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# **Serious Fraud Office**

**Resource Accounts  
2009-10**

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**Resource Accounts 2009-10**

**(For the year ended 31 March 2010)**

Presented to the House of Commons pursuant  
to the Government Resources and Accounts  
Act 2000, section 6(4)

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## Foreword

### Scope

#### Basis of Accounts

These accounts have been prepared in accordance with directions given by HM Treasury to comply with the Government Resources and Accounts Act 2000.

#### Role of the Department

The Serious Fraud Office (SFO) is a non-ministerial department and was established by the Criminal Justice Act 1987, following the 1986 Roskill Report. Its role is to investigate and prosecute cases of serious or complex fraud in England, Wales and Northern Ireland and overseas corruption with a UK connection. The SFO is headed by the Director, Richard Alderman, who acts under the superintendence of the Attorney General.

The National Fraud Authority (NFA) was established on 1 October 2008 as an executive agency of the Attorney General's Office. In line with the recommendations of the Government's Fraud Review, the NFA works across the public and private sectors to provide strategic direction and to coordinate the fight against fraud. The NFA is consolidated with the Serious Fraud Office for financial reporting purposes to reflect its funding from the Consolidated Fund being a sub-head within the Request for Resources for the Department.

### AIM OF THE DEPARTMENT

The SFO's mission is to be trusted to protect society from serious economic crime. In doing that it aims to:

- Reduce the harm caused by serious economic crime by investigating proactively and helping to prevent fraud by educating the public about the risks;
- Build the capability to receive, review, assess and share information and so become an intelligence-led organisation;
- Successfully complete 25 cases a year and maximise their deterrent effect through wide publicity and by reducing the length and cost of cases;
- Recover assets greater than the total SFO budget and pay the majority back to victims;
- Improve victim satisfaction by putting victims at the heart of what it does;
- Continuously deliver improved value for money to the taxpayer; and
- Establish a stretching, developmental and rewarding working environment for investigators, lawyers, forensic and support staff.

### The Department's Approach to Achieving this Aim

Six core values underpin the way the SFO works towards this aim. These are:

- **Supportive:** We serve and help victims, witnesses and whistleblowers who are at the heart of what we do.
- **Focused:** We focus on serious cases where we can make a difference, delivering the most appropriate results as quickly as possible.
- **Proactive:** We are proactive in reducing the harm from fraud and corruption by educating the public and working with other agencies to disrupt economic crime. We look to share ideas for new and innovative ways of working and so improve what we do.
- **Relevant:** We are up to date on current and potential economic crime issues. We deliver the specialised work that makes the biggest difference to the harm caused by serious economic crime.
- **Collaborative:** We collaborate nationally and internationally to chase down and address serious economic crime. We treat our staff, partners and stakeholders with respect, valuing diversity and drawing on the different strengths, experience and talents of all our people and so provide equality of opportunity for staff to grow and develop.
- **oneSFO:** We have a common purpose and consistent processes that deliver value for money and manage risk effectively.

## **CORPORATE GOVERNANCE**

The Director acts under the supervision of the Attorney General. He is supported by the Strategic Management Board, the Executive Board and the Transformation Programme Board (which met monthly until October 2009 when it was replaced by the Continuous Improvement Programme Board). The Strategic Management Board meets monthly and the Executive Board meets weekly.

Each board has clearly defined terms of reference and membership. The Strategic Management Board sets the strategic direction of the SFO and monitors performance and progress at a high level. The Executive Board monitors performance and progress in more detail and deals with issues arising. The fact that the Executive Board meets weekly allows for a timely response to issues arising.

The Transformation Programme Board oversaw the direction of the 21 projects that made up the Transformation Programme and ensured that they all continued to fit with the SFO's strategic direction. With the bulk of the Transformation completed, this board was replaced by the Continuous Improvement Programme Board which leads on delivering all projects concerned with people and technology.

Each body identifies, reviews and prioritises key risks. The most significant risks are assigned to individual Board members who take ownership and responsibility for them. The principal risks and uncertainties facing the SFO relate to its continuing ability to investigate and prosecute serious economic crime and respond to changing demand and the volatile environment in which it operates. Key areas identified include delivering quality casework; failure to embed equality and diversity consistently across the organisation; the need to deliver the business within budget; recruitment and retention of staff; the loss of confidence among key partners in the SFO's ability to deliver should it not deliver on its public commitments regarding speed of cases or responsiveness to enquiries; and the need to give due priority to overarching security policies and data protection. Systems for risk management are in place and regular reviews take place at the relevant levels within the organisation.

The Audit and Risk Committee is a sub-committee of the Strategic Management Board. It is chaired by a non-executive director. It promotes and provides support on key corporate governance issues to the Director and Strategic Management Board and meets at least five times a year. Internal and external auditors attend each meeting. The Committee has clearly defined terms of reference and has an established work programme. The SFO substantially conforms to the principles of HM Treasury's Corporate Governance Code for Central Government Departments.

### **Company Directorships**

None of the Strategic Management Board members hold any company directorships or significant interests which may conflict with their senior management responsibilities.

## **DEPARTMENTAL ACTIVITIES AND OPERATIONS**

The SFO has four operational domains each led by a Head of Domain with a number of dedicated case managers. Case managers are either investigators or lawyers. The nature of a case determines whether a lawyer or an investigator should be in charge of it. Multi-discipline case teams are established and members are allocated according to the skills and expertise the case requires. Cases are reviewed monthly to ensure that they are on track to deliver and that they still fit with the SFO's aims.

### **Operational Remit**

The SFO may deal with any type of complex or serious fraud or overseas corruption. The Enterprise Act 2002 criminalised anti-competitive behaviour by individuals and the SFO shares responsibility with the Office of Fair Trading (OFT) for the conduct of criminal prosecutions under this legislation. The Anti-Terrorism, Crime and Security Act 2001 clarified the law relating to the bribery of foreign officials by UK nationals or companies. The SFO is responsible for the initial review of all allegations received in this area. Where the case falls within the SFO's criteria for taking up cases, it will register it for investigation. If not, the SFO passes the case to the most appropriate law enforcement agency or regulatory body. The SFO has two small specialist units to maintain the register of complaints of suspicion of corruption overseas and an increasing number of applications to restrain the proceeds of crime.

In London the SFO works primarily with the City of London Police (CoLP). This relationship has been strengthened by the establishment of a special CoLP unit for investigating allegations of overseas corruption. A Memorandum of Understanding (MoU) with the Association of Chief Police Officers (ACPO) sets out the agreed approach to SFO investigations, and who will be responsible for different aspects of the work.

The SFO has agreed criteria for referring cases where there is mutual interest between the Financial Services Authority (FSA), the SFO, the Department for Business, Innovation and Skills (BIS), the police, Crown Prosecution Service (CPS) and their counterparts in Scotland and Northern Ireland. Agreed guidelines provide a framework for dealing with cases where regulatory or administrative penalties rather than criminal prosecution appear more appropriate. The Financial Services and Markets Act 2000 included a number of criminal offences specifically designed to deal with investment fraud as well as administrative penalties for market manipulation. The SFO and FSA continue to work closely together to prevent, deter and punish financial frauds in these areas.

### **Case Selection Criteria**

Though none of the following factors, when taken individually, should be regarded as conclusive, the factors the SFO considers when deciding to take up a case for investigation include:

- The sum at risk is estimated to be at least £1million. This is simply an objective and recognisable mark of seriousness and likely public concern, rather than the main indicator of suitability;
- The case is likely to give rise to national publicity and widespread public concern. Such cases include those involving government departments, public bodies, the governments of other countries and commercial cases of public interest;
- The case requires a highly specialist knowledge of, for example, financial markets and their practices;
- The case has a significant international dimension;
- There is a need for legal, accountancy and investigative skills to be brought together; and
- The suspected fraud appears to be complex and one in which the use of Section 2 powers (Criminal Justice Act 1987) might be appropriate.

The statutory criteria for accepting cases are interpreted in the light of published criteria agreed by the Law Officers. The key criterion for the SFO to take on a case is that the suspected fraud was such that the direction of the investigation should be in the hands of those who will be responsible for its prosecution.

### **Achievements 2009-10 and Future Events**

Economic crime causes immense harm to millions of individual victims, governments and the UK economy. The National Fraud Authority estimates that the cost of fraud in the UK is £30bn a year with public sector fraud alone accounting for over half that sum. The SFO and its partner organisations helped to prosecute record levels of fraud in 2009-10 when cases involving a total of £1.3bn at risk were brought to court.

The cost of corruption is very hard to measure. The UN states that “corruption kills development and is one of the biggest obstacles to achieving ... targets to reduce poverty, hunger and other social ills by 2015”. Fraudsters target vulnerable individuals causing great distress and personal difficulties, while generating cash that is used for further serious and organised crimes.

Economic crimes undermine confidence in the UK and UK business and results in individuals paying more for goods and services. The SFO has a vital role to play in addressing this clear and present threat. In 2009-10 it again produced a year of noteworthy results. More cases are being dealt with quicker and with a higher success rate. Our approach is now more intelligence driven with a greater focus on preventing and deterring economic crime, therefore reducing the harm to victims. In spite of reduced funding, we continue to work in innovative ways, providing better value for money for UK citizens. In 2009-10, we delivered many successes, including:

- 100% of trials achieved at least one conviction;
- 91% of defendants who were tried, were convicted;
- £4 million was paid back to victims of crime – almost four times more than in 2008-2009;
- £11.8 million was recovered in corporate fines and channelled back into the court system; and

- £5 million was recovered from cases through civil means, more than double the value achieved in 2008-09.

Following the General Election on May 6 the Government have committed to the creation of a single agency to take on the work of tackling serious economic crime that is currently done by, among others, the Serious Fraud Office, Financial Services Authority and Office of Fair Trading. The scope of the new agency is still to be decided and it will be some time before the details of the new agency are settled. The SFO has been granted Parliamentary Supply for 2010-11 and will continue to operate until further decisions have been taken. The accounts have accordingly been prepared on a going concern basis.



## MANAGEMENT COMMENTARY

### Going Concern Basis

In common with other government departments, the future financing of the SFO's liabilities is met by future grants of Supply and the application of future income, both to be approved annually by Parliament. With the exception of the ring-fenced funding for the one outstanding 'blockbuster' case, the amounts required for 2010-11 have already been approved and there is no reason to believe that future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

The Core Department's net assets of £1,771k at 31 March 2010 compare to net liabilities of £2,034k as at 31 March 2009. The movement in the position of £3,805k largely reflects a reduction in the value of trade payables and other current liabilities which is only partially offset by a reduction in the value of current assets.

The consolidated Statement of Financial Position as at 31 March 2010 includes the following liabilities payable over a number of years:

- The provision for future payments associated with the early retirements of individuals in posts no longer required in the new SFO structure, with an increase in year of £517k bringing the total provided to £1,639k; and
- A provision of £640k for the estimated future costs of restoring the leasehold premises to a condition required by the lease obligations.

### Accounting Policies

These financial statements are the first to be prepared in accordance with International Financial Reporting Standards (IFRS). The date of transition is 1 April 2008. Following a review of accounting policies to ensure compliance with IFRS no material changes were required. Further details of the impact of IFRS adoption are set out in the notes to the Financial Statements.

### Reconciliation of Resource Expenditure between Estimate, Accounts and Budget

	2009-10	2008-09
	£000	£000
<b>Net Resource Outturn (Estimate)</b>	<b>45,273</b>	<b>56,325</b>
<b>Resource Budget (Estimate)</b>	<b>45,273</b>	<b>56,325</b>
Unused Resources	1,732	2,402
<b>Net Resource Outturn</b>	<b>43,541</b>	<b>53,923</b>
Income surrenderable to the Consolidated Fund	-	-
<b>Net Operating Cost (Accounts)</b>	<b>43,541</b>	<b>53,923</b>

### Net Resource Outturn and Net Operating Cost

The resources available to the SFO are determined by Parliament through the Supply Estimates procedure. The decrease in both the Net Resource Outturn and Net Operating Cost over the previous year largely represents a reduction in expenditure on the SFO's Transformation Programme and reductions in expenditure on Blockbuster cases offset by an increase in receipts from Civil Recovery settlements in 2009-10 of £2,472k compared to £1,125k in 2008-09.

As shown above and in the Statement of Parliamentary Supply on page 22, there has been an overall underspend of £1,732k against the Estimate. £1,606k was an underspend by the SFO and £126k by the NFA. £933k of the under-spend by the SFO related to one exceptionally large case for which additional ring-fenced funding is provided outside the normal financing arrangements for the SFO. The underspend largely demonstrates the volatility inherent in actual events compared to planning assumptions and mostly reflects activity changes. The balance of the SFO's underspend, some £673k represents 1.8 per cent of the net funding received by the SFO excluding the ring-fenced funding referred to above, and reflects the significant increase in receipts from Civil Recovery Settlements from that anticipated at the start of the financial year.

## **Net Cash Requirement**

The net cash requirement of £47,136k for 2009-10 is £242k less than the Estimate for the year and £333k less than the net cash requirement for 2008-09. The underspend from the Estimate largely reflects the following:

- An under-spend of £1,732k on the Net Resource Outturn and Net Operating Cost;
- An under-spend of £524k on capital expenditure;
- A higher proportion of non-cash costs compared to that estimated, largely as a result of increased depreciation but also including the write-off of assets no longer in use, £2,139k in total;
- A reduction in year end payables and accrued liabilities compared to 2008-09 of £3,865k; and
- The utilisation of £288k set aside in prior years as part the provision for early departures.

## **Financial Instruments**

Details about the SFO's policies regarding financial instruments are included in the notes to these accounts. The majority of financial instruments relate to contracts to buy non-financial items in line with the expected purchase and usage requirements and the Department is therefore not exposed to significant credit, liquidity or market risk.

## **Investment in the Future**

All current and capital expenditure supports core operational functionality and is planned, as far as possible, to take account of changing circumstances which may affect these operations before they occur. The SFO continues to seek value for money on all procurements and contracts. Given the small size of the SFO, this is most effectively carried out by maximising the use of framework contracts set up by the Office of Government Commerce and continuing partnerships with other public sector organisations that have dedicated resources working in these areas. The SFO is also looking at ways of obtaining better value for money through shared services arrangements for corporate services along with the other Law Officers' Departments.

## **Pensions and Early Departure Costs**

Details about the SFO's pensions and early departure policies are included in the notes to these accounts. The pre-funded scheme concluded in 2003-04.

## **Payment of Suppliers**

The SFO's current payment policy is to pay bills in accordance with agreed contractual conditions, or where no such conditions exist, within 30 days of goods and services being received or the presentation of a valid invoice, whichever is the later. The SFO paid 92% (2008-09 82%) of supplier invoices to time.

The Prime Minister made a commitment in October 2008 that central Government departments would move to paying invoices within 10 days of goods being received and valid invoice. During 2009-10 the SFO paid 50% of supplier invoices within 10 days. The legal requirement remains at 30 days.

## **Annual Report**

The Annual Report is published in accordance with the requirements of Section 1 and Paragraph 3 of Schedule 1 to the Criminal Justice Act 1987. In particular, it contains information on the operational work of the SFO and on recent cases. The 2009-10 Annual Report is published during July 2010.

## **Data Handling**

The SFO has continued to build on the work it has done following the publication of the Cabinet Office guidance on Reporting of Personal Data Related Incidents which was issued in April 2008. The guidance requires a summary of incidents to be reported to the Information Commissioner's Office and the numbers of incidents recorded by the Department but not required to be reported to be disclosed in the Annual Report and Resource Accounts of the Department. There were two potential security breaches during the year but neither involved the compromise of personal information.

## **Accommodation and Facilities**

The SFO is committed to contributing towards the Government's sustainable development targets and has ensured that all the electricity used at 200 Gray's Inn Road is obtained from renewable sources. The SFO operates recycling schemes for paper, glass, cans and plastic packaging and additional "green" travel options for staff, supported by additional cycle storage and improved shower facilities.

## **Environmental Declaration**

The SFO is part of the Law Officers' Departments which have a number of targets to comply with central government initiatives on sustainability. Within the SFO, energy saving features have been incorporated in upgraded accommodation wherever possible, with proximity lighting installed on all upgraded floors. Further to this dual flush toilets and spray taps minimise water consumption and hand dryers have been included in the design to gradually eliminate the use of paper towels.

## **Equal Opportunities**

The SFO is committed to treating all applicants fairly and reasonably irrespective of their ethnic or national origin, sex, marital status, sexual orientation, religion or disability. Processes are reviewed regularly to ensure that any indicators of bias are highlighted and tackled. The SFO is similarly committed to treating all its employees fairly.

## **Disability**

The SFO's Dignity at Work policy emphasises and embraces the importance of treating everyone equally with dignity and respect, irrespective of race, disability, belief or age. Inappropriate behaviour or discrimination is identified as being unlawful and/or unacceptable and the policy offers guidance on what to do if unacceptable behaviour occurs. The average number of disabled staff during the year was 16 (2008-09: 15).

## **Sickness**

The SFO aims to secure the regular attendance of all employees. However, it recognises that from time to time, employees may be unable to attend work due to ill health. Working in partnership with employees, the SFO aims to find ways to manage sick absences and ensure that employees return to work at the earliest possible opportunity. Average sick days (per person) taken during the year was 9.8 (2008-09: 11.2 days).

## **Communication with Employees**

The SFO communicates with its people in a number of ways including:

- Face to face meetings – these can be formal question and answer sessions on specific issues (such as changes in policy, continuous improvement projects, etc) or informal events over coffee where members of staff can air their own issues or any questions with the Director and other senior managers. Specific sessions are arranged for new members of staff;
- The intranet – news items are flagged up on the homepage daily, a message is published daily by the Director and CEO, while a calendar of events keeps members of staff up to date with events and important deadlines. Items with less immediate relevance or importance are flagged up on the day of publication and featured on a weekly roundup so that members of staff do not miss them;
- Booklets – these are produced on key subjects (e.g. people plans, risk management and staff induction material); and
- Emergency channels – members of staff have access to an emergency telephone and web line in the event that the SFO has to invoke its business continuity procedures.

**Auditors**

The Comptroller and Auditor General is the statutory auditor for the SFO's accounts. The Department's core and consolidated notional audit fees for 2009-10 are £74,000 and £110,000 respectively (2008-09: core £72,000, consolidated £97,000). The consolidated notional fee for 2009-10 includes £11,000 in respect of the audit of the restated IFRS based shadow Resource Accounts for 2008-09 which have been used for the comparatives in the IFRS based Resource Accounts for 2009-10.

So far as I am aware, there is no relevant audit information of which the SFO's auditors are unaware, and I have taken all the steps that ought to have been taken to make myself aware of any relevant audit information and to establish that the SFO's auditors are aware of that information. No further assurance or other advisory services were provided by the auditors.

**Richard Alderman**  
**Accounting Officer**  
**1 July 2010**

## **REMUNERATION REPORT**

### **Ministers and Senior Officers**

The former Attorney General (Baroness Scotland of Asthal, QC) superintended the work of the SFO during the period covered by these accounts. The information given below relates to the Director and senior managers of the SFO. Information relating to the Attorney General is given in the Resource Accounts of the HM Procurator General and Treasury Solicitor.

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

In reaching its recommendations, the Review Body considers:

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

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

The Director's salary is linked to that of a High Court Judge. The current Director has foregone all pay increases since his appointment in April 2008.

### **Remuneration Committee**

The Strategic Management Board members' remuneration is determined in accordance with the report of the Senior Salaries Review Body. The SFO's Senior Civil Service (SCS) Pay Committee meets annually to consider pay increases and bonus payments in accordance with these recommendations. The committee consists of the Director and Non-Executive Directors.

### **At Risk Pay**

For grades below the SCS, there are twice yearly merit and annual performance reviews. Bonuses are based on one-off projects being completed to quality standards and being delivered on time, and objectives being achieved. Instant bonuses can also be awarded by Heads of Domain to individuals or teams who have completed a task under challenging circumstances. To assess performance, the SFO uses a competency framework consisting of seven multi-level competencies. Each role within the Department is measured against the appropriate level of each competency. A formal review of performance is conducted at least once a year. In 2009-10 bonuses for grades below the SCS totalled £152,000 (2008-09: £242,741).

### **Service Contracts**

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

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended until they reach the normal retiring age of 60. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

The Director and Accounting Officer of the SFO is Richard Alderman.

### **Senior Official Appointments**

Richard Alderman was appointed by the Attorney General on a four-year contract that began on 21 April 2008.

## Salary and Pension Entitlements

This information is subject to audit.

The following sections provide details of the remuneration and pension interests of the most senior management of the Department during the year. The most senior management of the SFO is represented by the executive members of the Strategic Management Board.

As disclosed in the Foreword to the accounts the National Fraud Authority has been consolidated with the Serious Fraud Office for financial reporting purposes. The remuneration and pension details for the senior managers of the NFA are disclosed within the annual accounts of the NFA which are published separately from the Department's resource accounts.

## Non-Executive Board Members

Name and title	Fees for Non-Executive Directors	Fees for Non-Executive Directors
	2009-10	2008-09
	£'000	£'000
Alan Graham* <i>Non-Executive Director</i>	30 -35	50-55
Harriett Maunsell OBE* <i>Non-Executive Director</i> (to 31 December 2009)	10 – 15	15-20
Dame Elizabeth Neville QPM* <i>Non-Executive Director</i>	25 - 30	35-40
Robert Goldspink* <i>Non-Executive Director</i> (from 1 January 2010)	5 – 10	-

\* The Non-Executive Directors are appointed on a three year renewable contract basis with their remuneration determined by the number of days required for their duties at a rate per diem. None of the current Non-Executive Directors are members of the Civil Service Pension Scheme.

## Executive Board Members

Name and title		Salary including performance pay	Benefits in kind (to nearest £100)	Real increase in pension and related lump sum at age 60	Total accrued pension at age 60 at 31/03/10 and related lump sum	Cash Equivalent Transfer Value (CETV) (nearest £'000)		
						As at 31/03/09	As at 31/03/10	Real increase in year
		£'000	£	£'000	£'000	£'000	£'000	£'000
Richard Alderman <b>Director</b>	2009-10	165 -170	-	2.5 - 5 plus 12.5 - 15 lump sum	75 - 80 plus lump sum 230 - 235	1,564	1,746	95
	2008-09	150 -155 (165 -170 full year equivalent)	-					
Phillippa Williamson* <b>Chief Executive Officer</b> (HMRC secondee to 3 January, permanent from 4 January 2010)	2009-10	110 -115	15,300	2.5 - 5	30 -35	425	498	42
	2008-09	60 - 65 (80 – 85 full year equivalent)	-					
Bob Evans* <b>Head of Outreach</b> (to 31 December 2009)	2009-10	90 - 95 (120 -125 full year equivalent)	-	0 – 2.5	55 - 60	873	989	36
	2008-09	110 - 115	-					
Vivian Robinson QC* <b>General Counsel</b> (from 14 April 2009)	2009-10	130 – 135 (135 - 140 full year equivalent)	-	2.5- 5	0 – 5	0	56	52

\* Member of Premium Scheme - lump sum not applicable

### Salary

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

## Benefits in Kind

The benefit in kind for the Chief Executive is estimated to be £15,300 for the payment of travel and hotel costs for home to work travel incurred from the date of her transfer from HMRC on 4 January 2010 up to 31 March 2010. These payments arise from her home base being out of London. The supporting calculations for this figure have been submitted to HM Revenue and Customs for approval.

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. The benefits in kind available to employees, including the above named senior officials, include health screening services available at the request and discretion of the employee. It is impracticable to determine the amounts involved for each employee or for the group as a whole.

## Details of Amounts Payable to Third Party Entities in respect of Interim Senior Management Services

This information is subject to audit.

The Strategic Management Board engaged the services of the following interim senior managers to assist in the implementation of the transformation process:

	<b>Position</b>	<b>Cost to the SFO £'000</b>
Linda Thorpe (to 31 May 2009)	Chief People Officer	28
Stephen Bogira (to 3 May 2009)	Chief Finance Officer	23
Jarrod Haggerty (to 31 May 2009)	Chief Information Officer	25

## Civil Service Pensions

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

Employee contributions are set at the rate of 1.5 per cent of pensionable earnings for classic and 3.5 per cent for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in premium. In nuvos a member builds up a pension based on their 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 per cent of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. 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 per cent and 12.5 per cent (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 per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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



Further details about the Civil Service pension arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

### **Cash Equivalent Transfer Values**

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

The figures include the value of any pension benefit in another scheme or arrangement which the 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 within the guidelines and framework prescribed by the Institute and Faculty of Actuaries 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.

### **Partnership Pensions**

None of the Senior Management team participate in partnership pension arrangements (see note 9).

**Richard Alderman**  
**Accounting Officer**  
**1 July 2010**

## Statement of Accounting Officer's Responsibilities

1. Under Section 5 of the Government Resources and Accounts Act 2000 and to comply with an HM Treasury direction, the SFO is required to prepare resource accounts for each financial year detailing the resources acquired, held or disposed of during the year and the use of resources during the year by the Department.
2. The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department and of its net resource outturn, resources applied to the objectives, recognised gains and losses and cash flows for the financial year.
3. HM Treasury has appointed the Director of the SFO as the Accounting Officer of the Department. He is responsible for preparing the Department's accounts and for transmitting them to the Comptroller and Auditor General.
4. In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* prepared by HM Treasury and in particular to:
  - a. Observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
  - b. Make judgements and estimates on a reasonable basis;
  - c. State whether applicable accounting standards, as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts; and
  - d. Prepare the accounts on a going-concern basis.
5. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in *Managing Public Money*.

## Statement on Internal Control

### Scope of Responsibility

This statement is given in respect of the resource accounts for the SFO for the year ended 31 March 2010.

The Serious Fraud Office (SFO) is a small, independent government department under the superintendence of the Attorney General. As Director and Accounting Officer of the SFO, I was appointed by and am accountable to the Attorney General, who is responsible to Parliament for the SFO.

As Accounting Officer for the SFO, I am responsible for maintaining a sound system of internal control, which supports the achievement of the SFO's policies, aims and objectives, while 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*.

I am supported in managing the SFO and its key risks by two key governance groups: the Strategic Management Board (SMB) and Executive Board (EB). These groups comprise key members of the senior management team and Non-Executive Directors, to ensure that decisions are made in a considered and transparent way and in the best interests of public justice.

I chair the Strategic Management Board (SMB) which meets monthly and whose members include the Chief Executive Officer, General Counsel and three Non-Executive Directors. The Non-Executive Directors were first appointed to the Strategic Management Board in November 2004 to help oversee the SFO's operations. Individually they have experience in core areas such as the law, financial regulation and policing but, as part of the board, they operate as a team with each member sharing a common interest in the overall performance and integrity of the SFO.

The SMB's primary responsibilities are to:

- Oversee strategy;
- Review and monitor financial management and performance;
- Encourage joint working with other organisations; and
- Identify and pursue opportunities to achieve maximum efficiency and effectiveness.

The Executive Board (EB) operates as a sub-committee of the SMB and is chaired by the Chief Executive Officer. The EB meets weekly and is attended by the Chief Information Officer, the Head of Media Relations, the Chief Investigator, the Chief Capability Officer and a representative from the 'Heads of Domain'.

The EB is the principal forum for managing the performance of the SFO and is the forum at which day to day management decisions are made. The EB meets weekly to:

- Share information;
- Update members on important developments and issues in specific parts of the business;
- Review performance of key functions and programmes; and
- Address immediate operational and functional issues.

The operational side of the SFO's work is divided into four 'domains' each under the leadership of a member of the Senior Civil Service. These 'Heads of Domain' meet weekly to discuss operational performance.

The bulk of resources within the SFO are focused on the core business of investigation and prosecution and are organised into specialisms – anti-corruption, City fraud, linked cases and frauds against individuals. Given the importance of evidence handling and the increasing electronic nature of evidence, we have combined our material management, digital forensics and IT services teams under our Chief Information Officer.

The SFO is supported by a small corporate services team (providing HR, finance, procurement and estates). Small internal and external communications teams ensure good communications with the press, public, victims, witnesses and whistleblowers.

I meet the Attorney General at least monthly to discuss progress and key risks and issues.

I am also the Accounting Officer for the National Fraud Authority (NFA) and regularly liaise with its Chief Executive Officer. It should be noted, however, that although the NFA's budget comes from the same vote as the SFO's, it is monitored separately from the SFO's and kept quite distinct.

### **The Purpose of the System of Internal Control**

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

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically. The system of internal control has been in place in the SFO for the year ended 31 March 2010 and up to the date of the approval of the resource accounts and accords with Treasury guidance.

### **Capacity to Handle Risk**

The SFO actively considers and identifies potential risks to the organisation. Our strategy to identify and counter risks to the organisation is based on clear senior management leadership and responsibility, delegation to appropriate levels of authority and functional areas of the Department, and the availability of relevant training and information within the SFO.

### **The Risk and Control Framework**

#### **Risk Management**

Risk management forms part of the operating environment of the SFO. We have a risk management strategy which we review periodically. Each Executive Board member is accountable for risk and mitigation in their respective areas of responsibility as well as corporately. The risk register is reviewed regularly, and risk assessment is part of the project methodology used by project sponsors and managers in their plans.

The Audit and Risk Committee reviews our risk strategy and the risk register periodically as a standing agenda item. It also receives reports on the effectiveness of risk management processes and systems.

Risk is inherent in the operational aspects of the SFO's business, particularly in the prosecution of cases. A staff guide to risk management has been distributed. Considerable management effort is applied at case level to assessing risk factors – particularly financial – when embarking upon prosecution, balancing those factors with the need to pursue cases in the public interest.

#### **Control Environment**

As Accounting Officer, I am responsible for reviewing the effectiveness of the system of internal control. The main elements of the Department's control framework include:

- A clearly defined 'Statement of Accounting Officer's Responsibilities' (which forms part of these Resource Accounts).
- A Strategic Management Board with clear terms of reference and a defined membership, including three independent non-executive members, which meets regularly to consider the strategic and operational direction of the SFO.
- An Executive Board which comprises all senior managers. Its function is to review performance and to resolve issues to make sure that the SFO delivers its objectives.
- A Transformation Programme Board which met monthly until October 2009 to oversee the strategic aims and delivery of our Transformation Programme. It was chaired by the CEO and membership also included a Non-Executive Director.

- From October 2009 a Continuous Improvement Programme Board which continues to lead on delivering all people and technology projects. It is chaired by the CEO with EB colleague support.
- An Audit and Risk Committee chaired by a Non-Executive Director which meets five times a year. The membership of the committee comprises three Non-Executive Directors, General Counsel and the Chief Capability Officer.
- A bought-in internal audit service provided by HM Revenue and Customs. They conduct an annual programme of specific reviews drawn up on a risk analysis basis, agreed by the Audit and Risk Committee and executive managers.
- A detailed guide on standards of behaviour and conduct which is contained in the staff manual and includes a clear corporate policy to combat fraud.
- An updated Operational Manual which covers all casework processes, procedures and best practice, supported by a monthly case reporting process and quality assurance checks.
- A clear structure of delegated responsibility. All job roles have been reviewed and responsibilities defined.
- A framework of financial regularity and propriety supported by a Finance Manual which provides clear financial policies and protocols.

### **Capability Review**

As set out in the Business Plan for 2009-10 and as part of our commitment to continuous improvement, we asked the Cabinet Office to carry out a Capability Review of the SFO. A Capability Review assesses the capability of a department's senior leadership within the most crucial areas of capability – leadership, strategy and delivery.

The results of the review were published in December 2009 and are available on the Civil Service website at [www.civilservice.gov.uk](http://www.civilservice.gov.uk). In summary while the review made recommendations for further action across all three areas the Review team recognised that the SFO had made considerable progress since the publication of Jessica de Grazia's report *Review of the Serious Fraud Office* in June 2008.

### **Significant Internal Control Issue**

I have one significant internal control issue to report for 2009-10. Following the appointment of a new management team in Finance, work has been carried out to address concerns raised by the National Audit Office in previous years' Management Letters that there had been no regular reviews of the reconciliation between the general ledger and the Fixed Asset Register. This increased the risk that:

- Errors could remain uncorrected; and
- There were inaccuracies in the figures included in the accounts.

The consequence of this is that the SFO would be unable to verify the existence of its non-current assets and, therefore, confirm the value of non-current assets as shown on the Statement of Financial Position.

As part of the work to bring the asset register up to date we have written off assets with a net book value of £412k (reflected in note 14, Property, plant and equipment).

In the normal course of events the removal of these assets from the asset register would have been treated as a disposal rather than a write off. However, the state of the asset register does not enable us to reconcile the asset record to a physical asset in every case. Steps are in hand to replace the current asset register with a proper method of recording and tracking assets.

The first part of this work, to identify those assets still in use and hence those not in use, was completed this year and will ensure that the new asset register is populated with assets that are tracked and can be individually verified.

### **Cabinet Office Rules for Information Assurance**

The SFO applies the Cabinet Office rules for information assurance and complies with the Security Policy Framework for the protection of physical security. In addition, we retained ISO 27001 accreditation which provides assurance that the technical aspects of the way we manage information are well founded.

All laptops, PDAs and other devices which are taken out of the office are encrypted and all IT equipment has its data ports disabled to prevent unauthorised copying of data. Heads of Domain and Heads of Business Areas fulfil the role of Information Asset Owners and are responsible for ensuring that case material is suitably protected at all times. We have a system to provide exemptions if unencrypted data needs to be taken off the premises. This has been invoked once in the past year when large data volumes were transferred overseas and encryption was not technically feasible.

No major control weaknesses have occurred during the past year. Two potential security breaches were reported to the Cabinet Office but were subsequently shown not to have involved any compromise of personal information. All staff have also taken the on-line "Protecting Information Level 1" course at the National School of Government.

### **Review of effectiveness**

As Accounting Officer, I am responsible for reviewing the effectiveness of the system of internal control. My review of its effectiveness is informed by the work of the internal auditors and the executive managers within the SFO (who are responsible for developing and maintaining the internal control framework) and comments made by the external auditors in their management letter and other reports.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit and Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place. I have received a reasonable assurance on risk management, control and governance in the SFO from the Internal Audit Annual Report for 2009-10.

Measures in place in the SFO include:

- Regular reports by the internal auditors in line with the Government Internal Audit Standards, which include the Head of Internal Audit's assurance on the overall adequacy and effectiveness of the SFO's processes and systems for risk management, control and governance, together with any recommendations for improvement;
- Regular reports which are distributed to members of the Strategic Management Board and Executive Board, on operational, financial, staffing and IT issues and performance;
- Improved business and strategic planning processes;
- Improved data security procedures and supporting communications;
- Periodic reports from the chair of the Audit and Risk Committee, to myself and to the Strategic Management Board; and
- Advice on the effectiveness of the system of internal control by the Strategic Management Board, Audit and Risk Committee and senior managers.

While areas for improvement have been identified and recommendations made accordingly, (with the exception of the issue reported above) none significantly impact on the overall adequacy and effectiveness of risk management, control and governance.

**Richard Alderman**  
**Accounting Officer**  
**1 July 2010**

## **SERIOUS FRAUD OFFICE**

### **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 Serious Fraud Office for the year ended 31 March 2010 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, Operating Cost Statement and the Statement of Financial Position, the Statement of Cashflows, the Statement of Changes in Taxpayers' Equity, the Statement of Net Operating Costs by Departmental Strategic Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and 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 Department's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department; and the overall presentation of the financial statements.

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

#### **Opinion on Regularity**

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

#### **Opinion on the Financial Statements**

In my opinion:

- The financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2010, and of its net cash requirement, net resource outturn, net operating cost, net operating cost applied to departmental strategic objectives, changes in taxpayers' equity and cash flows 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 the 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, the Aim of the Department, Corporate Governance and Departmental Activities and Operations, included within the Foreword 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 are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- The Statement on Internal Control 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  
14 July 2010

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



## Statement of Parliamentary Supply

### Summary of Resource Outturn

for the year ended 31 March 2010

		Estimate			Outturn			2009-10 £000	2008-09 £000
								Net Total Outturn compared with Estimate: saving/ (excess)	Outturn
Request for Resources	Note	Gross Expenditure	A-in-A	Net Total	Gross Expenditure	A-in-A	Net Total		Net Total
1 Reducing fraud and the cost of fraud and delivering justice and the rule of law	3	50,088	(4,815)	45,273	48,297	(4,756)	43,541	1,732	53,923
<b>Total Resources</b>		<b>50,088</b>	<b>(4,815)</b>	<b>45,273</b>	<b>48,297</b>	<b>(4,756)</b>	<b>43,541</b>	<b>1,732</b>	<b>53,923</b>
<b>Non-operating cost A-in-A</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Net Cash Requirement

for the year ended 31 March 2010

				2009-10 £000	2008-09 £000
				Net Total Outturn compared with Estimate: saving/ (excess)	Outturn
Net Cash Requirement	Note	Estimate	Outturn		
Net Cash Requirement	5	47,378	47,136	242	47,469

### Summary of income payable to the Consolidated Fund

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

	Note	Forecast 2009-10		Outturn 2009-10	
		Income	<i>Receipts</i>	Income	<i>Receipts</i>
		£000	£000	£000	£000
SFO – Core Department		-	-	-	-
NFA		-	-	-	-
<b>Total</b>	6	-	-	-	-

Explanation of variances between Estimate and Outturn are given in Note 3 and in the Management Commentary within the Foreword to the Accounts.

The notes on pages 29 to 51 form part of these accounts.

## Consolidated Operating Cost Statement

for the year ended 31 March 2010

		2009-10 £000					2008-09 £000		
		Core Department			Consolidated			Core Department	Consolidated
	Note	Staff Costs	Other Costs	Income	Staff Costs	Other Costs	Income	Total (Restated)	Total (Restated)
<b>Programme Costs</b>									
Staff Costs	9	19,948			23,246			23,640	25,098
Other Programme Costs	10		15,121			17,157		18,470	19,406
Direct Case Costs	11		7,894			7,894		10,915	10,915
Income	12			(3,347)			(4,756)	(1,496)	(1,496)
<b>Totals</b>		<b>19,948</b>	<b>23,015</b>	<b>(3,347)</b>	<b>23,246</b>	<b>25,051</b>	<b>(4,756)</b>	<b>51,529</b>	<b>53,923</b>
<b>Net Operating Cost</b>	4			<b>39,616</b>			<b>43,541</b>	<b>51,529</b>	<b>53,923</b>

The notes on pages 29 to 51 form part of these accounts.

## Consolidated Statement of Financial Position

as at 31 March 2010

		2009-10		2008-09		1 April 2008
		£000		£000		£000
Note	Core Department	Consolidated	Core Department	Consolidated	Core Department	
<b>Non-current assets:</b>						
Property, plant and equipment	14	4,300	4,390	4,658	4,686	4,702
Intangible assets	15	2,548	2,738	1,485	1,485	3,162
Trade and other receivables	16	11	11	12	12	14
<b>Total non-current assets</b>		<b>6,859</b>	<b>7,139</b>	<b>6,155</b>	<b>6,183</b>	<b>7,878</b>
<b>Current assets:</b>						
Trade and other receivables	16	2,010	2,029	1,590	1,590	2,081
Cash and cash equivalents	17	242	242	2,085	2,085	606
<b>Total current assets</b>		<b>2,252</b>	<b>2,271</b>	<b>3,675</b>	<b>3,675</b>	<b>2,687</b>
<b>Total assets</b>		<b>9,111</b>	<b>9,410</b>	<b>9,830</b>	<b>9,858</b>	<b>10,565</b>
<b>Current liabilities:</b>						
Trade and other payables	18	(4,763)	(5,235)	(9,344)	(10,227)	(6,330)
Provisions	19	(393)	(393)	(263)	(263)	(68)
<b>Total current liabilities</b>		<b>(5,156)</b>	<b>(5,628)</b>	<b>(9,607)</b>	<b>(10,490)</b>	<b>(6,398)</b>
<b>Non-current assets plus/less net current assets/liabilities</b>		<b>3,955</b>	<b>3,782</b>	<b>223</b>	<b>(632)</b>	<b>4,167</b>
<b>Non-current liabilities</b>						
Trade and other payables	18	(298)	(298)	(470)	(470)	(642)
Provisions	19	(1,886)	(1,886)	(1,787)	(1,787)	(83)
<b>Total non-current liabilities</b>		<b>(2,184)</b>	<b>(2,184)</b>	<b>(2,257)</b>	<b>(2,257)</b>	<b>(725)</b>
<b>Assets less liabilities</b>		<b>1,771</b>	<b>1,598</b>	<b>(2,034)</b>	<b>(2,889)</b>	<b>3,442</b>
<b>Taxpayers' equity:</b>						
General fund		1,034	861	(2,040)	(2,895)	3,436
Revaluation reserve		737	737	6	6	6
<b>Total taxpayers' equity</b>		<b>1,771</b>	<b>1,598</b>	<b>(2,034)</b>	<b>(2,889)</b>	<b>3,442</b>

**Richard Alderman**  
**Accounting Officer**  
**1 July 2010**

The notes on pages 29 to 51 form part of these accounts

## Consolidated Statement of Cash Flows

for the year ended 31 March 2010

	2009-10	2008-09
	£000	£000
Note	Consolidated	Consolidated
<b>Cash flows from operating activities</b>		
Net operating cost	(43,541)	(53,923)
Adjustments for non-cash transactions	10      3,813	5,546
(Increase)/Decrease in trade and other receivables	16      (438)	493
<i>less movements in receivables relating to items not passing through the OCS</i>	(10)	(230)
Increase/(Decrease) in trade and other payables and other current liabilities	18      (5,164)	3,725
<i>less movements in payables relating to items not passing through the OCS</i>	1,746	(1,000)
Use of provisions	19      (288)	(185)
<b>Net cash outflow from operating activities</b>	<b>(43,882)</b>	<b>(45,574)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	14      (1,251)	(1,479)
Purchase of intangible assets	15      (2,004)	(416)
<b>Net cash outflow from investing activities</b>	<b>(3,255)</b>	<b>(1,895)</b>
<b>Cash flows from financing activities</b>		
Advances from the Consolidated Fund (Supply) – current year	45,294	49,000
Advances from the Contingences Fund	-	10,000
Repayments to the Contingences Fund	-	(10,000)
<b>Net financing</b>	<b>45,294</b>	<b>49,000</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>	<b>(1,843)</b>	<b>1,531</b>
Payments of amounts due to the Consolidated Fund	-	(52)
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>	<b>(1,843)</b>	<b>1,479</b>
<b>Cash and cash equivalents at the beginning of the period</b>	17 <b>2,085</b>	<b>606</b>
<b>Cash and cash equivalents at the end of the period</b>	17 <b>242</b>	<b>2,085</b>

The notes on pages 29 to 51 form part of these accounts.

## Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2010

Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
<b>Balance at 31 March 2008</b>	<b>3,695</b>	<b>6</b>	<b>3,701</b>
Changes in accounting policy	2 (259)	-	(259)
<b>Restated balance at 1 April 2008</b>	<b>3,436</b>	<b>6</b>	<b>3,442</b>
<b>Changes in Taxpayers' Equity for 2008-09:</b>			
Net gain/(loss) on revaluation of property, plant and equipment	-	-	-
Non-cash changes – cost of capital	10 26	-	26
Non-cash charges – auditor's remuneration	10 97	-	97
Transfers between reserves	-	-	-
Net operating cost for the year	(53,923)	-	(53,923)
<b>Total recognised income and expense for 2008-09</b>	<b>(53,800)</b>	<b>-</b>	<b>(53,800)</b>
Net Parliamentary Funding – drawn down	49,000	-	49,000
Net Parliamentary Funding - deemed	553	-	553
Supply payable/(receivable) adjustment	(2,084)	-	(2,084)
CFERS payable to the Consolidated Fund	6 -	-	-
<b>Balance at 31 March 2009</b>	<b>(2,895)</b>	<b>6</b>	<b>(2,889)</b>
<b>Changes in Taxpayers' Equity for 2009-10:</b>			
Net gain/(loss) on revaluation of property, plant and equipment	-	731	731
Net gain/(loss) on revaluation of intangible assets	-	-	-
Non-cash changes – cost of capital	10 51	-	51
Non-cash charges – auditor's remuneration	10 110	-	110
Transfers between reserves	-	-	-
Net operating cost for the year	(43,541)	-	(43,541)
<b>Total recognised income and expense for 2009-10</b>	<b>(43,380)</b>	<b>731</b>	<b>(42,649)</b>
Net Parliamentary Funding – drawn down	45,294	-	45,294
Net Parliamentary Funding - deemed	2,084	-	2,084
Supply payable/(receivable) adjustment	(242)	-	(242)
CFERS payable to the Consolidated Fund	6 -	-	-
<b>Balance at 31 March 2010</b>	<b>861</b>	<b>737</b>	<b>1,598</b>

The notes on pages 29 to 51 form part of these accounts.

## Consolidated Statement of Operating Costs by Departmental Strategic Objectives

for the year ended 31 March 2010

The strategic aim of the SFO is to contribute to:

- reducing fraud and the cost of fraud;
- the delivery of justice and the rule of law; and
- maintaining confidence in the UK's business and financial institutions.

The strategic aims of the NFA are:

- to build an understanding of fraud to enhance action against it;
- to ensure that counter-fraud activity is targeted to best effect;
- to manage the UK's national fraud strategy;
- to promote an anti-fraud culture in the UK; and
- to join operations and policy together so that the UK learns the lessons of what works and what doesn't.

The objectives of the SFO and NFA are as follows:

	2009-10				2008-09			
	Strategic Objective 1	Strategic Objective 2	NFA	Total	Strategic Objective 1	Strategic Objective 2	NFA	Total
Gross Expenditure	28,834	14,129	5,334	48,297	41,242	11,783	2,394	55,419
Income	-	(3,347)	(1,409)	(4,756)	-	(1,496)	-	(1,496)
<b>Net expenditure</b>	<b>28,834</b>	<b>10,782</b>	<b>3,925</b>	<b>43,541</b>	<b>41,242</b>	<b>10,287</b>	<b>2,394</b>	<b>53,923</b>

Objective 1 Investigate cases and bring them to a successful conclusion as quickly as individual circumstances allow.

Objective 2 When a decision to prosecute is made, to prosecute fairly and in a way that enables the jury to understand the issues.

For further details on the basis of allocation refer to note 20.

The notes on pages 29 to 51 form part of these accounts.

## Notes to the Departmental Consolidated Resource Accounts

### 1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2009-10 *Government Financial Reporting Manual* (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Serious Fraud Office for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Serious Fraud Office are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires the Department to prepare two additional primary statements. The *Statement of Parliamentary Supply* and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. The *Consolidated Statement of Operating Cost by Departmental Strategic Objectives* and supporting notes analyse the Department's income and expenditure by the objectives agreed with Ministers.

#### 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 and intangible assets.

#### 1.2 Basis of consolidation

These accounts comprise a consolidation of the Department and the National Fraud Authority (NFA), an executive agency of the Attorney General's Office. Transactions and balances between the Department and the NFA included in the consolidation are eliminated.

#### 1.3 IFRS 1 – First time adoption

These financial statements are the first to be prepared in accordance with IFRS. The date of transition is 1 April 2008. IFRS 1 First-time adoption of International Financial Reporting Standards allows entities adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS in the year of transition. The SFO elected not to take any exemptions.

In line with HM Treasury advice, Prior Period Adjustments (PPAs) arising from the adoption of IFRS were not included in spring Supplementary Estimates for 2009-10 on the basis that the PPA numbers could have been misleading, particularly where transactions may well have pre-dated the 2001-02 cut off point for reporting PPAs, as only part of an obligation would have been included. PPAs arising from a change in accounting policy related to other than IFRS were included in the Estimates in line with conventional arrangements

#### 1.4 Adoption of new and revised standards

The application of any new or amended IFRSs by the Department is governed by the FReM. Certain new standards, amendments and interpretations to existing standards have been published but are not effective in the reporting period. Those which are applicable to the Department and have not been early adopted include:

- IFRS 9 – Financial Instruments, effective 1 January 2013
- IAS 24 – Related Party Disclosures (Revised), effective 1 January 2011
- IAS 27 – Consolidated and Separate Financial Statements (Revised), effective 1 July 2009
- IAS 1 – Presentation of Financial Statements (Revised), effective 1 January 2010
- IAS 7 – Statement of Cash Flows (Revised), effective 1 January 2010
- IAS 17 – Leases (Revised), effective 1 January 2010
- IAS 36 – Impairment of Assets (Revised), effective 1 January 2010
- IAS 38 – Intangible Assets (Revised), effective 1 January 2010
- IAS 39 – Financial Instruments: Recognition and Measurement (Revised), effective 1 January 2010

In addition to the above, the following applicable changes to the FReM are expected for 2010-11:

- Chapter 8 – Impairments, allowing scoring of all impairments caused by a clear consumption of economic benefit to the Operating Cost Statement
- Chapter 11 – Income and Expenditure, removing Cost of Capital charging from the accounts



It is anticipated that the above changes will have no material impact on the financial statements of the SFO.

### 1.5 *Financial instruments*

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the SFO becomes a party to the contractual provisions of the instrument.

The Department is subject to a limited range of financial instruments as its cash requirements are met through the Estimates process and it is not exposed to significant credit, liquidity or market risk.

#### *Borrowings*

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

#### *Trade receivables*

Trade and other receivables are non-interest bearing and stated at fair value. Provision is made where there is evidence that the balances will not be recovered in full.

#### *Cash and cash equivalents*

Cash and cash equivalents include cash at bank and in hand, and short-term highly-liquid deposits with a maturity period of three months or less.

#### *Trade payables*

Trade payables are not interest bearing and are stated at their fair value.

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

The Department does not own any freehold land and buildings.

Property, plant and equipment and intangible assets are included in the Statement of Financial Position at their fair values. In line with the FReM, indexation is used to assess depreciated replacement cost as a proxy for fair value. Indexation adjustments are applied at the reporting date where not doing so would cause the fair values to be materially misstated.

Expenditure on property, plant and equipment and intangible assets is capitalised when that expenditure, on an individual basis, is £2,000 or more. For IT expenditure the £2,000 threshold is applied to assets on a grouped basis. Development expenditure represents internally generated assets under construction.

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

### 1.7 *Revaluation reserve*

The unrealised element of the Revaluation Reserve is disclosed in the Statement of Financial Position. Realised elements are transferred from the reserve to the General Fund. Downward revaluations are charged to the existing balance brought forward for that particular asset. If there is no previous balance, the charge is expensed in-year and disclosed in the Operating Cost Statement.

### 1.8 *Depreciation and amortisation*

Depreciation and amortisation are provided monthly on a straight line basis at rates calculated to write off the valuation of property, plant and equipment and intangible assets, less the estimated residual value, over their estimated useful lives. Depreciation and amortisation are provided from the month of acquisition up to and including the month of disposal.

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

Property, plant and equipment

Improvements to leasehold property	Over the unexpired term of the lease
Information technology, and motor vehicles	5 years
Furniture and fittings	10 years or over the unexpired term of the property lease (which ever is the shorter)

Intangible assets

Information technology, software licenses and website costs	5 years
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Development expenditure is not amortised until the assets are brought into use, at which point amortisation is applied in accordance with the asset category to which the asset is transferred on coming into use.

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

Costs may be awarded to the SFO as prosecutor under Section 18 of the Prosecution of Offences Act 1985 following a successful prosecution, or as a result of subsequent appeal proceedings.

Where costs are awarded, they may subsequently be revoked or reduced as a result of a successful appeal by the defendant. The order for costs will be in the terms that the court considers 'just and reasonable'. The court may order that they are not to be recovered without leave of the court, defer recovery until a future date, or subsequently vary the amount and/or timing of recovery or waive it altogether. Responsibility for the recovery of costs awarded rests with the appropriate magistrates' court. The SFO has no powers to recover costs awarded to it.

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

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

*1.10 Costs awarded against the SFO*

Any costs awarded against the SFO are included under prosecution costs for the year in which the awards are made.

*1.11 Other income*

Any amounts relating to other income are surrendered to the Consolidated Fund unless HM Treasury has agreed they can be retained.

*1.12 Administration and programme expenditure*

The Department is wholly directed towards front line delivery. Accordingly, as part of the Law Officers' Departments' CSR07 settlement, HM Treasury agreed that all income and expenditure should be classed as Programme from 2008-09. This agreement is reflected in these accounts.

### 1.13 *Capital charge*

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

- a Property, plant and equipment and intangible assets where the cost of capital charge is based on opening values, adjusted pro rata for in-year:
  - Additions at cost;
  - Disposals, as valued in the opening Statement of Financial Position (plus any subsequent capital expenditure prior to disposal);
  - Impairments at the amount of the reduction of the opening Statement of Financial Position value (plus any subsequent capital expenditure); and
  - Depreciation of property, plant and equipment and amortisation of intangible assets.
- b Cash balances with the Government Banking Service and amounts due to the Consolidated Fund, where the charge is nil.

### 1.14 *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.

### 1.15 *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 dependants' benefits. The Department recognises the expected cost of these elements in 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 paying future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the Department recognises the contributions payable for the year.

### 1.16 *Provisions - Early departure costs*

The Department is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. The Department provides in full for this cost when an early retirement programme has been announced and is binding.

### 1.17 *Provisions – Other*

The Department provides for legal and constructive obligations which are of uncertain timing or amount at the reporting date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury discount rate.

### 1.18 *Operating leases*

Operating lease rentals and lease incentives are charged to the Operating Cost Statement in equal amounts over the lease term.

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

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

### 1.20 *Third party assets*

The Department may seize monetary assets. In most cases these funds will be retained by other government agencies or the police. If the Department retains any monetary assets, it invests the sums in an interest bearing account. The principal and the interest earned are held on behalf of the third party and are not a part of the Department's accounts.

### 1.21 *Contingent liabilities*

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

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

### 1.22 *Areas of judgement and key sources of estimation uncertainty*

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

The area of judgement that has the most significant effect on the amounts recognised in the financial statements is for dilapidations. The main property lease for the SFO office is due to expire December 2012 and there is a tenant only lease break for the same period for the remaining SFO accommodation. A provision has therefore been established for the estimated costs of restoring the properties in accordance with the requirements of the lease terms. The basis for estimation is an average cost per square foot for reinstatement works derived from Building Industry standards for office accommodation. A detailed survey of both properties has yet to be commissioned and it may be that this would produce a different valuation. The actual liability will be determined following negotiation and therefore the current valuation is deemed to be the best estimate of the likely settlement.

No 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 have been identified. One of the most significant areas of estimation is asset lives and their impact on the depreciation and amortisation charges within the accounts. Following a review, the asset lives of furniture and fittings were aligned during the year with those of leasehold improvements to reflect the impact of the upcoming lease breaks in December 2012.

**2 First-time adoption of IFRS**

**2a Reconciliation of taxpayers' equity**

	<b>Consolidated General Fund</b>	<b>Consolidated Revaluation Reserve</b>
	<b>£000</b>	<b>£000</b>
Taxpayers' equity at 31 March 2008 under UK GAAP	3,695	6
Adjustment for:		
Accrual for permanent staff holiday pay entitlements (IAS 19)	(259)	-
Taxpayers' equity at 1 April 2008 under IFRS	3,436	6

	<b>Consolidated General Fund</b>	<b>Consolidated Revaluation Reserve</b>
	<b>£000</b>	<b>£000</b>
Taxpayers' equity at 31 March 2009 under UK GAAP	(2,636)	6
Adjustment for:		
Accrual for permanent staff holiday pay entitlements (IAS 19)	(259)	-
Taxpayers' equity at 31 March 2009 under IFRS	(2,895)	6

**2b Reconciliation of net operating cost**

	<b>£000</b>
Consolidated net operating cost for 2008-09 under UK GAAP	53,923
Adjustment for:	
Increase/(Decrease) in accrual for permanent staff holiday pay entitlements (IAS 19)	-
Consolidated net operating cost for 2008-09 under IFRS	53,923

**2c Reconciliation of cash flows**

There have been no changes in cash flows as a result of the transition to IFRS.

**3 Analysis of net resource outturn by section**

			Outturn	Estimate	2009-10 £000 Net Total outturn compared with Estimates: saving / (excess)	2008-09 Outturn
	Gross Resource Expenditure	A-in-A	Net Total	Net Total		Net Total
<b>Request for resources 1:</b>						
<i>Reducing fraud and the cost of fraud and delivering justice and the rule of law</i>						
Section A						
Investigations and prosecutions	42,963	(3,347)	39,616	41,222	1,606	51,529
Section B						
National Fraud Authority	5,334	(1,409)	3,925	4,051	126	2,394
<b>Total</b>	<b>48,297</b>	<b>(4,756)</b>	<b>43,541</b>	<b>45,273</b>	<b>1,732</b>	<b>53,923</b>
<b>Resource Outturn</b>			<b>43,541</b>	<b>45,273</b>	<b>1,732</b>	<b>53,923</b>

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

Some £933k of the under-spend by the SFO related to one exceptionally large case for which additional ring-fenced funding is provided outside the SFO's normal financing arrangements. The underspend largely demonstrates the volatility inherent in actual events compared to planning assumptions and mostly reflects activity changes. The balance of the SFO's underspend, some £673k represents 1.8 per cent of the net funding received by the SFO excluding the ring-fenced funding referred to above and reflects the significant increase in receipts from Civil Recovery Settlements from that anticipated at the start of the financial year.

Further explanations of the variances are given in the Management Commentary within the Foreword.

**4 Reconciliation of net resource outturn to net operating cost**

	Note	Outturn	Supply Estimate	2009-10 £000 Outturn compared with Estimate	2008-09 £000 Outturn
Net resource outturn	3	43,541	45,273	1,732	53,923
Non-supply income (CFERs)	6	-	-	-	-
<b>Net operating cost</b>		<b>43,541</b>	<b>45,273</b>	<b>1,732</b>	<b>53,923</b>

**5 Reconciliation of net resource outturn to net cash requirement**

				2009-10 £000	2008-09 £000
	Note	Estimate	Outturn	Net total outturn compared with Estimate: saving / (excess)	Outturn
<b>Net Resource Outturn</b>	3	<b>45,273</b>	<b>43,541</b>	<b>1,732</b>	<b>53,923</b>
Capital					
Acquisition of property, plant and equipment and intangible assets	14, 15	3,779	3,255	524	1,895
Accruals adjustments					
Non-cash items	10	(1,674)	(3,813)	2,139	(5,546)
Changes in working capital other than cash		-	3,865	(3,865)	(2,988)
Use of provision	19	-	288	(288)	185
<b>Net cash requirement</b>		<b>47,378</b>	<b>47,136</b>	<b>242</b>	<b>47,469</b>

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

Resource Outturn: see Note 3.

Acquisition of property, plant and equipment and intangible assets: largely reflects decisions taken in year to defer expenditure on facilities projects.

Non-cash items: largely caused by an increase in depreciation compared to that initially estimated, the write off of redundant IT assets and an increase in the provision required for early departure costs.

Changes in working capital other than cash reflects payments of 2008-09 year end payables as well as payments made in respect of the provision for early departure.

The Management Commentary within the Foreword to the Accounts gives further details of operating variances.

**6 Analysis of income payable to the Consolidated Fund**

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

	Forecast 2009-10		Outturn 2009--10	
	Income	<i>Receipts</i>	Income	<i>Receipts</i>
Operating income and receipts – excess A-in-A	-	-	-	-
Other operating income and receipts not classified as A-in-A	-	-	-	-
<b>Sub-total</b>	-	-	-	-
Non-operating income and receipts – excess A-in-A	-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund	-	-	-	-
<b>Total income payable to the Consolidated Fund</b>	-	-	-	-

**7 Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund**

	Note	2009-10 £000	2008-09 £000
Operating income	12	4,756	1,496
Gross income		4,756	1,496
Income authorised to be appropriated-in-aid		(4,756)	(1,496)
<b>Operating income payable to the Consolidated Fund</b>	6	-	-

**8 Non-operating income – Excess appropriations in aid**

	2009-10 £000	2008-09 £000
Non-operating income – excess A-in-A	-	-

**9 Staff numbers and related costs**

Staff costs comprise:

	Permanently employed staff	Others	2009-10 £000 Total	2008-09 £000 Total
Wages and salaries	13,253	6,471	19,724	21,692
Social security costs	1,114	37	1,151	1,056
Other pension costs	2,492	92	2,584	2,502
<b>Sub Total</b>	<b>16,859</b>	<b>6,600</b>	<b>23,459</b>	<b>25,250</b>
Less recoveries in respect of outward secondments	(213)	-	(213)	(152)
<b>Total net costs*</b>	<b>16,646</b>	<b>6,600</b>	<b>23,246</b>	<b>25,098</b>
Of which:				
<b>Core Department</b>	15,282	4,666	19,948	23,640
<b>NFA</b>	1,364	1,934	3,298	1,458

\*Of the total, none has been charged to capital. (2008-09: none)

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the SFO is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out 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 2009-10, employer's contributions of £2,543,435 were payable to the PCSPS (2008-09: £2,450,463) at one of four rates in the range 16.7 to 24.3 per cent (2008-09: 17.1 to 25.5 per cent) of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions every four years following a full scheme valuation. The salary bands and contribution rates were revised for 2009-10. The contribution rates will remain unchanged until 2012-13. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.



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

Employee contributions are set at the rate of 1.5 per cent of pensionable earnings for classic and 3.5 per cent for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is a hybrid with benefits for service before 1 October 2002 calculated 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 per cent of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. 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.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £40,585 (2008-09: £10,874) were paid to two of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent (2008-09: 3 to 12.5 per cent) of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay.

The salary and pension entitlements of the members of the SFO Strategic Management Board for 2009-10 are disclosed in the Remuneration Report.

**Average number of persons employed**

These figures include staff working in the Department as well as in agencies included within the consolidated departmental resource accounts. The average number of whole-time equivalent persons employed during the year was as follows:

Objectives	2009-10			2008-09
	Permanent staff	Others	Total	Total
<b>Core Department</b>				
1 Investigate cases and bring them to a successful conclusion as quickly as individual circumstances allow	232	11	243	305
2 When a decision to prosecute is made, prosecute fairly and in a way that enables the jury to understand the issues.	65	3	68	87
Staff engaged on capital projects	-	-	-	-
<b>Total Core Department</b>	<b>297</b>	<b>14</b>	<b>311</b>	<b>392</b>
NFA*	22	23	45	18
<b>Total</b>	<b>319</b>	<b>37</b>	<b>356</b>	<b>410</b>

\*The Departmental Strategic Objectives relate to the SFO only.

**10 Other programme costs**

		2009-10		2008-09	
		£000		£000	
	Note	Core Department	Consolidated	Core Department (Restated)	Consolidated (Restated)
<b>Rentals under operating leases</b>		2,460	2,460	2,645	2,645
<b>Non-cash items</b>					
Depreciation	14	1,899	1,914	1,667	1,670
Amortisation	15	810	813	687	687
Write-offs	14	412	418	1,392	1,392
Cost of Capital charges		69	51	41	26
Auditors' remuneration and expenses		74	110	72	97
Amounts provided in year:					
Early departure costs	19	517	517	1,444	1,444
Doubtful debts		(10)	(10)	230	230
		3,771	3,813	5,533	5,546
<b>Other expenditure</b>					
General administration		1,871	3,169	2,685	2,928
IT costs		2,103	2,297	1,986	1,998
Consultancy		2,199	2,346	2,513	3,170
Travel and subsistence		505	582	866	873
Hospitality		33	37	38	42
Other accommodation costs		2,179	2,453	2,204	2,204
		8,890	10,884	10,292	11,215
<b>Total</b>		<b>15,121</b>	<b>17,157</b>	<b>18,470</b>	<b>19,406</b>

Expenditure for 2008-09 has been restated to reflect the removal of IT costs from the direct case costs table (note 11) and its inclusion in other programme expenditure.

**11 Direct case costs**

		2009-10		2008-09	
		£000		£000	
		Core Department	Consolidated	Core Department (Restated)	Consolidated (Restated)
Counsel costs		4,354	4,354	4,800	4,800
Investigating accountants' costs		2,036	2,036	3,359	3,359
Other programme costs		1,504	1,504	2,756	2,756
<b>Total</b>		<b>7,894</b>	<b>7,894</b>	<b>10,915</b>	<b>10,915</b>

Expenditure for 2008-09 has been restated to reflect the removal of IT costs from the direct case costs table and its inclusion in other programme expenditure (note 10).

**12 Income**

	<b>2009-10</b>		<b>2008-09</b>	
	<b>£000</b>		<b>£000</b>	
	<b>Core Department</b>	<b>Consolidated</b>	<b>Core Department (Restated)</b>	<b>Consolidated (Restated)</b>
Civil recoveries	2,472	2,472	1,125	1,125
Costs awards	370	370	245	245
Other income	505	1,914	126	126
<b>Total</b>	<b>3,347</b>	<b>4,756</b>	<b>1,496</b>	<b>1,496</b>

Income for 2008-09 has been restated to better reflect the actual income streams for the Department. Other income includes payments to the NFA from the Home Office for the operation of the National Fraud Reporting Centre.

**13 Analysis of net operating cost by spending body**

	<b>2009-10</b>		<b>2008-09</b>
	<b>£000</b>		<b>£000</b>
	<b>Estimate</b>	<b>Outturn</b>	<b>Outturn</b>
Core Department	41,222	39,616	51,529
NFA	4,051	3,925	2,394
<b>Total</b>	<b>45,273</b>	<b>43,541</b>	<b>53,923</b>

**14 Property, plant and equipment**

	<b>Improvements to Leasehold Property</b>	<b>Information Technology</b>	<b>Furniture and Fittings</b>	<b>Motor Vehicles</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or valuation</b>					
At 1 April 2009	3,990	4,201	773	87	<b>9,051</b>
Additions	52	1,228	25	-	<b>1,305</b>
Disposals	-	-	-	-	-
Write-offs	-	(2,949)	-	(87)	<b>(3,036)</b>
Revaluations	170	1,278	33	-	<b>1,481</b>
<b>At 31 March 2010</b>	<b>4,212</b>	<b>3,758</b>	<b>831</b>	<b>-</b>	<b>8,801</b>
<b>Depreciation</b>					
At 1 April 2009	1,257	2,777	293	38	<b>4,365</b>
Charged in year	887	890	120	17	<b>1,914</b>
Disposals	-	-	-	-	-
Write-offs	-	(2,563)	-	(55)	<b>(2,618)</b>
Revaluations	53	685	12	-	<b>750</b>
<b>At 31 March 2010</b>	<b>2,197</b>	<b>1,789</b>	<b>425</b>	<b>-</b>	<b>4,411</b>
<b>Net book value at 31 March 2010</b>	<b>2,015</b>	<b>1,969</b>	<b>406</b>	<b>-</b>	<b>4,390</b>
Net book value at 31 March 2009	2,733	1,424	480	49	<b>4,686</b>

**Asset financing:**

All assets are owned.

	Improvements to Leasehold Property	Information Technology	Furniture and Fittings	Motor Vehicles	Total
	£000	£000	£000	£000	£000
<b>Cost or valuation</b>					
At 1 April 2008	2,907	3,659	744	87	7,397
Additions	1,083	542	29	-	1,654
Disposals	-	-	-	-	-
Write-offs	-	-	-	-	-
Revaluations	-	-	-	-	-
<b>At 31 March 2009</b>	<b>3,990</b>	<b>4,201</b>	<b>773</b>	<b>87</b>	<b>9,051</b>
<b>Depreciation</b>					
At 1 April 2008	262	2,192	219	22	2,695
Charged in year	995	585	74	16	1,670
Disposals	-	-	-	-	-
Write-offs	-	-	-	-	-
Revaluations	-	-	-	-	-
<b>At 31 March 2009</b>	<b>1,257</b>	<b>2,777</b>	<b>293</b>	<b>38</b>	<b>4,365</b>
<b>Net book value at 31 March 2009</b>	<b>2,733</b>	<b>1,424</b>	<b>480</b>	<b>49</b>	<b>4,686</b>
Net book value at 1 April 2008	2,645	1,467	525	65	4,702

**Asset financing:**

All assets are owned.

**Analysis of property, plant and equipment**

The net book value of property, plant and equipment comprises:

<b>Core Department:</b>	£000	£000	£000	£000	£000
31 March 2010	2,015	1,895	390	-	4,300
31 March 2009	2,733	1,396	480	49	4,658
31 March 2008	2,645	1,467	525	65	4,702
<b>NFA:</b>					
31 March 20010	-	74	16	-	90
31 March 2009	-	28	-	-	28
31 March 2008	-	-	-	-	-

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

	2009-10 £000 Consolidated	2008-09 £000 Consolidated
Total property, plant and equipment additions	1,305	1,654
Provision for dilapidations	-	(640)
	1,305	1,014
Opening property, plant and equipment accrual	8	473
Closing property, plant and equipment accrual	(62)	(8)
<b>Cash flows for property, plant and equipment additions</b>	<b>1,251</b>	<b>1,479</b>

**15 Intangible assets**

	Information Technology £000	Software Licenses £000	Website Costs £000	Development Expenditure £000	Total £000
<b>Cost or valuation</b>					
At 1 April 2009	3,545	1,158	-	-	4,703
Additions	-	1,419	276	371	2,066
Disposals	-	-	-	-	-
Reclassifications	(102)	(61)	163	-	-
<b>At 31 March 2010</b>	<b>3,443</b>	<b>2,516</b>	<b>439</b>	<b>371</b>	<b>6,769</b>
<b>Amortisation</b>					
At 1 April 2009	2,718	500	-	-	3,218
Charged in year	526	238	49	-	813
Disposals	-	-	-	-	-
Reclassifications	(53)	(1)	54	-	-
<b>At 31 March 2010</b>	<b>3,191</b>	<b>737</b>	<b>103</b>	<b>-</b>	<b>4,031</b>
<b>Net book value at 31 March 2010</b>	<b>252</b>	<b>1,779</b>	<b>336</b>	<b>371</b>	<b>2,738</b>
Net book value at 31 March 2009	827	658	-	-	1,485

	<b>Information Technology</b>	<b>Software Licenses</b>	<b>Website Costs</b>	<b>Development Expenditure</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or valuation</b>					
At 1 April 2008	3,545	877	-	1,291	<b>5,713</b>
Additions	-	402	-	-	<b>402</b>
Disposals	-	-	-	-	-
Write-offs	-	(121)	-	(1,291)	<b>(1,412)</b>
<b>At 31 March 2009</b>	<b>3,545</b>	<b>1,158</b>	<b>-</b>	<b>-</b>	<b>4,703</b>
<b>Amortisation</b>					
At 1 April 2008	2,163	388	-	-	<b>2,551</b>
Charged in year	555	132	-	-	<b>687</b>
Disposals	-	-	-	-	-
Write-offs	-	(20)	-	-	<b>(20)</b>
<b>At 31 March 2009</b>	<b>2,718</b>	<b>500</b>	<b>-</b>	<b>-</b>	<b>3,218</b>
<b>Net book value at 31 March 2009</b>	<b>827</b>	<b>658</b>	<b>-</b>	<b>-</b>	<b>1,485</b>
Net book value at 31 March 2008	1,382	489	-	-	<b>3,162</b>

**Analysis of intangible assets**

The net book value of intangible assets comprises:

<b>Core Department:</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
31 March 2010	252	1,758	167	371	<b>2,548</b>
31 March 2009	827	658	-	-	<b>1,485</b>
31 March 2008	1,382	489	-	1,291	<b>3,162</b>
<b>NFA:</b>					
31 March 2010	-	21	169	-	<b>190</b>
31 March 2009	-	-	-	-	-
31 March 2008	-	-	-	-	-

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

	<b>2009-10</b>	<b>2008-09</b>
	<b>Consolidated</b>	<b>Consolidated</b>
	<b>£000</b>	<b>£000</b>
Total intangible asset additions	2,066	402
Opening intangible asset accrual	-	14
Closing intangible asset accrual	(62)	-
<b>Cash flows for intangible assets additions</b>	<b>2,004</b>	<b>416</b>

**16 Trade receivables and other current assets**

**16(a) Analysis by type**

	<b>2009-10</b>		<b>2008-09</b>		<b>1 April 2008</b>
	<b>£000</b>		<b>£000</b>		<b>£000</b>
<b>Amounts falling due within one year:</b>	<b>Core Department</b>	<b>Consolidated</b>	<b>Core Department</b>	<b>Consolidated</b>	<b>Core Department</b>
VAT receivable	804	818	708	708	869
Deposits and advances	148	153	111	111	133
Other receivables	73	73	100	100	200
Prepayments and accrued income	983	983	669	669	727
Costs awarded to the SFO*	322	322	322	322	322
Provision for bad and doubtful debt	(320)	(320)	(320)	(320)	(170)
	<b>2,010</b>	<b>2,029</b>	<b>1,590</b>	<b>1,590</b>	<b>2,081</b>

\* Included within the costs awarded receivables is the sum of £257k (2008-09: £257k) due to the Consolidated Fund once the debts are collected.

	<b>2009-10</b>		<b>2008-09</b>		<b>1 April 2008</b>
	<b>£000</b>		<b>£000</b>		<b>£000</b>
<b>Amounts falling due after more than one year:</b>	<b>Core Department</b>	<b>Consolidated</b>	<b>Core Department</b>	<b>Consolidated</b>	<b>Core Department</b>
Costs awarded to the SFO	11	11	12	12	14
	<b>11</b>	<b>11</b>	<b>12</b>	<b>12</b>	<b>14</b>



**16(b) Intra-Government balances**

Consolidated	Amounts falling due within one year			Amounts falling due after more than one year		
	31 March 2010	31 March 2009	1 April 2008	31 March 2010	31 March 2009	1 April 2008
	£000	£000	£000	£000	£000	£000
Balances with other Central Government bodies	993	714	1,191	-	-	-
Balances with bodies external to government	1,036	876	890	11	12	14
<b>Total</b>	<b>2,029</b>	<b>1,590</b>	<b>2,081</b>	<b>11</b>	<b>12</b>	<b>14</b>

**17 Cash and cash equivalents**

	2009-10		2008-09		1 April 2008
	Core Department	Consolidated	Core Department	Consolidated	Core Department
	£000	£000	£000	£000	£000
Balance at 1 April	2,085	2,085	606	606	947
Net change in cash and cash equivalent balances	(1,843)	(1,843)	1,479	1,479	(341)
<b>Balance at 31 March</b>	<b>242</b>	<b>242</b>	<b>2,085</b>	<b>2,085</b>	<b>606</b>
The following balances at 31 March were held at:					
Government Banking Service	242	242	2,085	2,085	586
Commercial banks and cash in hand	-	-	-	-	20
<b>Balance at 31 March</b>	<b>242</b>	<b>242</b>	<b>2,085</b>	<b>2,085</b>	<b>606</b>

**18 Trade payables and other current liabilities**

**18(a) Analysis by type**

	2009-10		2008-09		1 April 2008
	£000		£000		£000
<b>Amounts falling due within one year:</b>	<b>Core Department</b>	<b>Consolidated</b>	<b>Core Department</b>	<b>Consolidated</b>	<b>Core Department</b>
Other taxation and social security	413	413	317	317	380
Trade payables	96	133	1,342	1,655	1,520
Accruals and deferred income	3,651	4,066	5,336	5,906	2,827
Pension providers	-	-	-	-	254
Non current asset accruals	104	124	8	8	487
Amounts issued from the Consolidated Fund for supply but not spent at year end	242	242	2,084	2,084	553
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:					
Received	-	-	-	-	52
Receivable	257	257	257	257	257
	<b>4,763</b>	<b>5,235</b>	<b>9,344</b>	<b>10,227</b>	<b>6,330</b>

	2009-10		2008-09		1 April 2008
	£000		£000		£000
<b>Amounts falling due after more than one year:</b>	<b>Core Department</b>	<b>Consolidated</b>	<b>Core Department</b>	<b>Consolidated</b>	<b>Core Department</b>
Lease incentive accrual	298	298	470	470	642
	<b>298</b>	<b>298</b>	<b>470</b>	<b>470</b>	<b>642</b>

**18(b) Intra-Government balances**

	Amounts falling due within one year			Amounts falling due after more than one year		
	31 March 2010	31 March 2009	1 April 2008	31 March 2010	31 March 2009	1 April 2008
	£000	£000	£000	£000	£000	£000
<b>Consolidated</b>						
Balances with other Central Government bodies	983	2,784	1,242	-	-	-
Balances with local authorities	11	-	-	-	-	-
Balances with NHS Trusts	16	-	-	-	-	-
Balances with bodies external to government	4,225	7,443	5,088	298	470	642
<b>Total</b>	<b>5,235</b>	<b>10,227</b>	<b>6,330</b>	<b>298</b>	<b>470</b>	<b>642</b>

**19 Provisions for liabilities and charges**

	Core Department			Consolidated		
	Early departure costs	Leasehold property dilapidations	Total	Early departure costs	Leasehold property dilapidations	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2009	1,410	640	2,050	1,410	640	2,050
Provided / (Released) in the year	517	-	517	517	-	517
Provisions utilised in the year	(288)	-	(288)	(288)	-	(288)
<b>Balance at 31 March 2010</b>	<b>1,639</b>	<b>640</b>	<b>2,279</b>	<b>1,639</b>	<b>640</b>	<b>2,279</b>
Amounts falling due within one year:	393	-	393	393	-	393
Amounts falling due after one year:	1,246	640	1,886	1,246	640	1,886
<b>Total</b>	<b>1,639</b>	<b>640</b>	<b>2,279</b>	<b>1,639</b>	<b>640</b>	<b>2,279</b>

	Core Department			Consolidated		
	Early departure costs	Leasehold property dilapidations	Total	Early departure costs	Leasehold property dilapidations	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2008	151	-	151	151	-	151
Provided / (Released) in the year	1,444	640	2,084	1,444	640	2,084
Provisions utilised in the year	(185)	-	(185)	(185)	-	(185)
<b>Balance at 31 March 2009</b>	<b>1,410</b>	<b>640</b>	<b>2,050</b>	<b>1,410</b>	<b>640</b>	<b>2,050</b>
Amounts falling due within one year:	263	-	263	263	-	263
Amounts falling due after one year:	1,147	640	1,787	1,147	640	1,787
<b>Total</b>	<b>1,410</b>	<b>640</b>	<b>2,050</b>	<b>1,410</b>	<b>640</b>	<b>2,050</b>

**19.1 Early departure costs**

The Department meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The Department provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments, discounted by the Pensions discount rate of 1.8 per cent (3.2 per cent 2008-09 and 2.5 per cent 1 April 2008) in real terms when material. It is expected that early departure payments will be incurred through to 2017-18.

**19.2 Leasehold property dilapidations**

The obligations under the SFO’s property leases require the properties to be returned to the landlords in an appropriate condition. A provision has, therefore, been established for the estimated costs of restoring the properties from specialised use for SFO purposes to a condition suitable for general purposes. The property leases expire in December 2012.

**20 Notes to the Consolidated Statement of Operating Costs by Departmental Strategic Objectives**

With effect from 1 April 2008 all operating costs are classified as programme. The analysis of this expenditure between objectives is given in the Consolidated Statement of Operating Costs by Departmental Strategic Objectives with the costs of the SFO being apportioned according to the average number of cases being investigated and prosecuted during the year.

The gross operating costs of the SFO have been apportioned according to the average number of cases being investigated and prosecuted during the year. At 31 March 2010 there were 43 cases under investigation (31 March 2009: 57) and 37 cases under prosecution (31 March 2009: 12). Income relating to restraint and confiscation and income in respect of costs awarded to the SFO have been off-set against prosecution costs only.

Capital is employed in the same proportions as the related programme costs.

**21 Capital commitments**

	<b>2009-10</b>		<b>2008-09</b>	
	<b>£000</b>		<b>£000</b>	
	<b>Core Department</b>	<b>Consolidated</b>	<b>Core Department</b>	<b>Consolidated</b>
Contracted capital commitments at 31 March not otherwise included in these financial statements				
Property, plant and equipment	-	-	36	36
Intangible assets	1,778	1,778	-	-
	<b>1,778</b>	<b>1,778</b>	<b>36</b>	<b>36</b>

## 22 Commitments under leases

### 22.1 Operating leases

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

	2009-10		2008-09	
	Core Department	Consolidated	Core Department	Consolidated
		£000		£000
<b>Obligations under operating leases comprise:</b>				
<b>Buildings:</b>				
Not later than 1 year	2,681	2,681	2,681	2,681
Later than 1 year and not later than 5 years	4,692	4,692	7,373	7,373
Later than 5 years	-	-	-	-
	<b>7,373</b>	<b>7,373</b>	<b>10,054</b>	<b>10,054</b>
<b>Other:</b>				
Not later than 1 year	34	34	64	64
Later than 1 year and not later than 5 years	-	-	83	83
Later than 5 years	-	-	-	-
	<b>34</b>	<b>34</b>	<b>147</b>	<b>147</b>

There is a tenant only break on 24 December 2012 on one of the buildings occupied by the SFO. There is also an upwards only rent review on this property on 24 December 2012.

## 23 Financial instruments

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

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

### **Interest rate risk**

The financial liabilities of the department carry nil or fixed rates of interest. The entities, therefore, are not exposed to significant interest rate risk.

### **Currency risk**

The Department is not exposed to any significant foreign currency risks.

## 24 Contingent liabilities

As at 31 March 2010 there were no contingent liabilities requiring disclosure.

## **25 Losses and special payments**

### **25(a) Losses statement**

As part of the work to bring the asset register up to date it was necessary to write off £412k net book value of assets (reflected in note 14, Property, plant and equipment). In the normal course of events the removal of these assets from the asset register would have been treated as a disposal rather than a write off. However, the state of the asset register does not enable the reconciliation of the asset record to a physical asset in every case. Steps are in hand to replace the current asset register with a proper method of recording and tracking assets.

### **25(b) Special payments**

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

## **26 Related-party transactions**

The SFO is a government department with one agency entity, the NFA. None of the board members, key managerial staff or other related parties has undertaken any material transactions with the SFO during the year. The SFO has had a small number of transactions with other government departments and other central government bodies.

## **27 Third party assets**

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

The assets held at the reporting date to which it was practical to ascribe monetary values comprised monetary assets such as bank balances and monies on deposit. The balance held at 31 March 2010 was £237k (08-09 £nil).

## **28 Entities within the departmental boundary**

As detailed in note 1.2 the NFA is an entity within the departmental boundary of the SFO with effect from 1 October 2008. The Annual Accounts of the NFA are published separately.

## **29 Events after the reporting period**

In accordance with the requirements of IAS 10: Events after the Reporting Period, there are two events after the reporting period up to the date the Resource Accounts were authorised for issue which require disclosure. In the public sector context the authorisation date is the same date on which the Resource Accounts were certified by the Comptroller and Auditor General.

Following the General Election on May 6, the Government have committed to the creation of a single agency to take on the work of tackling serious economic crime that is currently done by, among others, the Serious Fraud Office, Financial Services Authority and Office of Fair Trading. The scope of the new agency is still to be decided and it will be some time before the details of the new agency are settled. The SFO has been granted Parliamentary Supply for 2010-11 and will continue to operate until further decisions have been taken. The accounts have accordingly been prepared on a going concern basis.

It was announced in the Budget on 22 June 2010 that the Government intends to adopt the Consumer Price Index (CPI) for the indexation of public service pensions from April 2011. This will have an impact upon the future operation of the pension schemes that the Serious Fraud Office provides to employees.

**Annex A - Departmental Report Core Tables**

The tables below set out the key data for the Serious Fraud Office as required by the Public Expenditure System Paper PES (2010) 09.

The figures within these tables have not been subject to audit.

<b>Resource Budget</b>						£000s
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
	Outturn	Outturn	Outturn	Outturn	Outturn	Outturn
Pay	12,816	16,264	17,974	18,460	23,640	19,948
Procurement	18,898	22,260	20,963	23,254	25,535	16,959
Depreciation*	1,094	1,345	1,741	1,604	2,354	2,709
Serious Fraud Office	32,808	39,869	40,678	43,318	51,529	39,616

\* includes revaluation costs for those years where a revaluation charge was incurred

<b>Capital Budget</b>						£000s
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
	Outturn	Outturn	Outturn	Outturn	Outturn	Outturn
Serious Fraud Office	2,060	2,259	3,933	4,223	1,864	2,979

<b>Staff numbers</b>						
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
	Actual	Actual	Actual	Actual	Actual	Actual
Civil service full time equivalents	249	292	319	309	303	302
Casuals	12	10	3	2	2	5
Total	261	302	322	311	305	307

<b>Capital Employed</b>		£000s				
	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08 Actual	2008-09 Actual	2009-10 Actual
<b>Assets and liabilities in the Statement of Financial Position at year end:</b>						
<b>Assets</b>						
Non-current assets	2,346	3,997	5,680	7,878	6,155	6,859
Intangible	168	215	393	489	1,485	2,548
Tangible	2,116	3,719	5,272	7,375	4,686	4,300
Current assets	2,851	1,597	2,743	2,687	3,675	2,252
<b>Liabilities</b>						
Creditors (<1 year)	(5,871)	(6,125)	(5,102)	(5,899)	(9,344)	(4,763)
Creditors (>1 year)	0	0	0	0	(470)	(298)
Provisions	(209)	(347)	(1,155)	(965)	(2,050)	(2,279)
<b>Capital employed within main department</b>	<b>(883)</b>	<b>(878)</b>	<b>2,166</b>	<b>3,701</b>	<b>(2,034)</b>	<b>1,771</b>
Agency net assets	0	0	0	0	(855)	(173)
<b>Total capital employed in departmental group</b>	<b>(883)</b>	<b>(878)</b>	<b>2,166</b>	<b>3,701</b>	<b>(2,889)</b>	<b>1,598</b>





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