



**SFO**

serious  
fraud  
office

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# Annual Report and Accounts

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**2014 - 15**





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# Annual Report and Accounts **2014 - 15**

*(for year ended 31 March 2015)*

*Accounts presented to the House of Commons pursuant to Section 6(4)  
of the Government Resources and Accounts Act 2000.*

*Accounts presented to the House of Lords by Command of Her Majesty.*

*Annual Report presented to Parliament pursuant to Section 1(15) and  
Paragraph 3 of Schedule 1 to the Criminal Justice Act 1987.*

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*HC 38*

This is part of a series of departmental publications which, along with the Main Estimates 2015-16, the document Public Expenditure: Statistical Analyses 2015, present the Government's outturn for 2014-15 and planned expenditure for 2015-16



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## DIRECTOR'S FOREWORD

### **I present the Annual Report for the Serious Fraud Office for the reporting year 2014-15.**

This year we have continued to focus upon the casework for which the Roskill model was designed. These are cases which undermine UK plc in general and the City of London in particular.

I have opened 16 new investigations in the year. These include Forex, Tesco and the Sweett Group. Our major investigations concerning LIBOR, Rolls-Royce, GlaxoSmithKline, Barclays Bank, ENRC and GPT have continued to make progress.

Our conviction rate over the year was 78% by defendant, and 18 defendants in 9 cases were successfully prosecuted. Reflecting our strategic focus, numbers may appear small, but the cases are very substantial. We completed the Innospec and Smith and Ouzman prosecutions, both resulting in the conviction of the corporate as well as senior officials in relation to foreign bribery. We saw our first convictions under the Bribery Act, a guilty plea in one of the LIBOR cases, and the conviction of Ulf Magnus Petersen for the Weaving Capital hedge fund fraud.

We have made considerable investment in our proceeds of crime activity. This has resulted in £26.5m in confiscation orders, and recovery of £13.7m.

Looking ahead, 30 defendants in 7 cases have been charged and await their trial. These include 12 individuals featuring in the LIBOR investigation. We are actively considering the possibility of Deferred Prosecution Agreements in a number of cases, and I am confident that this new tool will make a real difference in the SFO's dealings with cooperative corporates.

We have continued to attract high quality recruits, to provide valuable training for our staff, to develop our intelligence capability, and to build highly constructive relationships with agencies abroad.

The SFO is well equipped and confident as to its role and mission.

**DAVID GREEN CB QC**  
**Director**  
**Serious Fraud Office**  
14 July 2015

1. Two employees of Smith & Ouzman were sentenced on 12 February 2015. The company itself was also convicted of the same three offences and will be sentenced at a later date.

### **BASIS OF ACCOUNTS**

This document contains the annual report and accounts of the Serious Fraud Office (SFO) for the year 1 April 2014 to 31 March 2015. These have been prepared in accordance with the guidance set out in HM Treasury's Government Financial Reporting Manual (FRM) for 2014-15.

There is more information about the SFO on its website: [www.sfo.gov.uk](http://www.sfo.gov.uk)

### **GOING CONCERN BASIS**

In common with other government departments, the future financing of the SFO's liabilities is met by future grants of supply and the application of future income, both to be approved by Parliament each year. The amounts required for 2015-16 have already been approved and there is no reason to believe that future approvals will not be forthcoming. It was therefore appropriate to prepare these financial statements on a going concern basis.

### **ROLE OF THE DEPARTMENT**

The SFO is an independent non-ministerial Government department responsible for investigating and, where appropriate, prosecuting cases of serious or complex fraud, bribery and corruption.

The department forms part of the criminal justice system with jurisdiction in England, Wales and Northern Ireland. It is headed by the Director, David Green CB QC, who acts under the superintendence of the Attorney General.

The SFO was established in 1988 and was given its powers under the Criminal Justice Act 1987 following the 1986 'Roskill Report' (the report of the Fraud Trials Committee).

The report recommended that, as these kinds of cases are very complex, multi-disciplinary teams of lawyers and investigators would need to work together from the beginning to secure more effective outcomes.

The SFO takes on a small number of large cases and these will include cases;

- where the conduct under investigation undermines UK commercial/financial in general and the City of London in particular;
- where the actual or potential sums involved are high;
- where actual or potential harm is significant;
- where there is a very significant public interest element; and,
- that represent new species of fraud.

### **OPERATIONAL STRUCTURE**

The SFO has three operational divisions dealing primarily with fraud, two dealing primarily with bribery and corruption, and one with proceeds of crime and money laundering. There is also an intelligence unit and an evidence handling and management office, both reporting to the Chief Investigator, and a strategic relations division covering a number of centralised operational and corporate functions, including international assistance (which services incoming letters of request from foreign jurisdictions asking for investigative assistance). Each division is headed by a member of the Senior Civil Service, as are three corporate service teams: human resources, finance, and technology. Additional oversight of casework is provided by a General Counsel and a Special Adviser.

The Director takes the decision on which matters should be accepted for formal investigation. Once a matter is accepted for investigation, a case team is assembled, headed by a case controller who is responsible for the day-to-day management of the case and reports to the relevant Head of Division. Case teams are multi-disciplinary with members allocated according to the skills and expertise the case requires. They are flexible over the life cycle of the particular case.

### **GOVERNANCE**

Information on the SFO's governance and risk management arrangements, and the key challenges the SFO faced in the year, are set out in the Governance Statement to this annual report and accounts (pages 22 to 31).

### **FINANCIAL POSITION**

Information on the SFO's financial position are set out in the Management Commentary to this annual report and accounts (pages 9 and 10).

The Serious Fraud Office investigates the most serious and complex cases of fraud, bribery and corruption as described above. The quantity of such work is unpredictable. The SFO has a core budget for this purpose but exceptionally large cases require additional resources.

The Government has previously made clear that where the SFO needs additional resources, these will be provided. The current agreement with HM Treasury is that any exceptional case funding should be agreed as part of the supplementary estimates process.

### **LONG TERM LIABILITIES AND PRINCIPAL RISKS**

Due to the nature of the SFO's casework, provisions have been made for instances of high value litigation brought against it.

In July 2014, the SFO settled the civil claims brought by Vincent and Robert Tchenguiz and their associated business entities. Further information is contained in the Governance Statement.



## PERFORMANCE INDICATORS IN 2013-14

The table below provides a summary of case statistics in 2014-15 and a comparison with 2013-14.

Cases in progress during the year*	2014-15	2013-14
New investigations opened	16	12
Investigations concluded without charge	1	3
Defendants charged	23	35
Number of prosecutions concluded or in progress (by defendant)	33 <sup>2</sup>	18
Number of prosecutions concluded or in progress (by case)	12	8
<b>Trials</b>		
Trials in progress during the year (by defendant)	23 <sup>3</sup>	14
Trials in progress during the year (by case)	8	5
Trials concluded by defendant	19 <sup>4</sup>	9
Trials concluded by case	7	3
Trials reaching jury consideration by case	7	2
Defendants awaiting trial start at year end	30	34
<b>Convictions</b>		
Total defendants convicted	18	11
Defendants convicted by plea	4	4
Defendants convicted by jury	14	7
Conviction rate percentage	78	85

Default prison sentences totalling 22 years were imposed on four defendants who had failed to satisfy confiscation orders imposed by the Courts in relation to the SFO's proceeds of crime work.

## TRANSPARENCY

The SFO publishes transparency data in line with Cabinet Office guidance. The guidance can be found at: [www.cabinetoffice.gov.uk/resource-library/guidance-transparency](http://www.cabinetoffice.gov.uk/resource-library/guidance-transparency). The data is on the SFO website [www.sfo.gov.uk](http://www.sfo.gov.uk), or, where required, at: [www.data.gov.uk](http://www.data.gov.uk), or, where required, at: [www.data.gov.uk](http://www.data.gov.uk).

Details of all new contracts and tender documents for contracts over £10k are published on the Business Link "Contracts Finder" website at: [www.gov.uk/contracts-finder](http://www.gov.uk/contracts-finder).

\* The use of adjusted formulas for a new reporting database means the figures for cases in progress during the year are not directly comparable.  
 2. A defendant in one case was taken ill during the proceedings and the trial was stopped. As this defendant was on trial during the period, the prosecution was recorded as 'in progress'. However, the prosecution did not (and will not) conclude because a Nolle Prosequi was recorded.  
 3. Defendants and cases retried in the same year have been counted only once.  
 4. The defendant referred to in footnote 1 does not feature in the concluded trials because a formal conclusion was not reached. A Nolle Prosequi is a 'stay of proceedings' rather than a conclusion.

**COMPANY DIRECTORSHIPS**

Every member of the Senior Civil Service working at the SFO is on its Management Board. None holds any company directorships or significant interests which might conflict with their senior management responsibilities.

**NUMBER OF EMPLOYEES BY GENDER**

(headcount at 31 March 2015, including fixed term contractors but not temporary agency workers):

	2014-15		2012-13	
	Male	Female	Male	Female
All staff excluding members of the Management Board	229	182	174	126
Senior Civil Service	11	4	9	4

**CONSULTATION WITH EMPLOYEES**

The SFO has a formal consultation framework with three recognised Trade Unions - the First Division Association (FDA), Prospect and the Public and Commercial Services Union (PCS). Monthly People Committee meetings are scheduled and chaired by the Head of Human Resources. The Trade Unions also meet quarterly with the Director.

The SFO participates in the Civil Service People Survey (see below) and consults staff in different ways, including through a staff engagement forum which meets monthly and which draws on representation from across all business areas.

**PEOPLE SURVEY**

In 2015. The SFO had an engagement score of 65 per cent (up from 59 per cent in 2013) with encouraging trends in many areas. More information is available on its website at: [www.sfo.gov.uk](http://www.sfo.gov.uk)

**SOCIAL AND COMMUNITY ISSUES**

The SFO has a Charities and Community Engagement Committee which encourages staff to participate in volunteering activities. Staff are encouraged to volunteer and are entitled to claim one day's special leave per annum.

The Serious Fraud Office is a Stonewall Champion and participates in the annual Workplace Equality Index.

**SICKNESS**

Average working days lost due to sickness (per employee) was 5.97 (2013-14: 5.1 days) against the Civil Service average of 7.3<sup>5</sup>.

**EQUALITY AND DIVERSITY**

The SFO is committed to equality and diversity, recognising differences between people and positively valuing the different perspectives and skills of its people. The SFO is committed to ensuring it provides an environment where everyone is treated with dignity and respect. The SFO has an action plan in place to ensure it meets its obligations under the Public Sector Equality Duty.

The SFO's Dignity at Work policy emphasises the importance of treating everyone with dignity and respect, irrespective of any of the protected characteristics. Our policy offers guidance on what to do if unacceptable behaviour occurs.

**SUSTAINABILITY**

The SFO is committed to government policy to improve sustainability and is working towards meeting the Greening Government Commitment (GGC) targets which started on 1 April 2011 with a baseline period of 2009-10. The SFO is ahead of all its targets. This is principally due to a move from former premises on two sites to a single building on Cockspur Street and the recent restack project which resulted in a further reduction in accommodation. More information is on pages 60 to 64.

**DAVID GREEN CB QC**  
**Accounting Officer**  
 14 July 2015

5. Civil Service Absence Update, September 2014.

## DEPARTMENTAL REPORT CORE TABLES

The tables below set out the key data for the Serious Fraud Office as required by the Public Expenditure System Paper PES (2011)10.

**TABLE 1 - PUBLIC SPENDING BY EXPENDITURE LIMIT CATEGORY**

£000s

	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	<b>2014-15 Outturn</b>	2015-16 <sup>6</sup> Plans
<b>Resource DEL</b>							
Section A: Investigations and Prosecution	39,616	35,513	31,579	38,050	51,715	54,762	43,768
<b>Total Resource DEL</b>	<b>39,616</b>	<b>35,513</b>	<b>31,579</b>	<b>38,050</b>	<b>51,715</b>	<b>54,762</b>	<b>43,768</b>
of which:							
Pay	19,948	19,941	18,820	19,495	21,035	24,019	14,457
Procurement	20,306	17,846	17,187	19,360	29,139	33,561	27,649
Depreciation*	2,709	2,137	2,531	2,083	1,631	1,908	2,062
Vote income **	(3,347)	(4,411)	(6,959)	(2,889)	(426)	(4,726)	(400)
<b>Resource AME</b>	<b>517</b>	<b>-</b>	<b>(184)</b>	<b>(22)</b>	<b>(336)</b>	<b>13,885</b>	<b>2,000</b>
<b>Total Resource Budget</b>	<b>40,133</b>	<b>35,513</b>	<b>31,579</b>	<b>38,050</b>	<b>51,379</b>	<b>68,647</b>	<b>45,768</b>
of which:							
Depreciation	2,709	2,137	2,351	2,083	1,631	1,908	2,062
<b>Capital DEL</b>							
Section A: Investigations and Prosecution	2,979	2,745	709	1,107	1,295	2,373	1,365
Total Capital Budget***	2,979	2,745	709	1,107	1,295	2,373	1,365
<b>Total departmental spending****</b>	<b>40,403</b>	<b>36,121</b>	<b>29,937</b>	<b>37,074</b>	<b>51,043</b>	<b>69,112</b>	<b>45,071</b>
of which:							
Total DEL	39,886	36,121	30,121	37,096	51,379	55,227	43,071
Total AME*****	517	-	(184)	(22)	(364)	13,885	2,000

\* Includes impairments.

\*\* Income retained treated as negative DEL in budgets and netted off voted limits in the Estimates.

\*\*\* Expenditure on tangible and intangible fixed assets net of sales.

\*\*\*\* Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total Departmental Expenditure Limit (DEL) is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of the resource budget AME and capital budget AME less depreciation in AME.

\*\*\*\*\* AME – Annually Managed Expenditure – where expenditure is generally less predictable and controllable than expenditure in DEL.

6. The SFO's budget is agreed with the Treasury via the Spending Review process, additionally the Treasury have agreed that further funding to meet the costs incurred in investigating and prosecuting exceptionally large cases is available. The current arrangement is that requests for additional funding are finalised in-year through the Estimates process.

DEPARTMENTAL REPORT CORE TABLES

TABLE 2 - CAPITAL EMPLOYED

£000s

	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	2014-15 Outturn	2015-16 Plans
<b>Assets and liabilities on the statement of financial position at end of year:</b>							
<b>Assets</b>							
Non-current assets	<b>6,859</b>	<b>7,335</b>	<b>5,569</b>	<b>4,591</b>	<b>4,282</b>	<b>4,768</b>	<b>5,296</b>
Intangible	2,548	4,066	3,123	2,369	1,789	1,195	3,676
Property, Plant and Equipment	4,300	3,259	2,437	2,214	2,458	3,517	1,620
of which:							
Improvements to leasehold property	2,015	1,065	457	836	1,352	993	500
Information technology	1,895	1,937	1,866	1,362	1,106	2,524	1,000
Furniture and fittings	390	257	114	-	-	-	120
Motor vehicles	-	-	-	-	-	-	-
Assets under Construction	-	-	-	16	-	-	-
Current assets	2,252	2,556	3,026	2,925	1,819	4,342	2,200
<b>Liabilities</b>							
Current (<1 year)	(4,763)	(4,873)	(4,674)	(5,372)	(4,218)	(6,093)	(3,000)
Non-current (>1 year)	(298)	(126)	-	-	-	-	(298)
Provisions	(2,279)	(1,467)	(1,283)	(1,262)	(926)	(14,811)	(200)
<b>Capital employed within main department*</b>	<b>1,771</b>	<b>3,425</b>	<b>2,638</b>	<b>882</b>	<b>957</b>	<b>(11,794)</b>	<b>3,998</b>
Agency assets*	(173)	(18)	-	-	-	-	-
<b>Total capital employed *</b>	<b>1,598</b>	<b>3,407</b>	<b>2,638</b>	<b>882</b>	<b>957</b>	<b>(11,794)</b>	<b>3,998</b>

\* Before 2011-12, the assets of the National Fraud Authority (NFA) were accounted for here. They have since been accounted for by the Home Office following a Machinery of Government change effective 1 April 2011.

## DEPARTMENTAL REPORT CORE TABLES

### TABLE 3 – PUBLIC SPENDING CONTROL

The level of expenditure incurred by Government departments, including the Serious Fraud Office, is subject to statutory limits approved by Parliament. It is a fundamental form of accountability that expenditure within a financial year does not exceed these limits. There are four key financial targets which the Serious Fraud Office must achieve. The SFO's performance for 2014-15 against these targets is set out in the table below:

£000s

	Revenue DEL	Revenue AME	Capital DEL	Net Cash Requirement
<b>Expenditure limits set at start of year and subsequent adjustments</b>				
Main Estimate	35,224	2,000	1,820	34,982
Supplementary Estimate	22,487	17,000	750	24,237
<b>Final limit</b>	<b>57,711</b>	<b>19,000</b>	<b>2,570</b>	<b>59,219</b>
<b>Expenditure incurred</b>	54,762	13,885	2,256	55,835
<b>Performance within limits</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>

### TABLE 4 - ADMINISTRATION BUDGET

£000s

	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	2014-15 Outturn	2015-16 Plans
Section A: Investigations and prosecution	-	7,546	7,019	7,281	6,237	7,351
<b>Total administration budget*</b>	-	<b>7,546</b>	<b>7,019</b>	<b>7,281</b>	<b>6,237</b>	<b>7,351</b>
of which:						
Paybill	-	4,514	4,413	4,356	4,101	2,460
Expenditure	-	3,032	2,606	2,925	2,136	4,891
Income	-	-	-	-	-	-

\* From 1 April 2008 to 31 March 2011 all operating costs for the SFO were classified as programme. The Spending Review for 2010 which covers 2011-12 to 2014-15 financial years has reinstated the requirement for the reporting of expenditure split between programme and administration. Programme costs are all costs associated with frontline service delivery with the support for the frontline and for non-frontline activities deemed to be Administration costs.

### TABLE 5 – FULL TIME EQUIVALENT STAFF IN POST

	2011-12 Actual	2012-13 Actual	2013-14 Actual	2014-15 Actual
Civil service (full time equivalents)	279	278	294	323
Fixed Term Appointments	27	14	11	25
<b>Total**</b>	<b>306</b>	<b>292</b>	<b>305</b>	<b>348</b>

\*\* The numbers in this table reflect staff numbers at 31 March 2015, including those on fixed term contracts but excluding temporary agency workers. The numbers in this table are not directly comparable with those in note 2(b) which shows average staff numbers for the year, or those on page 5 which show headcount.

## MANAGEMENT COMMENTARY

The Department's Statement of Financial Position at 31 March 2015 shows a negative Taxpayers Equity of net liabilities of £11,794k. This reflects the inclusion of liabilities due in future years, which are to be financed from the Consolidated Fund. This will be in the form of grants of supply approved annually by Parliament, to meet the SFO's Net Cash Requirement. Under the Government Resources and Accounts Act 2000, no money may be drawn from the Fund other than that required for the service of the specified year, and no more can be retained than is needed. All unspent monies are surrenderable to the Fund.

In line with other Government departments, the future financing of the SFO's liabilities is accordingly

to be met by future grants of supply, approved annually by Parliament. The amounts required for 2015-16 have already been approved and there is no reason to believe that future approvals will not be forthcoming. Therefore, it is considered appropriate to adopt a going concern basis for the preparation of these financial statements.

The net liabilities of £11,794k at 31 March 2015 compare to net assets of £957k at 31 March 2014. The bulk of the movement in the net liabilities position of £12,751k reflects a small increase in non-current assets of £348k; an increase in receivables due to costs awarded to the SFO of £1,022k; and provisions of £13,885k.

### RECONCILIATION OF RESOURCE EXPENDITURE BETWEEN ESTIMATE, ACCOUNTS AND BUDGET

	2014-15 £000	2013-14 £000
<b>Net Resource Outturn (Estimate)</b>	<b>76,711</b>	<b>55,607</b>
Unused Resources	(8,064)	(4,228)
Income payable to the Consolidated Fund	(3,051)	-
<b>Net Operating Cost (Accounts)</b>	<b>65,596</b>	<b>51,379</b>
Adjustment for income not retained by SFO	3,051	-
<b>Net Resource Outturn (Outturn)</b>	<b>68,647</b>	<b>51,379</b>
Of which:		
- Departmental Expenditure Limit (DEL)	54,762	51,715
- Annually Managed Expenditure (AME)	13,885	(336)

### NET RESOURCE OUTTURN AND NET OPERATING COST

The resources available to the SFO are determined by Parliament through the Supply Estimates procedure. The increase in both the Net Resource Outturn and Net Operating Cost over the previous year represents an increase in expenditure to support blockbuster cases and on-going litigation.

As shown in the Statement of Parliamentary Supply on page 34, there has been an overall underspend of £2,949k against the DEL Estimate and an overall underspend of £5,115k against the AME Estimate. There has been an overall underspend of £8,064

against the Estimate. The £2,949k underspend against the DEL Estimate is largely due to increased income of £1,675k.

The underspend within AME is caused by a lower than expected provisions requirement. AME is very unpredictable and therefore difficult to estimate. The increase in the net operating costs from £51,715k in 2013-14 to £54,762k in 2014-15 is due to the costs associated with the defence of a civil litigation claim and the investigation of three blockbuster cases.

### NET CASH REQUIREMENT

The net cash requirement of £55,835k for 2014-15 is £3,384k less than the estimated requirement for the year. The underspend from the Estimate largely reflects:

- an underspend of £2,949k on the voted outturn compared with the Estimate;
- an underspend of £197k on capital expenditure; and,
- lower than expected operating expenditure for the year.

### FINANCIAL INSTRUMENTS

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

### INVESTMENT IN THE FUTURE

All current and capital expenditure support core operational functionality and are planned, as far as possible, to take account of changing circumstances which may affect these operations before they occur. The SFO continues to seek value for money on all procurement and contracts. Because the SFO is a small organisation, this is best achieved by using the Crown Commercial Services frameworks as much as possible and maintaining partnerships with other public sector organisations that have dedicated resources working in these areas.

### PENSIONS AND EARLY DEPARTURE COSTS

Details about the SFO's pensions and early departure policies are included in the notes to these accounts and can be found on page 46.

### PAYING SUPPLIERS

We are committed to paying bills in accordance with agreed contractual conditions, or, where no such conditions exist, within 30 days of receipt of goods or services or the presentation of a valid invoice, whichever is the later. The SFO paid 92% (2013-14: 92%) of supplier invoices on time.

During the year the SFO paid 59% (2013-14: 38%) of all undisputed invoices within 10 days of receipt in line with the commitment to pay all suppliers promptly. This commitment is a target, rather than a change to standard terms and conditions, and is not contractual.

### DATA HANDLING

Following the data loss reported in 2013 the Information Commissioner's Office investigated the SFO and a fine of £180,000 was issued and accepted. Early payment reduced this fine to £144,000.

There were 3 non-reportable incidents for this year.

### AUDITORS

The Comptroller and Auditor General is the statutory auditor for the SFO's accounts. The Department's audit fee for 2014-15 is £60,000 (2013-14: £60,000).

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

**DAVID GREEN CB QC**  
**Accounting Officer**

14 July 2015

### **PENSION LIABILITIES**

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit scheme within the PCSPS is unfunded and is contributory. The Department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS.

In respect of the defined contribution schemes, the Department recognises the contributions payable for the year.

Further information on how pension liabilities are treated can be found in the Remuneration Report (page 18).

### **REGISTER OF INTERESTS**

Senior managers within the SFO, including the non-executive directors, are required to complete a declaration of any interests. No significant company directorships or other interests were held by Board members which may have conflicted with their management responsibilities. Note 17 to the accounts confirms that no member of the Board, including non-executive directors, has any related-party interests.

### **REMUNERATION TO AUDITORS FOR NON-AUDIT WORK**

The SFO did not pay any remuneration to its auditors for non-audit work.

### **EQUAL OPPORTUNITY**

The SFO operates a guaranteed interview scheme which means that it is committed to interviewing all disabled applicants who meet the minimum criteria for a job vacancy and to consider them on their abilities. On a case by case basis the SFO seeks to make reasonable adjustments to support employees who are or become disabled to make sure they stay in employment. The guaranteed interview scheme

applies equally to all staff applying for positions through internal promotion. On a case by case basis the SFO seeks to make reasonable adjustments to ensure disabled staff are able to access all opportunities made available to staff.

### **PUBLISHED SICKNESS ABSENCE DATA**

The average number of working days lost to sickness absence (AWDL), based on the number of full-time equivalent staff at the SFO, reduced from 11.21 AWDL in 2010-11 to 7.0 days for 2012-13. This was achieved by sustained improvements in the way the SFO attendance is managed. The SFO's approach is to build the capability and confidence of its managers with a strong emphasis on giving them the skills they need to deal with sickness absence issues with their teams. The SFO provided training through interactive workshops for managers as well as developing capability within the HR team to provide support and guidance on the management of attendance issues. A particular priority was placed on encouraging case conferencing to identify options to resolve long term absence and by ensuring actions were agreed and followed through.

The SFO set an ambitious target of 6.0 AWDL for 2014-15 which was exceeded with a year end AWDL of 5.97 days.

### **PERSONAL DATA-RELATED INCIDENTS**

All government departments are required to publish information about any serious data-related incidents, which have to be reported to the Information Commissioner. There were no incidents reported during 2014-15.

### **FURTHER ACTION ON INFORMATION RISK**

The SFO takes the issue of data security extremely seriously and continually looks to improve the security of information. Further information on the SFO's approach to risk management can be found in the Governance Statement on page 22.

**DAVID GREEN CB QC**  
**Accounting Officer**  
14 July 2015.



### MINISTERS AND SENIOR OFFICERS

The Attorney General (the Rt. Hon. Dominic Grieve QC MP to 15 July 2014 and the Rt. Hon. Jeremy Wright QC MP for the remainder of the year) superintended the work of the SFO during the period covered by these accounts. The information given below relates to the Director and senior managers of the SFO. Information relating to the Attorney General's Office is given in the accounts of HM Procurator General and Treasury Solicitor.

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Senior Salaries Review Body. In reaching its recommendations, the Review Body considers:

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

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations. The Director's salary is linked to that of a High Court Judge.

### REMUNERATION COMMITTEE

The remuneration of Senior Civil Servants (SCS) is determined in accordance with the report of the Senior Salaries Review Body. The SFO's SCS Pay Committee meets annually to consider pay increases and bonus payments in accordance with these recommendations. The committee consists of the Director, the non-executive directors, and a senior HR professional from another Government department.

### PERFORMANCE APPRAISAL

Performance management of staff below the SCS is covered by the SFO's performance appraisal system. The system supports all staff in improving their performance through continuous dialogue between managers and staff. It provides a framework for conversations about objective setting, how people have performed against their objectives, and what development needs they have. A formal review of performance is conducted at least once a year. Bonuses can be paid in-year to individuals to reward work on particularly demanding tasks or situations. Annual performance bonuses are based on performance appraisal markings.

In 2014-15, the annual performance bonus accrual for grades below the SCS totalled £227,252 (2013-14: £213,473).

## REMUNERATION REPORT

### 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, the officials covered by this report hold appointments which are open-ended. Early termination, other than on the grounds of poor performance, conduct or attendance 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)

The Director and Accounting Officer of the SFO is David Green CB QC.

### SENIOR OFFICIAL APPOINTMENTS

David Green CB QC was appointed by the Attorney General on a renewable four-year contract that began on 21 April 2012. His Honour Geoffrey Rivlin QC was appointed to a two-year fixed-term appointment from 1 August 2012 which, following permission from the Civil Service Commissioners, was extended to 31 December 2015, although he will be leaving his post on 31 July 2015 after serving three years.

### SALARY AND PENSION ENTITLEMENTS

This information is subject to audit.

The following sections provide details of the remuneration and pension interests of the SFO's senior management (SCS) during the year.

### NON-EXECUTIVE BOARD MEMBERS REMUNERATION

Name and title	Salary 2014-15	Salary 2013-14	Benefits in Kind 2014-15	Benefits in Kind 2014-15
	£000	£000	(to the nearest £100)	(to the nearest £100)
Alan Graham MBE <b>Non-Executive Director</b> (to 30.11.13)	-	15-20	-	-
Simon Duckworth OBE DL <b>Non-Executive Director</b>	10-15	5-10	-	-
John Anthony Osbaldiston <b>Non-Executive Director</b>	20-25	5-10	1,100	400
Norman Pickavance <b>Non-Executive Director</b> (to 17.7.14)	0-5	5-10	3,600	1,200
Ruth Evans <b>Non-Executive Director</b> (from 26.1.15)	0-5	-	-	-

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

## REMUNERATION REPORT

### SENIOR MANAGEMENT

Officials	Salary (£'000)		Bonus payments (£,000)		Pension benefits (£'000) <sup>7</sup>		Total (£,000)	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
David Green CB QC <b>Director</b>	170-175	170-175	-	-	68	53 <sup>8</sup>	235-240	205-210
Alun Milford <b>General Counsel</b>	115-120	110-115	5-10	5-10	24	62	150-155	180-185
His Honour Geoffrey Rivlin QC <b>Special Adviser</b>	100-105 (180-185 full year equivalent: part time)	100-105 (180-185 full year equivalent: part time)	-	-	-	-	100-105 (180-185 full year equivalent: part time)	100-105 (180-185 full year equivalent: part time)
Kevin Davis* <b>Chief Investigator</b> (on loan from HMRC to 31.7.14, permanent from 1.8.14)	75-80 (80-85 full year equivalent)	70-75	-	-	71	31	145-150 (150-155 full year equivalent)	100-105
Kristin Jones <b>Head of Strategic Relations</b>	85-90	80-85	-	5-10	35	20	120-125	110-115
Barny Todd <b>Chief Financial Officer</b>	80-85	80-85	-	-	17	(8)	95-100	70-75
Matthew Wagstaff <b>Head of Division A</b>	80-85	80-85	-	5-10	30	19	115-115	105-110
Jane de Lozey <b>Head of Division C</b> (to 2.2.15)	80-85	80-85	-	-	16	24	95-100	105-110

7. The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

8. Amounts have been restated as revised information has been received during the year from our pension provider.

\*Full year equivalent salary shown for Kevin Davis following his promotion on 1 August 2014.

## REMUNERATION REPORT

Officials	Salary (£'000)		Bonus payments (£,000)		Pension benefits (£'000) <sup>7</sup>		Total (£,000)	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Clare Whitaker <b>Head of Division C</b>	80-85	80-85	-	-	19	5 <sup>8</sup>	95-100	90-95
Mark Thompson <b>Head of Proceeds of Crime Division</b>	80-85	80-85	-	-	20	22	100-105	100-105
Lesley Dugdale <b>Head of Human Resources</b>	80-85	80-85	-	-	17	5	95-100	85-90
Stuart Alford QC <b>Head of Division E</b> (from 1.9.13)	80-85	50-55 (80-85 full year equivalent)	5-10	-	31	20 <sup>8</sup>	120-125	45-50 (75-80 full year equivalent)
Ben Morgan <b>Head of Division B</b> (from 19.8.13)	80-85	50-55 (80-85 full year equivalent)	5-10	-	32	20	125-130	70-75 (100-105 full year equivalent)
Ben Denison <b>Chief Technology Officer</b> (from 14.8.14)	55-60 (85-90 full year equivalent)	-	-	-	21	-	75-80 (105-110 full year equivalent)	-
Simon Daniel <b>Head of Division D</b> (from 2.2.15)	10-15 (80-85 full year equivalent)	-	-	-	13	-	20-35 (90-95 full year equivalent)	-

7. The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

8. Amounts have been restated as revised information has been received during the year from our pension provider.

Pension figures supplied by MyCSP

## REMUNERATION REPORT

### SALARY

Salary includes gross salary, overtime, and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Department 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 and Customs as a taxable emolument. The Non-Executive Directors received a benefit-in-kind for the travel costs between home and work during 2014-15.

### 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 prior to which they become payable to the individual. The bonuses reported in 2014-15 relate to performance in 2013-14, and the comparative bonuses reported for 2013-14 relate to performance in 2012-13.

### DETAILS OF AMOUNTS PAYABLE TO THIRD PARTY ENTITIES IN RESPECT OF INTERIM SENIOR MANAGEMENT SERVICES

This information is subject to audit.

The Management Board engaged the services of the following interim senior manager:

	Position	Cost to the SFO £000
Mathew Mallett (2.12.13 to 30.9.14)	Chief Technology Officer (Interim)	140-145 (full time equivalent 285-290)

### PAY MULTIPLES

	2014-15		2013-14
Highest paid individual (£000)	285-290	Highest paid individual (£000)	180-185
Median Total (£)	35,000	Median Total (£)	34,700
Remuneration Ratio	8.14	Remuneration Ratio	5.26

The SFO is required to disclose the relationship between the salary of the most highly-paid individual in its organisation and the median earnings of the SFO's workforce. The salary of the most highly-paid individual in the SFO in the financial year 2014-15 was £285,000-£290,000. This was 8.14 times the median salary of the workforce, which was £35,000.

## REMUNERATION REPORT

### OFF-PAYROLL ENGAGEMENTS (e.g. contractors, consultants) AS AT 31 MARCH 2015, FOR MORE THAN £220 PER DAY AND THAT LAST FOR LONGER THAN SIX MONTHS

Number of existing engagements as at 31 March 2015	4
Of which:	
Number that have existed for less than one year at time of reporting	4
Number that have existed for between one and two years at time of reporting	0
Number that have existed for between two and three years at time of reporting	0
Number that have existed for between three and four years at time of reporting	0
Number that have existed for four years or more at time of reporting	0
<b>Total</b>	<b>4</b>

All existing off-payroll engagements have been subject to a risk-based assessment as to whether assurance is required that the individual is paying the correct amount of tax and, where necessary, that assurance has been sought.

### NEW OFF-PAYROLL ENGAGEMENTS BETWEEN 1 APRIL 2013 AND 31 MARCH 2014, FOR MORE THAN £220 PER DAY AND THAT LAST FOR LONGER THAN SIX MONTHS

Number of new engagements between 1 April 2014 and 31 March 2015	4
Number of new engagements which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations	4
Number for whom assurance has been requested	4
Of which:	
Number for whom assurance has been received	4
Number for whom assurance has not been received	0
Number that have been terminated as a result of assurance not being received	0
<b>Total</b>	<b>4</b>

## REMUNERATION REPORT

### PENSION BENEFITS

Name and title	Accrued pension at pension age as at 31/3/15 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/15	CETV at 31/3/15	Real increase in CETV
	£000	£000	£000	£000	£000
David Green CB QC ** <b>Director</b>	10-15	2.5-5.0	176	108	49
Alun Milford <b>General Counsel</b>	30-35 plus 95-100 lump sum	0-2.5 plus 2.5-5.0 lump sum	554	512	15
His Honour Geoffrey Rivlin QC <b>Special Adviser</b>	-	-	-	-	-
Kevin Davis <b>Chief Investigator</b>	30-35 plus 100-105 lump sum	2.5-5.0 plus 7.5-10.0 lump sum	652	564	57
Kristin Jones <b>Head of Strategic Relations</b>	35-40 plus 55-60 lump sum	0-2.5 plus 0-2.5 lump sum	706	642	28
Barry Todd <b>Chief Financial Officer</b>	30-35 plus 90-95 lump sum	0-2.5 plus 2.5-5.0 lump sum	518	480	11
Matthew Wagstaff <b>Head of Division A</b>	25-30 plus 25-30 lump	0-2.5 plus 0-2.5 lump sum	349	313	15
Jane de Lozey * <b>Head of Division C</b> (To 2.2.15)	15-20	0-2.5	183	162	7
Clare Whitaker <b>Head of Division C</b>	25-30 plus 80-85 lump sum	0-2.5 plus 2.5-5.0 lump sum	514	469	13
Mark Thompson * <b>Head of Proceeds of Crime Division</b>	5.0-10.0	0-2.5	76	57	10
Lesley Dugdale <b>Head of Human Resources</b>	20-25 plus 70-75 lump sum	0-2.5 plus 2.5-5.0 lump sum	392	361	11
Stuart Alford QC ** <b>Head of Division E</b> (from 1.9.13)	5.0-10.0	0-2.5	54	33	13
Ben Morgan ** <b>Head of Division B</b> (from 19.8.13)	2.5-5.0	0-2.5	26	10	8
Ben Denison ** <b>Chief Technology Officer</b> (from 14.8.14)	0-5	0-2.5	10	0	5
Simon Daniel <b>Head of Division D</b> (from 2.2.15)	20-25 plus 65-70 lump sum	0-2.5 plus 0-2.5 lump sum	395	373	10

\* Member of Premium Scheme - lump sum not automatic.

\*\* Member of NuvoS Scheme - lump sum not automatic.

Pension figures supplied by MyCSP

### 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 Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 1.5% and 6.25% of pensionable earnings for Classic and 3.5% and 8.25% for Premium, Classic Plus and Nuvos. Increases to employee contributions applied from 1 April 2014. 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 pensionable earnings during the period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) their 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 those contributions 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:  
**[www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)**.

New Career Average pension arrangements will be introduced from 1 April 2015 and the majority of Classic, Premium, Classic Plus and Nuvos members will join the new scheme Alpha. Further details of this new scheme can be found at:  
**[www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/](http://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/)**.

### 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



## REMUNERATION REPORT

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, or contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

### **PARTNERSHIP PENSIONS**

None of the Senior Civil Servants participate in partnership pension arrangements (see note 2).

**DAVID GREEN CB QC**

**Accounting Officer**

14 July 2015.

## STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

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

## GOVERNANCE STATEMENT

### SCOPE OF RESPONSIBILITY

This statement covers the SFO's governance arrangements for the year ended 31 March 2015.

The Serious Fraud Office (SFO) is a small independent non-ministerial Government department under the superintendence of the Attorney General. The Director of the SFO (who is also the Department's Accounting Officer) is appointed by and accountable to the Attorney General, who in turn is responsible to Parliament for the SFO.

The Director is responsible for maintaining a sound system of internal control, which supports the achievement of the SFO's policies, aims and objectives. The Director is also charged with safeguarding public funds and Departmental assets, for which he is personally responsible, in accordance with the responsibilities assigned to him in *Managing Public Money*.

### GOVERNANCE STRUCTURE

The SFO's governance arrangements are in line with the HM Treasury and Cabinet Office Code of Good Practice for Corporate Governance. Accordingly there is a clear understanding of the different levels of accountability within the SFO, and this helps to promote effective planning and decision taking within the organisation.

In accordance with superintendence arrangements the Director meets the Attorney General regularly to discuss progress, key risks and issues arising.

### COMMITTEE STRUCTURE

During the period covered by this report, the two key committees were the Management Board (MB) and the Audit and Risk Committee (A&RC). Their memberships are set out in the table below and their purpose and arrangements in the succeeding sections.

Members	Management Board (MB)	Audit & Risk Committee (A&RC)
David Green CB QC Director	Chair Attended 6 of 8	
Tony Osbaldiston Non-Executive Director	✓ Attended 7 of 8	Chair Attended 3 of 3
Norman Pickavance Non-Executive Director (To 17.7.14)	✓ Attended 2 of 2	✓ Attended 1 of 1
Simon Duckworth OBE DL Non-Executive Director	✓ Attended 6 of 8	✓ Attended 2 of 3
Ruth Evans Non-Executive Director (From 26.1.15)	✓ Attended 1 of 1	✓ Attended 0 of 0
Alun Milford General Counsel	✓ Attended 5 of 8	
His Honour Geoffrey Rivlin QC Special Adviser	✓ Attended 6 of 8	
Lesley Dugdale Head of Human Resources	✓ Attended 8 of 8	
Barny Todd Chief Financial Officer	✓ Attended 8 of 8	
Kristin Jones Head of Strategic Relations	✓ Attended 4 of 8	
Matthew Wagstaff Head of Division A	✓ Attended 8 of 8	
Ben Morgan Head of Division B	✓ Attended 8 of 8	
Jane de Lozey Head of Division C (To 31.1.15)	✓ Attended 6 of 7	
Simon Daniel Head of Division D (From 2.2.15)	✓ Attended 1 of 1	
Clare Whitaker Head of Division D to 1.2.15 then Head of Division C (From 2.2.15)	✓ Attended 8 of 8	

## GOVERNANCE STATEMENT

Members	Management Board (MB)	Audit & Risk Committee (A&RC)
Stuart Alford QC Head of Division E	✓ Attended 6 of 8	
Mark Thompson Head of Proceeds of Crime Division	✓ Attended 7 of 8	
Kevin Davis Chief Investigator	✓ Attended 8 of 8	
Mathew Mallett Interim Chief Technology Officer (To 30.9.14)	✓ Attended 4 of 4	
Ben Denison Chief Technology Officer (From 14.8.14)	✓ Attended 5 of 5	

\*Dates given for Committee Members who did not attend throughout the year are the date of their departure or arrival.

### MANAGEMENT BOARD

The Director chairs the Management Board which meets every six weeks and comprises the SCS plus the non-executive directors (NEDs). The Board met eight times during 2014-15.

The Board operates as a team with each member sharing a common interest in the overall performance and integrity of the SFO. Each member, therefore, represents the interests of the SFO as a whole at board meetings and not simply the interests of the member's particular area of responsibility.

The Board advises on and supervises the strategic direction of the SFO enabling it to meet its statutory purpose of investigating and prosecuting serious or complex fraud, bribery and corruption. The Board specifically:

- supports the Director in setting and articulating the vision for the organisation based on an agreed view of long-term capability and horizon scanning;
- sets the SFO's professional standards, corporate values and culture;
- makes sure that strategic decisions are based on a collective understanding of policy issues and that the design of the business facilitates the achievement of its strategic objectives;
- monitors the SFO's external reputation and brand;
- monitors performance against the operational business plan with reference to strategic aims and objectives and management information ensuring that the SFO is challenged on its

- outcomes, supporting the drive for improvement;
- ensures sound financial management and advises on large operational projects or programmes;
- ensures that the SFO has the capability to deliver current and future needs, and that appropriate succession plans are in place;
- monitors equality and diversity issues across the SFO;
- resolves any issue referred to the Board by any other committee; and,
- sets, through the Risk Management and Moderation Group (RMMG), the SFO's risk appetite ensuring that controls are in place to identify, manage and monitor strategic risks to which the organisation may be exposed.

Working practices have been agreed so that the Board can discharge its responsibilities effectively. These practices deal with the cycle of meetings, setting agendas, the timetable for distributing papers and communicating decisions.

The Board aims to reach decisions by consensus. In exceptional cases, however, a decision may be taken by the Director alone because of the Director's ultimate personal responsibility for the SFO as Accounting Officer.

In addition to this formal role, there are other occasions when the Board may meet to discuss important issues that could affect the SFO's strategy, results or performance.

The Cabinet Office Code of Good Practice for Corporate Governance cites a nominations and governance committee as good practice. Because

## GOVERNANCE STATEMENT

the SFO is a small, non-ministerial Government department, the Board does not consider that a separate nominations and governance committee is necessary. Instead the Board carries out the nominations and governance function as part of its normal terms of reference.

### AUDIT AND RISK COMMITTEE (A&RC)

This Committee is chaired by a Non-Executive Director (NED) and is attended by all current NEDs who are also standing members. Other attendees who attended by invitation throughout the year included the Chief Financial Officer, Chief Technology Officer, Head of Strategic Relations and representatives of internal and external auditors, HMRC Internal Audit and the National Audit Office respectively. This gives the Committee the independence it needs to discharge its responsibilities properly.

Where appropriate, the Committee will call upon other SFO officials to attend meetings. The Director, as Accounting Officer, has an open invitation to attend all A&RC meetings, in particular those at which the Governance Statement and Accounts are reviewed.

For the 2014-15 meetings cycle, Tony Osbaldiston was the Chair supported by Simon Duckworth OBE DL, and Norman Pickavance until his departure in July 2014. A new NED, Ruth Evans, was appointed on 26 January 2015 and will attend meetings as a standing member.

The A&RC met three times in 2014-15 (five in 2013-14).

The purpose of the Committee is to support the Director as Accounting Officer and the Board by reviewing and assessing the reliability of the assurances that the Director and Board receive. The Committee also reviews and oversees the organisation's internal and external auditing arrangements, plans, results, and management responses. The Committee also considers the adequacy of the SFO's risk assessment, management procedures and internal control systems which are predominantly dealt with through the RMMG.

### EVALUATING THE EFFECTIVENESS OF THE BOARDS AND COMMITTEES

The A&RC conducts an annual self-assessment of its effectiveness.

The A&RC uses the National Audit Office's Audit Committee Self-Assessment Checklist template and last undertook a self-assessment in June 2014.

The Board members attended a two-day event in November 2014, where the agenda included working together as a Board, pay and grading, business planning, and decision making, as well as forward planning. Senior managers at SCS1 level met for an 'awayday' on 12 September 2014 to focus on looking at ways to increase case capacity and handling.

Internal auditors conducted a review of the SFO's compliance with the Code of Good Practice for Corporate Governance in May 2014. A final report was issued in September 2014, giving the SFO a green assurance rating. Complementary to this, the Board conducted a review of its effectiveness, led by a NED, and this is further discussed under **New Committee Structure** below.

The function and purpose of the other groups designed to identify and embed best practice, and provide assurance to the Board, are set out below.

There were also a number of supporting committees which fed into the work and responsibilities of the Board. These were:

- SCS Group;
- Case Evaluation Board;
- Case Review Panel;
- Strategic and Tactical Tasking, and Co-ordination Group (STT&G);
- Training Board;
- Equality and Diversity Steering Group (EDSG)\*; and,
- Mason and Woods Implementation Programme Board\*.

\* For the period up to December only.

## GOVERNANCE STATEMENT

Each committee has its own terms of reference which are published on the SFO's intranet so that all members of staff can be clear about their purpose.

### SCS GROUP (SCSG)

The SCSG holds an informal weekly meeting chaired by the Director. It is attended by the SFO's members of the Senior Civil Service and the Head of Communications.

The SCSG is the principal forum for managing the SFO's performance and where day-to-day management decisions are made.

The aim of the Group is to provide a forum at which appropriate representatives from the business can:

- share information frequently and regularly;
- update members on important developments in specific parts of the business;
- discuss issues that affect the whole business; and,
- receive immediate advice, support or resources to resolve issues.

The Group is responsible for:

- leading by example so that senior managers operate and are seen to operate as a co-ordinated team;
- discussing and resolving (so far as possible) immediate operational and functional issues which may impact on the SFO's ability to deliver its targets. Where exceptionally this is not possible, the chair (or delegated member) will resolve matters;
- drafting key papers and plans (for example, the annual business plan) for discussion and sign-off by the Board;
- succession planning;
- finance planning and monitoring;
- scanning the horizon for opportunities to develop the SFO's business; and,
- identifying issues that need to be resolved outside the Board and ensuring that they are appropriately recorded, assigned and considered.

### CASE EVALUATION BOARD (CEB)

The CEB enables the Director to make an informed decision based on its recommendation to initiate or decline an investigation.

The Board meets periodically, depending on the intelligence pipeline, and reports to the Director. Core members are the General Counsel, the Special Adviser and the Chief Investigator. The relevant intelligence lead will also attend.

Specifically the CEB will:

- evaluate and challenge intelligence submissions against the SFO's Statement of Principle (which governs the basis upon which decisions are made as to which cases should be adopted for investigation);
- assess strategic and tactical risk, cost/resource implications; and, where appropriate
- consider potential cases in the context of HMG's strategic approach to economic crime.

### CASE REVIEW PANEL (CRP)

The CRP meets several times a month and reports to the Director. The Panel comprises the General Counsel, the Special Adviser, the Chief Investigator, the relevant Head of Division and appropriate members of the case team. The Director also attends at his discretion.

The CRP ensures that a level of appropriate scrutiny and challenge is given to every case by reviewing:

- case progress against case strategy; and,
- casework risks together with plans to mitigate them.

The frequency of CRPs for each case is informed by a programme which captures target dates for key milestones, case progress, agreed actions and the level of risk associated with the case. Full minutes are taken thus providing a written record and audit trail.

This process highlights key risk areas and brings them to the attention of senior management.

### TRAINING BOARD

The Board, chaired by the Head of Proceeds of Crime Division, met four times and regularly updates the Management Board on the rolling programme of training. Members include the General Counsel, the Head of Strategic Relations, and the Head of Human Resources (HR), the Chief Investigator, Heads of Operational Divisions and others.

The Board develops and delivers a programme of training for the investigation and prosecution of cases. It assists the Management Board to identify ways of broadening capability, such as creating development activities to ensure staff are provided with practical experience, knowledge and skills to effectively investigate and prosecute SFO cases.

### STRATEGIC & TACTICAL TASKING & COORDINATION GROUP (STT&CG)

The Group, chaired by the Chief Investigator, meets on a monthly basis. It is a decision-making and resource management body that is pivotal to the delivery of the National Intelligence Model (NIM). Members include the General Counsel and all Heads of Operational Divisions. The Group meets to discuss intelligence requirements, products and projects against the control strategy, operational capacity/capability and the prioritisation of resources.

### EQUALITY AND DIVERSITY WORKING GROUP (EDWG)

The Group meets on a monthly basis and is chaired by the Diversity Champion. The Group consists of representatives of the business together with the Head of HR Operations and the Head of Communications. The aim of the group is to provide a forum at which appropriate representatives manage the SFO's obligations under the Public Sector Equality Duty, ensures that an equality and diversity plan is developed and put in place to address these obligations, makes sure that the plan is implemented effectively, manages appropriate communication and consultation and audits and scrutinises the plan. The work of the Group is

overseen and supported by the People and Culture Committee; undertaking a function previously performed by the Equality and Diversity Steering Group. The People and Culture Committee is part of the New Committee structure referred to below and the Diversity Champion is one of its members.

### MASON AND WOODS IMPLEMENTATION PROGRAMME BOARD

This programme board was set up to ensure that the recommendations of the reviews by Peter Mason CBE and Alan Woods were implemented. The Director of the SFO was the Senior Responsible Officer and chair. Other members of the programme board included the Head of Human Resources, Head of Strategic Relations, Chief Financial Officer, Chief Investigator, Chief Technology Officer and Head of Division C.

The programme board met regularly and considered progress on the following seven key projects:

- Physical, IT and cyber security;
- Information security;
- Staff survey and culture;
- Communications;
- Management Board effectiveness;
- Business Continuity Plan, and,
- Skills, capability and pay and grading.

The programme formally closed in December 2014 and outstanding actions have been absorbed into business as usual activities or into the wider role of the Oversight and Governance Board (OGB).

Progress on individual projects can be reported as follows: the physical, IT and cyber security project has successfully implemented a series of changes to the way the SFO and its staff operate with improved culture and heightened awareness of individual responsibility and accountability. This will continue with joint responsibility between the SIRO and Chief Technology Officer. The information security project has delivered training and developed specific guidance for staff and the SFO have assigned information asset owners. This work concluded that a separate standalone project to look at dormant cases would be created and is

## GOVERNANCE STATEMENT

now under the remit of the OGB. The Staff Survey and Culture project has been absorbed into the wider work of the People and Culture Committee (PCC). Both the intranet and website projects under the communication strand are being developed and have been absorbed into business as usual as part of continuous improvement. The Management Board effectiveness project successfully concluded with recommendations which have since been implemented. This is further discussed below. The Business continuity project is ongoing until a separate project on co-location has concluded and can be absorbed into business as usual. Finally, the skills, capability and pay and grading review has already delivered on a blueprint (reorganised structure) for the SFO. However the implementation phase continues and this work will be overseen by the OGB.

### NEW COMMITTEE STRUCTURE

Norman Pickavance, a NED, in a review of Management Board effectiveness, recommended changes to the way that the Board works and how it is supported. The changes agreed by the Board took effect from December 2014 and resulted in the creation of three new standing committees: Strategy, People and Culture, and Infrastructure.

Each full Management Board meeting includes a dedicated, extended session to explore issues brought to it by one of these committees, with all covered in sequence. The intention is that the Board considers the key issues facing the SFO, in depth and in the light of the committees' analysis and recommendations, in a more structured way. Terms of reference for these committees have been published on the intranet.

The committees are chaired by members of the Board. The General Counsel is the Chair for the Strategy Committee, the Head of Division E leads the People and Culture Committee and the Chief Financial Officer the Infrastructure Committee. All SCS other than the Director and the Special Adviser are members of at least one committee, with each committee also having one of the three NEDs as a member. The chairmanship of these committees will be rotated periodically.

The A&RC remains unchanged. In addition, an Oversight and Governance Board (OGB) has been set up to support the delivery of strategic projects or programmes underway in the business at any given time. This follows on from the "Mason and Woods implementation programme board" which reviewed and implemented recommendations made by independent reviewers Peter Mason CBE and Alan Woods in the aftermath of the SFO data loss incident in 2013.

### OVERSIGHT AND GOVERNANCE BOARD (OGB)

The OGB monitors progress and intervenes as required if a project or programme needs strengthening or if concerns need to be addressed. It also ensures that dependencies and cross-cutting issues between projects and programmes are considered and addressed. Projects being overseen currently include, the Digital Review System replacement project, a review of dormant cases, co-location and the skills, capability and pay and grading review.

The support for the Management Board, its committees, and the OGB has also been reviewed and these arrangements strengthened. To this end the Director's private office has been restructured and a new Internal Governance Unit created.

### RISK MANAGEMENT AND MODERATION GROUP (RMMG)

Alongside the above committees the RMMG considers the adequacy of the SFO's risk assessment, management procedures and internal control systems and is responsible for ensuring that the SFO's strategic risk register is up to date and accurately reflects the risks dealt with by the Department. The Chief Financial Officer chaired this group from April to December 2014 with the Head of Proceeds of Crime Division taking over from January 2015.

### WORKING GROUPS

The work of the Management Board and its committees is also supported by a number of working groups set up to address specific issues or to update processes and practices within the SFO. Such groups cover areas including the operational



## GOVERNANCE STATEMENT

handbook, evidence handling, the SFO's digital review system, community engagement and charities and victims and witnesses.

### OTHER ORGANISATIONAL ARRANGEMENTS

The bulk of the SFO's resources are focused on the core business of investigation and prosecution, and associated proceeds of crime casework. The operational arm is organised into specialisms – bribery and corruption, fraud and proceeds of crime and intelligence.

Given the importance of evidence handling and the increasing electronic nature of evidence, the SFO has combined its material management and digital forensics group under the Chief Investigator, who also holds the role of Senior Information Risk Owner (SIRO) and has overall responsibility for Departmental Security.

There are corporate services teams which provide HR, finance, commercial and estate management services. Another Division deals with policy, Parliamentary and freedom of information matters, and internal and external communications, which ensures good communications with wider government, the press, public and other stakeholders. This team includes the international assistance function, and also provides quality assurance through the conduct of internal reviews and the oversight of progress against HMCP's inspection recommendations.

### RISK

The SFO's approach to risk is to manage it to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives. The organisation can therefore give only reasonable, and not absolute assurance of effectiveness.

The SFO actively considers and identifies potential risks to the organisation. Its strategy to identify and counter risks is based on clear senior management leadership and responsibility; delegation to appropriate levels of authority and functional areas

of the organisation; and the availability of relevant training and information within the SFO.

The Strategic Risk Register (SRR) which is owned by the Management Board covers strategic and project risks that are sufficiently significant that they require monitoring at Board level. This is supported by subsidiary risk registers maintained by each division within the SFO to manage and monitor lower tier operational and corporate risks.

The A&RC is responsible for ensuring that the SFO's risk management policies and processes are adequate, implemented and complied with and reviews the SRR at its meetings. In addition the RMMG – also attended by Internal Audit - has been in place since December 2013 with specific objectives to co-ordinate and guide risk management across the organisation, review and moderate case and divisional risk registers underpinning the SRR and consider and decide upon emerging risks and issues.

As part of the RMMG process, new risks are added to the registers, and others removed, as appropriate. Both the Management Board and A&RC agendas include risk identification and management.

### RISK APPETITE<sup>9</sup>

A Risk Management booklet is published on the intranet and is available to all staff. This outlines the SFO's approach to risk management, risk ratings and review processes and the roles and responsibilities.

### MANAGING RISK

The SFO has a robust process in place to manage and mitigate organisational and operational risk, and the risk management strategy is regularly reviewed.

Risk appetites ensure that risks to the reputation of the organisation and its ability to deliver its operational duties are mitigated appropriately. This process is co-ordinated by the A&RC supported by

9. For the SFO's non-casework areas only. The Code of Crown Prosecutors underpins the decision-making process in relation to our casework. The SFO does not set targets for investigations, prosecutions or the work involved in the recovery of proceeds of crime as outcomes are determined by the courts and/or performance is not within the control of the SFO.

## GOVERNANCE STATEMENT

the RMMG. From April 2014 to March 2015 the RMMG met seven times.

Each member of the SCS is accountable for risk and mitigation in their respective divisions as well as corporately. The strategic, divisional and case risk registers are reviewed regularly, and risk assessment is part of the project methodology used by project managers in their work.

The A&RC reviews the SFO's risk strategy and the SRR as a standing agenda item, and provides regular commentary to the Management Board. It also receives reports on the effectiveness of risk management processes and systems from the RMMG (as described above).

Risk is inherent in the operational aspects of the SFO's business, particularly in the investigation and prosecution of cases. Considerable management scrutiny and assurance is applied at case level to assess risk factors both when embarking upon an investigation and, where appropriate, a prosecution. At the prosecution stage, risks are balanced against the need to pursue cases in the public interest<sup>10</sup>. Staff have been alerted to the risk management pages on the intranet including the publication of the risk management booklet. The SFO also ensures that it complies with best practice guidance in respect of undertaking operational risk assessments particularly when deploying staff outside of the SFO estate on search operations.

### KEY RISKS FOR 2014-15

RISK	MITIGATING ACTIONS
<b>Insufficient funding to pursue cases and cover liabilities from them.</b>	Management Board to monitor and anticipate finance pressures and trends, and work with HMT to determine suitable funding strategies.
<b>Insufficient business continuity planning.</b>	A full review and updating of current business continuity plans undertaken, and investment planned in an off-site data recovery capability.

### SIGNIFICANT CONTROL ISSUES OR KEY CHALLENGES DURING 2014-15

#### ROBERT AND VINCENT TCHENGUIZ

In July 2014 the SFO settled the civil damages claims brought by Mr Vincent Tchenguiz and Mr Robert Tchenguiz and their business interests arising from their arrests and the searches of their homes and business premises in March 2011.

The SFO paid Mr Vincent Tchenguiz and his business entities the total sum of £3m in full and final settlement of their civil claims. The SFO also paid £3m on account against the costs incurred by Mr Vincent Tchenguiz. The SFO paid Mr Robert Tchenguiz, R20 and the Trustee the total sum of £1.5m in full and final settlement.

The settlement of these claims means that the civil damages actions against the SFO relating to the searches and arrests of Vincent and Robert Tchenguiz are concluded. Further payments on account for costs were made in July 2015 of £1m to Mr Vincent Tchenguiz and £3m to Mr Robert Tchenguiz bringing the total costs paid to date of £7m. Final settlement of outstanding cost liabilities is expected to be made in 2015-16.

#### OTHER

Following the data loss reported in 2013, the Information Commissioner's Office investigated the SFO and a fine of £180,000 was imposed and accepted. Early payment reduced the amount payable to £144,000.

10. The Code for Crown Prosecutors

## GOVERNANCE STATEMENT

### MINISTERIAL DIRECTIONS AND MACHINERY OF GOVERNMENT CHANGES

There were no ministerial directions given or Machinery of Government changes during 2014-15.

### MAKING SURE THAT WE DO WHAT WE NEED TO DO

The Director, as Accounting Officer, is responsible for reviewing the effectiveness of the system of internal control. The main elements of the organisation's control framework include:

- a clearly defined 'Statement of Accounting Officer's Responsibilities' (see page 21 of this Annual Report and Accounts);
- a Management Board with clear terms of reference and a defined membership, including independent NEDs, which meets regularly to consider the strategic direction and operational needs of the SFO;
- an A&RC chaired by a NED with clear terms of reference and defined membership, which meets four times a year to consider the reliability of assurances and to oversee the internal and external auditing arrangements, plans and results;
- a SCS Group which comprises all senior managers whose function is to review performance and to resolve issues to make sure that the SFO delivers its objectives;
- a bought-in internal audit service (provided by HMRC) which conducts an annual programme of specific reviews drawn up on a risk analysis basis, agreed by the A&RC and a complementary internal quality assurance team;
- the Chair of the A&RC has regular bilateral meetings with both the HMRC Internal Audit Manager and the NAO Audit Director who have responsibility for the SFO;
- detailed guide on standards of behaviour and conduct, the SFO's whistle-blowing policy, a clear corporate policy to combat fraud, and zero tolerance of dishonesty;
- an Operational Handbook which has been reviewed and updated, and will continue to be on an on-going basis. This covers all casework processes, procedures and best practice;
- a clear structure of delegated responsibility; with all roles having been reviewed and responsibilities

having been defined;

- a framework of financial regularity and propriety supported by a Finance Manual which provides clear financial policies and protocols. This also includes a register of gifts and hospitality for all staff; and,
- formally delegated budgets with clearly defined budgetary responsibilities for all senior budget holders.

### CABINET OFFICE RULES FOR INFORMATION ASSURANCE

The SFO applies the Cabinet Office rules for information assurance and complies with the Security Policy Framework for the protection of physical security.

All laptops and other devices which are taken out of the office are encrypted and all IT equipment has its data ports disabled to prevent unauthorised copying of data, and minimise the risk of cyber-attacks. Heads of Divisions and other senior managers fulfil the role of information asset owners and are responsible for ensuring that all information is suitably protected at all times. There is a system to provide exemptions if unencrypted data needs to be taken off the premises.

From 1 April 2013, all SCS in the SFO were appointed Information Asset Owners and required to submit quarterly returns to the SIRO on data losses or incidents within their areas of responsibility. All staff within the SFO are required to complete levels one, two or three of the on-line Responsible for Information training, depending on their level of seniority and responsibility. Compliance with this requirement is monitored by the SIRO.

### WHISTLEBLOWING

During the year, the Public Accounts Committee (PAC) issued a series of recommendations to the Government in relation to whistleblowing. The Government accepted the majority of these in a response to the PAC in December 2014. Following this, and as part of a cross-governmental approach, the SFO has revised its whistleblowing policy to incorporate the accepted

recommendations and ensure a consistent cross-Civil Service standard on whistleblowing. In line with the PAC recommendations that have been accepted, arrangements have been put in place for the Management Board and A&RC to consider whistleblowing regularly.

### INSPECTION

Until 12 March 2014, inspections were undertaken by invitation of the Director. The Anti-Social Behaviour, Crime and Policing Act 2014 contains a clause providing Her Majesty's Crown Prosecution Service Inspectorate (HMCPsi) with the statutory powers to inspect the SFO. This provision came into effect in June 2014.

In November 2012, HMCPsi published its first report on the SFO which made eight recommendations. The Director invited the Chief Inspector to conduct a follow-up inspection in the autumn of 2013 to examine the progress made. The follow-up report was published in November 2014. The report provided a snapshot of the SFO in late 2013, and recognised the scale and pace of the changes which were taking place at the time. It made clear how much had already been achieved by staff and management across the SFO to overhaul structures and processes, and anticipated the achievements that have been made since.

### QUALITY ASSURANCE

The Head of Strategic Relations reports to the Director on assurance in the SFO. Quality assurance provides the Director with an effective and robust function that ensures the SFO's processes and procedures are fit for purpose and that best practice is shared across the Office. A rolling programme of work, developed using a risk-based approach, is agreed with the Director.

The remit of quality assurance extends to all aspects of the business, including casework and the quality of decision making. Close working with the SFO's internal auditors ensures review activity is efficiently co-ordinated and avoids duplication.

There is an external role for the quality assurance team in relation to HMCPsi. This includes the facilitation of inspections and the development of action plans relating to the implementation of recommendations.

### REVIEW OF EFFECTIVENESS

The Director, as Accounting Officer, is responsible for reviewing the effectiveness of the system of internal control. His review of its effectiveness is informed by the work of the internal auditors and the quality assurance manager (who is responsible for developing and maintaining the internal control framework) and comments made by the external auditors in their Audit Completion Report and other reports. The Head of Internal Audit (HIA) provides an annual Report and Opinion on the adequacy and effectiveness of the SFO's framework of governance, risk management and controls. For 2014-15 the HIA has reported Satisfactory Assurance for all three.

The Management Board and A&RC have advised the Director on the effectiveness of the system of internal control. There is a continuing plan to address weaknesses and make sure that the system is continuously improved.

Measures in place include:

- regular reports by the internal auditors, based on the annual Internal Audit Plan, and in line with the Government Internal Audit Standards, together with any recommendations for improvement;
- improved business and strategic planning processes;
- improved data security procedures and supporting communications;
- regular reports from the chair of the A&RC to the Management Board; and,
- regular advice on the effectiveness of the system of internal control.

**DAVID GREEN CB QC**  
**Accounting Officer**  
14 July 2015

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

I certify that I have audited the financial statements of the Serious Fraud Office for the year ended 31 March 2015 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. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### **RESPECTIVE RESPONSIBILITIES OF THE ACCOUNTING OFFICER AND AUDITOR**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, 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 Department's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; 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 Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also 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 Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2015 and shows that those totals have not been exceeded; and,
- 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 Department's affairs as at 31 March 2015 and of its 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, strategic report, Director's report and sustainability report 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

I have no observations to make on these financial statements.

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**  
14 July 2015

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

## STATEMENT OF PARLIAMENTARY SUPPLY

### SUMMARY OF RESOURCE AND CAPITAL OUTTURN 2013-14

£000	2013-15								2013-14
	Estimate				Outturn			Voted outturn compared with Estimate: saving/ (excess)	Outturn
	Note	Voted	Non Voted	Total	Voted	Non Voted	Total		Total
Departmental Expenditure Limit									
- Resource	2.1	57,711	-	57,711	54,762	-	54,762	2,949	51,715
- Capital	2.2	2,570	-	2,570	2,373	-	2,373	197	1,295
Annually Managed Expenditure									
- Resource	2.1	19,000	-	19,000	13,885	-	13,885	5,115	(336)
<b>Total Budget</b>		<b>79,281</b>	<b>-</b>	<b>79,281</b>	<b>71,020</b>	<b>-</b>	<b>71,020</b>	<b>8,261</b>	<b>52,674</b>
Total Resource		76,711	-	76,711	68,647	-	68,647	8,064	51,379
Total Capital		2,570	-	2,570	2,373	-	2,373	197	1,295
<b>Total</b>		<b>79,281</b>	<b>-</b>	<b>79,281</b>	<b>71,020</b>	<b>-</b>	<b>71,020</b>	<b>8,261</b>	<b>52,674</b>

### NET CASH REQUIREMENT 2014-15

£000	2013-14				2012-13
	Note	Estimate	Outturn	Outturn compared with Estimate: saving/ (excess)	Outturn
Net Cash Requirement	4	59,219	55,835	3,384	51,394

### ADMINISTRATION COSTS 2014-15

£000	2013-14				2012-13
	Note	Estimate	Outturn	Outturn compared with Estimate: saving/ (excess)	Outturn
Net Cash Requirement	3.2	7,351	6,237	1,114	7,281

Explanation of variances between Estimate and Outturn are given in Note 2 and in the Management Commentary. The notes on pages 44 to 59 form part of these accounts.

## **SOPS1. STATEMENT OF ACCOUNTING POLICIES**

The Statement of Parliamentary Supply and supporting notes have been prepared in accordance with the 2014-15 Government Financial Reporting Manual (FReM) issued by HM Treasury. The Statement of Parliamentary Supply accounting policies contained in the FReM are consistent with the requirements set out in the 2014-15 Consolidated Budgeting Guidance and Supply Estimates Guidance Manual.

### **SOPS1.1 ACCOUNTING CONVENTION**

The Statement of Parliamentary Supply and related notes are presented consistently with Treasury budget control and Supply Estimates. The aggregates across government are measured using National Accounts, prepared in accordance with the internationally agreed framework 'European System of Accounts' (ESA95). ESA95 is in turn consistent with the System of National Accounts (SNA93), which is prepared under the auspices of the United Nations.

The budgeting system, and the consequential presentation of Supply Estimates and the Statement of Parliamentary Supply and related notes have different objectives from IFRS-based accounts. The system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant Parliamentary authority, in support of the Government's fiscal framework. The system provides incentives to departments to manage spending well so as to provide high quality public services that offer value for money to the taxpayer.

The Government's objectives for fiscal policy are set out in the Charter for Budget Responsibility. These are to:

- ensure sustainable public finances that support confidence in the economy, promote intergenerational fairness, and ensure the effectiveness of wider government policy; and,
- support and improve the effectiveness of monetary policy in stabilising economic fluctuations.

### **SOPS1.2 COMPARISON WITH IFRS-BASED ACCOUNTS**

Many transactions are treated in the same way in National Accounts and IFRS-based accounts, but there are a number of differences.

### **SOPS1.3 PRIOR PERIOD ADJUSTMENTS (PPAs)**

PPAs resulting from an error in previous recording, or from an accounting policy change initiated by the department, need to be voted by Parliament in the current year, whereas in IFRS-based accounts (IAS 8) they are treated as adjustments from previous years. (PPAs resulting from a change in accounting policy brought in by a new or modified accounting standard are not included in Estimates, so there is no misalignment.)

### **SOPS1.4 RECEIPTS IN EXCESS OF HM TREASURY AGREEMENT**

This applies where HM Treasury has agreed a limit to income retainable by the department, with any excess income scoring outside of budgets, and consequently outside of the Statement of Parliamentary Supply. IFRS-based accounts will record all of the income, regardless of the budgetary limit. This situation may arise in the following areas: (i) profit/loss on disposal of assets; (ii) income generation above department Spending Review settlements; and (iii) income received above netting-off agreements.

### **SOPS1.5 CIVIL RECOVERY RECEIPTS**

SFO receipts from the Asset Recovery Incentivisation Scheme (ARIS) for Civil Recovery and Confiscation Orders are recognised at the point that settlement is confirmed by the Courts. Payment of the SFO's cash share of ARIS receipts is made following the transfer of the settlement to the Home Office.



**NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS  
(STATEMENT OF PARLIAMENTARY SUPPLY)**

**SOPS1.6 PROVISIONS - ADMINISTRATION AND PROGRAMME EXPENDITURE**

Provisions recognised in IFRS-based accounts are not recognised as expenditure for national accounts purposes until the actual payment of cash (or accrued liability) is recognised. To meet the requirements of both resource accounting and national accounts, additional data entries are made in the Statement of Parliamentary Supply across

AME and DEL control totals, which do not affect the Statement of Comprehensive Net Expenditure. As the Administration control total is a sub-category of DEL, Administration and Programme expenditure reported in the Statement of Parliamentary Supply will differ from that reported in the IFRS-based accounts. A reconciliation is provided in SoPS note 3.2.

**SOPS2. NET OUTTURN**

**SOPS2.1 ANALYSIS OF NET RESOURCE OUTTURN BY SECTION**

£000	2014-15								2013-14
	Outturn						Estimate		Outturn
	Administration			Programme					
	Gross	Income	Net	Gross	Income	Net	Net Total	Net total compared to Estimate	Total
<b>Spending in Departmental Expenditure Limit Voted:</b>									
A Investigations & Prosecutions	6,237	-	6,237	50,200	(1,675)	48,525	57,711	2,949	<b>44,434</b>
<b>Voted:</b>									
B New provision and adjustment to existing provisions	-	-	-	13,885	-	13,885	19,000	5,115	(336)
<b>Total</b>	<b>6,237</b>	<b>-</b>	<b>6,237</b>	<b>64,085</b>	<b>(1,675)</b>	<b>62,409</b>	<b>76,711</b>	<b>8,064</b>	<b>44,098</b>

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

There has been an overall underspend of £8,064k against the Estimate. £2,949k of this was within DEL, this is largely due to increased income of £1,675k.

NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS  
(STATEMENT OF PARLIAMENTARY SUPPLY)

SOPS2.2 ANALYSIS OF NET CAPITAL OUTTURN BY SECTION

£000	2014-15								2013-14 Outturn
	Outturn						Estimate		
	Administration			Programme			Estimate		
	Gross	Income	Net	Gross	Income	Net	Net Total	Net total compared to Estimate	
<b>Spending in Departmental Expenditure Limit</b>									
A Investigations & Prosecutions	-	-	-	2,373	-	2,373	2,570	197	1,295
<b>Total</b>	-	-	-	<b>2,373</b>	-	<b>2,373</b>	<b>2,570</b>	<b>197</b>	<b>1,295</b>

SOPS3. RECONCILIATION OF OUTTURN TO NET OPERATING COST  
AND AGAINST ADMINISTRATION BUDGET

SOPS3.1 RECONCILIATION OF NET RESOURCE OUTTURN TO NET OPERATING COST

	Note	2014-15 £000	2013-14 £000
		Outturn	Outturn
Total resource outturn in Statement of Parliamentary Supply	2	68,647	51,379
Less income payable to the Consolidated Fund	5	(3,051)	-
<b>Net Operating Cost in Statement of Comprehensive Net Expenditure</b>		<b>65,596</b>	<b>51,379</b>

NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS  
(STATEMENT OF PARLIAMENTARY SUPPLY)

**SOPS3.2 OUTTURN AGAINST FINAL ADMINISTRATION  
BUDGET AND ADMINISTRATION NET OPERATING COSTS**

	2014-15 £000	2013-14 £000
	Outturn	Outturn
Estimate - Administration costs limit	7,351	7,900
Outturn – Gross administration costs	6,237	7,281
Outturn – Income relating to administration costs		-
Outturn – Net administration costs	6,237	7,281
Reconciliation to operating costs:		
Less: provisions utilised (transfer from Programme)	(238)	(332)
Less: Other	6	85
<b>Administration Net Operating Costs</b>	<b>6,005</b>	<b>7,034</b>

**SOPS4. RECONCILIATION OF NET RESOURCE OUTTURN TO NET CASH REQUIREMENT**

				2014-15 £000	2013-14 £000
	Note	Estimate	Outturn	Net total outturn compared with Estimate: saving / (excess)	Outturn
<b>Net Resource Outturn</b>	2.1	76,711	68,647	8,064	51,379
Capital					
Capital outturn	2.2	2,570	2,373	197	1,295
<b>Accruals to cash adjustments</b>					
Depreciation	6,7	(2,062)	(1,908)	(154)	(1,631)
New Provisions and adjustments to previous provisions	14	(19,000)	(14,345)	(4,655)	(443)
(Increase) / Decrease in payables		1,000	(658)	1,658	343
Increase / (Decrease) in receivables			2,306	(2,306)	(252)
Other non cash items			(200)	200	(76)
Use of Provision	14		460	(460)	779
Adjustment for CFER payable			(3,051)	3,051	-
Adjustment for CFER paid over			2,211	(2,211)	-
<b>Net cash requirement</b>		<b>59,219</b>	<b>55,835</b>	<b>3,384</b>	<b>51,394</b>

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

The net resource outturn variance is £8,064k after taking account of variances on capital acquisitions, movements on non-cash items and reductions in current liabilities including provisions the cash requirement variance for the year was £3,384k.

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

**SOPS5. INCOME PAYABLE TO THE CONSOLIDATED FUND**

In addition to income retained by the Department, the following income is payable to the Consolidated Fund (cash receipts are shown in italics).

	2014-15 Outturn		Receivables	2013-14 £000	
	£000	£000		Outturn	
Income Receipts	Income	Receipts			
Income outside the ambit of the Estimate *	(3,051)	(2,211)	(840)		-
Excess Cash surrenderable to the Consolidated Fund					
<b>Total amount payable to the Consolidated Fund</b>	<b>(3,051)</b>	<b>(2,211)</b>	<b>(840)</b>		<b>-</b>

\* Income outside the ambit of the Estimate relate to the Asset Recovery Incentivisation scheme (ARIS). This scheme permits investigators and prosecutors to receive a percentage of confiscated criminal assets and income from civil settlements. As an income stream it is unpredictable in both timing and amount. The SFO reached an agreement with HM Treasury to convert future assumed ARIS income into baseline funding.

## STATEMENT OF COMPREHENSIVE NET EXPENDITURE

For the year ended 31 March 2014.

£000	2014-15		2013-14
	Note	Department Total	Department Total
<b>Administration Costs</b>			
Staff costs	2	3,869	4,109
Other costs	3	2,136	2,925
Income			
<b>Programme expenditure</b>			
Staff costs	2	20,150	16,926
Other costs	4	44,167	27,845
Income	5	(4,726)	(426)
<b>Net Operating Cost for the year ended 31 March 2015</b>		<b>65,596</b>	<b>51,379</b>
Total expenditure		70,322	51,805
Total income	5	(4,726)	(426)
<b>Net Operating Cost for the year ended 31 March 2015</b>		<b>65,596</b>	<b>51,379</b>
<b>Other comprehensive Net Expenditure</b>			
Items that will not be reclassified to operating costs:			
Net (gain) / loss on:			
- revaluation of property, plant & equipment		-	-
<b>Total comprehensive expenditure for the year ended 31 March 2015</b>		<b>65,596</b>	<b>51,379</b>

The notes on pages 43 to 59 form part of these accounts.

## STATEMENT OF FINANCIAL POSITION

As at 31 March 2015.

£000	2014-15		2013-14
	Note	Department Total	Department Total
<b>Non-current assets:</b>			
Property, plant and equipment	6	3,517	2,458
Intangible assets	7	1,195	1,789
Trade and other receivables	12	56	35
<b>Total non-current assets</b>		<b>4,768</b>	<b>4,282</b>
<b>Current assets:</b>			
Trade and other receivables	12	3,445	1,160
Cash and cash equivalents	11	897	659
<b>Total current assets</b>		<b>4,342</b>	<b>1,819</b>
<b>Total assets</b>		<b>9,110</b>	<b>6,101</b>
<b>Current liabilities:</b>			
Trade and other payables	13	(6,093)	(4,218)
Provisions	14	(14,633)	(557)
<b>Total current liabilities</b>		<b>(20,726)</b>	<b>(4,775)</b>
<b>Non-current assets plus/less net current assets/liabilities</b>		<b>(11,616)</b>	<b>1,326</b>
<b>Non-current liabilities</b>			
Trade and other payables	13	-	-
Provisions	14	(178)	(369)
<b>Total non-current liabilities</b>		<b>(178)</b>	<b>(369)</b>
<b>Assets less liabilities</b>		<b>(11,794)</b>	<b>957</b>
<b>Taxpayers' equity and other reserves:</b>			
General fund		(11,905)	817
Revaluation reserve		111	140
<b>Total equity</b>		<b>(11,794)</b>	<b>957</b>

The notes on pages 43 to 59 form part of these accounts.

**David Green CB QC**  
**Accounting Officer**  
 July 2015.

## STATEMENT OF CASH FLOWS

For the year ended 31 March 2014.

£000	2014-15		2013-14
	Note	Department Total	Department Total
<b>Cash flows from operating activities</b>			
Net operating cost		(65,596)	(51,379)
Adjustments for non-cash transactions	3,4	16,316	2,155
(Increase)/Decrease in trade and other receivables	12	(2,306)	252
less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure		(0)	-
Increase/(Decrease) in trade payables	13	1,875	(1,154)
less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		(1,217)	810
Use of provisions	14	(460)	(779)
<b>Net cash outflow from operating activities</b>		<b>(51,388)</b>	<b>(50,095)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(2,044)	(1,139)
Purchase of intangible assets	7	(192)	(160)
<b>Net cash outflow from investing activities</b>		<b>(2,236)</b>	<b>(1,299)</b>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply)- current year		56,073	50,567
Advances from the Contingencies Fund		26,500	11,000
Repayments to the Contingencies Fund		(26,500)	(11,000)
<b>Net financing</b>		<b>56,073</b>	<b>50,567</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>		<b>2,449</b>	<b>(827)</b>
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		-	-
Payments of amounts due to the Consolidated Fund		(2,211)	-
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>		<b>238</b>	<b>(827)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	11	<b>659</b>	<b>1,486</b>
<b>Cash and cash equivalents at the end of the period</b>	11	<b>897</b>	<b>659</b>

The notes on pages 43 to 59 form part of these accounts.

## STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

For the year ended 31 March 2014.

£000	Note	General Fund	Revaluation Reserve	Total Reserves
<b>Balance at 31 March 2013</b>				
Changes in accounting policy		682	200	882
<b>Restated balance at 1 April 2013</b>		<b>682</b>	<b>200</b>	<b>882</b>
Net Parliamentary Funding - drawn down		50,567		50,567
Net Parliamentary Funding – deemed		1,486		1,486
Supply payable/(receivable) adjustment		(659)		(659)
Comprehensive Net Expenditure for the Year		(51,379)		(51,379)
<b>Non-Cash Adjustments</b>				
Non-cash charges - auditor's remuneration	3	60		60
<b>Movements in Reserves</b>				
Transfer between reserves		60	(60)	-
<b>Balance at 31 March 2014</b>		<b>817</b>	<b>140</b>	<b>957</b>
Net Parliamentary Funding – drawn down		56,073		56,073
Net Parliamentary Funding – deemed		659		659
Supply payable/(receivable) adjustment	13(a)	(897)		(897)
CFERS payable to the Consolidated Fund		(3,051)		(3,051)
Comprehensive Net Expenditure for the Year		(65,596)		(65,596)
<b>Non-Cash Adjustments</b>				
Non-cash charges – auditor's remuneration	3	60		60
<b>Movements in Reserves</b>				
Transfer between reserves		30	(29)	1
<b>Balance at 31 March 2015</b>		<b>(11,905)</b>	<b>111</b>	<b>(11,794)</b>

The notes on pages 43 to 59 form part of these accounts.



**1. STATEMENT OF ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with the 2014-15 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Serious Fraud Office for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Serious Fraud Office are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires the Department to prepare one additional primary statement. The Statement of Parliamentary Supply and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement.

**1.1 ACCOUNTING CONVENTION**

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

**1.2 FINANCIAL INSTRUMENTS**

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

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

***Borrowings***

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

***Trade receivables***

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

***Cash and cash equivalents***

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

***Trade payables***

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

**1.3 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS**

The Department does not own any freehold land or buildings.

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

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

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

**1.4 REVALUATION RESERVE**

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

## NOTES TO THE DEPARTMENTAL ACCOUNTS

### 1.5 DEPRECIATION AND AMORTISATION

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

of acquisition up to and including the month of disposal.

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

PROPERTY, PLANT AND EQUIPMENT	
Improvements to leasehold property	Over the unexpired term of the lease
Information Technology	5 years
Furniture and fittings	10 years or over the unexpired term of the property lease (whichever is the shorter)
Intangible assets	
Software Licenses	5 years or over the unexpired term of the related software license (whichever is the shorter)
Information Technology	5 years or over the unexpired term of the related software license (whichever is the shorter)
Website Costs	5 years

Development expenditure is not amortised until the assets are brought into use, at which point amortisation is applied in accordance with the asset category to which the asset is transferred on coming into use.

### 1.6 COSTS AWARDED TO THE SERIOUS FRAUD OFFICE (SFO)

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

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

Where costs are awarded, they are shown as receivables on the Statement of Financial Position. Where they may not be recovered without leave of the court, full provision is made against them

until leave is obtained. In other cases, the SFO makes a judgement on the likelihood of costs being recovered based on the circumstances of each case, and may make provisions accordingly. In practice, full provision is made one year after the debt becomes due except where the defendant is making regular payments to the SFO. Where costs are subject to appeal proceedings, full provision is made against them until all proceedings are finally determined. Subsequent treatment of these receivables and provisions will depend on the outcome of the proceedings.

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

### 1.7 COSTS AWARDED AGAINST THE SFO

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

### 1.8 CIVIL RECOVERY RECEIPTS

SFO receipts from the Asset Recovery Incentivisation Scheme (ARIS) for Civil Recovery and Confiscation Orders are recognised at the point that settlement is confirmed by the Courts. Payment of the SFO's cash share of ARIS receipts is made following the transfer of the settlement to the Home Office.

### 1.9 OTHER INCOME

Any amounts relating to other income not covered above is recognised at the point of payment and includes both budgetary and non-budgetary income. Non-budgetary income is outside the ambit of the Department and is surrenderable to the Consolidated Fund as CFER, refer to SoPS 5.1.

### 1.10 ADMINISTRATION AND PROGRAMME EXPENDITURE

The Statement of Comprehensive Net Expenditure is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or as programme follows the definition of administration costs set out in the Consolidated Budgeting guidance issued by HM Treasury.

#### ADMINISTRATION COSTS

Administration costs reflect the costs of running the Department.

#### PROGRAMME COSTS

Programme costs reflect non-administration costs. They represent the direct cost and associated overheads of prosecution. These costs include the employment of counsel and reimbursements paid to witnesses for costs incurred through their attendance at court. Associated overheads include rental and other accommodation costs.

### 1.11 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.

### 1.12 PENSIONS

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit scheme within the PCSPS is unfunded and is contributory. The Department recognises the expected cost of future pension liabilities in a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the scheme.

### 1.13 PROVISIONS – EARLY DEPARTURE COSTS

Under the previous Civil Service Compensation Scheme (in place until 22 December 2010) the Department was required to meet the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date.

Under the new Civil Service Compensation Scheme, the Department pays a lump sum to PCSPS to cover these costs in full following agreement of an individual's departure rather than on an ongoing basis. Therefore these transactions are expensed when they occur rather than being recognised as provisions.

The provision recognised for early retirement therefore reflects costs associated with staff who retired before the transition to the new Civil Service Compensation Scheme. The Department provided for these payments in full when the early retirement programme became binding by establishing a provision for the estimated future payments. These have not been discounted. The provision is written off to the Statement of Comprehensive Net Expenditure, as and when the liabilities materialise.

### 1.14 PROVISIONS – LEGAL AND OTHER

The Department provides for legal and constructive

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

### 1.15 OPERATING LEASES

Operating lease rentals and lease incentives are charged to the Statement of Comprehensive Net Expenditure in equal amounts over the lease term. The Department currently holds operating leases for premises as well as reprographic equipment.

### 1.16 VALUE ADDED TAX (VAT)

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

### 1.17 THIRD PARTY ASSETS

The Department may seize monetary assets. If the Department retains any monetary assets, it invests the sums in an interest-bearing account. The principal and the interest earned are held on behalf of the third party and are not a part of the Department's accounts.

### 1.18 CONTINGENT LIABILITIES

In addition to contingent liabilities disclosed in accordance with IAS 37, the Department discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Managing Public Money. Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted

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

### 1.19 DISCLOSURE POLICY ON LOSSES AND SPECIAL PAYMENTS

Costs awarded against the SFO due to inadequacy on the part of the SFO are included within the losses and special payments note to the accounts. Cost awards against the SFO that do not fall within this category are excluded as these are within the ambit of the SFO.

### 1.20 AREAS OF JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Provisions are a source of material uncertainty that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year have been identified.

### 1.21 IMPENDING APPLICATION OF NEWLY ISSUED ACCOUNTING STANDARDS NOT YET EFFECTIVE

The Department has reviewed the IFRSs in issue but not yet effective, to determine if it needs to make any disclosures in respect of those new IFRSs that are or will be applicable. References to 'new IFRSs' includes new Interpretations and any new amendments to IFRSs and Interpretations. It has been determined that there are no new IFRSs which will have a significant impact on the Department's financial statements.

## NOTES TO THE DEPARTMENTAL ACCOUNTS

### 1.22 OPERATING SEGMENTS

The Department does not have any operating segments to report.

### 2. (A) STAFF NUMBERS AND RELATED COSTS

#### STAFF COSTS COMPRISE:

	2014-15 £000			2013-14 £000
	Permanently employed staff	Others	Total	Total
Wages and salaries	15,144	4,646	19,790	17,398
Social security costs	1,295	-	1,295	1,156
Other pension costs	2,934	-	2,934	2,481
Sub Total	<b>19,373</b>	<b>4,646</b>	<b>24,019</b>	<b>21,035</b>
Less recoveries in respect of outward secondments	-	-	-	-
<b>Total net costs *</b>	<b>19,373</b>	<b>4,646</b>	<b>24,019</b>	<b>21,035</b>

\* Of which

Charged to administration costs	3,869
Charged to programme costs	20,150
	<u>24,019</u>

£14k (2013-14: £48k) of staff costs have been capitalised and are not included in the figures above.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme, but the SFO is unable to identify its share of the underlying assets and liabilities. The scheme's actuary valued the scheme as at 31 March 2012. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation at: ([www.civilservice.gov.uk/pensions](http://www.civilservice.gov.uk/pensions)).

For 2014-15, employers' contributions of £2,883k were payable to the PCSPS (2013-14: £2,447k) 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 usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2014-15 to be paid when the members retire 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 £29,792 (2013-14: £16,970) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £nil (2013-14: £nil), 0.8% of pensionable pay, were payable 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 due to the **partnership** pension providers at the balance sheet date were £nil. (2013-14: £nil). Contributions prepaid at that date were £nil (2013-14: £nil).

## NOTES TO THE DEPARTMENTAL ACCOUNTS

### 2. (B) AVERAGE NUMBER OF EMPLOYEES

The average number of full-time equivalent employees during the year was as follows:

	2014-15 £000			2013-14 £000
	Permanently employed staff	Fixed Term Appointments	Other	Total
Serious Fraud Office	332	22	69	423
<b>Total</b>	<b>332</b>	<b>22</b>	<b>69</b>	<b>423</b>

### 2.(C) REPORTING OF CIVIL SERVICE AND OTHER COMPENSATION SCHEMES – REDUNDANCY AND EXIT PACKAGES

	2014-15		2013-14
	Number of compulsory redundancies	Number of other departures agreed	Total number by cost band
<£10,000	-	-	-
£10,000 - £25,000	-	-	2
£25,000 - £50,000	-	-	5
£50,000 - £100,000	-	-	4
£100,000 - £150,000	-	-	1
£450,000-£475,000	-	-	-
Total Number of exit packages	-	-	<b>12</b>
<b>Total cost (£000)</b>	-	-	<b>671</b>

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the Department has agreed early retirements, the additional costs are met by the Department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

## NOTES TO THE DEPARTMENTAL ACCOUNTS

### 3. OTHER ADMINISTRATION COSTS

	Note	2014-15 £000	2013-14 £000
<b>Rentals under operating leases:</b>		184	253
<b>Non-cash items:</b>			
Depreciation	6	133	137
Amortisation	7	121	134
Auditor's remuneration and expenses		60	60
Write back's / write-offs		(31)	80
Amounts provided for early departure costs	14	4	5
Amounts provided for Dilapidations	14		
Loss on disposal of property, plant and equipment			
		287	416
<b>Other expenditure:</b>			
General Administration		922	851
VAT, Penalty & Interest		-	668
IT costs		485	407
Other accommodation costs		210	235
Travel and subsistence		38	45
Consultancy		7	48
Hospitality		3	2
		1,665	2,256
<b>Total</b>		<b>2,136</b>	<b>2,925</b>

## NOTES TO THE DEPARTMENTAL ACCOUNTS

### 4. PROGRAMME COSTS

	Note	2014-15 £000	2013-14 £000 RESTATED*
<b>Rentals under operating leases:</b>		1,652	1,522
<b>Non-cash items:</b>			
Depreciation	6	971	707
Amortisation	7	683	653
Amounts provided for Dilapidations	14	23	22
Amounts provided for legal provisions	14	14,352	336
Loss on disposal of property, plant, and equipment		-	21
		16,029	1,739
<b>Other expenditure:</b>			
Civil Litigation		4,549	10,499*
Counsel costs		8,248	8,426
IT costs		2,489	2,271
Other accommodation costs		1,421	1,581
Other programme costs		1,006	886*
General Administration		722	548
Costs awarded against the SFO		7,725	136
Travel and subsistence		315	216
Investigating Accountants costs		8	19
Hospitality		3	2
		26,486	24,584
<b>Total</b>		<b>44,167</b>	<b>27,845</b>

\*switch of £84k between Civil Litigation and Other programme costs due to incorrect classification.

### 5. INCOME

	2014-15 £000	2013-14 £000
Civil recoveries	-	-
Costs awards	1,544	418
Other income	131	-
Incentivisation	-	8
<b>Total income within the Departments ambits</b>	<b>1,675</b>	<b>426</b>
<b>Payable to the Consolidated Fund</b>		
Consolidated Fund Extra Receipts *	<b>3,051</b>	-
<b>Total Operating Income</b>	<b>4,726</b>	<b>426</b>

\* Analysis of income payable to the Consolidated Fund shown at SoPS 5.



## NOTES TO THE DEPARTMENTAL ACCOUNTS

### 6. PROPERTY, PLANT AND EQUIPMENT 2014-15

Asset financing: All assets are owned.

	Improvements to Leasehold Property £000	Information Technology £000	AUC £000	Total £000
<b>Cost or valuation</b>				
At 1 April 2014	1,668	3,260	-	<b>4,928</b>
Additions	105	2,058	-	<b>2,163</b>
Disposals	-	-	-	-
Reclassifications	-	-	-	-
Revaluations	-	-	-	-
<b>At 31 March 2015</b>	<b>1,773</b>	<b>5,318</b>	-	<b>7,091</b>
<b>Depreciation</b>				
At 1 April 2014	316	2,154	-	<b>2,470</b>
Charged in year	464	640	-	<b>1,104</b>
Disposals	-	-	-	-
Reclassifications	-	-	-	-
Revaluations	-	-	-	-
<b>At 31 March 2015</b>	<b>780</b>	<b>2,794</b>	-	<b>3,574</b>
<b>Net book value at 31 March 2015</b>	<b>993</b>	<b>2,524</b>	-	<b>3,517</b>
<b>Net book value at 31 March 2014</b>	<b>1,352</b>	<b>1,106</b>	-	<b>2,458</b>

### PROPERTY, PLANT AND EQUIPMENT 2013-14

Asset financing: All assets are owned.

	Improvements to Leasehold Property £000	Information Technology £000	AUC £000	Total £000
<b>Cost or valuation</b>				
At 1 April 2013	916	3,027	16	<b>3,959</b>
Additions	752	404	-	<b>1,156</b>
Disposals	-	(116)	-	<b>(116)</b>
Reclassifications	-	(55)	(16)	<b>(71)</b>
Revaluations	-	-	-	-
<b>At 31 March 2014</b>	<b>1,668</b>	<b>3,260</b>	-	<b>4,928</b>
<b>Depreciation</b>				
At 1 April 2013	80	1,665	-	<b>1,745</b>
Charged in year	236	608	-	<b>844</b>
Disposals	-	(95)	-	<b>(95)</b>
Reclassifications	-	(24)	-	<b>(24)</b>
Revaluations	-	-	-	-
<b>At 31 March 2014</b>	<b>316</b>	<b>2,154</b>	-	<b>2,470</b>
<b>Net book value at 31 March 2014</b>	<b>1,352</b>	<b>1,106</b>	-	<b>2,458</b>
<b>Net book value at 31 March 2013</b>	<b>836</b>	<b>1,362</b>	<b>16</b>	<b>2,214</b>

## NOTES TO THE DEPARTMENTAL ACCOUNTS

### RECONCILIATION OF CASH FLOWS TO PROPERTY, PLANT AND EQUIPMENT ADDITIONS

	2014-15 £000	2013-14 £000
Total property, plant and equipment additions	2,163	1,156
Opening property, plant and equipment accrual	97	80
Closing property, plant and equipment accrual	(216)	(97)
<b>Cash flows for property, plant and equipment additions</b>	<b>2,044</b>	<b>1,139</b>

### 7. INTANGIBLE ASSETS 2014-15

	Information Technology £000	Software Licenses £000	Website Costs £000	Development Expenditure £000	Total £000
<b>Cost or valuation</b>					
At 1 April 2014	7,570	1,189	358	76	9,193
Additions	-	194	-	16	210
Disposals	(4,032)	(420)	-	-	(4,452)
Write-back	-	-	-	-	-
Reclassifications	62	-	-	(62)	-
<b>At 31 March 2015</b>	<b>3,600</b>	<b>963</b>	<b>358</b>	<b>30</b>	<b>4,951</b>
<b>Amortisation</b>					
At 1 April 2014	6,058	1,090	256	-	7,404
Charged in year	708	51	45	-	804
Disposals	(4,032)	(420)	-	-	(4,452)
Write-back	-	-	-	-	-
Reclassifications	-	-	-	-	-
<b>At 31 March 2015</b>	<b>2,734</b>	<b>721</b>	<b>301</b>	<b>-</b>	<b>3,756</b>
<b>Net book value at 31 March 2015</b>	<b>866</b>	<b>242</b>	<b>57</b>	<b>30</b>	<b>1,195</b>
<b>Net book value at 31 March 2014</b>	<b>1,512</b>	<b>99</b>	<b>102</b>	<b>76</b>	<b>1,789</b>

## NOTES TO THE DEPARTMENTAL ACCOUNTS

### INTANGIBLE ASSETS 2013-14

	Information Technology £000	Software Licenses £000	Website Costs £000	Development Expenditure £000	Total £000
<b>Cost or valuation</b>					
At 1 April 2013	7,543	1,061	358	-	<b>8,962</b>
Additions	27	57	-	76	<b>160</b>
Disposals	-	-	-	-	-
Write-back	-	-	-	-	-
Reclassifications	-	71	-	-	<b>71</b>
<b>At 31 March 2014</b>	<b>7,570</b>	<b>1,189</b>	<b>358</b>	<b>76</b>	<b>9,193</b>
<b>Amortisation</b>					
At 1 April 2013	5,377	1,017	199	-	<b>6,593</b>
Charged in year	681	49	57	-	<b>787</b>
Disposals	-	-	-	-	-
Write-back	-	-	-	-	-
Reclassifications	-	24	-	-	<b>24</b>
<b>At 31 March 2014</b>	<b>6,058</b>	<b>1,090</b>	<b>256</b>	-	<b>7,404</b>
<b>Net book value at 31 March 2014</b>	<b>1,512</b>	<b>99</b>	<b>102</b>	<b>76</b>	<b>1,789</b>
<b>Net book value at 31 March 2013</b>	<b>2,166</b>	<b>44</b>	<b>159</b>	-	<b>2,369</b>

### RECONCILIATION OF CASH FLOWS TO INTANGIBLE ASSET ADDITIONS

	2014-15 £000	2013-14 £000
Total intangible asset additions	210	160
Opening intangible asset accrual	-	-
Closing intangible asset accrual	(18)	-
<b>Cash flows for intangible assets additions</b>	<b>192</b>	<b>160</b>

## NOTES TO THE DEPARTMENTAL ACCOUNTS

### 8. CAPITAL COMMITMENTS AND OTHER COMMITMENTS

#### 8.1 CAPITAL COMMITMENTS

The Department has no contracted capital commitments (2013-14: £nil).

#### 8.2 COMMITMENTS UNDER LEASES

##### 8.2.1 OPERATING LEASES

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

	2014-15 £000	2013-14 £000
<b>Obligations under operating leases comprise:</b>		
<b>Buildings:</b>		
Not later than 1 year	1,868	1,771
Later than 1 year and not later than 5 years	1,813	3,541
Later than 5 years	-	-
	<b>3,681</b>	<b>5,312</b>
<b>Other:</b>		
Not later than 1 year	74	74
Later than 1 year and not later than 5 years	113	187
Later than 5 years	-	-
	<b>187</b>	<b>261</b>

The building payments relate to three properties leased for office space and business continuity purposes:

- 2-4 Cockspur Street lease commenced on 1 October 2012 and is due to expire on 25 March 2017;
- Spring Park, Corsham, a three-year lease commenced on 16 March 2015 and is due to expire 15 March 2018; and,
- 50 Broadway, a short term lease for 16 weeks commenced on 16 March 2015 and is due to expire on 30 June 2015.

The properties have been assessed against IAS 17 Leases and determined as operating leases and therefore the associated commitments have been recorded in this note.

The SFO entered into one five-year contract on 27 November 2012 and a further two on 1 December 2012 for the provision of reprographic equipment.

### 9. OTHER FINANCIAL COMMITMENTS

The Department has not entered into any non-cancellable contracts which are not leases, PFI contracts or other service concession arrangements.

### 10. FINANCIAL INSTRUMENTS

As the cash requirements of the Department are met through the Estimates process, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a

## NOTES TO THE DEPARTMENTAL ACCOUNTS

similar size. The majority of financial instruments relate to contracts for non-financial items in line with the expected purchase and usage requirements and the Department is therefore not exposed to significant credit, liquidity or market risk.

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

### 11. CASH AND CASH EQUIVALENTS

	2014-15 £000	2013-14 £000
Balance at 1 April	659	1,486
Net change in cash and cash equivalent balances	238	(827)
<b>Balance at 31 March</b>	<b>897</b>	<b>659</b>
The following balances at 31 March were held at:		
Government Banking Service	897	659
Commercial banks and cash in hand		
<b>Balance at 31 March</b>	<b>897</b>	<b>659</b>

### 12. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

#### 12 (A) ANALYSIS BY TYPE

	2014-15 £000	2013-14 £000
<b>Amounts falling due within one year:</b>		
VAT receivable	68	29
Deposits and advances	227	146
Other receivables	49	37
Prepayments and accrued income	1,777	646
Costs awarded to the SFO	1,370	349
Provision for bad and doubtful debt	(46)	(47)
	<b>3,445</b>	<b>1,160</b>

	2014-15 £000	2013-14 £000
<b>Amounts falling due after more than one year:</b>		
Costs awarded to the SFO	56	35

## NOTES TO THE DEPARTMENTAL ACCOUNTS

### 12.(B) INTRA-GOVERNMENT BALANCES

	Amounts falling due within one year		Amounts falling due after more than one year	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014
	£000	£000	£000	£000
Balances with other Central Government bodies	1,094	33	-	-
Balances with bodies external to government	2,351	1,127	56	35
<b>Total</b>	<b>3,445</b>	<b>1,160</b>	<b>56</b>	<b>35</b>

### 13. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

#### 13 (A) ANALYSIS BY TYPE

	2014-15	2013-14
	£000	£000
<b>Amounts falling due within one year:</b>		
VAT Creditor	-	-
Trade payables	528	344
Accruals and deferred income	3,593	3,118
Pension providers	-	-
Non current asset accruals	235	97
Amounts issued from the Consolidated Fund for supply but not spent at year end	897	659
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:		
Received		
Receivable	840	-
	<b>6,093</b>	<b>4,218</b>

### 13.(B) INTRA-GOVERNMENT BALANCES

	Amounts falling due within one year		Amounts falling due after more than one year	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014
	£000	£000	£000	£000
Balances with other Central Government bodies	1,124	564	-	-
Balances with bodies external to government	4,969	3,654	-	-
<b>Total</b>	<b>6,093</b>	<b>4,218</b>	<b>-</b>	<b>-</b>

## NOTES TO THE DEPARTMENTAL ACCOUNTS

### 14. PROVISIONS FOR LIABILITIES AND CHARGES

	Early departure costs £000	Legal Claims £000	Leasehold property dilapidations £000	Other £000	Total £000
Balance at 1 April 2014	487	355	84	-	926
Provided in the year	4	14,045	26	373	14,448
Provisions not required written back	(37)	(66)	-	-	(103)
Provisions utilised in the year	(238)	(222)	-	-	(460)
<b>Balance at 31 March 2015</b>	<b>216</b>	<b>14,112</b>	<b>110</b>	<b>373</b>	<b>14,811</b>
Amounts falling due within one year	148	14,112	-	373	14,633
Amounts falling due after one year	68	-	110	-	178
<b>Total</b>	<b>216</b>	<b>14,112</b>	<b>110</b>	<b>373</b>	<b>14,811</b>

	Early departure costs £000	Legal Claims £000	Leasehold property dilapidations £000	Total £000
Balance at 1 April 2013	739	466	57	1,262
Provided in the year	80	355	27	462
Released in the year	-	19	-	(19)
Provisions utilised in the year	(332)	(447)	-	(779)
<b>Balance at 31 March 2014</b>	<b>487</b>	<b>355</b>	<b>84</b>	<b>926</b>
Amounts falling due within one year	202	355	-	557
Amounts falling due after one year	285	-	84	369
<b>Total</b>	<b>487</b>	<b>355</b>	<b>84</b>	<b>926</b>

#### 14.1 EARLY DEPARTURE COSTS

The provision recognised for early retirement reflects costs associated with staff who retired before the transition to the new Civil Service Compensation Scheme. The Department provided for these payments in full when the early retirement programme became binding by establishing a provision for the estimated future payments. These have not been discounted. The provision is written off to the Statement of Comprehensive Net Expenditure, as and when the liabilities materialise. It is expected that early departure payments will be incurred through to 2017-18.

#### 14.2 LEASEHOLD PROPERTY DILAPIDATIONS

The obligations under the SFO's property leases require the properties to be returned to the landlords in an appropriate condition. A provision has, therefore, been established for the estimated costs of restoring the properties from use for SFO purposes to a state specified within the property leases. The property leases expire in March 2017.

#### 14.3 LEGAL COSTS

The legal costs provision reflects all known legal claims where legal advice indicates that the claim is more likely than not to be successful and the amount of the claim can be reliably estimated. Expenditure on legal claims is likely to be incurred within one year.

### 14.4 OTHER

The obligations under Other reflect all known claims that do not fall under early departure costs, leasehold property or legal costs.

### 15. LOSSES AND SPECIAL PAYMENTS

#### 15.(A) LOSSES STATEMENT

There were no losses during the period which in aggregate exceeded £300,000.

### 16. SPECIAL PAYMENTS

The Department made a total of 3 special payments amounting to £7,500k.

Details of payments over £300,000:

£4.5m in settlement to Mr Vincent and Robert Tchenguiz and £3m payment towards costs of Mr Vincent Tchenguiz.

Further details can be found in the Governance Statement on page 29, including information on payments made in 2015-16 which are not included in the above totals.

### 17. RELATED-PARTY TRANSACTIONS

The SFO has had a small number of transactions with other Government Departments.

No Board member, key manager or other related party has undertaken any material transactions with the Department during the year.

### 18. THIRD PARTY ASSETS

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

The assets held at the reporting date to which it was practical to ascribe monetary values comprised monetary assets such as bank balances and monies on deposit. The balance held at 31 March 2015 was £nil (2013-14: £310k).

### 19. EVENTS AFTER THE REPORTING PERIOD

There are no additional reportable events that are not already covered elsewhere in these accounts. The financial statements were authorised for issue on the date they were certified by the Comptroller and Auditor General.



## GREENING GOVERNMENT COMMITMENTS

The Serious Fraud Office is committed to Government policy to improve sustainability and is working towards meeting the Greening Government Commitment (GGC) targets which started on 1 April 2011 with a baseline period of 2009-10.

The GGC targets aim to reduce environmental impact by 2015, with a series of measures to:

- reduce greenhouse gas emissions by 25% from the 2009-10 baseline from the whole estate and business related transport;
- reduce waste generated by 25% from the 2009-10 baseline;
- reduce water consumption from the 2009-10 baseline; and,
- ensure procurement of sustainable and efficient products whilst reducing the impact of the supply chain.

## GREENHOUSE GAS EMISSIONS

There are three different classifications of greenhouse emissions, known as Scopes:

**Scope 1:** Direct emissions occurring from sources owned or controlled by the Department, for example, emissions from combustible boilers and from fleet vehicles.

**Scope 2:** Indirect emissions occurring from electricity consumed which is supplied by another party.

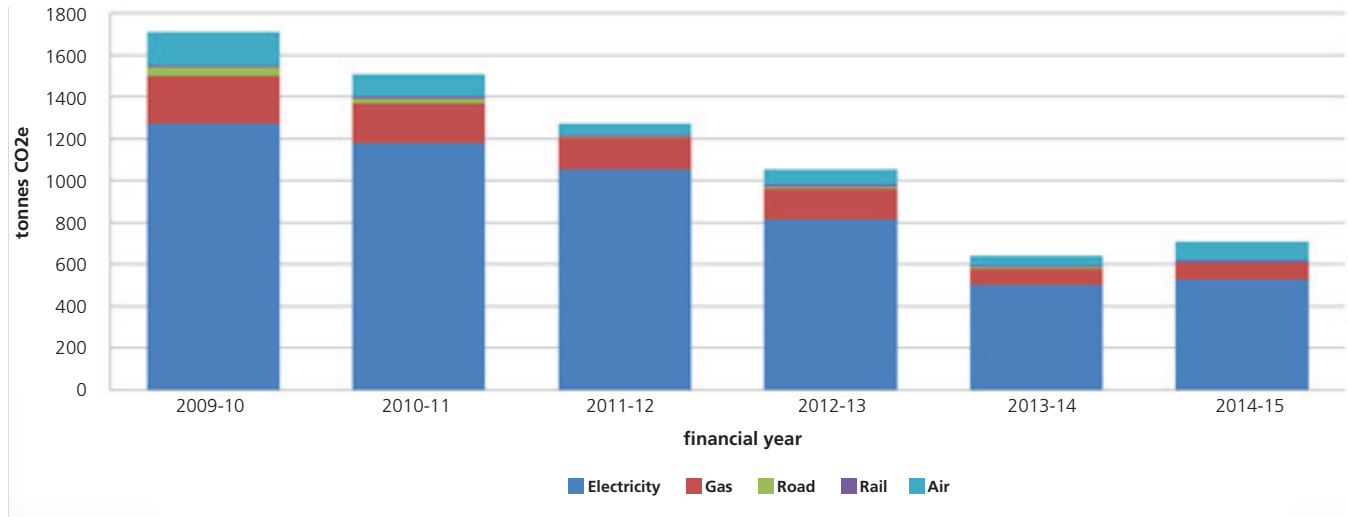
**Scope 3:** Other indirect emissions. All other emissions which occur as a consequence of the SFO's activity but which are not owned or controlled by the Department. For example, emissions as a result of staff travel on public transport, taxis or airline flights.

## THE SFO'S RESULTS FOR 2014-15

Area		2014-15 Performance	
		Actual	Target
Greenhouse Gas Emissions (Scopes 1, 2 & 3 business travel including air and rail travel)		724 (tCO <sub>2</sub> e)	1,367 (tCO <sub>2</sub> e)
Estate Energy	Consumption	1,461k kWh	-
	Expenditure	£121K	-
Estate Waste	Amount	43 tonnes	63 tonnes
	Expenditure	£7.5K	-
Estate Water	Consumption	3985m <sup>3</sup>	4,467m <sup>3</sup>
	Expenditure	£6k	-

The results show that the SFO has exceeded all of its targets. The SFO has reduced greenhouse gas emissions to 53%, estate waste to 68% and water usage to 89% of the targets set.

**GREENHOUSE GAS EMISSIONS**

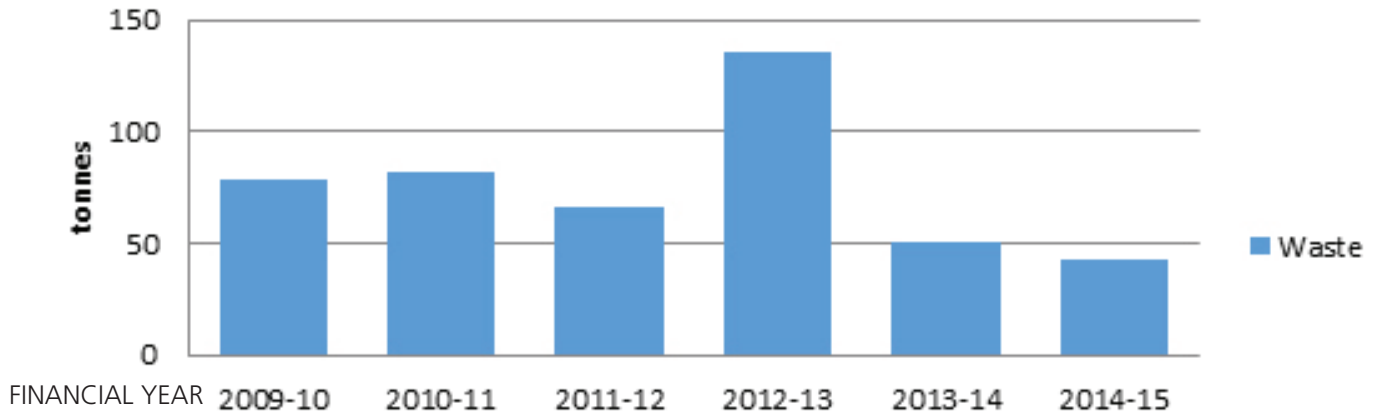


Greenhouse Gas Emissions		2009 -10	2010 -11	2011 -12	2012 -13	2013 -14	2014 -15
Non-financial indicators (tCO <sub>2</sub> e)	Total Gross Emissions for Scopes 1 & 2	1,409	1,281	1,121	901	537	568
	Total Net Emission for Scopes 1 & 2	1,409	1,281	1,121	901	537	568
	Gross Emissions Scope 3 Business Travel	209	140	70	94	67	113
	Other Scope 3 Emissions Measured	93	88	82	59	40	43
Related Energy Consumption (kWh,000s)	Electricity: Non Renewable	2,220	2,100	2,002	1,414	1,041	1,003
	Electricity: Renewable	166	154	146	72	0	0
	Gas	1,254	1,014	813	795	401	458
Financial Indicators (£k)	Expenditure on Energy	309	218	215	218	161	121
	CRC Licence Expenditure	0	4	3	0.07	0	0
	Expenditure on Accredited Offsets	0	0	0	0	0	0
	Expenditure on Official Business Travel	303	328	130	115	154	220

By 2014-15, the target was to reduce greenhouse gas emissions from the 2009-10 baseline by 25% across the whole estate and business-related transport by 25%. This year's figures show that the SFO has exceeded its target by 53%.

WASTE

WASTE VOLUMES



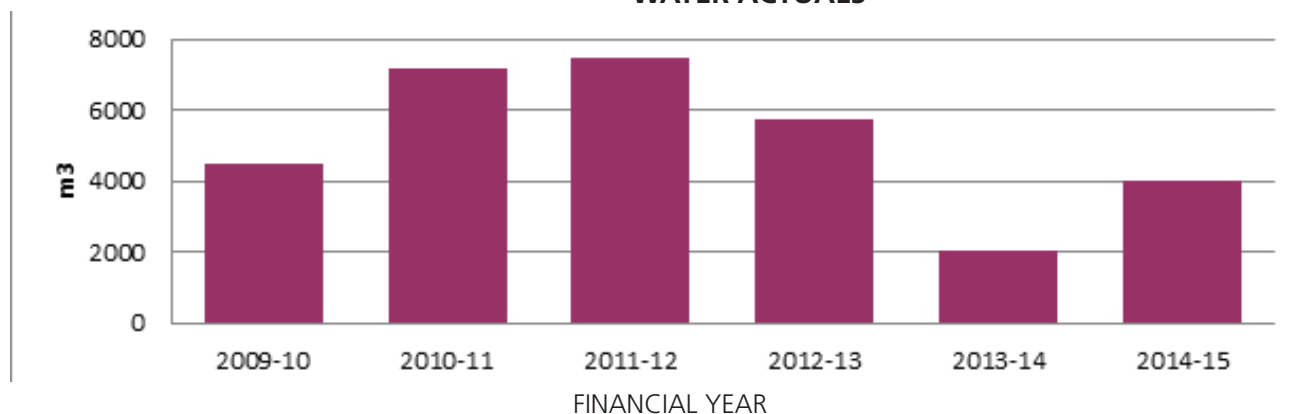
			2009 -10	2010 -11	2011 -12	2012 -13	2013 -14	2014 -15
Weight (t)	Non Hazardous Waste	Landfill	40	38	22	35	36	18
		Reused/Recycled	39	44	39	82	14.5	26
		Incinerated/Energy from waste	0	0	6	19	0	0
Cost (£k)	Non Hazardous Waste	Landfill	18	15	11	12	11	4.5
		Reused/Recycled	31	20	19	32	2	3
		Incinerated/Energy from waste	0	0	0	0	0	0

By 2014-15, the target was to reduce waste generated from the 2009-10 baseline by 25%. The SFO operates in a flexible working environment where waste bins are not permitted under each desk, requiring waste to be collected at central points on each floor and encouraging recycling and an overall reduction in the volume of waste.

The SFO continues to utilise the “Closed Loop Procedure” for purchasing paper and any IT equipment is disposed of under the WEEE Directive.

**WATER**

**WATER ACTUALS**



Finite Resource Consumption		2009-10	2010-11	2011-12	2012-13	2013-14	2013-14
Non-financial indicators (m3)	Water Consumption	4,467	7,187	7,476	5,747	2,054	3,985
Financial Indicators (£k'000)	Water Supply Costs	3	5	6	6	7	6*

\*figure restated following revised information received in the year.

The Greening Government target was to ensure that water consumption is reduced over the period 2009-10 to 2014-15 although no specific target has been set for this, unlike waste and greenhouse gas emissions. The reason for the increase in 2014-15 over the previous year was due to a major construction project carried out by the landlord (the Canadian High Commission) as essential works were needed. This resulted in extensive use of water for the flushing of building systems and cleaning of the external façade. Therefore, the SFO would expect the usage figure to decrease again in 2015-16.

**PAPER USE**

Paper use in the SFO has reduced from the 2009-10 baseline figures (14,791 A4 Reams) to 5,850 A4 Reams for 2014-15. This is a 60% reduction on the baseline and is due to the use of "paperless" office technology such as "Autonomy" (digital review system) and the electronic presentation of evidence.

**DOMESTIC FLIGHTS**

The target is to reduce SFO use of commercial air flights in the UK by 20%. The SFO is currently exceeding this target and the indications are that this will continue. The number of domestic flights taken by SFO staff on official business has fallen from the 2009-10 baseline of 99 to 82 for 2014-15 against a target of 85. There has been an increase this year from 20 in 2013-14 in domestic travel. This area of expenditure is demand led and the increase is a direct result of operational requirements. The SFO has a policy of challenging the need to travel. Before committing to a journey staff need to consider whether they can conduct their business by e-mail, phone, teleconference or a meeting on the SFO premises.

### PROCUREMENT

The SFO makes use of mandated centralised framework contracts where appropriate, that embed the Government Buying Standards (GBS) within them. However, if there are no centralised contracts available any contract entered into will meet the GBS requirements.

### GOVERNANCE

The Solicitor General represents the Law Officers' Departments (LODs) on Sustainable Development matters. The minister is supported by the LOD Sustainable Development Steering Group chaired by the Crown Prosecution Service (CPS) Finance Director. The SFO is a member of this group. The CPS is the Secretariat to this Group and represents the LODs on any relevant sustainable development committees.

The SFO's results against the GGC targets will be reported annually.

### TRANSPARENCY COMMITMENTS

The following areas applied to the SFO in 2014-15:-

- *Climate Change Adaptation*

The SFO has a business continuity plan that can be invoked if required, in response to the impact of any climate change either nationally or globally.

- *Sustainable construction and People*

Minor building works were carried out for the SFO's occupation of Cockspur Street. This work was necessary to organise the floor plates for its business operation. The work did not meet the criteria needed for a Building Research Establishment Environmental Assessment Method for buildings (BREEAM), but it did address sustainability issues.

#### **Notes:**

1. *Figures have been presented using the 2014-15 FREM guidance and Defra conversion figures.*
2. *Estimates have been used in some instances where complete data was not available from suppliers or service providers.*
3. *Electricity figures are only for electricity consumed by the SFO. As the minor occupier they do not attempt to reflect any charges made through the service charge.*

## NOTES





# SFO

serious  
fraud  
office

# Annual Report and Accounts **2014 - 15**

*(for year ended 31 March 2015)*

*Accounts presented to the House of Commons pursuant to Section 6(4)  
of the Government Resources and Accounts Act 2000.*

*Accounts presented to the House of Lords by Command of Her Majesty.*

*Annual Report presented to Parliament pursuant to Section 1(15) and  
Paragraph 3 of Schedule 1 to the Criminal Justice Act 1987.*

*Ordered by the House of Commons to be printed on 16 July 2015.*

*HC 38*



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## DIRECTOR'S FOREWORD

### **I present the Annual Report for the Serious Fraud Office for the reporting year 2014-15.**

This year we have continued to focus upon the casework for which the Roskill model was designed. These are cases which undermine UK plc in general and the City of London in particular.

I have opened 16 new investigations in the year. These include Forex, Tesco and the Sweett Group. Our major investigations concerning LIBOR, Rolls-Royce, GlaxoSmithKline, Barclays Bank, ENRC and GPT have continued to make progress.

Our conviction rate over the year was 78% by defendant, and 18 defendants in 9 cases were successfully prosecuted. Reflecting our strategic focus, numbers may appear small, but the cases are very substantial. We completed the Innospec and Smith and Ouzman prosecutions, both resulting in the conviction of the corporate as well as senior officials in relation to foreign bribery. We saw our first convictions under the Bribery Act, a guilty plea in one of the LIBOR cases, and the conviction of Ulf Magnus Petersen for the Weaving Capital hedge fund fraud.

We have made considerable investment in our proceeds of crime activity. This has resulted in £26.5m in confiscation orders, and recovery of £13.7m.

Looking ahead, 30 defendants in 7 cases have been charged and await their trial. These include 12 individuals featuring in the LIBOR investigation. We are actively considering the possibility of Deferred Prosecution Agreements in a number of cases, and I am confident that this new tool will make a real difference in the SFO's dealings with cooperative corporates.

We have continued to attract high quality recruits, to provide valuable training for our staff, to develop our intelligence capability, and to build highly constructive relationships with agencies abroad.

The SFO is well equipped and confident as to its role and mission.

**DAVID GREEN CB QC**  
**Director**  
**Serious Fraud Office**  
14 July 2015

1. Two employees of Smith & Ouzman were sentenced on 12 February 2015. The company itself was also convicted of the same three offences and will be sentenced at a later date.

### **BASIS OF ACCOUNTS**

This document contains the annual report and accounts of the Serious Fraud Office (SFO) for the year 1 April 2014 to 31 March 2015. These have been prepared in accordance with the guidance set out in HM Treasury's Government Financial Reporting Manual (FRM) for 2014-15.

There is more information about the SFO on its website: [www.sfo.gov.uk](http://www.sfo.gov.uk)

### **GOING CONCERN BASIS**

In common with other government departments, the future financing of the SFO's liabilities is met by future grants of supply and the application of future income, both to be approved by Parliament each year. The amounts required for 2015-16 have already been approved and there is no reason to believe that future approvals will not be forthcoming. It was therefore appropriate to prepare these financial statements on a going concern basis.

### **ROLE OF THE DEPARTMENT**

The SFO is an independent non-ministerial Government department responsible for investigating and, where appropriate, prosecuting cases of serious or complex fraud, bribery and corruption.

The department forms part of the criminal justice system with jurisdiction in England, Wales and Northern Ireland. It is headed by the Director, David Green CB QC, who acts under the superintendence of the Attorney General.

The SFO was established in 1988 and was given its powers under the Criminal Justice Act 1987 following the 1986 'Roskill Report' (the report of the Fraud Trials Committee).

The report recommended that, as these kinds of cases are very complex, multi-disciplinary teams of lawyers and investigators would need to work together from the beginning to secure more effective outcomes.

The SFO takes on a small number of large cases and these will include cases;

- where the conduct under investigation undermines UK commercial/financial in general and the City of London in particular;
- where the actual or potential sums involved are high;
- where actual or potential harm is significant;
- where there is a very significant public interest element; and,
- that represent new species of fraud.

### **OPERATIONAL STRUCTURE**

The SFO has three operational divisions dealing primarily with fraud, two dealing primarily with bribery and corruption, and one with proceeds of crime and money laundering. There is also an intelligence unit and an evidence handling and management office, both reporting to the Chief Investigator, and a strategic relations division covering a number of centralised operational and corporate functions, including international assistance (which services incoming letters of request from foreign jurisdictions asking for investigative assistance). Each division is headed by a member of the Senior Civil Service, as are three corporate service teams: human resources, finance, and technology. Additional oversight of casework is provided by a General Counsel and a Special Adviser.

The Director takes the decision on which matters should be accepted for formal investigation. Once a matter is accepted for investigation, a case team is assembled, headed by a case controller who is responsible for the day-to-day management of the case and reports to the relevant Head of Division. Case teams are multi-disciplinary with members allocated according to the skills and expertise the case requires. They are flexible over the life cycle of the particular case.

### **GOVERNANCE**

Information on the SFO's governance and risk management arrangements, and the key challenges the SFO faced in the year, are set out in the Governance Statement to this annual report and accounts (pages 22 to 31).

### **FINANCIAL POSITION**

Information on the SFO's financial position are set out in the Management Commentary to this annual report and accounts (pages 9 and 10).

The Serious Fraud Office investigates the most serious and complex cases of fraud, bribery and corruption as described above. The quantity of such work is unpredictable. The SFO has a core budget for this purpose but exceptionally large cases require additional resources.

The Government has previously made clear that where the SFO needs additional resources, these will be provided. The current agreement with HM Treasury is that any exceptional case funding should be agreed as part of the supplementary estimates process.

### **LONG TERM LIABILITIES AND PRINCIPAL RISKS**

Due to the nature of the SFO's casework, provisions have been made for instances of high value litigation brought against it.

In July 2014, the SFO settled the civil claims brought by Vincent and Robert Tchenguiz and their associated business entities. Further information is contained in the Governance Statement.

## PERFORMANCE INDICATORS IN 2013-14

The table below provides a summary of case statistics in 2014-15 and a comparison with 2013-14.

Cases in progress during the year*	2014-15	2013-14
New investigations opened	16	12
Investigations concluded without charge	1	3
Defendants charged	23	35
Number of prosecutions concluded or in progress (by defendant)	33 <sup>2</sup>	18
Number of prosecutions concluded or in progress (by case)	12	8
<b>Trials</b>		
Trials in progress during the year (by defendant)	23 <sup>3</sup>	14
Trials in progress during the year (by case)	8	5
Trials concluded by defendant	19 <sup>4</sup>	9
Trials concluded by case	7	3
Trials reaching jury consideration by case	7	2
Defendants awaiting trial start at year end	30	34
<b>Convictions</b>		
Total defendants convicted	18	11
Defendants convicted by plea	4	4
Defendants convicted by jury	14	7
Conviction rate percentage	78	85

Default prison sentences totalling 22 years were imposed on four defendants who had failed to satisfy confiscation orders imposed by the Courts in relation to the SFO's proceeds of crime work.

## TRANSPARENCY

The SFO publishes transparency data in line with Cabinet Office guidance. The guidance can be found at: [www.cabinetoffice.gov.uk/resource-library/guidance-transparency](http://www.cabinetoffice.gov.uk/resource-library/guidance-transparency). The data is on the SFO website [www.sfo.gov.uk](http://www.sfo.gov.uk), or, where required, at: [www.data.gov.uk](http://www.data.gov.uk), or, where required, at: [www.data.gov.uk](http://www.data.gov.uk).

Details of all new contracts and tender documents for contracts over £10k are published on the Business Link "Contracts Finder" website at: [www.gov.uk/contracts-finder](http://www.gov.uk/contracts-finder).

\* The use of adjusted formulas for a new reporting database means the figures for cases in progress during the year are not directly comparable.  
 2. A defendant in one case was taken ill during the proceedings and the trial was stopped. As this defendant was on trial during the period, the prosecution was recorded as 'in progress'. However, the prosecution did not (and will not) conclude because a Nolle Prosequi was recorded.  
 3. Defendants and cases retried in the same year have been counted only once.  
 4. The defendant referred to in footnote 1 does not feature in the concluded trials because a formal conclusion was not reached. A Nolle Prosequi is a 'stay of proceedings' rather than a conclusion.

**COMPANY DIRECTORSHIPS**

Every member of the Senior Civil Service working at the SFO is on its Management Board. None holds any company directorships or significant interests which might conflict with their senior management responsibilities.

**NUMBER OF EMPLOYEES BY GENDER**

(headcount at 31 March 2015, including fixed term contractors but not temporary agency workers):

	2014-15		2012-13	
	Male	Female	Male	Female
All staff excluding members of the Management Board	229	182	174	126
Senior Civil Service	11	4	9	4

**CONSULTATION WITH EMPLOYEES**

The SFO has a formal consultation framework with three recognised Trade Unions - the First Division Association (FDA), Prospect and the Public and Commercial Services Union (PCS). Monthly People Committee meetings are scheduled and chaired by the Head of Human Resources. The Trade Unions also meet quarterly with the Director.

The SFO participates in the Civil Service People Survey (see below) and consults staff in different ways, including through a staff engagement forum which meets monthly and which draws on representation from across all business areas.

**PEOPLE SURVEY**

In 2015. The SFO had an engagement score of 65 per cent (up from 59 per cent in 2013) with encouraging trends in many areas. More information is available on its website at: [www.sfo.gov.uk](http://www.sfo.gov.uk)

**SOCIAL AND COMMUNITY ISSUES**

The SFO has a Charities and Community Engagement Committee which encourages staff to participate in volunteering activities. Staff are encouraged to volunteer and are entitled to claim one day's special leave per annum.

The Serious Fraud Office is a Stonewall Champion and participates in the annual Workplace Equality Index.

**SICKNESS**

Average working days lost due to sickness (per employee) was 5.97 (2013-14: 5.1 days) against the Civil Service average of 7.3<sup>5</sup>.

**EQUALITY AND DIVERSITY**

The SFO is committed to equality and diversity, recognising differences between people and positively valuing the different perspectives and skills of its people. The SFO is committed to ensuring it provides an environment where everyone is treated with dignity and respect. The SFO has an action plan in place to ensure it meets its obligations under the Public Sector Equality Duty.

The SFO's Dignity at Work policy emphasises the importance of treating everyone with dignity and respect, irrespective of any of the protected characteristics. Our policy offers guidance on what to do if unacceptable behaviour occurs.

**SUSTAINABILITY**

The SFO is committed to government policy to improve sustainability and is working towards meeting the Greening Government Commitment (GGC) targets which started on 1 April 2011 with a baseline period of 2009-10. The SFO is ahead of all its targets. This is principally due to a move from former premises on two sites to a single building on Cockspur Street and the recent restack project which resulted in a further reduction in accommodation. More information is on pages 60 to 64.

**DAVID GREEN CB QC**  
**Accounting Officer**  
 14 July 2015

5. Civil Service Absence Update, September 2014.

## DEPARTMENTAL REPORT CORE TABLES

The tables below set out the key data for the Serious Fraud Office as required by the Public Expenditure System Paper PES (2011)10.

**TABLE 1 - PUBLIC SPENDING BY EXPENDITURE LIMIT CATEGORY**

£000s

	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	2014-15 Outturn	2015-16 <sup>6</sup> Plans
<b>Resource DEL</b>							
Section A: Investigations and Prosecution	39,616	35,513	31,579	38,050	51,715	54,762	43,768
<b>Total Resource DEL</b>	<b>39,616</b>	<b>35,513</b>	<b>31,579</b>	<b>38,050</b>	<b>51,715</b>	<b>54,762</b>	<b>43,768</b>
of which:							
Pay	19,948	19,941	18,820	19,495	21,035	24,019	14,457
Procurement	20,306	17,846	17,187	19,360	29,139	33,561	27,649
Depreciation*	2,709	2,137	2,531	2,083	1,631	1,908	2,062
Vote income **	(3,347)	(4,411)	(6,959)	(2,889)	(426)	(4,726)	(400)
<b>Resource AME</b>	<b>517</b>	<b>-</b>	<b>(184)</b>	<b>(22)</b>	<b>(336)</b>	<b>13,885</b>	<b>2,000</b>
<b>Total Resource Budget</b>	<b>40,133</b>	<b>35,513</b>	<b>31,579</b>	<b>38,050</b>	<b>51,379</b>	<b>68,647</b>	<b>45,768</b>
of which:							
Depreciation	2,709	2,137	2,351	2,083	1,631	1,908	2,062
<b>Capital DEL</b>							
Section A: Investigations and Prosecution	2,979	2,745	709	1,107	1,295	2,373	1,365
Total Capital Budget***	2,979	2,745	709	1,107	1,295	2,373	1,365
<b>Total departmental spending****</b>	<b>40,403</b>	<b>36,121</b>	<b>29,937</b>	<b>37,074</b>	<b>51,043</b>	<b>69,112</b>	<b>45,071</b>
of which:							
Total DEL	39,886	36,121	30,121	37,096	51,379	55,227	43,071
Total AME*****	517	-	(184)	(22)	(364)	13,885	2,000

\* Includes impairments.

\*\* Income retained treated as negative DEL in budgets and netted off voted limits in the Estimates.

\*\*\* Expenditure on tangible and intangible fixed assets net of sales.

\*\*\*\* Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total Departmental Expenditure Limit (DEL) is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of the resource budget AME and capital budget AME less depreciation in AME.

\*\*\*\*\* AME – Annually Managed Expenditure – where expenditure is generally less predictable and controllable than expenditure in DEL.

6. The SFO's budget is agreed with the Treasury via the Spending Review process, additionally the Treasury have agreed that further funding to meet the costs incurred in investigating and prosecuting exceptionally large cases is available. The current arrangement is that requests for additional funding are finalised in-year through the Estimates process.

**DEPARTMENTAL REPORT CORE TABLES**
**TABLE 2 - CAPITAL EMPLOYED**

£000s

	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	2014-15 Outturn	2015-16 Plans
<b>Assets and liabilities on the statement of financial position at end of year:</b>							
<b>Assets</b>							
Non-current assets	<b>6,859</b>	<b>7,335</b>	<b>5,569</b>	<b>4,591</b>	<b>4,282</b>	<b>4,768</b>	<b>5,296</b>
Intangible	2,548	4,066	3,123	2,369	1,789	1,195	3,676
Property, Plant and Equipment	4,300	3,259	2,437	2,214	2,458	3,517	1,620
of which:							
Improvements to leasehold property	2,015	1,065	457	836	1,352	993	500
Information technology	1,895	1,937	1,866	1,362	1,106	2,524	1,000
Furniture and fittings	390	257	114	-	-	-	120
Motor vehicles	-	-	-	-	-	-	-
Assets under Construction	-	-	-	16	-	-	-
Current assets	2,252	2,556	3,026	2,925	1,819	4,342	2,200
<b>Liabilities</b>							
Current (<1 year)	(4,763)	(4,873)	(4,674)	(5,372)	(4,218)	(6,093)	(3,000)
Non-current (>1 year)	(298)	(126)	-	-	-	-	(298)
Provisions	(2,279)	(1,467)	(1,283)	(1,262)	(926)	(14,811)	(200)
<b>Capital employed within main department*</b>	<b>1,771</b>	<b>3,425</b>	<b>2,638</b>	<b>882</b>	<b>957</b>	<b>(11,794)</b>	<b>3,998</b>
Agency assets*	(173)	(18)	-	-	-	-	-
<b>Total capital employed *</b>	<b>1,598</b>	<b>3,407</b>	<b>2,638</b>	<b>882</b>	<b>957</b>	<b>(11,794)</b>	<b>3,998</b>

\* Before 2011-12, the assets of the National Fraud Authority (NFA) were accounted for here. They have since been accounted for by the Home Office following a Machinery of Government change effective 1 April 2011.



## DEPARTMENTAL REPORT CORE TABLES

### TABLE 3 – PUBLIC SPENDING CONTROL

The level of expenditure incurred by Government departments, including the Serious Fraud Office, is subject to statutory limits approved by Parliament. It is a fundamental form of accountability that expenditure within a financial year does not exceed these limits. There are four key financial targets which the Serious Fraud Office must achieve. The SFO's performance for 2014-15 against these targets is set out in the table below:

£000s

	Revenue DEL	Revenue AME	Capital DEL	Net Cash Requirement
<b>Expenditure limits set at start of year and subsequent adjustments</b>				
Main Estimate	35,224	2,000	1,820	34,982
Supplementary Estimate	22,487	17,000	750	24,237
<b>Final limit</b>	<b>57,711</b>	<b>19,000</b>	<b>2,570</b>	<b>59,219</b>
<b>Expenditure incurred</b>	54,762	13,885	2,256	55,835
<b>Performance within limits</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>

### TABLE 4 - ADMINISTRATION BUDGET

£000s

	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	2014-15 Outturn	2015-16 Plans
Section A: Investigations and prosecution	-	7,546	7,019	7,281	6,237	7,351
<b>Total administration budget*</b>	-	<b>7,546</b>	<b>7,019</b>	<b>7,281</b>	<b>6,237</b>	<b>7,351</b>
of which:						
Paybill	-	4,514	4,413	4,356	4,101	2,460
Expenditure	-	3,032	2,606	2,925	2,136	4,891
Income	-	-	-	-	-	-

\* From 1 April 2008 to 31 March 2011 all operating costs for the SFO were classified as programme. The Spending Review for 2010 which covers 2011-12 to 2014-15 financial years has reinstated the requirement for the reporting of expenditure split between programme and administration. Programme costs are all costs associated with frontline service delivery with the support for the frontline and for non-frontline activities deemed to be Administration costs.

### TABLE 5 – FULL TIME EQUIVALENT STAFF IN POST

	2011-12 Actual	2012-13 Actual	2013-14 Actual	2014-15 Actual
Civil service (full time equivalents)	279	278	294	323
Fixed Term Appointments	27	14	11	25
Total**	306	292	305	348

\*\* The numbers in this table reflect staff numbers at 31 March 2015, including those on fixed term contracts but excluding temporary agency workers. The numbers in this table are not directly comparable with those in note 2(b) which shows average staff numbers for the year, or those on page 5 which show headcount.

## MANAGEMENT COMMENTARY

The Department's Statement of Financial Position at 31 March 2015 shows a negative Taxpayers Equity of net liabilities of £11,794k. This reflects the inclusion of liabilities due in future years, which are to be financed from the Consolidated Fund. This will be in the form of grants of supply approved annually by Parliament, to meet the SFO's Net Cash Requirement. Under the Government Resources and Accounts Act 2000, no money may be drawn from the Fund other than that required for the service of the specified year, and no more can be retained than is needed. All unspent monies are surrenderable to the Fund.

In line with other Government departments, the future financing of the SFO's liabilities is accordingly

to be met by future grants of supply, approved annually by Parliament. The amounts required for 2015-16 have already been approved and there is no reason to believe that future approvals will not be forthcoming. Therefore, it is considered appropriate to adopt a going concern basis for the preparation of these financial statements.

The net liabilities of £11,794k at 31 March 2015 compare to net assets of £957k at 31 March 2014. The bulk of the movement in the net liabilities position of £12,751k reflects a small increase in non-current assets of £348k; an increase in receivables due to costs awarded to the SFO of £1,022k; and provisions of £13,885k.

### RECONCILIATION OF RESOURCE EXPENDITURE BETWEEN ESTIMATE, ACCOUNTS AND BUDGET

	2014-15 £000	2013-14 £000
<b>Net Resource Outturn (Estimate)</b>	<b>76,711</b>	<b>55,607</b>
Unused Resources	(8,064)	(4,228)
Income payable to the Consolidated Fund	(3,051)	-
<b>Net Operating Cost (Accounts)</b>	<b>65,596</b>	<b>51,379</b>
Adjustment for income not retained by SFO	3,051	-
<b>Net Resource Outturn (Outturn)</b>	<b>68,647</b>	<b>51,379</b>
Of which:		
- Departmental Expenditure Limit (DEL)	54,762	51,715
- Annually Managed Expenditure (AME)	13,885	(336)

### NET RESOURCE OUTTURN AND NET OPERATING COST

The resources available to the SFO are determined by Parliament through the Supply Estimates procedure. The increase in both the Net Resource Outturn and Net Operating Cost over the previous year represents an increase in expenditure to support blockbuster cases and on-going litigation.

As shown in the Statement of Parliamentary Supply on page 34, there has been an overall underspend of £2,949k against the DEL Estimate and an overall underspend of £5,115k against the AME Estimate. There has been an overall underspend of £8,064

against the Estimate. The £2,949k underspend against the DEL Estimate is largely due to increased income of £1,675k.

The underspend within AME is caused by a lower than expected provisions requirement. AME is very unpredictable and therefore difficult to estimate. The increase in the net operating costs from £51,715k in 2013-14 to £54,762k in 2014-15 is due to the costs associated with the defence of a civil litigation claim and the investigation of three blockbuster cases.

### NET CASH REQUIREMENT

The net cash requirement of £55,835k for 2014-15 is £3,384k less than the estimated requirement for the year. The underspend from the Estimate largely reflects:

- an underspend of £2,949k on the voted outturn compared with the Estimate;
- an underspend of £197k on capital expenditure; and,
- lower than expected operating expenditure for the year.

### FINANCIAL INSTRUMENTS

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

### INVESTMENT IN THE FUTURE

All current and capital expenditure support core operational functionality and are planned, as far as possible, to take account of changing circumstances which may affect these operations before they occur. The SFO continues to seek value for money on all procurement and contracts. Because the SFO is a small organisation, this is best achieved by using the Crown Commercial Services frameworks as much as possible and maintaining partnerships with other public sector organisations that have dedicated resources working in these areas.

### PENSIONS AND EARLY DEPARTURE COSTS

Details about the SFO's pensions and early departure policies are included in the notes to these accounts and can be found on page 46.

### PAYING SUPPLIERS

We are committed to paying bills in accordance with agreed contractual conditions, or, where no such conditions exist, within 30 days of receipt of goods or services or the presentation of a valid invoice, whichever is the later. The SFO paid 92% (2013-14: 92%) of supplier invoices on time.

During the year the SFO paid 59% (2013-14: 38%) of all undisputed invoices within 10 days of receipt in line with the commitment to pay all suppliers promptly. This commitment is a target, rather than a change to standard terms and conditions, and is not contractual.

### DATA HANDLING

Following the data loss reported in 2013 the Information Commissioner's Office investigated the SFO and a fine of £180,000 was issued and accepted. Early payment reduced this fine to £144,000.

There were 3 non-reportable incidents for this year.

### AUDITORS

The Comptroller and Auditor General is the statutory auditor for the SFO's accounts. The Department's audit fee for 2014-15 is £60,000 (2013-14: £60,000).

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

**DAVID GREEN CB QC**  
**Accounting Officer**

14 July 2015

### PENSION LIABILITIES

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit scheme within the PCSPS is unfunded and is contributory. The Department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS.

In respect of the defined contribution schemes, the Department recognises the contributions payable for the year.

Further information on how pension liabilities are treated can be found in the Remuneration Report (page 18).

### REGISTER OF INTERESTS

Senior managers within the SFO, including the non-executive directors, are required to complete a declaration of any interests. No significant company directorships or other interests were held by Board members which may have conflicted with their management responsibilities. Note 17 to the accounts confirms that no member of the Board, including non-executive directors, has any related-party interests.

### REMUNERATION TO AUDITORS FOR NON-AUDIT WORK

The SFO did not pay any remuneration to its auditors for non-audit work.

### EQUAL OPPORTUNITY

The SFO operates a guaranteed interview scheme which means that it is committed to interviewing all disabled applicants who meet the minimum criteria for a job vacancy and to consider them on their abilities. On a case by case basis the SFO seeks to make reasonable adjustments to support employees who are or become disabled to make sure they stay in employment. The guaranteed interview scheme

applies equally to all staff applying for positions through internal promotion. On a case by case basis the SFO seeks to make reasonable adjustments to ensure disabled staff are able to access all opportunities made available to staff.

### PUBLISHED SICKNESS ABSENCE DATA

The average number of working days lost to sickness absence (AWDL), based on the number of full-time equivalent staff at the SFO, reduced from 11.21 AWDL in 2010-11 to 7.0 days for 2012-13. This was achieved by sustained improvements in the way the SFO attendance is managed. The SFO's approach is to build the capability and confidence of its managers with a strong emphasis on giving them the skills they need to deal with sickness absence issues with their teams. The SFO provided training through interactive workshops for managers as well as developing capability within the HR team to provide support and guidance on the management of attendance issues. A particular priority was placed on encouraging case conferencing to identify options to resolve long term absence and by ensuring actions were agreed and followed through.

The SFO set an ambitious target of 6.0 AWDL for 2014-15 which was exceeded with a year end AWDL of 5.97 days.

### PERSONAL DATA-RELATED INCIDENTS

All government departments are required to publish information about any serious data-related incidents, which have to be reported to the Information Commissioner. There were no incidents reported during 2014-15.

### FURTHER ACTION ON INFORMATION RISK

The SFO takes the issue of data security extremely seriously and continually looks to improve the security of information. Further information on the SFO's approach to risk management can be found in the Governance Statement on page 22.

**DAVID GREEN CB QC**  
**Accounting Officer**

14 July 2015.

### MINISTERS AND SENIOR OFFICERS

The Attorney General (the Rt. Hon. Dominic Grieve QC MP to 15 July 2014 and the Rt. Hon. Jeremy Wright QC MP for the remainder of the year) superintended the work of the SFO during the period covered by these accounts. The information given below relates to the Director and senior managers of the SFO. Information relating to the Attorney General's Office is given in the accounts of HM Procurator General and Treasury Solicitor.

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Senior Salaries Review Body. In reaching its recommendations, the Review Body considers:

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

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations. The Director's salary is linked to that of a High Court Judge.

### REMUNERATION COMMITTEE

The remuneration of Senior Civil Servants (SCS) is determined in accordance with the report of the Senior Salaries Review Body. The SFO's SCS Pay Committee meets annually to consider pay increases and bonus payments in accordance with these recommendations. The committee consists of the Director, the non-executive directors, and a senior HR professional from another Government department.

### PERFORMANCE APPRAISAL

Performance management of staff below the SCS is covered by the SFO's performance appraisal system. The system supports all staff in improving their performance through continuous dialogue between managers and staff. It provides a framework for conversations about objective setting, how people have performed against their objectives, and what development needs they have. A formal review of performance is conducted at least once a year. Bonuses can be paid in-year to individuals to reward work on particularly demanding tasks or situations. Annual performance bonuses are based on performance appraisal markings.

In 2014-15, the annual performance bonus accrual for grades below the SCS totalled £227,252 (2013-14: £213,473).

## REMUNERATION REPORT

### 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, the officials covered by this report hold appointments which are open-ended. Early termination, other than on the grounds of poor performance, conduct or attendance 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)

The Director and Accounting Officer of the SFO is David Green CB QC.

### SENIOR OFFICIAL APPOINTMENTS

David Green CB QC was appointed by the Attorney General on a renewable four-year contract that began on 21 April 2012. His Honour Geoffrey Rivlin QC was appointed to a two-year fixed-term appointment from 1 August 2012 which, following permission from the Civil Service Commissioners, was extended to 31 December 2015, although he will be leaving his post on 31 July 2015 after serving three years.

### SALARY AND PENSION ENTITLEMENTS

This information is subject to audit.

The following sections provide details of the remuneration and pension interests of the SFO's senior management (SCS) during the year.

### NON-EXECUTIVE BOARD MEMBERS REMUNERATION

Name and title	Salary 2014-15	Salary 2013-14	Benefits in Kind 2014-15	Benefits in Kind 2014-15
	£000	£000	(to the nearest £100)	(to the nearest £100)
Alan Graham MBE <b>Non-Executive Director</b> (to 30.11.13)	-	15-20	-	-
Simon Duckworth OBE DL <b>Non-Executive Director</b>	10-15	5-10	-	-
John Anthony Osbaldiston <b>Non-Executive Director</b>	20-25	5-10	1,100	400
Norman Pickavance <b>Non-Executive Director</b> (to 17.7.14)	0-5	5-10	3,600	1,200
Ruth Evans <b>Non-Executive Director</b> (from 26.1.15)	0-5	-	-	-

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

## REMUNERATION REPORT

### SENIOR MANAGEMENT

Officials	Salary (£'000)		Bonus payments (£,000)		Pension benefits (£'000) <sup>7</sup>		Total (£,000)	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
David Green CB QC <b>Director</b>	170-175	170-175	-	-	68	53 <sup>8</sup>	235-240	205-210
Alun Milford <b>General Counsel</b>	115-120	110-115	5-10	5-10	24	62	150-155	180-185
His Honour Geoffrey Rivlin QC <b>Special Adviser</b>	100-105 (180-185 full year equivalent: part time)	100-105 (180-185 full year equivalent: part time)	-	-	-	-	100-105 (180-185 full year equivalent: part time)	100-105 (180-185 full year equivalent: part time)
Kevin Davis* <b>Chief Investigator</b> (on loan from HMRC to 31.7.14, permanent from 1.8.14)	75-80 (80-85 full year equivalent)	70-75	-	-	71	31	145-150 (150-155 full year equivalent)	100-105
Kristin Jones <b>Head of Strategic Relations</b>	85-90	80-85	-	5-10	35	20	120-125	110-115
Barny Todd <b>Chief Financial Officer</b>	80-85	80-85	-	-	17	(8)	95-100	70-75
Matthew Wagstaff <b>Head of Division A</b>	80-85	80-85	-	5-10	30	19	115-115	105-110
Jane de Lozey <b>Head of Division C</b> (to 2.2.15)	80-85	80-85	-	-	16	24	95-100	105-110

7. The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

8. Amounts have been restated as revised information has been received during the year from our pension provider.

\*Full year equivalent salary shown for Kevin Davis following his promotion on 1 August 2014.

## REMUNERATION REPORT

Officials	Salary (£'000)		Bonus payments (£,000)		Pension benefits (£'000) <sup>7</sup>		Total (£,000)	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Clare Whitaker <b>Head of Division C</b>	80-85	80-85	-	-	19	5 <sup>8</sup>	95-100	90-95
Mark Thompson <b>Head of Proceeds of Crime Division</b>	80-85	80-85	-	-	20	22	100-105	100-105
Lesley Dugdale <b>Head of Human Resources</b>	80-85	80-85	-	-	17	5	95-100	85-90
Stuart Alford QC <b>Head of Division E</b> (from 1.9.13)	80-85	50-55 (80-85 full year equivalent)	5-10	-	31	20 <sup>8</sup>	120-125	45-50 (75-80 full year equivalent)
Ben Morgan <b>Head of Division B</b> (from 19.8.13)	80-85	50-55 (80-85 full year equivalent)	5-10	-	32	20	125-130	70-75 (100-105 full year equivalent)
Ben Denison <b>Chief Technology Officer</b> (from 14.8.14)	55-60 (85-90 full year equivalent)	-	-	-	21	-	75-80 (105-110 full year equivalent)	-
Simon Daniel <b>Head of Division D</b> (from 2.2.15)	10-15 (80-85 full year equivalent)	-	-	-	13	-	20-35 (90-95 full year equivalent)	-

7. The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

8. Amounts have been restated as revised information has been received during the year from our pension provider.

Pension figures supplied by MyCSP



## REMUNERATION REPORT

### SALARY

Salary includes gross salary, overtime, and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Department 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 and Customs as a taxable emolument. The Non-Executive Directors received a benefit-in-kind for the travel costs between home and work during 2014-15.

### 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 prior to which they become payable to the individual. The bonuses reported in 2014-15 relate to performance in 2013-14, and the comparative bonuses reported for 2013-14 relate to performance in 2012-13.

### DETAILS OF AMOUNTS PAYABLE TO THIRD PARTY ENTITIES IN RESPECT OF INTERIM SENIOR MANAGEMENT SERVICES

This information is subject to audit.

The Management Board engaged the services of the following interim senior manager:

	Position	Cost to the SFO £000
Mathew Mallett (2.12.13 to 30.9.14)	Chief Technology Officer (Interim)	140-145 (full time equivalent 285-290)

### PAY MULTIPLES

	2014-15		2013-14
Highest paid individual (£000)	285-290	Highest paid individual (£000)	180-185
Median Total (£)	35,000	Median Total (£)	34,700
Remuneration Ratio	8.14	Remuneration Ratio	5.26

The SFO is required to disclose the relationship between the salary of the most highly-paid individual in its organisation and the median earnings of the SFO's workforce. The salary of the most highly-paid individual in the SFO in the financial year 2014-15 was £285,000-£290,000. This was 8.14 times the median salary of the workforce, which was £35,000.

## REMUNERATION REPORT

### OFF-PAYROLL ENGAGEMENTS (e.g. contractors, consultants) AS AT 31 MARCH 2015, FOR MORE THAN £220 PER DAY AND THAT LAST FOR LONGER THAN SIX MONTHS

Number of existing engagements as at 31 March 2015	4
Of which:	
Number that have existed for less than one year at time of reporting	4
Number that have existed for between one and two years at time of reporting	0
Number that have existed for between two and three years at time of reporting	0
Number that have existed for between three and four years at time of reporting	0
Number that have existed for four years or more at time of reporting	0
<b>Total</b>	<b>4</b>

All existing off-payroll engagements have been subject to a risk-based assessment as to whether assurance is required that the individual is paying the correct amount of tax and, where necessary, that assurance has been sought.

### NEW OFF-PAYROLL ENGAGEMENTS BETWEEN 1 APRIL 2013 AND 31 MARCH 2014, FOR MORE THAN £220 PER DAY AND THAT LAST FOR LONGER THAN SIX MONTHS

Number of new engagements between 1 April 2014 and 31 March 2015	4
Number of new engagements which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations	4
Number for whom assurance has been requested	4
Of which:	
Number for whom assurance has been received	4
Number for whom assurance has not been received	0
Number that have been terminated as a result of assurance not being received	0
<b>Total</b>	<b>4</b>

## REMUNERATION REPORT

### PENSION BENEFITS

Name and title	Accrued pension at pension age as at 31/3/15 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/15	CETV at 31/3/15	Real increase in CETV
	£000	£000	£000	£000	£000
David Green CB QC ** <b>Director</b>	10-15	2.5-5.0	176	108	49
Alun Milford <b>General Counsel</b>	30-35 plus 95-100 lump sum	0-2.5 plus 2.5-5.0 lump sum	554	512	15
His Honour Geoffrey Rivlin QC <b>Special Adviser</b>	-	-	-	-	-
Kevin Davis <b>Chief Investigator</b>	30-35 plus 100-105 lump sum	2.5-5.0 plus 7.5-10.0 lump sum	652	564	57
Kristin Jones <b>Head of Strategic Relations</b>	35-40 plus 55-60 lump sum	0-2.5 plus 0-2.5 lump sum	706	642	28
Barry Todd <b>Chief Financial Officer</b>	30-35 plus 90-95 lump sum	0-2.5 plus 2.5-5.0 lump sum	518	480	11
Matthew Wagstaff <b>Head of Division A</b>	25-30 plus 25-30 lump	0-2.5 plus 0-2.5 lump sum	349	313	15
Jane de Lozey * <b>Head of Division C</b> (To 2.2.15)	15-20	0-2.5	183	162	7
Clare Whitaker <b>Head of Division C</b>	25-30 plus 80-85 lump sum	0-2.5 plus 2.5-5.0 lump sum	514	469	13
Mark Thompson * <b>Head of Proceeds of Crime Division</b>	5.0-10.0	0-2.5	76	57	10
Lesley Dugdale <b>Head of Human Resources</b>	20-25 plus 70-75 lump sum	0-2.5 plus 2.5-5.0 lump sum	392	361	11
Stuart Alford QC ** <b>Head of Division E</b> (from 1.9.13)	5.0-10.0	0-2.5	54	33	13
Ben Morgan ** <b>Head of Division B</b> (from 19.8.13)	2.5-5.0	0-2.5	26	10	8
Ben Denison ** <b>Chief Technology Officer</b> (from 14.8.14)	0-5	0-2.5	10	0	5
Simon Daniel <b>Head of Division D</b> (from 2.2.15)	20-25 plus 65-70 lump sum	0-2.5 plus 0-2.5 lump sum	395	373	10

\* Member of Premium Scheme - lump sum not automatic.

\*\* Member of NuvoS Scheme - lump sum not automatic.

Pension figures supplied by MyCSP

### 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 Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 1.5% and 6.25% of pensionable earnings for Classic and 3.5% and 8.25% for Premium, Classic Plus and Nuvos. Increases to employee contributions applied from 1 April 2014. 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 pensionable earnings during the period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) their 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 those contributions 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:

**[www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)**.

New Career Average pension arrangements will be introduced from 1 April 2015 and the majority of Classic, Premium, Classic Plus and Nuvos members will join the new scheme Alpha. Further details of this new scheme can be found at:

**[www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/](http://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/)**.

### 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

## REMUNERATION REPORT

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, or contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

### **PARTNERSHIP PENSIONS**

None of the Senior Civil Servants participate in partnership pension arrangements (see note 2).

**DAVID GREEN CB QC**

**Accounting Officer**

14 July 2015.

## STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

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

## GOVERNANCE STATEMENT

### SCOPE OF RESPONSIBILITY

This statement covers the SFO's governance arrangements for the year ended 31 March 2015.

The Serious Fraud Office (SFO) is a small independent non-ministerial Government department under the superintendence of the Attorney General. The Director of the SFO (who is also the Department's Accounting Officer) is appointed by and accountable to the Attorney General, who in turn is responsible to Parliament for the SFO.

The Director is responsible for maintaining a sound system of internal control, which supports the achievement of the SFO's policies, aims and objectives. The Director is also charged with safeguarding public funds and Departmental assets, for which he is personally responsible, in accordance with the responsibilities assigned to him in *Managing Public Money*.

### GOVERNANCE STRUCTURE

The SFO's governance arrangements are in line with the HM Treasury and Cabinet Office Code of Good Practice for Corporate Governance. Accordingly there is a clear understanding of the different levels of accountability within the SFO, and this helps to promote effective planning and decision taking within the organisation.

In accordance with superintendence arrangements the Director meets the Attorney General regularly to discuss progress, key risks and issues arising.

### COMMITTEE STRUCTURE

During the period covered by this report, the two key committees were the Management Board (MB) and the Audit and Risk Committee (A&RC). Their memberships are set out in the table below and their purpose and arrangements in the succeeding sections.

Members	Management Board (MB)	Audit & Risk Committee (A&RC)
David Green CB QC Director	Chair Attended 6 of 8	
Tony Osbaldiston Non-Executive Director	✓ Attended 7 of 8	Chair Attended 3 of 3
Norman Pickavance Non-Executive Director (To 17.7.14)	✓ Attended 2 of 2	✓ Attended 1 of 1
Simon Duckworth OBE DL Non-Executive Director	✓ Attended 6 of 8	✓ Attended 2 of 3
Ruth Evans Non-Executive Director (From 26.1.15)	✓ Attended 1 of 1	✓ Attended 0 of 0
Alun Milford General Counsel	✓ Attended 5 of 8	
His Honour Geoffrey Rivlin QC Special Adviser	✓ Attended 6 of 8	
Lesley Dugdale Head of Human Resources	✓ Attended 8 of 8	
Barny Todd Chief Financial Officer	✓ Attended 8 of 8	
Kristin Jones Head of Strategic Relations	✓ Attended 4 of 8	
Matthew Wagstaff Head of Division A	✓ Attended 8 of 8	
Ben Morgan Head of Division B	✓ Attended 8 of 8	
Jane de Lozey Head of Division C (To 31.1.15)	✓ Attended 6 of 7	
Simon Daniel Head of Division D (From 2.2.15)	✓ Attended 1 of 1	
Clare Whitaker Head of Division D to 1.2.15 then Head of Division C (From 2.2.15)	✓ Attended 8 of 8	

## GOVERNANCE STATEMENT

Members	Management Board (MB)	Audit & Risk Committee (A&RC)
Stuart Alford QC Head of Division E	✓ Attended 6 of 8	
Mark Thompson Head of Proceeds of Crime Division	✓ Attended 7 of 8	
Kevin Davis Chief Investigator	✓ Attended 8 of 8	
Mathew Mallett Interim Chief Technology Officer (To 30.9.14)	✓ Attended 4 of 4	
Ben Denison Chief Technology Officer (From 14.8.14)	✓ Attended 5 of 5	

\*Dates given for Committee Members who did not attend throughout the year are the date of their departure or arrival.

### MANAGEMENT BOARD

The Director chairs the Management Board which meets every six weeks and comprises the SCS plus the non-executive directors (NEDs). The Board met eight times during 2014-15.

The Board operates as a team with each member sharing a common interest in the overall performance and integrity of the SFO. Each member, therefore, represents the interests of the SFO as a whole at board meetings and not simply the interests of the member's particular area of responsibility.

The Board advises on and supervises the strategic direction of the SFO enabling it to meet its statutory purpose of investigating and prosecuting serious or complex fraud, bribery and corruption. The Board specifically:

- supports the Director in setting and articulating the vision for the organisation based on an agreed view of long-term capability and horizon scanning;
- sets the SFO's professional standards, corporate values and culture;
- makes sure that strategic decisions are based on a collective understanding of policy issues and that the design of the business facilitates the achievement of its strategic objectives;
- monitors the SFO's external reputation and brand;
- monitors performance against the operational business plan with reference to strategic aims and objectives and management information ensuring that the SFO is challenged on its

- outcomes, supporting the drive for improvement;
- ensures sound financial management and advises on large operational projects or programmes;
- ensures that the SFO has the capability to deliver current and future needs, and that appropriate succession plans are in place;
- monitors equality and diversity issues across the SFO;
- resolves any issue referred to the Board by any other committee; and,
- sets, through the Risk Management and Moderation Group (RMMG), the SFO's risk appetite ensuring that controls are in place to identify, manage and monitor strategic risks to which the organisation may be exposed.

Working practices have been agreed so that the Board can discharge its responsibilities effectively. These practices deal with the cycle of meetings, setting agendas, the timetable for distributing papers and communicating decisions.

The Board aims to reach decisions by consensus. In exceptional cases, however, a decision may be taken by the Director alone because of the Director's ultimate personal responsibility for the SFO as Accounting Officer.

In addition to this formal role, there are other occasions when the Board may meet to discuss important issues that could affect the SFO's strategy, results or performance.

The Cabinet Office Code of Good Practice for Corporate Governance cites a nominations and governance committee as good practice. Because



## GOVERNANCE STATEMENT

the SFO is a small, non-ministerial Government department, the Board does not consider that a separate nominations and governance committee is necessary. Instead the Board carries out the nominations and governance function as part of its normal terms of reference.

### AUDIT AND RISK COMMITTEE (A&RC)

This Committee is chaired by a Non-Executive Director (NED) and is attended by all current NEDs who are also standing members. Other attendees who attended by invitation throughout the year included the Chief Financial Officer, Chief Technology Officer, Head of Strategic Relations and representatives of internal and external auditors, HMRC Internal Audit and the National Audit Office respectively. This gives the Committee the independence it needs to discharge its responsibilities properly.

Where appropriate, the Committee will call upon other SFO officials to attend meetings. The Director, as Accounting Officer, has an open invitation to attend all A&RC meetings, in particular those at which the Governance Statement and Accounts are reviewed.

For the 2014-15 meetings cycle, Tony Osbaldiston was the Chair supported by Simon Duckworth OBE DL, and Norman Pickavance until his departure in July 2014. A new NED, Ruth Evans, was appointed on 26 January 2015 and will attend meetings as a standing member.

The A&RC met three times in 2014-15 (five in 2013-14).

The purpose of the Committee is to support the Director as Accounting Officer and the Board by reviewing and assessing the reliability of the assurances that the Director and Board receive. The Committee also reviews and oversees the organisation's internal and external auditing arrangements, plans, results, and management responses. The Committee also considers the adequacy of the SFO's risk assessment, management procedures and internal control systems which are predominantly dealt with through the RMMG.

### EVALUATING THE EFFECTIVENESS OF THE BOARDS AND COMMITTEES

The A&RC conducts an annual self-assessment of its effectiveness.

The A&RC uses the National Audit Office's Audit Committee Self-Assessment Checklist template and last undertook a self-assessment in June 2014.

The Board members attended a two-day event in November 2014, where the agenda included working together as a Board, pay and grading, business planning, and decision making, as well as forward planning. Senior managers at SCS1 level met for an 'awayday' on 12 September 2014 to focus on looking at ways to increase case capacity and handling.

Internal auditors conducted a review of the SFO's compliance with the Code of Good Practice for Corporate Governance in May 2014. A final report was issued in September 2014, giving the SFO a green assurance rating. Complementary to this, the Board conducted a review of its effectiveness, led by a NED, and this is further discussed under **New Committee Structure** below.

The function and purpose of the other groups designed to identify and embed best practice, and provide assurance to the Board, are set out below.

There were also a number of supporting committees which fed into the work and responsibilities of the Board. These were:

- SCS Group;
- Case Evaluation Board;
- Case Review Panel;
- Strategic and Tactical Tasking, and Co-ordination Group (STT&G);
- Training Board;
- Equality and Diversity Steering Group (EDSG)\*; and,
- Mason and Woods Implementation Programme Board\*.

\* For the period up to December only.

## GOVERNANCE STATEMENT

Each committee has its own terms of reference which are published on the SFO's intranet so that all members of staff can be clear about their purpose.

### SCS GROUP (SCSG)

The SCSG holds an informal weekly meeting chaired by the Director. It is attended by the SFO's members of the Senior Civil Service and the Head of Communications.

The SCSG is the principal forum for managing the SFO's performance and where day-to-day management decisions are made.

The aim of the Group is to provide a forum at which appropriate representatives from the business can:

- share information frequently and regularly;
- update members on important developments in specific parts of the business;
- discuss issues that affect the whole business; and,
- receive immediate advice, support or resources to resolve issues.

The Group is responsible for:

- leading by example so that senior managers operate and are seen to operate as a co-ordinated team;
- discussing and resolving (so far as possible) immediate operational and functional issues which may impact on the SFO's ability to deliver its targets. Where exceptionally this is not possible, the chair (or delegated member) will resolve matters;
- drafting key papers and plans (for example, the annual business plan) for discussion and sign-off by the Board;
- succession planning;
- finance planning and monitoring;
- scanning the horizon for opportunities to develop the SFO's business; and,
- identifying issues that need to be resolved outside the Board and ensuring that they are appropriately recorded, assigned and considered.

### CASE EVALUATION BOARD (CEB)

The CEB enables the Director to make an informed decision based on its recommendation to initiate or decline an investigation.

The Board meets periodically, depending on the intelligence pipeline, and reports to the Director. Core members are the General Counsel, the Special Adviser and the Chief Investigator. The relevant intelligence lead will also attend.

Specifically the CEB will:

- evaluate and challenge intelligence submissions against the SFO's Statement of Principle (which governs the basis upon which decisions are made as to which cases should be adopted for investigation);
- assess strategic and tactical risk, cost/resource implications; and, where appropriate
- consider potential cases in the context of HMG's strategic approach to economic crime.

### CASE REVIEW PANEL (CRP)

The CRP meets several times a month and reports to the Director. The Panel comprises the General Counsel, the Special Adviser, the Chief Investigator, the relevant Head of Division and appropriate members of the case team. The Director also attends at his discretion.

The CRP ensures that a level of appropriate scrutiny and challenge is given to every case by reviewing:

- case progress against case strategy; and,
- casework risks together with plans to mitigate them.

The frequency of CRPs for each case is informed by a programme which captures target dates for key milestones, case progress, agreed actions and the level of risk associated with the case. Full minutes are taken thus providing a written record and audit trail.

This process highlights key risk areas and brings them to the attention of senior management.

### **TRAINING BOARD**

The Board, chaired by the Head of Proceeds of Crime Division, met four times and regularly updates the Management Board on the rolling programme of training. Members include the General Counsel, the Head of Strategic Relations, and the Head of Human Resources (HR), the Chief Investigator, Heads of Operational Divisions and others.

The Board develops and delivers a programme of training for the investigation and prosecution of cases. It assists the Management Board to identify ways of broadening capability, such as creating development activities to ensure staff are provided with practical experience, knowledge and skills to effectively investigate and prosecute SFO cases.

### **STRATEGIC & TACTICAL TASKING & COORDINATION GROUP (STT&CG)**

The Group, chaired by the Chief Investigator, meets on a monthly basis. It is a decision-making and resource management body that is pivotal to the delivery of the National Intelligence Model (NIM). Members include the General Counsel and all Heads of Operational Divisions. The Group meets to discuss intelligence requirements, products and projects against the control strategy, operational capacity/capability and the prioritisation of resources.

### **EQUALITY AND DIVERSITY WORKING GROUP (EDWG)**

The Group meets on a monthly basis and is chaired by the Diversity Champion. The Group consists of representatives of the business together with the Head of HR Operations and the Head of Communications. The aim of the group is to provide a forum at which appropriate representatives manage the SFO's obligations under the Public Sector Equality Duty, ensures that an equality and diversity plan is developed and put in place to address these obligations, makes sure that the plan is implemented effectively, manages appropriate communication and consultation and audits and scrutinises the plan. The work of the Group is

overseen and supported by the People and Culture Committee; undertaking a function previously performed by the Equality and Diversity Steering Group. The People and Culture Committee is part of the New Committee structure referred to below and the Diversity Champion is one of its members.

### **MASON AND WOODS IMPLEMENTATION PROGRAMME BOARD**

This programme board was set up to ensure that the recommendations of the reviews by Peter Mason CBE and Alan Woods were implemented. The Director of the SFO was the Senior Responsible Officer and chair. Other members of the programme board included the Head of Human Resources, Head of Strategic Relations, Chief Financial Officer, Chief Investigator, Chief Technology Officer and Head of Division C.

The programme board met regularly and considered progress on the following seven key projects:

- Physical, IT and cyber security;
- Information security;
- Staff survey and culture;
- Communications;
- Management Board effectiveness;
- Business Continuity Plan, and,
- Skills, capability and pay and grading.

The programme formally closed in December 2014 and outstanding actions have been absorbed into business as usual activities or into the wider role of the Oversight and Governance Board (OGB).

Progress on individual projects can be reported as follows: the physical, IT and cyber security project has successfully implemented a series of changes to the way the SFO and its staff operate with improved culture and heightened awareness of individual responsibility and accountability. This will continue with joint responsibility between the SIRO and Chief Technology Officer. The information security project has delivered training and developed specific guidance for staff and the SFO have assigned information asset owners. This work concluded that a separate standalone project to look at dormant cases would be created and is

## GOVERNANCE STATEMENT

now under the remit of the OGB. The Staff Survey and Culture project has been absorbed into the wider work of the People and Culture Committee (PCC). Both the intranet and website projects under the communication strand are being developed and have been absorbed into business as usual as part of continuous improvement. The Management Board effectiveness project successfully concluded with recommendations which have since been implemented. This is further discussed below. The Business continuity project is ongoing until a separate project on co-location has concluded and can be absorbed into business as usual. Finally, the skills, capability and pay and grading review has already delivered on a blueprint (reorganised structure) for the SFO. However the implementation phase continues and this work will be overseen by the OGB.

### NEW COMMITTEE STRUCTURE

Norman Pickavance, a NED, in a review of Management Board effectiveness, recommended changes to the way that the Board works and how it is supported. The changes agreed by the Board took effect from December 2014 and resulted in the creation of three new standing committees: Strategy, People and Culture, and Infrastructure.

Each full Management Board meeting includes a dedicated, extended session to explore issues brought to it by one of these committees, with all covered in sequence. The intention is that the Board considers the key issues facing the SFO, in depth and in the light of the committees' analysis and recommendations, in a more structured way. Terms of reference for these committees have been published on the intranet.

The committees are chaired by members of the Board. The General Counsel is the Chair for the Strategy Committee, the Head of Division E leads the People and Culture Committee and the Chief Financial Officer the Infrastructure Committee. All SCS other than the Director and the Special Adviser are members of at least one committee, with each committee also having one of the three NEDs as a member. The chairmanship of these committees will be rotated periodically.

The A&RC remains unchanged. In addition, an Oversight and Governance Board (OGB) has been set up to support the delivery of strategic projects or programmes underway in the business at any given time. This follows on from the "Mason and Woods implementation programme board" which reviewed and implemented recommendations made by independent reviewers Peter Mason CBE and Alan Woods in the aftermath of the SFO data loss incident in 2013.

### OVERSIGHT AND GOVERNANCE BOARD (OGB)

The OGB monitors progress and intervenes as required if a project or programme needs strengthening or if concerns need to be addressed. It also ensures that dependencies and cross-cutting issues between projects and programmes are considered and addressed. Projects being overseen currently include, the Digital Review System replacement project, a review of dormant cases, co-location and the skills, capability and pay and grading review.

The support for the Management Board, its committees, and the OGB has also been reviewed and these arrangements strengthened. To this end the Director's private office has been restructured and a new Internal Governance Unit created.

### RISK MANAGEMENT AND MODERATION GROUP (RMMG)

Alongside the above committees the RMMG considers the adequacy of the SFO's risk assessment, management procedures and internal control systems and is responsible for ensuring that the SFO's strategic risk register is up to date and accurately reflects the risks dealt with by the Department. The Chief Financial Officer chaired this group from April to December 2014 with the Head of Proceeds of Crime Division taking over from January 2015.

### WORKING GROUPS

The work of the Management Board and its committees is also supported by a number of working groups set up to address specific issues or to update processes and practices within the SFO. Such groups cover areas including the operational

## GOVERNANCE STATEMENT

handbook, evidence handling, the SFO's digital review system, community engagement and charities and victims and witnesses.

### OTHER ORGANISATIONAL ARRANGEMENTS

The bulk of the SFO's resources are focused on the core business of investigation and prosecution, and associated proceeds of crime casework. The operational arm is organised into specialisms – bribery and corruption, fraud and proceeds of crime and intelligence.

Given the importance of evidence handling and the increasing electronic nature of evidence, the SFO has combined its material management and digital forensics group under the Chief Investigator, who also holds the role of Senior Information Risk Owner (SIRO) and has overall responsibility for Departmental Security.

There are corporate services teams which provide HR, finance, commercial and estate management services. Another Division deals with policy, Parliamentary and freedom of information matters, and internal and external communications, which ensures good communications with wider government, the press, public and other stakeholders. This team includes the international assistance function, and also provides quality assurance through the conduct of internal reviews and the oversight of progress against HMCP's inspection recommendations.

### RISK

The SFO's approach to risk is to manage it to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives. The organisation can therefore give only reasonable, and not absolute assurance of effectiveness.

The SFO actively considers and identifies potential risks to the organisation. Its strategy to identify and counter risks is based on clear senior management leadership and responsibility; delegation to appropriate levels of authority and functional areas

of the organisation; and the availability of relevant training and information within the SFO.

The Strategic Risk Register (SRR) which is owned by the Management Board covers strategic and project risks that are sufficiently significant that they require monitoring at Board level. This is supported by subsidiary risk registers maintained by each division within the SFO to manage and monitor lower tier operational and corporate risks.

The A&RC is responsible for ensuring that the SFO's risk management policies and processes are adequate, implemented and complied with and reviews the SRR at its meetings. In addition the RMMG – also attended by Internal Audit - has been in place since December 2013 with specific objectives to co-ordinate and guide risk management across the organisation, review and moderate case and divisional risk registers underpinning the SRR and consider and decide upon emerging risks and issues.

As part of the RMMG process, new risks are added to the registers, and others removed, as appropriate. Both the Management Board and A&RC agendas include risk identification and management.

### RISK APPETITE<sup>9</sup>

A Risk Management booklet is published on the intranet and is available to all staff. This outlines the SFO's approach to risk management, risk ratings and review processes and the roles and responsibilities.

### MANAGING RISK

The SFO has a robust process in place to manage and mitigate organisational and operational risk, and the risk management strategy is regularly reviewed.

Risk appetites ensure that risks to the reputation of the organisation and its ability to deliver its operational duties are mitigated appropriately. This process is co-ordinated by the A&RC supported by

9. For the SFO's non-casework areas only. The Code of Crown Prosecutors underpins the decision-making process in relation to our casework. The SFO does not set targets for investigations, prosecutions or the work involved in the recovery of proceeds of crime as outcomes are determined by the courts and/or performance is not within the control of the SFO.

## GOVERNANCE STATEMENT

the RMMG. From April 2014 to March 2015 the RMMG met seven times.

Each member of the SCS is accountable for risk and mitigation in their respective divisions as well as corporately. The strategic, divisional and case risk registers are reviewed regularly, and risk assessment is part of the project methodology used by project managers in their work.

The A&RC reviews the SFO's risk strategy and the SRR as a standing agenda item, and provides regular commentary to the Management Board. It also receives reports on the effectiveness of risk management processes and systems from the RMMG (as described above).

Risk is inherent in the operational aspects of the SFO's business, particularly in the investigation and prosecution of cases. Considerable management scrutiny and assurance is applied at case level to assess risk factors both when embarking upon an investigation and, where appropriate, a prosecution. At the prosecution stage, risks are balanced against the need to pursue cases in the public interest<sup>10</sup>. Staff have been alerted to the risk management pages on the intranet including the publication of the risk management booklet. The SFO also ensures that it complies with best practice guidance in respect of undertaking operational risk assessments particularly when deploying staff outside of the SFO estate on search operations.

### KEY RISKS FOR 2014-15

RISK	MITIGATING ACTIONS
<b>Insufficient funding to pursue cases and cover liabilities from them.</b>	Management Board to monitor and anticipate finance pressures and trends, and work with HMT to determine suitable funding strategies.
<b>Insufficient business continuity planning.</b>	A full review and updating of current business continuity plans undertaken, and investment planned in an off-site data recovery capability.

### SIGNIFICANT CONTROL ISSUES OR KEY CHALLENGES DURING 2014-15

#### ROBERT AND VINCENT TCHENGUIZ

In July 2014 the SFO settled the civil damages claims brought by Mr Vincent Tchenguiz and Mr Robert Tchenguiz and their business interests arising from their arrests and the searches of their homes and business premises in March 2011.

The SFO paid Mr Vincent Tchenguiz and his business entities the total sum of £3m in full and final settlement of their civil claims. The SFO also paid £3m on account against the costs incurred by Mr Vincent Tchenguiz. The SFO paid Mr Robert Tchenguiz, R20 and the Trustee the total sum of £1.5m in full and final settlement.

The settlement of these claims means that the civil damages actions against the SFO relating to the searches and arrests of Vincent and Robert Tchenguiz are concluded. Further payments on account for costs were made in July 2015 of £1m to Mr Vincent Tchenguiz and £3m to Mr Robert Tchenguiz bringing the total costs paid to date of £7m. Final settlement of outstanding cost liabilities is expected to be made in 2015-16.

#### OTHER

Following the data loss reported in 2013, the Information Commissioner's Office investigated the SFO and a fine of £180,000 was imposed and accepted. Early payment reduced the amount payable to £144,000.

10. The Code for Crown Prosecutors

### MINISTERIAL DIRECTIONS AND MACHINERY OF GOVERNMENT CHANGES

There were no ministerial directions given or Machinery of Government changes during 2014-15.

### MAKING SURE THAT WE DO WHAT WE NEED TO DO

The Director, as Accounting Officer, is responsible for reviewing the effectiveness of the system of internal control. The main elements of the organisation's control framework include:

- a clearly defined 'Statement of Accounting Officer's Responsibilities' (see page 21 of this Annual Report and Accounts);
- a Management Board with clear terms of reference and a defined membership, including independent NEDs, which meets regularly to consider the strategic direction and operational needs of the SFO;
- an A&RC chaired by a NED with clear terms of reference and defined membership, which meets four times a year to consider the reliability of assurances and to oversee the internal and external auditing arrangements, plans and results;
- a SCS Group which comprises all senior managers whose function is to review performance and to resolve issues to make sure that the SFO delivers its objectives;
- a bought-in internal audit service (provided by HMRC) which conducts an annual programme of specific reviews drawn up on a risk analysis basis, agreed by the A&RC and a complementary internal quality assurance team;
- the Chair of the A&RC has regular bilateral meetings with both the HMRC Internal Audit Manager and the NAO Audit Director who have responsibility for the SFO;
- detailed guide on standards of behaviour and conduct, the SFO's whistle-blowing policy, a clear corporate policy to combat fraud, and zero tolerance of dishonesty;
- an Operational Handbook which has been reviewed and updated, and will continue to be on an on-going basis. This covers all casework processes, procedures and best practice;
- a clear structure of delegated responsibility; with all roles having been reviewed and responsibilities

having been defined;

- a framework of financial regularity and propriety supported by a Finance Manual which provides clear financial policies and protocols. This also includes a register of gifts and hospitality for all staff; and,
- formally delegated budgets with clearly defined budgetary responsibilities for all senior budget holders.

### CABINET OFFICE RULES FOR INFORMATION ASSURANCE

The SFO applies the Cabinet Office rules for information assurance and complies with the Security Policy Framework for the protection of physical security.

All laptops and other devices which are taken out of the office are encrypted and all IT equipment has its data ports disabled to prevent unauthorised copying of data, and minimise the risk of cyber-attacks. Heads of Divisions and other senior managers fulfil the role of information asset owners and are responsible for ensuring that all information is suitably protected at all times. There is a system to provide exemptions if unencrypted data needs to be taken off the premises.

From 1 April 2013, all SCS in the SFO were appointed Information Asset Owners and required to submit quarterly returns to the SIRO on data losses or incidents within their areas of responsibility. All staff within the SFO are required to complete levels one, two or three of the on-line Responsible for Information training, depending on their level of seniority and responsibility. Compliance with this requirement is monitored by the SIRO.

### WHISTLEBLOWING

During the year, the Public Accounts Committee (PAC) issued a series of recommendations to the Government in relation to whistleblowing. The Government accepted the majority of these in a response to the PAC in December 2014. Following this, and as part of a cross-governmental approach, the SFO has revised its whistleblowing policy to incorporate the accepted

recommendations and ensure a consistent cross-Civil Service standard on whistleblowing. In line with the PAC recommendations that have been accepted, arrangements have been put in place for the Management Board and A&RC to consider whistleblowing regularly.

### INSPECTION

Until 12 March 2014, inspections were undertaken by invitation of the Director. The Anti-Social Behaviour, Crime and Policing Act 2014 contains a clause providing Her Majesty's Crown Prosecution Service Inspectorate (HMCPsi) with the statutory powers to inspect the SFO. This provision came into effect in June 2014.

In November 2012, HMCPsi published its first report on the SFO which made eight recommendations. The Director invited the Chief Inspector to conduct a follow-up inspection in the autumn of 2013 to examine the progress made. The follow-up report was published in November 2014. The report provided a snapshot of the SFO in late 2013, and recognised the scale and pace of the changes which were taking place at the time. It made clear how much had already been achieved by staff and management across the SFO to overhaul structures and processes, and anticipated the achievements that have been made since.

### QUALITY ASSURANCE

The Head of Strategic Relations reports to the Director on assurance in the SFO. Quality assurance provides the Director with an effective and robust function that ensures the SFO's processes and procedures are fit for purpose and that best practice is shared across the Office. A rolling programme of work, developed using a risk-based approach, is agreed with the Director.

The remit of quality assurance extends to all aspects of the business, including casework and the quality of decision making. Close working with the SFO's internal auditors ensures review activity is efficiently co-ordinated and avoids duplication.

There is an external role for the quality assurance team in relation to HMCPsi. This includes the facilitation of inspections and the development of action plans relating to the implementation of recommendations.

### REVIEW OF EFFECTIVENESS

The Director, as Accounting Officer, is responsible for reviewing the effectiveness of the system of internal control. His review of its effectiveness is informed by the work of the internal auditors and the quality assurance manager (who is responsible for developing and maintaining the internal control framework) and comments made by the external auditors in their Audit Completion Report and other reports. The Head of Internal Audit (HIA) provides an annual Report and Opinion on the adequacy and effectiveness of the SFO's framework of governance, risk management and controls. For 2014-15 the HIA has reported Satisfactory Assurance for all three.

The Management Board and A&RC have advised the Director on the effectiveness of the system of internal control. There is a continuing plan to address weaknesses and make sure that the system is continuously improved.

Measures in place include:

- regular reports by the internal auditors, based on the annual Internal Audit Plan, and in line with the Government Internal Audit Standards, together with any recommendations for improvement;
- improved business and strategic planning processes;
- improved data security procedures and supporting communications;
- regular reports from the chair of the A&RC to the Management Board; and,
- regular advice on the effectiveness of the system of internal control.

**DAVID GREEN CB QC**  
**Accounting Officer**  
14 July 2015



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

I certify that I have audited the financial statements of the Serious Fraud Office for the year ended 31 March 2015 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. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### **RESPECTIVE RESPONSIBILITIES OF THE ACCOUNTING OFFICER AND AUDITOR**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, 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 Department's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; 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 Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also 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 Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2015 and shows that those totals have not been exceeded; and,
- 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 Department's affairs as at 31 March 2015 and of its 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, strategic report, Director's report and sustainability report 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

I have no observations to make on these financial statements.

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**  
14 July 2015

National Audit Office  
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## STATEMENT OF PARLIAMENTARY SUPPLY

### SUMMARY OF RESOURCE AND CAPITAL OUTTURN 2013-14

£000	2013-15								2013-14
	Estimate				Outturn			Voted outturn compared with Estimate: saving/ (excess)	Outturn
	Note	Voted	Non Voted	Total	Voted	Non Voted	Total		Total
Departmental Expenditure Limit									
- Resource	2.1	57,711	-	57,711	54,762	-	54,762	2,949	51,715
- Capital	2.2	2,570	-	2,570	2,373	-	2,373	197	1,295
Annually Managed Expenditure									
- Resource	2.1	19,000	-	19,000	13,885	-	13,885	5,115	(336)
<b>Total Budget</b>		<b>79,281</b>	<b>-</b>	<b>79,281</b>	<b>71,020</b>	<b>-</b>	<b>71,020</b>	<b>8,261</b>	<b>52,674</b>
Total Resource		76,711	-	76,711	68,647	-	68,647	8,064	51,379
Total Capital		2,570	-	2,570	2,373	-	2,373	197	1,295
<b>Total</b>		<b>79,281</b>	<b>-</b>	<b>79,281</b>	<b>71,020</b>	<b>-</b>	<b>71,020</b>	<b>8,261</b>	<b>52,674</b>

### NET CASH REQUIREMENT 2014-15

£000	2013-14				2012-13
	Note	Estimate	Outturn	Outturn compared with Estimate: saving/ (excess)	Outturn
<b>Net Cash Requirement</b>	<b>4</b>	<b>59,219</b>	<b>55,835</b>	<b>3,384</b>	<b>51,394</b>

### ADMINISTRATION COSTS 2014-15

£000	2013-14				2012-13
	Note	Estimate	Outturn	Outturn compared with Estimate: saving/ (excess)	Outturn
<b>Net Cash Requirement</b>	<b>3.2</b>	<b>7,351</b>	<b>6,237</b>	<b>1,114</b>	<b>7,281</b>

Explanation of variances between Estimate and Outturn are given in Note 2 and in the Management Commentary. The notes on pages 44 to 59 form part of these accounts.

## **SOPS1. STATEMENT OF ACCOUNTING POLICIES**

The Statement of Parliamentary Supply and supporting notes have been prepared in accordance with the 2014-15 Government Financial Reporting Manual (FReM) issued by HM Treasury. The Statement of Parliamentary Supply accounting policies contained in the FReM are consistent with the requirements set out in the 2014-15 Consolidated Budgeting Guidance and Supply Estimates Guidance Manual.

### **SOPS1.1 ACCOUNTING CONVENTION**

The Statement of Parliamentary Supply and related notes are presented consistently with Treasury budget control and Supply Estimates. The aggregates across government are measured using National Accounts, prepared in accordance with the internationally agreed framework 'European System of Accounts' (ESA95). ESA95 is in turn consistent with the System of National Accounts (SNA93), which is prepared under the auspices of the United Nations.

The budgeting system, and the consequential presentation of Supply Estimates and the Statement of Parliamentary Supply and related notes have different objectives from IFRS-based accounts. The system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant Parliamentary authority, in support of the Government's fiscal framework. The system provides incentives to departments to manage spending well so as to provide high quality public services that offer value for money to the taxpayer.

The Government's objectives for fiscal policy are set out in the Charter for Budget Responsibility. These are to:

- ensure sustainable public finances that support confidence in the economy, promote intergenerational fairness, and ensure the effectiveness of wider government policy; and,
- support and improve the effectiveness of monetary policy in stabilising economic fluctuations.

### **SOPS1.2 COMPARISON WITH IFRS-BASED ACCOUNTS**

Many transactions are treated in the same way in National Accounts and IFRS-based accounts, but there are a number of differences.

### **SOPS1.3 PRIOR PERIOD ADJUSTMENTS (PPAs)**

PPAs resulting from an error in previous recording, or from an accounting policy change initiated by the department, need to be voted by Parliament in the current year, whereas in IFRS-based accounts (IAS 8) they are treated as adjustments from previous years. (PPAs resulting from a change in accounting policy brought in by a new or modified accounting standard are not included in Estimates, so there is no misalignment.)

### **SOPS1.4 RECEIPTS IN EXCESS OF HM TREASURY AGREEMENT**

This applies where HM Treasury has agreed a limit to income retainable by the department, with any excess income scoring outside of budgets, and consequently outside of the Statement of Parliamentary Supply. IFRS-based accounts will record all of the income, regardless of the budgetary limit. This situation may arise in the following areas: (i) profit/loss on disposal of assets; (ii) income generation above department Spending Review settlements; and (iii) income received above netting-off agreements.

### **SOPS1.5 CIVIL RECOVERY RECEIPTS**

SFO receipts from the Asset Recovery Incentivisation Scheme (ARIS) for Civil Recovery and Confiscation Orders are recognised at the point that settlement is confirmed by the Courts. Payment of the SFO's cash share of ARIS receipts is made following the transfer of the settlement to the Home Office.

**NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS  
(STATEMENT OF PARLIAMENTARY SUPPLY)**

**SOPS1.6 PROVISIONS - ADMINISTRATION AND PROGRAMME EXPENDITURE**

Provisions recognised in IFRS-based accounts are not recognised as expenditure for national accounts purposes until the actual payment of cash (or accrued liability) is recognised. To meet the requirements of both resource accounting and national accounts, additional data entries are made in the Statement of Parliamentary Supply across

AME and DEL control totals, which do not affect the Statement of Comprehensive Net Expenditure. As the Administration control total is a sub-category of DEL, Administration and Programme expenditure reported in the Statement of Parliamentary Supply will differ from that reported in the IFRS-based accounts. A reconciliation is provided in SoPS note 3.2.

**SOPS2. NET OUTTURN**

**SOPS2.1 ANALYSIS OF NET RESOURCE OUTTURN BY SECTION**

£000	2014-15								2013-14
	Outturn						Estimate		Outturn
	Administration			Programme					
	Gross	Income	Net	Gross	Income	Net	Net Total	Net total compared to Estimate	Total
<b>Spending in Departmental Expenditure Limit Voted:</b>									
A Investigations & Prosecutions	6,237	-	6,237	50,200	(1,675)	48,525	57,711	2,949	<b>44,434</b>
<b>Voted:</b>									
B New provision and adjustment to existing provisions	-	-	-	13,885	-	13,885	19,000	5,115	(336)
<b>Total</b>	<b>6,237</b>	<b>-</b>	<b>6,237</b>	<b>64,085</b>	<b>(1,675)</b>	<b>62,409</b>	<b>76,711</b>	<b>8,064</b>	<b>44,098</b>

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

There has been an overall underspend of £8,064k against the Estimate. £2,949k of this was within DEL, this is largely due to increased income of £1,675k.

NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS  
(STATEMENT OF PARLIAMENTARY SUPPLY)

SOPS2.2 ANALYSIS OF NET CAPITAL OUTTURN BY SECTION

£000	2014-15								2013-14 Outturn
	Outturn						Estimate		
	Administration			Programme			Estimate		
	Gross	Income	Net	Gross	Income	Net	Net Total	Net total compared to Estimate	Total
<b>Spending in Departmental Expenditure Limit</b>									
A Investigations & Prosecutions	-	-	-	2,373	-	2,373	2,570	197	1,295
<b>Total</b>	-	-	-	<b>2,373</b>	-	<b>2,373</b>	<b>2,570</b>	<b>197</b>	<b>1,295</b>

SOPS3. RECONCILIATION OF OUTTURN TO NET OPERATING COST  
AND AGAINST ADMINISTRATION BUDGET

SOPS3.1 RECONCILIATION OF NET RESOURCE OUTTURN TO NET OPERATING COST

	Note	2014-15 £000	2013-14 £000
		Outturn	Outturn
Total resource outturn in Statement of Parliamentary Supply	2	68,647	51,379
Less income payable to the Consolidated Fund	5	(3,051)	-
<b>Net Operating Cost in Statement of Comprehensive Net Expenditure</b>		<b>65,596</b>	<b>51,379</b>

NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS  
(STATEMENT OF PARLIAMENTARY SUPPLY)

**SOPS3.2 OUTTURN AGAINST FINAL ADMINISTRATION  
BUDGET AND ADMINISTRATION NET OPERATING COSTS**

	2014-15 £000	2013-14 £000
	Outturn	Outturn
Estimate - Administration costs limit	7,351	7,900
Outturn – Gross administration costs	6,237	7,281
Outturn – Income relating to administration costs		-
Outturn – Net administration costs	6,237	7,281
Reconciliation to operating costs:		
Less: provisions utilised (transfer from Programme)	(238)	(332)
Less: Other	6	85
<b>Administration Net Operating Costs</b>	<b>6,005</b>	<b>7,034</b>

**SOPS4. RECONCILIATION OF NET RESOURCE OUTTURN TO NET CASH REQUIREMENT**

				2014-15 £000	2013-14 £000
	Note	Estimate	Outturn	Net total outturn compared with Estimate: saving / (excess)	Outturn
<b>Net Resource Outturn</b>	2.1	76,711	68,647	8,064	51,379
Capital					
Capital outturn	2.2	2,570	2,373	197	1,295
<b>Accruals to cash adjustments</b>					
Depreciation	6,7	(2,062)	(1,908)	(154)	(1,631)
New Provisions and adjustments to previous provisions	14	(19,000)	(14,345)	(4,655)	(443)
(Increase) / Decrease in payables		1,000	(658)	1,658	343
Increase / (Decrease) in receivables			2,306	(2,306)	(252)
Other non cash items			(200)	200	(76)
Use of Provision	14		460	(460)	779
Adjustment for CFER payable			(3,051)	3,051	-
Adjustment for CFER paid over			2,211	(2,211)	-
<b>Net cash requirement</b>		<b>59,219</b>	<b>55,835</b>	<b>3,384</b>	<b>51,394</b>

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

The net resource outturn variance is £8,064k after taking account of variances on capital acquisitions, movements on non-cash items and reductions in current liabilities including provisions the cash requirement variance for the year was £3,384k.

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

**SOPS5. INCOME PAYABLE TO THE CONSOLIDATED FUND**

In addition to income retained by the Department, the following income is payable to the Consolidated Fund (cash receipts are shown in italics).

	2014-15 Outturn		Receivables	2013-14 £000
	£000	£000	£000	Outturn
Income Receipts	Income	Receipts		
Income outside the ambit of the Estimate *	(3,051)	(2,211)	(840)	-
Excess Cash surrenderable to the Consolidated Fund				
<b>Total amount payable to the Consolidated Fund</b>	<b>(3,051)</b>	<b>(2,211)</b>	<b>(840)</b>	<b>-</b>

\* Income outside the ambit of the Estimate relate to the Asset Recovery Incentivisation scheme (ARIS). This scheme permits investigators and prosecutors to receive a percentage of confiscated criminal assets and income from civil settlements. As an income stream it is unpredictable in both timing and amount. The SFO reached an agreement with HM Treasury to convert future assumed ARIS income into baseline funding.



## STATEMENT OF COMPREHENSIVE NET EXPENDITURE

For the year ended 31 March 2014.

£000	2014-15		2013-14
	Note	Department Total	Department Total
<b>Administration Costs</b>			
Staff costs	2	3,869	4,109
Other costs	3	2,136	2,925
Income			
<b>Programme expenditure</b>			
Staff costs	2	20,150	16,926
Other costs	4	44,167	27,845
Income	5	(4,726)	(426)
<b>Net Operating Cost for the year ended 31 March 2015</b>		<b>65,596</b>	<b>51,379</b>
Total expenditure		70,322	51,805
Total income	5	(4,726)	(426)
<b>Net Operating Cost for the year ended 31 March 2015</b>		<b>65,596</b>	<b>51,379</b>
<b>Other comprehensive Net Expenditure</b>			
Items that will not be reclassified to operating costs:			
Net (gain) / loss on:			
- revaluation of property, plant & equipment		-	-
<b>Total comprehensive expenditure for the year ended 31 March 2015</b>		<b>65,596</b>	<b>51,379</b>

The notes on pages 43 to 59 form part of these accounts.

## STATEMENT OF FINANCIAL POSITION

As at 31 March 2015.

£000	2014-15		2013-14
	Note	Department Total	Department Total
<b>Non-current assets:</b>			
Property, plant and equipment	6	3,517	2,458
Intangible assets	7	1,195	1,789
Trade and other receivables	12	56	35
<b>Total non-current assets</b>		<b>4,768</b>	<b>4,282</b>
<b>Current assets:</b>			
Trade and other receivables	12	3,445	1,160
Cash and cash equivalents	11	897	659
<b>Total current assets</b>		<b>4,342</b>	<b>1,819</b>
<b>Total assets</b>		<b>9,110</b>	<b>6,101</b>
<b>Current liabilities:</b>			
Trade and other payables	13	(6,093)	(4,218)
Provisions	14	(14,633)	(557)
<b>Total current liabilities</b>		<b>(20,726)</b>	<b>(4,775)</b>
<b>Non-current assets plus/less net current assets/liabilities</b>		<b>(11,616)</b>	<b>1,326</b>
<b>Non-current liabilities</b>			
Trade and other payables	13	-	-
Provisions	14	(178)	(369)
<b>Total non-current liabilities</b>		<b>(178)</b>	<b>(369)</b>
<b>Assets less liabilities</b>		<b>(11,794)</b>	<b>957</b>
<b>Taxpayers' equity and other reserves:</b>			
General fund		(11,905)	817
Revaluation reserve		111	140
<b>Total equity</b>		<b>(11,794)</b>	<b>957</b>

The notes on pages 43 to 59 form part of these accounts.

**David Green CB QC**  
**Accounting Officer**  
 July 2015.

## STATEMENT OF CASH FLOWS

For the year ended 31 March 2014.

£000	2014-15		2013-14
	Note	Department Total	Department Total
<b>Cash flows from operating activities</b>			
Net operating cost		(65,596)	(51,379)
Adjustments for non-cash transactions	3,4	16,316	2,155
(Increase)/Decrease in trade and other receivables	12	(2,306)	252
less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure		(0)	-
Increase/(Decrease) in trade payables	13	1,875	(1,154)
less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		(1,217)	810
Use of provisions	14	(460)	(779)
<b>Net cash outflow from operating activities</b>		<b>(51,388)</b>	<b>(50,095)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(2,044)	(1,139)
Purchase of intangible assets	7	(192)	(160)
<b>Net cash outflow from investing activities</b>		<b>(2,236)</b>	<b>(1,299)</b>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply)- current year		56,073	50,567
Advances from the Contingencies Fund		26,500	11,000
Repayments to the Contingencies Fund		(26,500)	(11,000)
<b>Net financing</b>		<b>56,073</b>	<b>50,567</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>		<b>2,449</b>	<b>(827)</b>
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		-	-
Payments of amounts due to the Consolidated Fund		(2,211)	-
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>		<b>238</b>	<b>(827)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	11	<b>659</b>	<b>1,486</b>
<b>Cash and cash equivalents at the end of the period</b>	11	<b>897</b>	<b>659</b>

The notes on pages 43 to 59 form part of these accounts.

## STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

For the year ended 31 March 2014.

£000	Note	General Fund	Revaluation Reserve	Total Reserves
<b>Balance at 31 March 2013</b>				
Changes in accounting policy		682	200	882
<b>Restated balance at 1 April 2013</b>		<b>682</b>	<b>200</b>	<b>882</b>
Net Parliamentary Funding - drawn down		50,567		50,567
Net Parliamentary Funding – deemed		1,486		1,486
Supply payable/(receivable) adjustment		(659)		(659)
Comprehensive Net Expenditure for the Year		(51,379)		(51,379)
<b>Non-Cash Adjustments</b>				
Non-cash charges - auditor's remuneration	3	60		60
<b>Movements in Reserves</b>				
Transfer between reserves		60	(60)	-
<b>Balance at 31 March 2014</b>		<b>817</b>	<b>140</b>	<b>957</b>
Net Parliamentary Funding – drawn down		56,073		56,073
Net Parliamentary Funding – deemed		659		659
Supply payable/(receivable) adjustment	13(a)	(897)		(897)
CFERS payable to the Consolidated Fund		(3,051)		(3,051)
Comprehensive Net Expenditure for the Year		(65,596)		(65,596)
<b>Non-Cash Adjustments</b>				
Non-cash charges – auditor's remuneration	3	60		60
<b>Movements in Reserves</b>				
Transfer between reserves		30	(29)	1
<b>Balance at 31 March 2015</b>		<b>(11,905)</b>	<b>111</b>	<b>(11,794)</b>

The notes on pages 43 to 59 form part of these accounts.

## 1. STATEMENT OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the 2014-15 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Serious Fraud Office for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Serious Fraud Office are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires the Department to prepare one additional primary statement. The Statement of Parliamentary Supply and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement.

### 1.1 ACCOUNTING CONVENTION

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

### 1.2 FINANCIAL INSTRUMENTS

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

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

#### ***Borrowings***

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

#### ***Trade receivables***

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

#### ***Cash and cash equivalents***

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

#### ***Trade payables***

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

## 1.3 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The Department does not own any freehold land or buildings.

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

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

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

### 1.4 REVALUATION RESERVE

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

## NOTES TO THE DEPARTMENTAL ACCOUNTS

### 1.5 DEPRECIATION AND AMORTISATION

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

of acquisition up to and including the month of disposal.

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

PROPERTY, PLANT AND EQUIPMENT	
Improvements to leasehold property	Over the unexpired term of the lease
Information Technology	5 years
Furniture and fittings	10 years or over the unexpired term of the property lease (whichever is the shorter)
Intangible assets	
Software Licenses	5 years or over the unexpired term of the related software license (whichever is the shorter)
Information Technology	5 years or over the unexpired term of the related software license (whichever is the shorter)
Website Costs	5 years

Development expenditure is not amortised until the assets are brought into use, at which point amortisation is applied in accordance with the asset category to which the asset is transferred on coming into use.

### 1.6 COSTS AWARDED TO THE SERIOUS FRAUD OFFICE (SFO)

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

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

Where costs are awarded, they are shown as receivables on the Statement of Financial Position. Where they may not be recovered without leave of the court, full provision is made against them

until leave is obtained. In other cases, the SFO makes a judgement on the likelihood of costs being recovered based on the circumstances of each case, and may make provisions accordingly. In practice, full provision is made one year after the debt becomes due except where the defendant is making regular payments to the SFO. Where costs are subject to appeal proceedings, full provision is made against them until all proceedings are finally determined. Subsequent treatment of these receivables and provisions will depend on the outcome of the proceedings.

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

### 1.7 COSTS AWARDED AGAINST THE SFO

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

### 1.8 CIVIL RECOVERY RECEIPTS

SFO receipts from the Asset Recovery Incentivisation Scheme (ARIS) for Civil Recovery and Confiscation Orders are recognised at the point that settlement is confirmed by the Courts. Payment of the SFO's cash share of ARIS receipts is made following the transfer of the settlement to the Home Office.

### 1.9 OTHER INCOME

Any amounts relating to other income not covered above is recognised at the point of payment and includes both budgetary and non-budgetary income. Non-budgetary income is outside the ambit of the Department and is surrenderable to the Consolidated Fund as CFER, refer to SoPS 5.1.

### 1.10 ADMINISTRATION AND PROGRAMME EXPENDITURE

The Statement of Comprehensive Net Expenditure is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or as programme follows the definition of administration costs set out in the Consolidated Budgeting guidance issued by HM Treasury.

#### ADMINISTRATION COSTS

Administration costs reflect the costs of running the Department.

#### PROGRAMME COSTS

Programme costs reflect non-administration costs. They represent the direct cost and associated overheads of prosecution. These costs include the employment of counsel and reimbursements paid to witnesses for costs incurred through their attendance at court. Associated overheads include rental and other accommodation costs.

### 1.11 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.

### 1.12 PENSIONS

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit scheme within the PCSPS is unfunded and is contributory. The Department recognises the expected cost of future pension liabilities in a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the scheme.

### 1.13 PROVISIONS – EARLY DEPARTURE COSTS

Under the previous Civil Service Compensation Scheme (in place until 22 December 2010) the Department was required to meet the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date.

Under the new Civil Service Compensation Scheme, the Department pays a lump sum to PCSPS to cover these costs in full following agreement of an individual's departure rather than on an ongoing basis. Therefore these transactions are expensed when they occur rather than being recognised as provisions.

The provision recognised for early retirement therefore reflects costs associated with staff who retired before the transition to the new Civil Service Compensation Scheme. The Department provided for these payments in full when the early retirement programme became binding by establishing a provision for the estimated future payments. These have not been discounted. The provision is written off to the Statement of Comprehensive Net Expenditure, as and when the liabilities materialise.

### 1.14 PROVISIONS – LEGAL AND OTHER

The Department provides for legal and constructive

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

### 1.15 OPERATING LEASES

Operating lease rentals and lease incentives are charged to the Statement of Comprehensive Net Expenditure in equal amounts over the lease term. The Department currently holds operating leases for premises as well as reprographic equipment.

### 1.16 VALUE ADDED TAX (VAT)

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

### 1.17 THIRD PARTY ASSETS

The Department may seize monetary assets. If the Department retains any monetary assets, it invests the sums in an interest-bearing account. The principal and the interest earned are held on behalf of the third party and are not a part of the Department's accounts.

### 1.18 CONTINGENT LIABILITIES

In addition to contingent liabilities disclosed in accordance with IAS 37, the Department discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Managing Public Money. Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted

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

### 1.19 DISCLOSURE POLICY ON LOSSES AND SPECIAL PAYMENTS

Costs awarded against the SFO due to inadequacy on the part of the SFO are included within the losses and special payments note to the accounts. Cost awards against the SFO that do not fall within this category are excluded as these are within the ambit of the SFO.

### 1.20 AREAS OF JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Provisions are a source of material uncertainty that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year have been identified.

### 1.21 IMPENDING APPLICATION OF NEWLY ISSUED ACCOUNTING STANDARDS NOT YET EFFECTIVE

The Department has reviewed the IFRSs in issue but not yet effective, to determine if it needs to make any disclosures in respect of those new IFRSs that are or will be applicable. References to 'new IFRSs' includes new Interpretations and any new amendments to IFRSs and Interpretations. It has been determined that there are no new IFRSs which will have a significant impact on the Department's financial statements.



## NOTES TO THE DEPARTMENTAL ACCOUNTS

### 1.22 OPERATING SEGMENTS

The Department does not have any operating segments to report.

### 2. (A) STAFF NUMBERS AND RELATED COSTS

#### STAFF COSTS COMPRISE:

	2014-15 £000			2013-14 £000
	Permanently employed staff	Others	Total	Total
Wages and salaries	15,144	4,646	19,790	17,398
Social security costs	1,295	-	1,295	1,156
Other pension costs	2,934	-	2,934	2,481
Sub Total	<b>19,373</b>	<b>4,646</b>	<b>24,019</b>	<b>21,035</b>
Less recoveries in respect of outward secondments	-	-	-	-
<b>Total net costs *</b>	<b>19,373</b>	<b>4,646</b>	<b>24,019</b>	<b>21,035</b>

\* Of which

Charged to administration costs	3,869
Charged to programme costs	20,150
	<u>24,019</u>

£14k (2013-14: £48k) of staff costs have been capitalised and are not included in the figures above.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme, but the SFO is unable to identify its share of the underlying assets and liabilities. The scheme's actuary valued the scheme as at 31 March 2012. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation at: ([www.civilservice.gov.uk/pensions](http://www.civilservice.gov.uk/pensions)).

For 2014-15, employers' contributions of £2,883k were payable to the PCSPS (2013-14: £2,447k) 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 usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2014-15 to be paid when the members retire 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 £29,792 (2013-14: £16,970) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £nil (2013-14: £nil), 0.8% of pensionable pay, were payable 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 due to the **partnership** pension providers at the balance sheet date were £nil. (2013-14: £nil). Contributions prepaid at that date were £nil (2013-14: £nil).

## NOTES TO THE DEPARTMENTAL ACCOUNTS

### 2. (B) AVERAGE NUMBER OF EMPLOYEES

The average number of full-time equivalent employees during the year was as follows:

	2014-15 £000			2013-14 £000
	Permanently employed staff	Fixed Term Appointments	Other	Total
Serious Fraud Office	332	22	69	423
<b>Total</b>	<b>332</b>	<b>22</b>	<b>69</b>	<b>423</b>

### 2.(C) REPORTING OF CIVIL SERVICE AND OTHER COMPENSATION SCHEMES – REDUNDANCY AND EXIT PACKAGES

	2014-15		2013-14
	Number of compulsory redundancies	Number of other departures agreed	Total number by cost band
<£10,000	-	-	-
£10,000 - £25,000	-	-	2
£25,000 - £50,000	-	-	5
£50,000 - £100,000	-	-	4
£100,000 - £150,000	-	-	1
£450,000-£475,000	-	-	-
Total Number of exit packages	-	-	<b>12</b>
<b>Total cost (£000)</b>	-	-	<b>671</b>

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the Department has agreed early retirements, the additional costs are met by the Department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

## NOTES TO THE DEPARTMENTAL ACCOUNTS

### 3. OTHER ADMINISTRATION COSTS

	Note	2014-15 £000	2013-14 £000
<b>Rentals under operating leases:</b>		184	253
<b>Non-cash items:</b>			
Depreciation	6	133	137
Amortisation	7	121	134
Auditor's remuneration and expenses		60	60
Write back's / write-offs		(31)	80
Amounts provided for early departure costs	14	4	5
Amounts provided for Dilapidations	14		
Loss on disposal of property, plant and equipment			
		287	416
<b>Other expenditure:</b>			
General Administration		922	851
VAT, Penalty & Interest		-	668
IT costs		485	407
Other accommodation costs		210	235
Travel and subsistence		38	45
Consultancy		7	48
Hospitality		3	2
		1,665	2,256
<b>Total</b>		<b>2,136</b>	<b>2,925</b>

## NOTES TO THE DEPARTMENTAL ACCOUNTS

### 4. PROGRAMME COSTS

	Note	2014-15 £000	2013-14 £000 RESTATED*
<b>Rentals under operating leases:</b>		1,652	1,522
<b>Non-cash items:</b>			
Depreciation	6	971	707
Amortisation	7	683	653
Amounts provided for Dilapidations	14	23	22
Amounts provided for legal provisions	14	14,352	336
Loss on disposal of property, plant, and equipment		-	21
		16,029	1,739
<b>Other expenditure:</b>			
Civil Litigation		4,549	10,499*
Counsel costs		8,248	8,426
IT costs		2,489	2,271
Other accommodation costs		1,421	1,581
Other programme costs		1,006	886*
General Administration		722	548
Costs awarded against the SFO		7,725	136
Travel and subsistence		315	216
Investigating Accountants costs		8	19
Hospitality		3	2
		26,486	24,584
<b>Total</b>		<b>44,167</b>	<b>27,845</b>

\*switch of £84k between Civil Litigation and Other programme costs due to incorrect classification.

### 5. INCOME

	2014-15 £000	2013-14 £000
Civil recoveries	-	-
Costs awards	1,544	418
Other income	131	-
Incentivisation	-	8
<b>Total income within the Departments ambits</b>	<b>1,675</b>	<b>426</b>
<b>Payable to the Consolidated Fund</b>		
Consolidated Fund Extra Receipts *	<b>3,051</b>	-
<b>Total Operating Income</b>	<b>4,726</b>	<b>426</b>

\* Analysis of income payable to the Consolidated Fund shown at SoPS 5.

## NOTES TO THE DEPARTMENTAL ACCOUNTS

### 6. PROPERTY, PLANT AND EQUIPMENT 2014-15

Asset financing: All assets are owned.

	Improvements to Leasehold Property £000	Information Technology £000	AUC £000	Total £000
<b>Cost or valuation</b>				
At 1 April 2014	1,668	3,260	-	<b>4,928</b>
Additions	105	2,058	-	<b>2,163</b>
Disposals	-	-	-	-
Reclassifications	-	-	-	-
Revaluations	-	-	-	-
<b>At 31 March 2015</b>	<b>1,773</b>	<b>5,318</b>	-	<b>7,091</b>
<b>Depreciation</b>				
At 1 April 2014	316	2,154	-	<b>2,470</b>
Charged in year	464	640	-	<b>1,104</b>
Disposals	-	-	-	-
Reclassifications	-	-	-	-
Revaluations	-	-	-	-
<b>At 31 March 2015</b>	<b>780</b>	<b>2,794</b>	-	<b>3,574</b>
<b>Net book value at 31 March 2015</b>	<b>993</b>	<b>2,524</b>	-	<b>3,517</b>
<b>Net book value at 31 March 2014</b>	<b>1,352</b>	<b>1,106</b>	-	<b>2,458</b>

### PROPERTY, PLANT AND EQUIPMENT 2013-14

Asset financing: All assets are owned.

	Improvements to Leasehold Property £000	Information Technology £000	AUC £000	Total £000
<b>Cost or valuation</b>				
At 1 April 2013	916	3,027	16	<b>3,959</b>
Additions	752	404	-	<b>1,156</b>
Disposals	-	(116)	-	<b>(116)</b>
Reclassifications	-	(55)	(16)	<b>(71)</b>
Revaluations	-	-	-	-
<b>At 31 March 2014</b>	<b>1,668</b>	<b>3,260</b>	-	<b>4,928</b>
<b>Depreciation</b>				
At 1 April 2013	80	1,665	-	<b>1,745</b>
Charged in year	236	608	-	<b>844</b>
Disposals	-	(95)	-	<b>(95)</b>
Reclassifications	-	(24)	-	<b>(24)</b>
Revaluations	-	-	-	-
<b>At 31 March 2014</b>	<b>316</b>	<b>2,154</b>	-	<b>2,470</b>
<b>Net book value at 31 March 2014</b>	<b>1,352</b>	<b>1,106</b>	-	<b>2,458</b>
<b>Net book value at 31 March 2013</b>	<b>836</b>	<b>1,362</b>	<b>16</b>	<b>2,214</b>

## NOTES TO THE DEPARTMENTAL ACCOUNTS

### RECONCILIATION OF CASH FLOWS TO PROPERTY, PLANT AND EQUIPMENT ADDITIONS

	2014-15 £000	2013-14 £000
Total property, plant and equipment additions	2,163	1,156
Opening property, plant and equipment accrual	97	80
Closing property, plant and equipment accrual	(216)	(97)
<b>Cash flows for property, plant and equipment additions</b>	<b>2,044</b>	<b>1,139</b>

### 7. INTANGIBLE ASSETS 2014-15

	Information Technology £000	Software Licenses £000	Website Costs £000	Development Expenditure £000	Total £000
<b>Cost or valuation</b>					
At 1 April 2014	7,570	1,189	358	76	9,193
Additions	-	194	-	16	210
Disposals	(4,032)	(420)	-	-	(4,452)
Write-back	-	-	-	-	-
Reclassifications	62	-	-	(62)	-
<b>At 31 March 2015</b>	<b>3,600</b>	<b>963</b>	<b>358</b>	<b>30</b>	<b>4,951</b>
<b>Amortisation</b>					
At 1 April 2014	6,058	1,090	256	-	7,404
Charged in year	708	51	45	-	804
Disposals	(4,032)	(420)	-	-	(4,452)
Write-back	-	-	-	-	-
Reclassifications	-	-	-	-	-
<b>At 31 March 2015</b>	<b>2,734</b>	<b>721</b>	<b>301</b>	<b>-</b>	<b>3,756</b>
<b>Net book value at 31 March 2015</b>	<b>866</b>	<b>242</b>	<b>57</b>	<b>30</b>	<b>1,195</b>
<b>Net book value at 31 March 2014</b>	<b>1,512</b>	<b>99</b>	<b>102</b>	<b>76</b>	<b>1,789</b>

## NOTES TO THE DEPARTMENTAL ACCOUNTS

### INTANGIBLE ASSETS 2013-14

	Information Technology £000	Software Licenses £000	Website Costs £000	Development Expenditure £000	Total £000
<b>Cost or valuation</b>					
At 1 April 2013	7,543	1,061	358	-	<b>8,962</b>
Additions	27	57	-	76	<b>160</b>
Disposals	-	-	-	-	-
Write-back	-	-	-	-	-
Reclassifications	-	71	-	-	<b>71</b>
<b>At 31 March 2014</b>	<b>7,570</b>	<b>1,189</b>	<b>358</b>	<b>76</b>	<b>9,193</b>
<b>Amortisation</b>					
At 1 April 2013	5,377	1,017	199	-	<b>6,593</b>
Charged in year	681	49	57	-	<b>787</b>
Disposals	-	-	-	-	-
Write-back	-	-	-	-	-
Reclassifications	-	24	-	-	<b>24</b>
<b>At 31 March 2014</b>	<b>6,058</b>	<b>1,090</b>	<b>256</b>	-	<b>7,404</b>
<b>Net book value at 31 March 2014</b>	<b>1,512</b>	<b>99</b>	<b>102</b>	<b>76</b>	<b>1,789</b>
<b>Net book value at 31 March 2013</b>	<b>2,166</b>	<b>44</b>	<b>159</b>	-	<b>2,369</b>

### RECONCILIATION OF CASH FLOWS TO INTANGIBLE ASSET ADDITIONS

	2014-15 £000	2013-14 £000
Total intangible asset additions	210	160
Opening intangible asset accrual	-	-
Closing intangible asset accrual	(18)	-
<b>Cash flows for intangible assets additions</b>	<b>192</b>	<b>160</b>

## NOTES TO THE DEPARTMENTAL ACCOUNTS

### 8. CAPITAL COMMITMENTS AND OTHER COMMITMENTS

#### 8.1 CAPITAL COMMITMENTS

The Department has no contracted capital commitments (2013-14: £nil).

#### 8.2 COMMITMENTS UNDER LEASES

##### 8.2.1 OPERATING LEASES

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

	2014-15 £000	2013-14 £000
<b>Obligations under operating leases comprise:</b>		
<b>Buildings:</b>		
Not later than 1 year	1,868	1,771
Later than 1 year and not later than 5 years	1,813	3,541
Later than 5 years		-
	<b>3,681</b>	<b>5,312</b>
<b>Other:</b>		
Not later than 1 year	74	74
Later than 1 year and not later than 5 years	113	187
Later than 5 years		-
	<b>187</b>	<b>261</b>

The building payments relate to three properties leased for office space and business continuity purposes:

- 2-4 Cockspur Street lease commenced on 1 October 2012 and is due to expire on 25 March 2017;
- Spring Park, Corsham, a three-year lease commenced on 16 March 2015 and is due to expire 15 March 2018; and,
- 50 Broadway, a short term lease for 16 weeks commenced on 16 March 2015 and is due to expire on 30 June 2015.

The properties have been assessed against IAS 17 Leases and determined as operating leases and therefore the associated commitments have been recorded in this note.

The SFO entered into one five-year contract on 27 November 2012 and a further two on 1 December 2012 for the provision of reprographic equipment.

### 9. OTHER FINANCIAL COMMITMENTS

The Department has not entered into any non-cancellable contracts which are not leases, PFI contracts or other service concession arrangements.

### 10. FINANCIAL INSTRUMENTS

As the cash requirements of the Department are met through the Estimates process, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a



## NOTES TO THE DEPARTMENTAL ACCOUNTS

similar size. The majority of financial instruments relate to contracts for non-financial items in line with the expected purchase and usage requirements and the Department is therefore not exposed to significant credit, liquidity or market risk.

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

### 11. CASH AND CASH EQUIVALENTS

	2014-15 £000	2013-14 £000
Balance at 1 April	659	1,486
Net change in cash and cash equivalent balances	238	(827)
<b>Balance at 31 March</b>	<b>897</b>	<b>659</b>
The following balances at 31 March were held at:		
Government Banking Service	897	659
Commercial banks and cash in hand		
<b>Balance at 31 March</b>	<b>897</b>	<b>659</b>

### 12. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

#### 12 (A) ANALYSIS BY TYPE

	2014-15 £000	2013-14 £000
<b>Amounts falling due within one year:</b>		
VAT receivable	68	29
Deposits and advances	227	146
Other receivables	49	37
Prepayments and accrued income	1,777	646
Costs awarded to the SFO	1,370	349
Provision for bad and doubtful debt	(46)	(47)
	<b>3,445</b>	<b>1,160</b>

	2014-15 £000	2013-14 £000
<b>Amounts falling due after more than one year:</b>		
Costs awarded to the SFO	56	35

## NOTES TO THE DEPARTMENTAL ACCOUNTS

### 12.(B) INTRA-GOVERNMENT BALANCES

	Amounts falling due within one year		Amounts falling due after more than one year	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014
	£000	£000	£000	£000
Balances with other Central Government bodies	1,094	33	-	-
Balances with bodies external to government	2,351	1,127	56	35
<b>Total</b>	<b>3,445</b>	<b>1,160</b>	<b>56</b>	<b>35</b>

### 13. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

#### 13 (A) ANALYSIS BY TYPE

	2014-15	2013-14
	£000	£000
<b>Amounts falling due within one year:</b>		
VAT Creditor	-	-
Trade payables	528	344
Accruals and deferred income	3,593	3,118
Pension providers	-	-
Non current asset accruals	235	97
Amounts issued from the Consolidated Fund for supply but not spent at year end	897	659
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:		
Received		
Receivable	840	-
	<b>6,093</b>	<b>4,218</b>

### 13.(B) INTRA-GOVERNMENT BALANCES

	Amounts falling due within one year		Amounts falling due after more than one year	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014
	£000	£000	£000	£000
Balances with other Central Government bodies	1,124	564	-	-
Balances with bodies external to government	4,969	3,654	-	-
<b>Total</b>	<b>6,093</b>	<b>4,218</b>	<b>-</b>	<b>-</b>

## NOTES TO THE DEPARTMENTAL ACCOUNTS

### 14. PROVISIONS FOR LIABILITIES AND CHARGES

	Early departure costs £000	Legal Claims £000	Leasehold property dilapidations £000	Other £000	Total £000
Balance at 1 April 2014	487	355	84	-	926
Provided in the year	4	14,045	26	373	14,448
Provisions not required written back	(37)	(66)	-	-	(103)
Provisions utilised in the year	(238)	(222)	-	-	(460)
<b>Balance at 31 March 2015</b>	<b>216</b>	<b>14,112</b>	<b>110</b>	<b>373</b>	<b>14,811</b>
Amounts falling due within one year	148	14,112	-	373	14,633
Amounts falling due after one year	68	-	110	-	178
<b>Total</b>	<b>216</b>	<b>14,112</b>	<b>110</b>	<b>373</b>	<b>14,811</b>

	Early departure costs £000	Legal Claims £000	Leasehold property dilapidations £000	Total £000
Balance at 1 April 2013	739	466	57	1,262
Provided in the year	80	355	27	462
Released in the year	-	19	-	(19)
Provisions utilised in the year	(332)	(447)	-	(779)
<b>Balance at 31 March 2014</b>	<b>487</b>	<b>355</b>	<b>84</b>	<b>926</b>
Amounts falling due within one year	202	355	-	557
Amounts falling due after one year	285	-	84	369
<b>Total</b>	<b>487</b>	<b>355</b>	<b>84</b>	<b>926</b>

#### 14.1 EARLY DEPARTURE COSTS

The provision recognised for early retirement reflects costs associated with staff who retired before the transition to the new Civil Service Compensation Scheme. The Department provided for these payments in full when the early retirement programme became binding by establishing a provision for the estimated future payments. These have not been discounted. The provision is written off to the Statement of Comprehensive Net Expenditure, as and when the liabilities materialise. It is expected that early departure payments will be incurred through to 2017-18.

#### 14.2 LEASEHOLD PROPERTY DILAPIDATIONS

The obligations under the SFO's property leases require the properties to be returned to the landlords in an appropriate condition. A provision has, therefore, been established for the estimated costs of restoring the properties from use for SFO purposes to a state specified within the property leases. The property leases expire in March 2017.

#### 14.3 LEGAL COSTS

The legal costs provision reflects all known legal claims where legal advice indicates that the claim is more likely than not to be successful and the amount of the claim can be reliably estimated. Expenditure on legal claims is likely to be incurred within one year.

### 14.4 OTHER

The obligations under Other reflect all known claims that do not fall under early departure costs, leasehold property or legal costs.

### 15. LOSSES AND SPECIAL PAYMENTS

#### 15.(A) LOSSES STATEMENT

There were no losses during the period which in aggregate exceeded £300,000.

### 16. SPECIAL PAYMENTS

The Department made a total of 3 special payments amounting to £7,500k.

Details of payments over £300,000:

£4.5m in settlement to Mr Vincent and Robert Tchenguiz and £3m payment towards costs of Mr Vincent Tchenguiz.

Further details can be found in the Governance Statement on page 29, including information on payments made in 2015-16 which are not included in the above totals.

### 17. RELATED-PARTY TRANSACTIONS

The SFO has had a small number of transactions with other Government Departments.

No Board member, key manager or other related party has undertaken any material transactions with the Department during the year.

### 18. THIRD PARTY ASSETS

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

The assets held at the reporting date to which it was practical to ascribe monetary values comprised monetary assets such as bank balances and monies on deposit. The balance held at 31 March 2015 was £nil (2013-14: £310k).

### 19. EVENTS AFTER THE REPORTING PERIOD

There are no additional reportable events that are not already covered elsewhere in these accounts. The financial statements were authorised for issue on the date they were certified by the Comptroller and Auditor General.

## GREENING GOVERNMENT COMMITMENTS

The Serious Fraud Office is committed to Government policy to improve sustainability and is working towards meeting the Greening Government Commitment (GGC) targets which started on 1 April 2011 with a baseline period of 2009-10.

The GGC targets aim to reduce environmental impact by 2015, with a series of measures to:

- reduce greenhouse gas emissions by 25% from the 2009-10 baseline from the whole estate and business related transport;
- reduce waste generated by 25% from the 2009-10 baseline;
- reduce water consumption from the 2009-10 baseline; and,
- ensure procurement of sustainable and efficient products whilst reducing the impact of the supply chain.

## GREENHOUSE GAS EMISSIONS

There are three different classifications of greenhouse emissions, known as Scopes:

**Scope 1:** Direct emissions occurring from sources owned or controlled by the Department, for example, emissions from combustible boilers and from fleet vehicles.

**Scope 2:** Indirect emissions occurring from electricity consumed which is supplied by another party.

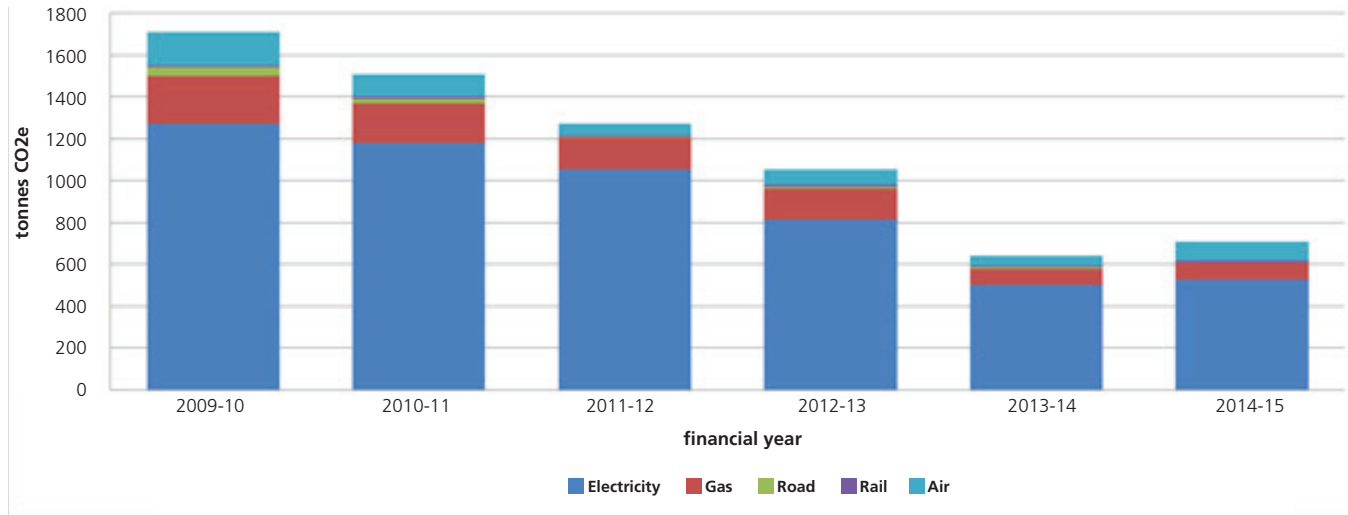
**Scope 3:** Other indirect emissions. All other emissions which occur as a consequence of the SFO's activity but which are not owned or controlled by the Department. For example, emissions as a result of staff travel on public transport, taxis or airline flights.

## THE SFO'S RESULTS FOR 2014-15

Area		2014-15 Performance	
		Actual	Target
Greenhouse Gas Emissions (Scopes 1, 2 & 3 business travel including air and rail travel)		724 (tCO <sub>2</sub> e)	1,367 (tCO <sub>2</sub> e)
Estate Energy	Consumption	1,461k kWh	-
	Expenditure	£121K	-
Estate Waste	Amount	43 tonnes	63 tonnes
	Expenditure	£7.5K	-
Estate Water	Consumption	3985m <sup>3</sup>	4,467m <sup>3</sup>
	Expenditure	£6k	-

The results show that the SFO has exceeded all of its targets. The SFO has reduced greenhouse gas emissions to 53%, estate waste to 68% and water usage to 89% of the targets set.

GREENHOUSE GAS EMISSIONS

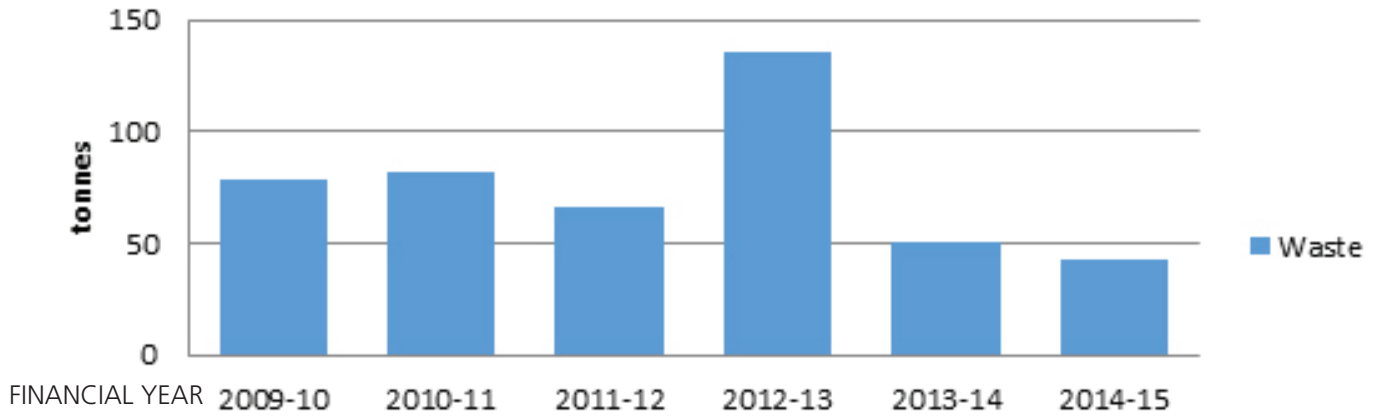


Greenhouse Gas Emissions		2009 -10	2010 -11	2011 -12	2012 -13	2013 -14	2014 -15
Non-financial indicators (tCO <sub>2</sub> e)	Total Gross Emissions for Scopes 1 & 2	1,409	1,281	1,121	901	537	568
	Total Net Emission for Scopes 1 & 2	1,409	1,281	1,121	901	537	568
	Gross Emissions Scope 3 Business Travel	209	140	70	94	67	113
	Other Scope 3 Emissions Measured	93	88	82	59	40	43
Related Energy Consumption (kWh,000s)	Electricity: Non Renewable	2,220	2,100	2,002	1,414	1,041	1,003
	Electricity: Renewable	166	154	146	72	0	0
	Gas	1,254	1,014	813	795	401	458
Financial Indicators (£k)	Expenditure on Energy	309	218	215	218	161	121
	CRC Licence Expenditure	0	4	3	0.07	0	0
	Expenditure on Accredited Offsets	0	0	0	0	0	0
	Expenditure on Official Business Travel	303	328	130	115	154	220

By 2014-15, the target was to reduce greenhouse gas emissions from the 2009-10 baseline by 25% across the whole estate and business-related transport by 25%. This year's figures show that the SFO has exceeded its target by 53%.

WASTE

WASTE VOLUMES



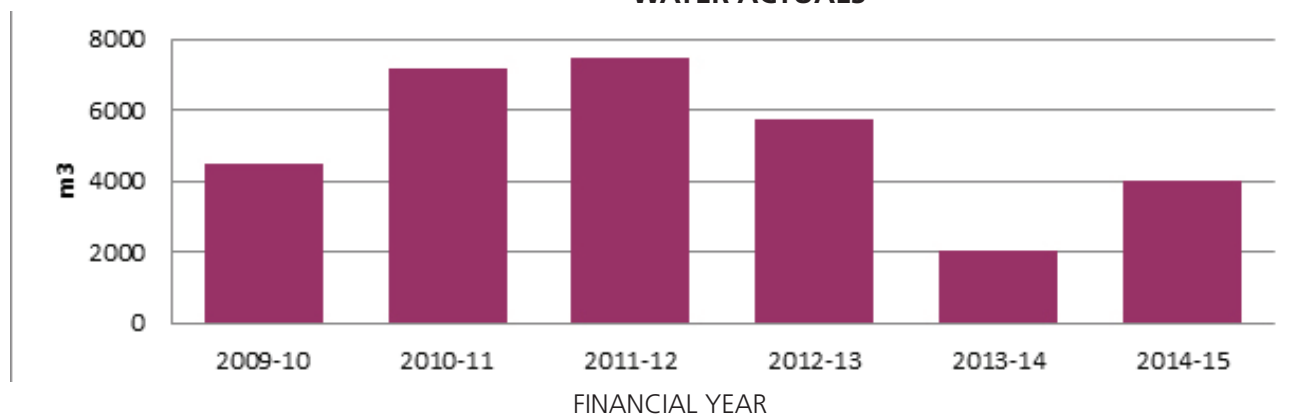
			2009 -10	2010 -11	2011 -12	2012 -13	2013 -14	2014 -15
Weight (t)	Non Hazardous Waste	Landfill	40	38	22	35	36	18
		Reused/Recycled	39	44	39	82	14.5	26
		Incinerated/Energy from waste	0	0	6	19	0	0
Cost (£k)	Non Hazardous Waste	Landfill	18	15	11	12	11	4.5
		Reused/Recycled	31	20	19	32	2	3
		Incinerated/Energy from waste	0	0	0	0	0	0

By 2014-15, the target was to reduce waste generated from the 2009-10 baseline by 25%. The SFO operates in a flexible working environment where waste bins are not permitted under each desk, requiring waste to be collected at central points on each floor and encouraging recycling and an overall reduction in the volume of waste.

The SFO continues to utilise the “Closed Loop Procedure” for purchasing paper and any IT equipment is disposed of under the WEEE Directive.

**WATER**

**WATER ACTUALS**



Finite Resource Consumption		2009-10	2010-11	2011-12	2012-13	2013-14	2013-14
Non-financial indicators (m3)	Water Consumption	4,467	7,187	7,476	5,747	2,054	3,985
Financial Indicators (£k'000)	Water Supply Costs	3	5	6	6	7	6*

\*figure restated following revised information received in the year.

The Greening Government target was to ensure that water consumption is reduced over the period 2009-10 to 2014-15 although no specific target has been set for this, unlike waste and greenhouse gas emissions. The reason for the increase in 2014-15 over the previous year was due to a major construction project carried out by the landlord (the Canadian High Commission) as essential works were needed. This resulted in extensive use of water for the flushing of building systems and cleaning of the external façade. Therefore, the SFO would expect the usage figure to decrease again in 2015-16.

**PAPER USE**

Paper use in the SFO has reduced from the 2009-10 baseline figures (14,791 A4 Reams) to 5,850 A4 Reams for 2014-15. This is a 60% reduction on the baseline and is due to the use of "paperless" office technology such as "Autonomy" (digital review system) and the electronic presentation of evidence.

**DOMESTIC FLIGHTS**

The target is to reduce SFO use of commercial air flights in the UK by 20%. The SFO is currently exceeding this target and the indications are that this will continue. The number of domestic flights taken by SFO staff on official business has fallen from the 2009-10 baseline of 99 to 82 for 2014-15 against a target of 85. There has been an increase this year from 20 in 2013-14 in domestic travel. This area of expenditure is demand led and the increase is a direct result of operational requirements. The SFO has a policy of challenging the need to travel. Before committing to a journey staff need to consider whether they can conduct their business by e-mail, phone, teleconference or a meeting on the SFO premises.



### PROCUREMENT

The SFO makes use of mandated centralised framework contracts where appropriate, that embed the Government Buying Standards (GBS) within them. However, if there are no centralised contracts available any contract entered into will meet the GBS requirements.

### GOVERNANCE

The Solicitor General represents the Law Officers' Departments (LODs) on Sustainable Development matters. The minister is supported by the LOD Sustainable Development Steering Group chaired by the Crown Prosecution Service (CPS) Finance Director. The SFO is a member of this group. The CPS is the Secretariat to this Group and represents the LODs on any relevant sustainable development committees.

The SFO's results against the GGC targets will be reported annually.

### TRANSPARENCY COMMITMENTS

The following areas applied to the SFO in 2014-15:-

- *Climate Change Adaptation*

The SFO has a business continuity plan that can be invoked if required, in response to the impact of any climate change either nationally or globally.

- *Sustainable construction and People*

Minor building works were carried out for the SFO's occupation of Cockspur Street. This work was necessary to organise the floor plates for its business operation. The work did not meet the criteria needed for a Building Research Establishment Environmental Assessment Method for buildings (BREEAM), but it did address sustainability issues.

#### **Notes:**

1. *Figures have been presented using the 2014-15 FREM guidance and Defra conversion figures.*
2. *Estimates have been used in some instances where complete data was not available from suppliers or service providers.*
3. *Electricity figures are only for electricity consumed by the SFO. As the minor occupier they do not attempt to reflect any charges made through the service charge.*

## NOTES



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