

SERIOUS ORGANISED CRIME AGENCY

ANNUAL REPORT AND ACCOUNTS

2009/10

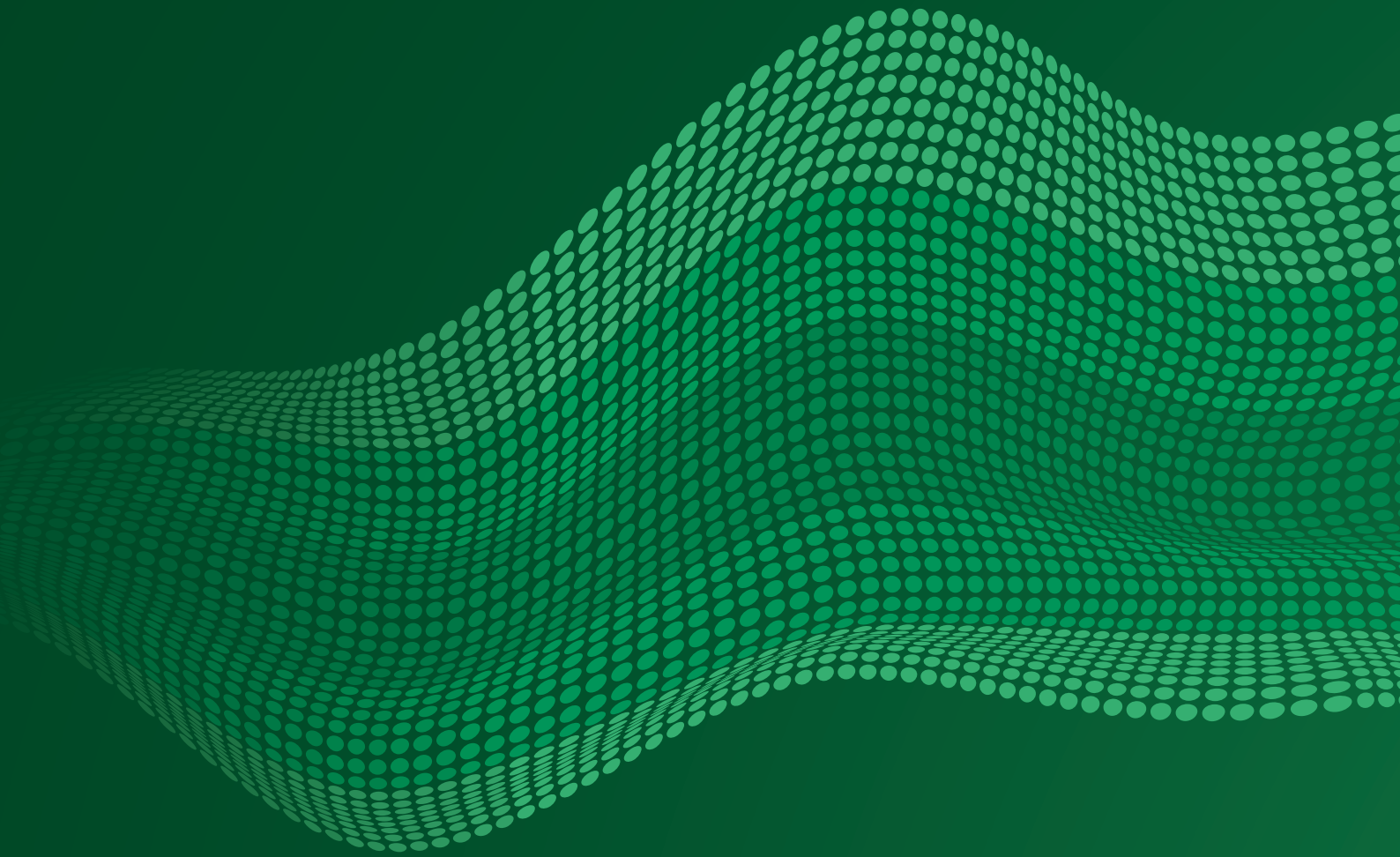


SOCA

SERIOUS ORGANISED CRIME AGENCY



SOCA is a Home Office Non-Departmental Public Body



Serious Organised Crime Agency Annual Report and Accounts 2009/10

Annual Report presented to Parliament pursuant to Section 7(6) of the Serious Organised Crime and Police Act 2005.

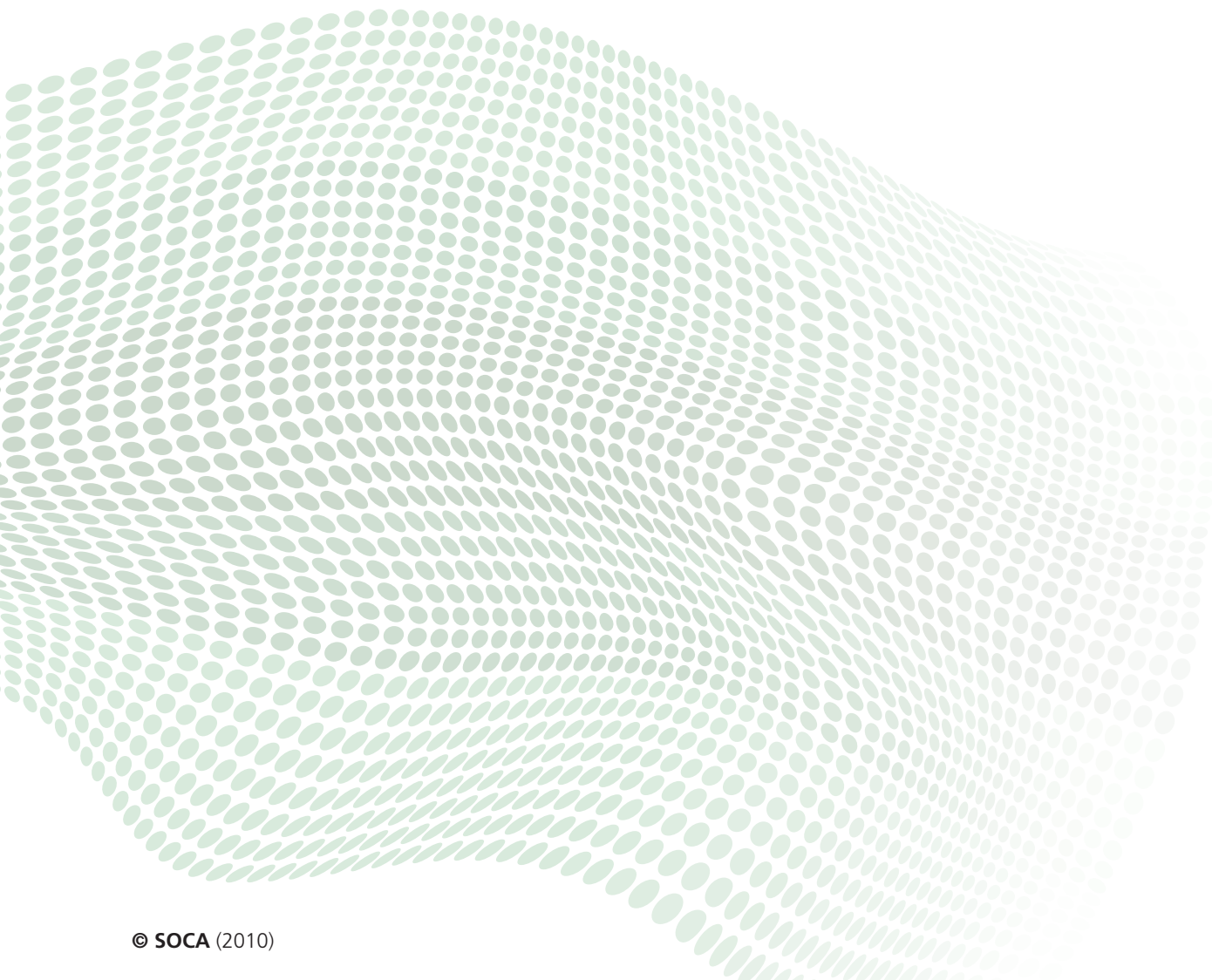
Accounts presented to Parliament pursuant to Section 20(4) (b) of the Serious Organised Crime and Police Act 2005.

Ordered by the House of Commons to be printed 20 July 2010.

London: The Stationery Office

HC 110

£19.75



© SOCA (2010)

The text of this document (this excludes, where present, the Royal Arms and all departmental and agency logos) may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not in a misleading context.

The material must be acknowledged as SOCA copyright and the document title specified. Where third party material has been identified, permission from the respective copyright holder must be sought.

ISBN: 9780102966978

Printed in the UK for The Stationery Office Limited on behalf of the Controller of Her Majesty's Stationery Office.

ID P002372521 07/10

Printed on paper containing 75% recycled fibre content minimum.

Foreword by the Chair

SOCA began the year as an established and mature organisation in the forefront of the campaign against organised crime. Its work was firmly established within the national security framework and it was having a real impact on the harm caused to communities across the United Kingdom by organised crime in all its forms.

This position has been further consolidated, with SOCA using the full range of tools and approaches available to it to maximise that impact. As this report reflects, we saw the deployment of an ever more effective mix of tools to disrupt criminal businesses, markets and enablers, including high quality criminal justice casework and outcomes, at home and abroad.

Relationships remained key. Since taking over as Chairman in August 2009, I have been struck by the increasingly high regard in which SOCA is held by many of those with whom we work across the intelligence and law enforcement communities, the public and private sectors, and internationally. I should like to thank those partners for their support without which we would have been able to achieve so much less.

SOCA is now well placed to meet the challenges of the future. We are focused, together with our partners, on the systematic management of all organised criminal groups and individuals through effective information sharing. We better understand what makes organised crime tick and what organised criminals fear. They can expect more traditional, and non-traditional, interventions as we continue to develop our lifetime offender management techniques.

We are also improving our understanding of the specific threats that the future will bring, one of which is the increased threat to cyber security posed by e-crime, much of which originates overseas. We underestimate the scale of these challenges at our peril.

The progress that has been made represents the culmination of a great deal of hard work by many people across a number of years, each of which was a milestone in its own right. I should particularly like to thank Elizabeth France and Dame Janet Paraskeva, both of whom are standing down as non-executive Directors this year, for the part they played in guiding SOCA to where it is now.

These achievements are also due, in no small part, to Bill Hughes, SOCA's Director General, who retires later this year. Together with my predecessor, Sir Stephen Lander, Bill deserves huge credit for the way in which he transformed a vision into the reality which is SOCA today, making a real difference to the fight against organised crime. The high regard in which he is held both within the organisation and outside, and particularly on the international stage, is testament to this and I should like formally to place on record the thanks and appreciation of the Board, together with my own.



Sir Ian Andrews

July 2010

Contents

Foreword by the Chair	5
Statement by the Director General	9
Introduction	11
Part One: Success in 2009/10	13
– Drugs	13
– Organised Immigration Crime	16
– Fraud	17
– Cyber Crime	19
– Criminals and their Businesses	20
– Firearms and Armed Robbery	22
– International	23
– Scotland and Northern Ireland	24
– Working with Partners	25
Part Two: Conclusion – building on our achievements to meet the challenges of the future	31
Part Three: Statement of Accounts 2009/10	35
Management Commentary	37
Remuneration Report	43
Statement of the Accounting Officer's Responsibilities	46
Statement on Internal Control	47
The Certificate and Report of the Comptroller and Auditor General	51
Net Expenditure Account	53
Statement of Financial Position	54
Statement of Cash Flows	55
Statement of Changes in Reserves	56
Notes to the Accounts	57
Appendix A: Progress against SOCA's Strategic Imperatives	83

Statement by the Director General

It gives me great pleasure to see the publication of this Annual Report. Consideration of the merits of SOCA's work in 2009/2010 warrants some reflection on the progress made since the establishment of SOCA. I stand down as Director General in August 2010, confident that we have indeed come a long way.

Since SOCA came into being in 2006 it has not only met the expectation placed upon it to be new and different, but has also done so in a way that has had a real impact on organised crime. Our early years were largely focussed on building knowledge about the problem and developing the best approach to combat it. This approach has been to reduce its harm by bringing a wide range of powers and niche capabilities to bear, and to work with partners at home and overseas in order to join up efforts to reduce harm.

The successes of this approach are now speaking for themselves, including those detailed through this report. For example it shows that we are having a real impact on the market and supply of Class A drugs, we are getting results on some difficult and sensitive organised immigration cases, and are tackling the enablers of fraud and e-crime to stop harm from occurring in the first place. I am also pleased by the value that our partners place on the services we provide and the work we do. More generally, the criminals are now aware of us, and are worried about what we do.

I am grateful for the support of the Executive team in developing the organisation's approach and overseeing its delivery, including David Bolt, who left SOCA in June 2010. As Executive Director for Intelligence since the beginning of SOCA, David led on building the mechanisms by which the UK's knowledge of organised crime have been so markedly improved, which is the foundation for everything else that we do.

I am immensely grateful to all the SOCA staff. Their commitment, imagination and hard work is second to none. They have changed the landscape of law enforcement in the UK.



William Hughes

July 2010

Introduction

This report provides details of the Serious Organised Crime Agency's (SOCA) performance during 2009/10, including against its published Annual Plan for the year. It describes:

- performance over the year in respect of key commodities and other thematic areas of activity, namely drugs; organised immigration crime; fraud; cyber-crime; criminals and their businesses, firearms and armed robbery; international; Scotland and Northern Ireland, and working with partners;
- how SOCA will build on this to meet the challenges of the future; and
- progress achieved against SOCA's Strategic Imperatives and the overarching priorities for the organisation. These are:
 - to build knowledge and understanding of serious organised crime, the harm it causes, and of the effectiveness of different responses;
 - tackling criminal finance and profits (CFP), including through asset recovery;
 - to increase the risk to serious organised criminals operating in the UK through proven investigative capabilities and in new ways;
 - to collaborate with partners in the UK and internationally to maximise efforts to reduce harm. To provide agreed levels of high quality support to SOCA's operational partners, and, as appropriate, seek their support in return; and
 - to develop SOCA's capacity to make difference.

It does not report on the work of the Child Exploitation and Online Protection Centre (CEOP), which is affiliated to SOCA, but has already published a separate Annual Review.

SOCA's approach has continued to be shaped both by its founding legislation – the Serious Organised Crime and Police Act 2005, and by its strategic tasking from the

Government. As of the end of the year this approach was based around:

- improving the UK's understanding of the problem as a key step towards effective action;
- preventing organised criminals from benefiting from the proceeds of crime by depriving them of, or otherwise denying them access to, their assets; and
- focussing on the disruption of criminal markets that affect the UK, not just on individual crimes.

The priorities in terms of type of crime were Class A drugs, organised immigration crime, fraud and firearms, in that order.

This report shows how partnership working lies at the heart of SOCA's approach. SOCA has been working with intelligence and all law enforcement agencies across the UK, particularly HM Revenue and Customs (HMRC), the UK Border Agency (UKBA) and the Police Service. It has been working also with law enforcement partners in Scotland and Northern Ireland through the Serious Organised Crime Taskforce and the Organised Crime Taskforce respectively.

Its partners include government departments and agencies in the UK and overseas, the private sector and the third sector. This year saw the formation of the Strategic Centre for Organised Crime (SCOC) in the Home Office, to provide strategic oversight of the efforts of all parties to tackle organised crime in the UK.

SOCA's work also continued to take place within the National Security Framework, with transnational organised crime identified as a key threat to the UK.

The work described in this document was delivered with a staffing level of approximately 4,000 full-time equivalents. These staff were based at 49 sites in the UK, and in around 40 countries worldwide. Details of the funding received to undertake these functions are contained in the Statement of Accounts.

Part One – success in 2009/10

Work in the early years of SOCA to lay the foundations was already delivering significant results by the end of 2008/09. In 2009/10 this progress was consolidated and built upon through the use of the full range of available tools and approaches. By the end of 2009/10 SOCA was in a strong position to rise to future challenges.

Part One provides an account of the results SOCA has achieved across its areas of responsibility.

Drugs

The use of illegal drugs, particularly Class A drugs, causes significant harm to the UK. In accordance with the direction given by the government, SOCA continued to devote significant resource to countering the illegal drugs trade, from source to street. It continued to build on the successes of earlier years, disrupting criminal networks through the use of a wide range of tools.

Heroin

More than 90% of the heroin sold in the UK is derived from Afghan opium. The supply to Europe, including to the UK, is dominated by traffickers based in Turkey.

SOCA's approach against heroin has been to:

- work with partners upstream in Afghanistan and other areas, and also partners in the EU, to attack the problem at source, including through capacity building;
- increase knowledge of the upstream trade, as it impacts on the UK; and
- take a project-based approach with partners to target the most significant groups involved in supply.

Valuable operational intelligence collected in Afghanistan this year gave SOCA a more detailed picture of how organised crime groups (OCGs) were trafficking the drug. This led to the effective targeting and disruption of this activity, both through arrests and interdictions and through the first use of Afghan financial freezing orders. Successful action was also taken to interdict supplies of acetic anhydride, the most efficient pre-cursor chemical used to convert morphine into heroin.

Improved intelligence links in Afghanistan informed SOCA operations focussed on trafficking through Pakistan and related money laundering activity in the UK. One such operation targeted an Afghan money laundering network that collected cash from criminals in the UK. The UK-based criminals were responsible for drug-related laundering in excess of £1m per month. A disruption strategy was pursued in which the principal and others in the group were arrested and charged with money laundering offences. This resulted in the permanent dismantlement of the UK group as well as seizures of cash and heroin.

► Update – Haji Abdullah



Haji Abdullah was part of a criminal group based in Western Afghanistan. Following the conviction of members of the network in 2008/09, Abdullah himself was found guilty and sentenced to 20 years' imprisonment for drug trafficking offences in July 2009.

Abdullah is the highest-value target that the Afghan Criminal Justice Task Force has convicted, responsible for trafficking significant amounts of high purity heroin, opium and acetic anhydride. The investigation and prosecution was conducted by Afghan institutions, with SOCA and other UK partners providing mentoring and support.

Part One – success in 2009/10

SOCA's relationship with the Turkish National Police was strengthened further this year, leading to real-time intelligence sharing. Forensic analysis of heroin seizures in the UK indicated that much of the drug had emanated from a small number of trafficking groups in Turkey and the surrounding areas. Operational activity focussed on the threat to the UK posed by such heroin traffickers, and saw the arrest of a number of key individuals in Turkey and the UK and the seizure of more than a tonne of heroin.

“ Officers from the Serious Organised Crime Agency displayed the sort of abilities of which we should be justly proud. Their work has led directly to either the pleas of guilty or the convictions of these defendants ”

His Honour Judge Marson (trial judge), Operation Palm

» Domestic activity against heroin



Following a SOCA investigation, members of two major criminal gangs were sentenced to more than 150 years in July 2009 for running an international drugs business importing, processing and distributing large amounts of heroin across the North of England. The ringleaders, John Ryder and Mohammed Nazir, who pleaded guilty at the start of the trial, were sentenced to 24 and 26 years respectively. The operation involved the dismantling of two industrial-scale heroin factories, or 'bash houses', in residential areas of Birmingham and Bradford. Serious Crime Prevention Orders (SCPOs) and Travel Restriction Orders were also obtained, the latter to apply on release.

The project that takes forward SOCA's forensic work is described in more detail on page 27. Full details of heroin seizures, along with seizures of other drugs, are given at Appendix A.

Cocaine

Upstream work against cocaine continued this year, resulting in further positive impact on the availability, price and purity of the drug in the UK. It involved action against cultivation and production facilities with partners in Colombia and Venezuela. A groundbreaking operation in Colombia between January and October 2009 culminated in the dismantling of an OCG controlling laboratories capable of producing 800 – 1,000 kg of cocaine monthly. Thirteen members of the OCG, including the two heads and two serving police officers, were arrested in October by Colombian law enforcement. They are being prosecuted through the Colombian judicial system. A significant proportion of the cocaine produced was assessed to have been destined for European markets.

There have been significant successes in previous years with the interdiction of cocaine en route to the UK and Europe, including through West Africa. This year saw criminals altering some of their trafficking tactics in response to the work of SOCA and its partners. This approach left smaller quantities available for interdiction by SOCA but left traffickers vulnerable in other ways, including to interventions by overseas partners.

Overall, the effects on the UK cocaine market reported last year, where changes in price and purity demonstrated a shortage of high purity cocaine, were sustained this year. Consistent shortages of high purity cocaine were seen throughout the UK, and in other significant consumer markets. This forced prices of wholesale cocaine up, particularly in the UK, where it reached the highest ever recorded levels.

Part One – success in 2009/10

A SOCA operation, in which approximately 300 kg of cocaine with a street value of £81m had been seized, was concluded in court in February 2010. On the first day of the trial against five individuals, one defendant pleaded guilty and received a sentence of nine years imprisonment. Two further defendants were also found guilty and sentenced to 28 years' imprisonment each, with one recommended for deportation.

The extensive use of adulterants or cutting agents such as benzocaine, levamisole, phenacetin and lidocaine in cocaine meant that targeting such chemicals continued to be an important part of SOCA's approach¹. It brought multiple charges against individuals involved in the supply of these chemicals. Project Kitley, which aims to identify

► Disrupting the importation of cocaine: using all available tools



El Renecer prison in Panama, where Moon's contact was serving his sentence for drugs offences

SOCA's domestic response to cocaine is based on the use of a range of tools, including steps to ensure that those involved in the drugs trade are not able to continue their activities while they are in prison.

SOCA identified that George Moon, a prisoner serving a 15 year sentence for drug offences, was co-ordinating the importation of cocaine from his prison cell. In August 2009, he was sentenced to a total of 18 years' imprisonment for conspiracy to smuggle cocaine into the UK, and for offences of smuggling heroin and mobile phone SIM cards into prison. He was also made the subject of a SCPO which further prevents, restricts and disrupts his ability to resume his criminal activity. Five other men were sentenced along with Moon to between five and eight years.



UK procurement, distribution and users of cutting agents continued². Over 150 intelligence packages were passed to police forces this year under Kitley, leading to action. In one case a controlled delivery³ by a police force led to the recovery of significant amounts of cutting agents, in addition to class A drugs and drug producing equipment.

Details of volumes of drugs and cutting agents seized are given in Part Two.

¹ Such chemicals are added to illegal drugs by criminals in order to increase their profit margin, or in some instances to modify the effects of the drug. While the majority of adulterants are benign, some are carcinogenic, for example phenacetin which is used to cut cocaine. Others, such as levamisole, are not meant for human consumption and may cause severe physical reactions.

² See page 41 of SOCA Annual Report 2008/09 for further detail on Project Kitley.

³ Controlled delivery is an operational technique in which illegally procured or illegally supplied commodities are permitted to be delivered under surveillance without the knowledge of the criminal targets involved in their supply or acquisition.

Organised Immigration Crime

Over the year, SOCA has engaged in international, national and local projects to help address the harm caused by organised immigration crime (OIC). This work has been characterised by a strong focus on the victims of this crime and joint working with partners including the UK Human Trafficking Centre.

The term OIC covers both people smuggling and human trafficking⁴. Operational activity against groups undertaking OIC this year involved work with highly vulnerable victims who had been subjected to prolonged abuse and exploitation. SOCA's 'victim focus', including the careful and supportive handling of victims of trafficking allowed a number of OCGs to be identified and action taken to prevent them from causing further harm.

A strong international focus to work against organised immigration crime continued throughout the year, with SOCA, UKBA and Police Forces working with a number of overseas law enforcement agencies including OCRIEST, the French agency responsible for combating OIC. The Joint Intelligence Unit (JIU), consisting of Kent Police, UKBA and the Department for Work and Pensions, was joined by SOCA and OCRIEST. The JIU targets organised immigration crime on a multi-agency, international basis. JIU intelligence led to a number of arrests for facilitation of organised immigration crime, and numerous interceptions of clandestine entrants.



“ I would like to commend SOCA and An Garda Síochána for a thorough and imaginative investigation ”

His Honour Judge Bidder (trial judge). Operation Palladic

► Update – Operation Palladic



Some of the mobile phones recovered which the gang used to organise the prostitution ring

'Victim focus' was evident in a complex human trafficking investigation which crossed jurisdictions. Operation Palladic, was conducted by SOCA in co-operation with the Police Service of Northern Ireland, Dyfed Powys Police and An Garda Síochána in the Republic of Ireland. Charges were laid against those involved in 2008/09, as described in last year's Annual Report.

The investigation concluded in February 2010 when Thomas Carroll and his partner Shamiela Clark were sentenced to seven years and three and a half years respectively at Cardiff Crown Court for conspiracy to control prostitution and conspiracy to commit money laundering. Carroll's 25 year old daughter, Toma, was jailed for two years for money laundering offences.

The family had organised a sophisticated prostitution ring which used trafficked girls as young as 15 years old. Some were trafficked from South America by using advertisements and others from Nigeria where they were subjected to rituals designed to force them into compliance. SOCA co-ordinated the provision of care for the victims and the subsequent willingness of these witnesses to provide live evidence at court was considered instrumental in the defendants' guilty pleas prior to an expected 12 week trial.

⁴ People smuggling involves illegal migrants being essentially willing participants. Organised criminals profit mainly from facilitating their migration. The intention of human trafficking is to exploit the illegal migrants in the UK, and in many cases during their journey to the UK.

Part One – success in 2009/10

Fraud

SOCA's work with partners on fraud continued to ensure that, as far as possible, the UK is a hostile environment for fraudsters. Work on mass marketing fraud attacked the routes that criminals use to target the UK. There was also a series of awareness campaigns.

Mass marketing fraud

SOCA tackles the harms caused to UK citizens by organised mass marketing fraud. Building on a successful programme in Nigeria, SOCA worked with other partners across West Africa, with a particular operational focus on frauds emanating from Ghana. One of the developing threats identified was 'romance frauds', where individuals are groomed into developing an apparent relationship before being defrauded. As well as the monetary losses, in extreme cases such frauds have led to kidnaps and suicides. SOCA issued an 'Alert' to support ongoing work to raise public awareness. Over the year, SOCA co-ordinated large volume seizures of fraudulent material and provided operational intelligence that led to the arrest of 10 suspected fraudsters based in Accra.



Fraudster arrested in Ghana

“ I would like to thank SOCA, and particularly... the Counterfeit Section, for their important work in these investigations. Both of these operations relate to the production of good quality counterfeit £20 banknotes and it is clear that without intervention action we would have been facing a serious problem ”

Andrew Bailey, Executive Director and Chief Cashier,
Bank of England

▶ Counterfeit currency



SOCA hosts the designated National Central Office for the Suppression of Counterfeit Currency. This collates and circulates all information relating to counterfeit currency, working with the National Central Offices of other countries, police forces, banks and other partner agencies. The Unit continues to support investigations to prosecute those involved in the production and bulk distribution of counterfeit currency and tackle the harm caused by this.

SOCA co-ordinated a linked series of investigations involving police forces from South Yorkshire, Humberside, Lancashire, Norfolk and West Yorkshire. This resulted in the conviction of eight people involved in the organised distribution of counterfeit Sterling and euro banknotes, and the production of coins. The prison sentences ranged from eighteen months to four and a half years. SCPOs were obtained⁵, which included the first ever conditions prohibiting association between the members of the OCG on release from prison.

Two separate operations, one led by Kent Police and the other by West Yorkshire Police (both with SOCA assistance), led to a number of arrests in relation to the counterfeiting of Bank of England banknotes.

⁵ SCPOs were obtained in April 2010, shortly after sentencing.

Part One – success in 2009/10

Awareness campaigns

SOCA has led, or contributed to, a range of public campaigns to raise awareness of the threat from fraud over the year.

These included:

- the Get Safe Online initiative (www.getsafeonline.org)⁶ included a public campaign to warn internet users and job hunters of the dangers of becoming ‘money mules’⁷ and to be on guard against ‘too good to be true’ money earning opportunities during the economic downturn. This was driven by increased awareness of sophisticated tactics used by fraudsters to recruit unsuspecting



persons to launder funds. Such activity results in many victims being treated as criminals, the suspension of their personal bank accounts and a liability to repay the full amount of laundered funds; and

- SOCA support and funding to a high profile national advertising campaign – Think Jessica – to alert potential elderly and vulnerable victims to the threat of fraud.



This included a national poster campaign to highlight scam mail directed against them.

Such activity has raised awareness amongst the public of fraud and encourages people to protect themselves. This increased awareness frustrates fraudulent activity and reduces the harm caused by this type of crime⁸.

SOCA also continued to promote awareness within the financial sector of so called ‘boiler room’ frauds⁹. The Alert, which identified some best practice, was issued in April 2009 following collaboration with the City of London Police, the Financial Services Authority (FSA) and major banks. The Alert led to the receipt of 257 Suspicious Activity Reports by the UK Financial Intelligence Unit within SOCA.

► Specialist expertise on fraud



SOCA, the Serious Fraud Office (SFO), and the FSA undertook work to identify the various threats from hedge fund fraud, building comprehensive and detailed maps of the criminal processes involved and red flags that indicate criminal activity. As a result of this the FSA and SFO developed bespoke intelligence processes that identified risk areas in this sector. This resulted in regulatory activity and investigations of specific companies.

⁶ *Get Safe Online* is the UK's national internet security awareness initiative which, since 2005, has been working to encourage confident, safe use of the internet amongst consumers and smaller businesses. A joint partnership between SOCA, Government, and public and private sector sponsors, Get Safe Online is a leading authority on UK internet safety issues, which has led consistently high-profile awareness campaigns for the last five years and has worked successfully with third party organisations such as the Office of Fair Trading to reach a broad audience.

⁷ A ‘money mule’ is a person who receives stolen money or cheques from victims and transfers the funds to criminals’ accounts.

⁸ The SOCA website (www.soca.gov.uk) contains further information on how members of the public and businesses can protect themselves from being victims of serious organised crime.

⁹ This activity is a type of investment fraud in which investors are duped into purchasing worthless or over priced stock in companies with little or no value.

Part One – success in 2009/10

Cyber Crime

The threat of cyber crime continues to grow and become an ever more important focus for SOCA. Work to produce long-term impact – by changing the landscape of the Internet so that it is less hospitable to criminals who seek to exploit it – made steady progress, and this was recognised externally. There were also some notable operational successes, including against online criminal forums.

Increasing dependence on cyberspace for communication, transaction of business and interaction with government services, makes its security vital to the protection of the UK: its citizens, economy and infrastructure. The threat of cyber crime continues to grow exponentially, transforming 'old' crimes and enabling the development of new ones. Anonymity, low costs and a burgeoning criminal service industry in cyberspace mean inevitably that new frontiers in e-crime will continue to open up. Cyberspace, however, also provides new and enhanced opportunities for law enforcement agencies such as SOCA to tackle organised crime.

The Office of Cyber Security (OCS) and the Cyber Security Operations Centre (CSOC) were launched in response to the cyber threat to the UK; providing strategic leadership and coherence across government. SOCA was involved in developing the concept and the practical establishment of these bodies; providing an organised crime input; and in their governance arrangements.

SOCA's approach, in line with the wider cross-government effort, continued to seek to deliver long-term solutions to the growing and changing nature of the threat. Steady progress was achieved, including an ongoing project focussed on highlighting and addressing weaknesses in internet governance. This work was recognised with an award from the International Association of Chiefs of Police (IACP) for Excellence in Technology.

Operational success was achieved in tackling online forums through which criminals trade information and goods which enable them to perpetrate fraud. Such forums allow criminals to buy and sell stolen financial information, including personal data and credit card details, as well as equipment used in carrying out financial crimes. SOCA activity in this area resulted in disruption to criminals and their networks.

“ Criminals are becoming immensely sophisticated, but partnerships like the one we have with the Serious Organised Crime Agency helps us find them, stop them, then prosecute them successfully.

It also assists us to have an understanding in respect of the thinking of criminals, how they operate today and the direction they may take in the future. When close co-operation is achieved, the impact (in terms of arrests and convictions and also in terms of subsequent fraud levels) can be significant. ”

Valerie Dias, Executive Vice President of Risk Compliance and Corporate Services, Visa Europe

SOCA hosted its fourth international law enforcement e-crime event in March 2010, which attracted 80 representatives from 34 countries – the largest number of delegates to date. The event was used to secure agreement on a number of collaborative opportunities, including between law enforcement and the global Internet Registries.

Further collaboration with industry in 2009/10 resulted in the circulation of SOCA Alerts on the subject of web spoofing¹⁰.

» Update – DarkMarket



The work begun last year in leading the UK arm of a long-term FBI investigation into the DarkMarket online criminal forum led to further success this year. SOCA's Annual Report 2008/09 reported that, before it was closed down (in October 2008), DarkMarket had been regarded as one of the most significant internet sites dedicated to the theft and sale of compromised personal information. SOCA secured the conviction of three of the leading UK members of DarkMarket in February 2010.

¹⁰ Web spoofing is a method used by criminals whereby web pages falsely purport to represent genuine pages from a targeted company website.

Criminals and their businesses

This year, in addition to seeking traditional criminal justice outcomes, SOCA made comprehensive use of other available tools in order to disrupt criminal businesses. This included pursuing organised criminals beyond the prison gates under SOCA's lifetime management programme. It also saw effective use of financial tools and powers under the Proceeds of Crime Act 2002 (POCA).

Using all available tools

The non-criminal justice tools and techniques at SOCA's disposal include legal powers, such as SCPOs, Financial Reporting Orders (FROs) and Travel Restriction Orders (TROs). These restrict organised criminals from operating their businesses freely and disrupt their activities. Details of the orders that SOCA had in place at the year end are given in the Appendix to this report. The application of these orders was co-ordinated with other interventions to maximise their impact. Examples of this are provided throughout this report, and show the continuing development of a lifetime approach to offender management.

Work took place with key partners including the National Offender Management Service (NOMS) and the Police Service to disrupt the operation of organised criminal enterprises from prison. Convictions in the criminal courts and further lengthy terms of imprisonment were secured on those caught. In addition SOCA, working with the Crown Prosecution Service, obtained SCPOs that took effect from the date of imprisonment¹¹. Such prisoners continue to be monitored through close liaison with NOMS to ensure compliance with the orders that are in place.

Work with UKBA made use of immigration powers, including exclusion, deportation, denial and deprivation of citizenship. Information supplied by SOCA was instrumental in a human trafficker (convicted as part of a Metropolitan Police investigation) having his British citizenship revoked by the Home Secretary, the first such case on the grounds of involvement in organised crime. The individual concerned will be deported to his country of origin when he completes his prison sentence.

SOCA continued to develop the tools and techniques available for dealing with organised crime. It led a project to promote understanding of the tools and techniques

available to the whole of law enforcement, working with, and drawing information from, the Association of Chief Police Officers (ACPO), HMRC and UKBA¹².

Criminal finances and profits

Operational experience continued to show that profit is the primary motivator for organised crime, and that criminals fear attacks on their finances more than other law enforcement interventions. The use of financial tools therefore remained key to reducing the harm caused by organised crime.

SOCA's continuing progress in leading the Suspicious Activity Reports (SARs) regime was documented in the SARs Annual Report 2009. This showed how work by all stakeholders in the regime has improved the quality of SARs submitted and helped to deliver significant law enforcement outcomes. There have also been improvements in the efficiency and effectiveness of the processing of SARs by SOCA during this year, offering more scope for analysis, so generating new actionable intelligence for partners.

Work to deny access to criminal assets was central to SOCA's activity. Assets were recovered at the end of criminal or civil investigations and prevented from being dissipated, or used to fund further criminal activity or a criminal lifestyle, both domestically and internationally. Taking its criminal and civil powers together SOCA denied access to more than £238m of assets over the year. A further £79.5m was denied by partners in the UK and overseas as a result of SOCA support or referrals. The table below gives details.

Category	Value ¹³
Cash seizures	£ 5.1m
Restraint orders	£103.7m
Assets frozen (civil & tax powers)	£89.7m
Confiscation orders obtained	£17.2m
Civil recovery orders/settlements and tax settlements	£22.3m
Value of assets denied by partners in UK as a result of SOCA referrals or support	£27.5m
Value of assets denied by partners overseas as a result of SOCA referrals or support	£52.0m
Total assets denied to criminals¹⁴	£317.5m

¹¹ This was the first time such SCPOs were obtained.

¹² This work will promulgate a consistent, positive and vigorous response by the whole of law enforcement to reduce the harm caused by serious organised crime.

¹³ All values given are gross. For example, where values are associated with real estate property, any value of associated mortgages has not been deducted.

¹⁴ It should be noted that asset denial is a standalone figure for each financial year. Assets that have been restrained, seized, or frozen during one year, will be part of a confiscation or a civil recovery order in future years; so the total amount of assets denied should not be read as cumulative year-on-year.

Part One – success in 2009/10

The civil recovery powers gained from the merger with the Assets Recovery Agency (ARA) in April 2008 enabled SOCA to secure civil recovery orders depriving criminals of £22.3m of assets; and the freezing of assets with an estimated gross value of £89.7m. In addition work took place over the year to build up a robust pipeline of new civil recovery activity for the future. While ARA was reliant on referrals from other agencies, SOCA has been able to apply civil recovery powers to the organised crime groups that it was already targeting. This new work, combined with an increased tax recovery capability, will enable SOCA to cause ever greater disruption to criminal finances and profits over the coming years.

► Complex money laundering investigations



The value of financial tools was underlined by a complex and long-term operation, one outcome of which was the imprisonment of a Bradford-based drug trafficker, Khalid Malik, in December 2005. However, the operation had a wider impact on him and his associates than the 25 year sentence alone. Money laundering investigations established that the estimated £7m of profit generated from his crimes had been dispersed through a network of family, friends and criminal associates; facilitated by corrupt professionals including a solicitor, a mortgage advisor and a financial advisor. Between June 2007 and February 2010, seven people received sentences of up to 10 years in prison for their involvement. The investigations also identified two members of the laundering network as drug traffickers in their own right. Both have now been sentenced to lengthy prison terms.

Outturn against the targets set by central government for SOCA on cash forfeiture, confiscation, and civil recovery and tax is set out at Appendix A.

► Using civil recovery to remove 'untouchable' assets



Brian Meehan and Gerard McAllister were Directors of a company acting as the vehicle for VAT Missing Trader Intra-Community (MTIC) fraud. A successful HMRC investigation had resulted in Meehan and McAllister being found guilty on one count of cheating the public revenue through VAT MTIC Fraud. They had each been sentenced to four and a half years' imprisonment at Worcester Crown Court in June 2006.

During the period of the fraud, monies from the bank account set up to facilitate the fraud had been transferred direct to a pension scheme. However, the scheme was deemed not to be a realisable asset for criminal confiscation purposes and had been withdrawn from the confiscation proceedings.

Civil recovery provisions under POCA enable the recovery of assets/property from pension funds, and the case was referred to ARA as suitable for civil recovery in 2007. The assets held in the fund were cash deposits, three plots of land and an investment portfolio with a net value of £198,109.

In March 2010 a settlement was agreed and a Consent Order was granted by the High Court for £193,109 to be paid to SOCA. This is the first case where a pension fund has been part of an asset recovery settlement.

Firearms and armed robbery

Steady progress was made in developing intelligence on the trafficking of firearms which laid the ground work for future activity. As well as working with international partners, operational activity in the UK disrupted criminal businesses involved in the supply of firearms.

Over the year, SOCA concentrated on laying the ground-work for future action by developing intelligence on the international trafficking of firearms into the UK. This was combined with work by other partners, in particular the National Ballistics Intelligence Service (NABIS), which enabled a more comprehensive picture of firearms trafficking to be developed than was possible hitherto. SOCA and its

» Attacking the supply of firearms in the UK



A criminal investigation focussing on an individual based in Essex who was supplying firearms in the North West of England led to the sentencing of Paul Alexander to an indeterminate life sentence in November 2009. Alexander was a former Army sergeant who was supplying guns to gangs across the UK from a gun factory in his mansion in Essex. Working in partnership with the NABIS, Essex Police and the Forensic Science Service, SOCA linked the guns and ammunition he was supplying to over 50 firearms-related incidents including two murders. Additional steps were taken to prevent the continuation of Alexander's criminal business after his release. A SCPO was secured by Essex Police in collaboration with SOCA to place restrictions on the possession, acquisition and control of firearms and ammunition; notification of travel outside the UK; notification of changes to his name and identity; notification to the local Police Force of his current address; and notification of and access to storage premises and computers.



domestic partners took this increased knowledge to European partners and as a result work to attack the supply of firearms in Europe at key nexus points has been refocussed and re-invigorated. At a tactical level considerable progress was made, in particular in partnership with the Dutch Police.

Work with ACPO partners, the Bank of England and industry identified key lessons from recent major cash centre robberies. Specific risks to the industry along with target hardening measures were shared with the private sector through SOCA's Alerts system.

Part One – success in 2009/10

International

Organised crime is a global problem which does not recognise national borders. The trades in illicit goods and people mostly originate from overseas, as do many frauds. SOCA's work continued therefore to be internationally focussed. This was delivered through an international liaison network, bilateral and multilateral relationships, teams deployed on cases with an international dimension, and officers embedded with local law enforcement.

SOCA worked closely with UK and international partners on a bilateral basis, through a network of approximately 140 liaison officers in over 40 countries, and on a multilateral basis with institutions such as Interpol and Europol to ensure that global opportunities to combat organised crime were maximised. It reduced harm to the UK through leading operations and joint projects with international law enforcement agencies, as described elsewhere. This included continuing to work with the Maritime Analysis Operational Centre-Narcotics (MAOC-N) in Lisbon. This initiative involves the UK, Ireland, the Netherlands, Spain, Italy, Portugal and France co-ordinating counter-narcotics activity and facilitating information sharing to interdict large shipments of drugs¹⁵.

SOCA also continued to lead a major capacity building project in Afghanistan funded by the Foreign and Commonwealth Office in which 20 dedicated SOCA officers are deployed in Afghanistan to mentor Afghan specialist intelligence collection and interdiction units of the Counter-Narcotics Police of Afghanistan (CNPA). SOCA worked also with international partners to mentor the Afghan Major Crimes Taskforce.

Other examples of successful projects included:

- working closely with the Royal Navy and the Joint Inter Agency Task Force South (JIATF [S]) to undertake counter-narcotic operations in the Caribbean. In July 2009 the Royal Navy, supported by a US Coast Guard Law Enforcement Detachment, interdicted a vessel from which the crew members were jettisoning bales of cocaine. This activity was based on intelligence provided by SOCA. Four crew members were detained and 5.5 tonnes of cocaine was recovered; and

- co-ordinating a multinational project to combat cocaine trafficking to the UK. This used Interpol and Europol channels, in addition to SOCA's Liaison Officer Network, to develop and pass intelligence quickly on consignments of cocaine destined for the UK. On a national level this work was marked by close levels of co-operation between SOCA, UKBA and ACPO Forces. In the past two years as a direct result of intelligence supplied under the project, there have been over 150 seizures of cocaine in the UK, totalling 77kg. The project is ongoing.



I specifically want to thank you for the significant contributions and sacrifices your agency has made to interdict and stop the use of drugs around the world



R. Gil Kerlikowske, Director, Office of National Drug Control Policy, Executive Office of the President of the United States of America

Under Operation Captura SOCA worked closely with Crimestoppers to enlist the help of the public in arresting fugitives from UK justice. Of 50 suspects featured in a joint SOCA and Crimestoppers campaign related to British criminals in Spain, Crimestoppers received information that led to the arrest of 31 individuals. Most were returned to the UK by means of the European Arrest Warrant (EAW).

SOCA worked also with the police in the Netherlands to target fugitives from British justice. Twenty-six arrests were made over the year, all for serious offences such as murder and drug trafficking. Some of the fugitives had fled Spain because of the effectiveness of the Crimestoppers campaign. Work to establish a Crimestoppers campaign in the Netherlands was also taken forward by the end of the year.

¹⁵ MAOC-N has facilitated the seizure of more than forty tonnes of cocaine since 2007.

Part One – success in 2009/10

Abuse of British passports

A report of a SOCA investigation into the fraudulent use of British passports in the killing of Mahmud al-Mabhuh in Dubai on 19 January 2010 was given to Ministers in March. In a statement to the House of Commons on 23 March the Foreign Secretary praised the professional quality of SOCA's work. The report concluded that the passports used were copied from genuine British passports when handed for inspection to individuals linked to Israel, either in Israel or other countries.



Scotland and Northern Ireland

SOCA is a UK-wide organisation and works within all UK jurisdictions, both in respect of specific issues and priorities in those areas and in support of operations tackling UK-wide organised crime threats.

In Scotland, efforts were significantly boosted by the publication in June 2009 of 'Letting our Communities Flourish: a strategy for tackling serious organised crime in Scotland' by the Serious Organised Crime Taskforce (SOCT). SOCA supported and contributed to the development of this strategy, are active members of the Taskforce and are working with them to take forward the implementation of the strategy. In Northern Ireland SOCA's estate was consolidated; so that by the end of the year partners were provided with a 'one-stop-shop' to access SOCA services.

SOCA recorded some notable successes with partners in Scotland and Northern Ireland, including in relation to OIC. In Northern Ireland Operation Palladic, described on page 16, was successful. SOCA continued to play a key role in a Scottish Taskforce operation in Scotland into South East Asian organised criminals focussed on the industrial scale cultivation of cannabis, the exploitation of illegal immigrants, intellectual property theft, the sex trade and money laundering. Over the year, this work resulted in the seizure of high quality cannabis worth approximately £10m, £400,000 in cash, counterfeit DVDs valued at approximately £150,000 and more than 100 arrests across Scotland. Data gathered during the operation has enabled SOCA to develop an increased understanding of the threat caused by a highly organised criminal network operating across the UK.

SOCA provided intelligence to police partners in Scotland and Northern Ireland that led to arrests, the seizure of drugs and cash. In a further case SOCA investigators in Belfast provided operational assistance to HMRC that resulted in the disruption and dismantling of an illegal fuel supply depot in Belfast. In addition, SOCA has provided significant support overseas by targeting those whose criminality has a significant impact on communities in Scotland and in Northern Ireland, including the tracing of suspects overseas for return.

Asset recovery has remained an important tool for SOCA, including in Northern Ireland because of its visible impact in communities and its role in reducing the harm caused by crime. It has the effect of reassuring the community that criminals will not be able to benefit from their crimes; and in the case of civil recovery gives SOCA the scope to target the proceeds of crimes that have otherwise gone unpunished.

Part One – success in 2009/10

Working with partners

Multi-agency working was fundamental to many of the outcomes described elsewhere. There was improved co-operation with law enforcement partners including HMRC, UKBA and the Police Service.

SOCA also continued to fulfil the requirements placed on it by the Serious Organised Crime and Police Act 2005 to support law enforcement partners within the UK, and provided a wide range of specialist services to those partners.

A mapping exercise undertaken with partners provided, for the first time, a consolidated picture of organised criminals believed to be causing harm to the UK. It drew together data from SOCA, HMRC, UKBA and UK Police Forces into a single aggregated dataset of over 30,000 criminals. This is currently housed within SOCA and the process of understanding, de-conflicting and exploiting the data is overseen by a multi-agency team.

SOCA has directly contributed around 7,000 Persons of Interest (POIs) to this dataset. It put in place basic action plans to monitor and address the risk from all those individuals not already subject to SOCA-led operational activity, the aim being to identify and develop opportunities for action as part of the systematic management of all the individuals and groups identified.

This ongoing work, along with the embedding of SOCA staff and IT systems in Regional Intelligence Units, supported a more effective collaborative and multi-agency approach to tackling organised crime¹⁶. Further detail on how it will be taken forward is set out in Part Two.

“ The co-operation between SOCA and the FSA in sharing intelligence and experience in enforcement techniques and in combining legislative powers, has resulted in significant impact in the past year, both to individual criminals and to the environment they operate in ”

Margaret Cole, Director of Enforcement and Financial Crime, the FSA

» Curtis Warren



Surveillance image of Warren on a payphone at the airport

Curtis Warren, a notorious career criminal, thought to be one of Britain's richest, was jailed in December 2009 for his part in a plan to smuggle cannabis worth £1m into Jersey. Upon his release in 2007 from a 10 year prison sentence in the Netherlands for cocaine trafficking, SOCA and the States of Jersey had mounted a joint surveillance operation which resulted in his arrest. Warren received a 13 year sentence.

¹⁶ Regional Intelligence Units (RIUs) are multi-agency capabilities, based in police forces.

Part One – success in 2009/10

UK Organised Crime Control Strategy

Within the 2009/10 UK Organised Crime Control Strategy (OCCS), the sharing of assessed reporting by partners continued to increase and was reflected in improved National Intelligence Requirement (NIR) ratings¹⁷. SOCA produced 234 assessments and reports to law enforcement, government and others, a 28% increase on the previous year. These were designed to inform policy makers and provide support for operational activity. Further details on this work and the production of the UK Threat Assessment (UKTA) are contained in Appendix A.

Private sector

SOCA issued 76 Alerts warning partners, including the private sector, of specific threats. These allowed the sharing of best practice and frustrated criminals by, for example, sharing details of compromised credit cards or false identities. Examples of the impact of various Alerts are included throughout this report.



“ The value of collaborative work between the public and private sectors cannot be underestimated. The ability to share intelligence, initiatives and experience between financial institutions and SOCA when tackling financial crime is vital in developing strategies which will protect our business and the general public from organised criminals ”

Jonathan Shawcross, Group Security and Fraud Director,
Lloyds Banking Group

Private sector outreach: Project BRASS



Project BRASS was initiated by HM Revenue and Customs to support its enforcement activities in relation to the Government's policies and legislation on embargoes, sanctions and trafficking, and brokering of the arms trade. It was designed to improve the knowledge of these controls within the UK's financial and insurance sector.

As part of the project, SOCA issued an Alert to relevant private sector businesses which resulted in improvements to the insurance cover provided in relation to this activity in the UK, and a major compliance and awareness programme.

¹⁷ The NIR and the UK OCCS represent the collaborative efforts of the agencies most closely concerned with tackling organised crime. They help to define both the threat and the activities required to make the UK a more difficult place for organised criminals to do business.

Part One – success in 2009/10

Support to partners

Specialist intelligence and analytical resources.

Under the Serious Organised Crime and Police Act 2005 SOCA has certain national responsibilities. These include covert collection and lawful interception capabilities, and the provision of the gateway for UK law enforcement to a wide range of specialist international services through Interpol, Europol and Article 40 Schengen requests for cross border surveillance. As part of this, SOCA contributed to Home Office-led work to develop and future-proof lawful interception and communications data capability. This work has ensured the continued provision of valuable intelligence support to Police Forces in tackling organised and violent crime, especially in the areas of firearms, drug and gang-related crime that significantly impact upon many local communities within the UK.

Project Endorse, a SOCA initiative which provides for the forensic analysis of drugs seized, commenced in October 2008 and as described in last year's report, progressed well. It was developed from an initial pilot into SOCA mainstream business during September 2009. It is supported by the four main forensic science suppliers and utilises drug samples from HMRC, UKBA and all UK Police Forces¹⁸. As set out on page 14, it has also analysed samples from Afghanistan, and fed into work to improve understanding of the heroin supply chain and market.

This year the project has seen the development, for the first time, of a consistent, complete and centralised collection plan for supplying drug-related intelligence. The production



of quarterly reports, tactical notifications of potential forensic links and an annual report on drug purity and adulteration trends commenced. The tactical notifications, quarterly and annual reports were published widely throughout Europe. Data and scientific expertise from the project was used to assist with the design of heroin and cocaine demand models, and improved UK law enforcement's understanding of drug markets and the harm that the trade causes.

There was close collaboration with other agencies in developing new technology and capabilities. Sharing expertise and funding avoided duplication of effort and maximised resources. As a result SOCA and its partners received the benefit of a joined-up, intra-community approach, and the mutual exchange of specialist capabilities took place.

Corruption

SOCA provides specialist advice, guidance and the provision of dedicated operational resources to support law enforcement agencies in corruption enquiries. This year it produced assessed intelligence reporting on corruption and conducted strategic intelligence assessments. An assessment on behalf of the ACPO Counter Corruption Advisory Group (ACCAG) considered the threat to UK law enforcement from corruption. Other reporting included the corrupt use of the private investigation and security industry, particularly its exploitation by serious organised crime. Such reporting improves understanding of the threat and informs the response.

SOCA continued to provide tactical advice and support to its partners by handling, disseminating and developing intelligence on corruption related matters. It provided covert operational support to Police Forces on 13 occasions. SOCA also dealt with 41 external requests for tactical advice and support with covert operational planning from corruption investigators.

This operational support assisted Police Forces when they did not have their own specialist resources to deploy, or it would not have been appropriate to use them.

¹⁸ The Project involves the collection of data from Class A drugs, amphetamine and bulk cutting agent samples in excess of 25 grams and so produces an accurate picture of drug purity and adulteration across the whole of United Kingdom.

Part One – success in 2009/10

Kidnap and extortion, product contamination and the provision of firearms support

SOCA continued to provide operational support to UK Police Forces, government and industry in response to reports or intelligence regarding kidnap and extortion and product contamination. Law enforcement partners reported 501 kidnaps to SOCA and SOCA dealt with 13 product contaminations. SOCA has also provided a range of specialist training this year including to UK and overseas partners.

For example, it provided strategic and tactical operational training in Ghana to counter the growing threat of kidnap and extortion. While officers were deployed there a British subject was kidnapped and SOCA facilitated his safe recovery and repatriation to the UK.

In September 2009, SOCA assumed the chair of the European Union Network of Advisory Teams (EuNAT)¹⁹. It provided leadership and direction to EU efforts through this group and used the network in support of the resolution of overseas kidnaps affecting the UK over the year.

Expertise in this area among some partners is limited and often over the year they have relied on the immediate provision of 24/7 strategic and tactical advice by SOCA. Alongside this support, SOCA continued to provide specialist training which enabled partners to develop their own capabilities.

Over the year there were 224 referrals to SOCA for firearms support of varying requirements, of which 81 resulted in firearms deployments. A number of these were supported by Police Forces.



I am in no doubt that your staff significantly contributed to the successful conclusion which prevented the loss of life and further harm to an innocent young man



Sir Norman Bettison, Chief Constable, West Yorkshire Police, commenting on SOCA's contribution to the successful resolution involving 13 suspects and one victim across various countries in Europe and Asia

¹⁹ The primary purpose of EuNAT is to have a European network of law enforcement advisory teams, in order to provide a mechanism for immediate international co-operation when responding to the threat of kidnap, hostage taking and extortion, where life is at risk. The network provides a platform for sharing good practice in this specific field throughout the European Union and within the constraints of each country's legal framework.

Part Two – conclusion: building on our achievements to meet the challenges of the future



Part Two – conclusion: building on our achievements to meet the challenges of the future

Part One showed how in 2009/10 SOCA used the full range of tools and approaches available to it in order to reduce the harm caused to the UK by organised crime. For 2010/11 and beyond SOCA will need to maintain this momentum in the context of a difficult resource environment in which there will be continuing pressure on the public finances. The SOCA Board continues to assess where the organisation, its processes and approach, can be improved further in order to address the challenges of the future.

Drugs

On heroin, 2009/10 saw the benefit of SOCA's presence and partnerships upstream realised. 2010/2011 will see it maintain a significant capacity building and operational presence in Afghanistan, and build further on its relationships with partners, especially Turkey. The aim is to tackle the heroin trade affecting the UK, including all routes used into the UK. Given its importance as a precursor chemical, work will also target the availability of acetic anhydride.

Following success in sustaining previous impact on the cocaine market this year, the two principal objectives will continue to be:

- driving down production through action against production facilities in Latin America; and
- identifying traffickers who aim to ship large quantities of cocaine to the UK and prioritising them for action.

Successful action in Colombia against high-value drugs targets has resulted in a shift away from large drugs cartels to smaller, more splintered groups, as well as some displacement to elsewhere in Latin America. As part of the above approach, 2010/11 will see a wider engagement in the region by SOCA.

It will also see a number of new SOCA initiatives overseas, including leading the development of an EU funded capacity building project in West Africa. This project will enhance regional capacity to develop intelligence and control maritime trafficking in the region.

Organised immigration crime

The UK Human Trafficking Centre (UKHTC) became part of SOCA on 1 April 2010. It provides a central point for the development of expertise and co-operation in relation to combating the trafficking of human beings, working together with stakeholders from government and non-governmental organisations in the UK and abroad. Embedding UKHTC within SOCA's core business will provide it with a long-term legal status that reflects its national functions, while also recognising the importance of tackling the criminals behind human trafficking and supporting the victims of it. SOCA will build on the UKHTC to make it the strategic lead on reducing the harm from human trafficking, including through its work on prevention and education.

On organised immigration crime more widely, SOCA will continue to develop partnerships in source countries. It will also work with UK and European partners such as UKBA, Police Forces and OCRIEST to counter the problem before illegal migrants reach Europe; and once they are near to the UK.

Cyber crime

As set out in Part One, the cyber threat from organised crime is growing exponentially and evolving. It is also a global threat, with the UK being mainly attacked from overseas. The scale of the challenge in countering it should not be underestimated.

The unique characteristics of cyber crime mean that traditional law enforcement mechanisms alone are not enough. Instead, it is necessary to adopt a long-term interventionist approach to disrupt the environment and the criminal enablers it provides. SOCA is at the forefront of this approach. Steady progress was achieved this year towards producing such a longer term impact, and this will continue to be a focus for SOCA's work with its partners in the years ahead.

Part Two – conclusion: building on our achievements to meet the challenges of the future

Criminals and their businesses

The year saw comprehensive use by SOCA of the tools available to it, with new techniques being used in combination with more established ones, as part of an overall approach to lifetime management of offenders. This will be the foundation of the approach during 2010/11, together with further emphasis on providing partners with the necessary tools (for example the private sector, regulators and other public sector bodies with powers that target the businesses of organised crime). One output will be an increase in the amount of information passed to these partners.

Working with partners domestically and internationally to deny criminals access to their assets has been a key part of SOCA's impact this year, and in previous years. This has seen SOCA improve its operational capability to deliver asset denial, maximising asset recovery whenever possible, increasing the scope and application of civil recovery powers, and continuing to improve the SARs regime.

During 2010/11, SOCA will continue to champion the use of financial tools and highlight non-traditional methods of investigating financial crime across its business and with partners. It will also seek to develop measures that provide a fuller picture of asset denial success and impact, complementing the existing 'receipts based' recovery targets.

Scotland and Northern Ireland

SOCA will continue to mitigate the harm caused by organised crime on communities throughout the UK, including in Scotland and Northern Ireland. It is committed to supporting partners in Scotland and Northern Ireland, including through the provision of intelligence and other assistance, to deliver outcomes which reduce harm. Its structures and strategic imperatives are sufficiently resilient and flexible to adapt to changing regional circumstances and to allow tailored local delivery.

In 2010/11 SOCA will also develop its relationship with the newly formed Department of Justice in Northern Ireland, particularly through the OCTF. In Scotland, SOCA will be a partner in the law enforcement campus being established near Glasgow, planning for which is at an advanced stage. At the tactical level, SOCA will deploy resources to the Northern Ireland Regional Intelligence Unit and the Scottish Intelligence Co-ordination Unit.

International

As described in this report most trade in illicit goods and people emanates from overseas; upstream work will remain key therefore to reducing the harm caused by organised crime to the UK. SOCA's international work will continue to enable and deliver significant proportions of its output across the range of its activity.

In 2009/10 SOCA made full use of its international capabilities in co-ordinating significant action against overseas criminals causing harm to the UK. It will be important to ensure that, going forward, these capabilities are appropriately focussed. The international network of liaison officers will therefore be subject to regular review to ensure that resources are directed towards countries that pose the biggest threat to the UK.

Part Two – conclusion: building on our achievements to meet the challenges of the future

Working with partners

Work with partners in 2009/10 led to a significant proportion of the results delivered and will continue to be central to SOCA's approach. During 2010/11 SOCA will work with the Home Office Strategic Centre and other departments and agencies to implement an integrated operational response to organised crime. This will include responding to the improved intelligence picture on organised crime that has been provided through the multi-agency OCG map described in Part One.

The approach will see the systematic management, through further development of action plans, of all those individuals and groups identified through mapping. Through the ongoing development of a bespoke risk management approach that was devised this year, SOCA and its partners will monitor and pursue disruptive interventions of all kinds against them. The approach will be maintained by:

- greater familiarity across law enforcement with the range of tools available to tackle organised crime. This will be achieved following work this year with partners to promote understanding of the tools and techniques available to the whole of law enforcement, as described in Part One;
- SOCA's continuing investment in technology. The implementation of bulk-data handling capability will enable a better understanding of criminal structures and networks and identify opportunities for investigation and disruption in greater volume and with greater efficiency than has been previously possible. This, and all SOCA's work, will continue to be underpinned by a rigorous compliance regime (subject to external inspection where appropriate) and a data security regime which meets Cabinet Office standards on Information Assurance; and

- a continued focus on high quality criminal justice investigation, in consort with the prosecuting agencies. Good relationships built up since SOCA began have led to invaluable joint working which has placed SOCA and prosecutors in a good position for the future.

In these ways, work to date will lead to a yet greater impact across SOCA's Strategic Imperatives next year and beyond in making the UK a genuinely hostile operating environment for organised criminals.

Part Three – Statement of Accounts 2009/10



Part Three – Statement of Accounts 2009/10

Management Commentary

Statutory background

SOCA assumed its statutory functions on 1 April 2006. It brought together staff from the National Crime Squad (NCS) and the National Criminal Intelligence Service (NCIS), staff and resources from HM Revenue and Customs (HMRC) to support the transfer to SOCA of certain work on drug trafficking and associated criminal finance, and some of those dealing with organised immigration crime in the UK Immigration Service. SOCA has added to this a number of individuals with other backgrounds to widen the skills available. The NCS and NCIS ceased to exist on 31 March 2006. On 1 April 2008 the Asset Recovery Agency (ARA) merged with SOCA and this merger resulted in new civil recovery arrangements within SOCA. ARA ceased to exist on 31 March 2008.

SOCA is an Executive Non-Departmental Public Body (NDPB), reporting to the Home Secretary, and financed primarily by Grant-in-Aid from the Home Office together with funding from other government departments and bodies including the Scottish Executive and the Northern Ireland Office.

Statement of Purpose and Vision

SOCA is an intelligence-led agency with law enforcement powers and harm reduction responsibilities. Harm in this context is the damage caused to people and communities by serious organised crime.

The Home Secretary sets SOCA strategic priorities and will judge the success of its efforts. Within that framework, SOCA plans its priorities, including how it exercises the functions given to it by statute, and what performance measures it adopts.

Principal activities

SOCA's functions are set out in the Serious Organised Crime and Police Act, 2005. They are to prevent and detect serious organised crime and to contribute to its reduction in other ways and the mitigation of its consequences, and to gather, store, analyse and disseminate information on crime. In addition, SOCA is tasked to provide support to law enforcement partners, notably UK police forces and HM Revenue and Customs.

SOCA's approach continued in 2009/10 to reflect not only its founding legislation and the White Paper One Step Ahead which preceded it, but also the strategic tasking letters provided to the Agency by the Home Secretary. Key features of that tasking, which required the agency to organise itself and, in some measure, to operate differently from the organisations it replaced, were:

- the requirement to increase effort on organised immigration crime. This was delivered through reprioritisation of resource from drugs work;
- the decision to measure SOCA's effectiveness in part through its success in "the dislocation of criminal markets";
- the requirement to improve the intelligence base on organised crime and thus "to devote a higher proportion of its resources and activity to intelligence than the precursor agencies", and
- the need to focus in particular on recovering the proceeds of crime.

Part Three – Statement of Accounts 2009/10 Management Commentary

The main features of SOCA's approach in response to these requirements remained:

- the preparation of the United Kingdom Threat Assessment (UKTA) which drew together, from operational partners across the UK, the best judgements that could be made about the nature, scale and impact of organised crime against the UK;
- the preparation of an annually revised National Intelligence Requirement (NIR) for organised crime which set out for the benefit of all agencies involved what information was needed in relation to each of the threats to enable them to be tackled more effectively;
- the operation of the UK Organised Crime Control Strategy (the Control Strategy) which provided a framework for a co-ordinated and concerted response by all relevant UK agencies and departments to the problems described in the UKTA. The strategy was delivered through 16 multi-agency Programmes of Activity. Governance for this work was provided by programme leaders from appropriate agencies across the UK and a SOCA-chaired Senior Assurance Group with members from 22 departments and agencies;
- internal tasking and co-ordination arrangements, based on SOCA's developing understanding of organised crime problems that affect the UK, designed to ensure that SOCA's operational work was planned both in accordance with the priorities set by the Home Secretary and to ensure that finite resources were focussed where they could have most effect;
- attention to organised crime markets, focussed on identifying and exploiting the vulnerabilities in the criminals' operations wherever they might be;
- as envisaged in SOCA's legislation, the sharing of intelligence reporting and assessments with those elsewhere in law enforcement and in Government who were in a position to use the information to respond effectively to criminal problems;
- support for law enforcement partners across the UK where SOCA held national capabilities or provided gateways to international networks, or had liaison officers in place to facilitate engagement with foreign law enforcement agencies, and
- the identification and use of additional tools to those provided by the criminal law to make it more difficult for organised criminals to perpetrate crimes that damage this country and to profit from their criminality.

This work was delivered through SOCA departments with staff based in 49 locations in the UK and 42 countries overseas. On 31 March 2010, a snapshot of staff deployments showed that just under 70% of SOCA staff were then deployed on criminal and civil justice casework, on covert collection capabilities such as interception, eavesdropping, surveillance and human source intelligence that supported it, and on providing assistance to others at home and overseas with their casework.

Part Three – Statement of Accounts 2009/10 Management Commentary

Results for the year and financial position

The results for the year show that SOCA had net annual expenditure of £476.0m detailed in its Income and Expenditure account, for which the delegated budget for 2009/10 was £437.2m for Resource (inclusive of non cash funding) and £59.4m for Capital. Cash Grant-in-Aid received during the year totalled £474.8m.

With additional Home Office approvals a net underspend of £1.2m against funding is reported below. This is after allowing for IAS19 actuarial expenditure of £21.8m on Police Pension schemes based on valuations received and after taking account of funding received from other government bodies.

	<i>Total £m</i>	<i>Capital £m</i>	<i>Resource £m</i>
Budgets and Approvals			
Delegated Expenditure Limit (DEL)	478.0	51.7	426.3
Additional Home Office Approval for capital/non-cash expenditure	17.1	7.7	9.4
Additional Home Office Approval for AME* write offs	6.7	-	6.7
Additional Home Office Approvals IAS19 expenditure	21.8	-	21.8
Additional funding from other government departments	9.5	9.5	-
	533.1	68.9	464.2
Expenditure			
Net Expenditure as in Income and Expenditure Account	476.0	-	476.0
Notional Cost of Capital credit agreed as part of DEL	(12.6)	-	(12.6)
Net Capital Expenditure on capital assets	68.5	68.5	-
	531.9	68.5	463.4
Underspend Against Funding Available	1.2	0.4	0.8

* AME: Annual Managed Expenditure

Going concern statement

The activities of SOCA are primarily financed by the Home Office.

The Statement of Financial Position at 31 March 2010 shows net liabilities of £425m. This reflects the inclusion of pension liabilities falling due in future years which, to the extent that they are not met from SOCA's other sources of income, may only be met by future grants or grants-in-aid from the Home Office, SOCA's sponsoring department. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need.

Grants and Grant-in-Aid for 2010/11, taking into account the amounts required to meet SOCA's liabilities falling due in that year, have already been included in the Home Office's Estimates for that year. These have been approved by Parliament and there is no reason to believe that the Home Office's future sponsorship and future parliamentary approval will not be forthcoming. It has, therefore, been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Part Three – Statement of Accounts 2009/10 Management Commentary

Financial instruments

Due to the largely non-trading nature of its activities and the way in which it is financed, SOCA is not exposed to the degree of financial risk faced by commercial entities. Further information with respect to risk management and strategy is provided in Note 8.

Remuneration of the external auditors

The remuneration for NAO is disclosed in Note 4 of the accounts totalling £153k. Included in this amount, there is a charge of £25k towards IFRS related audit work.

Compliance with Public Sector Payment Policy

SOCA policy, in line with Government requirements, is to pay all invoices within 30 days of receipt, unless a longer payment period has been agreed or the amount billed is in dispute. For 2009/10, on average, 86% of invoices were paid within 30 days of receipt (2008/09:87%). SOCA monitors its statistics monthly, with all departments taking action as necessary.

During 2009/10, SOCA paid £2,761 interest to suppliers (2008-09: £42k), under the Late Payment of Commercial Debts (Interest) Act 1998.

SOCA has complied with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information guidance.

Social and community issues

SOCA's purpose is to reduce the harm caused to the UK and its communities by serious organised crime. In order to target the needs of different parts of society, SOCA employs a Community Liaison Officer in every region of the country to develop community engagement strategies;

In addition SOCA:

- encourages its staff to participate in local community activities, including local and national charitable activities;
- seconds staff to charities; and
- operates an Estates Strategy that specifically targets minimum impact on the environment.

Environmental policy

SOCA is committed to reducing its impact on the environment. In line with best practice, the aim is to achieve delivery of sustainable development and active management of SOCA's carbon footprint. This is co-ordinated through a dedicated Energy Manager, who is working with the business to deliver continuous improvements to the environmental performance of SOCA's estate. SOCA is focussing on the use of its assets, cultural change and contractual improvements in order to optimise efficient use of its assets, education of staff, and environmentally responsible terms and conditions.

With regards to emissions to air, the Agency's offices produce a normal level of greenhouse gases as befits standard air-conditioned offices. The use of videoconference equipment is also widely encouraged as a first option through which to hold meetings, which would otherwise require travel.

Part Three – Statement of Accounts 2009/10 Management Commentary

Inclusion, diversity and equality

SOCA is committed to treating individuals with respect and dignity. It seeks to create and maintain an environment which values all staff and respects the contribution they make and where fairness and equality of opportunity are assured. Inclusion, diversity and equality issues are embedded within all strategic planning, policy development and organisational processes, to deliver the objective of reducing the harm caused by serious organised crime.

SOCA aims to provide a positive environment in which everyone feels valued, and where the organisation is open to the experience, insights and skills of people of different age, disability, gender (including gender reassignment), race, ethnicity, religion, belief, sexual orientation and political opinion. SOCA aims to support a range of work styles for individual staff members, while meeting organisational need.

Staff involvement and development

SOCA communicates with its people through many channels and mechanisms, with responsibility placed on managers to ensure that staff have the information they need to do their jobs, and to regularly discuss issues within their teams. The channels of communication include:

- periodic briefing meetings which support this process for providing managers with key messages;
- comments from team meetings which are fed back to senior staff so that opinions can be harnessed;
- SOCA's intranet holds a library of policy and information relating to all areas of the agency's business;
- news, information updates and success stories are broadcast via the intranet and via a monthly online newsletter;
- the Director General's intranet blog encourages staff to communicate with him by posting questions and suggestions – and a flavour of this comment, and responses to questions, are then published;
- project boards and working parties focus on particular issues and tailor and target messages arising from their work to the people who need to know; and
- an induction programme for all new staff provides an overview of SOCA's strategic imperatives, values and activities as well as areas such as health and safety and security.

Staff sickness reporting

SOCA staff were absent on sick leave for an average of 6.79 days per employee (2008/09: 7.88 days).

High Potential Recruitment and Development Scheme

SOCA developed the "High Potential Recruitment and Development Scheme" in order to annually recruit high calibre staff for its vacancies. The scheme enables SOCA to recruit and retain the best people, drive efficiency and develop creative solutions to problems. Positions are advertised annually during the year and successful candidates appointed.

Part Three – Statement of Accounts 2009/10 Management Commentary

Subsequent events

The government has set out in The Coalition: our programme for government that they will create a dedicated Border Police Force, as part of a refocused Serious Organised Crime Agency, to enhance national security, improve immigration controls and crack down on the trafficking of people, weapons and drugs. It is too early to know exactly how this will affect SOCA; legislation will be brought to Parliament in due course. There is no effect on SOCA's going concern status.

It was announced in the Budget on 22 June 2010 that the Government intends to adopt the Consumer Price Index (CPI) for the indexation of public service pensions from April 2011. This will have an impact upon the future operation of the Police Pension scheme that SOCA provides for former police officers.

The Accounting Officer William Hughes authorised the 2009/10 Annual Accounts to be issued on the date of the Comptroller and Auditor General's audit certificate.

Virtual Global Taskforce Company

SOCA has a non-trading wholly owned subsidiary company called Virtual Global Taskforce Limited, a company limited by guarantee to the value of £10. This company was set up previously by the National Crime Squad for the Child Exploitation and Online Protection Centre (CEOP) in order to protect the name of a registered trademark, and ownership passed to SOCA on 1 April 2006.

Reporting of personal data related incidents

SOCA is not included in the Freedom of Information Act 2000 and the reporting of personal data related incidents is therefore excluded.

Declarations

- 1) As far as I am aware, there is no relevant audit information of which the auditors are not aware.
- 2) I have taken all steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the auditors are aware of such information.

William F Hughes, CBE QPM

Director General and Accounting Officer
Serious Organised Crime Agency
8 July 2010

Part Three – Statement of Accounts 2009/10

Remuneration Report

The Remuneration Report has been audited.

Appointment of Board of Directors of SOCA and Accounting Officer

The Chair and Non-Executive Directors of SOCA's Board are appointed by the Home Secretary. The Home Secretary announced the appointment of the Director General Designate of SOCA on 1 September 2004. The initial 'Designate' appointments became effective on 1 April 2006. The Executive Directors are appointed through open and fair competition; such appointments may sometimes be filled by means of fixed term secondments from other organisations. The three retired and two continuous Non-Executive Directors were appointed on 1 September 2005.

Details of 2009/10 remuneration in respect of salaries paid are set out below.

	<i>Date Appointed</i>	<i>Contract end date</i>	<i>Salary 2009/10 £'000</i>	<i>Benefits in Kind 2009/10 £'000</i>
Director General				
William Hughes	1 April 2006	N/A	180-185	59.2
Chairman				
Sir Ian Andrews	3 Aug 2009	2 Aug 2013	45-50	-
Sir Stephen Lander	1 April 2006	2 Aug 2009	25-30	-
Executive Directors				
David Bolt	1 April 2006	N/A	145-150	11.1*
Malcolm Cornberg	1 April 2006	N/A	155-160	63.3
Paul Evans	1 April 2006	N/A	145-150	56.6
Trevor Pearce	1 April 2006	N/A	145-150	4.1*
Non-Executive Directors				
Elizabeth France	1 Sept 2005	31 Aug 2010	15-20	-
Dame Janet Paraskeva	1 Sept 2005	31 Aug 2010	35-40	-
Peter Clarke	1 Sept 2009	31 Aug 2012	10-15	-
Sue Garrard	1 Sept 2009	31 Aug 2012	**	-
Francis Plowden	1 Sept 2009	31 Aug 2012	15-20	-
Sir Roger Wheeler	1 Sept 2005	31 Aug 2009	20-25	-
Stephen Barrett	1 Sept 2005	31 Aug 2009	5-10	-
Ken Jarrold	1 Sept 2005	31 Aug 2009	5-10	-

* The benefits in kind, for these Directors, relate to accommodation and if applicable, use of a car with the associated taxes paid by SOCA. Accommodation benefits for the Executive Directors are adjusted by the proportion of time the accommodation is occupied by them rather than other staff. Were the Directors the sole occupants of the accommodation, the full cost of the benefit in kind would be £58.5k for David Bolt and £63.9k for Trevor Pearce.

** Non-Executive Director Sue Garrard is a public appointment by the Home Secretary. She is a civil servant and as a result, SOCA does not pay her annual salary or pension contributions.

Senior Management salaries are based on recommendations of the Senior Salaries Review Body.

The salary of the Director General and Executive Directors includes London weighting allowance.

**Part Three – Statement of Accounts 2009/10
Remuneration Report**

Benefits and pension contributions

In addition to salaries paid, taxable benefits in kind (for accommodation and use of car with the associated taxes paid by SOCA) the pension entitlements of the Senior Management Team are disclosed below.

	<i>Pension contributions in 2009/10 £</i>	<i>Real increase in pension 2009/10 £'000</i>	<i>Real increase in lump sum 2009/10 £'000</i>	<i>Total accrued pension at age 60 in 2009/10 £'000</i>	<i>Total Lump Sum at age 60 in 2009/10 £'000</i>	<i>Cash Equiv Transfer Value 2009/10 £'000</i>	<i>Real Increase in Cash Equiv Transfer Value 2009/10 £'000</i>
Sir Ian Andrews	0	0	0	0	0	0	0
Sir Stephen Lander	7,035	0	0	0	0	0	0
William Hughes	30,000	2	0	8	0	174	45
Trevor Pearce	30,000	2	0	8	0	139	35
David Bolt	30,000	9	28	59	178	1,305	20
Malcolm Cornberg	30,000	3	0	13	0	257	46
Paul Evans	30,000	3	8	57	170	1,174	55

Cash Equivalent Transfer Values (CETV)

This 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 scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits the individual has accrued as a consequence of their total SOCA and related pre-cursor agency service, not just their current appointment. CETVs are calculated in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when the pension benefits are taken.

Real increase in CETV

This is effectively the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the individual and is worked out using common market valuation factors for the start and end of the period.

Part Three – Statement of Accounts 2009/10

Remuneration Report

Comparative information disclosed in the Remuneration Report of the 2008/09 statutory accounts

The average salaries are the averages of all members of each category.

	<i>Average salary £'000</i>	<i>Average pension £'000</i>
Director General	180-185	25-30
Chairman	85-90	20-25
Executive Directors	140-145	25-30
Non-Executive Directors	25-30	NIL

In previous years, in the interest of security, all of the Directors of SOCA withheld consent to publish details of their remuneration and pension entitlements. However, for 2009/10 the Board has determined that full disclosure should be made.

Related party transactions

During the year ended 31 March 2010 there were no Directors, or parties related to them, that entered into any transactions with SOCA.

William F Hughes, CBE QPM

Director General and Accounting Officer

Serious Organised Crime Agency

8 July 2010

Part Three – Statement of Accounts 2009/10

Statement of the Accounting Officer’s Responsibilities

Under the Serious Organised Crime and Police Act 2005, the Secretary of State has directed SOCA to prepare annually a Statement of Accounts in the form and on the basis determined by the Secretary of State, with the consent of the Treasury. The accounts are to be prepared on an accruals basis and must give a true and fair view of the state of affairs of SOCA at the year-end and of its Income and Expenditure, Recognised Gains and Losses, and Cash Flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Secretary of State with the approval of the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that SOCA will continue in operation.

The Secretary of State for the Home Department has appointed the Director General as the Accounting Officer for SOCA. His responsibilities as Accounting Officer, including his responsibilities for the propriety and regularity of the public finances for which he is answerable, for the keeping of proper records and for safeguarding SOCA’s assets, are set out in the ‘Non-Departmental Public Bodies’ Accounting Officer Memorandum issued by the Treasury and published in Managing Public Money.

William F Hughes, CBE QPM

Director General and Accounting Officer

Serious Organised Crime Agency

8 July 2010

Part Three – Statement of Accounts 2009/10

Statement on Internal Control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Serious Organised Crime Agency's (SOCA's) policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money, and general guidance documents referred to in the Financial Memorandum agreed with Home Office.

My Executive Directors, Senior Managers and I are involved in regular meetings to discuss strategic issues with stakeholders, including members of the SOCA Board and the Home Office. The Chairman and I have briefed Committees and Parliamentary Groups on the work of SOCA. We also have regular meetings with the Home Secretary, and other Ministers across Government. Meetings are held between SOCA managers and the Home Office sponsor unit, at which risk management and other aspects of internal control are standing agenda items. We also meet regularly with partners to discuss and share risk issues both nationally and internationally.

The purpose of the system of internal control

The system of internal control is designed to manage risk to an acceptable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of SOCA's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in SOCA for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

My overall strategy is to manage risks at multiple levels with Executive and Deputy Directors providing a key link at senior management level for risk, performance, financial and operational management. SOCA maintains a Strategic Risk Register (SRR) which is reviewed each quarter and is supported by subsidiary risk registers and processes to escalate emerging risks.

My Executive Directors, Senior Managers and I are involved in regular meetings to discuss strategic issues with stakeholders, including members of the Full Board, and at different levels in the Home Office. The Chairman of the Board and I have briefed several Committees and Parliamentary Groups in both the House of Commons and the House of Lords on the work of SOCA. We also have regular meetings with the Home Secretary, Home Office Ministers and Ministers across Government. SOCA reports in writing to the Home Affairs Select Committee every six months on its performance. Meetings are also frequently held between SOCA Senior Managers and the Home Office at different levels.

Thus, a framework of reports and meetings is in place to address:

- performance in support of SOCA's strategic imperatives and the UK Control Strategy for serious organised crime;
- management information in relation to tasked operational activity, outputs and associated resource usage;
- progress towards achieving Directorate objectives;
- performance of individual business areas;
- regular monitoring of capital and resource spend against output;
- personnel issues, including staff numbers, movements, vacancies, recruitment, sickness, occupational health and compliance with the European Working Time Directive;

Part Three – Statement of Accounts 2009/10

Statement on Internal Control

- management of strategic, operational, health and safety and other risks, crisis management and business continuity planning;
- managing risks to deliver SOCA's investment programme and individual projects;
- progress of development schemes and milestones achieved;
- compliance with self-inspection programmes and delivery against action plans agreed with external inspecting agencies and internal auditors; and
- co-ordination, drafting and publishing of policies and standard operating procedures.

The risk and control framework

SOCA has a dedicated Risk Manager, who is responsible for developing and maintaining policy, procedures and guidance to support the Agency's risk management framework. The Risk Manager is also responsible for co-ordinating risk management activity across the organisation, maintaining the Strategic Risk Register and reporting to the Risk Board and the Audit and Risk Committee.

SOCA's Strategic Risk Register (SRR) has been developed during the reporting period to place greater emphasis on the controls in place to manage the Agency's risks. The SRR focuses on five key generic risks, namely: Governance and Reputation, People, Operational, Infrastructure, Finance as well as some specific risks. Each risk area is supported by a number of controls, owned at Deputy Director level and their effectiveness is assessed regularly through a structured system based upon traffic light ratings. Throughout the year the SRR and the Risk Board have tracked progress made to improve red and amber controls and, where necessary, tackle any barriers or disproportionate delays. The overall objective is to have a full set of controls rated as green and in the past twelve months, good progress has been made towards achieving this.

The SRR is reviewed each quarter by the Risk Board and a copy is submitted to Executive Board Members after each update. A summary of the Agency's strategic risks is shared with the Home Office each quarter. The SRR is considered at each Audit and Risk Committee meeting, and is also periodically reviewed by the SOCA Board.

The SRR is supported by a range of risk registers based on corporately provided templates which include the criteria for elevating risks from one level to the next. In particular, risk registers are maintained and reviewed by the Agency's four Directorates and CEOP and are scrutinised by the Risk Manager to facilitate improvements and identify any cross cutting risks.

In terms of risk appetite, SOCA's practice is to focus on the effectiveness of individual controls. Where these are fully embedded and effective SOCA is deemed to have reached its risk appetite, as it has done everything required to control the relevant risks, accepting that it cannot altogether eliminate risks.

During the reporting period the Risk Manager has updated SOCA's Risk Management Policy which sets out the formal framework within which risks are identified, evaluated and managed. The policy is available to all staff via the SOCA intranet and clearly articulates the roles and responsibilities at all levels from the Executive Board downwards.

The Agency's Risk Management Policy is supported by a Risk Management Handbook which is also widely available and provides practical guidance on the risk management process. The Handbook has been revised during the reporting period to provide greater 'hands on' guidance to staff. The Handbook draws upon widely published guidance on risk management and covers the key concepts in clear and unambiguous terms in order to further enhance knowledge and understanding throughout the Agency. The need to supplement this with additional corporate risk management training will be considered during 2010/11.

Part Three – Statement of Accounts 2009/10

Statement on Internal Control

SOCA's portfolio of programmes and projects are also required to maintain risk registers and any cross cutting risks are recorded in an overarching Investment Management Risk Register which is regularly reviewed by the Agency's Investment Board and Risk Manager.

SOCA continues to ensure that the risks to its information are managed in accordance with the requirements established by the Cabinet Office and CESG; and the Board has stressed the importance of promoting culture change – for example through workshops and e-learning - to ensure comprehensive understanding among staff of the value of SOCA data. Throughout the period to March 2010, SOCA has been fully engaged in the wide range of activity set out in the Information Assurance Maturity Model to demonstrate that the material it collects is properly safeguarded, and that information is shared with other agencies securely. The aim in 2009/10 of achieving compliance at Level 2 of the Model, consistent with the benchmark set for bodies related to the Home Office, was met and the foundations were laid for further maturity to be demonstrated in later years.

During the year significant progress has been made to improve the Agency's controls over its Non-Current Assets, and to streamline policies and supporting documentation, including the Non-Current Assets Register. This has resulted in the revaluation and write down of a number of assets, as recorded in the Agency's accounts. An innovative asset deployment management system, known as Quartermaster, has been designed and successfully piloted to enable all of SOCA's assets in future to be unobtrusively bar coded and their deployment managed electronically to considerably improve the value for money obtained from all existing and new assets.

The Audit and Risk Committee has continued to monitor SOCA's risk management framework, ensure that internal audit and other independent assurance activity is focused on strategic risks and report to the SOCA Board on key financial and other risks.

The SOCA Board proactively participates in the good governance of SOCA, including oversight of the adequacy of risk management, governance and internal control arrangements. On a quarterly basis the Board receives information on operational and financial performance covering all aspects of SOCA's activity.

Other sources of assurance and information

Information available to the Board and senior managers on the adequacy of processes and controls is also derived from a wide range of other sources. These include:

- relevant internal experts, including those providing various self-inspection, compliance and assurance functions within the organisation;
- SOCA's internal audit function;
- the Surveillance Commissioners;
- the Interception Commissioner;
- the Independent Police Complaints Commission (IPCC);
- the Health and Safety Executive;
- Her Majesty's Inspector of Constabulary (HMIC); and
- the National Audit Office (NAO).

Part Three – Statement of Accounts 2009/10

Statement on Internal Control

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors and the executive managers within SOCA who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have also been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit and Risk Committee and the Risk Board and a plan to address weaknesses and ensure continuous improvements of the system is in place.

This review has also been informed by annual assurance statements and reports on effectiveness from each Executive Director. They have confirmed that within their respective business areas they have identified, assessed and managed the risks that threaten achievement of business objectives and that there have been no material breaches of financial or procurement delegations that have not been reported and resolved. The Executive Directors, the Chief Executive of CEOP, the Legal Adviser and the Head of Corporate Assurance were satisfied that the internal control systems in the business areas for which they are responsible are sound and operating effectively.

During the year the Internal Audit service audited a wide range of business areas, principally focusing on the high level control framework. No fundamental weaknesses in SOCA's control framework have been reported.

William F Hughes, CBE QPM

Director General and Accounting Officer
Serious Organised Crime Agency
8 July 2010

Part Three – Statement of Accounts 2009/10

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Serious Organised Crime Agency for the year ended 31 March 2010 under the Serious Organised Crime and Police Act 2005. These comprise the Net Expenditure Account, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of SOCA, the Director General and auditor

As explained more fully in the Statement of the Accounting Officer's responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Serious Organised Crime Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Serious Organised Crime Agency; and the overall presentation of the financial statements.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Serious Organised Crime Agency's affairs as at 31 March 2010 and of its net expenditure, changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Serious Organised Crime and Police Act 2005 and Secretary of State directions issued thereunder.

Part Three – Statement of Accounts 2009/10

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions issued under the Serious Organised Crime and Police Act 2005; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
12 July 2010

Part Three – Statement of Accounts 2009/10

Net Expenditure Account

Net expenditure account

For the year ended 31 March 2010

	Note	2009/10 £'000	2008/09 restated £'000
Income			
Funding received separate from Grant-in-Aid	5.a	21,670	23,679
Rents and service charges		62	120
Donations of goods and services	5.b	2,515	2,260
Other operating income	5.b	1,778	2,729
Recovery of costs	5.c	345	5
Total operating income		26,370	28,793
Expenditure			
Staff costs	3	(270,032)	(286,234)
Operating costs	4	(181,455)	(183,764)
Depreciation	6,7	(35,817)	(31,079)
Transfer from Government Grant Reserve	17.e	500	-
Notional cost of capital	1.c	12,600	11,600
Loss on asset revaluation and write off	6,7	(14,425)	(4,701)
Corporation Tax	1.v	(1,168)	-
Net expenditure after cost of capital charge and interest		(463,427)	(465,385)
Notional cost of capital reversal		(12,600)	(11,600)
Surplus/(loss) on disposal of non - current assets		22	(248)
Net expenditure for the financial year		(476,005)	(477,233)

The results for the year all relate to continuing operations. There were no acquisitions or disposals of operations during the period.

The Notes 1 to 25 form part of these Accounts.

Part Three – Statement of Accounts 2009/10

Statement of Financial Position

Statement of financial position

As at 31 March 2010

	Note	2009/10 31 March £'000	2008/09 Restated £'000	2007/08 Restated £'000
Non-current Assets				
Property, Plant and equipment	6	139,816	139,478	123,753
Intangible non - current assets	7	39,782	18,830	15,416
		179,598	158,308	139,169
Other Non-Current Assets				
Receivables falling due after one year	9.c	124	104	111
IAS 19 Pension Asset	3	-	60	168
		124	164	279
Total non-current assets		179,722	158,472	139,448
Current Assets				
Trade and other receivables	9.a	31,552	26,432	22,955
Cash and cash equivalents	10	27,599	10,542	9,436
Total current assets		59,151	36,974	32,391
Total assets		238,873	195,446	171,839
Current Liabilities				
Trade and other payables	11.a	(52,468)	(48,475)	(47,692)
Provisions	12	(3,964)	(3,511)	(3,761)
Deferred income	13	(8,524)	(3,958)	(4,122)
Total current liabilities		(64,956)	(55,944)	(55,575)
Non-current assets less current liabilities		173,917	139,502	116,264
Non-current Liabilities				
IAS 19 Pension Liability	3.d	(595,380)	(427,943)	(500,293)
Other payables	11.c	(3,628)	(4,114)	(3,610)
Total non-current liabilities		(599,008)	(432,057)	(503,903)
Assets less liabilities		(425,091)	(292,555)	(387,639)
Reserves				
Net Expenditure Reserve	17a	(1121)	58	11,634
Revaluation Reserve	17c	5,652	2,128	2,628
Pension Reserve	17b	(445,596)	(299,863)	(407,023)
Donated Asset Reserve	17d	744	421	421
Government Grant Reserve	17d	10,499	-	-
Other Reserves	17d	4,731	4,701	4,701
		(425,091)	(292,555)	(387,639)

The Notes 1 to 25 form part of these Accounts.

The financial statements on pages 37 to 82 were approved by the Board on 30 June 2010 and were signed on its behalf by:

William F Hughes, CBE QPM
 Director General and Accounting Officer
 Serious Organised Crime Agency
 8 July 2010

Part Three – Statement of Accounts 2009/10

Statement of Cash Flows

Statement of cash flows

For the year ended 31 March 2010

	2009/10 £'000	2008/09 £'000 <i>Restated</i>
Net cash outflow from operating activities		
Operating activities	(476,005)	(477,233)
Depreciation and Amortisation	35,817	31,079
Credit from Government Grant Reserve	(500)	-
Loss on asset revaluation	14,425	4,701
(Surplus) / Loss on disposal of non- current assets	(22)	248
Pension costs	21,763	34,919
(Increase)/Decrease in receivables falling due after one year	40	115
(Increase)/Decrease in accounts receivables	5,909	(3,477)
Increase/(Decrease) in accounts payable	(7,036)	783
Increase/(Decrease) in accounts payables falling due after one year, deferred income and provisions	4,533	90
	(401,076)	(408,775)
Cash flows from investing activities		
Purchase of non – current assets, property, plant and equipment	(29,079)	(48,742)
Purchase of non – current intangible assets	(28,391)	(7,476)
Non- cash movement in non-current assets from merger	-	754
Proceeds of disposal of property, plant and equipment	454	442
Net cash outflow from investing activities	(57,016)	(55,022)
Cash flows from financing activities		
Grant-in-Aid for capital expenditure	59,430	53,186
Grant-in-Aid for revenue expenditure and payment to Consolidated Fund	415,396	411,717
Donated asset funding	323	-
Net Financing	475,149	464,903
Net Increase in cash and cash equivalents in the period	17,057	1,106
Cash and cash equivalents at the beginning of the period	10,542	9,436
Cash and cash equivalents at the end of the period	27,599	10,542

The Notes 1 to 25 form part of these Accounts.

Part Three – Statement of Accounts 2009/10

Statement of Changes in Taxpayers Equity

Statement of changes in reserves

For the year ended 31 March 2010

	<i>I & Exp Reserve £'000</i>	<i>Pension Reserve £'000</i>	<i>Reval'n Reserve £'000</i>	<i>Donated Asset Reserve £'000</i>	<i>Other Reserves £'000</i>	<i>Government Grant Reserve £'000</i>	<i>Total Reserves £'000</i>
Balance at 31 March 2007	51,138	(500,448)	3,930	221	4,701	-	(440,458)
Asset Recovery Agency reserves	(743)	-	101	-	-	-	(642)
Changes in accounting policy – leases	(1741)	-	-	-	-	-	(1,741)
Restated balance at 1 April 2007	48,654	(500,448)	4031	221	4,701	-	(442,841)
Changes in reserves for 2007/08							
Donated Asset Reserve movement	-	-	-	200	-	-	200
Net gain/(loss) on revaluation of property, plant and equipment	-	-	(1,403)	-	-	-	(1,403)
Actuarial gain/(loss) on pension reserve	-	93,425	-	-	-	-	93,425
Total recognised income and expense for 2007/08	(477,748)	-	-	-	-	-	(477,748)
Treasury Funding received	14,728	-	-	-	-	-	14,728
Grant in Aid received	426,000	-	-	-	-	-	426,000
Restated balance 31 March 2008	11,634	(407,023)	2,628	421	4,701	-	(387,639)
Changes in reserves for 2008/09							
Additions from HMRC Transfer	754	-	-	-	-	-	754
Net gain/(loss) on revaluation of property, plant and equipment	-	-	(500)	-	-	-	(500)
Actuarial gain/(loss) on pension reserve	-	107,160	-	-	-	-	107,160
Total recognised income and expense for 2008/09	(477,233)	-	-	-	-	-	(477,233)
Grant in Aid received	464,903	-	-	-	-	-	464,903
Balance at 31 March 2009	58	(299,863)	2,128	421	4,701	-	(292,555)
Changes in reserves for 2009/10							
Additions from HMRC Transfer	-	-	-	-	-	-	-
Net gain/(loss) on revaluation of property, plant and equipment	-	-	3,524	-	-	-	3,524
Actuarial gain/(loss) on pension reserve	-	(145,733)	-	-	-	-	(145,733)
Total recognised income and expense for 2009/10	(476,005)	-	-	-	-	-	(476,005)
Grants received	-	-	-	323	30	10,999	11,352
Transfer for depreciation	-	-	-	-	-	(500)	(500)
Grant in Aid received	474,826	-	-	-	-	-	474,826
Balance at 31 March 2010	(1,121)	(445,596)	5,652	744	4,731	10,499	(425,091)

The Notes 1 to 25 form part of these Accounts.

Part Three – Statement of Accounts 2009/10

Notes to the Accounts

Notes to the Accounts

For the year ended 31 March 2010

1 Statement of accounting policies

1.a Basis of preparation

These financial statements have been prepared in accordance with the Government Financial Reporting Manual (FReM) and Accounts Direction given by the Secretary of State for the Home Department with the consent of the Treasury, under the Serious Organised Crime and Police Act 2005. 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 Organised Crime Agency for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Serious Organised Crime Agency for the period ending 31 March 2010 are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

The accounts have been prepared using the historical cost convention, as modified for revaluation of non-current assets, and have been prepared in accordance with:

- the accounting and disclosure requirements of the Companies Act 1985 to the extent that such requirements are appropriate to SOCA and are in line with the requirements of the Accounts Direction;
- applicable accounting standards issued by the Accounting Standards Board;
- disclosure and accounting requirements of HM Treasury.

1.b Grant-in-Aid and income recognition

Grant-in-Aid received is treated as financing because the funds received are regarded as contributions from the Home Office and credited to reserves.

Funding received solely for use in specific projects is transferred to deferred income and released to the Net Expenditure account over the project period to match the related costs incurred.

1.c Capital charge

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

- i property, plant and equipment and intangible assets, where the cost of capital charge is based on opening values, adjusted pro rata for in-year:
 - additions at cost
 - disposals as valued in the opening statement of financial position (plus any subsequent capital expenditure prior to disposal)
 - impairments at the amount of the reduction of the opening statement of financial position value (plus any subsequent capital expenditure)
 - depreciation of property, plant and equipment and amortisation of intangible assets; and
- ii donated assets, and cash balances with the Office of the Paymaster General, where the charge is nil; Under HM Treasury proposals to amend the FReM, from 2010/11 SOCA will no longer account for cost of capital charges in its accounts.

Part Three – Statement of Accounts 2009/10

Notes to the Accounts

1.d Pensions reserve

In accordance with government accounting guidance, actuarial gains/losses on pension scheme liabilities are recognised in the Statement of Changes in Reserves. The movement in gain/loss is shown in the Pensions Reserve.

1.e Non-current assets

Expenditure incurred by SOCA on the acquisition of capital assets, or expenditure which adds to the value of existing assets is capitalised, provided that the assets give benefit to SOCA for a period of more than one year. Where appropriate, SOCA will capitalise the cost of salaries attributable in developing the non - current assets as permitted within IAS 16.

Capital assets, both tangible and intangible, are assets normally costing or valued at or above a capitalisation threshold set by the SOCA Board (currently £5,000) and with an expected working life of more than one year. However, technical equipment assets, the individual components of which cost less than £5,000 but which are non consumable in nature, will also be treated as capital assets. Non consumable is defined as a multiple use item, of long duration (beyond one year), reconfigurable and can be a component part of an item that can be assembled.

Expenditure on the fit-out and works to buildings financed by operating leases is capitalised as a tangible non-current asset if the works add to the value of the building. Fit-out costs of all new buildings may include the costs of new furniture and equipment which individually cost less than £5,000 where the Accounting Officer considers that it is more appropriate to capitalise the initial costs. Future replacement costs of furniture and equipment will however be funded from the Resource budget subject to the costs being below the capitalisation threshold at the time of replacement.

Tangible non - current assets are carried at valuation for existing use.

1.f Depreciation and amortisation

Depreciation or amortisation is provided on all non - current assets in use on a straight-line basis to write off the cost or valuation evenly over the asset's anticipated useful life as follows:

<i>Asset type</i>	<i>Useful life</i>
Land and buildings	To their estimated residual value over the remainder of the buildings' estimated economic lives.
Improvements to leasehold buildings	Duration of lease or anticipated useful life of improvements, subject to maximum period of 10 years.
Motor vehicles	5 - 7 years
Plant and equipment	5 years
Furniture and fittings	5 years
IT equipment and software	4 – 5 years
Intangible non-current assets – IT licences	3 – 5 years

Depreciated historical cost is used as a proxy for current value for the above named classes of non-property assets.

A full month's depreciation or amortisation is provided in the month following acquisition or first use and apportioned to the date of disposal. No depreciation is provided on Assets Under Construction until they are brought into use.

Part Three – Statement of Accounts 2009/10

Notes to the Accounts

1.g Revaluation

SOCA has a policy of revaluing its non - current assets. Any gain on revaluation relating to assets funded by Government Grant is credited to the Revaluation Reserve. A loss on revaluation is debited to the Net Expenditure account to the extent that the loss exceeds the balance on the Revaluation Reserve for that asset.

No revaluation is undertaken on payments on account, assets under construction and intangible assets, being software and some consultancy costs, because of the nature of the expenditure.

1.h Government grant reserve

SOCA has received funding from other government bodies to finance capital expenditure. The monies received have been credited to the Government Grant Reserve and as the assets capitalised are depreciated, a credit transfer for depreciation will be charged to the Net Expenditure account.

1.i Recovered assets

SOCA's merger with the Asset Recovery Agency (ARA) required the agency to take a more operational role under the Proceeds of Crime Act 2002, and gave rise to criminal confiscation, civil recovery and taxation of benefits related to criminal property. As a result, proceeds from recovered assets are received and paid over to the Home Office. SOCA participates in the incentivisation scheme whereby SOCA and referring Law Enforcement Agencies receive a portion of the remittances as an incentive to build their asset recovery capacity (see note 1s).

Sale proceeds from recovered assets less allowable costs including receivers' fees deducted are paid to the Home Office.

1.j Foreign currency

Transactions denominated in foreign currency are translated into sterling at the rate of exchange ruling on the date of each transaction, except where rates do not fluctuate significantly, when an average rate for the month is used.

Monetary assets and liabilities denominated in foreign currency at the Statement of Financial Position date are translated at the rates ruling at that date. Any translation differences arising are taken to the Net Expenditure account.

1.k Operating leases

Payments made under operating leases on land and buildings and equipment are charged to expenditure. Discounts received for rent free periods are spread over the term of the lease.

1.l Rental and service charges income

SOCA sub-lets a small percentage of its rented accommodation to other organisations on a commercial basis, ensuring that full occupancy is maintained on rented property in use. Rents and other property income received are credited to the Net Expenditure account.

1.m Liquid resources

Liquid resources comprise cash balances held at bank accounts and as cash in hand. SOCA receives bank interest on its cumulative bank balance held but is required to pay to the Home Office any interest received.

Part Three – Statement of Accounts 2009/10

Notes to the Accounts

1.n Pension costs

Employer contributions to the Principal Civil Service Pension Scheme and the Local Government Pension Scheme are charged to the Net Expenditure account as incurred at the relevant percentage of employees' pensionable pay as specified by the pension scheme administrators. The annual charge is designed to reflect the cost of pension benefits over the employees' service life.

The cost of providing unfunded pension benefits for former Police Officers is charged to the Net Expenditure account over the qualifying service life of the officer. The qualifying service for these pension benefits includes prior service with a police force in addition to service with SOCA, although no funding is received from the officer's previous employer in relation to this past service. The annual charge to the Net Expenditure account is calculated so that the Statement of Financial Position provision reflects the proportion of the future pension liability relevant to accumulated qualifying service at the Statement of Financial Position date.

1.o Value Added Tax

SOCA is registered for VAT but can only recover a very small proportion of VAT on purchases calculated by reference to certain taxable supplies, such as training and mobile phone recoveries. Income is shown as net of VAT, where VAT is due, and expenditure is charged as gross. Any input tax recoverable is credited to the Net Expenditure account.

1.p Donations received

The Child Exploitation and On-line Protection (CEOP) team at SOCA receives cash donations, donated assets and donations in kind, including staff time and use of assets, from various external sponsors and agencies. These donations are accounted for by following the guidance in the Charities Statement of Recommended Practice (SORP) which requires income to be recognised where donations in kind are received, matching expenditure in the Net Expenditure account. This treatment departs from the Financial Reporting Manual (FRM) as set out under section 5.2.12 for assets received and section 4.5.1 for notional costs. However, SOCA has determined that the treatment under the SORP follows a clearer path for the reader of the accounts than the FRM treatment and would serve the longer term aspirations of SOCA should CEOP become a registered charity at some time in the future.

1.q Private Finance Initiative (PFI) contract

SOCA has one PFI contract for the provision of IT services. The IT assets transferring to SOCA have been capitalised as non-current assets as provided for under IFRIC 12.

1.r Payment of contributions to Europol and Interpol

SOCA makes annual payments to Europol and Interpol, at a contribution rate agreed by the Europol and Interpol Boards. SOCA accounts for these payments in its accounts on an accruals basis. From January 2010, contributions to Europol are no longer being paid by SOCA, the responsibility has transferred to HM Treasury.

1.s Recovered Assets Incentivisation Funding (RAIF)

RAIF funding received during the year is spent within 12 months of receipt on projects agreed with the Home Office. Unspent RAIF monies received but not spent are shown as deferred income in the accounts.

Part Three – Statement of Accounts 2009/10

Notes to the Accounts

1.t Provision for doubtful debts

All outstanding debts are assessed for the potential risk of the debt not being recovered and a provision made where deemed necessary. Debtors are shown in the accounts net of the bad debt provision.

1.u Going concern

The activities of SOCA are primarily financed by the Home Office.

The Statement of Financial Position at 31 March 2010 shows net liabilities of £425m. This reflects the inclusion of pension liabilities falling due in future years which, to the extent that they are not to be met from SOCA's other sources of income, may only be met by future grants or grants-in-aid from the Home Office, SOCA's sponsoring department. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need.

Grants and Grant-in-Aid for 2010/11, taking into account the amounts required to meet SOCA's liabilities falling due in that year, have already been included in the department's estimates for that year, which have been approved by Parliament, and there is no reason to believe that the department's future sponsorship and future parliamentary approval will not be forthcoming. It has, therefore, been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.v Corporation Tax

SOCA has registered with HMRC to pay Corporation Tax, backdated to 1 April 2006, as part of the Home Office group. SOCA is liable to pay taxes on interest received, paid and payable to the Home Office.

Part Three – Statement of Accounts 2009/10
Notes to the Accounts

2. Changes to reserves from first-time adoption of IFRS

	<i>Income and Expenditure Reserve £'000</i>
Net Expenditure reserve at 31 March 2007 under UK GAAP	50,395
Adjustments for:	
Leases	(1,741)
Net Expenditure reserve at 1 April 2007 under IFRS	48,654
Net Expenditure for 2007/08 under UK GAAP	(470,572)
Adjustments for:	
Leases	(615)
Staff Benefits	(6,561)
Net Expenditure at 31 March 2008 under IFRS	(477,748)
Net Expenditure for 2008/09 under UK GAAP	(477,164)
Adjustments for:	
Leases	(229)
Staff Benefits	160
Net Expenditure at 31 March 2009 under IFRS	(477,233)

3. Staff numbers and related costs

	<i>2009/10 £'000</i>	<i>2008/09 £'000</i>
Staff costs comprise		
Salaries and Allowances—permanently employed	174,356	178,152
Salaries and Allowances—seconded officers	3,041	3,982
Agency /temporary staff	11,762	8,270
Social Security costs	14,541	14,704
Pension costs	31,168	32,556
Pension costs – actuarial valuation	21,763	34,930
Indirect Employee costs	13,401	13,640
Total net costs	270,032	286,234
	<i>2009/10</i>	<i>2008/09</i>
Average number of persons employed		
Directly employed	3,782	3,873
Seconded	45	61
Contract and temporary staff	162	75
Total	3,989	4,009

In addition to the above directly employed staff, SOCA had an average of 36 attached staff (2008/09: 31) from other organisations which are excluded from the above figures as they do not form part of the SOCA establishment. SOCA is not charged for the attached staff who are considered to be working for the benefit of their employers. It is estimated that the cost of employing the attached staff to SOCA in 2009/10 would have been £1.92m (2008/09 £1.54m).

Costs totalling £0.2m (2008/09 £1.9m) were capitalised during the year for work carried out on capital projects.

Part Three – Statement of Accounts 2009/10

Notes to the Accounts

Pension benefits

(a) Principal Civil Service Pension Scheme (PCSPS)

The PCSPS is an unfunded multi-employer defined benefit scheme where SOCA is unable to identify its share of the underlying assets and liabilities. The scheme actuary revalues the scheme centrally and reassesses contributions every four years.

A full actuarial valuation was carried out as at 31 March 2007. The scheme bands were adjusted in 2007/08 and the contribution rates adjusted in 2008/09. The contributions are set to meet some of the pension cost of the members on retirement. The state of the current scheme is currently under review. From 30 July 2007 the existing scheme was closed to new entrants and scheme amendments allowed staff in classic or classic plus who leave after 1 October 2007 to give up some of their pension in exchange for a higher tax-free lump sum. Employees joining after 30 July 2007 are able to join the nuvos scheme, a defined benefit scheme with, in common with the existing premium and classic plus schemes, a member contribution rate of 3.5% of pensionable pay. Employee contributions are set at the rate of 1.5% of pensionable earnings for the classic scheme. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2009/10 employer contributions of £23.2m (2008/09 £23.7m) were payable to PCSPS at one of four rates in the range between 17.1% and 25.5% of pensionable pay, based on salary bands. This includes £0.1m of contributions paid to other agencies e.g. Home Office, in respect of staff seconded to SOCA (2008/09 £0.1m). The contribution rates reflect benefits as they accrue, not when the costs are actually incurred, and reflect past experience of the scheme.

In addition, employer contributions of 0.8% of pensionable pay are payable to PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of employees. For 2009/10 contributions of £0.005m were payable to PCSPS in respect of these benefits (2008/09 £0.005m).

(b) Partnership and Stakeholder Schemes

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions for partnership pensions are payable to one or more of a panel of four appointed stakeholder pension providers. These contributions are age related and range from 3% to 15.5% of pensionable pay. Employers also match employee contributions up to 15.5% of pensionable pay. During 2009/10 SOCA paid employers' contributions of £0.09m to stakeholder pension providers (2008/09: £0.09m).

(c) Local Government Pension Scheme (LGPS)

The LGPS is a multi-employer defined benefit scheme and eligible ex-SOCA employees participate in a fund managed by the London Pensions Fund Authority (LPFA). In order to comply with the Government Finance Reporting Manual SOCA is required to provide in these accounts for the full value of the expected future pension liabilities to the officers. The LPFA have provided a valuation of the scheme assets as at 31 March 2010 showing net pension liability of £0.02m (2008/09 scheme assets of £0.06m); this figure is reflected on the Statement of Financial Position.

Part Three – Statement of Accounts 2009/10
Notes to the Accounts

<i>The net scheme assets at 31 March</i>	<i>2009/10 £'000</i>	<i>2008/09 £'000</i>	<i>2007/08 £'000</i>
Present value of Assets	555	521	608
Present value of Liabilities	(742)	(461)	(440)
Net pension asset/(liability)	(187)	60	168
Movement in Pension Asset/Reserve	(264)	120	(35)
Surplus/(Loss) in Statement of Financial Position	(451)	180	133

The main assumptions used by the actuaries Hyman Robertson, employed by LPFA, were as follows:

<i>The net scheme assets at 31 December</i>	<i>2009/10 %</i>	<i>2008/09 %</i>	<i>2007/08 %</i>
Inflation assumption	3.9	3.1	3.6
Rate of salaries increase	5.4	4.6	5.1
Rate of pensions increase	3.9	3.1	3.6
Discount rate	5.5	6.9	6.9

During 2009/10 employers' contributions of £0.038m (2008/09 £0.036m) were paid to the LPFA at 14.8% of pensionable pay (2008/09 14.8%). The contribution rate is determined by the Fund actuary based on a three yearly actuarial valuation. Under pension fund regulations the contribution rates must be set to meet the overall liabilities of the Fund. The latest formal valuation of the LPFA pension fund was at 31 March 2010. The fair value of assets held by the scheme at the beginning of the year and at the end of the year is disclosed below, analysed by investment class, together with expected rate of return for each class for the subsequent period.

<i>Fair value of assets</i>	<i>Assets at 31 Mar 2010 £'000</i>	<i>Expected rate of return at 31 Mar 2010</i>	<i>Assets at 31 Mar 2009 £'000</i>	<i>Expected rate of return at 31 Mar 2009</i>	<i>Assets at 31 Mar 2008 £'000</i>	<i>Expected rate of return at 31 Mar 2008</i>
Equities	388	7.5%	297	7.0%	364	7.5%
Target Rate Portfolio / Bonds	55	4.5%	52	5.5%	117	6.3%
Alternative Assets/Property	78	6.5%	130	6.0%	109	6.7%
Cash	28	3.0%	42	4.0%	18	4.8%
Corporate Bonds	6	5.5%	n/a	n/a	n/a	n/a
Total	555	-	521	-	608	-

Part Three – Statement of Accounts 2009/10

Notes to the Accounts

(d) Police Pension Scheme

The Agency operates, for former Police Officers, a defined benefit Police Pension Scheme.

As part of the scheme, SOCA accepts liability for payment of the pension benefits in respect of the officers' past service with a police force, although no transfer values are payable from a former employer in respect of this liability, as well as their pensionable service whilst employed by the Agency.

Pensions benefits are paid from SOCA resources as they fall due. In 2009/10, £17.74m was paid to pensioners (2008/09: £6.68m).

Pensions paid in the year are charged against the Pension Provision. SOCA paid employer contributions at the rate of 24.2% of pensionable pay in the year totalling £7.57m (2008/09:£8.6m). This followed a Home Office/Treasury review in 2001 requiring the implementation of a new system of pensions. The employers' contributions, together with employee deductions, were paid to the Home Office.

In order to comply with the Government Financial Reporting Manual and Accounts Guidance, SOCA is required to provide in these accounts for the full value of the expected future pensions liabilities of the officers. SOCA commissioned the Government Actuary's Department (GAD) to value the scheme liabilities as at 31 March 2010. Full provision for this liability in 2009/10 of £595.19m (2008/09 £427.94m) is reflected in the Statement of Financial Position and is based on the assumptions and information set out below.

Pension liabilities

	2009/10 £'000	2008/09 £'000	2007/08 £'000
Present value of liabilities – Police Officers	595,190	427,943	500,293
Net pension liabilities	595,190	427,943	500,293

Main assumptions

	2009/10 % pa	2008/09 % pa	2007/08 % pa
Inflation assumption	2.75	2.75	2.75
Rate of increase in salaries	4.30	4.30	4.30
Rate of increase in pensions	2.75	2.75	2.75
Rate of discounting scheme liabilities	4.60	6.04	5.30

Actuarial gains and losses for year Direct Recruits Scheme

	2009/10 £'000	2008/09 £'000	2007/08 £'000
Experience gains/(losses)	10,500	37,090	30,240
Effect of changes in demographic and financial assumptions	(155,970)	70,190	63,150
Total actuarial gains/(losses)	(145,470)	107,280	93,390

Part Three – Statement of Accounts 2009/10
Notes to the Accounts

(e) Changes in pension assets and liabilities for the year by scheme

In compliance with advice from the Home Office, the change in the pension liabilities resulting from operating and finance costs have been charged to the Net Expenditure account. This charge is reduced by the contributions receivable in the year from the active members. The actuarial gain/loss calculated by GAD has been reflected in the Statement of Financial Position (Pension Reserve).

Changes in pension assets and liabilities for the year by scheme

	2009/10 LPGS £'000	2009/10 Police Officers £'000	2009/10 Total £'000	2008/09 PO/LPGS £'000	2007/08 PO/LPGS £'000
Operating cost					
Current service cost	25	12,930	12,955	18,329	23,195
Impact of curtailments and settlements					
Active member contributions	-	-	-	-	2,073
Pensions and benefits paid	-	(16,880)	(16,880)	(10,200)	(6,442)
Finance cost					
Interest on pension liabilities	28	25,730	25,758	26,862	25,766
Expected return of employer assets	(30)	-	(30)	(44)	(44)
Net Return	23	21,780	21,803	34,947	44,548
Actuarial gain/(loss)					
Experience gain/loss on pension liabilities	(43)	10,500	10,457	37,090	30,243
Actuarial return less expected return on scheme assets	108	-	108	(179)	(57)
Changes in demographic & financial assumptions	(329)	(155,970)	(156,299)	70,249	63,239
Total Actuarial Gain/(Loss) charged to Pension Reserve	(264)	(145,470)	(145,734)	107,160	93,425

Movement in the provision during the year

	2009/10 LPGS £'000	2009/10 Police Officers £'000	2009/10 Total £'000	2008/09 PO/LPGS £'000	2007/08 PO/LPGS £'000
Net liabilities at start of year	(60)	427,943	427,883	500,125	549,050
Current & past service cost	25	12,930	12,955	18,337	23,195
Pensions paid in the year	(2)	(16,880)	(16,882)	(10,200)	(6,460)
Employer's contribution	(38)	-	(38)	(37)	(30)
Impacts of settlement and curtailments	-	-	-	-	2,073
Net finance charge	(2)	25,730	25,728	26,818	25,722
Actuarial (gain)/loss	264	145,470	145,734	(107,160)	(93,425)
Net liabilities at end of year	187	595,193	595,380	427,883	500,125

Part Three – Statement of Accounts 2009/10
Notes to the Accounts

4. Operating expenditure

	2009/10 £'000	2008/09 £'000
Premises costs	41,429	39,042
IT expenses	34,485	30,200
Accommodation, subsistence and general expenses	17,387	18,578
Transport costs	7,819	7,904
Office and general expenses	2,114	2,807
Conference set up and running costs	1,590	1,428
Office equipment and repairs	904	593
	105,728	100,552
Operational and communication costs	19,170	21,759
Europol subscription	5,913	7,812
Interpol subscription	2,933	2,487
Other operating subscriptions	881	1,296
Foreign exchange (gain)/loss	(56)	(134)
	28,841	33,220
Fees		
Forensic fees	3,724	5,063
Interim Receivers' Fees	1,984	4,498
Internal audit fee	217	213
External audit fee	153	142
	6,078	9,916
Other Expenditure		
Grants to forces and other public sector bodies	3,485	5,365
Notional expenditure covered by donations	2,515	2,260
Contract charges	26,277	25,718
Professional services and fees	8,522	6,684
Interest charges	9	49
	181,455	183,764

4.a Analysis of net expenditure by segment

SOCA is funded primarily through grants by the Home Office and for the purposes of IFRS 8, SOCA is regarded as a single operating segment.

Part Three – Statement of Accounts 2009/10
Notes to the Accounts

5. Income and funding

	Note	2009/10 £'000	2008/09 restated £'000
Funding received separate from Grant-in-Aid:			
Scottish Executive contributions		5,661	5,661
Northern Ireland Office contributions		1,511	1,511
Recovered Asset Incentivisation Fund		2,678	2,522
EU Funding		687	277
Civil recoveries applied to receivers' fees		1,984	4,498
Specific operational funding		5,979	4,806
Others		3,170	4,404
	5.a	21,670	23,679
Donation of goods and services			
Donations over £250k		1,590	1,516
Donations under £250k		925	744
	5.b	2,515	2,260
Other operating income			
Cash Donations		167	501
Others		1,611	2,228
	5.b	1,778	2,729

5.a Funding

Funding includes grants and contributions received from Home Office and other government bodies. SOCA received Grant-in-Aid cash funding from the Home Office totalling £474.8m (2008/09 £464.9m), included as part of the Changes in Taxpayers Equity.

5.b Donations of goods and services

The CEOP team at SOCA receives donated assets and donations in kind, including staff time and use of assets, from various external sponsors and agencies. These donations are accounted for by following the guidance in the Charities Statement of Recommended Practice (SORP) which requires the recognition of income where donations in kind are received, matching expenditure in the Net Expenditure Account. (see note 1(o)).

In the period to 31 March 2010 various goods and services with an estimated value of £2.5m (2008/09: £2.3m) have been received from organisations and charities which have been used by CEOP to support its objectives. There was one contribution of £1.3m received, another contribution of £0.3m and 30 contributions totalling £0.9m received in the year. In addition to the above donations in kind, cash donations of £0.2m are included as Other Income.

5.c Costs recovered

Other income includes costs recovered from other Law Enforcement Agencies in 2009/10 of £345,000 (£5,000 in 2008/09).

Part Three – Statement of Accounts 2009/10
Notes to the Accounts

6.a Tangible non-current assets – property, plant and equipment at 31 March 2010

	<i>Buildings</i>	<i>Land</i>	<i>Improvements to leasehold buildings</i>	<i>Motor vehicles</i>	<i>IT assets</i>	<i>Plant and machinery</i>	<i>Furniture and fitting</i>	<i>Payments on account and assets under construction</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cost of valuation									
At 1 April 2009 (restated)	21,835	3,828	64,729	35,414	50,421	66,036	4,125	11,443	257,831
Additions	3,255	-	701	885	1,638	2,266	460	30,904	40,109
Disposals	-	-	-	(3,367)	-	-	-	-	(3,367)
Impairments	(2,026)	-	(8,036)	-	(17,473)	(34,264)	-	-	(61,799)
Transfers	735	-	3,515	1,607	5,310	237	39	(11,443)	-
Revaluations	(553)	-	(9,588)	4,668	7,808	2,103	(318)	-	4,120
At 31 March 2010	23,246	3,828	51,321	39,207	47,704	36,378	4,306	30,904	236,894
Depreciation									
At 1 April 2009 (restated)	2,776	-	25,704	21,021	24,888	42,632	1,332	-	118,353
Charge in year	948	-	7,280	4,560	8,482	8,107	790	-	30,167
Disposals	-	-	-	(2,875)	-	-	-	-	(2,875)
Impairments	-	-	(7,446)	-	(13,370)	(33,087)	-	-	(53,903)
Revaluation	(12)	-	(4,463)	3,478	4,922	1,540	(129)	-	5,336
At 31 March 2010	3,712	-	21,075	26,184	24,922	19,192	1,993	-	97,078
Net book value									
At 31 March 2010	19,534	3,828	30,246	13,023	22,782	17,186	2,313	30,904	139,816
At 1 April 2009 (restated)	19,059	3,828	39,025	14,393	25,533	23,404	2,793	11,443	139,478
Asset financing									
Owned	19,534	3,828	30,246	13,023	22,782	17,186	2,313	30,904	139,816
On-Statement of Financial Position PFI contracts	-	-	-	-	-	-	-	-	-
Net book value									
At 31 March 2010	19,534	3,828	30,246	13,023	22,782	17,186	2,313	30,904	139,816
At 1 April 2010	19,534	3,828	30,246	13,023	22,782	17,186	2,313	30,904	139,816

Freehold properties were valued professionally by Knight Frank Chartered Surveyors in March 2009. During the year SOCA carried out a full review of all of its assets and any losses relating to impairment in value have been charged to the Net Expenditure account. Non-Current Assets have been revalued using the Price Index Numbers for Current Cost Accounting (MM17), published by the National Statistics Office and the BSI tender price index Public Sector building as appropriate. Any losses on revaluation not offset by prior year gains have been charged to the Net Expenditure Account.

The PFI contract is close to the termination date and there were no assets financed this year under the contract. During the year SOCA carried out a full verification of all of its non-current assets including assets transferred from precursor agencies held at nil book value. Details of assets subject to impairment, revaluations and write off are tabulated below.

Part Three – Statement of Accounts 2009/10
Notes to the Accounts

Movements on non-current assets including impairments and revaluations

	<i>Historic cost £'000</i>	<i>Depreciation cost £'000</i>	<i>NBV £'000</i>	<i>Adjustment to reserve £'000</i>	<i>Impairment costs £'000</i>
Movement					
Nil book value items written off as not in use	(52,996)	52,996	-	-	-
Impaired value of assets on asset register	(20,113)	15,798	(4,315)	-	4,315
Impaired value of servers	(2,577)	744	(1,833)	-	1,833
Impaired value of PFI assets	(1,510)	-	(1,510)	-	1,510
VAT not recoverable from properties purchased	(2,026)	-	(2,026)	-	2,026
Revaluation					
Indexed revaluation gains	14,578	(9,940)	4,638	(4,638)	-
Indexed revaluation losses	(10,458)	4,603	(5,855)	1,114	4,741
Total	(75,102)	64,201	(10,901)	(3,524)	14,425
Analysis					
Tangible as in Note 6	(61,799)	53,903	(7,896)	-	-
Intangible as in Note 7	(17,423)	15,634	(1,789)	-	-
Revaluation of Tangible	4,120	(5,336)	(1,216)	-	-
Total	(75,102)	64,201	(10,901)	-	-

Impairments made to servers reflect their value in use to the business. Further information is provided on this in note 22. The verification exercise identified some leasehold improvements that no longer existed due to further refurbishments and some IT and plant and equipment that could not be easily identified from the descriptions in the asset register. As SOCA can not recover VAT paid on properties acquired or revalued, used as offices, the amount of VAT charged has been written off.

Part Three – Statement of Accounts 2009/10
Notes to the Accounts

6.b Tangible non-current assets – property, plant and equipment at 31 March 2009/2008

	<i>Buildings</i>	<i>Land</i>	<i>Improvements to leasehold buildings</i>	<i>Motor vehicles</i>	<i>IT assets</i>	<i>Plant and machinery</i>	<i>Furniture and fitting</i>	<i>Payments on account and assets under construction</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cost or valuation									
At 1 April 2008 (restated)	17,689	6,240	56,220	34,334	35,390	57,121	3,329	8,850	219,173
Additions	6,988	-	7,444	4,203	6,644	9,013	699	13,751	48,742
Disposals	-	-	(264)	(4,233)	-	-	-	(1)	(4,498)
Impairments	-	-	(175)	-	(4)	(150)	(3)	-	(332)
Transfers	-	-	1,504	1,110	3,026	52	100	(5,792)	-
Transfers for Contract	-	-	-	-	5,365	-	-	(5,365)	-
Revaluations	(2,842)	(2,412)	-	-	-	-	-	-	(5,254)
At 31 March 2009	21,835	3,828	64,729	35,414	50,421	66,036	4,125	11,443	257,831
Depreciation									
At 1 April 2008 (restated)	2,089	-	19,813	20,514	17,885	34,453	666	-	95,420
Charge in year	855	-	6,178	4,094	7,006	8,221	669	-	27,023
Disposals	-	-	(112)	(3,587)	-	-	-	-	(3,699)
Impairments	-	-	(175)	-	(3)	(42)	(3)	-	(223)
Transfer for Contract	-	-	-	-	-	-	-	-	-
Revaluation	(168)	-	-	-	-	-	-	-	(168)
At 31 March 2009	2,776	-	25,704	21,021	24,888	42,632	1,332	-	118,353
Net book value									
At 31 March 2009	19,059	3,828	39,025	14,393	25,533	23,404	2,793	11,443	139,478
At 1 April 2008 (restated)	15,600	6,240	36,407	13,820	17,505	22,668	2,663	8,850	123,753
Asset financing									
Owned	19,059	3,828	39,025	14,393	20,168	23,404	2,793	16,808	139,478
On- Statement of Financial Position PFI contracts	-	-	-	-	5,365	-	-	(5,365)	-
Net book value									
At 31 March 2009	19,059	3,828	39,025	14,393	25,533	23,404	2,793	11,443	139,478

Part Three – Statement of Accounts 2009/10
Notes to the Accounts

	<i>Buildings</i>	<i>Land</i>	<i>Improvements to leasehold buildings</i>	<i>Motor vehicles</i>	<i>IT assets</i>	<i>Plant and machinery</i>	<i>Furniture and fitting</i>	<i>Payments on account and assets under construction</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cost or valuation									
At 1 April 2007	9,017	3,500	52,584	35,210	16,320	40,668	1,730	23,679	182,708
Additions	9,107	2,740	2,753	3,761	7,106	4,595	1,218	6,874	38,154
Transfers	-	-	1,709	95	8,975	10,708	217	(21,704)	-
Disposals	-	-	-	(4,602)	-	-	-	-	(4,602)
Revaluation Gain	-	-	-	-	-	675	69	-	744
Revaluation Loss	(435)	-	(1,846)	(130)	(796)	-	-	-	(3,207)
At 31 March 2008	17,689	6,240	55,200	34,334	31,605	56,646	3,234	8,849	213,797
Depreciation									
At 1 April 2007	1,731	-	14,153	20,244	10,508	25,100	198	-	71,934
Charge in year	465	-	5,744	4,333	4,090	8,747	404	-	23,783
Disposals	-	-	-	(3,969)	-	-	-	-	(3,969)
Revaluation	(22)	-	(191)	(19)	(117)	106	13	-	(230)
Revaluation backlog	(85)	-	(473)	(75)	(372)	345	5	-	(655)
At 31 March 2008	2,089	-	19,233	20,514	14,109	34,298	620	-	90,863
Net book value									
At 31 March 2008	15,600	6,240	35,967	13,820	17,496	22,348	2,614	8,849	122,934
At 1 April 2007	7,286	3,500	38,431	14,966	5,812	15,568	1,532	23,679	110,774
Asset financing									
Owned	15,600	6,240	35,967	13,820	17,496	22,348	2,614	8,849	122,934
Net book value									
At 31 March 2008	15,600	6,240	35,967	13,820	17,496	22,348	2,614	8,849	122,934

Part Three – Statement of Accounts 2009/10
Notes to the Accounts

7. Intangible non-current assets

Intangible assets comprise software licences and consultancy charges.

	<i>Purchased software £'000</i>	<i>Payments on account and assets under construction £'000</i>	<i>Total £'000</i>
Cost or valuation			
At 1 April 2009 (restated)	35,150	2,314	37,464
Additions	4,399	23,992	28,391
Disposals			
Impairments	(17,423)	-	(17,423)
Transfers	2,314	(2,314)	-
At 31 March 2010	24,440	23,992	48,432
Amortisation			
At 1 April 2009 (restated)	18,634	-	18,634
Charge in year	5,650	-	5,650
Disposals			
Impairments	(15,634)	-	(15,634)
Transfers			
At 31 March 2010	8,650	-	8,650
Net Book Value			
at 31 March 2010	15,790	23,992	39,782
At 31 March 2009 (restated)	16,516	2,314	18,830
<hr/>			
	<i>Purchased software £'000</i>	<i>Payments on account and assets under construction £'000</i>	<i>Total £'000</i>
Cost or valuation			
At 1 April 2008 (restated)	24,690	5,304	29,994
Additions	5,408	2,068	7,476
Disposals	(6)	-	(6)
Transfers	5,058	(5,058)	-
At 31 March 2009	35,150	2,314	37,464
Amortisation			
At 1 April 2008 (restated)	14,578	-	14,578
Charge in year	4,056	-	4,056
Disposals	-	-	-
Transfers			
At 31 March 2009	18,634	-	18,634
Net Book Value			
At 31 March 2009	16,516	2,314	18,830
At 31 March 2008 (restated)	10,112	5,304	15,416

Part Three – Statement of Accounts 2009/10
Notes to the Accounts

	<i>Purchased software £'000</i>	<i>Payments on account and assets under construction £'000</i>	<i>Total £'000</i>
Cost or valuation			
At 1 April 2007 (restated)	16,260	5,053	21,313
Additions	5,751	2,930	8,681
Disposals	-	-	-
Transfers	2,679	(2,679)	-
At 31 March 2008	24,690	5,304	29,994
Amortisation			
At 1 April 2007 (restated)	12,246	-	12,246
Charge in year	2,332	-	2,332
Disposals	-	-	-
Transfers	-	-	-
At 31 March 2008	14,578	-	14,578
Net Book Value			
At 31 March 2008	10,112	5,304	15,416
At 31 March 2007 (restated)	4,014	5,053	9,067

8. Financial instruments

As the cash requirements of SOCA are met through Grant-in-Aid provided by the Home Office, financial instruments (IFRS 7) play a more limited role in creating risk than would apply to a non- public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with SOCA's expected purchase and usage requirements and SOCA is therefore exposed to little credit, liquidity or market risk.

9. Trade receivables and other current assets

	<i>2009/10</i>	<i>2008/09</i>	<i>2007/08</i>
	<i>£'000</i>	<i>restated</i>	<i>restated</i>
		<i>£'000</i>	<i>£'000</i>
(a) Amounts falling due within one year			
Trade receivables	6,318	9,096	8,852
Accrued Income	8,576	1,670	-
Other receivables	7,790	1,570	1,696
VAT	-	-	521
Prepayments	8,868	14,096	11,886
	31,552	26,432	22,955
(b) Intra-government balances			
Balances with central government bodies	21,464	9,205	9,289
Balances with local authorities and police authorities	600	412	510
Subtotal: intra-government balances	22,064	9,617	9,799
Balances with bodies external to government	9,488	16,815	13,156
	31,552	26,432	22,955
(c) Amounts falling due after one year			
Other receivables	124	104	111
	124	104	111
(d) Intra-government balances			
Balances with bodies external to government	124	104	111
	124	104	111

10. Cash and cash equivalents

	<i>2009/10</i>	<i>2008/09</i>	<i>2007/08</i>
	<i>£'000</i>	<i>restated</i>	<i>restated</i>
		<i>£'000</i>	<i>£'000</i>
Balance at 1 April	10,542	9,436	7,316
Net change in cash and cash equivalents balances	17,057	1,106	2,120
Balance at 31 March	27,599	10,542	9,436
The following balances at 31 March were held at:			
Commercial banks and cash in hand	26,969	10,073	4,258
Balance held with HM Paymaster General	630	469	5,178
Balance at 31 March 2010	27,599	10,542	9,436

Part Three – Statement of Accounts 2009/10
Notes to the Accounts

SOCA operates a number of bank accounts and cash imprest accounts. The UK accounts operate under a pooling arrangement which allows some accounts to be overdrawn, as long as the main SOCA account is in credit to cover the overdrawn balances. At the 31 March 2010 the cash and balances totalled £27.6m (2008/09 £10.5m).

Interest received during the year and paid to the Home Office of has been included as part of the movement of working capital. SOCA does not recognise this interest as part of its income as it is due to the Home Office.

11. Trade payables and other current liabilities

	<i>2009/10</i> <i>£'000</i>	<i>2008/09</i> <i>restated</i> <i>£'000</i>	<i>2007/08</i> <i>restated</i> <i>£'000</i>
(a) Amounts falling due within one year			
Trade payables	18,751	17,147	14,567
Consolidated Fund extra receipts due to be paid to the Consolidated Fund – received	-	-	6,353
Other payables	33,717	31,328	26,383
Interest payable to Home office	-	-	389
	52,468	48,475	47,692
(b) Intra-government balances			
Balances with central government bodies	13,657	3,299	12,769
Balances with local authorities and police authorities	934	702	1,358
Subtotal: intra-government balances	14,591	4,001	14,127
Balances with bodies external to government	37,877	44,474	33,565
	52,468	48,475	47,692
(c) Amounts falling due after one year			
Other payables	3,628	4,114	3,610
	3,628	4,114	3,610
(d) Intra-government balances			
Balances with bodies external to government	3,628	4,114	3,610
	3,628	4,114	3,610

Part Three – Statement of Accounts 2009/10
Notes to the Accounts

12. Provisions for liabilities and charges

	<i>Balance at 31 March 2008 (restated) £'000</i>	<i>Provided for in year £'000</i>	<i>Provisions used in year £'000</i>	<i>Unused Provisions reversed in year £'000</i>	<i>Balance at 31 March 2009 £'000</i>
a) Tax provision	(1,199)	(1,297)	2,302	97	(97)
b) Legal provision	(1,566)	(1,173)	858	771	(1,110)
c) General provisions	(36)	-	-	-	(36)
c) Retirement provision	(505)	(367)	166	-	(706)
c) Employment related	(379)	(1,458)	54	297	(1,486)
d) Dilapidation provision	(76)	-	-	-	(76)
	(3,761)	(4,295)	3,380	1,165	(3,511)

	<i>Balance at 31 March 2009 (restated) £'000</i>	<i>Provided for in year £'000</i>	<i>Provisions used in year £'000</i>	<i>Unused Provisions reversed in year £'000</i>	<i>Balance at 31 March 2010 £'000</i>
a) Tax provision	(97)	(1,278)	115	-	(1,260)
b) Legal provision	(1,110)	(532)	465	-	(1,177)
c) General provisions	(36)	-	-	-	(36)
c) Retirement provision	(706)	(467)	253	11	(909)
c) Employment related	(1,486)	(65)	-	1,387	(164)
d) Dilapidation provision	(76)	(382)	-	40	(418)
	(3,511)	(2,724)	833	1,438	(3,964)

The provisions held at 31 March 2010 are expected to mature within one year and charges to the relevant expenditure categories in the Net Expenditure account include the following:

- Tax provision of £1.26m was made during the year for the tax liability due on benefits in kind paid on behalf of employees.
- Legal provision of £1.18m relates to cases in progress to cover estimates on litigation costs for employees undertaking action because of injury, loss of employment and changes in conditions of service.
- Various employment related provisions for grievance procedure and equal pay totalling £0.164m.
- Dilapidation provisions for five offices have been included to cover the cost of repair works necessary in accordance with the leases. It is anticipated that settlement will be reached within the next 12 months.

Part Three – Statement of Accounts 2009/10
Notes to the Accounts

13. Deferred income

	<i>2009/10</i>	<i>2008/09</i>	<i>2007/08</i>
	<i>£'000</i>	<i>restated</i>	<i>restated</i>
		<i>£'000</i>	<i>£'000</i>
Deferred income relating to donations, RAIF monies and other income received in advance	8,524	3,958	4,122

14. Capital commitments

	<i>2009/10</i>	<i>2008/09</i>
	<i>£'000</i>	<i>restated</i>
		<i>£'000</i>
Contracted capital commitments for 31 March for which no provision has been made	6,675	21,124
Total	6,675	21,124

15. Commitments under leases

Annual commitment for operating leases

Operating expenditure includes £20.6m (2008/09 £19.1m) in respect of rental of land and buildings. SOCA is committed to pay the following operating lease rentals in the future financial years:

	<i>2009/10</i>	<i>2008/09</i>
	<i>£'000</i>	<i>restated</i>
		<i>£'000</i>
Obligations under operating leases comprise		
Buildings		
Not later than one year	534	1,476
Later than one year and not later than five years	4,253	3,132
Later than five years	14,460	14,031
	19,247	18,639

Part Three – Statement of Accounts 2009/10

Notes to the Accounts

16. Other financial commitments

Other commitments include two contracts for the provision of information technology and communications services. Payments made under the contract in 2009/10 were £31.9m (2008/09 £30.9m).

	<i>2009/10</i>	<i>2008/09</i>
	<i>£'000</i>	<i>restated</i>
		<i>£'000</i>
Other financial commitments		
Not later than one year	29,500	29,424
Later than one year and not later than five years	2,000	12,001
	31,500	41,425

17. Notes on reserves

17a) Net expenditure reserve

The Net Expenditure reserve shows the balance of accumulated surpluses or deficits in grants and other income over operating expenditure.

17b) Pensions reserve

In accordance with Treasury guidance, actuarial gains/losses on pension scheme liabilities are recognised in the Statement of Changes in Reserves. The net gain/loss is shown in the Pensions Reserve.

17c) Revaluation reserve

SOCA revalues its assets on an annual basis and any revaluations other than impairments are credited to the revaluation reserve. Prior year depreciation adjustments, other than for impairments, are debited to the reserve.

17d) Other reserves

Other Reserves include the Airwave Reserve and the Forfeiture Fund.

The Airwave Reserve is required to replace as necessary and maintain all police radios to meet a change in wavelengths and to upgrade communications technology. This is part of the National Airwave Project.

The Forfeiture Fund has cash from the sale of assets seized from convicted criminals and forfeited to SOCA by the courts. The fund is applied for operational purposes only, as specified by the courts.

17e) Government Grant Reserve

Capital grants received from other government bodies for capital expenditure have been credited to the Government Grant Reserve account. Depreciation for capital projects is credited to the Net Expenditure account.

Part Three – Statement of Accounts 2009/10
Notes to the Accounts

18. Contingent liabilities

18 a) Lease dilapidations

SOCA occupies leasehold premises, many of which have been modified to meet specific operational or administration requirements. Common to the leases is the requirement to hand back the premises at the end of the lease period in a good condition. In substance this often obliges SOCA to incur further expenditure on returning these premises to their pre-occupation condition.

The costs to SOCA on vacation of leased premises have been estimated as £17.6m (2008/09: £18.6m). This estimate is based on a charge per sq. ft of leased space and allows for the reversal of any changes to the building made by SOCA and the costs of redecoration. However, it is unlikely that this liability will fall due in the future because of rolling contracts. This potential liability is currently estimated to fall due as follows:

	<i>2009/10</i>	<i>2008/09</i>
	<i>£'000</i>	<i>restated £'000</i>
<hr/>		
Year ended 31 March		
2011	932	1,218
2012 to 2016	4,648	4,209
2017 to 2028	12,061	13,190
	17,641	18,617

18 b) Litigation costs

SOCA has a small number of claims from employees and suppliers that may result in compensation payments to be made on settlement. These claims are considered to be contingent liabilities because the probability of a settlement on these cases is less than 50% and they are at an early stage of action, making the determination of costs impossible.

18 c) Indemnities

Under the departmental minute laid before Parliament enabling SOCA to indemnify bodies against losses when using their facilities for firearms training purposes, to a maximum value, at any one time, of £50m, SOCA has entered into 22 agreements with suppliers during the past year, with a maximum value at any one time of £5m. Obligations outstanding at 31st March 2010 were £5m.

Under the obligations to enter into indemnities for operational need SOCA has the authority to enter into indemnities of up to £1m in any particular case. SOCA entered into four indemnities during the year, none of which are expected to exceed £250k in value. The indemnity with the bank relating to the recovery of criminal assets, entered into last year, with an estimated value of £550k, remains current.

No liabilities crystallised during the year.

19. Related Party Transactions

The Home Office is the sponsoring department of SOCA. The Home Office, HM Revenue and Customs, the Scottish Executive, the Northern Ireland Administration and the Foreign and Commonwealth Office are considered to be related parties to SOCA. During the year ended 31 March 2010, these bodies provided SOCA with Grant-in-Aid and other funding. In addition SOCA has a small number of transactions with other government departments and other central government bodies. No board member, key manager or other related parties has undertaken any material transactions with SOCA during the year.

Part Three – Statement of Accounts 2009/10

Notes to the Accounts

20. Third party assets

Seized property is that which is appropriated by SOCA and other law enforcement bodies but which may still be liable to be returned. Seized property held by SOCA at 31 March 2010 consisted of £11.8m (2008/09 £18.4m) in cash, motor vehicles and other valuables suspected of being derived from criminal activity.

These are not SOCA's assets and are not included in the accounts.

21. Subsequent events

The government has set out in The Coalition: our programme for government that they will create a dedicated Border Police Force, as part of a refocused Serious Organised Crime Agency, to enhance national security, improve immigration controls and crack down on the trafficking of people, weapons and drugs. It is too early to know exactly how this will affect SOCA; legislation will be brought to Parliament in due course. There is no effect on SOCA's going concern status.

It was announced in the Budget on 22 June 2010 that the Government intends to adopt the Consumer Price Index (CPI) for the indexation of public service pensions from April 2011. This will have an impact upon the future operation of the Police Pension scheme that SOCA provides for former police officers.

The Accounting Officer William Hughes authorised the 2009/10 Annual Accounts to be issued on the date of the Comptroller and Auditor General's audit certificate.

22. Losses and special payments

SOCA incurred losses during the year totalling £14.4m in respect of assets written down. This includes a constructive loss of £1.8m relating to IT equipment procured in 2008-09 which has not been brought into use due to a change of project specification meaning that the assets are no longer required for their originally intended purpose. As such they have been written down to the value that it is anticipated that can be obtained from them in an arm's length sale. In addition £2.6m in compensation payments were made for which approval from Home Office was obtained. Details are set out in Note 6(a) of the accounts.

23. Recovered assets

SOCA currently manages three bank accounts where recovered assets are deposited. Each year-end, the excess of civil recoveries over receivers' fees applied net of any direct disposal costs is paid over to the Home Office. For assets recovered through Criminal and Tax cases the amounts are paid over quarterly. The figures presented below are net of direct costs.

	<i>2009/10</i>	<i>2008/09</i>
	<i>£'000</i>	<i>restated £'000</i>
Recovered assets receipts during 2009/10		
Civil	5,818	14,482
Criminal	639	3,331
Tax	317	2,362
	6,774	20,175
Recovered assets receipts relating to 2008/09		
Asset recoveries applied against receivers' fees (see below)	(1,984)	(4,498)
Net recovered receipts	4,790	15,677
Receipts paid to the Home Office during 2009/10	(2,412)	(2,810)
Recovered asset proceeds held at 31 March 2010	2,378	12,867

Part Three – Statement of Accounts 2009/10
Notes to the Accounts

SOCA pays to the Home office, quarterly in arrears, recovered asset receipts net of estimated receivership and enforcement costs. A final payment for £2.3m from the monies held in the separately identified third party bank accounts will be paid to the Home office in June 2010.

The civil and tax figures quoted above differ from SOCA's reported performance against the Home Office civil and tax recovery target for 2009/10 in the annual report as a result of the deduction of allowable costs in the above figures.

The "criminal" receipts figure quoted above relates to SOCA's ongoing responsibility to enforce payment against criminal confiscation orders obtained in previous years by ARA. This income is not counted as part of SOCA's 'performance' and is by its nature a small and diminishing amount. Existing confiscation orders obtained by SOCA and new confiscation orders obtained since the merger continue to be enforced by the courts. This figure has no relationship to the value of new confiscation orders obtained by SOCA during 2009/10; nor to the value of receipts banked by the courts in fulfilment of confiscation orders obtained by SOCA in 2009/10 and previous years.

24. Recovered assets allowable against receivers' fees

Section 280, Subsection 3 of the amended Proceeds of Crime Act 2002 (POCA) enables the Director General to meet the costs of an appointed Interim Receiver from sums received from Civil Recovery proceedings in a way which directly mirrors the provisions in criminal confiscation cases in Parts 2 and 4 of POCA. Receivers' fees totalling £2m were incurred on civil recovery during 2009/10. The commencement date of the provision was 1 July 2005 and, thereafter, the costs of Interim Receivers and Trustees were permitted to be offset against eventual case proceeds.

	<i>2009/10</i> <i>£'000</i>	<i>2008/09</i> <i>restated</i> <i>£'000</i>
Total receivers' fees in year	1,984	4,498
Assets in enforcement applied	(1,984)	(4,498)
Net receivers' fees in year	0	0

25. Forfeiture and confiscation orders

Receipts paid to the Home Office during the year in fulfilment of cash forfeiture orders obtained in 2009/10 and previous years are set out below. It should be noted that the time-lag created by the 30 day appeal period which follows all cash forfeiture orders and the normal business delays in processing forfeited cash through to the Home Office means that the amount paid to the Home Office in any given financial year will not correspond precisely to the stated value of new cash forfeiture orders obtained over the same period.

	<i>2009/10</i> <i>£'000</i>	<i>2008/09</i> <i>restated</i> <i>£'000</i>
Forfeiture and confiscation monies paid over	9,757	2,866

Appendix A



Appendix A: progress against SOCA's Strategic Imperatives

SOCA has continued to drive its activity based on its five Strategic Imperatives. The Strategic Imperatives are the overarching priorities for the organisation, set by the SOCA Board.

The Strategic Imperatives are:

1. *to build knowledge and understanding of serious organised crime, the harm it causes, and of the effectiveness of different responses;*
2. *tackling criminal finance and profits (CFP), including through asset recovery;*
3. *to increase the risk to serious organised criminals operating in the UK through proven investigative capabilities and in new ways;*
4. *to collaborate with partners in the UK and internationally to maximise efforts to reduce harm. To provide agreed levels of high quality support to SOCA's operational partners, and, as appropriate, seek their support in return; and*
5. *to develop SOCA's capacity to make difference.*

This section sets out what has been achieved in respect of the each of the strategic imperatives.

Strategic Imperative One – to build knowledge and understanding of serious organised crime, the harm it causes, and of the effectiveness of different responses.

Knowledge and understanding continued to be key to ensuring the UK's response to organised crime is well-directed and effective, both strategically and tactically.

Responsibility for agreeing and publishing the UKTA, OCCS and NIR was transferred to the Strategic Centre for Organised Crime (SCOC). The UKTA was published on 1 April 2010. SOCA maintained a central role however, by co-ordinating the drafting and developing significant content, and also publishing a new multi-agency forward work plan for assessed intelligence reporting.

During the year SOCA led nine of the 16 Control Strategy programmes within the Control Strategy and worked with the SCOC to align the programmes to the role envisaged for it in 'Extending our Reach'.

Appendix A: progress against SOCA's Strategic Imperatives

Deliverable set out in Annual Plan	Progress in 2009/10
By the end of 2009/10, knowledge underpinning most of the Control Strategy programmes of activity should be assessed at least as 'fair' with the most important elements assessed as 'good'.	SOCA continued to work with partners to build and communicate knowledge and understanding of organised crime. This was reflected in the UKTA, and improvements to the NIRs, 65% of which were rated as at least 'Fair', compared with 57% in 2008/09.
Routine identification of persons of interest (POIs) across all areas of the Organised Crime Control Strategy and monitoring of all of them with a level of coverage, prioritised in tiers, for those criminals causing the most harm with the aim of delivering high numbers of actions against them.	<p>The numbers of POIs recorded by SOCA grew throughout the year. 7,000 were contributed to a multi-agency OCG map. The majority of POIs were subject to activity prioritised in tiers in accordance with the SOCA operating model, with the agency delivering increased volumes of tasked activity quarter-on-quarter.</p> <p>The agreement and implementation of high level processes and policies for the monitoring of all POIs was achieved. Action Plans have been developed for all POIs not currently subject to operational activity. Some high volume disruption projects were successfully piloted with key partners.</p>
A continuous flow of problem-focussed intelligence as well as case-focussed reporting maximising the use of the SOCA log as the means of capturing and sharing intelligence.	The SOCA Log is the primary means by which the agency captures intelligence for the corporate record. Over 5,300 SOCA Logs were produced this year. SOCA's assessments and reports continue to garner excellent feedback from partners with over 90% rating assessments, and over 80% rating reports, at three out of five ²⁰ or above.
By the end of 2009/10 delivery of a suite of IT based and other processes designed to exploit fully all available internal and external data sources.	<p>Bulk data management and search tools have been successfully developed to manage the growing volume of SOCA and partner data on organised crime. These tools are now being used for operational tasking.</p> <p>As set out in Part One, SOCA continued to be a key contributor to the Home Office-led work to develop and future-proof lawful interception and communications data capability.</p>
A steady flow of reports using the Harm Framework²¹ and assessment of disruptions and their impacts to establish a baseline and to refocus operational objectives and tasking.	<p>Initial tasking against a POI is based on an assessment of the harm they cause to the UK. Throughout and after operational activity, SOCA evaluates the impact of tasked activity and the disruption caused to the activities of organised criminals in the context of the Harm Framework.</p> <p>The Operational Practice team issues guidance, including learning gained from end-of-activity debriefs, to inform the development of tactics and to refocus tasking.</p>

²⁰ A score of 1 is poor and a score of 5 is excellent.

²¹ The Harm Framework sorts the harms caused or affected by organised crime by type and scale. It was published in the Annual Report 2008/9.

Appendix A: progress against SOCA's Strategic Imperatives

Strategic Imperative Two – to tackle criminal finances and profits, including through asset recovery.

The report at Part One sets out the importance of profit to organised criminals, and SOCA's achievements in using financial tools to attack and undermine such persons.

Deliverable set out in Annual Plan	Progress in 2009/10
<p>Effective use will be made of criminal finance and profits (CFP) tools and POCA powers by SOCA.</p>	<p>Financial investigation continued to be a required aspect of all operational activity. A new Financial Intelligence Requirement (FIR) was piloted in selected operations in order to develop proactively financial intelligence in every SOCA investigation and project. The effectiveness of the pilot will be analysed and the FIR modified where appropriate, before roll-out across the organisation.</p> <p>Advice on proceeds of crime legislation, tools and objectives has been enhanced and embedded across all SOCA operational skills training. A particular focus was on raising the awareness of SOCA officers responsible for international liaison work and covert capabilities, which resulted in a growth in internal referrals. A 'Cash Action Plan' was developed to maximise SOCA exploitation of cash seizure and forfeiture opportunities.</p> <p>Each SOCA branch now has trained officers in place to review operations and to ensure that financial opportunities are maximised at every stage of the investigation.</p>
<p>The reformed SARs regime will allow greater value to be extracted from SARs data by law enforcement end users.</p>	<p>The SARs Annual Report was published by the SARs Regime Committee, a high level committee with membership drawn from reporters, end users and other interested parties, responsible for overseeing the performance of the regime's participants. This set out the performance of the regime and included details of the value extracted from SARs.</p>
<p>Make good progress in achieving HMG's asset recovery targets.</p>	<p>HMG Targets</p> <p>In 2009/10 the Government target for asset recovery receipts as set out in PSA 24 was £250m shared between all law enforcement agencies. The final result achieved was £153.7m.</p> <p>SOCA Contribution</p> <p>Against a target for SOCA of £6m cash forfeiture, an outturn of £10.2m was achieved. This included a single forfeiture of £5m arising from a cash seizure in 2008/09 against a particularly cash-rich crime group.</p> <p>Against the target for SOCA of £39m for confiscation orders obtained, SOCA achieved a final outturn of £17.2m. The number of cases going through confiscation is 15% lower than last year and court delays have impacted on how many cases have been completed in this financial year. A greater focus on accurate assessment of the value of realisable assets available for confiscation meant that orders tended to be for lower amounts than in previous years.</p>



Appendix A: progress against SOCA's Strategic Imperatives

<i>Deliverable set out in Annual Plan</i>	<i>Progress in 2009/10</i>
	<p>▶▶▶ Against the target of £18m civil & tax receipts, SOCA achieved a final outturn of £6.8m. A significant number of cases have remained in litigation longer than expected this year. This, combined with a dip in operational activity in the last year of ARA, and a reduction in the value of assets due to the global economic downturn, has limited the volume of receipts that SOCA has been able to realise this year. However, SOCA has frozen £89.7m of assets using civil recovery powers this year, and put significant effort into building up a robust pipeline of new civil recovery activity.</p> <p>Work took place across the law enforcement community to identify and record those outputs from asset recovery work (and related activity) that are not captured by the current targets, but which are relevant to understanding the full effect of work to tackle criminal finances and profits. This established that a range of important indicators are not covered by the current targets and that the timeframe for most asset recovery processes is much longer than the 12 months of the annual reporting cycle. SOCA, as chair of the multi-agency Asset Recovery Working Group, is working with the Home Office to consider how the success measures for asset recovery work could be improved.</p>

Appendix A: progress against SOCA's Strategic Imperatives

Strategic Imperative Three – to increase risk to serious organised criminals operating against the UK, both through traditional means and new ones.

The criminal law continued to be a major tool in SOCA's operational response to organised crime. SOCA also made comprehensive use of the other tools available to it in order to increase the risk to criminal businesses.

<i>Deliverable set out in Annual Plan</i>	<i>Progress in 2009/10</i>
<p>Criminal justice success (domestic and international) against the most significant criminals/crime groups affecting UK thereby impacting on their ability to operate effectively.</p>	<p>SOCA continued to exploit both innovative and traditional techniques to tackle organised crime in the domestic and international law enforcement arenas. SOCA has delivered a 18% increase in the number of convictions secured compared with last year. Included in this figure are the convictions of some of the most significant criminals and crime groups affecting the UK. Some highlights of this are given in Part One of this report. The SOCA model does not stop at conviction and the agency has increased the number of ancillary orders obtained compared with last year, thereby ensuring we cause maximum disruption to the convicted criminals' ability to operate effectively.</p>
<p>Development and use of operational practices which, in addition to the criminal justice approach against individuals/groups, provide alternative means of targeting criminal infrastructures, behaviours and markets.</p>	<p>Consideration and use of the innovative capabilities and tactics is well embedded in all stages of the case management cycle. Part One contains details of the expansion and examples of successful use of these tools. The development and exploitation of new tools and techniques is supported by staff dedicated to these purposes placed throughout the business.</p>

Appendix A: progress against SOCA's Strategic Imperatives

Orders achieved by SOCA

Order	Achieved prior to 1 April 2009	Achieved 2009/10	Total in place
Serious Crime Prevention Order	12	27	39
Financial Reporting Orders	57	20	75 (2 rescinded)
Travel Restriction Orders	37	17	54

SOCA casework

SOCA casework	2008/09	2009/10	% change on previous year
<i>Work in progress</i>			
Operations/Projects in progress at 31 March	556	611	9.9%
<i>SOCA casework in the UK</i>			
UK arrests	781	714	-8.6%
Cases reaching UK courts	287	360	25.4%
UK Convictions	266	315	18.4%
International casework arrests	775	579	-25.3%
Total arrests	1556	1293	-16.9%
<i>European Arrest Warrants executed</i>			
Wanted from the UK	683	1,032	51.1%
Wanted by the UK	104	98	-5.7%

SOCA drug interdiction 2009/10

Drug	2007/08	2008/09	2009/10
Cocaine	84 tonnes	85.1 tonnes	33.5 tonnes
Heroin	2 tonnes	2.9 tonnes	3.1 tonnes
Opium	3 tonnes	7.3 tonnes	36.9 tonnes
Cannabis	30 tonnes	38.8 tonnes	42.4 tonnes

Part One of this report describes recent success in targeting high value targets overseas and describes the context within which the cocaine figures should be understood.

Appendix A: progress against SOCA’s Strategic Imperatives

Strategic Imperative Four – to collaborate with partners in the UK and internationally to maximise efforts to reduce harm, and provide agreed levels of high quality support to our operational partners and as appropriate seek theirs in return.

Working with partners is central to SOCA’s approach. A significant proportion of the examples given in Part One of this report are due to partnership working.

<i>Deliverable set out in Annual Plan</i>	<i>Progress in 2009/10</i>
<p>Effective working relationships with partners with strong personal relationships at management level to ensure that engagement is effective and relevant, that greater effort is brought to bear on organised crime than SOCA can deliver alone, and that SOCA has earned a reputation as a centre of excellence and a supportive, non-competitive operational partner.</p>	<p>SOCA is closely engaged with key public and private sector partners. Contributions with partners to OCG mapping is described in Part One. Also detailed is work with partners on the UK Threat Assessment this year. The UKTA represents a multi-agency threat assessment of SOC.</p> <p>Formal feedback mechanisms have been established with key partners and executive-level bilateral meetings have been held with, for example, UKBA and HMRC. SOCA has also embedded staff in 10 Regional Intelligence Units to facilitate intelligence sharing with partners and has embedded officers from across the agency in the Olympic Security Directorate, to ensure a full and active contribution to the 2012 planning process.</p>
<p>Operational support and fixed institutional support to partners outside the Control Strategy.</p>	<p>SOCA achieved its aim that in 2009 /10 approximately 10% of its operational effort was directed towards the provision of fixed institutional support to others. SOCA expended approximately 7.4% of its operational effort in support of partners outside of the Control Strategy against a target of 8%.</p>
<p>Overseas relationships are functional and delivering benefit with the SOCA Liaison Officer network aligned to UK Control Strategy and overseas priorities and opportunities.</p>	<p>SOCA has taken steps this year to ensure that its staff and assets continue to be deployed to best effect to deliver overseas priorities and the requirements of the Control Strategy. SOCA officers are embedded with key partner agencies and working groups overseas for example the MAOC-N and the JITAF[S], as described in Part One. The agency continues to support the UK mission in Afghanistan, leading efforts to counter the trade in illegal narcotics and helping to embed good governance.</p> <p>These arrangements are delivering a range of benefits, some of which are detailed in Part One.</p>

Appendix A: progress against SOCA's Strategic Imperatives

Strategic Imperative Five – to build our capacity to make a difference

Strategic Imperative 5 seeks to ensure SOCA continues to be a noticeably more effective and diverse organisation. The aim is to have a workforce that can fill all critical roles, with capabilities to impact on the harm caused by organised crime, an infrastructure which supports flexible working and continuing development of capability.

Deliverable set out in Annual Plan	Progress in 2009/10
Efficiency savings totalling 3% of the overall budget both cashable and non-cashable.	SOCA delivered its target of 3% efficiencies against the overall budget. The target for commercial activities of £2.5m in costs and efficiencies was also achieved. It delivered savings of nearly £30m under the Value for Money programme.
Deliver SOCA's HR strategy in 2009/10 including; a career management strategy and career paths defined; increased emphasis on people management and leadership development activities; workforce planning to address skills shortages; recruitment balances wastage and funding; Identity Programme and Inclusion, Diversity and Equality (IDE) Strategy. Associated learning and development also planned in order to meet the needs of both business and individuals.	<p>SOCA delivered key elements of its HR Strategy in 2009/10.</p> <p>It welcomed 214 new recruits into the organisation and undertook its second High Potential Recruitment and Development campaign. Workforce planning to define requirements for 2010/11 was completed and will ensure that recruitment balances wastage.</p> <p>The publication of generic role profiles for all posts within SOCA marked a step change in the definition of career paths and career management. The role profiles enable staff to map a route to a specific role in which they may be interested by identifying relevant areas for personal development which can then be pursued.</p> <p>A leadership development programme, through which all managers within the agency will receive tailored training, was implemented. By year end, over 50% of staff had attended Identity, Diversity and Equality training with training resource allocated to ensure 100% compliance in 2010/11.</p> <p>SOCA was awarded 'two ticks' accreditation by Jobcentre Plus in recognition of the agency's commitment to employ, keep and develop the abilities of disabled staff.</p>
Continued delivery of a secure organisation through the embedding of a security culture across all aspects of SOCA business and the extension of Developed Vetting (DV) and aftercare within the workforce.	<p>SOCA implemented its in-house vetting team. The team delivered an increase in the number of DV cleared staff by nearly 12%, with 58% of the workforce now DV cleared.</p> <p>All staff have received Information Security training, and SOCA implemented a new incident management database which improves its capacity to identify and react to trends in security incidents.</p>

Appendix A: progress against SOCA's Strategic Imperatives

<i>Deliverable set out in Annual Plan</i>	<i>Progress in 2009/10</i>
<p>Delivery of Capital Investment Plan (CIP) for 09/10 in support of the 3-year Investment Plan approved by the Board. Business benefits identified through the CIP and Investment Delivery Group across all SIs.</p>	<p>SOCA delivered Year Two of the three-year investment plan including:</p> <p>Estates Programme</p> <p>SOCA continued the rationalisation of its estate. This included the continued development of the North West Hub which at year end was on schedule for delivery in 2010 and for which the agreement to lease is now unconditional. SOCA has reduced its inherited estate by approximately a third, from 71 to 49 SOCA sites in less than four years.</p> <p>The Information Management Programme</p> <p>The Information Management Programme (IMP) continued to deliver new and enhanced capabilities in support of the Information Management Strategy. Significant effort and progress was made on priority projects. Agile and positive engagement with suppliers took place which is producing an impressive new capability to manage SOCA's data. This was demonstrated to partners and senior stakeholders and received an overwhelmingly positive response. The IMP also continued to develop its core information systems to meet SOCA's business needs and to fully embed its knowledge-led model.</p> <p>The Integrated Service Management (iSM) Infrastructure Programme</p> <p>The iSM programme was completed for 2009/10. The Vehicle Replacement Programme delivered over 40 new vehicles some of which are armoured. Access to the SOCA network was rolled out to 14 further sites worldwide. An enhanced ID card system was delivered which will support the roll out of new SOCA ID cards in 2010.</p>
<p>Integrated Service Management (iSM) services maintained and enhanced.</p>	<p>A significant number of self service functions such as online expense and leave management went live, whilst the release dates of those in development remain on target. The iSM 24/7 team became fully staffed and worked closely with operational teams to support their activities. Mandatory e-learning packages for DSE, Fire Safety and Manual Handling have been published, ensuring that SOCA is compliant with health and safety legislation.</p>

Appendix A: progress against SOCA's Strategic Imperatives

<i>Deliverable set out in Annual Plan</i>	<i>Progress in 2009/10</i>
<p>Year 2009/10 milestones within the 2010 Project.</p>	<p>SOCA's existing ICT contracts will expire in 2010. In early 2009 SOCA conducted a competitive dialogue process with five ICT providers for the replacement and upgrading of SOCA's ICT capabilities. An evaluation of the bids enabled the down-select to three bidders in September 2009. In March 2010, the three bidders provided their detailed solutions and financial model offerings which are ready to be taken forward into the final dialogue and tender stages during 2010/11.</p>
<p>Taking forward the SOCA Pay Strategy.</p>	<p>98% of full time SOCA staff are now on SOCA terms and conditions.</p>



Published by TSO (The Stationery Office) and available from:

Online

www.tsoshop.co.uk

Mail, telephone, fax and email

TSO

PO Box 29, Norwich NR3 1GN

Telephone orders/general enquiries: 0870 600 5522

Order through the Parliamentary Hotline Lo-Call 0845 7 023474

Fax orders: 0870 600 5533

Email: customer.services@tso.co.uk

Textphone: 0870 240 3701

The Parliamentary Bookshop

12 Bridge Street, Parliament Square, London SW1A 2JX

Telephone orders/general enquiries: 020 7219 3890

Fax orders: 020 7219 3866

Email: bookshop@parliament.uk

Internet: <http://www.bookshop.parliament.uk>

TSO@Blackwell and other accredited agents

Customers can also order publications from:

TSO Ireland

16 Arthur Street, Belfast BT1 4GD

Telephone orders/general enquiries: 028 9023 8451

Fax orders: 028 9023 5401

ISBN 978-0-10-296697-8

