



National Fraud  
Authority

# **National Fraud Authority**

## **Annual Report and Accounts**

### **2012-13**

**(For the year ended 31 March 2013)**

# **National Fraud Authority**

## **Annual Report and Accounts**

### **2012-13**

(For the year ended 31 March 2013)

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

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

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

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## Chief Executive's Foreword

The National Fraud Authority (NFA) is an Executive Agency of the Home Office which leads and co-ordinates the fight to reduce fraud affecting individuals and the private, public and voluntary sectors. It works in close partnership with all these sectors and law enforcement and regulators. In addition to its leadership and coordination roles, it delivers Action Fraud, the national reporting centre for victims and potential victims of fraud and financially motivated internet crime.

Since our inception in 2008, we have established a stable, delivery focussed organisation. We have become recognised by our stakeholders for championing the fight against fraud; for raising its profile, awareness of risks and the need to self protect; for improving fraud reporting; for breaking down barriers to information sharing and for improving fraud measurement.

This report sets out the way in which we have used the NFA's £9.4million funding during 2012-13 to make our country more resilient to fraud. During this year, we marked the first anniversary of the publication of Fighting Fraud Together, the strategic plan to reduce fraud which is supported by 37 organisations across the private, public and voluntary sectors. Working closely with the City of London Police, the national lead force for fraud, we have rolled out Action Fraud to all police forces in England and Wales, developed a series of targeted fraud awareness campaigns which have had a measurable effect on influencing behaviour and increasing the resilience of particular groups of victims to fraud. We have also led the development of some groundbreaking pilots to share fraud information and intelligence – both to prevent fraud losses and to improve the law enforcement response. We have continued to support partners in local government, who are making great strides in implementing initiatives under the Fighting Fraud Locally strategy and in our joint working with the Serious Organised Crime Agency (SOCA, now the National Crime Agency) and other partners to tackle enablers to fraud such as identity crime.

On 2 December 2013<sup>1</sup>, the Home Secretary announced to Parliament that the National Fraud Authority will close by 31 March 2014 and most of its functions will be transferred to the National Crime Agency, the City of London Police, the Home Office and the Cabinet Office. The closure of the National Fraud Authority will strengthen the Government's fight against economic crime by concentrating effort into law enforcement bodies and improving the fraud reporting and analysis service. The changes will further support the National Crime Agency's role in leading the fight against serious and organised crime.

Stephen Harrison  
Chief Executive and Accounting Officer  
National Fraud Authority  
7 January 2014

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<sup>1</sup> House of Commons Official Report 2 December 2013 Column 34WS

## Management Commentary

NFA's accounting officer is the Chief Executive, who must run the NFA in compliance with the Treasury document "*Managing Public Money*", in particular with regard to the accounting officer responsibilities set out in Chapter 3. These accounts, for 2012-13, are being consolidated into the Home Office's accounts.

The NFA is a small organisation comprising of approximately 50 people which also operates Action Fraud, the national reporting centre for fraud and internet crime, through two (Manchester and Edinburgh) outsourced contact centres. The outsourcing agreement also covers the provision of on-line reporting services including the supporting IT infrastructure. We were allocated ring-fenced funding through to 2014-15 by HM Treasury as part of the Spending Review. We were also awarded funding from the National Cyber Security Programme to enhance and expand the Action Fraud service to deliver the Strategic Defence Security Review commitment to provide a reporting service for cyber crime. Our total funding for 2012-13 was £9.4million.

We aim to be the acknowledged champion of the country's fight against fraud, driving effective collaborative efforts and the sharing of good practice across all sectors so that by 2015 our country will be demonstrably more resilient to and less damaged by fraud.

The threat from fraud continues to have a damaging effect on our country with estimated losses of £52bn per annum<sup>2</sup>. Fraudsters attack all economic sectors and parts of our society and we have learned that our fight against them is much more effective when working together.

The 2012-13 priorities set out in the Business Plan commitments were to:

- Raise the profile and awareness of fraud among individuals, businesses, the public sector and voluntary sectors and to empower them to protect themselves by delivering targeted initiatives which measurably change behaviour
- Improve intelligence and information sharing across the counter fraud community, primarily through oversight of the delivery of the Intelligence Sharing Roadmap
- Map high risk fraud methodologies comprehensively to identify common enabling factors and to produce, execute and evaluate proactive prevention plans to reduce fraudsters' abuse of enablers
- Improve our measurement of the scale and breakdown of the fraud problem and to develop more sophisticated and rigorous measures of performance across all areas of fraud awareness, prevention and enforcement
- Deliver the Action Fraud service, making it the single point of fraud reporting and to improve the quality of victims' experience in reporting fraud

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<sup>2</sup> 2013 NFA Annual Fraud Indicator, published in June 2013

Our achievements against the above objectives are set out below.

In partnership with organisations across the public and private sectors we have delivered three targeted awareness campaigns which have demonstrated a measurable impact on people's understanding of how to protect themselves from fraud:

- The Devil's In Their Details focused on encouraging 36-55 year old men to mitigate investment fraud risks. The campaign had a measurable impact on potential victims' behaviour with two-thirds or more of those reached by the campaign saying they would adopt less-risky behaviours before investing (compared with around 40% before the campaign)
- Fraud – Spot It Stop It was a campaign targeting more vulnerable, older victims who are natural risk avoiders but may lack confidence in 'saying no' to fraudsters. The campaign was based in County Durham and provided materials and guidance for use at over 250 events where over 3000 people received 1:1 guidance on how to protect themselves from fraud. The Action Fraud service saw a marked increase (50%) in reports from this group during the campaign and a subsequent survey showed that 40% of the target group had rejected approaches from cold callers
- An on-line toolkit for Small and Medium Sized Enterprises (SMEs) was launched on the Action Fraud website along with an on-line awareness campaign targeted at 'risk avoiding' SMEs. At the time of writing the campaign is being evaluated, though there have been over 20,000 hits on the toolkit

All of these campaigns demonstrated the benefits of an approach based on targeted campaigns focused on particular segments which are intended to have a measurable impact on behaviour. Towards the end of the financial year, the NFA was asked to develop proposals for a more sustained set of campaigns focused on individuals (including young people aged 12-17) and SMEs designed to instil more confident behaviours on-line. A business case was approved for a campaign to start later in 2013 which will include a regular tracker of on-line behaviour and aims to show a measurable increase in confident (and secure) on-line behaviours which contributes to the crime reduction and economic growth objectives of the National Cyber Security Strategy. The campaign will be managed in partnership with the Department for Business Innovation and Skills and will utilise a range of communications channels including Action Fraud, Get Safe Online and those of private sector partners.

The NFA also developed a civil service-wide e-learning tool to raise fraud awareness which was compulsory for most civil servants. Many departments also conducted awareness events across their organisations to raise awareness of where to report suspicions of fraud. A major fraud in one department was uncovered following a member of staff undertaking the training.

We have continued to support the development of the Economic Crime intelligence sharing arrangements for the new National Crime Agency. This has included a major intelligence sharing project involving HMRC and the banks to identify links between fraudulent tax credit claims and bank accounts used to launder the proceeds. We provided resources for the

development of the first Economic Crime Strategic Assessment to inform the shadow working arrangements of the Economic Crime Command. We have also led a pilot project to share known fraud data between HMRC, DWP and the banking & insurance sectors. This aims to prevent fraud losses by improving risk assessment of new and existing applications for products and services by having a wider set of known fraud data available to organisations. The pilot will inform a business case for sharing this data on a routine basis which will be developed by October 2013.

Working with SOCA, we have completed the mapping of five priority fraud types and identified prolific cross-cutting enablers. The importance of identity fraud as a key enabler of many fraud types was reiterated by this exercise and we continue to work with partners, including the Home Office Identity Security Team to deliver improved intelligence, operational and prevention interventions against identity crime enablers.

The fourth Annual Fraud Indicator (AFI) was published in June 2013. The methodology has been further improved with details provided in a technical annex.

Action Fraud was successfully rolled out to all 43 police forces across England and Wales by the end of the financial year (and also to the British Transport Police). An enhanced on-line reporting service aimed at making it easier for businesses to report a number of frauds which have similar characteristics was also implemented. In the 2012-13 financial year, Action Fraud had 950,000 unique visitors (a 58% increase on 2011-12) and took 440,000 calls (a 215% increase). The service recorded:

- 120,000 crime reports – a 140% increase
- 64,000 information reports – a 430% increase
- 50,000 phishing & virus reports

These figures do not represent an increase in recorded crime levels for Fraud Act and Computer Misuse Act offences as they are in part caused by the switching of crime recording from police forces to Action Fraud during the financial year.

We have worked with Home Office colleagues to support the development of the National Crime Agency's Economic Crime Command and National Cyber Crime Unit. We have also worked with colleagues in local government to support the implementation of the *Fighting Fraud Locally* strategy. Local government oversees the strategy with some assistance from the NFA which has included:

- the design of two campaign toolkits to assist councils in setting up publicity campaigns – one for council staff and one for the general public
- the development of the fraud loss profile tool to help local authorities understand the extent of their likely fraud loss in the areas of council tax, housing tenancy, procurement and payroll fraud all of which constitute a large proportion of local authority spend and revenue
- assisting in the development of regional information and intelligence sharing hubs



## **The NFA Management Board**

The NFA Management Board is chaired by Stephen Harrison, Chief Executive. The Board comprises the Chief Executive Officer, three Directors (this dropped to two Directors in December 2012), plus a senior finance professional, two Non-Executive Directors and a representative from our sponsor team. Other persons may attend at the invitation of the Chief Executive. Board meetings have been held every two months.

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

## **Diversity**

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

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

## **Sickness**

The NFA aims to ensure the regular attendance of all its employees. However, it recognises that from time to time, employees may be unable to attend work due to ill health. Working in partnership with the employees, the NFA aims to find ways to manage sick absences and ensure employees return to work at the earliest possible opportunity. The average number of sick days per permanent member of NFA staff during the year was 2.21 days (2011-12: 4.2 days).

## **Environmental Policy and Sustainability**

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

## **Going Concern Basis**

The activities of the NFA are financed through a budget delegated by the central Home Office. The Home Office also provides transactional services including the payment of the NFA's invoices. The Statement of Financial Position shows net liabilities of £849,000 (2011-12: £493,000). The payables and accruals will be paid in full. The NFA was allocated funding

by the Comprehensive Spending Review 2010, which covers the period 2011-15. The National Fraud Authority will close by 31 March 2014 and its functions will be transferred as follows:

- strategic development and threat analysis will be led by the National Crime Agency;
- Action Fraud, the national fraud and financially-motivated internet crime reporting centre, will become the responsibility of the City of London Police, to create a stronger end-to-end fraud reporting and analysis system;
- work to raise awareness of fraud, including delivery of the national e-confidence campaign, will transfer to the Home Office; and
- development of the Counter Fraud Checking Service will be led by the Cabinet Office.

Under IAS 1, it is considered appropriate, therefore, to adopt a going concern basis for the preparation of these financial statements. The accounts have been prepared under a direction issued by HM Treasury, under section 7 of the Government Resources and Accounts Act 2000.

### **Payment of Suppliers**

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

During the year, 98% of valid invoices were paid within 30 days.

### **External Audit Arrangements**

The Comptroller and Auditor General is the external auditor of the NFA. The notional audit fee for the period of these accounts was £33,000 (2011-12: £43,000).

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

- as far as I am aware, there is no relevant audit information of which the NFA's auditors are unaware; and
- I have taken all steps that ought to have been taken in order to make myself aware of any relevant audit information, and also to ensure that the NFA's auditors are aware of that information.

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

Stephen Harrison  
Chief Executive and Accounting Officer  
National Fraud Authority  
7 January 2014

## Remuneration Report

### Remuneration Policy

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

### Senior Official Appointments

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

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

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

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

The disclosures within this Remuneration Report are subject to audit.

### Service Contracts

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

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

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

### Policy

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

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

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

| Non-Executive Director | Start Date   | Current End Date |
|------------------------|--------------|------------------|
| Alison Porter          | 1 April 2009 | 31 March 2014    |
| Stephen Barrett        | 1 April 2009 | 31 March 2014    |

### Remuneration (including salary) and pension entitlements

The following sections provided details of the remuneration and pension interests of the Management Board.

### Remuneration (salary and payments in kind)

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

| Officials   | 2012-13          |                           |  | 2011-12          |                           |   |
|---|------------------|---------------------------|--|------------------|---------------------------|---|
|   | Salary<br>£000   | Bonus<br>Payments<br>£000 | Benefits in<br>kind (to<br>nearest £100) | Salary<br>£000   | Bonus<br>Payments<br>£000 | Benefits in<br>kind (to<br>nearest<br>£100) |
| Stephen Harrison<br><i>Chief Executive<br/>(from 1<br/>September 2011)</i>            | 85-90            | -                         | 1,600                                    | 50-55<br>(85-90) | -                         | -   |
| Stephen Harrison<br><i>Director of<br/>Enforcement<br/>(until 31 August<br/>2011)</i> | -                | -                         | -  | 30-35<br>(80-85) | -                         | -   |
| Edward Nkune<br><i>Director of<br/>Knowledge</i>                                      | 65-70            | -                         | 1,100                                    | 65-70            | -                         | -   |
| Mike Haley<br><i>Director of<br/>Intervention<br/>(until 16<br/>November 2012)</i>    | 50-55<br>(80-85) | -                         | -  | 80-85            | 5-10                      | -   |
| Peter Wilson<br><i>Director of<br/>Engagement</i>                                     | 115-120          | -                         | -  | 115-120          | -                         | -   |

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

| Non-Executive Directors | 2012-13        |  | 2011-12        |  |
|-------------------------|----------------|--|----------------|--|
|                         | Salary<br>£000 | Benefits in<br>kind (to<br>nearest £100) | Salary<br>£000 | Benefits in<br>kind (to<br>nearest £100) |
| Stephen Barrett         | 15-20          | 500                                      | 15-20          | 1,100                                    |
| Alison Porter           | 15-20          | 1,000                                    | 15-20          | 700                                      |

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

### Remuneration ratio

The following table shows the median earnings of the agency's workforce and the ratio between this and the earnings of the highest paid director.

|  | 2012-13 | 2011-12 |
|--|---------|---------|
| Band of Highest Paid Director's Total Remuneration (£'000) | 115-120 | 115-120 |
| Median Total (£)   | 45,362  | 43,700  |
| Remuneration Ratio   | 2.6     | 2.7     |

### Salary

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Agency and thus recorded in these accounts.

### Benefits in Kind

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

## Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. There were no bonus payments in 2012-13 and the comparative bonuses reported for 2011-12 relate to the performance in 2010-11.

## Pension Benefits

| Officials  | Accrued pension at pension age as at 31 March 2013 and related lump sum | Real increase / (decrease) in pension and related lump sum at pension age | CETV at 31 March 2013 | CETV at 31 March 2012 | Real increase / (decrease) in CETV | Employer contribution to partnership pension account |
|--|---|---|-----------------------|-----------------------|------------------------------------|--|
|  | £000  | £000  | £000                  | £000                  | £000                               | Nearest £100   |
| Stephen Harrison<br><i>Chief Executive (from 1 September 2011),<br/>Director of Enforcement (until 31 August 2011)</i> | 25-30 plus lump sum of 80-85  | 0-2.5 plus lump sum of 2.5-5  | 471                   | 422                   | 24                                 | -  |
| Edward Nkune<br><i>Director of Knowledge</i>   | 15-20 plus lump sum of 40-45  | 0-2.5 plus lump sum of 5-7.5  | 241                   | 201                   | 28                                 | -  |
| Mike Haley<br><i>Director of Intervention (until 16 November 2012)</i>   | 35-40   | 0-2.5   | 506                   | 479                   | (1)                                | -  |
| Peter Wilson<br><i>Director of Engagement</i>  | 10-15   | 0-2.5   | 177                   | 117                   | 47                                 | -  |

## Civil Service Pensions

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

Employee contributions are salary-related and range between 1.5% and 3.9% of pensionable earnings for **classic** and 3.5% and 5.9% for **premium, classic plus** and **nuvos**. Increases to employee contributions will apply from 1 April 2013. Benefits in

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

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

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

Further details about the Civil Service pension arrangements can be found at the website <http://www.civilservice.gov.uk/pensions>

### **Cash Equivalent Transfer Values**

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

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The

Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### **Real increase in CETV**

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Where the individual was not in post for the full year, the CETV at 31 March 2012 represents the value as at their start date and the CETV at 31 March 2013 represents the value as at their end date.

Stephen Harrison  
Chief Executive and Accounting Officer  
National Fraud Authority  
7 January 2014



## Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the National Fraud Authority to prepare, for each financial year, resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the Agency during the year.

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

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

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

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

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Agency's assets, are set out in *Managing Public Money* guidance published by HM Treasury.

Stephen Harrison  
Chief Executive and Accounting Officer  
National Fraud Authority  
7 January 2014

## **Governance Statement**

### **Scope of responsibility**

As the Chief Executive and Accounting Officer of the National Fraud Authority, I have personal responsibility for maintaining a sound system of governance, internal control and risk management within my agency to support the achievement of our aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money* and the Government's Financial Reporting Manual.

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

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

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

These systems have been in place for the year ended 31 March 2013 and up to the date of approval of the Annual Accounts, and in accordance with HM Treasury guidance. This governance statement covers the year ending March 2013 but will remain open until the Annual Report and Accounts are signed.

I confirm that I have reviewed the governance, internal control and risk management arrangements in operation within my area of responsibility and submitted an update to the Home Office.

### **Governance Framework**

As an executive agency, all our governance arrangements are defined in our Framework Agreement. This has been re-written to reflect the arrangements with our Home Office sponsor. It was signed off by our sponsor and Minister and by the Chief Secretary to the Treasury in June 2012 and published on our website. It is compliant with the relevant sections of the *Corporate Governance Code* and *Managing Public Money*. The Home Office provides the strategic and business sponsorship role overseeing the NFA. The NFA is financially accountable to the Home Office's Accounting Officer for its funding and through the consolidation of its accounts into the Home Office's annual accounts.

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

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

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

The Management Board comprises the CEO; two Non-Executive Directors; three NFA Directors (this dropped to two Directors in December 2012); a senior finance professional and a representative of the Home Office sponsoring unit. The two Non-Executive directors continue to provide externally informed influence and advice and our Home Office sponsor member ensured alignment with wider Departmental objectives.

During 2012-13, the Management Board met on five occasions between April 2012 and March 2013. Attendance at those meetings is outlined below.

| Name                                   | Role                                       | Meetings Attended |
|--|--|-------------------|
| Stephen Harrison                       | Chief Executive                            | 5                 |
| Peter Wilson                           | Director of Engagement                     | 4                 |
| Edward Nkune                           | Director of Knowledge                      | 4                 |
| Mike Haley<br>(until 16 November 2012) | Director of Intervention                   | 2                 |
| Chris Blairs                           | Home Office Sponsoring Unit representative | 4*                |
| Amanda McFeeters                       | Home Office Senior Finance Professional    | 4                 |
| Alison Porter                          | Non-executive director                     | 5                 |
| Stephen Barrett                        | Non-executive director                     | 5                 |

\* Chris Blairs is our main representative although other members of the team do attend when needed, so the Home Office sponsor unit was represented five times.

The Management Board was supported by the Audit Committee. This Committee is appointed by the CEO and is established as a committee of the NFA Management Board in accordance with Government Accounting and the Cabinet Office and Treasury Guidance. Its membership and functions are in accordance with the Cabinet Office Guidance on codes of practice for Board Members of Public Bodies and the Treasury's Audit Committee Handbook. It advises the CEO on:

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

The Audit Committee is currently chaired by one of the NFA Non-Executive Directors. Membership of this Committee consists of the two Non-Executive Directors, attendees include the NFA CEO, the Finance lead, Home Office Internal Audit and the NAO External Audit Director/Manager. In 2012-13, the Audit Committee met twice (June and December 2012 – a third meeting fell just after the end of the financial year) and has had full attendance (from members and attendees) at both meetings. Attendance at those meetings is outlined below.

| Name            | Role                             | Meetings Attended |
|-----------------|----------------------------------|-------------------|
| Stephen Barrett | Non-executive director and Chair | 2                 |
| Alison Porter   | Non-executive director           | 2                 |

The Chair of the Audit Committee is concerned at the lack of a third member of the Committee and the risk that it could become inquorate. It is a risk the CEO has decided to accept.

The CEO is also supported by the Leadership Team (LT) - the CEO and the three Directors (decreased to two in December 2012) and the Home Office Senior Finance Professional, meeting monthly to review organisational management, risks, policy, resourcing and performance.

The Business Continuity Plan has been updated to reflect changes in the business (including staffing, location and growth) and is fit for purpose. We have also implemented changes with the service provider for Action Fraud which will make the service more resilient i.e. moving data storage to the Government cloud service and splitting call handling across two sites.

The Economic Crime Prevention Group which replaced the Fraud Programme Board in early 2012 is chaired by the NFA CEO with secretariat responsibilities moving from the NFA to the Economic Crime Command Team of the National Crime Agency. The Group has met six times since its inception in March 2012.

The Economic Crime Coordination Board has met five times this year. The NFA has also attended the other sub-Groups, the Economic Crime Intelligence Group (ECIG) and the Economic Crime Operations Group (ECOG).

## Risk Management

Our risk management policy is aligned with the Home Office standard approach. We continue to operate to this policy, with the Management Board overseeing the management of the risks on the corporate register. We need to refresh and re-introduce the arrangements for integrating and monitoring the risks at programme level.

Risk management in the NFA is led from the top and in line with its Risk Management policy. Risks to achieving our 2012-13 objectives were reviewed as part of compiling the NFA's Business Plan and as well as reviewing progress on existing key risks at each meeting, the Management Board conducted two extended risk workshops to review the full range of strategic and corporate risks, and to identify and assess any new risks. The Leadership Team also regularly reviewed progress on managing our strategic, corporate and our programme risks, escalating the latter to the Management Board if appropriate. The Audit Committee has reviewed the policy and processes for risk management, and is content with them; we are currently improving the processes to identify and manage risks to our programmes of work and to join these up better with our corporate and strategic risk management.

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

At March 2013, the top level risks on the Corporate Register were in the following areas:

- failure of the Counter Fraud Community to demonstrably deliver the Fighting Fraud Together (FFT) ambition to make our country more resistant to fraud leads to increased economic harm (and damages the NFA's reputation)
- as a result of the review of the NFA and how it may recommend the incorporation of some or all of our functions into the NCA, the FFT loses visibility and cohesion and does not deliver on the ambition to make our country more resilient to fraud
- failure in appropriate service provision for (1) a high volume fraud issue or, (2) a single issue with high emotional impact and consequences causes distress to victims, and media to be alerted
- failure of the National Fraud Intelligence Bureau (NFIB) to deliver on its commitments to multiple NFA projects, including the Public Sector Alerts system, the ingest and analysis of Telco data, the disruption and take-down of fraud enablers, and the response to Action Fraud crime reports leading to delivery failure across various projects and reputational damage
- inability to adapt to reductions in core funding over the current spending review period lead to a mismatch of staff against FFT priorities and additional resource pressures if compulsory redundancies have to be funded within existing budgets.
- impact of delivering Spending Review cost reductions

Mitigating actions are in place for all these risks.

## **Financial Management**

We have worked closely with the Crime and Policing Group (CPG) and agreed the budget transfers between Cabinet Office and NFA under the National Cyber Security Programme (NCSP); these took place in the Single Supplementary Estimate.

A Grant Agreement was established between NFA and the City of London Police for NCSP funding for the NFIB. This follows Home Office guidance and will allow the monitoring of delivery by the City of London Police to ensure that grant payments are made in accordance with the agreement. The grant process has been reviewed by Internal Audit and recommendations (that the grant agreement is completed earlier in the financial year, and to improve the quality of in-year monitoring) have been completed.

Changes to the grant process were made following a review by Internal Audit. This resulted in earlier payment of most of the grant but the withholding of the final tranche until we had agreed the settlement amount funds. We intend to make further improvements in the process in 2013-14 to identify and attribute costs which have been incurred and transfer relevant funds earlier within the financial year.

The other area of greatest uncertainty in our budget is the volume-related costs of Action Fraud. Now that rollout to all police force areas in England and Wales is complete, there should be more certainty in volumes and therefore costs.

Home Office finance functions and procurement process have been embedded, with the Corporate Support Unit providing finance support service to us. As with last year, the Accounting and Finance Unit of the Home Office provide both Finance Director support and will prepare the Annual Accounts.

The NFA has conducted a desktop review of our Organisational Capability in accordance with the Managing Risk of Financial Loss programme to ensure that the processes and procedures within NFA continue to support the end to end finance processes. This provided a strong level of assurance. Processes, controls, risk management and fraud prevention strategies deliver good financial management and appropriate levels of propriety, regularity and value for money.

I signed, with the relevant qualifications, the Accounting Officer Certificate confirming that I have fulfilled my role and responsibilities in relation to the pension scheme.

We volunteered to be a pilot site for the Home Office Fraud Review and Threat Assessment Initiative. The results have been incorporated into an overall report to the Home Office which also covers other areas of the Department.

## **Information Management**

The NFA's largest data risk is contained within the Action Fraud programme with its role to capture crime and crime related data in relation to fraud and internet crime. This data is then

transferred via a secure link to the National Fraud Intelligence Bureau at the City of London Police. As part of our Business Continuity Planning our infrastructure has been successfully migrated onto the Government accredited SAVIS cloud. This system has been reviewed and temporarily accredited by the Home Office Departmental Security Unit, for six months pending full accreditation being completed. This is expected soon. We are fully linked into Home Office procedures for reporting any data losses, anomalies or breaches which may occur. There have been two reported incidents in October and November of 2012 regarding an individual forwarding victim details over an insecure email and data being deleted. There have been other data issues throughout the year but no data loss. A third incident which did not result in loss of data was discovered in July 2013. As a result of an IT fault, 2,490 reports (of which 1,738 were crime reports) dating from between November 2012 and July 2013 and representing 1.3% of the total number of reports taken by Action Fraud in this period were not transmitted to the National Fraud Intelligence Bureau until July 2013. The incident was reported to Parliament by way of a Written Ministerial Statement<sup>3</sup>. The incident was also disclosed promptly to the Office for National Statistics which uses Action Fraud data in its official crime statistics publications. The cause of the incident was identified and prompt action taken to remedy the situation.

## Key Issues

At the start of the year, our financial support services were provided by NFA staff, under the supervision of the Head of the Home Office Accounting and Finance Unit (AFU) who acts as the NFA's senior finance professional. In May, we successfully transitioned the support service work to use the "shared services" provided by the Central Home Office Corporate Support Unit (CSU). There have been some residual issues regarding clarity of roles and responsibilities of those in the Central Home Office CSU but these have now been resolved.

From the reshuffle in the summer of 2012 up to the end of the reporting period covered by these accounts, the work of the NFA was overseen by two Ministers. The Minister of State for Crime Prevention had oversight for fraud and the Parliamentary Under Secretary of State for Crime and Security had oversight of cyber crime and our funding via the National Cyber Security Programme (NCSP). I met both Ministers regularly to brief them and keep them informed on progress against our business milestones. The NFA is also responsible for delivering and supporting some initiatives overseen by the Cabinet Office Fraud, Error and Debt Task Force chaired by the Minister for the Cabinet Office.

The National Fraud Authority will close by 31 March 2014 and its functions will be transferred as follows:

- strategic development and threat analysis will be led by the National Crime Agency;
- Action Fraud, the national fraud and financially-motivated internet crime reporting centre, will become the responsibility of the City of London Police, to create a stronger end-to-end fraud reporting and analysis system;

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<sup>3</sup> House of Commons, Official Report 18 July 2013 Column 130WS

- work to raise awareness of fraud, including delivery of the national e-confidence campaign, will transfer to the Home Office; and
- development of the Counter Fraud Checking Service will be led by the Cabinet Office.

Stephen Harrison  
Chief Executive and Accounting Officer  
National Fraud Authority  
7 January 2014



## **THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS**

I certify that I have audited the financial statements of the National Fraud Authority for the year ended 31 March 2013 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

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

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

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

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended

by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### **Opinion on regularity**

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

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the National Fraud Authority's affairs as at 31 March 2013 and of the net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

### **Opinion on other matters**

In my opinion:

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

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

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

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

## Report

Without qualifying my opinion, I draw attention to Note 1.15 of the financial statements. During the 2013-14 financial year, the National Fraud Authority's functions will be transferred to the National Crime Agency, City of London Police, Home Office and Cabinet Office in preparation for NFA's closure by 31 March 2014.

As the functions previously provided by the National Fraud Authority will continue to be provided by other public sector entities, it remains appropriate for the National Fraud Authority's financial statements for the period to 31 March 2013 to be prepared on a going concern basis in accordance with the Government Financial Reporting Manual issued by HM Treasury.

I have no observations to make on these financial statements.

**Amyas C E Morse**  
**Comptroller and Auditor General**

**13 January 2014**

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

**Statement of Comprehensive Net Expenditure**

for the year ended 31 March 2013

|                              |      | 2012-13<br>£000 |                | 2011-12<br>£000 |
|------------------------------|------|-----------------|----------------|-----------------|
|                              | Note | Staff<br>Costs  | Other<br>Costs | Income          |
|                              |      |                 |                | Total           |
| <b>Administration Costs:</b> |      |                 |                |                 |
| Staff costs                  | 2    | 425             |                | 632             |
| Other administration costs   | 3    |                 | 158            | 221             |
| Operating income             |      |                 |                | -               |
| <b>Programme Costs:</b>      |      |                 |                |                 |
| Staff costs                  | 2    | 2,650           |                | 2,222           |
| Programme costs              | 4    |                 | 5,576          | 2,921           |
| Operating Income             |      |                 |                | -               |
| <b>Total</b>                 |      | <b>3,075</b>    | <b>5,734</b>   | <b>-</b>        |
| <b>Net Operating Cost</b>    |      |                 | <b>8,809</b>   | <b>5,996</b>    |

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

The notes on pages 29 to 44 form part of these accounts

**Statement of Financial Position**

as at 31 March 2013

|  | Note | 2012-13<br>£000     | 2011-12<br>£000     |
|--|------|---------------------|---------------------|
| <b>Non-current assets:</b>                             |      |                     |                     |
| Property, plant and equipment                          | 5    | -                   | -                   |
| Intangible assets                                      | 6    | <u>251</u>          | <u>345</u>          |
| <b>Total non-current assets</b>                        |      | 251                 | 345                 |
| <b>Current assets:</b>                                 |      |                     |                     |
| Trade and other receivables                            | 8    | <u>21</u>           | <u>156</u>          |
| <b>Total current assets</b>                            |      | <u>21</u>           | <u>156</u>          |
| <b>Total assets</b>                                    |      | <u><b>272</b></u>   | <u><b>501</b></u>   |
| <b>Current liabilities:</b>                            |      |                     |                     |
| Trade and other payables                               | 9    | <u>1,121</u>        | <u>994</u>          |
| <b>Total current liabilities</b>                       |      | <u>1,121</u>        | <u>994</u>          |
| <b>Non-current assets less net current liabilities</b> |      | <u><b>(849)</b></u> | <u><b>(493)</b></u> |
| <b>Assets less liabilities</b>                         |      | <u><b>(849)</b></u> | <u><b>(493)</b></u> |
| <b>Taxpayers' equity:</b>                              |      |                     |                     |
| General fund   |      | <u>(849)</u>        | <u>(493)</u>        |
| <b>Total taxpayers' equity</b>                         |      | <u><b>(849)</b></u> | <u><b>(493)</b></u> |

The notes on pages 29 to 44 form part of these accounts

Stephen Harrison  
Chief Executive and Accounting Officer  
National Fraud Authority  
7 January 2014

**Statement of Cash Flows**

for the year ended 31 March 2013

|   | Note | 2012-13<br>£000 | 2011-12<br>£000 |
|---|------|-----------------|-----------------|
| <b>Cash flows from operating activities</b>   |      |                 |                 |
| Net operating cost  |      | (8,809)         | (5,996)         |
| Adjustments for non-cash transactions   | 3, 4 | 127             | 132             |
| (Increase)/decrease in trade and other receivables  | 8    | 135             | (144)           |
| Increase/(decrease) in trade payables   | 9    | 127             | 736             |
| less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure |      | -               | -               |
| <b>Net cash outflow from operating activities</b>   |      | <u>(8,420)</u>  | <u>(5,272)</u>  |
| <b>Cash flows from investing activities</b>   |      |                 |                 |
| Purchase of intangible assets   | 6    | -               | (207)           |
| <b>Net cash outflow from investing activities</b>   |      | <u>-</u>        | <u>(207)</u>    |
| <b>Cash flows from financing activities</b>   |      |                 |                 |
| From the Consolidated Fund (Supply)   |      | 8,420           | 5,479           |
| <b>Net financing</b>  |      | <u>8,420</u>    | <u>5,479</u>    |
| <b>Net increase/(decrease) in cash and cash equivalents in the year</b>   |      | <u>-</u>        | <u>-</u>        |
| <b>Cash and cash equivalents at the beginning of the year</b>   |      | <u>-</u>        | <u>-</u>        |
| <b>Cash and cash equivalents at the end of the year</b>   |      | <u>-</u>        | <u>-</u>        |

The notes on pages 29 to 44 form part of these accounts

**Statement of Changes in Taxpayers' Equity**

for the year ended 31 March 2013

|  | Note | General<br>Fund<br>£000 | Revaluation<br>Reserve<br>£000 | Total<br>Reserves<br>£000 |
|--|------|-------------------------|--------------------------------|---------------------------|
| <b>Balance at 31 March 2011</b>                        |      | (19)                    | -                              | (19)                      |
| <b>Changes in taxpayers' equity for 2011-12</b>        |      |                         |                                |                           |
| Non-cash charges - auditor's remuneration              | 3    | 43                      | -                              | 43                        |
| Net operating costs for the year                       |      | (5,996)                 | -                              | (5,996)                   |
| <b>Total recognised income and expense for 2011-12</b> |      | (5,953)                 | -                              | (5,953)                   |
| Net Parliamentary Funding - drawn down                 |      | 5,479                   | -                              | 5,479                     |
| <b>Balance at 31 March 2012</b>                        |      | <b>(493)</b>            | -                              | <b>(493)</b>              |
| <b>Changes in taxpayers' equity for 2012-13</b>        |      |                         |                                |                           |
| Non-cash charges - auditor's remuneration              | 3    | 33                      | -                              | 33                        |
| Net operating costs for the year                       |      | (8,809)                 | -                              | (8,809)                   |
| <b>Total recognised income and expense for 2012-13</b> |      | (8,776)                 | -                              | (8,776)                   |
| Net Parliamentary Funding - drawn down                 |      | 8,420                   | -                              | 8,420                     |
| <b>Balance at 31 March 2013</b>                        |      | <b>(849)</b>            | -                              | <b>(849)</b>              |

The notes on pages 29 to 44 form part of these accounts

## Notes to the Agency's Accounts

### 1 Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2012-13 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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

#### 1.1 Accounting Convention

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

#### 1.2 Change in Accounting Policy

##### a) Depreciation and Amortisation

During 2011-12, expected useful lives applied for depreciation and amortisation of intangible assets were 5 years. For 2012-13, expected useful lives applied for depreciation and amortisation of intangible assets were two to seven years.

This change in accounting policy only applied to new acquisitions during the year.

The NFA did not own any property, plant and equipment during the year.

#### 1.3 Administration and Programme Cost

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

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

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



## 1.4 Property, Plant and Equipment

Property plant and equipment is recognised initially at cost and thereafter carried at fair value less depreciation and impairment charged subsequently to the date of revaluation. The capitalisation threshold for expenditure on individual, or a group of similar, property plant and equipment is £5,000.

The NFA did not own any property, plant and equipment during the year and do not intend to do so in future.

## 1.5 Intangible Assets

Intangible assets are recognised initially at cost and thereafter carried at fair value less amortisation and impairment charged subsequently to the date of revaluation. The capitalisation threshold for expenditure on individual, or a group of similar, intangible assets is £5,000.

Expenditure on website development is capitalised as intangible asset. This expenditure includes direct costs associated with the developed website. Expenditure which does not meet criteria for capitalisation are written off to the Statement of Comprehensive Net Expenditure.

## 1.6 Depreciation and Amortisation

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

|                                |              |
|--------------------------------|--------------|
| Furniture and Fittings         | 3 - 10 years |
| Information Technology         | 2 - 7 years  |
| Intangible Assets              | 2 - 7 years  |
| IT Development Projects in use | 2 - 7 years  |

Assets under construction are not depreciated until the point at which they are ready to be brought into use. Assets are depreciated from the month after purchase until the end of the useful lives as stated above.

## 1.7 Grants

Grants are accounted for on an accruals basis and are paid as a reimbursement against expenditure that the grant recipient has already made.

## **1.8 Foreign Exchange**

The presentational currency used for the financial statements is sterling. Transactions which are denominated in a foreign currency are translated at the rate of exchange ruling on the date of the transaction, except where rates do not fluctuate significantly, in which case an average rate for the period is used.

## **1.9 Pensions**

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

## **1.10 Provisions**

The NFA provide for legal and constructive obligations which are of uncertain timing or amount at the reporting date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury discount rate. There were no provisions as at 31 March 2013 (2011-12: Nil).

## **1.11 Operating Leases**

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

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

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

## **1.13 Contingent Liabilities**

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

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount

reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

#### **1.14 Areas of Judgement and Key Sources of Estimation Uncertainty**

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

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

#### **1.15 Going concern**

The NFA was allocated funding by the Comprehensive Spending Review 2010, which covers the period 2011-15. The National Fraud Authority will close by 31 March 2014 and its functions will be transferred as follows:

- strategic development and threat analysis will be led by the National Crime Agency;
- Action Fraud, the national fraud and financially-motivated internet crime reporting centre, will become the responsibility of the City of London Police, to create a stronger end-to-end fraud reporting and analysis system;
- work to raise awareness of fraud, including delivery of the national e-confidence campaign, will transfer to the Home Office; and
- development of the Counter Fraud Checking Service will be led by the Cabinet Office.

Under the Financial Reporting Manual, it is considered appropriate, therefore, to adopt a going concern basis for the preparation of these financial statements. The accounts have been prepared under a direction issued by HM Treasury, under section 7 of the Government Resources and Accounts Act 2000.

## 2. Staff numbers and related costs

Staff costs comprise:

|  | 2012-13<br>£000 |                                  | 2011-12<br>£000 |              |
|--|-----------------|----------------------------------|-----------------|--------------|
|  | Total           | Permanently<br>employed<br>staff | Others          |              |
|  |                 |                                  |                 | Total        |
| Wages and salaries                                   | 2,528           | 2,259                            | 269             | 2,289        |
| Social security costs                                | 185             | 185                              | -               | 201          |
| Other pension costs                                  | 449             | 449                              | -               | 435          |
| <b>Sub Total</b>                                     | <b>3,162</b>    | <b>2,893</b>                     | <b>269</b>      | <b>2,925</b> |
| Less recoveries in respect<br>of outward secondments | (87)            | (87)                             | -               | (71)         |
| <b>Total Net Costs*</b>                              | <b>3,075</b>    | <b>2,806</b>                     | <b>269</b>      | <b>2,854</b> |

\* Of which:

|                                    | 2012-13      | 2011-12      |
|------------------------------------|--------------|--------------|
| Charged to administration<br>costs | 425          | 632          |
| Charged to programme<br>costs      | 2,650        | 2,222        |
|                                    | <b>3,075</b> | <b>2,854</b> |

No staff costs were charged to capital expenditure.

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

For 2012-13, employer's contributions of £449k were payable to the PCSPS (2011-12: £435k) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2012-13 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of nil\* (2011-12: £9k) were

paid to one or more appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. In addition, the employer contributes a further 0.8% of pensionable pay to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees. Contributions for 2012-13 were Nil (2011-12: Nil).

\* Employers' contributions to stakeholder pension providers for NFA could not be separately identified from the Home Office figures.

There were no contributions due to the partnership pension providers at 31 March 2013 (31 March 2012: Nil).

No persons (2011-12: Nil) retired early on ill-health grounds; the total additional accrued pension liabilities in the year were Nil (2011-12: Nil).

No civil service exit packages were agreed in 2012-13 (2011-12: Nil).

### Average number of persons employed

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

|                   | 2012-13   |                 |          | 2011-12   |
|-------------------|-----------|-----------------|----------|-----------|
|                   | Total     | Permanent staff | Others   | Total     |
| Directly Employed | 48        | 47              | 1        | 47        |
| <b>Total</b>      | <b>48</b> | <b>47</b>       | <b>1</b> | <b>47</b> |

**3. Other administration costs**

|                                  | <b>2012-13</b><br><b>£000</b> | <b>2011-12</b><br><b>£000</b> |
|----------------------------------|-------------------------------|-------------------------------|
| Rentals under operating leases   | 72                            | 74                            |
| IT and Communications            | 24                            | 55                            |
| Non-cash items                   |                               |                               |
| Depreciation                     | -                             | 5                             |
| Auditor's remuneration           | 33                            | 43                            |
| Other                            |                               |                               |
| Office Supplies and Services     | 2                             | 9                             |
| Training and Recruitment         | 7                             | 10                            |
| Travel and Subsistence           | 6                             | 4                             |
| Professional fees                | 3                             | 5                             |
| Marketing                        | 1                             | 7                             |
| Conferences and Hospitality      | 5                             | 4                             |
| Other administration expenditure | 5                             | 5                             |
| <b>Total</b>                     | <b>158</b>                    | <b>221</b>                    |

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

**4. Programme costs**

|                                | <b>2012-13</b>      | <b>2011-12</b>      |
|--------------------------------|---------------------|---------------------|
|                                | <b>£000</b>         | <b>£000</b>         |
| Rentals under operating leases | 378                 | 301                 |
| IT and Communications          | 77                  | 212                 |
| Contracted Out Services        | 2,764               | 1,065               |
| Marketing                      | 494                 | 284                 |
| Non-cash items                 |                     |                     |
| Depreciation                   | -                   | 20                  |
| Amortisation                   | 94                  | 64                  |
| Other                          |                     |                     |
| Grants - current               | 1,307               | 616                 |
| Research                       | 324                 | 179                 |
| Office Supplies and Services   | 19                  | 25                  |
| Training and Recruitment       | 23                  | 72                  |
| Travel and Subsistence         | 45                  | 35                  |
| Professional fees              | 34                  | 18                  |
| Conferences and Hospitality    | 16                  | 17                  |
| Facilities Management          | -                   | 9                   |
| Other programme costs          | 1                   | 4                   |
| <b>Total</b>                   | <b><u>5,576</u></b> | <b><u>2,921</u></b> |

## 5. Property, plant and equipment

|  | Information<br>Technology<br>£000 | Furniture<br>& Fittings<br>£000 | Total<br>£000 |
|--|-----------------------------------|---------------------------------|---------------|
| <b>Cost or valuation</b>               |                                   |                                 |               |
| At 1 April 2012                        | -                                 | -                               | -             |
| Additions                              | -                                 | -                               | -             |
| Disposals                              | -                                 | -                               | -             |
| <b>At 31 March 2013</b>                | <b>-</b>                          | <b>-</b>                        | <b>-</b>      |
| <b>Depreciation</b>                    |                                   |                                 |               |
| At 1 April 2012                        | -                                 | -                               | -             |
| Charged in year                        | -                                 | -                               | -             |
| Disposals                              | -                                 | -                               | -             |
| <b>At 31 March 2013</b>                | <b>-</b>                          | <b>-</b>                        | <b>-</b>      |
| <b>Net book value at 31 March 2013</b> | <b>-</b>                          | <b>-</b>                        | <b>-</b>      |
| <b>Net book value at 31 March 2012</b> | <b>-</b>                          | <b>-</b>                        | <b>-</b>      |
| <b>Asset financing:</b>                |                                   |                                 |               |
| Owned                                  | -                                 | -                               | -             |
| On balance sheet PFI                   | -                                 | -                               | -             |
| Finance Leased                         | -                                 | -                               | -             |
| <b>Net book value at 31 March 2013</b> | <b>-</b>                          | <b>-</b>                        | <b>-</b>      |

The NFA did not own any property, plant and equipment during the year.



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

During 2011-12, assets with net value of £25,000 were disposed of at nil profit.

**6. Intangible assets**

|  | <b>Software<br/>Licences</b> | <b>Website<br/>costs</b> | <b>Assets under<br/>Construction</b> | <b>Total</b> |
|--|------------------------------|--------------------------|--------------------------------------|--------------|
| <b>Cost or valuation</b>               | <b>£000</b>                  | <b>£000</b>              | <b>£000</b>                          | <b>£000</b>  |
| At 1 April 2012                        | -                            | 379                      | 64                                   | 443          |
| Additions                              | -                            | -                        | -                                    | -            |
| Disposals                              | -                            | -                        | -                                    | -            |
| Reclassifications                      | -                            | 64                       | (64)                                 | -            |
| <b>At 31 March 2013</b>                | <b>-</b>                     | <b>443</b>               | <b>-</b>                             | <b>443</b>   |
| <b>Amortisation</b>                    |                              |                          |                                      |              |
| At 1 April 2012                        | -                            | (98)                     | -                                    | (98)         |
| Charged in year                        | -                            | (94)                     | -                                    | (94)         |
| Reclassifications                      | -                            | -                        | -                                    | -            |
| <b>At 31 March 2013</b>                | <b>-</b>                     | <b>(192)</b>             | <b>-</b>                             | <b>(192)</b> |
| <b>Net book value at 31 March 2013</b> | <b>-</b>                     | <b>251</b>               | <b>-</b>                             | <b>251</b>   |
| <b>Net book value at 1 April 2012</b>  | <b>-</b>                     | <b>281</b>               | <b>64</b>                            | <b>345</b>   |

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

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

During 2011-12, assets with net book value of £6,000 were disposed of at nil profit.

## 7. Financial instruments

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

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

## 8. Trade receivables and other current assets

|   | <b>2012-13</b> | <b>2011-12</b> |
|---|----------------|----------------|
|   | <b>£000</b>    | <b>£000</b>    |
| <b>Amounts falling due within one year:</b> |                |                |
| Trade receivables                           | 2              | 99             |
| Deposits and advances                       | 8              | 13             |
| Prepayments and accrued income              | 11             | 44             |
|   | <b>21</b>      | <b>156</b>     |

**8.1 Intra-Government balances**

|   | <b>2012-13</b> | <b>2011-12</b> |
|---|----------------|----------------|
|   | <b>£000</b>    | <b>£000</b>    |
| <b>Current</b>                                      |                |                |
| Balances with other central government bodies       | 13             | 72             |
| Balances with local authorities                     | -              | -              |
| Balances with public corporations and trading funds | -              | -              |
| <b>Subtotal: intra-government balances</b>          | <b>13</b>      | <b>72</b>      |
| Balances with bodies external to government         | 8              | 84             |
| <b>Total receivables at 31 March 2013</b>           | <b>21</b>      | <b>156</b>     |

Receivables do not relate to income but to reimburse expenditure. The NFA has no receivables falling due after one year.

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

|   | <b>2012-13</b> | <b>2011-12</b> |
|---|----------------|----------------|
|   | <b>£000</b>    | <b>£000</b>    |
| <b>Amounts falling due within one year:</b> |                |                |
| Trade payables                              | 77             | 39             |
| Accruals and deferred income                | 1,044          | 955            |
|   | <b>1,121</b>   | <b>994</b>     |

**9.1 Intra-Government balances**

|   | <b>2012-13</b> | <b>2011-12</b> |
|---|----------------|----------------|
|   | <b>£000</b>    | <b>£000</b>    |
| <b>Amounts falling due within one year:</b>         |                |                |
| Balances with other central government bodies       | 57             | 530            |
| Balances with local authorities                     | -              | -              |
| Balances with public corporations and trading funds | -              | 10             |
| <b>Subtotal: intra-government balances</b>          | <b>57</b>      | <b>540</b>     |
| Balances with bodies external to government         | 1,064          | 454            |
| <b>Total payables at 31 March 2013</b>              | <b>1,121</b>   | <b>994</b>     |

The NFA has no payables falling due after one year.

## 10. Commitments under Leases

### 10.1 Operating Leases

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

|   | 2012-13<br>£000 | 2011-12<br>£000 |
|---|-----------------|-----------------|
| <b>Obligations under operating leases comprise:</b> |                 |                 |
| Buildings   |                 |                 |
| Not later than one year                             | 450             | 432             |
| Later than one year and not later than five years   | -               | 432             |
| Later than five years                               | -               | -               |
| <b>Total Commitment</b>                             | <b>450</b>      | <b>864</b>      |

### 10.2 Finance Leases

The NFA had no commitments under finance leases at 31 March 2013 (31 March 2012: Nil).

## 11. Commitments under PFI contracts

There were no commitments under PFI contracts at 31 March 2013 (31 March 2012: Nil).

## 12. Other Financial Commitments

There were no other financial commitments at 31 March 2013 (31 March 2012: Nil).

## 13. Contingent liabilities disclosed under IAS 37

As at 31 March 2013 there were no contingent liabilities (31 March 2012: Nil).

## **14. Losses and Special payments**

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

There are no material losses during the year which in aggregate exceeded £250,000 (31 March 2012: Nil).

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

There are no material special payments during the year which in aggregate exceeded £250,000 (31 March 2012: Nil).

## **15. Related-party transactions**

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

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

## **16. Third-party assets**

The NFA held no monetary assets at 31 March 2013 in interest bearing or other accounts at the end of the reporting year (31 March 2012: Nil).

## **17. Events after Reporting Period**

The Home Secretary announced on 2 December 2013 that the National Fraud Authority will close by 31 March 2014 and its functions will be transferred as follows:

- strategic development and threat analysis will be led by the National Crime Agency;
- Action Fraud, the national fraud and financially-motivated internet crime reporting centre, will become the responsibility of the City of London Police, to create a stronger end-to-end fraud reporting and analysis system;
- work to raise awareness of fraud, including delivery of the national e-confidence campaign, will transfer to the Home Office; and
- development of the Counter Fraud Checking Service will be led by the Cabinet Office.

In accordance with the requirements of *International Accounting Standard 10 'Events after the reporting period'* are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.



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