



National Fraud  
Authority

# **National Fraud Authority**

## **Annual Report and Accounts**

### **2013-14**

**(For the year ended 31 March 2014)**

# **National Fraud Authority**

## **Annual Report and Accounts 2013-14**

(For the year ended 31 March 2014)

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

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

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

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## Accounting Officer's Foreword

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

On 2 December 2013<sup>1</sup>, the Home Secretary announced to Parliament that the National Fraud Authority would close on 31 March 2014. The closure of the National Fraud Authority was designed to strengthen the Government's fight against economic crime by concentrating effort into law enforcement bodies and improving the fraud reporting and analysis service. The changes would further support the National Crime Agency's role in leading the fight against serious and organised crime.

The NFA's functions and many of its staff were transferred to the National Crime Agency, the City of London Police, the Home Office and the Cabinet Office. Much expertise and knowledge has therefore been retained. Alongside delivering the transition and closure programme, the NFA and our partners continued to deliver improvements in the fight against fraud. Most notably:

- There were further increases in the crime reports taken by Action Fraud in its first full year as the single point of reporting non-emergency fraud and cyber crime in England and Wales;
- We reached a major milestone in the sharing of fraud data across the public and private sectors, with the pilot sharing of data between HM Revenue and Customs, the Department for Work and Pensions, the Insurance Industry, the banking sector and the National Fraud Intelligence Bureau;
- We published the fourth Annual Fraud Indicator on the scale and nature of fraud in the UK;
- Our work on identity crime as an enabler of fraud and other serious crime informed some of the operational activity against false identity factories led by the National Policing lead for identity crime and the National Crime Agency on the NCA's first day of operation; and
- The design and delivery of the cyberstreetwise e-confidence campaign targeted at individuals and small and medium sized businesses which aims to increase the proportion of key segments which exhibit safe and secure behaviours on-line.

Mark Sedwill  
Home Office Permanent Secretary and Accounting Officer  
18 June 2014

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

## Strategic Report

The NFA's Accounting Officer was the Chief Executive, who ran the NFA in compliance with the Treasury document "Managing Public Money", in particular with regard to the Accounting Officer responsibilities set out in Chapter 3. These accounts, for 2013-14, are being consolidated into the Home Office's accounts.

The NFA was a small organisation comprising of approximately 50 people which also operated Action Fraud, the national reporting centre for fraud and internet crime, through two (Manchester and Edinburgh) outsourced contact centres. The outsourcing agreement also covered the provision of on-line reporting services including the supporting IT infrastructure. We were allocated ring-fenced funding through to 2014-15 by HM Treasury as part of the Spending Review. We were also awarded funding from the National Cyber Security Programme to enhance and expand the Action Fraud service to deliver the Strategic Defence Security Review commitment to provide a reporting service for cyber crime and to design and deliver the cyberstreetwise e-confidence campaign. Our actual spend for 2013-14 was £12 million.

The threat from fraud continues to have a damaging effect on our country with estimated losses of £52 billion per annum. Fraudsters attack all economic sectors and parts of our society and we have learned that our fight against them is much more effective when working together. The 2013-14 priorities remained those set out in our 2012-13 Business Plan commitments which were to:

- Raise the profile and awareness of fraud among individuals, businesses, the public sector and voluntary sectors and to empower them to protect themselves by delivering targeted initiatives which measurably change behaviour;
- Improve intelligence and information sharing across the counter fraud community;
- Map high risk fraud methodologies comprehensively to identify common enabling factors and to produce, execute and evaluate proactive prevention plans to reduce fraudsters' abuse of enablers;
- Improve our measurement of the scale and breakdown of the fraud problem and to develop more sophisticated and rigorous measures of performance across all areas of fraud awareness, prevention and enforcement; and
- Continue to deliver the Action Fraud service, which from April 2013 became the single point of fraud reporting and to improve the quality of victims' experience in reporting fraud.

In addition we had the objective to transition the NFA's functions to the National Crime Agency, the City of London Police, the Home Office and the Cabinet Office and achieve an orderly closedown of the agency by 31 March 2014.

Our main achievements against the above objectives are set out below.

In partnership with organisations across the public and private sectors we designed and delivered the cyberstreetwise e-confidence campaign. The campaign is initially targeted on one consumer segment of the population and those segments of small and medium sized enterprises most at risk of fraud. The campaign has measurable objectives over a 2 year period to drive up the adoption of a basket of safe and secure on-line behaviours by five percentage points. This work is funded by the National Cyber Security Programme and also receives a wide range of support from organisations across a number of sectors. This work transitioned to the Home Office on 1 February 2014 as part of the NFA closure programme.

We continued to lead a pilot project to share confirmed fraud data between HM Revenue and Customs, the Department for Work and Pensions, the insurance industry, the banking industry (via Financial Fraud Action UK) and the National Fraud Intelligence Bureau. The National Crime Agency also played a key role as the central aggregator of the data. This aims to prevent fraud losses by improving risk assessment of new and existing applications for products and services by having a wider set of known fraud data available to organisations. The first stage of a three-stage pilot has been completed which has matched data across all the participants. A second stage will allow for more sophisticated matching of data by HM Revenue and Customs and the Department for Work and Pensions. The third stage will check new customer data against the consolidated set of fraud data from all participants to inform the development of a business case for sharing this data on a routine basis. Leadership of this project transferred to the Cabinet Office under the Fraud Error and Debt Team in November 2013 with NFA staff working on the project becoming National Crime Agency officers based in the Cabinet Office on 1 February 2014. Other NFA staff working on economic crime intelligence sharing activities transferred to the National Crime Agency on 1 December 2013.

We led work to complete an economic crime strategic assessment on behalf of the Economic Crime Command of the NCA. The assessment was the second iteration of a document which sets out the nature of current threat to the UK from economic crime types under the remit of the ECC. Judgements were based on a range of information supplied by partners from across the public, private and charitable sectors as well as law enforcement (many of whom were drawn from relationships established under Fighting Fraud Together).

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

April 2013 marked the date when Action Fraud became the single point of reporting non-emergency frauds on behalf of all police forces in England and Wales. The Office for National Statistics began to use the data sent by Action Fraud to the National Fraud Intelligence Bureau as the primary source of fraud data published in police recorded crime statistics. In the 2013-14 financial year, Action Fraud had 1,510,818 unique visitors (a 36% increase on 2012-13) and took 597,912 calls (a 49% increase). The service recorded:

- 227,726 crime reports – a 46% increase;
- 160,547 information reports – a 72% increase; and
- 62,058 phishing & virus reports – a 16% increase.

These figures do not necessarily represent an increase in recorded crime levels for Fraud Act and Computer Misuse Act offences. From April 2015, when the Office for National Statistics can make year-on-year comparisons of Action Fraud data from all police force areas of England and Wales.

Responsibility for Action Fraud transferred to the City of London Police on 1 April 2014. NFA staff working on Action Fraud formally transferred to the City of London Corporation on 1 April 2014 and the NFA's contract for the Action Fraud contact centre and the technical infrastructure for on-line reporting of crimes novated to the City of London Corporation on 1 April 2014. The City of London Police have always been responsible for taking action on crimes reported to Action Fraud such as referring them to a police force to determine whether a criminal investigation is feasible or disrupting websites, phone numbers and bank accounts linked to fraud. During 2013-14 we worked on an end-to-end improvement plan with the City of London Police to increase the number of crimes referred to police forces for further investigation.

We also participated in initial discussions with the Chartered Institute of Public Finance and Accountancy (CIPFA) on establishing a Counter Fraud Centre of Excellence to take on some of the work of Fighting Fraud Locally and the Audit Commission.

On our closure and transition, all our staff and functions transferred on schedule and the NFA closed on 31 March 2014. Actions taken by the transition team resulted in there being no compulsory redundancies. All the costs of transition and closure were met from the NFA's budget and there was no additional call on public funds. The Home Office will take responsibility for residual activities such as the publication of the NFA's final annual report and accounts and confirming and funding pension arrangements for staff who transferred to the City of London Corporation.

### **The NFA Management Board**

The NFA Management Board was chaired by Stephen Harrison, Chief Executive. The Board comprised the Chief Executive Officer, two Directors (this dropped to one Director in February 2014), plus a senior finance professional, two Non-Executive Directors and a representative from our sponsor team. Other persons might attend at the invitation of the Chief Executive. Board meetings were held every two months.

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

Mark Sedwill  
Home Office Permanent Secretary and Accounting Officer  
18 June 2014



## **Director's Report**

### **Diversity**

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

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

### **Sickness**

The NFA aimed to ensure the regular attendance of all its employees. However, it recognised that from time to time, employees might be unable to attend work due to ill health. Working in partnership with the employees, the NFA aimed to find ways to manage sick absences and ensured employees return to work at the earliest possible opportunity. The average number of sick days per permanent member of NFA staff during the year was 6.22 days (2012-13: 2.21 days).

### **Environmental Policy and Sustainability**

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

### **Going Concern Basis**

The NFA was an Executive Agency of the Home Office. In line with the advice in the Treasury Financial Reporting Manual (FReM), the 2013-14 accounts of the NFA have been prepared on a going concern basis. The agency ceased operations on 31 March 2014. As all assets, liabilities and functions have transferred to other entities, it is appropriate to prepare the accounts on a going concern basis. The vast majority of the work of the Agency has transferred to other organisations as itemised below:

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

The accounts were prepared under a direction issued by HM Treasury, under section 7 of the Government Resources and Accounts Act 2000.

The statement of financial position as at 31 March 2014 shows total liabilities, less assets, of £1.402 million. All residual balances after this date have subsequently transferred to the Home Office with the exception of the Action Fraud Web Reporting Tool (with a net book value of £142,000) which transferred to the City of London Police.

### **Payment of Suppliers**

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

During the year, 97% of valid invoices were paid within 30 days.

### **External Audit Arrangements**

The Comptroller and Auditor General is the external auditor of the NFA. The notional audit fee for the period of these accounts was £31,000 (2012-13: £33,000).

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

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

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

Mark Sedwill  
Home Office Permanent Secretary and Accounting Officer  
18 June 2014

## **Remuneration Report**

### **Remuneration Policy**

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

### **Senior Official Appointments**

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

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

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

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

The disclosures within this Remuneration Report are subject to audit.

### **Service Contracts**

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

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

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

### **Policy**

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

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

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

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

### Remuneration (including salary) and pension entitlements (audited)

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

### Remuneration (salary, payments in kind and pension benefits)

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

	Salary £000		Bonus Payments £000		Benefits in kind (to nearest £100)		Pension benefits (to nearest £1000)		Total £000	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Stephen Harrison <sup>1</sup> <i>Chief Executive</i>	90-95	85-90	-	-	1,600	1,600	9,000	32,000	100-105	120-125
Edward Nkune <i>Director of Knowledge</i>	70-75	65-70	-	-	1,100	1,100	9,000	45,000	80-85	115-120
Peter Wilson <i>Director of Engagement (until 31 January 2014)</i>	95-100 (115-120)	115-120	-	-	-	-	25,000	74,000	120-125	185-190

<sup>1</sup> Stephen Harrison's salary included a payment for £3,241.56 to cover excess leave costs.

Amanda McFeeters, the Director of Finance (from 1 October 2011 to 19 March 2014), Robert Mackintosh, the Director of Finance (from 20 March to 31 March 2014), Christopher Blairs, the NFA sponsor (to 3 November 2013), and Owen Rowland, NFA sponsor, (from 4 November) are paid by the Home Office and fulfil their Management Board roles at no cost to the NFA.

Stephen Harrison left the agency under Voluntary Redundancy terms on 31 March 2014. The capitalised cost of the package he received was in the range £255,000-£260,000, comprised of a payment on standard Civil Service Compensation Scheme terms.

Edward Nkune left the agency under Voluntary Redundancy terms on 31 March 2014. The capitalised cost of the package he received was in the range £120,000-£125,000, comprised of a payment on standard Civil Service Compensation Scheme.

Non-Executive Directors	2013-14		2012-13	
	Salary £000	Benefits in kind (to nearest £100)	Salary £000	Benefits in kind (to nearest £100)
Stephen Barrett	15-20	700	15-20	500
Alison Porter	15-20	700	15-20	1,000

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

### Remuneration ratio

With less than five employees at 31 March 2014, it is not practical to meaningfully compare the median salary, and therefore the remuneration ratio, with prior year. (At 31 March 2013, the median was £45,362 and remuneration ratio was 2.7).

### Salary

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

### Benefits in Kind

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

### Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. There were no bonus payments in 2013-14 and 2012-13.

**Pension Benefits (audited)**

Officials	Accrued pension at pension age as at 31 March 2014 and related lump sum	Real increase / (decrease) in pension and related lump sum at pension age	CETV at 31 March 2014	CETV at 31 March 2013	Real increase / (decrease) in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	Nearest £100
Stephen Harrison <i>Chief Executive</i>	25-30 plus lump sum of 85-90	0-2.5 plus lump sum of 0-2.5	509	471	5	-
Edward Nkune <i>Director of Knowledge</i>	15-20 plus lump sum of 50-55	0-2.5 plus lump sum of 0-2.5	263	241	4	-
Peter Wilson <i>Director of Engagement (until 31 January 2014)</i>	15-20	0-2.5	204	177	15	-

**Civil Service Pensions**

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

Employee contributions are salary-related and range between 1.5% and 6.25% of pensionable earnings for **classic** and 3.5% and 8.25% for **premium, classic plus** and **nuvos**. Increases to employee contributions applied from 1 April 2014. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is up

rated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

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

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

### **Cash Equivalent Transfer Values**

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

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### **Real increase in CETV**

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

Where the individual was not in post for the full year, the CETV at 31 March 2013 represents the value as at their start date and the CETV at 31 March 2014 represents the value as at their end date.

Mark Sedwill  
Home Office Permanent Secretary and Accounting Officer  
18 June 2014



## Statement of Accounting Officer's Responsibilities

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

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

The Home Office Permanent Secretary formally appointed the Chief Executive of the National Fraud Authority as Accounting Officer. Post closure, the Home Office Accounting Officer is responsible for the preparation of these accounts.

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

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

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

Mark Sedwill  
Home Office Permanent Secretary and Accounting Officer  
18 June 2014

## **Governance Statement**

### **Scope of responsibility**

The Chief Executive, Stephen Harrison, was Accounting Officer of the Agency until it closed. He had personal responsibility for maintaining a sound system of governance, internal control and risk management within the Agency to support the achievement of the aims and objectives, whilst safeguarding the public funds and departmental assets for which he was personally responsible, in accordance with the responsibilities assigned to him in *Managing Public Money* and the Government's Financial Reporting Manual.

He was assisted by the NFA Management Board in ensuring that the NFA operated effectively within the control and delegation framework specified by the Home Office. This statement sets out how he discharged his responsibility to manage and control NFA's resources during the financial year. Post closure I, as the Home Office Accounting Officer, am responsible for the preparation of the 2013-14 accounts.

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

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

I confirm that the governance, internal control and risk management arrangements in operation were kept under continual review and the Agency updated the Home Office as necessary via their attendance at NFA Management Board and Audit Committee meetings and in regular bilateral meetings with senior officials in the sponsoring Directorate (the Strategic Centre for Serious and Organised Crime in the Office for Security and Counter Terrorism).

### **Governance Framework**

As an Executive Agency, all governance arrangements are defined in the NFA Framework Agreement which was last updated in June 2012 and is published on the NFA's pages on the GOV.UK website. It is compliant with the relevant sections of the *Corporate Governance Code* and *Managing Public Money*. The Home Office provided the strategic and business sponsorship role overseeing the NFA. The NFA was financially accountable to the Home Office's Accounting Officer for its funding and through the consolidation of its accounts into the Home Office's annual accounts.

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

- Establishing the NFA's strategic direction for approval by the Home Office;

- Ensuring that risks to the NFA's objectives were actively identified and addressed;
- Agreeing an appropriate performance monitoring framework for the NFA;
- Developing an annual business plan; and
- Agreeing NFA corporate policies (e.g. employment policies).

The Management Board also scrutinised and challenged performance and risk management and oversaw the management of corporate resources, including staff, finance, information, security and physical resources.

The Management Board comprised the Chief Executive; two Non-Executive Directors; two NFA Directors (one Director from 1 February 2014 following the transfer of one Director to the Home Office as part of the NFA Transition and Closure Programme); a senior finance professional and a representative of the Home Office sponsoring unit. The two Non-Executive directors continued to provide externally informed influence and advice and the Home Office sponsor member ensured alignment with wider departmental objectives.

The Management Board met on six occasions between April 2013 and March 2014. Attendance at those meetings is outlined below.

<b>Name</b>	<b>Role</b>	<b>Meetings Attended</b>
Stephen Harrison	Chief Executive	6
Edward Nkune	Director	5
Peter Wilson	Director	5
Amanda Mcfeeters	Home Office Senior Finance Professional	4
Robert Mackintosh	Home Office Senior Finance Professional	1
Stephen Barrett	Non-executive Director	5
Alison Porter	Non-executive Director	4
Chris Blairs	Home Office Sponsoring Unit representative	3
Owen Rowland	Home Office Sponsoring Unit representative	3

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

- Strategic processes for risk management, control and governance; the accounting policies; and on this report and the review and audit of these accounts;
- Planning, conduct, results and responses to both internal and external audit and assurance activity; and
- Anti-fraud policies, whistle-blowing processes, and arrangements for special investigations.

The Audit Committee was chaired by one of the NFA Non Executive Directors. Membership of this Committee consisted of the two Non-Executive Directors, attendees include the NFA Chief Executive, the Finance lead, Home Office Internal Audit and the NAO External Audit Director/Manager. In 2013-14, the Audit Committee met four times and had full attendance (from members and attendees) at all meetings. Attendance at those meetings is outlined below.

<b>Name</b>	<b>Role</b>	<b>Meetings Attended</b>
Stephen Barrett	Non-executive Director	4
Alison Porter	Non-executive Director	4

The Chair of the Audit Committee had been concerned at the lack of a third member of the Committee and the risk that it could become inquorate. This risk did not materialise.

In September 2013, the Home Office established the NFA Transition Programme Board to oversee both the transfer of most of the NFA's functions to the National Crime Agency, the Home Office, the Cabinet Office and the City of London Police and also the closure of the NFA by 31 March 2014. The NFA Chief Executive was a member of that Board which had been chaired by the Director, Serious and Organised Crime and latterly by the Head of the Prevent, Protect & Prepare Unit in the Strategic Centre for Organised Crime. The Home Office Internal Audit were also represented on the Board and provided assurance to the Home Office on the Transition and Closure Programme. The NFA's Non-Executive Directors also attended the early meetings of the Board. The Home Office is responsible for any residual NFA matters post 31 March 2014 e.g. the production and laying of the Annual Report and Accounts for 2013-14 with the Strategic Centre for Organised Crime having overall responsibility for residual matters. The Transition Programme Board held a final meeting in April 2014 to confirm the successful completion of the programme.

## **Risk Management**

The risk management policy was aligned with the Home Office standard approach. The NFA continued to operate to this policy, with the Management Board overseeing the management of the risks on the corporate register.

Risk management in the NFA was led from the top. In line with its Risk Management policy, risks to achieving NFA's 2013-14 objectives were reviewed as part of the NFA's Business Plan, with the Management Board reviewing progress on existing key risks at each meeting. A separate risk register relating to the NFA's transition and closure was prepared and reviewed at meetings of the NFA Transition Programme Board. The Leadership Team also regularly reviewed progress on managing NFA strategic, corporate and NFA programme risks, escalating the latter to the Management Board if appropriate. The Audit Committee also kept under review the policy and processes for risk management, and was content with them.

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

At closure on 31 March 2014, the top level risks on the Corporate Register were in the following areas:

- Action Fraud becomes unavailable for a number of reasons: Denial of Service or Cyber Attack, substantial damage at Service Provider, or high profile data security breach;
- Failure in Action Fraud service for either a high volume fraud issue or a single issue with high emotional impact and consequences, causes distress and poor service to victims and media attention leading to reputational damage;
- Member of staff commits fraud either internally or externally;
- Failure of the City of London Police to deliver on expectations to respond to Action Fraud crime reports leads to reputational damage and poor service to victims and law enforcement partners; and
- The NFA's work is not transitioned successfully into successor bodies, resulting in a less effective response to fraud and reputational damage to both the NFA and the Home Office.

Mitigating actions were in place for all these risks. The risk register also shows:

- Risks that have closed as a result of the closure of the NFA;
- Risks that have transferred as a result of the transfer of the NFA's functions; and
- Risks that have been modified as a result of the transfer of the NFA's functions e.g. where an operational risk has transferred with the transferring function, but a reputational risk remains with the Home Office.

The Home Office Audit Committee was presented with a copy of the risk register as amended above as part of its review of the NFA's closure at its meeting on 25 March 2014. The risk register will also be copied to the organisations receiving the NFA's functions.

## **Financial Management**

The Financial Monitoring Unit of the Home Office provides both Finance Director support to the NFA and will prepare the Annual Accounts.

The NFA had worked closely with the Home Office and agreed the budget transfers between Cabinet Office and NFA under the National Cyber Security Programme (NCSP). A formal delegation letter for the 2013-14 financial year was received from the Home Office on 30 December 2013 and its contents were in line with NFA's planning assumptions. Budget transfers were made to the following bodies receiving NFA's functions in 2013-14 in the Supplementary Estimate:

- Cabinet Office to cover vacancies in the Counter Fraud Checking Service project team and to part-fund an external review of the project; and
- Home Office, Office for Security and Counter Terrorism in relation to that part of the National Cyber Security Programme funding for the Cyber Street Awareness and Behaviour Change campaign which was unspent on the date this function transferred from the NFA to the Home Office (1 February 2014).

All other costs relating to functions transferring in the 2013-14 financial year were borne by the receiving organisations from the date of their transfer. This allowed the NFA to set aside sufficient funds within its 2013-14 delegation to cover:

- Redundancy costs arising from the closure of the NFA;
- Support to staff at risk of redundancy to find new roles; and
- The cost of additional staff resources to manage the transition and closure programme.

A Grant Agreement was negotiated between NFA and the City of London Police for NCSP funding for the National Fraud Intelligence Bureau. The agreement follows Home Office guidance and will allow the monitoring of delivery by the City of London Police to ensure that grant payments are made in accordance with the agreement.

The NFA was not able to improve the grant process with the City of London Police this year as originally envisaged. This was due to uncertainty over the size of the grant as the business case was not approved by Ministers until much later in the financial year than was expected; uncertainty over which organisation would carry out some of the functions funded by the grant post-NFA closure which was not resolved until August 2013 and delays in the issuing of the NFA's delegation letter. However, there was no resulting impact on either the accuracy or regularity of the NFA's accounts.

## **Information Management**

The NFA's largest data risk is contained within the Action Fraud programme with its role to record crime and crime related data in relation to fraud and internet crime. This data is then transferred via a secure link to the National Fraud Intelligence Bureau at the City of London Police. The NFA was fully linked into Home Office procedures for reporting any data losses, anomalies or breaches which may occur. There has been one significant information management incident in the period covered by this report which was reported to the Home Office Senior Information Risk Owner (SIRO), the Departmental Security Unit and to Ministers. The incident, which did not result in loss of any data, was discovered in July 2013. As a result of an IT fault, 2,490 reports (of which 1,738 were crime reports) dating from between November 2012 and July 2013 and representing 1.3% of the total number of reports taken by Action Fraud in this period were not transmitted to the National Fraud Intelligence Bureau until July 2013. The incident was reported to Parliament by way of a

Written Ministerial Statement<sup>2</sup>. The incident was also disclosed promptly to the Office for National Statistics which uses Action Fraud data in its official crime statistics publications. The cause of the incident was identified and prompt action taken to remedy the situation.

On 1 February 2014, the NFA's SIRO responsibility transferred from a Director to the Chief Executive, following that Director's transfer to the Home Office as part of the NFA Transition and closure programme. The Chief Executive ensured an orderly transition of the SIRO responsibilities in relation to Action Fraud to the City of London Police which included briefing the Assistant Commissioner of the City of London Police who undertakes the SIRO role for the force.

NFA data relating to functions which have transferred during 2013-14 have been transferred to the receiving organisations. Corporate and historic data will be transferred to the Strategic Centre for Organised Crime and the National Archives have been consulted on what NFA data should be earmarked for preservation.

Mark Sedwill  
Home Office Permanent Secretary and Accounting Officer  
18 June 2014

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<sup>2</sup> House of Commons, Official Report 18 July 2013 Column 130WS



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

I certify that I have audited the financial statements of National Fraud Authority for the year ended 31 March 2014 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

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

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

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

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



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

### **Opinion on regularity**

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

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the National Fraud Authority's affairs as at 31 March 2014 and of the net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

### **Opinion on other matters**

In my opinion:

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

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

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

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

## **Report**

Without qualifying my opinion, I draw attention to Note 1.2 of the financial statements. During 2013-14, all the National Fraud Authority's functions, assets and liabilities were transferred to the Home Office, National Crime Agency, City of London Police and the Cabinet Office, in preparation for the closure of the National Fraud Authority. As the functions previously provided by the National Fraud Authority continue to be provided by other public sector entities, it remains appropriate for the Agency's financial statements for the year ended 31 March 2014 to be prepared on a going concern basis in accordance with the Government Financial Reporting Manual issued by HM Treasury.

**Sir Amyas Morse**  
**Comptroller and Auditor General**

**20 June 2014**

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

**Statement of Comprehensive Net Expenditure**

for the period ended 31 March 2014

		<b>2013-14</b>			<b>2012-13</b>
		<b>£000</b>			<b>£000</b>
	<b>Note</b>	<b>Staff Costs</b>	<b>Other Costs</b>	<b>Income</b>	<b>Total</b>
<b>Administration Costs:</b>					
Staff costs	2	896	-	-	425
Other administration costs	3	-	147	-	158
Operating income		-	-	-	-
<b>Programme Costs:</b>					
Staff costs	2	1,692	-	-	2,650
Programme costs	4	-	9,096	-	5,576
Operating Income		-	-	-	-
<b>Total</b>		<b>2,588</b>	<b>9,243</b>	<b>-</b>	<b>8,809</b>
<b>Net Operating Cost</b>				<b>11,831</b>	<b>8,809</b>

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

The notes on pages 28 to 41 form part of these accounts

**Statement of Financial Position**

as at 31 March 2014

	Note	2013-14 £000	2012-13 £000
<b>Non-current assets:</b>			
Intangible assets	6	142	251
<b>Total non-current assets</b>		142	251
<b>Current assets:</b>			
Trade and other receivables	8	23	21
<b>Total current assets</b>		23	21
<b>Total assets</b>		<b>165</b>	<b>272</b>
<b>Current liabilities:</b>			
Trade and other payables	9	1,567	1,121
<b>Total current liabilities</b>		1,567	1,121
<b>Non-current assets less net current liabilities</b>		<b>(1,402)</b>	<b>(849)</b>
<b>Assets less liabilities</b>		<b>(1,402)</b>	<b>(849)</b>
<b>Taxpayers' equity:</b>			
General fund		(1,402)	(849)
<b>Total taxpayers' equity</b>		<b>(1,402)</b>	<b>(849)</b>

On 1 April 2014, the intangible assets (£142k) transferred to the City of London Police. All other residual balances transferred to the Home Office.

The notes on pages 28 to 41 form part of these accounts

Mark Sedwill  
Home Office Permanent Secretary and Accounting Officer  
18 June 2014

**Statement of Cash Flows**

for the year ended 31 March 2014

	<b>Note</b>	<b>2013-14 £000</b>	<b>2012-13 £000</b>
<b>Cash flows from operating activities</b>			
Net operating cost		(11,831)	(8,809)
Adjustments for non-cash transactions	3, 4	140	127
(Increase)/decrease in trade and other receivables	8	(2)	135
Increase/(decrease) in trade payables	9	446	127
less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		-	-
<b>Net cash outflow from operating activities</b>		<b>(11,247)</b>	<b>(8,420)</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets	6	-	-
<b>Net cash outflow from investing activities</b>		<b>-</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply)		11,247	8,420
<b>Net financing</b>		<b>11,247</b>	<b>8,420</b>
<b>Net increase/(decrease) in cash and cash equivalents in the year</b>		<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>-</b>	<b>-</b>

The notes on pages 28 to 41 form part of these accounts

**Statement of Changes in Taxpayers' Equity**

for the year ended 31 March 2014

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
<b>Balance at 31 March 2012</b>		(493)	-	(493)
<b>Changes in taxpayers' equity for 2012-13</b>				
Non-cash charges - auditor's remuneration	3	33	-	33
Net operating costs for the year		(8,809)	-	(8,809)
<b>Total recognised income and expense for 2012-13</b>		(8,776)	-	(8,776)
Net Parliamentary Funding - drawn down		8,420	-	8,420
<b>Balance at 31 March 2013</b>		<b>(849)</b>	-	<b>(849)</b>
<b>Changes in taxpayers' equity for 2013-14</b>				
Non-cash charges - auditor's remuneration	3	31	-	31
Net operating costs for the year		(11,831)	-	(11,831)
<b>Total recognised income and expense for 2013-14</b>		(11,800)	-	(11,800)
Net Parliamentary Funding - drawn down		11,247	-	11,247
<b>Balance at 31 March 2014</b>		<b>(1,402)</b>	-	<b>(1,402)</b>

The notes on pages 28 to 41 form part of these accounts

## Notes to the Agency's Accounts

### 1 Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2013-14 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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

#### 1.1 Accounting Convention

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

#### 1.2 Going concern

The NFA was an Executive Agency of the Home Office. In line with the advice in the Treasury Financial Reporting Manual (FReM), the 2013-14 accounts of the NFA have been prepared on a going concern basis. The Agency ceased operations on 31 March 2014. As all assets, liabilities and functions have transferred to other entities, it is appropriate to prepare the accounts on a going concern basis. The vast majority of the work of the Agency has transferred to other organisations as itemised below:

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

The accounts were prepared under a direction issued by HM Treasury, under section 7 of the Government Resources and Accounts Act 2000.

The statement of financial position as at 31 March 2014 shows total liabilities, less assets, of £1.402 million. All residual balances after this date have subsequently transferred to the Home Office with the exception of the Action Fraud Web Reporting

Tool (with a net book value of £142,000) which transferred to the City of London Police.

### 1.3 Administration and Programme Cost

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

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

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

### 1.4 Property, Plant and Equipment

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

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

### 1.5 Intangible Assets

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

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

### 1.6 Depreciation and Amortisation

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

Furniture and Fittings	3 - 10 years
Information Technology	2 - 7 years



Intangible Assets	2 - 7 years
IT Development Projects in use	2 - 7 years

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

### **1.7 Grants**

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

### **1.8 Foreign Exchange**

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

### **1.9 Pensions**

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

### **1.10 Voluntary exit and early release schemes**

Total severance and early retirement costs are expensed in full in the year in which the departure is agreed. Both offer and acceptance of the scheme conditions must be confirmed by the employee and the date agreement is reached dictates the year in which the costs are expensed.

All confirmed early severance scheme costs not actually paid for prior to year end will be accrued for at the end of the financial year.

### **1.11 Provisions**

The NFA provide for legal and constructive obligations which are of uncertain timing or amount at the reporting date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury discount rate. There were no provisions as at 31 March 2014 (2012-13: Nil).

### **1.12 Operating Leases**

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

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

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

### **1.14 Contingent Liabilities**

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

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

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

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

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

### **1.16 Impending application of newly issued accounting standards not yet effective**

The following accounting standards have been issued but not yet effective:

IFRS 10 - Consolidated Financial Statements; IFRS 11 - Joint Arrangements; IFRS 12 - Disclosure of Interests in Other Entities; IAS 27 - Separate Financial Statements

and IAS 28 - Investments in Associates and Joint Ventures were all effective from 1 January 2013, with EU adoption from 1 January 2014.

IFRS 13 – Fair Value Measurement was issued on 1 January 2013 and has been adopted by the EU. This will be effective from 2015-16. IFRS 13 has been prepared to provide consistent guidance on fair value measurement for all relevant balances and transactions covered by IFRS.

These standards are not applicable, and will not have a material impact, to the NFA accounts.

## 2. Staff numbers and related costs

Staff costs comprise:

	2013-14 £000		2012-13 £000
	Permanently employed staff	Others	Total
Wages and salaries	1,588	124	1,712
Social security costs	148	-	148
Other pension costs	349	-	349
<b>Sub Total</b>	<b>2,085</b>	<b>124</b>	<b>2,209</b>
Less recoveries in respect of outward secondments	(24)	-	(24)
<b>Total Net Costs</b>	<b>2,061</b>	<b>124</b>	<b>2,185</b>
Early retirement/severance costs	403	-	403
<b>Total Costs*</b>	<b>2,464</b>	<b>124</b>	<b>2,588</b>

\* Of which:

	2013-14	2012-13
Charged to administration costs	896	425
Charged to programme costs	1,692	2,650
	<b>2,588</b>	<b>3,075</b>

No staff costs were charged to capital expenditure.

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

For 2013-14, employer's contributions of £349k were payable to the PCSPS (2012-13: £449k) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2013-14 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of nil (2012-13: nil) were paid to one or more appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. In addition, the employer contributes a further 0.8% of pensionable pay to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees. Contributions for 2013-14 were nil (2012-13: nil).

There were no contributions due to the partnership pension providers at 31 March 2014 (31 March 2013: Nil).

No persons (2012-13: Nil) retired early on ill-health grounds; the total additional accrued pension liabilities in the year were Nil (2012-13: Nil).

### Average number of persons employed

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

	2013-14			2012-13
	Permanent employed staff	Others	Total	Total
Directly Employed	36	3	39	48
<b>Total</b>	<b>36</b>	<b>3</b>	<b>39</b>	<b>48</b>

## 2.1 Reporting of Civil Service and other compensation schemes - exit packages

### Civil Service Compensation Scheme

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Less than £10,000	-	-	-	-	-	-
£10,000 - £25,000	-	-	1	-	1	-
£25,000 - £50,000	-	-	-	-	-	-
£50,000 - £100,000	-	-	-	-	-	-
£100,000 - £150,000	-	-	1	-	1	-
£150,000 - £200,000	-	-	-	-	-	-
£200,000 - £250,000	-	-	-	-	-	-
£250,000 - £300,000	-	-	1	-	1	-
<b>Total number of exit packages</b>	-	-	<b>3</b>	-	<b>3</b>	-
<b>Total resource cost (£000)</b>	-	-	<b>403</b>	-	<b>403</b>	-

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972 and as amended by The Superannuation Act 2010. Exit costs are accounted for in full in the year of departure. Where the Department has agreed early exits, the additional costs are met by the Department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

**3. Other administration costs**

	<b>2013-14 £000</b>	<b>2012-13 £000</b>
Rentals under operating leases	61	72
IT and Communications	20	24
Non-cash items		
Auditor's remuneration	31	33
Other		
Office Supplies and Services	1	2
Training and Recruitment	5	7
Travel and Subsistence	4	6
Professional fees	20	3
Marketing	-	1
Conferences and Hospitality	2	5
Other administration expenditure	3	5
<b>Total</b>	<b>147</b>	<b>158</b>

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

**4. Programme costs**

	<b>2013-14</b>	<b>2012-13</b>
	<b>£000</b>	<b>£000</b>
Rentals under operating leases	343	378
IT and Communications	65	77
Contracted Out Services	4,059	2,764
Marketing	1,902	494
Non-cash items		
Amortisation	109	94
Other		
Grants - current	2,218	1,307
Grants - capital	272	-
Research	80	324
Office Supplies and Services	1	19
Training and Recruitment	12	23
Travel and Subsistence	32	45
Professional fees	-	34
Conferences and Hospitality	2	16
Other programme costs	1	1
<b>Total</b>	<b>9,096</b>	<b>5,576</b>

**5. Property, plant and equipment**

The NFA did not own any property, plant and equipment during the reporting year (2012-13: Nil).

**6. Intangible assets**

	<b>Software Licences</b>	<b>Website costs</b>	<b>Assets under Construction</b>	<b>Total</b>
<b>Cost or valuation</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 April 2013	-	443	-	443
Additions	-	-	-	-
Disposals	-	-	-	-
Reclassifications	-	-	-	-
<b>At 31 March 2014</b>	<b>-</b>	<b>443</b>	<b>-</b>	<b>443</b>
<b>Amortisation</b>				
At 1 April 2013	-	(192)	-	(192)
Charged in year	-	(109)	-	(109)
Reclassifications	-	-	-	-
<b>At 31 March 2014</b>	<b>-</b>	<b>(301)</b>	<b>-</b>	<b>(301)</b>
<b>Net book value at 31 March 2014</b>	<b>-</b>	<b>142</b>	<b>-</b>	<b>142</b>
<b>Net book value at 1 April 2013</b>	<b>-</b>	<b>251</b>	<b>-</b>	<b>251</b>

Website costs relate to the Action Fraud Initiative. On 1 April 2014, the intangible assets at net book value (£142k) transferred to the City of London Police.



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

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

## 7. Financial instruments

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

## 8. Trade receivables and other current assets

	2013-14 £000	2012-13 £000
<b>Amounts falling due within one year:</b>		
Trade receivables	20	2
Deposits and advances	3	8
Prepayments and accrued income	-	11
	<b>23</b>	<b>21</b>

**8.1 Intra-Government balances**

	<b>2013-14</b>	<b>2012-13</b>
	<b>£000</b>	<b>£000</b>
<b>Current</b>		
Balances with other central government bodies	20	13
Balances with local authorities	-	-
Balances with public corporations and trading funds	-	-
<b>Subtotal: intra-government balances</b>	<b>20</b>	<b>13</b>
Balances with bodies external to government	3	8
<b>Total receivables at 31 March 2014</b>	<b>23</b>	<b>21</b>

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

After year-end, all receivables transferred to the Home Office.

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

	<b>2013-14</b>	<b>2012-13</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year:</b>		
Trade payables	72	77
Accruals and deferred income	1,495	1,044
	<b>1,567</b>	<b>1,121</b>

**9.1 Intra-Government balances**

	<b>2013-14</b>	<b>2012-13</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year:</b>		
Balances with other central government bodies	18	57
Balances with local authorities	499	-
Balances with public corporations and trading funds	-	-
<b>Subtotal: intra-government balances</b>	<b>517</b>	<b>57</b>
Balances with bodies external to government	1,050	1,064
<b>Total payables at 31 March 2014</b>	<b>1,567</b>	<b>1,121</b>

The NFA has no payables falling due after one year. After year-end, all payables transferred to the Home Office.

## 10. Commitments under Leases

### 10.1 Operating Leases

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

	2013-14 £000	2012-13 £000
<b>Obligations under operating leases comprise:</b>		
Buildings		
Not later than one year	-	450
Later than one year and not later than five years	-	-
Later than five years	-	-
<b>Total Commitment</b>	<b>-</b>	<b>450</b>

### 10.2 Finance Leases

The NFA had no commitments under finance leases at 31 March 2014 (31 March 2013: Nil).

## 11. Commitments under PFI contracts

There were no commitments under PFI contracts at 31 March 2014 (31 March 2013: Nil).

## 12. Other Financial Commitments

There were no other financial commitments at 31 March 2014 (31 March 2013: Nil).

## 13. Contingent liabilities disclosed under IAS 37

As at 31 March 2014 there were no contingent liabilities (31 March 2013: Nil).

## 14. Losses and Special payments

### (a) Losses Statement

There are no material losses during the period which in aggregate exceeded £300,000 (31 March 2013: Nil).

### (b) Special Payments

There are no material special payments during the period which in aggregate exceeded £300,000 (31 March 2013: Nil).

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

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

In addition, the Agency had transactions with other government departments and other central government bodies. These include the Cabinet Office: Civil Superannuation who manage the Principal Civil Service Pension Scheme, National Crime Agency and City of London Police.

The Remuneration Report provides information on key management compensation.

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

The NFA held no monetary assets at 31 March 2014 in interest bearing or other accounts at the end of the reporting period (31 March 2013: Nil).

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

The Statement of Financial Position as at 31 March 2014 shows total liabilities, less assets, of £1.402 million. All residual balances after this date have subsequently transferred to the Home Office with the exception of the Action Fraud Web Reporting Tool (with a net book value of £142,000) which transferred to the City of London Police.

The NFA ceased to exist after 31 March 2014 and there were no other material events after the balance sheet date.

These financial statements were authorised for issue on the same date that the Comptroller and Auditor General signed his certificate.

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