join these up better with our corporate and strategic risk management.

General risk management guidance is available to staff as part of the work management policies and procedures, along with the risk management approach, which details how staff should identify, document and manage risks.

At March 2012, the top level risks on the Corporate Register were in the following areas:

- failure of the counter fraud community to deliver the Fighting Fraud Together (FFT) strategic plan
- loss of NFA visibility and influence with delivery partners, as a consequence of the move to the HO, resulting in failure to deliver FFT
- loss of key members of staff
- commission of fraud by a member of staff
- impact of delivering Spending Review cost reductions
- failure of Action Fraud to provide appropriate service to victims, resulting in adverse media coverage and reputational damage

Mitigating actions are in place for all these risks.

The only other significant risks during the year stemmed from our transition and physical relocation to the new building and systems. These were mitigated (see below).

## **Financial management**

We worked closely with our sponsors in the Crime and Policing Group (CPG) and also with the Cabinet Office who sponsor our cyber crime reporting activity.

A new grant agreement was established between NFA and City of London Police: covering the funding earmarked for the National Fraud Intelligence Bureau in the National Cyber Security programme. This followed the Home Office guidance and included the monitoring of delivery by the City of London Police to ensure that grant payments were made in accordance with the agreement.

The migration from the Serious Fraud Office accounting systems to Home Office took place during September and October 2011. No significant issues arose from the move.

The Finance Director's role transferred from a part time interim NFA resource to a service provided by the Accounting and Finance Unit (AFU) of the Home Office. Management Accounting services remain in NFA, but with line management support from AFU. This provides a more resilient service.

The Home Office finance functions and procurement process have been adopted. The Home Office processes are robust and have been subject to review under the Managing Risk of Financial Loss (MRoFL) programme. We have completed an evidence based Organisational Capability Review in accordance with MRoFL guidance, to ensure that the processes and procedures within NFA support the end to end finance processes. While the review did not identify any serious weaknesses, some improvement actions were recommended, and good progress is being made on implementing these.

Processes, controls, risk management and fraud prevention strategies delivered good financial management and appropriate levels of propriety, regularity and value for money.

## **Information management and assurance**

We have adopted and conformed with the Home Office Information Systems and Technology strategy and departmental policies on information management, security, risk management and information assurance. We have a Senior Information Risk Owner (SIRO) with responsibilities delegated by the Home Office SIRO, for the overall appropriate handling of the NFA's information, and two Information Asset Owners. We assessed ourselves against the Information Assurance Maturity Model and achieved compliance at Level Three.

Our largest data risk is contained within the Action Fraud programme with its role to record crime and crime related data in relation to fraud and internet crime. This data is then

transferred via secure link to the National Fraud Intelligence Bureau at the City of London Police. This system has been reviewed and accredited by the Home Office Departmental Security Unit (DSU). There was one data incident during the year which was handled in accordance with Home Office policies and the Cabinet Office guidance on Reporting of Personal Data Related Incidents.

### **Key issues**

We devised and implemented robust plans to minimise the resource diversion and cost issues arising from our Machinery of Government change of sponsorship from the Attorney General's Office to the Home Office on 1 April 2011, and from our physical relocation to new premises and infrastructure systems in October 2011. After a period of re-adjustment we have been able to take full advantage of these systems, reducing our administrative overheads, and we have provided feedback and lessons learned to inform future moves of other units to Home Office accommodation and also should the NFA move to new premises.

The evaluation of options for new premises included non financial criteria - for example proximity to our sponsors and improved use of Home Office corporate assets. In recognition of this, the Home Office has agreed to underwrite the extent to which our accommodation and IT costs exceed those payable previously.

Stephen Harrison  
Chief Executive and Accounting Officer  
National Fraud Authority  
14 June 2012

## **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 National Fraud Authority for the year ended 31 March 2012 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; 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**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the National Fraud Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by The National Fraud Authority; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Management Commentary to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

### **Opinion on regularity**

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

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the National Fraud Authority's affairs as at 31 March 2012 and of the net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

### **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I report by exception**

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

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

### **Report**

I have no observations to make on these financial statements.

*Amyas C E Morse  
Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP*

*19 June 2012*

**Statement of Comprehensive Net Expenditure**

for the year ended 31 March 2012

		<b>2011-12</b>		<b>Restated</b>
		<b>Staff</b>	<b>Other</b>	<b>2010-11</b>
	<b>Note</b>	<b>Costs</b>	<b>Costs</b>	<b>£000</b>
			<b>Income</b>	<b>Total</b>
<b>Administration Costs:</b>				
Staff costs	2	632		799
Other administration costs	3		221	220
Operating income	5		-	-
<b>Programme Costs:</b>				
Staff costs	2	2,222		2,691
Programme costs	4		2,921	1,051
Operating income	5		-	(739)
<b>Total</b>		<b>2,854</b>	<b>3,142</b>	<b>-</b>
<b>Net Operating Cost</b>			<b>5,996</b>	<b>4,022</b>

There is no other comprehensive expenditure. All activities are from continuing operations.

The notes on pages 27 to 40 form part of these accounts

**Statement of Financial Position**

as at 31 March 2012

	Note	2011-12 £000	2010-11 £000
<b>Non-current assets:</b>			
Property, plant and equipment	6	-	25
Intangible assets	7	<u>345</u>	<u>202</u>
<b>Total non-current assets</b>		345	227
<b>Current assets:</b>			
Trade and other receivables	9	<u>156</u>	<u>12</u>
<b>Total current assets</b>		<u>156</u>	<u>12</u>
<b>Total assets</b>		<u>501</u>	<u>239</u>
<b>Current liabilities:</b>			
Trade and other payables	10	<u>994</u>	<u>258</u>
<b>Total current liabilities</b>		<u>994</u>	<u>258</u>
<b>Non-current assets less net current liabilities</b>		<u>(493)</u>	<u>(19)</u>
<b>Assets less liabilities</b>		<u>(493)</u>	<u>(19)</u>
<b>Taxpayers' equity:</b>			
General fund		<u>(493)</u>	<u>(19)</u>
<b>Total taxpayers' equity</b>		<u>(493)</u>	<u>(19)</u>

The notes on pages 27 to 40 form part of these accounts

Stephen Harrison  
 Chief Executive and Accounting Officer  
 National Fraud Authority  
 14 June 2012

**Statement of Cash Flows**

for the year ended 31 March 2012

	Note	2011-12 £000	2010-11 £000
<b>Cash flows from operating activities</b>			
Net operating cost		(5,996)	(4,022)
Adjustments for non-cash transactions	3, 4	132	153
(Increase)/decrease in trade and other receivables	9	(144)	7
Increase/(decrease) in trade payables less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure	10	736	(214)
		<u>-</u>	<u>(33)</u>
<b>Net cash outflow from operating activities</b>		<u>(5,272)</u>	<u>(4,109)</u>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets	7	<u>(207)</u>	<u>(34)</u>
<b>Net cash outflow from investing activities</b>		<u>(207)</u>	<u>(34)</u>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply) - current year		<u>5,479</u>	<u>4,143</u>
<b>Net financing</b>		<u>5,479</u>	<u>4,143</u>
<b>Net increase/(decrease) in cash and cash equivalents in the year</b>		<u>-</u>	<u>-</u>
<b>Cash and cash equivalents at the beginning of the year</b>		<u>-</u>	<u>-</u>
<b>Cash and cash equivalents at the end of the year</b>		<u>-</u>	<u>-</u>

The notes on pages 27 to 40 form part of these accounts

**Statement of Changes in Taxpayers' Equity**

for the year ended 31 March 2012

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
<b>Balance at 31 March 2010</b>		(173)	-	(173)
<b>Changes in taxpayers' equity for 2010-11</b>				
Non-cash charges - auditor's remuneration	3	33	-	33
Net operating costs for the year		(4,022)	-	(4,022)
<b>Total recognised income and expense for 2010-11</b>		(3,989)	-	(3,989)
Net Parliamentary Funding - drawn down		4,143	-	4,143
<b>Balance at 31 March 2011</b>		<b>(19)</b>	-	<b>(19)</b>
<b>Changes in taxpayers' equity for 2011-12</b>				
Non-cash charges - auditor's remuneration	3	43	-	43
Net operating costs for the year		(5,996)	-	(5,996)
<b>Total recognised income and expense for 2011-12</b>		(5,953)	-	(5,953)
Net Parliamentary Funding - drawn down		5,479	-	5,479
<b>Balance at 31 March 2012</b>		<b>(493)</b>	-	<b>(493)</b>

The notes on pages 27 to 40 form part of these accounts

## Notes to the Agency's Accounts

### 1 Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2011-12 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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

#### 1.1 Accounting Convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and inventories.

#### 1.2 Change in Accounting Policy

##### a) Administration and Programme Cost

The Statement of Comprehensive Net Expenditure requires an analysis between administration and programme income and expenditure. The classification of expenditure and income as administration or as programme follows the definition of administration costs set by HM Treasury.

Administration costs reflect the costs of running the Agency as defined under the administration cost-control regime, together with associated operating income.

Programme costs reflect non-administration costs includes Cyber Crime and other disbursements by the agency, as well as certain staff costs where they relate directly to service provision.

During 2010-11, all the NFA's expenditure were classified as programme as part of the Serious Fraud Office's Supply Estimate and therefore all the NFA operating costs were classified as programme.

For 2011-12, the NFA's expenditure was split into administration and programme classification under the Home Office's Supply Estimate and therefore its operating costs come under these classifications. Expenditure for 2010-11 has been restated for changes to the administration and programme classification.

##### b) Capitalisation Threshold

On transfer to the Home Office on 1 April 2011, the NFA applied a £5,000 threshold for the capitalisation of newly acquired non-current assets during 2011-12.

Previously, the threshold applied for the capitalisation of non-current assets was £2,000.

### 1.3 Machinery of Government Changes

From 1 April 2011, the NFA transferred to the Home Office as an executive agency. Prior to this it had been an executive agency of the Attorney General's Office. Sponsorship of all the NFA's operating activities transferred to the Home Office on this date and it will continue to take a leading role in tackling public and private sector fraud.

### 1.4 Property, Plant and Equipment and Intangible Assets

The NFA does not own any freehold land and buildings.

Assets are capitalised as non-current assets if they are intended for use on a continuing basis and their original purchase cost, on an individual basis is £5,000 or more. For IT and furniture expenditure the £5,000 threshold is applied to assets on a grouped basis. Non-current assets are recognised initially at cost and thereafter carried at fair value less depreciation and impairment charged subsequent to the date of revaluation.

### 1.5 Depreciation and Amortisation

Depreciation and amortisation are provided on a straight line basis at rates calculated to write off the value of property, plant and equipment and intangible assets, less the estimated residual value, over their estimated useful lives. The useful lives and residual values, depreciation and amortisation methods are reviewed annually with any revisions to those estimates accounted for prospectively.

Furniture and Fittings	10 years
Computer Equipment	5 years
Intangible Assets	5 years
IT Development Projects in use	5 years

Assets under construction are not depreciated until they are in use. Assets are depreciated from the month after purchase until the end of the useful lives as stated above.

### 1.6 Foreign Exchange

The presentational currency used for the financial statements is sterling. Transactions which are denominated in a foreign currency are translated at the rate

of exchange ruling on the date of the transaction, except where rates do not fluctuate significantly, in which case an average rate for the period is used.

### **1.7 Pensions**

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded and are non-contributory except in respect of dependents' benefits. The expected cost of these elements are recognised 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 contributions payable for the year are recognised.

### **1.8 Provisions**

The NFA provide for legal and constructive obligations which are of uncertain timing or amount at the reporting date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury discount rate. There were no provisions as at 31 March 2012 (2010-11: Nil).

### **1.9 Operating Leases**

Operating lease rentals will be charged to the Statement of Comprehensive Net Expenditure in equal amounts over the lease term.

### **1.10 Value Added Tax (VAT)**

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

### **1.11 Contingent Liabilities**

In addition to contingent liabilities disclosed in accordance with IAS 37, NFA discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Managing Public Money.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

## 1.12 Areas of Judgement and Key Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements and assumptions that affect the amounts of reported assets and liabilities, disclosures of contingent assets and liabilities and the amounts of reported revenue and expenses during the period. Actual results could differ from these estimates. Information about such judgement and estimations is contained in the accounting policies or the notes to the financial statements.

Key sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are useful lives of property, plant and equipment and particularly intangibles.

## 2. Staff numbers and related costs

Staff costs comprise:

		2011-12		2010-11
		£000		£000
	Total	Permanently employed staff	Others	Total
Wages and salaries	2,289	2,144	145	2,846
Social security costs	201	201	-	210
Other pension costs	435	435	-	438
<b>Sub Total</b>	<b>2,925</b>	<b>2,780</b>	<b>145</b>	<b>3,494</b>
Less recoveries in respect of outward secondments	(71)	(71)	-	(4)
<b>Total Net Costs*</b>	<b>2,854</b>	<b>2,709</b>	<b>145</b>	<b>3,490</b>

\* Of which:

	2011-12	Restated 2010-11
Charged to administration costs	632	799
Charged to programme costs	2,222	2,691
	<b>2,854</b>	<b>3,490</b>

For 2011-12, staff costs have been split into administration and programme expenditure to reflect the operating activities of the NFA. During 2010-11, all staff costs were classified as programme expenditure. These costs have been restated for changes in administration and programme classifications as stated in note 1.2 (Change in Accounting Policy).

No staff costs were charged to capital expenditure.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the NFA is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details can be found in the Resource Accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2011-12, employer's contributions of £435,218 were payable to the PCSPS (2010-11: £452,376) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2011-12 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employers can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £9,255 (2010-11: £16,740) were paid to one or more appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. In addition, the employer contributes a further 0.8% of pensionable pay to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees. Contributions for 2011-12 were Nil (2010-11: Nil).

There were no contributions due to the partnership pension providers at 31 March 2012 (31 March: Nil).

No persons (2010-11: Nil) retired early on ill-health grounds; the total additional accrued pension liabilities in the year were Nil (2010-11: Nil).

No civil service exit packages were agreed in 2011-12 (2010-11: Nil).

### Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows.

	2011-12			2010-11
	Total	Permanent staff	Others	Total
Directly Employed	47.0	44.7	2.3	52.25
<b>Total</b>	<b>47.0</b>	<b>44.7</b>	<b>2.3</b>	<b>52.25</b>

**3. Other administration costs**

	<b>2011-12</b> <b>£000</b>	<b>Restated</b> <b>2010-11</b> <b>£000</b>
Rentals under operating leases	74	65
Service charges	63	44
Non-cash items		
Depreciation	5	15
Auditor's remuneration	43	33
Other		
Publication stationery & printing	9	4
Facilities management and staff services	10	12
Travel, subsistence and hospitality	4	26
Professional fees	5	14
Media and IT	7	6
Other administration expenditure	1	1
<b>Total</b>	<b>221</b>	<b>220</b>

No remuneration has been paid to the National Audit Office for non-audit work.

**4. Programme costs**

	<b>2011-12</b>	<b>Restated</b>
	<b>£000</b>	<b>2010-11</b>
		<b>£000</b>
Rentals under operating leases	301	218
Service charges	1,277	532
Non-cash items		
Depreciation	20	51
Amortisation	64	54
Other		
Grants - current	616	-
Publication stationery and printing	25	9
Facilities management and staff services	33	38
Travel, subsistence and hospitality	103	34
Professional fees	12	13
Media and IT	284	76
Other programme costs	186	26
<b>Total</b>	<b><u>2,921</u></b>	<b><u>1,051</u></b>

**5. Income**

	<b>2011-12</b>	<b>2010-11</b>
	<b>£000</b>	<b>£000</b>
Appropriated in Aid		
Programme income	<u>-</u>	<u>739</u>
Total Appropriated in Aid	<u>-</u>	<u>739</u>
Of which		
Programme income	<u>-</u>	<u>739</u>
	<u>-</u>	<u>739</u>

Prior to 2011-12, the NFA received income from the Home Office to fund the Action Fraud project. On transfer to Home Office, the NFA no longer receives this income. All NFA expenditure is funded by the Home Office and this is reflected in Taxpayers' Equity.

## 6. Property, plant and equipment

	Information Technology £000	Furniture & Fittings £000	Total £000
<b>Cost or valuation</b>			
At 1 April 2011	89	17	106
Additions	-	-	-
Disposals	(89)	(17)	(106)
<b>At 31 March 2012</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Depreciation</b>			
At 1 April 2011	(68)	(13)	(81)
Charged in year	(21)	(4)	(25)
Disposals	89	17	(106)
<b>At 31 March 2012</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net book value at 31 March 2012</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net book value at 31 March 2011</b>	<b>21</b>	<b>4</b>	<b>25</b>
<b>Asset financing:</b>			
Owned	-	-	-
On balance sheet PFI	-	-	-
Finance Leased	-	-	-
<b>Net book value at 31 March 2012</b>	<b>-</b>	<b>-</b>	<b>-</b>

During the year, assets with net book value of £25,000 were disposed of at nil profit.

	<b>Information Technology £000</b>	<b>Furniture &amp; Fittings £000</b>	<b>Total £000</b>
<b>Cost or valuation</b>			
At 1 April 2010	89	17	106
Additions	-	-	-
Disposals	-	-	-
<b>At 31 March 2011</b>	<b>89</b>	<b>17</b>	<b>106</b>
<b>Depreciation</b>			
At 1 April 2010	(15)	(1)	(16)
Charged in year	(53)	(12)	(65)
Disposals	-	-	-
<b>At 31 March 2011</b>	<b>(68)</b>	<b>(13)</b>	<b>(81)</b>
<b>Net book value at 31 March 2011</b>	<b>21</b>	<b>4</b>	<b>25</b>
<b>Net book value at 31 March 2010</b>	<b>74</b>	<b>16</b>	<b>90</b>
<b>Asset financing:</b>			
Owned	21	4	25
On balance sheet PFI	-	-	-
Finance Leased	-	-	-
<b>Net book value at 31 March 2011</b>	<b>21</b>	<b>4</b>	<b>25</b>

**7. Intangible assets**

	<b>Software Licences</b>	<b>Website costs</b>	<b>Assets under Construction</b>	<b>Total</b>
<b>Cost or valuation</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 April 2011	24	236	-	260
Additions	-	143	64	207
Disposals	(24)	-	-	(24)
<b>At 31 March 2012</b>	<b>-</b>	<b>379</b>	<b>64</b>	<b>443</b>
<b>Amortisation</b>				
At 1 April 2011	(18)	(40)	-	(58)
Charged in year	(6)	(58)	-	(64)
Disposals	24	-	-	24
<b>At 31 March 2012</b>	<b>-</b>	<b>(98)</b>	<b>-</b>	<b>(98)</b>
<b>Net book value 31 March 2012</b>	<b>-</b>	<b>281</b>	<b>64</b>	<b>345</b>
<b>Net book value 1 April 2011</b>	<b>6</b>	<b>196</b>	<b>-</b>	<b>202</b>

During the year, assets with net book value of £6,000 were disposed of at nil profit.

Website costs and assets under construction relate to the Action Fraud Initiative.

	<b>Software Licences</b>	<b>Website costs</b>	<b>Assets under Construction</b>	<b>Total</b>
<b>Cost or valuation</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 April 2010	24	169	-	193
Additions	-	67	-	67
Disposals	-	-	-	-
<b>At 31 March 2011</b>	<b>24</b>	<b>236</b>	<b>-</b>	<b>260</b>
<b>Amortisation</b>				
At 1 April 2010	(3)	-	-	(3)
Charged in year	(15)	(40)	-	(55)
Disposals	-	-	-	-
<b>At 31 March 2011</b>	<b>(18)</b>	<b>(40)</b>	<b>-</b>	<b>(58)</b>
<b>Net book value at 31 March 2011</b>	<b>6</b>	<b>196</b>	<b>-</b>	<b>202</b>
<b>Net book value at 1 April 2010</b>	<b>21</b>	<b>169</b>	<b>-</b>	<b>190</b>

## 8. Financial instruments

The cash funding of the NFA is met through the Home Office. Financial instruments play a limited role in managing financial risk. The majority of the financial instruments relate to contracts to buy non-financial items in line with the NFA's expected purchase and usage requirements and the NFA is therefore exposed to little credit, liquidity or market risk.

The NFA does not face significant medium-to-long term financial risks.

## 9. Trade receivables and other current assets

	<b>2011-12</b>	<b>2010-11</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year:</b>		
Trade receivables	99	-
Deposits and advances	13	12
Prepayments and accrued income	44	-
	<b>156</b>	<b>12</b>

**9.1 Intra-Government balances**

	<b>2011-12</b>	<b>2010-11</b>
	<b>£000</b>	<b>£000</b>
<b>Current</b>		
Balances with other central government bodies	72	-
Balances with local authorities	-	-
Balances with public corporations and trading funds	-	-
<b>Subtotal: intra-government balances</b>	<b>72</b>	<b>-</b>
Balances with bodies external to government	84	12
<b>Total receivables at 31 March 2012</b>	<b>156</b>	<b>12</b>

The NFA has no receivables falling due after one year.

**10. Trade payables and other current liabilities**

	<b>2011-12</b>	<b>2010-11</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year:</b>		
Trade payables	39	46
Accruals and deferred income	955	212
	<b>994</b>	<b>258</b>

**10.1 Intra-Government balances**

	<b>2011-12</b>	<b>2010-11</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year:</b>		
Balances with other central government bodies	530	61
Balances with local authorities	-	15
Balances with public corporations and trading funds	10	-
<b>Subtotal: intra-government balances</b>	<b>540</b>	<b>76</b>
Balances with bodies external to government	454	182
<b>Total payables at 31 March 2012</b>	<b>994</b>	<b>258</b>

The NFA has no payables falling due after one year.

## 11. Commitments under Leases

### 11.1 Operating Leases

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

	2011-12 £000	2010-11 £000
<b>Obligations under operating leases comprise:</b>		
Buildings		
Not later than one year	432	-
Later than one year and not later than five years	432	-
Later than five years	-	-
<b>Total Commitment</b>	<b>864</b>	<b>-</b>

### 11.2 Finance Leases

The NFA had no commitments under finance leases at 31 March 2012 (31 March 2011: Nil).

## 12. Commitments under PFI contracts

There were no commitments under PFI contracts at 31 March 2012 (31 March 2011: Nil).

## 13. Other Financial Commitments

There were no other financial commitments at 31 March 2012 (31 March 2011: £192,000).

## 14. Contingent liabilities disclosed under IAS 37

As at 31 March 2012 there were no contingent liabilities (31 March 2011: Nil).

## **15. Losses and Special payments**

### **(a) Losses Statement**

There are no material losses during the year which in aggregate exceeded £250,000 (31 March 2011: Nil).

### **(b) Special Payments**

There are no material special payments during the year which in aggregate exceeded £250,000 (31 March 2011: Nil).

## **16. Related-party transactions**

The NFA was, throughout the year, an Executive Agency of the Home Office. The NFA is funded by the Supply Estimate process and for 2011-12 was financed within the Home Office. The Home Office provides transactional services. No board member, key manager or other related parties has undertaken any material transactions with the NFA during the year.

Prior to 2011-12, NFA was an executive agency of the Attorney General's Office and the Serious Fraud Office (SFO) provided transactional services until the end of September 2011 when these services were transferred to the Home Office.

In addition, the agency has had transactions with other government departments and other central government bodies. These include the Cabinet Office: Civil Superannuation who manage the Principal Civil Service Pension Scheme and police authorities across the UK.

## **17. Third-party assets**

The NFA held no monetary assets at 31 March 2012 in interest bearing or other accounts at the end of the reporting year (31 March 2011 : Nil).

## **18. Events after Reporting Period**

None.



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