

# **Serious Fraud Office**

## **Resource Accounts 2007-08**

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**(For the year ended 31 March 2008)**

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## **Foreword**

### **Scope**

#### **Basis of Accounts**

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

#### **Role of the Department**

The Serious Fraud Office (SFO) was established by the Criminal Justice Act 1987, following the 1986 Roskill Report. Under that Act its role is to investigate and prosecute cases of serious or complex fraud in England, Wales and Northern Ireland and thus contribute to deterring such fraud. The SFO is headed by the Director, Richard Alderman, who acts under the superintendence of the Attorney General.

The SFO is part of the Criminal Justice System (CJS) and is affected by changes and developments in that system. To achieve its aim and objectives it must take into account and be part of developments in the wider world of law enforcement and financial regulation.

#### **Aim and Objectives of the Department**

The 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 objectives of the SFO are to take on appropriate cases and:

- investigate them and bring them to a successful conclusion as quickly as individual circumstances allow; and
- when a decision to prosecute is made, to prosecute fairly and in a way that enables the jury to understand the issues.

In carrying out its aim and objectives, the SFO will:

- work effectively and efficiently;
- co-operate with other agencies and overseas jurisdictions; and
- ensure that its activities, and the way they are reported, contribute to deterring fraud.

The SFO seeks to deter fraud. It is therefore important that its public credibility is maintained and the basis on which it has to work is well understood. The small size of the caseload means that the picture in any one year may be distorted by the results of one or two cases. Even though the prosecution was properly brought and the case well handled, convictions may not be obtained. In these circumstances changes in the pattern of case results and trends over time will provide better information about the performance of the SFO.

The key targets set for 2007-08 were:

- seek to achieve reductions in investigation and prosecution times for cases; and
- maintain a caseload of 85 active cases (including appeals) within allocated resources. During 2007-08 the SFO worked on 81 cases with a total of 16 cases either tried or closed in the year. The on-going caseload 31 March 2008 was 66 (including appeals).

Additionally the SFO reports on its conviction rate:

- during 2007-08 7 trials were completed involving 25 defendants, 17 of whom were convicted giving a conviction rate of 68% (2006-07: 71%). A reasonable expectation of conviction rates based on recent past performance is in the 60-75% range.

The SFO is committed to reduce the length of investigation and prosecution phases by being more effective in those areas which it can more closely control. These include:

- rigorous vetting of cases referred to the SFO;
- terminating as quickly as possible investigations which are not likely to lead to a prosecution;
- focusing the investigation on key offenders and key charges to avoid over-burdening the investigation and prosecution;
- transferring cases as quickly as possible to the Crown Court;
- ensuring cases are presented fairly, concisely and understandably and continuously improving value for money;
- using document management systems and information technology to speed up the investigations and prosecution; and
- collaboration and joined up working with partners within the CJS.

### **Corporate Governance**

In exercising his statutory responsibilities under the Criminal Justice Act 1987, the Director acts under the supervision of the Attorney General. He is supported by the Strategic Management Board and the Operational Board. The Strategic Board comprises the Director, three independent Non-Executive Directors, the Deputy Director, the Head of Resources and Planning, the Head of Policy and the Head of Accountancy. The Operational Board comprises the executive members of the Strategic Board, the seven Assistant Directors in charge of operational divisions and the Head of Human Resources and Finance. The Boards meet as a combined Board at least four times a year.

Each Board has clearly defined terms of reference and membership and meets monthly to set the strategic direction of the SFO and monitor performance and progress in meeting plans. Key risks facing the SFO are reviewed, identified and prioritised. 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 the Department's continuing ability to investigate and prosecute serious or complex fraud and respond to changing demand and the volatile environment in which it operates. Key areas identified include meeting targets and maintaining quality, compliance with legal requirements and responsibilities, adequate resourcing and support, recruitment and retention of staff, adoption and implementation of business change to support the Departmental aim and the consequences of reputation/confidence loss in the SFO. Systems for risk management are in place and regular reviews take place at the relevant levels within the organisation.

The Boards delegate some aspects of their work to committees, chaired by a Board member. There are Committees for Audit, Human Resources, Training, Health and Safety, and Equality and Diversity which operate to defined terms of reference and regularly report back to the relevant Board.

The Audit Committee, which promotes and provides support on key corporate governance issues to the Boards and Director, is chaired by a Non-Executive Director and meets at least five times a year. The membership of the Committee comprises three Non-Executive Directors and one divisional Assistant Director and is directly supported by the Head of Resources and Planning, the Head of Accountancy and the internal and external auditors. The Committee has clearly defined terms of reference and has an established work programme. The SFO substantially conforms to the principles of the Code on Corporate Governance.

The Director is currently reviewing the management structure of the SFO.

### **Company directorships**

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

## **REMUNERATION REPORT**

### **Ministers and Senior Officers**

The 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 Review Body on Senior Salaries.

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

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

### **Remuneration Committee**

Board members' remuneration is determined in accordance with the report of the Senior Salaries Review Body. The SFO's SCS Pay Committee meets annually to consider pay increases and bonus payments in accordance with the above 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-related bonuses based upon the completion of one off projects and achievement of objectives. Instant bonuses can also be awarded by divisional heads to individuals or teams for completion of 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 2007-08 bonuses totalled £94,280 (0.06% of the paybill).

### **Service Contracts**

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

Unless otherwise stated below, the officials covered by this report hold appointments 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 of the SFO and Accounting Officer during the period covered by the accounts was Robert Wardle.

### **Senior Official Appointments**

Richard Alderman, who succeeded Robert Wardle, was appointed by the Attorney General on a four-year contract commencing on 21 April 2008.

Robert Wardle was appointed on 21 April 2003 and retired on 20 April 2008.

### **Information provided to Employees**

The SFO provides information to its employees in a variety of formats, including:

- Office Notices provide information on a variety of subjects, e.g. changes in policies, vacancies, appraisals;
- Pay Bulletins are issued after the pay negotiations and detail the elements of the annual pay deal;
- Director's Monthly Bulletins provide details of starters and leavers, training courses as well as case updates;
- the SFO Intranet provides information on a variety of topics, including the operational handbook, emergency instructions, access to the Corporate Change Programme and useful websites; and
- quarterly open meetings at which members of both Boards answer questions put by staff.

### **Salary and Pension Entitlements**

The following sections provide details of the remuneration and pension interests of the most senior officials of the department. The information contained in the tables on pages 6 and 8 are subject to audit.



**Remuneration**

Officials	2007-08		2006-07	
	Salary £'000	Benefits in kind (to nearest £100)	Salary £'000	Benefits in kind (to nearest £100)
Robert Wardle <b>Director</b> (until 20 April 2008)	160-165	nil	155-160	nil
James Kellock <b>Deputy Director</b>	100-105	nil	100-105	nil
Bob Evans <b>Head of Resources and Planning</b>	120-125	nil	105-110	nil
Stephen Low <b>Head of Accountancy</b>	90-95	nil	90-95	nil
Vicki O'Keeffe <b>Head of Policy</b>	85-90	nil	75-80	nil
Philip Lewis <b>Assistant Director</b>	90-95	nil	85-90	nil
Helen Garlick <b>Assistant Director</b>	85-90	nil	80-85	nil
Graham More <b>Assistant Director</b>	95-100	nil	85-90	nil
Philip Blakebrough <b>Assistant Director</b>	85-90	nil	80-85	nil
John Benstead <b>Assistant Director</b>	85-90	nil	75-80	nil
Roddy Gillanders <b>Assistant Director</b>	90-95	nil	20-25	nil
Ruth Curry <b>Head of HR and Finance</b>	70-75	nil	25-30	nil
Sarah Goom <b>Assistant Director</b> (from 25 February 2008)	5-10 (75-80 full time equivalent)	nil	nil	nil
Claire Whitaker <b>Assistant Director</b> (from 6 August to 11 November 2007)	20-25 (70-75 full time equivalent)	nil	nil	nil

**Non-Executive Directors**

The Non-Executive Directors of the SFO received fees amounting to £100,728 (2006-07: £98,558) during the year. Individual amounts are disclosed in the table below:

Non-Executive Director	2007-08	2006-07
	£	£
Alan Graham	38,853	36,950
Harriett Maunsell OBE	32,200	22,476
Dame Elizabeth Neville QPM	29,675	39,132

**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.

The sum of £72,075 was paid to a third party in respect of work carried out for the AGs Office by Tricia Howse, a former member of the senior officials of the SFO who retired on the 31 March 2007.

**Benefits in Kind**

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. 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.

## Pension Benefits Entitlements

Officials	Accrued pension at age 60 as at 31/3/08	Related lump sum at 31/03/08	Real increase in pension at age 60	Related real increase in lump sum at age 60	CETV at 31/3/08	CETV at 31/3/07	Real increase in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	£000	£000	£000
Robert Wardle * <b>Director</b> (until 20 April 2008)	60-65	180-185	0-2.5	5-7.5	1,400	1,193	43	nil
James Kellock <b>Deputy Director</b>	30-35	65-70	0-2.5	0-2.5	573	472	18	nil
Bob Evans <b>Head of Resources and Planning</b>	45-50	nil	0-2.5	nil	838	706	25	nil
Stephen Low <b>Head of Accountancy</b>	20-25	65-70	0-2.5	2.5-5	440	369	16	nil
Vicky O'Keeffe ** <b>Head of Policy</b>	15-20	50-55	0-2.5	5-7.5	406	323	30	nil
Philip Lewis <b>Assistant Director</b>	20-25	45-60	0-2.5	0-2.5	515	465	21	nil
Helen Garlick <b>Assistant Director</b>	10-15	40-45	0-2.5	2.5-5	301	248	18	nil
Graham More <b>Assistant Director</b>	10-15	30-35	0-2.5	2.5-5	198	145	21	nil
Philip Blakebrough <b>Assistant Director</b>	25-30	80-85	0-2.5	0-2.5	472	397	12	nil
John Benstead * <b>Assistant Director</b>	10-15	30-35	0-2.5	2.5-5	166	120	12	nil
Roddy Gillanders <b>Assistant Director</b>	40-45	nil	0-2.5	nil	753	628	24	nil
Ruth Curry <b>Head of HR and Finance</b>	10-15	30-35	0-2.5	5-7.5	165	112	31	nil
Sarah Goom <b>Assistant Director</b> (from 25 February 2008)	0-5	-	0-2.5	-	2	-	1	nil
Clare Whitaker <b>Assistant Director</b> (from 6 August to 11 November 2007)	10-15	40-45	0-2.5	0-2.5	223	200	7	nil

\* Due to certain factors being incorrect in last years CETV calculator there is a difference between the final period CETV for 2006/07 and the start CETV period for 2007/08.

\*\* Added years amended after last years disclosure.

## Civil Service Pensions

Pension benefits are provided through 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). New entrants from October 2002 may choose either the appropriate defined benefit arrangement or a good quality money purchase stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid, in respect of service before 1 October 2002 calculated broadly in the same way as for classic and benefits for service from October 2002 calculated as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may chose to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution).

The accrued pension 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 at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for member of nuvos.

### **Cash Equivalent Transfer Values (CETV)**

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefit at their own cost. CETVs are calculated 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 drawn.

### **Real Increase in CETV**

This reflects the increase in CETV effectively 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 8).

## **DEPARTMENTAL ACTIVITIES AND OPERATIONS**

The SFO has seven operational divisions. Each operational division is made up of lawyers, accountants and other specialist investigators and support staff. Multi-disciplinary teams are formed to deal with cases, with each team being headed by a case controller who is given a delegated case budget. Management Information systems provide the Director with information on budgets, expenditure and timetables. The Director meets with each division monthly to discuss the cases and their progress.

The SFO operates a delegated budgeting system to encourage value for money. Case budgets are delegated to case controllers and are reviewed as necessary in the light of changes in case plans and the SFO undertakes monthly reviews of expenditure throughout the financial year to ensure that expenditure stays within

provision. Working procedures and management information needs are part of the regular strategic reviews conducted within the SFO.

The SFO may deal with any type of complex or serious fraud. 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 has taken responsibility for the initial review of all allegations received in this area. Where sufficient evidence exists the SFO will expect to begin an investigation. If the case should not for some reason fall within the SFO criteria, then the SFO will endeavour to ensure that it is still dealt with by another law enforcement or regulatory body. In order to meet additional responsibilities such as maintaining the register of complaints of suspicion of corruption overseas and an increasing number of applications to restrain the proceeds of crime the SFO has two small units specialising in these areas.

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. Each operational division has an alignment with police forces in an operational area although all take cases from the Metropolitan and City Police forces.

The SFO and the CoLP Economic Crime Department have built on the initiatives to enable closer collaboration and mutual understanding to tackle fraud within London and the South East. Joint working discussions focussing on effectiveness, efficiency and logistics to support change have continued and positive advances have been made. The development of a joint mobile forensic laboratory with the capability to enable more computer-based material to be accessed at the scene of a search means that the computer will be returned to its owner more quickly. It will also make the material available to investigators in a much shorter time.

A case may be referred to the SFO by the Police, the Department for Business Enterprise and Regulatory Reform (BERR), another government body or regulator, or sometimes by a liquidator or other statutory office holder. Each case is considered by the Vetting Unit and the Deputy Director and assessed as to whether it meets the SFO key criterion for acceptance. In some cases further enquiries are needed before this assessment can be made and consideration is also given to whether there is a realistic prospect of the investigation resulting in a prosecution. Early referral of cases is encouraged. The SFO chairs the Joint Vetting Committee (JVC) which includes representatives from a number of organisations in the Criminal Justice System. Its purpose is to decide which is the most appropriate body to investigate a suspected fraud. Membership of the JVC includes representatives from the Crown Prosecution Service (CPS), Metropolitan Police Service (MPS), CoLP, ACPO (on behalf of the other police forces), OFT, HM Revenue and Customs (HMRC), the Companies Investigations Branch of BERR, the Serious Organised Crime Agency (SOCA) and the Assets Recovery Agency (ARA). The JVC is also a forum for discussing matters of mutual interest.

Criteria for referral of cases of mutual interest have been agreed between the FSA, the SFO, BERR, police, 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.

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 the prosecution.

The factors that would need to be taken into account 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.
- None of those factors, taken individually, should necessarily be regarded as conclusive.

### **The review of the SFO**

The Attorney General and the then Director of the SFO announced in March 2007 that they were commissioning a review into the way the SFO approaches its cases with a view to strengthen the SFO in its approach to investigation, to enhance its ability to bring more cases before the courts and to enable them to be tried more quickly. This review was conducted by an experienced American prosecutor, Jessica de Grazia, and considered the practice in the USA as well the United Kingdom. The final report was published on 10 June 2008 and the SFO will be reviewing her recommendations over the coming months.

### **Working with Overseas Jurisdictions**

Deterring criminals abroad who target victims in the UK is one of the reasons the SFO has a team of investigators who assist overseas investigations by providing Mutual Legal Assistance (MLA). The unit is advised by a senior lawyer and assisted by forensic investigators when necessary. It also seeks to build relationships with overseas law enforcement bodies whose cooperation is so often essential for domestic investigations and prosecutions. Even before the SFO became the main UK agency responsible for the initial review of allegations of overseas corruption by UK nationals and companies, the MLA unit provided assistance in overseas corruption cases. Last year a Zambian prosecution resulted in a four year sentence utilising information gathered by the unit. International requests for assistance during 2007-08 show an increase of offences involving corruption, almost 50% coming from Africa.

Since January 2006, through the Proceeds of Crime Act 2002, the SFO has been able to assist countries in matters of restraint and confiscation.

During 2007-08 the MLA unit received 37 new requests from 23 overseas jurisdictions to use investigative resources and powers to obtain information in the UK to assist the investigation of their cases. The following countries sent through one request each: Argentina, Bahrain, Belgium, Bulgaria, Czech Republic, Monaco, South Africa, Sweden, Thailand and the Ukraine. Additionally, continual assistance relating to outstanding requests was provided to authorities in Pakistan, Canada, Israel, Mexico, Russia, Malaysia, Luxembourg and Australia.

By comparison the SFO has sought assistance in its domestic operations from countries including Australia, Austria, Belgium, Bermuda, British Virgin Islands, China, Cyprus, Czech Republic, Denmark, Eire, France, Guernsey, Hong Kong, Indonesia, Jersey, Jordan, Liechtenstein, Monaco, South Africa, Spain, Switzerland, Tanzania, The Netherlands, The Philippines, and USA. Thirteen jurisdictions were in Europe, namely Austria, Germany, Italy, Slovakia, France, Norway, Poland, Belgium, Netherlands, Latvia, Switzerland, Luxembourg and Jersey.

<b>MLA Activity</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>
<b>Number of countries assisted</b>	23	24	30
<b>Requests for assistance:</b>			
New referrals received <sup>2</sup>	41	53	45
Still under consideration at the end of year	1	nil	0
<b>Accepted cases:</b>			
Enquiries active at start of year	51	57	71
New referrals accepted <sup>3</sup>	40	53	45
Supplementary acceptances <sup>1</sup>	40	50	33
Completed during year	74	89	81
Active a year-end	57	71	68
<b>Section 2 Notices issued for MLA</b>	274	345	281
<b>Search Warrants executed</b>	nil	7	7

1 Triggered by findings from the initial request

2 Figure for 2007-08 includes one restraint request

3 Figure for 2007-08 includes two restraint requests which require further assistance

Frauds perpetrated throughout the world are becoming more complex and multi-national. Criminals are crossing international boundaries in an attempt to perpetrate frauds and hide the proceeds of crime. It is therefore no surprise to see that the level of assistance requested from overseas authorities this year has been more extensive, requiring greater in depth participation by members of the MLA Unit. Apart from operational assistance, the MLA Unit has also provided a number of formal presentations to representatives from countries including, the Czech Republic, Sweden, Denmark, Ukraine, South Korea, Indonesia. Investigative training was provided to a number of delegates from Tanzania.

The UN Corruption Convention has placed corruption higher on the agenda of a number of countries with requests coming from a broader range of countries. More requests involving multi state investigation have been coordinated through Eurojust where the facilities and translation services have been advantageous. There have been an increased number of overseas prosecutors from several jurisdictions within and outside Europe, visiting the MLA Unit, to discuss operational priorities and request procedural advice relevant to their investigation. Domestic teams investigating overseas corruption matters have contributed their expertise in training overseas investigators visiting the SFO.

During the reporting year, the MLA Unit continued to work closely with other law enforcement agencies in the UK including Her Majesty's Revenue and Customs, the CPS and the Financial Services Authority. SOCA and the City of London Police and the Metropolitan Police continue to offer support when requested. Liaison with lawyers and senior police officers from these agencies is encouraged and annual MLA meetings at the Home Office foster greater collaboration on an inter agency level. Such co-operation reflects the increasing desire among law enforcement agencies to respond to overseas requests in a professional and organised manner which will enhance the reputation of the UK in the area of international mutual legal assistance.

## **MANAGEMENT COMMENTARY**

### **Going Concern Basis**

The SFO is financed by amounts drawn from the UK Consolidated Fund approved annually by Parliament to meet the Department's Net Cash Requirement for the year.

As with other government departments, the ongoing financing of the SFO's activities and related liabilities is met by future grants from the UK Consolidated Fund and the application of future income, both to be approved annually by Parliament. Such approval for amounts required for 2008-09 has already been given and there is no reason to believe that future approvals will not be forthcoming. The net current liabilities of £3,212k at 31 March 2008 largely reflect amounts due to suppliers which will be settled by funds to be drawn in 2008-09. It

has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

### Accounting Policies

There were no changes to accounting policies adopted for the accounting year.

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

	2007-08	2006-07
	£000	£000
<b>Net Resource Outturn (Estimate)</b>	<b>51,114</b>	<b>45,289</b>
<b>Resource Budget (Estimate)</b>	<b>51,114</b>	<b>45,289</b>
Unused Resources	7,796	4,611
Income surrenderable to the Consolidated Fund	125	263
<b>Net Operating Cost (Accounts)</b>	<b>43,193</b>	<b>40,415</b>

### Net Resource Outturn

The resources available to the SFO are determined by Parliament and published in Estimates - more details are available in the relevant Law Officers' Departments' Departmental Report (Cm7406).

The Estimates and corresponding Outturns for 2007-08 and 2006-07 respectively include amounts relating to three exceptionally large cases for which additional funding is provided outside the normal financing arrangements for the SFO. The total savings and under-spends of £7,796k against the Estimate reflect £1,120k attributable to administration costs (2006-07: £982k) and £6,676k attributable to investigations and prosecutions costs (2006-07: £3,629k). The under-spends demonstrate the volatility inherent in actual events compared to planning assumptions used by the SFO and mostly reflect case activity changes.

The non A-in-A income for 2007-08 represents costs recovered directly by the SFO and not cost recoveries awarded by the Courts.

### Net Operating Cost

The total net operating costs of £43,193k have increased by £2,778k over the previous year, reflecting an increase of some 6.8%. Total staff costs increased by £486k, a 2.7% increase on the previous year reflecting the impact of the pay award in year. The average number of permanently employed staff has decreased from 322 in 2006-07 to 305. The total average number of non-permanent staff has increased from 54 in 2006-07 to 70 in 2007-08.

Non-staff administration costs increased by £852k, a 7.3% increase over the previous year, largely reflecting the following:

- an increase of £362k in depreciation caused by an increase in capital expenditure.
- write off of £631k in respect of an asset no longer in use.

Total Programme costs (which includes external counsel and accountants) increased by £1,383k, a 12.3% increase on 2006-07, reflecting the inherent volatility in case activity and the respective costs at each stage of the case.

### Net Cash Requirement

The net cash requirement of £44,568k for 2007-08 is £12,302k less than the Estimate for the year and £939k more than the net cash requirement for 2006-07. The under-spend from the Estimate largely reflects the savings and under-spend of £7,796k on the Net Resource Outturn offset by higher than estimated non-cash charges.



### **Net Assets Employed**

The Balance Sheet of the SFO as at 31 March 2008 shows net assets employed of £3,701k compared to net assets employed as at 31 March 2007 of £2,166k. The movement in the net assets employed position of £1,535k largely represents the following:

- capital expenditure of £4,434k on fixed assets during the year;
- decrease in working capital of £632k mainly reflecting an increase in non cash items such as depreciation;
- decrease in provisions for liabilities and charges of £190k.

### **Data Handling**

The Serious Fraud Office have given consideration to Cabinet Office guidance on Reporting of Personal Data Related Incidents issued in April 2008. The guidance requires that for 2007-08, and prior years, a summary of incidents 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. The SFO is content that there are no such incidents. The SFO report any incidents which they feel fall under this guidance to the Cabinet Office and Information Commissioner's Office immediately

### **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, in advance of their occurrence. 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 through maximising 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 sharing of common services with the other Law Officers' Departments.

In 2007-08 the SFO commenced looking for a new strategic solution which will extend IT support considerably into case management and casework process, given even greater efficiency. It is planned that this will replace the existing DOCMAN system.

### **Departmental and Annual Reports**

The Departmental Report 2008 contains information about the SFO additional to that shown in these accounts and includes planned expenditure for 2008-09. 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 2007-08 Annual Report is published during July 2008.

### **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.

### **Accommodation and facilities**

The refurbishment programme of Elm House has continued during the year and is expected to be completed by September 2008.

The SFO is committed to contributing towards the Government's sustainable development targets and have ensured that all the electricity we use at 200 Gray's Inn Road is obtained from renewable sources. We have 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 (LOD) which have a number of targets to comply with central government initiatives on sustainability. Within the SFO, energy saving features have been incorporated in the upgraded accommodation wherever possible, with proximity lighting installed on all the 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.

#### **Derivatives**

Details about the SFO's policies regarding derivatives are included in the notes to these accounts.

#### **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 upgrade of the headquarters building at Elm House improved disabled access and facilities. The average number of disabled staff during 2007-08 was 14 persons.

#### **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 kept under regular review to ensure that any indicators of bias are highlighted and tackled. The SFO is similarly committed to treat all its employees fairly. During the year the SFO has reissued its policy documents on Equality and Diversity, and Dignity at Work.

#### **Payment of Suppliers**

Current payment policy is to pay bills in accordance with agreed contractual conditions, or where no such conditions exist, within 30 days of receipt of goods and services or the presentation of a valid invoice, whichever is the later. SFO's payment performance for the period was 87.7% adversely affected by an operational issue during one month of the year. The target for all government departments is 100%.

#### **Auditors**

The Comptroller and Auditor General is the statutory auditor for the SFO's accounts. The notional audit fee for 2007-08 is £60,000 (2006-07: £57,000).

- 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**  
**11 July 2008**

## Statement of Accounting Officer's Responsibilities

1. Under Section 5 of the Government Resources and Accounts Act 2000, the SFO is required to prepare resource accounts for each financial year, in conformity with a HM Treasury direction, detailing the resources acquired, held, or disposed of during the year and the use of resources by the Department during the year.
2. The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department, the net resource outturn, resources applied to 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, with responsibility 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 Government Financial Reporting Manual prepared by the Treasury and in particular to:
  - a. observe the relevant Accounts Direction issued by the 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 2008. As Accounting Officer for the SFO I have responsibility for maintaining a sound system of internal control which supports the achievement of the SFO's policies, aim and objectives whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

### The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level, rather than eliminate all the risk of failure to achieve policies, aim 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 principal risks to the achievement of the SFO's policies, aim 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 2008 and up to the date of approval of the foreword and accounts, and accords with Treasury guidance.

### Capacity to Handle Risk

The SFO actively considers and identifies potential risk to the organisation. We have a well defined and developed strategy to identify and counter risks to the organisation. This 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.

### Data Handling

The SFO has successfully retained its ISO 27001 Security Management accreditation through the regular audit process and encryption software has been installed on all laptops. The SFO continues to work closely with other Government departments to develop and improve our security procedures.

### The Risk and Control Framework

#### *Risk Management*

Risk management forms part of the operating environment of the SFO. There is a risk management strategy which is reviewed periodically. Each executive board member has responsibility for risk and mitigation in their respective areas of responsibility as well as corporately. There is a regular review of the risk register, and risk assessment is part of project methodology employed by project sponsors and managers in their plans.

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

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

#### *Control Environment*

As Accounting Officer, I have responsibility 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);
- Management Boards with clear terms of reference and defined memberships, including three independent non-executive members, which meet regularly to consider the strategic and operational direction of the SFO;

- an Audit Committee chaired by one of three Non-Executive Directors, which is a sub-committee of the Management Boards and which meets at least five times a year. The membership of the Committee comprises three non-executives and one divisional assistant director and is directly supported by the Head of Resources and Planning;
- a bought-in internal audit service is 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 Committee and the Management Boards;
- a detailed guide on standards of behaviour and conduct contained in the staff manual, including a clear corporate policy to combat fraud;
- a clear structure of delegated responsibility; and
- a framework of financial regularity and propriety.

#### *Control Activities*

The SFO has established a framework of procedures covering all aspects of the conduct of business including:

- annual budgets for each division which are examined, challenged and agreed by the Management Boards;
- regular reviews by the Management Boards of in-year expenditure against the budgets and forecasts;
- systems to identify resource commitments against plans;
- setting targets to measure achievement of objectives; and
- the application of formal project management disciplines, as appropriate.

#### *Significant internal control problems*

There were no significant control problems during the year but the volatile demand-led nature of the business requires robust and accurate financial management and planning information systems. The Director continued to emphasise proactive budgeting disciplines and during the year reviewed and made improvements to the timing and relevance of monthly management accounts. These and further planned changes, and relevant training, will improve our financial management and increase support to our delegated budget holders, thus better informing our management of resources and ability to respond and make effective decisions.

#### *Review of effectiveness*

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the SFO who have responsibility for the development and maintenance of the internal control framework. I also take into account the management letters and other reports by the external auditors.

#### *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 systems for risk management, control and governance, together with any recommendations for improvement;
- regular reports which are distributed to members of the Management Boards, on operational, financial, staffing and IT issues and performance;
- improved business and strategic planning processes;
- periodic reports from the chair of the Audit Committee, who is an independent Non-Executive Director, to myself and to the Management Boards; and

- advice on the effectiveness of the system of internal control by the Boards, and Audit Committee and senior managers. Whilst areas for improvement have been identified and recommendations made accordingly, none significantly impact on the overall adequacy and effectiveness of risk management, control and governance. I have received a reasonable assurance on risk management, control and governance in the SFO from the Internal Audit Annual Report for 2007-08.

**Richard Alderman**  
**Accounting Officer**  
**11 July 2008**

**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 2008 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the Statement of Operating Costs by Departmental Aim and Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

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

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, the information which comprises the Management Commentary, the Aims and Objectives of the Department, Corporate Governance, Company Directorships, Departmental Activities and Operations, included in the Foreword, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Department has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Department's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

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

**Basis of audit opinions**

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Department's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement,

whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

### **Opinions**

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Department's affairs as at 31 March 2008, and the net cash requirement, net resource outturn, net operating cost, operating costs applied to objectives, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- information which comprises the Management Commentary, the Aims and Objectives of the Department, Corporate Governance, Company Directorships, Departmental Activities and Operations, included in the Foreword, is consistent with the financial statements.

### **Opinion on Regularity**

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

### **Report**

I have no observations to make on these financial statements.

*T J Burr*

*Comptroller and Auditor General*

*National Audit Office*

*151 Buckingham Palace Road*

*Victoria*

*London*

*SW1W 9SS*

*14 July 2008*



## Statement of Parliamentary Supply

### Summary of Resource Outturn for the year ended 31 March 2008

		Estimate			Outturn			2007-08 Net Total Outturn compared with Estimate: saving/ (excess)	2006-07 Outturn
		Gross Expenditure	A-in-A	Net Total	Gross Expenditure	A-in-A	Net Total		Net Total
		£000	£000	£000	£000	£000	£000	£000	£000
Request for Resources	Note								
1 Reducing fraud and the cost of fraud and delivering justice and the rule of law	2	51,464	(350)	51,114	43,526	(208)	43,318	7,796	40,678
<b>Total Resources</b>		<b>51,464</b>	<b>(350)</b>	<b>51,114</b>	<b>43,526</b>	<b>(208)</b>	<b>43,318</b>	<b>7,796</b>	<b>40,678</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 2008

		Estimate	Outturn	2007-08 Net Total Outturn compared with Estimate: saving/ (excess)	2006-07 Outturn
		£000	£000	£000	£000
Net Cash Requirement	Note 4	56,870	44,568	12,302	43,629

### Summary of the 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 2007-08		Outturn 2007-08	
Note	Income	Receipts	Income	Receipts	
	£000	£000	£000	£000	£000
Total	5	-	-	125	53

Explanation of variances between Estimate and outturn are given in Note 2 and in the Management Commentary

## Operating Cost Statement

for the year ended 31 March 2008

		<b>Staff Costs</b>	<b>Other Costs</b>	<b>Income</b>	<b>2007-08 Total</b>	<b>2006-07 Total</b>
	<b>Note</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Administration Costs:</b>						
Staff Costs	8	18,460			18,460	17,974
Other administration costs	9		12,412		12,412	11,560
Operating Income	11			(158)	(158)	(127)
<b>Programme Costs</b>						
Programme costs	10		12,654		12,654	11,271
Income	11			(175)	(175)	(263)
<b>Totals</b>	3,12	<b>18,460</b>	<b>25,066</b>	<b>(333)</b>	<b>43,193</b>	<b>40,415</b>
<b>Net Operating Cost</b>					<b>43,193</b>	<b>40,415</b>

## Statement of Recognised Gains and Losses

for the year ended 31 March 2008

	<b>2007-08 £000</b>	<b>2006-07 £000</b>
Net gain/(loss) on revaluation of tangible fixed assets	-	6
<b>Recognises gains and (losses) for the financial year</b>	<b>-</b>	<b>6</b>

The notes on pages 27 to 43 form part of these accounts

**Balance Sheet**

as at 31 March 2008

	Note	2007-08 £000	2006-07 £000
<b>Fixed Assets:</b>			
Tangible assets	13	7,375	5,272
Intangible assets	14	489	393
		<u>7,864</u>	<u>5,665</u>
<b>Debtors falling due after more than one year</b>	15	<b>14</b>	<b>15</b>
<b>Current Assets:</b>			
Debtors	15	2,081	1,796
Cash at bank and in hand	16	606	947
		<u>2,687</u>	<u>2,743</u>
<b>Creditors (Amounts falling due within one year)</b>	17	<b>(5,899)</b>	<b>(5,102)</b>
<b>Net Current Assets/ (Liabilities)</b>		<b>(3,212)</b>	<b>(2,359)</b>
<b>Total Assets less Current Liabilities</b>		<b>4,666</b>	<b>3,321</b>
Provisions for Liabilities and Charges	18	(965)	(1,155)
		<u>3,701</u>	<u>2,166</u>
<b>Taxpayers' Equity:</b>			
General fund	19	3,695	2,160
Revaluation reserve	20	6	6
		<u>3,701</u>	<u>2,166</u>

**Richard Alderman**  
**Accounting Officer**  
**11 July 2008**

## Cash Flow Statement

for the year ended 31 March 2008

		<u>2007-08</u>	<u>2006-07</u>
	<b>Note</b>	<b>£000</b>	<b>£000</b>
Net cash outflow from operating activities	21a	(40,292)	(39,433)
Capital expenditure and financial investment	21b	(4,223)	(3,933)
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities			63
Payment of amounts due to the Consolidated Fund		(326)	(56)
Financing	21d	44,500	44,668
<b>(Decrease)/Increase in cash in the period</b>	<b>21e</b>	<b>(341)</b>	<b>1,309</b>

The notes on pages 27 to 43 form part of these accounts

## Net Operating Costs by Departmental Aim and Objectives

for the year ended 31 March 2008

The SFO's aim 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 objectives of the SFO are to take on appropriate cases and:

	2007-08			2006-07		
	Gross	Income	Net	Gross	Income	Net
	£000	£000	£000	£000	£000	£000
<b>Objectives:</b>						
1. Investigate cases and bring them to a successful conclusion as quickly as individual circumstances allow.	31,774	-	31,774	31,419	-	31,419
2. When a decision to prosecute is made, to prosecute fairly and in a way that enables the jury to understand the issues	11,752	(333)	11,419	9,386	(390)	8,996
	<b>43,526</b>	<b>(333)</b>	<b>43,193</b>	<b>40,805</b>	<b>(390)</b>	<b>40,415</b>

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 2008 there were 48 cases under investigation and 18 cases under prosecution.

Administration income relating to restraint and confiscation and programme income in respect of costs awarded to the SFO have been off-set against prosecution costs only.

See Note 22.

The notes on pages 27 to 43 form part of these accounts

## Notes to the Departmental Resource Accounts

### 1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2007-08 *Government Financial Reporting Manual (FReM)* issued by HM Treasury. The accounting policies contained in the *FReM* follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

In addition to the primary statements prepared under UK GAAP, the *FReM* also requires 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 *Statement of Operating Cost by Departmental Aim and Objectives* and supporting notes analyse the Department's income and expenditure by the objectives agreed with Ministers.

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

#### 1.1 Basis of Accounting

These accounts have been prepared under the historical cost convention. The SFO does not have any entities either within or without the boundary of activities.

#### 1.2 Tangible Fixed Assets

The SFO does not own any freehold land and buildings.

Assets are capitalised as fixed assets if they are intended for use on a continuing basis and their original purchase cost, on an individual basis is £2000 or more. For IT expenditure the £2,000 threshold is applied to assets on a grouped basis. Fixed assets are carried at their value in existing use. They are valued at current replacement cost by reference to the Price Index Numbers for Current Cost Accounting, published by the Office for National Statistics, where not doing so would cause figures to be materially mis-stated.

#### 1.3 Intangible fixed assets

Fixed assets are valued at current replacement cost by reference to the Price Index Numbers for Current Cost Accounting published by the Office for National Statistics.

#### 1.4 Revaluation Reserve

In accordance with the *FReM* only the unrealised element of the Revaluation Reserve is disclosed in the Balance Sheet. Realised elements are transferred from the reserve to the General Fund. Downward revaluations are only charged to existing balances brought forward for that particular class of asset. If there is no previous balance, the charge is expensed in-year and disclosed in the Operating Cost Statement.

#### 1.5 Depreciation and Amortisation

Depreciation and amortisation is provided at rates calculated to write off the valuation of fixed assets by equal instalments over their estimated useful lives.

Tangible fixed assets are depreciated on a straight line basis over their estimated useful lives.

Intangible fixed assets are amortised on a straight line basis over their estimated useful lives.

Improvements to leasehold property	Over the unexpired term of the lease
IT Development Projects in use, Computer Equipment and Motor Vehicle	5 years
Furniture and fittings	10 years
Intangible Assets	5 years

Assets under construction are not depreciated until they are in use.

#### 1.6 *Costs awarded to the 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 a debtor on the balance sheet. 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 debtors 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.

#### 1.7 *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.

#### 1.8 *Operating Income*

Any sundry amounts relating to operating income are surrendered to the Consolidated Fund unless HM Treasury has agreed they can be retained. (See note 1.9)

#### 1.9 *Administration and programme expenditure*

The Operating Cost Statement is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or as programme follows the definition of administration costs set by HM Treasury. Administration costs reflect the costs of running the SFO as defined under the administration cost control regime, together with any associated operating income. Income is analysed between that which, under the regime, is allowed to be offset against gross administration costs in determining the outturn against the administration cost limit, and that operating income which is not. Programme costs reflect non-administration costs relating to investigation and prosecution, being payments and receipts properly recognised as operating costs.

### 1.10 *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 tangible and intangible fixed 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 balance sheet (plus any subsequent capital expenditure prior to disposal);
  - impairments at the amount of the reduction of the opening balance sheet value (plus any subsequent capital expenditure); and
  - depreciation of tangible and amortisation of intangible fixed assets.
- b cash balances with the Office of the Paymaster General and amounts due to the Consolidated Fund.

### 1.11 *Foreign Exchange*

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.

### 1.12 *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 on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the Department recognises the contributions payable for the year.

There has been one occasion where a modified compulsory early settlement was made on the basis that it was better value for money.

### 1.13 *Early Departure Costs*

The SFO is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. The SFO provides in full for this cost when an early retirement programme has been announced and is binding on the Department. Until 31 March 2000 the SFO was, in certain circumstances, able to settle some or all of its liability in advance by making a payment to the Paymaster General's account at the Bank of England for the credit of the Civil Superannuation Vote.

### 1.14 *Other Provisions*

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

### 1.15 *Operating leases*

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

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

Most of the activities of the SFO 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 fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.



### 1.17 Third Party Assets

The SFO may seize monetary assets. In most cases these funds will be retained by other government agencies or the police. If the SFO 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 SFO's accounts. At 31 March 2008 no such assets were held.

### 1.18 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with Financial Reporting Standard 12: Provisions, contingent liabilities and contingent assets (FRS 12) 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 FRS 12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

## 2. Analysis of net resource outturn by Section

					Outturn		2007-08	2006-07
	Admin	Programme	Gross resource Expenditure	A in A	Net Total	Net Total	Estimate Net Total outturn compared with Estimates saving (excess)	Outturn Net Total
	£000	£000	£000	£000	£000	£000	£000	£000
<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	30,873	-	30,873	(158)	30,715	31,835	1,120	29,407
Administration costs								
Section B	-	12,653	12,653	(50)	12,603	19,279	6,676	11,271
Investigations and prosecutions								
Total	30,873	12,653	43,526	(208)	43,318	51,114	7,796	40,678
Resource Outturn					43,318	51,114	7,796	40,678

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

The outturn figure was lower than expected because of the uncertainty in forecasting expenditure relating to a demand-led environment with the result that case numbers and expenditure/activity on them was lower than planned.

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

### 3. Reconciliation of outturn to net operating cost and against Administration Budget

#### 3(a) Reconciliation of net resource outturn to net operating cost

	Note	Outturn £000	Supply Estimate £000	2007-08 Outturn compared with Estimate £000	2006-07 Outturn £000
Net Resource Outturn	2	43,318	51,114	7,796	40,678
Non-supply income (CFERs)	5	(125)	-	125	(263)
Net operating cost		<u>43,193</u>	<u>51,114</u>	<u>7,921</u>	<u>40,415</u>

#### 3(b) Outturn against final Administration Budget

	Budget £000	2007-08 Outturn £000	2006-07 Outturn £000
Gross Administration Budget	32,135	30,873	29,534
Income allowable against the Administration Budget	(300)	(158)	(127)
Net outturn against final Administration Budget	<u>31,835</u>	<u>30,715</u>	<u>29,407</u>

### 4. Reconciliation of resources to cash requirement

	Note	Estimate £000	Outturn £000	2007-08 Net total outturn compared with Estimate: saving/(excess) £000	2006-07 Outturn £000
<b>Net Resource Outturn</b>	<b>2</b>	<b>51,114</b>	<b>43,318</b>	<b>7,796</b>	<b>40,678</b>
Capital					
Acquisition of fixed assets	13,14	5,800	4,223	1,577	3,933
Accruals adjustments					
Non-cash items	9	(1,944)	(2,573)	629	(2,748)
Changes in working capital other than cash		1,860	(632)	2,492	1,654
Use of provision	18	40	232	(192)	112
<b>Net cash requirement</b>		<u><b>56,870</b></u>	<u><b>44,568</b></u>	<u><b>12,302</b></u>	<u><b>43,629</b></u>

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

Resource Outturn: see Note 2.

Non-cash items: largely caused by an increase in depreciation and the write off of a fixed asset no longer in use.

Changes in working capital other than cash: the increase in estimate to working capital largely reflects the inherent difficulties in estimating such amounts.

## 5. Analysis of income payable to the Consolidated Fund

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

	Forecast 2007-08		Outturn 2007-08	
	Income	<i>Receipts</i>	Income	<i>Receipts</i>
	£000	£000	£000	£000
Operating income and receipts – excess A in A	-	-	100	28
Other operating income and receipts not classified as A in A	-	-	25	25
	-	-	125	53
Other amounts collected on behalf of the Consolidated Fund	-	-	-	-
Non-operating income and receipts – excess A in A	-	-	-	-
<b>Total income payable to the Consolidated Fund</b>	<b>-</b>	<b>-</b>	<b>125</b>	<b>53</b>

## 6. Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund

	Note	2007-08	2006-07
		£000	£000
Operating income		333	390
Gross income	11	333	390
Income authorised to be appropriated-in-aid		(208)	(127)
<b>Operating income payable to the Consolidated Fund</b>	<b>5</b>	<b>125</b>	<b>263</b>

## 7. Non-operating income – Excess A in A

	2007-08	2006-07
	£000	£000
Non-operating income – excess A in A	-	-
	-	-

## 8. Staff costs and average numbers of staff

Staff costs comprise:

			2007-08	2006-07
	Permanently employed staff	Others	Total	Total
	£000	£000	£000	£000
Wages and salaries	11,945	3,098	15,043	14,854
Social security costs	1,036	-	1,036	1,015
Other pension costs	2,671	-	2,671	2,362
<b>Sub Total</b>	<b>15,652</b>	<b>3,098</b>	<b>18,750</b>	<b>18,231</b>
Less recoveries in respect of outward secondments	(290)	-	(290)	(257)
<b>Total net costs</b>	<b>15,362</b>	<b>3,098</b>	<b>18,460</b>	<b>17,974</b>

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 2007-08, employer's contributions of £2,408,306.43 were payable to the PCSPS (2006-07: £2,357,151) at one of four rates in the range 17.1 to 25.5 per cent (2006-07: 16.2 to 24.6 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 2007-08. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

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). New entrants from October 2002 may choose either the appropriate defined benefit arrangement or a good quality money purchase stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £11,790.03 (2006-07: £5,170) 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 (2006-07: 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 most senior members of the SFO comprising the Director and the Management Boards for 2007-08 are disclosed in the Remuneration Report within the Foreword.

### Average number of persons employed

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

Objective	Permanent staff	Others	2007-08	2006-07
			Total	Total
1 Investigate cases and bring them to a successful conclusion as quickly as individual circumstances allow	223	51	274	287
2 When a decision to prosecute is made, prosecute fairly and in a way that enables the jury to understand the issues.	82	19	101	89
<b>Total</b>	<b>305</b>	<b>70</b>	<b>375</b>	<b>376</b>

### 9. Other Administration Costs

Note	2007-08		2006-07	
	£000	£000	£000	£000
<b>Rentals under operating leases</b>	2,526	<b>2,526</b>	1,968	<b>1,968</b>
<b>Non-cash items</b>				
Amounts provided in year	89		920	
Depreciation and amortisation	13, 14	1,604	1,242	
Revaluation adjustment	-		499	
Cost of Capital Charges	225		30	
Auditors' remuneration and expenses	60		57	
Write off	637		-	
Non cash adjustment	(42)	<b>2,573</b>	-	<b>2,748</b>
<b>Other Expenditure</b>				
General Administration	3,525		3,116	
Accommodation	1,902		1,927	
Travel and Subsistence	758		627	
Hospitality	34		6	
Other Support costs	1,094	<b>7,313</b>	1,168	<b>6,844</b>
<b>Total</b>		<b>12,412</b>		<b>11,560</b>

### 10. Programme Costs

	2007-08	2006-07
	£000	£000
Counsel	5,698	4,227
Accountants	4,194	4,378
Other Programme	2,762	2,666
<b>Total</b>	<b>12,654</b>	<b>11,271</b>

**11. Income**

	<b>2007-08</b>	<b>2006-07</b>
	<b>£000</b>	<b>£000</b>
Administration income	158	127
Programme Income:		-
Costs awarded to the SFO	150	-
Costs recovered by the SFO	25	263
<b>Total</b>	<b>333</b>	<b>390</b>

**12. Analysis of net operating cost by spending body**

	<b>Estimate</b>	<b>2007-08</b>	<b>2006-07</b>
		<b>Outturn</b>	<b>Outturn</b>
			<b>£000</b>
Core department	51,114	43,193	40,415
Net Operating Cost	<b>51,114</b>	<b>43,193</b>	<b>40,415</b>

**13. Tangible fixed assets**

	<b>Improvements to Leasehold Property</b>	<b>IT Projects - In Use</b>	<b>Computer Equipment</b>	<b>Furniture and Fittings</b>	<b>Motor Vehicle</b>	<b>IT Development Projects</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or valuation</b>							
At 1 April 2007	1,222	2,985	3,052	692	87	636	8,674
Reclassification		332				(332)	-
Additions	1,685	281	554	52	-	1,618	4,190
Disposals							
Write off						(631)	(631)
Revaluations	-	-	-	-	-	-	-
<b>At 31 March 2008</b>	<b>2,907</b>	<b>3,598</b>	<b>3,606</b>	<b>744</b>	<b>87</b>	<b>1,291</b>	<b>12,233</b>
<b>Depreciation</b>							
At 1 April 2007	136	1,513	1,600	149	4	-	3,402
Reclassification							
Charged in year	126	680	562	70	18	-	1,456
Disposals							
Revaluations							
<b>At 31 March 2008</b>	<b>262</b>	<b>2,193</b>	<b>2,162</b>	<b>219</b>	<b>22</b>	<b>-</b>	<b>4,858</b>
<b>Net book value at 31 March 2008</b>	<b>2,645</b>	<b>1,405</b>	<b>1,444</b>	<b>525</b>	<b>65</b>	<b>1,291</b>	<b>7,375</b>
<b>Net book value at 31 March 2007</b>	<b>1,086</b>	<b>1,472</b>	<b>1,452</b>	<b>543</b>	<b>83</b>	<b>636</b>	<b>5,272</b>

**Reconciliation of cash flows to tangible fixed asset additions**

All capital expenditure supports the aim and objectives of the SFO and is administrative in nature and financed by public expenditure. There was no financial investment or associated A in A during the period.

	<b>2007-08</b>
	<b>£000</b>
Total tangible fixed asset additions for the year ended 31 March 2008	4,190
Tangible fixed asset accrual as at 31 March 2007	107
Tangible fixed asset accrual as at 31 March 2008	(473)
<b>Cash flows for tangible fixed assets (Note 21(b))</b>	<b>3,824</b>

**14. Intangible fixed assets**

	<b>Purchased Software Licences</b>
	<b>£000</b>
<b>Cost or valuation</b>	
At 1 April 2007	633
Additions	244
Disposals	-
Revaluation	-
<b>At 31 March 2008</b>	<b>877</b>
<b>Amortisation</b>	
At 1 April 2007	240
Charged in year	148
Disposals	-
Revaluation	-
<b>At 31 March 2008</b>	<b>388</b>
<b>Net book value at 31 March 2008</b>	<b>489</b>
<b>Net book value at 31 March 2007</b>	<b>393</b>

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

	<b>2007-08</b>
	<b>£000</b>
Total intangible fixed asset additions for year ended 31 March 2008	244
Intangible fixed asset accrual as at 31 March 2007	169
Intangible fixed asset accrual as at 31 March 2008	(14)
<b>Cash flows for intangible fixed assets (Note 21(b))</b>	<b>399</b>

**15. Debtors****15(a) Analysis by type**

	<b>2007-08</b>	<b>2006-07</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year:</b>		
VAT debtor	869	634
Deposits and advances	133	114
Other debtors	200	178
Prepayments and accrued income	727	795
Costs awarded to the SFO*	322	199
Provision for bad and doubtful debt	(170)	(124)
	<b>2,081</b>	<b>1,796</b>

\* Included within the costs awarded debtors is the sum of £257K (2006-07 £185K) due to the Consolidated Fund once the debts are collected (see note 17a)

	<b>2007-08</b>	<b>2006-07</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due after one year:</b>		
Costs awarded to the SFO	14	15
	<b>14</b>	<b>15</b>

**15(b) Intra-Government Balances**

	<b>Amounts falling due within on year</b>		<b>Amounts falling due after more than one year</b>	
	<b>31 March 2008 £000</b>	<b>31 March 2007 £000</b>	<b>31 March 2008 £000</b>	<b>31 March 2007 £000</b>
Balances with other central government bodies	1,191	634	-	-
<b>Subtotal: intra-government balances</b>	<b>1,191</b>	<b>634</b>	<b>-</b>	<b>-</b>
Balances with bodies external to government	890	1,162	14	15
<b>Total debtors at 31 March</b>	<b>2,081</b>	<b>1,796</b>	<b>14</b>	<b>15</b>



**16. Cash at bank and in hand**

	<b>2007-08</b>	<b>2006-07</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	947	(362)
Net change in cash balances	(341)	1,309
<b>Balance at 31 March</b>	<b>606</b>	<b>947</b>
The following balances at 31 March were held at:		
Office of HM Paymaster General	586	947
Commercial banks and cash in hand	20	-
<b>Balance at 31 March</b>	<b>606</b>	<b>947</b>

**17. Creditors****17(a) Analysis by type**

	<b>2007-08</b>	<b>2006-07</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year:</b>		
Other taxation and social security	380	372
Trade creditors	1,520	830
Accruals and deferred income	2,396	2,264
Pension providers	254	228
Fixed Assets accruals	487	276
Amounts issued from the Consolidated Fund for supply but not spent at year end	553	621
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:		
Received	52	326
Receivable	257	185
	<b>5,899</b>	<b>5,102</b>

**17(b) Intra-Government Balances**

	<b>Amounts falling due within one year</b>		<b>Amounts falling due after one year</b>	
	<b>31 March 2008</b>	<b>31 March 2007</b>	<b>31 March 2008</b>	<b>31 March 2007</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balances with other Central Government bodies	1,242	1,567	-	-
<b>Subtotal: intra government balances</b>	<b>1,242</b>	<b>1,567</b>	<b>-</b>	<b>-</b>
Balances with bodies external to government	4,657	3,535	-	-
<b>Total creditors at 31 March</b>	<b>5,899</b>	<b>5,102</b>	<b>-</b>	<b>-</b>

**18. Provisions for liabilities and charges**

	Early departure costs	Accommodation Notional Rent	Total
	£000	£000	£000
Balance at 1 April 2007	169	986	1,155
Provided in the year	42	-	42
Provisions utilised in the year	(60)	(172)	(232)
<b>Balance at 31 March 2008</b>	<b>151</b>	<b>814</b>	<b>965</b>

**18.1 Early Departure Costs**

The SFO 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 on the Department by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.2 per cent in real terms. In past years the Department paid in advance some of its liability for early retirement by making a payment to the Paymaster General's Account at the Bank of England for the credit of the Civil Service Superannuation Vote. There is no balance remaining.

**18.2 Accommodation – Notional Rent**

A lease on a property was signed during 2005 and included a rent free period. The provision for notional rent has been created to reflect the apportionment of the rent free period over the duration of the lease.

**19. General Fund**

The General Fund represents the total assets less liabilities of the Department, to the extent that the total is not represented by other reserves and financing items.

	2007-08	2006-07
	£000	£000
<b>Balance at 1 April</b>	<b>2,160</b>	<b>(878)</b>
Net Parliamentary Funding		
Drawn Down	44,500	44,250
Deemed	621	-
Year end adjustment		
Consolidated Fund (Creditor)/Debtor – for cash	(553)	(621)
Net Transfer from Operating Activities		
Net Operating Cost	(43,193)	(40,415)
CFERS repayable to Consolidated Fund	(25)	(263)
Excess A in A payable to Consolidated Fund	(100)	-
Non Cash Charges		
Cost of Capital	225	30
Auditors' remuneration	60	57
<b>Balance at 31 March</b>	<b>3,695</b>	<b>2,160</b>

**20. Revaluation Reserve**

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

	<b>2007-08</b>	<b>2006-07</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	6	-
Arising on revaluation during the year (net)	-	6
Transferred to general fund in respect of realised element of revaluation reserve	-	-
<b>Balance at 31 March</b>	<b>6</b>	<b>6</b>

**21. Notes to the Cash Flow Statement****21(a) Reconciliation of operating cost to operating cash flows**

		<b>2007-08</b>	<b>2006-07</b>
	<b>Note</b>	<b>£000</b>	<b>£000</b>
Net operating cost	12	43,193	40,415
Adjustments for non-cash transactions	9	(2,573)	(2,748)
Increase in Debtors		285	151
less movements in debtors relating to items not passing through the OCS		-	481
Decrease/(Increase) in Creditors		(797)	661
less movements in creditors relating to items not passing through the OCS		(48)	361
Use of provisions	18	232	112
<b>Net cash outflow from operating activities</b>		<b>40,292</b>	<b>39,433</b>

**21(b) Analysis of capital expenditure and financial investment**

		<b>2007-08</b>	<b>2006-07</b>
	<b>Note</b>	<b>£000</b>	<b>£000</b>
Tangible fixed asset additions	13	3,824	3,745
Intangible fixed asset additions	14	399	188
<b>Net cash outflow from investing activities</b>		<b>4,223</b>	<b>3,933</b>

**21(c) Analysis of capital expenditure and financial investment by Request for Resources**

	<b>Capital Expenditure 2007-08 £000</b>	<b>Capital Expenditure 2006-07 £000</b>
Request for resources 1	4,434	3,466
Movement in fixed asset accrual	(211)	467
<b>Total</b>	<b>4,223</b>	<b>3,933</b>

**21(d) Analysis of financing**

	<b>Note</b>	<b>31 March 2008 £000</b>	<b>31 March 2007 £000</b>
From the Consolidated Fund (Supply) – current year	19	44,500	44,250
Received from Consolidated Fund in respect of Supply due		-	418
<b>Total</b>		<b>44,500</b>	<b>44,668</b>

**21(e) Reconciliation of Net Cash Requirement to increase/(decrease) in cash**

	<b>Note</b>	<b>2007-08 £000</b>	<b>2006-07 £000</b>
Net cash requirement	4	(44,568)	(43,629)
From the Consolidated Fund (Supply) – current year	21(d)	44,500	44,250
From the Consolidated Fund (Supply) – prior year	21(d)	-	418
Amounts due to the Consolidated Fund – received in a prior year and paid over		(326)	(56)
Amounts due to the Consolidated Fund received and not paid over	5	53	326
<b>(Decrease)/Increase in cash</b>		<b>(341)</b>	<b>1,309</b>

**22. Notes to the Statement of Operating Costs by Departmental Aim and Objectives**

The SFO's capital is mainly employed for administration purposes. Its distribution between objectives is therefore not markedly different from the proportion of the related gross administration cost.

Administration costs have been attributed to objectives in accordance with the SFO's normal management accounting practices wherever possible. In this year all costs are apportioned by reference to the proportion of active cases split between those in the investigation and prosecution stages which relates to the key objectives of the SFO.

**23. Capital commitments**

There were no capital commitments at 31 March 2008.

## 24. Commitments under leases

### 24.1 Operating leases

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

	<u>2007-08</u>	<u>2006-07</u>
	<u>£000</u>	<u>£000</u>
<b>Obligations under operating leases comprise:</b>		
<b>Land and buildings:</b>		
Expiry within 1 year	-	-
Expiry after 1 year but not more than 5 years	1,500	-
Expiry thereafter	1,200	<b>2,522</b>
	<u>2,700</u>	<u>2,522</u>
<b>Other:</b>		
Expiry within 1 year	8	65
Expiry after 1 year but not more than 5 years	96	44
Expiry thereafter	-	-
	<u>104</u>	<u>109</u>

## 25. Financial Instruments

FRS 13: Derivatives and Other Financial Instruments, requires disclosures of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way in which government departments are financed, the SFO is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The SFO 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 SFO in undertaking its activities. The SFO is not exposed to any significant foreign currency risks. As permitted by FRS 13, debtors and creditors, which mature or become payable within 12 months from the balance sheet date have been omitted from the currency profile.

### *Liquidity risk*

The SFO's net revenue resource requirement is financed by resources voted annually by Parliament to the Law Officers' Departments, just as its capital expenditure largely is. It is not, therefore, exposed to significant liquidity risks. However, within the normal Parliamentary supply procedure, the SFO has to budget for resources (both revenue and capital) in the nine-month period preceding the financial year in which it will be granted.

### *Interest rate risk*

100% of the SFO's financial liabilities carry nil or fixed rates of interest, and it is not, therefore, exposed to significant interest rate risk.

## 26. Contingent liabilities disclosed under FRS 12

A confiscation order in the sum of £40,956,911 was made in the Inner London Crown Court on 13 November 2007. Many of the assets to be confiscated are held in joint names and in jurisdictions other than the UK. A receiver was therefore appointed and an indemnity of £100,000 was given.

**27. Losses and Special payments****27(a) Losses Statement**

There are no material losses during the period which in aggregate exceeded £250,000.

**27(b) Special Payments**

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

**28. Related-party transactions**

The SFO is a government department and has no agencies, non-departmental bodies, trading funds or public corporations. 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.

**29. Third-party assets**

The SFO held no monetary assets at 31 March 2008 in interest bearing or other accounts at the balance sheet date.

**30. Entities within the departmental boundary**

There were no entities within the boundary during 2007–08.

**31. Post Balance Sheet Events**

In accordance with the requirements of FRS 21: Events after the Balance Sheet Date, there are no post balance sheet events up to the date the Resource Accounts were authorised for issue. 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.



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