



**NCA**

National Crime Agency

National Crime Agency  
Annual Report and Accounts  
2015–16

# **National Crime Agency Annual Report and Accounts 2015–16**

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# Foreword by the Permanent Secretary at the Home Office



When the National Crime Agency was established in 2013, it was clear that the NCA needed to be open and transparent, outward facing and accountable for its activities. This report fulfils that ambition, but achieves more besides. I am glad to say that it is an honest and clear eyed appraisal of what the NCA has achieved and what remains to be done.

The stand out message of the report is that the NCA is focusing on the key threats from serious and organised crime and working hard to identify and tackle the new types of crime we face. Where there are gaps in our intelligence picture, the NCA is focusing its efforts in areas such as child sexual exploitation, cyber crime and organised immigration crime to fill them. A better understanding of the threat will help us all to protect the public and to target criminals more effectively.

**Mark Sedwill**  
**Home Office, Permanent Secretary**

It is also impressive to see the extent to which the NCA is working with partners both nationally and internationally. At a time when the scale and depth of corruption is being revealed more than ever before, the International Corruption Unit within the NCA is well placed to tackle and undermine the serious and organised crime it underpins. No criminal is or can be allowed to feel untouchable.

The Director General rightly identifies significant operational successes in her statement. The NCA has been quick to address emerging threats to the UK and has stepped forward to lead internationally in a number of areas such as organised immigration crime. In particular, the NCA's work in North Africa to stop migrants being exploited by people smugglers in the Mediterranean and saving lives, is to be welcomed.

The NCA has and will continue to have a hugely challenging task, but this report demonstrates considerable progress and an absolute commitment to continuing to protect us all from serious and organised crime in all its forms.

# Statement by the Director General



In the relatively short time since I took up post as Director General it has become clear to me that we undertake some absolutely outstanding operational work, based on high quality intelligence, which is both extensive and dynamic. We have delivered some exceptional results this year – as this report clearly demonstrates.

Protection of our budget and significant capital investment for the forthcoming year will enable us to maintain and increase the capabilities we need to continue to deliver such results and to advance our ability to tackle the most serious and organised criminals affecting the UK; maintaining our ability to flex our resources to meet the ever-changing threats. We know that having the best possible intelligence picture and being confident to make decisions about the threats, and how to respond to them, are key to our operational success.

We deal with the most serious and complex areas of crime and take seriously our responsibility to protect the public and to engender public confidence in us, by being as open as possible about what we

do and why. The current discussions on the Investigatory Powers Bill demonstrate that wider law enforcement has had to be explicit about the challenges we face and the capabilities that we and others need to be able to keep up with criminals' use of technology and thereby be better able to protect the public.

Our public profile is the highest it has ever been, thanks in part to the recent NCA documentaries, our increased use of social media and the live radio broadcast last year. We will not shy away from publicising our achievements and their impact, but then neither will we avoid challenge when things don't quite go to plan; our response to the warrant review is covered in this document.

There have been changes in NCA leadership this year. In particular I would like to pay tribute to my predecessor, Keith Bristow, for successfully establishing the NCA at the centre of the law enforcement landscape with a committed workforce determined to relentlessly pursue serious and organised criminals.

I look forward to continuing to lead this internationally recognised agency. Our response must be based on doing the best to serve the public of the UK. The result – after year end – of the EU Referendum does nothing to diminish our commitment. If our need to cooperate closely and share intelligence with some of our international partners cannot be achieved through EU mechanisms, we will find others.

A handwritten signature in black ink, which appears to read 'Lynne Owens'.

**Lynne Owens CBE QPM MA**  
**Director General**  
**Date: 18 July 2016**

# Introduction

This third Annual Report of the National Crime Agency (NCA) considers how the agency has discharged its statutory functions over the year and examines how the NCA has delivered the key performance questions set out in its Annual Plan for 2015–16.

The NCA has responsibility for leading the UK's overall effort to tackle serious and organised crime. It also has a set of specific statutory and national responsibilities to fulfil in conjunction with, and sometimes on behalf of, UK law enforcement. The NCA operates in response to a broad range of threats and risks, many of which also remain the responsibility of other UK law enforcement agencies. As this report will demonstrate, those threats and risks are constantly changing and this year has seen a change in law enforcement priorities as a result of events at home and abroad.

The NCA Director General has operational independence, but is accountable to the Home Secretary for the effective discharge of the NCA's functions and through the Home Secretary to Parliament. A published Framework Document sets out in detail the roles and responsibilities of the Home Secretary, the Home Office and Government in respect of the NCA.<sup>1</sup> The NCA is also subject to scrutiny by the Scottish Parliament and the Northern Ireland Assembly.

At 31 March 2016 the NCA Board comprised ten executive and three non-executive members. Over the course of the year, there were some changes to Board membership, including a new Director General who chairs the Board. Further information on Board membership can be found in the Statutory Accounts.

## Serious and Organised Crime Strategy

The Government's first priority of the Serious and Organised Crime Strategy is the highest priority for the NCA: to identify and disrupt serious and organised crime including by investigating and enabling the prosecution of those responsible – **Pursue**. The NCA co-ordinates this work, leading and supporting operations across five main areas: organised crime; cyber; economic crime; child sexual exploitation and serious and organised crime at, and crossing, our borders. The NCA's activities are aligned to the Serious and Organised Crime Strategy, but are not limited to those which fall under **Pursue**. The NCA supports and, where appropriate, leads cross Government work, locally and nationally, to deliver the three other components in the Serious and Organised Crime Strategy: to strengthen protection against and reduce the impact of serious and organised crime – **Prepare** and **Protect**; and to deter people from becoming involved in serious and organised criminal activity – **Prevent**. This report contains examples of NCA activity against all four Ps.

## Statutory tasking arrangements

Considerable work continued in two tasked pieces of activity for which the NCA leads. The first, Operation STOVEWOOD, is an independent criminal investigation into non-familial child sexual exploitation in Rotherham. The investigation under Operation PALLIAL, which was originally overseen by the former NCA Director General, Keith Bristow, continued with further arrests and convictions. PALLIAL is an investigation into historical child abuse in north Wales care homes.

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<sup>1</sup> A revised version of the Framework Document was published in May.



## **Victims' Code**

In November the NCA became subject to the Victims' Code, which is intended to make sure victims of crime get the support and protection they need from the time they report a crime through to the court case and beyond, if necessary. It sets out the information and entitlements that victims of crime can expect from the agency dealing with the crime. The Code requires the NCA to provide a range of services, including an assessment of the victim's needs and the right to be notified of a decision not to proceed with, or to end, an investigation into that crime.

# Statutory background and statement of purpose & vision

The National Crime Agency (NCA) is a non-ministerial department, funded directly from Parliament via the Supply Estimate. The NCA also receives funding for ring-fenced projects from other government departments, and contributions from the Scottish Government and the Police Service of Northern Ireland. These accounts have been prepared in accordance with the Crime and Courts Act 2013 and the Government Resources and Accounts Act 2000 (GRAA), section 5(2).

This year, the first Director General of the NCA, Keith Bristow, retired and was replaced by Lynne Owens, who was previously Chief Constable of Surrey Police. The Director General of the NCA is appointed by, and directly accountable to, the Home Secretary and, through the Home Secretary, to Parliament. The Home Secretary determines the strategic priorities for the NCA and, with the support of Home Office officials, holds the Director General to account for the effective discharge of the NCA's functions.

The Director General has independent operational command of NCA activities, and is responsible for determining operational priorities for the NCA, in line with the strategic priorities set by the Home Secretary. The Director General has direction and control over all NCA officers and is responsible for the appointment of other NCA officers and for designating officers with operational powers. The NCA assumed its statutory functions on 7 October 2013.

The NCA is a UK wide, intelligence-led crime-fighting agency, with a visible national profile, international reach and a mandate to lead the fight to cut serious and organised crime. The NCA has a wider remit than its precursors to tackle serious and organised crime, strengthen the UK's borders, fight fraud and cyber crime, and protect children and young people from sexual abuse and exploitation.

It provides leadership in these areas through the following:

- Intelligence and Operations (including the Border Policing Command);
- National Cyber Crime Unit (NCCU);
- Organised Crime Command (OCC);
- Economic Crime Command (ECC);
- CEOP Command (CEOP).

The National Intelligence Hub provides access to a wide range of intelligence and information, analysing it to produce a single comprehensive assessment of the threat and identifying opportunities to cut serious and organised crime in the UK.

The Home Secretary sets the NCA's strategic priorities and holds the Director General to account for the discharge of NCA functions. Within that framework, the Director General sets the NCA's operational priorities. These two sets of priorities inform the ways in which the NCA leads, supports and coordinates the operational activity under the National Control Strategy aligned to the Government's Serious and Organised Crime Strategy. They can be found in the published NCA Annual Plan for 2015–16.

# Principal activities

As set out in the Crime and Courts Act 2013, the NCA leads the UK's fight against serious and organised crime, with the following principal functions:

- Crime-reduction: securing that efficient and effective activities to combat organised crime and serious crime are carried out (whether by the NCA, other law enforcement agencies or other persons).
- Criminal intelligence: gathering, storing, processing, analysing, and disseminating information that is relevant to any of the following:
  - a. activities to combat organised crime or serious crime;
  - b. activities to combat any other kind of crime; and
  - c. exploitation proceeds investigations (within the meaning of section 341(5) of the Proceeds of Crime Act 2002), exploitation proceeds orders (within the meaning of Part 7 of the Coroners and Justice Act 2009), and applications for such orders.

The NCA therefore has the responsibility to lead the overall effort to tackle serious and organised crime, as well as a set of specific statutory and national responsibilities to carry out in conjunction with UK law enforcement. The NCA is not, however, restricted to responding to particular crime types or offences. It operates in response to a broad range of threats and risks, many of which also remain the responsibility of other UK law enforcement agencies.

The agency works in close collaboration with UK police forces and other law enforcement partners, including through the two-way tasking and coordination processes. This is delivered through duties of cooperation and specific provisions for assistance and tasking between the NCA and its partners.

These are normally exercised on a voluntary basis, but in the event that satisfactory voluntary arrangements cannot be made, the Crime and Courts Act provides the Director General of the NCA with the power to direct a chief officer of a police force in England and Wales and the chief officer of the British Transport Police to undertake an operational task, or to assist where necessary. There are similar reciprocal directed assistance arrangements which apply between the NCA and a number of partners (subject to consent requirements).

The NCA has a range of specialised operational capabilities working across all tasked activity in the NCA and in support of partners. The NCA also provides and manages, on behalf of the UK, a number of national functions, and national specialist capabilities. More information on these can be found later on in this report.

# Going concern statement

Under the going concern assumption, an entity is viewed as continuing in business for the foreseeable future.

The statement of financial position as at 31 March 2016 shows a net liability of £580m (2014–15: net liability £553m). This is largely due to a pensions' liability of £692m.

The NCA is a non-ministerial department and as such is funded by HM Treasury. The NCA is accountable to the Home Secretary for its performance.

In common with other government departments, the future financing of the agency's liabilities is to be met by future grants of Supply and the application of future income, both to be approved by Parliament.

Accordingly, it is considered appropriate to adopt a going concern basis for the preparation of these financial statements.

# Key performance questions

## KPQ1 – How comprehensive is the NCA’s understanding of the threats?

**NCA Vision** – *High confidence in a single national intelligence picture to lead the UK’s prioritised law enforcement response against serious and organised criminal groups, individuals and vulnerabilities.*

The NCA assesses that its understanding of the threats is improving, but there are still gaps in the picture, which the agency is working to address.

In June, the NCA produced 2015 versions of the National Strategic Assessment of Serious and Organised Crime (NSA), the National Control Strategy (NCS) and the National Intelligence Requirement (NIR).

The NSA analyses the main serious and organised threats to the UK, including child sexual exploitation and abuse, firearms, organised immigration crime, human trafficking and modern slavery, cyber crime, money laundering, drugs, economic crime and organised acquisitive crime. It also assesses the cross-cutting threats which underpin most serious and organised crime, including corruption, criminal use of internet technology, prisons and lifetime management, border vulnerabilities, and the criminal use of firearms.

Themes in the 2015 NSA included:

- An overall increase in the risk from human trafficking and modern slavery, and a specific increase in labour exploitation;
- That money laundering is now a high priority risk in its own right;
- An expectation that criminals will focus on mobile malware as the use of apps for financial transactions increases;
- The growing complexity of tracing online criminal activity as the next generation of IP addresses rolls out; and
- That bribery and corruption remain critical enablers for all types of criminality.

The NCS provides a means for the NCA-chaired National Strategic Tasking and Coordination Group (NSTCG) to task activity against the serious and organised crime threats and cross-cutting issues. The NIR sets out the levels of combined law enforcement understanding of each of the threats and cross-cutting issues and identifies where there are gaps to be filled.

The NSTCG met in November and determined that high-end money laundering and cyber crime should be added to the three existing national priorities of organised immigration crime (OIC), child sexual exploitation (CSE) and firearms.

### **Good level of understanding of the scale and nature of the threats**

This year the NCA expanded its National Intelligence Hub further to provide for a discrete threat team for all of the serious and organised crime threats set out in the Control Strategy.

Child sexual exploitation – The NCA has a developing understanding of CSE offending activity committed online as a result of current operations targeting this activity. The creation and dissemination of regional CSE assessments by policing colleagues, which were in production at year end, will aid the NCA’s ability to see a fuller picture of child sexual exploitation and abuse. Work is ongoing to address intelligence gaps including in respect of online grooming.

Cyber crime – The cyber crime threat continues to evolve rapidly. The understanding of international organised crime groups has improved greatly, and the NCA has had some significant successes in terms of disrupting their methodology, but as the threat changes the agency is having to constantly adapt its approach. There remains a significant risk that the threat will evolve beyond the current ability to contain it.

Firearms – The threat picture around firearms changed significantly, primarily as a result of Operation SEVENTY, which is covered later on in this report. This operation, whilst being a significant success, highlighted the seriousness of the firearms threat and the urgency of filling significant gaps in the level of knowledge of international supply.

High end money laundering – Although starting from a low base, the intelligence picture on high end money laundering, which includes the proceeds of international bribery, corruption and sanctions evasion, is growing. It is clear that the amount of money being laundered through the UK, its financial system and structures is considerable and greater than previously assessed.

Organised immigration crime – NCA understanding of Organised Crime Group (OCG) methodology is improving as intelligence volumes increase; there is a strong understanding of the varying strands of OCG methodology, routings and the structure of the criminal market place according to nationality. Increased intelligence is addressing key gaps around criminal assets and finances, technology usage (including social media) and the displacement effect of enforcement activity. Other gaps remain though, such as document procurement and forgery distribution, the role of OCGs in enabling migrants to remain in the UK and the extent of corruption underpinning OIC activity.

Drugs – The NCA assesses that there is a well-established understanding of the cocaine and cannabis threats to the UK, with developing insight regarding the current heroin picture, while maintaining ongoing awareness of synthetic drugs/ New Psychoactive Substances (NPS).

### **The mapping of serious and organised criminal groups and individuals is comprehensive and covers all threat areas**

The number of organised crime groups and individuals on the Organised Crime Group Mapping (OCGM) database increased over the year. At year end, there were some 6,500 active groups across the threat areas. Of these, the NCA was leading action against 544.

In January the National OCGM Governance Group was created. The group oversees the strategic conduct of OCGM, with a delivery group to oversee practitioner, user and exploitation strands of OCGM.

The project to load the quarterly OCGM data onto the Police National Database (PND) was also launched in January. It provides the NCA and partners with access to OCGM records via PND for the first time.

### **Good level of understanding of those serious and organised criminal groups, individuals and vulnerabilities that present the highest threat to the UK**

At the end of March, the NCA was leading activity to tackle 21 of the 29 High Priority Groups, High Priority Criminals and High Priority Vulnerabilities in the UK. This year, High Priority Vulnerabilities and High Priority Criminals were incorporated into the mapping process to ensure resources continued to be aligned to the threat they present.

## KPQ2 – How effective is the NCA’s response to the threat?

**NCA vision** – *The NCA relentlessly disrupts high priority and priority threats.*

**1763** arrests in the UK

A further 1300 arrests overseas as a result of NCA activity

**96%** conviction rate

on NCA cases in UK courts

**£26.9** million assets

recovered in the UK

**1329** disruptions against OCGs, individuals, threats or vulnerabilities

Number of major, moderate and minor disruptions

**1802** children safeguarded or protected

as a result of NCA activity

**339** firearms seized, of which **323** were guns

## Effective deployment of resources to cut serious and organised crime

The national tasking and coordination cycle remained unchanged this year. It directs the national law enforcement response to serious and organised crime threats and risks, and ensures that operational resources across the UK are used to maximum impact. It also enables the proper prioritisation of action against criminals and criminal groups, with the right agency leading the right operational response, including in respect of asset recovery, at local, regional, national and international levels.

Using the National Control Strategy, the NSTCG allocates threats and cross-cutting issues to the multi-agency strategic governance groups (SGGs). SGGs, which are chaired by NCA Directors and supported by specialist threat groups where necessary, produce a strategic action plan (SAP) to describe the activity to be undertaken by the NCA and its partners to mitigate the threats and risks. Each SAP aligns with the Serious and Organised Crime Strategy and the four Ps.

Maintaining flexibility is key to the effective deployment of resources at all levels. NCA officers are a flexible resource with the capability to be deployed across all commands in the agency. This year the NCA made a significant increase in the number of officers dedicated to tackling **online CSE under Project OPUS**. In December 2014, the Prime Minister committed an additional £10 million to enhance NCA activity in tackling the most serious online CSE offenders. This money was used by the NCA to:

- deliver more investigative resources to target offenders, strengthen victim identification and create additional intelligence and child protection advisor capabilities;
- expand operational capacity – a second CSE hub in the North West and eight new specialist teams are being set up with 174 new dedicated officers recruited, to target the most serious CSE offenders;
- expand forensic capabilities and tackle hard-to-reach offenders, administrators and serious and organised criminals;

- put in place new technological capabilities to identify and safeguard even more children – a new victim identification suite with access to the Child Abuse Image Database (CAID), has been established to locate victims. CAID is a national system and will be used by officers across the NCA; and
- increase capacity and capability to tackle CSE by working with other UK law enforcement partners, including the creation of a joint operations cell (JOC) with GCHQ.

This year, at the Prime Minister's request, the NCA took the lead in the establishment and deployment under Project INVIGOR – the UK operational response to the **threat of organised immigration crime in the Mediterranean**. This joint initiative is primarily made up of officers from the NCA, Immigration Enforcement, Border Force, the Crown Prosecution Service and the police. It aims to raise and coordinate the response, and enhance intelligence collection and sharing.

There is also a focus on working effectively with national and international partners to maximise effectiveness to reduce the threat, and to maintain public and political confidence in UK law enforcement against the threat from organised immigration crime.

An appeal to the Independent Police Complaints Commission (IPCC) identified the need for the agency to revise its policy on the forensic testing of drugs, so that this takes place within 24 hours of the initial field test in cases where the arrested individual is held in custody. The NCA also issued clear guidance to officers on field testing and the reliability of results.

In June, the International Corruption Unit (ICU) became operational. Its remit is to investigate serious international bribery, corruption and related money laundering. In one piece of work, the ICU assisted law enforcement partners in the Middle East to identify a complex network of offshore structures and trusts designed to hide the true source and ownership of assets belonging to an individual in the region. The alleged criminal benefit was thought to



be in excess of US\$300 million and the estimated loss to the country in question was in the region of US\$1 billion.

As a result of deficiencies identified in the warrants and production orders in two separate operations, the NCA carried out a comprehensive review of the warrants and orders obtained in over 300 of its operations. The findings were published and further information can be found on page 54.

### **Relentless disruption of serious and organised criminal groups, individuals and vulnerabilities through Pursue activity**

This year the NCA achieved 1329 disruptions through its operations and projects; of these 24% were against High Priority and Priority Groups, High Priority Vulnerabilities and Criminals. These included the agency's first major disruptions against High Priority Criminals (HPC) since HPC were incorporated into the mapping process. An increased drive to prioritise activity against them in the last quarter of 2015–16 was expected to show increased results in early 2016–17.

The NCA has a well-established disruption framework which assesses all events aimed at disrupting organised criminal groups, individuals and vulnerabilities. Events and overall impact are assessed as either: Major, Moderate, Minor, None. It is recognised that all assessments incorporate a degree of subjectivity; therefore to mitigate this and to ensure consistency, all disruptions are assured through an independent moderation process with a panel attended by external stakeholders.

The NCA continues to work with law enforcement partners and the Home Office to develop a consistent understanding and approach to measuring impact against serious and organised crime.

Examples of NCA Pursue activity this year, under the main threat areas.

**Firearms** – Seven people were arrested and charged in August in an NCA investigation into the suspected importation of firearms. Officers seized 22 automatic assault rifles, nine Skorpion machine pistols, 58 magazines, two silencers and around 1000 live rounds of ammunition. The group used a motor cruiser which was tracked by the NCA working closely with Border Force and the National Maritime Information Centre (NMIC). It arrived at Cuxton in Kent, where the haul was unloaded. Three of the seven pleaded guilty to the charges. Following a seven week trial at the Old Bailey, the two principals were convicted just after year end of importation offences and conspiring to possess firearms. Two others were found not guilty. The group received prison sentences totalling 90 years. Of note were the lengthy sentences handed to the principals – 30 years and 27 years respectively.

**Money Laundering** – In November, members of a Midlands-based money laundering network received significant prison sentences for their involvement in the laundering of more than £35 million through UK banks and money service bureaux between 2007 and 2013. The head of the network initiated and orchestrated the operation. He set up a number of bogus clothing and textile companies to provide a mechanism but no actual purchases or trade ever occurred. Crime groups across the country used the services on offer to launder their drugs money.

**Child Sexual Exploitation and Abuse** – Seven men convicted of 30 child sexual abuse offences, including conspiracy to rape and the rape of a child under the age of 13, were given sentences totalling 107 years in September at Bristol Crown Court. The group used social media channels and legitimate internet conferencing facilities to share images and live-streamed video of children being raped and sexually abused. Handing down the sentences, HHJ Lambert described the men as "*evil beyond rational understanding*". The men, including a married father of two and three Registered Sex Offenders, were convicted in April 2015 following a complex investigation led by the NCA, in conjunction with officers from Avon and Somerset, Bedfordshire and Wiltshire forces. The huge amount of online communication between all the offenders meant having access to communications data was crucial in evidencing how they conspired to abuse their victims. Evidence showed that the group's victims were mainly babies and infants, with at least one victim given stupefying drugs to enable offenders to carry out sexual abuse. The group even offered advice and guidance to others regarding how much drug to administer to a child, depending on their age.

**Organised Immigration Crime** – In December a Palestinian man suspected of heading an organised crime group that smuggled around 100 Syrian migrants a day into western Europe was arrested by National Crime Agency officers. He was apprehended on a European Arrest Warrant and faces extradition to Greece. The multi-agency operation led by the Greek authorities also involved law enforcement agencies in Austria and Sweden and was supported by Europol. Thirteen alleged members of the network were arrested in Greece, seven in Austria and two in Sweden. The Greek authorities believe the network, which had its headquarters in Greece, could have earned nearly €10 million since 2013 by charging migrants for transportation, forged travel documents and housing.

**Cyber** – In an international operation led by the NCA’s National Cyber Crime Unit (NCCU) and involving, among others, the FBI and Europol, a sophisticated technical solution was deployed to disrupt the harmful effects of the Dridex malware, rendering a large proportion of the botnet harmless. Dridex was developed by technically skilled cyber criminals in Eastern Europe to harvest online banking details, which were then exploited to steal money from individuals and businesses around the world. Global losses were assessed to be in excess of £100 million and UK estimated losses were £20 million.

**Drugs** – NCA officers were commended by the judge following the conviction of seven men in March and their subsequent sentencing for a total of over 100 years imprisonment. The crime group used a flower wholesale business as cover for their illegal drugs and gun running business. They smuggled cocaine, heroin, ecstasy, amphetamine and cannabis estimated to be worth more than £30m as well as guns into the country before their operation was dismantled by the NCA and the Dutch National Crime Squad. The head of the group, a Dutch national received a sentence of 36 years. In his commendation, HH Judge Mark Brown commented that *‘The dedication and commitment to the task has been impressive and no stone was left unturned during the enquiry’*.

**Human trafficking** – In December the subject of an investigation by Cheshire Constabulary was convicted of human trafficking, controlling prostitution and money laundering received a three-and-a-half year custodial sentence, following intelligence development by the UK Human Trafficking Centre. The individual arranged for vulnerable women from eastern Europe to be brought to the UK to work in brothels. The UKHTC also provided advice on new legislation under the Modern Slavery Act 2015, which saw the individual become subject to an indefinite slavery order with nine prohibitions, including a ban on him arranging transport or accommodation for anyone but a close family member.

## **Use of innovative and non-traditional disruptions to cut the threat from serious and organised crime through Prevent, Protect and Prepare**

Targeting criminal money flows can derail conspiracies, prevent further crimes taking place, damage criminals' reputations with each other, connect higher level players to the crime and protect UK business. The NCA will always strive to maximise the recovery of criminal assets and seek out innovative ways of using legislation to best effect.

For example, a convicted drug dealer lost US\$500,000 of 'hidden' assets as a result of a landmark judgement in Luxembourg – the first time a foreign state has recognised and enforced a UK Civil Recovery Order. The ruling – handed down by the District Court of Luxembourg – stated that the proceeds of crime hidden by an individual in the country could be seized on a civil basis by the NCA in the UK.

The decision brought the total amount seized by the agency from this individual to more than £3.3 million. The judgement represented a significant step forward in the fight to recover the millions of pounds worth of assets that UK criminals have hidden abroad to evade law enforcement's reach.

An ongoing project created in 2008 and hailed by the College of Policing as a benchmark model for partnership working continued to be a key part of the response against cash-based money launderers in the UK. The NCA continued to develop and disseminate intelligence to police forces and wider law enforcement, resulting in the seizure of £12 million and 174 arrests.

Asset Confiscation Enforcement (ACE) Team activity results this year included:

- the receipt of over £2.5 million from existing confiscation orders;
- nine individuals serving default sentences for non-payment;
- the identification, through data sharing with financial institutions, of £300,000 assets held overseas; and
- £49 million received nationally from enforcing existing confiscation orders across enforcement agencies. The ACE Team coordinates this work nationally.

NCA activity in respect of prisons and the lifetime management of offenders this year included:

- working closely with the National Offender Management Service (NOMS) to carry out 'days of action' in specific prisons, which uncovered cases of drugs supply and corruption;
- managing the remand in custody of high risk NCA subjects, to ensure that they were housed away from serving prisoners who may benefit from association with them, thereby reducing the risk to the public; and
- the investigation and successful prosecution of breaches of Serious Crime Prevention Orders (SCPOs), resulting in individuals being sentenced to further lengthy terms of imprisonment – in one case of ten and a half years.

**Protect** – Over a period of three months, details of more than 30,000 individual cybercrime threats were shared with internet hosting companies as part of a programme of industry engagement carried out by the NCCU and CERT-UK – the UK’s Computer Emergency Response Team. Customised threat alerts were provided to around 50 organisations, enabling them to take remedial action to protect their customers and networks. The alerts included details of server compromises being used for crime including:

- malicious software (malware) infections – used by criminals to take control of and steal data from computers;
- phishing – attempting to obtain sensitive information by deception;
- Distributed Denial of Service (DDoS) attacks – flooding websites with requests, making them temporarily unobtainable; and
- command-and-control systems for botnets – networks of computers infected with malware.

**Prevent** – In November the NCCU sent an awareness and deterrent email to 242 registered members of a particular website. Registered members believed to be resident in the UK were targeted. The email outlined the criminality linked to the website in question and provided links to news coverage of related arrests. In December the IP addresses, usernames and emails of a further 1500+ registered members believed to be in the UK were disseminated to regional ROCUs throughout the UK which enhanced the intelligence picture in the regions.

**Protect** – The number of children and young people reached through the NCA’s Thinkuknow programme was over 205,000 more than last year. **1,522,201** primary and **1,922,913** secondary children received face to face education sessions from Thinkuknow’s network of over 130,000 professionals. Thinkuknow’s educational resources, including films, cartoons, lesson plans and websites, educate children about keeping themselves safe from sexual abuse and exploitation online and offline.

**Protect** – In addition, in September the CEOP Command launched **ParentInfo** – a website and newsfeed providing up to date and expert advice for parents and carers which schools can host on their own websites. ParentInfo provides articles across a wide range of issues which aim to help parents increase their children’s resilience to risk. By year end, 2755 schools had signed up for the free service.

**Protect** – A campaign launched by the CEOP Command in June aims to give parents the tools to deal with their children sexting. The campaign tackles the issues which arise from young people sending self-generated nude or nearly nude images and videos – commonly known as sexting. On average, the NCA’s CEOP Command receives one report a day of a child protection issue linked to sexting. This might be due to the recipient of a private message forwarding it on to others, a young person posting a revealing image on a website or social media with low privacy settings, or a young person being blackmailed by a stranger over revealing images they have been tricked into taking.

**Prevent** – The NCA launched a campaign in December to target recreational users of cocaine by drawing attention to the devastating impact on the people, communities, and environment in cocaine producing countries. Buying cocaine funds the exploitation of impoverished people, destroys and pollutes large areas of rainforest, forces people from their homes so coca can be grown on their land, and results in the murder of police officers and others who stand in the way of powerful crime groups. **Everylinecounts** received extensive coverage: interviews were published by over 50 outlets, radio broadcasts in the UK and Colombia, over 1.1 million animation hits and media research in excess of 77 million.

**Prevent** – In December the NCA worked in collaboration with third sector partners to produce and promote a campaign to discourage young people from becoming involved in cybercrime, after analysis of investigations involving the NCCU over the previous year found the average age of suspects to be 17. Aimed at educating the parents of 12–15 year olds, whose children may be involved in hacking or other kinds of cybercrime without their parents’ knowledge, the **#CyberChoices** campaign explained which cyber activities are illegal, how to spot signs of potential problems, what the possible consequences were, and how young people can better use their skills and interest in technology.

**Prepare** – In November, the NCA participated in the Home Office's Exercise **SCARLET CHAIN**, a multi-agency, national live-play exercise, taking place across England, Wales and Scotland, designed to test the interoperability of policing, law enforcement agencies and other partners in responding to serious and organised crime. As one of 12 participating agencies, together with a range of private sector partners, the NCA tested its ability to exchange information, coordinate activity and collaborate with other organisations. The exercise found that agencies generally collaborated well, overcoming any interoperability issues, and displaying a high willingness to work together to achieve the set objectives. It identified a few areas where there is potential to make this a more seamless working relationship between different organisations and the NCA is working closely with the Home Office and other partners to ensure that lessons identified are addressed.

**Prepare** – The NCA participated in a CERT<sup>2</sup>-UK co-ordinated planning exercise involving other government departments in which the scenario was an attack on the water industry’s infrastructure. The exercise sought to establish the lead department for various simulated exercises; for example, a malware attack. This proved to be a useful exercise which helped all participants to achieve a greater understanding of the precise roles and responsibilities in the event of a cyber incident.

**Prepare** – In October, a rehearsal exercise known as Exercise SILVER PILOT was completed. Working closely with a private sector company, this pilot exercise was delivered and involved partners from across UK law enforcement. The exercise aimed to assess and evaluate the current capabilities of international law enforcement to respond to cyber crime: including investigation, intelligence sharing and evidence gathering in order to make recommendations for improving interoperability. Robust testing of the exercise proved to be a valuable training opportunity for all concerned and provided all parties with a level of assurance that the exercise’s wider objectives were achievable in a simulated environment.

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<sup>2</sup> The UK’s national Computer Emergency Response Team.

## What our partners say about us

**'Knowing we can turn to you in these circumstances to make sure we cover all the bases and deliver robust enforcement phases is a considerable confidence booster and makes us resolved to tackle more criminals in this way'.**

Supt Jim Allen of Derbyshire Constabulary thanking the agency for support in an operation to tackle cocaine supply to the north Derbyshire area.

**ACC Andy Battle** @Andyb97 · Feb 19

Great operational cooperation between @HertsPolice @NCA\_UK @WestYorksPolice today. Thank you @NCA\_LynneOwens #OneTeam #KeepingPeopleSafe

**'The contribution and assistance provided by all has been of immense value and has been very much appreciated by my officers and staff working on the enquiry'**

Chief Officer Mike Bowron QPM, States of Jersey Police on NCA support to a missing person case.

**CC Ian Hopkins** @CCIanHopkins · Feb 18

The fight against organised crime goes on. There's no hiding place for these criminals. Great support from @NCA\_UK

**Manchester News MEN** @MENnewsdesk

Six arrested during dawn raids in Costa Del Sol in connection with Salford gang feud  
[manchestereveningnews.co.uk/news/greater-m...](http://manchestereveningnews.co.uk/news/greater-m...)

**'I am grateful for your continued support and West Yorkshire Police are pleased to be able to continue to develop a successful working relationship with the NCA to ensure positive outcomes, ensuring the communities of West Yorkshire are safer.'** Temporary Chief Constable Dee Collins, West Yorkshire Police.

**DCC Gareth Morgan** @DCCGarethMorgan · 12 Nov 2015

Great work with colleagues in the Netherlands, @ASPolice & @NCA\_UK - international law enforcement at its best.

**Avon&Somerset Police** @ASPolice

We've arrested a 50-year-old man in Holland and seized £1.65m of cocaine in investigation with NCA and Dutch police [ow.ly/UyBkF](http://ow.ly/UyBkF)

**'I would like to express my sincere gratitude to you all for the support and resources given during our day of action Wednesday 24<sup>th</sup> June 2015. This operation was a multi-agency one and assisted us in our aim to disrupt the smuggling of unauthorised articles into our establishment such as drugs and mobile phones.'** Stewart Bannister, Head of Security and Intelligence, HMP Lincoln.

## KPQ3 – How effective is the NCA at working with partners?

**NCA Vision** – *The NCA is effective at leading, supporting, coordinating and its capabilities add value to partners’ activities to identify and disrupt serious and organised criminal groups, individuals and vulnerabilities.*

The NCA was designed specifically to work in partnership and to maximise the impact of the UK’s collective resources in tackling serious and organised crime. This is one of the things which distinguish it fundamentally from any of the UK agencies which went before it.

Many of the NCA’s UK-based operations are multi-agency, predominantly in partnership with a police force or a Regional Organised Crime Unit. NCA relationships with police forces continued to be strong and built on a common understanding of the threat and the mechanisms by which we will tackle this threat together.

In July the NCA hosted an informal visit from senior members of the **National Police Chiefs’ Council (NPCC)**. This provided for a two-way discussion in which the NCA Directors provided a general overview of the NCA and its capabilities, a strategic overview of the risks from serious and organised crime and our response and results. In return, NCA Directors had the opportunity to hear about the future development and ambitions for the NPCC and proposals for the future policing landscape.

**Police and Crime Commissioners** are strategic partners of the NCA, and the agency is committed to ensuring that they understand the threat from serious and organised crime, including its impact on the public and local communities. The agency held a PCC engagement day in February at which over 30 PCCs were in attendance or represented. The NCA also attended regional meetings of PCCs across England and Wales to brief them on the National Strategic Assessment, and to discuss the threat from serious and organised crime and how law

enforcement’s local, regional, national and international response is developed.

In November, the Joint Operating Cell (JOC) between the NCA and GCHQ was launched. By year end, this was already producing unique lead intelligence at the high end of high risk.

In November, the NCA’s CEOP Command hosted a one-day **Child Rescue Alert (CRA) conference**. Representatives from 38 UK police forces attended the event to develop their knowledge and understanding of the CRA and recent enhancements to the ways in which the alerts can be disseminated. The CRA seeks to ensure that not a minute is wasted in the search for a high-risk missing child. It is a dynamic investigative tool designed to alert the public through the media and other channels, as quickly as possible, to an abduction or other high risk child disappearance.

### **Effective at leading, supporting and coordinating the national response to serious and organised crime**

Figures published in December on operational progress by the NCA and police forces in one specific coordinated operation had identified nearly 700 potential **online child abuse image offenders**. These results were achieved through a combination of more consistent prioritising, increased investment in capability, and the mainstreaming of a coordinated and proactive national approach. The activity led to the arrests of over 680 people nationally, on suspicion of accessing indecent images of children online in the past nine months, 104 of whom were in positions of trust. Nearly 400 children were safeguarded. This work continues.



In April, the NPCC agreed a plan, proposed by the Director of the CEOP Command and the NPCC lead for Child Protection, for an online CSE Pursue response setting out organisational roles and responsibilities at a local, regional and national level against six pillars of threat/demand. This followed the use by DG NCA of s5(1) Crime and Courts Act voluntary tasking powers to request Sir Jon Murphy, Chief Constable of Merseyside, to produce the plan.

The **Joint Money Laundering Intelligence Taskforce (JMLIT)**, which was mentioned in last year's report, continued to facilitate knowledge transfer between law enforcement and the private sector. Cases of suspected money laundering have been developed covering the JMLIT priority areas of bribery and corruption; human trafficking and organised immigration crime; and trade-based money laundering. Outcomes up to the end of February 2016 included:

- 116 cases involving suspected money laundering have been developed in partnership between law enforcement and JMLIT members;
- Over 1700 previously unknown bank accounts identified; and over 250 accounts closed;
- Over 400 new bank-led investigations of suspected money laundering activity initiated;
- 32 new court orders obtained and 11 arrests; and
- Over £550,000 restrained as a result of or in part due to JMLIT activity

The NCA's **Organised Crime Partnership (OCP)** with the Metropolitan Police Service (MPS) continued to broaden its remit to tackle all threats. The OCP brings together officers from the NCA and the MPS to tackle the most significant organised crime threats to London. Notable examples this year included:

- the arrest of a south London man who attempted to buy a Glock 19 handgun and 100 rounds of ammunition on the dark web. A search of his property revealed that he was also involved in the supply of cocaine;<sup>3</sup>

- the recovery of nearly a million pounds of used bank notes; and
- the seizure of six offensive weapons from a vehicle leading to three arrests.

## Specialist National Capabilities

The NCA continued to support and enhance its UK partners' operational activity by sharing and deploying its own specialist assets and capabilities. These are categorised as:

- dynamic protection and crime disruption;
- technical and scientific support; and
- skills and specialist crime advice.

The **Anti-Kidnap and Extortion Unit (AKEU)** received 410 reports of kidnap, 758 of blackmail and 15 of product contamination. Examples of the cases involving AKEU this year were:

- support and advice to a police force in a case of blackmail of a large-scale farming enterprise. The claim was that the crop had been injected with potassium cyanide. The case was successfully resolved, and the suspect was quickly identified and sentenced to eight years in prison.
- In April, AKEU officers travelled to Mozambique to provide support to the authorities there following the kidnap and shooting of a British national. As a result, two of the suspects were each sentenced to twenty three years in prison and ordered to pay compensation to the victim's family.

The **NCA's Armed Operations Unit** deployed in an armed capacity on 105 occasions this year, in activity which led to 98 arrests. Of the deployments, 11 were in support of activity by UK law enforcement partners. For example, the provision of an armed surveillance team to support the hunt for a man wanted for the attempted murder of a police officer, who was arrested in Kent just before he managed to leave the UK.

This year the NCA was involved in considering and responding to 73 reports of **threats to life**.

<sup>3</sup> The man was subsequently convicted of seven offences.

The NCA hosts the Central Bureau (CB), which is the headquarters of the **UK Protected Persons Service (UKPPS)**. The UKPPS is delivered across the UK by 12 separate police units – the ten ROCUs, the Police Service of Northern Ireland (PSNI) and Police Scotland, but coordinated through the NCA.

The CB provides strategic, operational and practical support to partners and stakeholders throughout the process of making protection arrangements for witnesses and other vulnerable people. This year the CB provided operational support to the ROCUs on 793 occasions. This support included sourcing accommodation, providing identity changes and other specialist capabilities. Witnesses who have given evidence in cases such as murder, kidnap, drugs, honour based violence, domestic violence, firearms and gang related offences have been supported.

In October the NPCC initiated the launch of a research project and business case to look at the feasibility of bringing the whole UKPPS function under the NCA in order to provide a fully joined up service which might be better placed to manage emerging strategic threats.

The Serious Crime Analysis Section (SCAS) is one of the areas of specialist support which the NCA provides to law enforcement partners' investigations.

Of the cases dealt with this year, some notable examples are:

- Analytical support to an Avon and Somerset Police investigation of a cold case rape offence led to the identification of the offender. He was convicted and sentenced to four years and eight months' imprisonment.
- A West Yorkshire stranger rape investigation dating back to 1981. Familial DNA testing, enhanced by SCAS and the NCA's Crime Operational Support (COS) resulted in moving a relative of the suspect to the top of the prioritised list. As a result the suspect was subsequently charged with the offence.

## Bureau Functions

The NCA provides bureau functions for, and on behalf of, UK law enforcement, in some cases taking on the role of the Central Authority for the UK. As well as fulfilling a statutory function, the various bureaux work to support the operational activity of partners and to add value to their investigations.

### i. UK Financial Intelligence Unit

The UKFIU sits within the Economic Crime Command and manages the Suspicious Activity Reports (SARs) regime. The number of SARs received increased on the previous year – **404,735** SARs were received, of which 17,141 were consent requests<sup>4</sup>. Some examples of operational outcomes resulting from the submission of SARs:

- The conviction, custodial sentence and confiscation order for £450,000 in respect of an individual involved in the wide scale distribution of counterfeit goods online;
- The conviction and custodial sentence of an individual involved in selling new psychoactive substances online; and
- A money laundering investigation resulting in substantial custodial sentences for two individuals.

### ii. Proceeds of Crime Centre

The Proceeds of Crime Centre (PoCC) has statutory functions under the Proceeds of Crime Act (POCA) 2002 to train, accredit and monitor financial investigators and financial intelligence officers across UK law enforcement. It is also responsible for the management of the Joint Asset Recovery Database (JARD), containing all the financial data relating to asset recovery. This year the POCC:

- delivered **95** training courses;
- supported **760** delegates through PoCC training;
- Contributed to the MA in Financial Investigations and Financial Crime

<sup>4</sup> The Proceeds of Crime Act 2002 permits persons to be given consent in certain circumstances to carry out activities which would otherwise constitute money laundering.

(FIFC) degree course at Teesside University; and

- completed **1400** registrations and re-accreditations of the law enforcement financial investigation community.

### iii. UK National Central Office for the Suppression of Counterfeit Currency and Protected Coins (UKNCO)

The UKNCO has responsibility for the analysis and retention of records relating to all counterfeit currency detected within the UK. It develops intelligence on counterfeit currency production and use, provides prosecution statements of expert evidence on counterfeit currency detected in the UK in support of criminal prosecutions, and pursues criminal investigations into counterfeit currency.

This year the UKNCO:

- analysed **8,747** submissions of counterfeit currency;
- prepared **293** witness statements for use in criminal proceedings; and
- supported **19** law enforcement operations, including a Police Scotland case into counterfeit Royal Bank of Scotland £20 notes, resulting in two convictions.

### iv. UK International Crime Bureau (UKICB)

The UKICB acts as an integrated bureau providing access to INTERPOL, Europol and the European Arrest Warrant regime. This year the UKICB handled in excess of **264,000 messages** through INTERPOL channels.

The Schengen Information System (SISII) went live in the UK in April. It provides real-time alerts and warnings from other member countries which automatically appear on the Police National Computer and on border watchlists. As a result all European Arrest Warrants (EAWs) are now fully accessible to UK law enforcement, rather than just those sent to the NCA through Interpol channels. This led to an increase of EAWs on UK systems.

Notable EAW-related activity included the re-launch of Operation RETURN, which aims to track down wanted individuals who are believed to be living in the Netherlands. The 2016 campaign, launched in March, made use of a digital advertising van which was driven around specifically targeted areas in the UK where intelligence suggested the fugitives' friends and families could be, such as Liverpool, Manchester, London and Nottingham, as well as high footfall areas.

Operation CAPTURA, a similar initiative which targets wanted individuals who are believed to be in Spain, reached a total of 76 arrests since inception out of 86 names. These 76 have all been returned to the UK to face justice. They include a man who was arrested on a train in Lisbon when he was unable to produce a valid ticket for his journey. He was identified through SISII information and returned to the UK in September to face a charge of attempted rape in 2012.

### v. Missing Persons Bureau

The UK Missing Persons Bureau (UKMPB) and the specialist Missing Children's Team (MCT) continued to provide expert advice to police forces in the UK and abroad, supporting **11,213** missing person and **126** unidentified cases. This support included the provision of 91 alerts, 370 cross-match searches and 1,205 open sources searches, providing 6,531 instances of support to the police regarding investigative and forensic opportunities. This work led to the resolution of 71 missing person cases, and nearly two thirds of unidentified cases.

UKMPB and MCT work this year included:

- The identification of a missing person from a posting on a social media site which matched information not revealed in the publicity for the individual. Following international enquiries the person was found safe and well in Mexico;
- Assisting the Home Office Visa and Immigration (UKVI) team in locating five children who came to the UK in the early 2000s; and
- Assisting the International Child Abduction Coordination Unit (ICACU)

with enquiries regarding 23 children who it is believed have been brought to the UK without permission, locating eight of them.

## **vi. CEOP Referrals Bureau**

By the end of the year the NCA's Child Sexual Exploitation Referral Bureau was receiving over 1,800 referrals per month of indecent images of children, indecent chat and videos a month, primarily from industry, compared with 400 in 2010. This year the bureau received 22,606 referrals in total, 19,788 of which were from industry. The NCA continued to triage and attempt to exploit fully all information and intelligence received relating to child sexual exploitation in order, where possible, to identify offenders and safeguard children at risk. It made over 4,100 disseminations to police forces in the same period.

### **The NCA works effectively with international partners to reduce the threat of serious and organised crime to the UK**

The NCA continued to build on relationships with international partners to support and coordinate activity overseas, primarily through the established International Liaison Officer (ILO) network. In early 2016 ILOs based in Spain received on behalf of the NCA, the prestigious 'Nécora de Oro' international award for the fight against drug trafficking. The award recognised the agency's close collaboration with Spanish law enforcement agencies and was presented by the Galician Foundation Against Drug Trafficking at its annual ceremony.

**Prevent** – One of the world's most prominent online forums dedicated to products and services used to commit cyber crime was dismantled in July following an international law enforcement operation. The NCCU led and coordinated the UK element of the operation. Darkode.com, an 'exclusive' site with its own hierarchical membership structure which was only open to those deemed to have the right technical and criminal expertise, was taken offline by the FBI.

At the same time, 28 arrests were made around the world, including six in the UK, bringing the total number of people arrested for suspected offences linked to Darkode to 70, across 20 countries. International operational outcomes in connection with NCA activity this year included:

- over 1800 kg of cocaine seized from a fishing vessel off Cape Verde in May as a result of NCA-coordinated intelligence;
- over a tonne of cocaine seized from a sailing yacht which had arrived in the Azores from Trinidad and Tobago in May, coordinated by the Maritime Analysis and Operations Centre – North (MAOC-N) in Lisbon; and
- the arrest of a Colombian man who had a significant cache of images and videos of sexually abused children.

**Protect and Prevent** – This year the NCA's CEOP Command supported 30 countries in building their capacity and capability to combat child sexual exploitation and abuse. Sharing an understanding of the threat, providing training for law enforcement in tools and techniques to identify victims and offenders, and holding awareness raising events for child protection professionals enhanced international cooperation on child sexual exploitation and abuse investigations and ensured that these countries were better equipped not only to carry out investigations but, crucially, to provide the necessary support to victims.

The NCA continued to promote the use of the International Child Protection Certificate<sup>5</sup> (ICPC). The ICPC targets British nationals and residents who may be seeking to travel and work overseas in order to sexually abuse children. The certificate is already in use in 88 countries worldwide and to date, a total of 26,708 applications have been received from 1862 organisations.

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<sup>5</sup> ICPCs are issued following checks made against police information and intelligence databases. The ICPV aims to provide reassurance that staff employed in schools and voluntary organisations do not have a UK criminal record that makes them unsuitable to work with children.

**Prepare** – Cyber crime specialists from across Europe gathered in the UK in November to take part in a ground-breaking exercise to test the international response to serious cyber crime. Exercise SILVER SHADOW, a multinational exercise run by the NCA's National Cyber Crime Unit (NCCU), funded by the Foreign and Commonwealth Office and supported by the Home Office, saw officers from eight different countries come together to assess their collective response to a simulated cyber attack on a fictitious international petroleum company.

The aim was to test how investigators and prosecutors would work together in the event of a complex criminal incident spanning several different legal jurisdictions, to ensure an effective response to future cyber crime attacks. It also provided an opportunity to develop stronger operational partnerships between investigation teams and prosecutors.

The **#WeProtect2015** summit took place in Abu Dhabi in November 2015 where the CEOP Command shared information on the progress of Opus, covered on page 13 of this report, and the increased capability being introduced, demonstrating to domestic and international counterparts how the additional funding is being used.

The summit, which first took place in December 2014, is a global initiative where countries and leading technology companies gather to discuss issues around tackling online CSE.

In June, the NCA hosted the **Five Eyes Law Enforcement Group** (FELEG) Principals' Meeting in London for the second year in a row. FELEG is a meeting of key law enforcement directors from the 'five eyes' community – Australia, Canada, New Zealand, the UK and the USA.

The Group aims to 'reduce the threat from global organised crime and its international impact through improved collaboration and information sharing'. During the conference the Director General on behalf of the NCA, formally signed a bilateral agreement with the US Immigration Customs Enforcement (ICE), on behalf of the US Department of Homeland Security, that agrees to provide information on the travel of convicted child sex offenders between the two countries.

## KPQ4 – How effectively does the NCA manage resources?

**NCA Vision** – *An agile and flexible agency with well-led and highly motivated officers having access to the capabilities required to identify and disrupt serious and organised criminal groups, individuals and vulnerabilities.*

### **The NCA Novo Programme’s delivery of agency transformation on time and to budget**

The NCA’s **Novo Programme** continued to develop and enhance specialist resources. In the past year the programme delivered a number of new or improved capabilities such as the ability to transfer digital images nationally, the extension of the National Intelligence Hub capabilities to include International teams and, through project OPUS, significantly expanding the operational capabilities of the CEOP command.

The Novo programme was reviewed by the Major Projects Authority (MPA) in April which commented positively on progress made and the direction of travel. The report made a number of constructive recommendations around the governance of the programme, communications, the overall future operating framework, programme planning and recruitment. The NCA welcomed these recommendations, many of which it was alert to already, and accepted the report in full. Overall the report gave the programme a good bill of health, with the set up, the design and the way it was being delivered strongly endorsed by the Review Team.

The Novo programme is designed to transform the NCA’s capabilities so that it can continue its mission in the internet age. Novo is building the tools, skills and processes that will make sure the NCA stays ahead of the criminals and reduce many of the risks faced by the agency through investment in technology, people, skills and the workplace.

Phase Two of the vehicle fleet review looking at general purpose vehicles was completed this year, and phase 3, looking at specialist vehicles, commenced.

Work with partners saw the delivery of NCA co-location with Regional Organised Crime Units at five sites and also with the East Midlands Special Operations Unit (EMSOU).

### **The NCA as an employer of choice with effective, highly skilled, capable and motivated officers to deliver its mission**

The courage and professionalism of NCA officers and a series of outstanding operational successes were celebrated at the first annual **Director General’s Commendation** ceremony in December. The event, at Nottingham University, saw several teams and individuals recognised for their efforts at the highest levels while celebrating the occasion with family and friends. Cases including Operation VOICER and Operation PALLIAL child sexual abuse investigations, and Operation MASSIVE which targeted drugs importers, were singled out for awards. The work of individuals, including one of the agency’s cyber crime specialists, was also honoured.

The outstanding qualities and attributes of NCA officers have been recognised at the highest levels after a new Crown badge for the agency was endorsed by HM The Queen. The final design was unveiled for the first time in October, having been through a robust process of selection and drawn up by a Herald artist approved by Her Majesty’s College of Arms.

Recruiting and retaining individuals to law enforcement who have the appropriate cyber skills is challenging, given that remuneration may be lower than in the private sector, and there is competition with other agencies for the same pool of qualified staff. The NCA is meeting this challenge by offering apprenticeships and internships to promising individuals, and to identify further talent via the Cyber Security Challenge. The Cyber Security Challenge is a series of national competitions, learning programmes, and networking initiatives designed to identify, enable and inspire people resident in the UK to become cyber security professionals.

In January the NCA was ranked 91 in the Stonewall UK Workplace Equality Index – a jump of 121 places from last year. The agency's Sexual Orientation Network and Resource (SONAR) works to raise the profile of the NCA and to attract an increasingly diverse workforce.

The NCA is a key stakeholder in the development and implementation of the first Cabinet Office cross-government Cyber Security Fast Track Apprenticeship Scheme (CSFTAS). In September, five apprentices joined the NCA to undertake the Digital Cyber Apprenticeship scheme, working within either the CEOP Command or investigations. Apprentices follow a professional qualifications pathway and their programmes are a mix of academic and on-the-job training.

The 2015 people survey results demonstrated an improvement in both response rates and overall engagement measures by comparison with the previous years. Overall engagement was 52% which aligns the NCA with the Civil Service average outcome, but still leaves significant room for improvement, especially given the Board's ambition for high staff engagement.

The results showed an improvement across all measures, although leadership and managing change is an area of persistently low feedback. The only indicator to have slipped from the past year related to pay and benefits, which indicated a significant strength of feeling and an area that

required a prioritised response. The current pay policy is unclear, inconsistent and unresponsive to the complex employment markets in which the agency operates. In response, the agency initiated a review of pay and reward, with a view to developing more flexible arrangements which facilitate a clear career and earnings pathway for its people, and a reward structure which reinforces organisational values and outcomes.

### **The NCA's demonstration of commercial sense and sound financial management**

The NCA Audit and Risk Assurance Committee (ARAC) met regularly to review the comprehensiveness and reliability of assurance on governance, risk management, the control environment, and the integrity of financial statements. In line with HM Treasury guidance, the ARAC reports quarterly to the Director General in her role as Accounting Officer, and to the NCA Board, but has no executive responsibilities. The ARAC provides independent oversight and is responsible for advising the Board and Accounting Officer on a number of issues, including:

- the strategic processes for risk, control and governance and the governance statement;
- the accounting policies, accounts, and the Annual Report of the NCA, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors;
- the planned activity and results of both internal and external audit;
- the adequacy of management response to issues identified by audit activity, including external audit's management letter; and
- the assurances relating to the management of risk and corporate governance requirements for the NCA.

The NCA received an unqualified audit opinion for its 2014–15 statutory accounts.

Throughout the year, NCA Commercial provided support in choosing the right suppliers for the organisation, ensuring procurement was legally compliant, and getting the best value for money for the agency.

### **National Cyber Security Programme (NCSP)**

During FY15/16, the NCCU received £11.52m in NCSP funding. This was broken down across four areas:

- i. Increasing staffing levels – 105 new staff were recruited by the NCCU by 31 March.
- ii. Upskilling UK law enforcement in cyber – this funding was used to improve skills within the NCCU, to provide a base level of cyber skills across the NCA and to fund more specialist training in niche counter-cyber skills, such as digital forensics.

- iii. Understanding the criminal marketplace – this funding was directed towards establishing the Joint Operations Cell (JOC) between the NCA and GCHQ in order to map the threat; and to improving information sharing with the UK private sector in order to help prepare them for cyber attacks and protect themselves better.
- iv. Prevent activity – this funding was focused on developing a better understanding of how people get onto a cyber criminal pathway and using this knowledge to educate the UK public in order to prevent people becoming involved in cyber crime.



# Scotland and Northern Ireland

## Scotland

In Scotland, the NCA worked closely with Police Scotland, law enforcement agencies and other partners in order to contribute to achieving the objectives of Scotland's Serious Organised Crime Strategy, which was refreshed in June 2015. The NCA contributed to the work of the Scottish Serious Organised Crime Taskforce and the Police Scotland Serious Organised Crime Strategy Board, and assisted in the production of the Scottish Multi-Agency Strategic Threat Assessment.

The delivery of the NCA's functions in Scotland continued in accordance with Memoranda of Understanding (MoUs) with Scottish Ministers and with the Lord Advocate's Office. In February, the NCA Director General and Police Scotland Chief Constable, signed a renewed partnership arrangement which reaffirmed the commitment of both organisations to collaborative working on a wide range of activity which impacts on the threat and risk posed by serious crime and organised crime.

NCA officers in Scotland undertook a range of criminal investigations both independently and in collaboration with Police Scotland. The wider capabilities and resources of the NCA have been well utilised to progress these investigations where needed. The NCA also provided support to Police Scotland across the UK and internationally, in investigations relating to blackmail, human trafficking, murder, cyber crime, and drugs importation and supply. NCA specialist departments and UK bureau services hosted by the NCA provided expertise and advice. In addition, the NCA actively engaged with partners to share knowledge and best practice through delivery of training and educational workshops to partners and professionals in Scotland.

The following case studies demonstrate the range of NCA activity in Scotland this reporting year:

- The Vulnerable Persons Team (VPT) assisted in a Police Scotland led, multi-agency operation targeting an OCG facilitating the movement and trafficking of persons to be used for prostitution and cannabis cultivation. The VPT gave specialist interview advice to Police Scotland in relation to dealing with the identification and recovery of potential victims of trafficking. Seven VPT staff assisted in the strike phase in which 21 addresses were searched, 90 persons assessed, 20 arrests and eight potential victims of trafficking recovered, five of whom were under 18 years of age.
- Three men were jailed for a total of nine and a half years after the first ever 'cuckoo smurfing'<sup>6</sup> fraud case in Scotland. The NCA supported Police Scotland in a number of ways including use of the NCA Money Laundering Expert Evidence Programme. Members of the Expert Laundering Evidence (ELE) team delivered presentations to law enforcement agencies in Scotland on the criminal abuse of Informal Value Transfer Systems (IVTS) and International Controller Networks. Having attended one of these presentations, an SIO from Police Scotland identified features within his money laundering case which he suspected was criminal abuse of IVTS. The ELE supplied an expert to assist with the direction of investigation and understanding of the evidence. This support ensured resources were focused, suspects were detained quickly, and evidential opportunities exploited. A £75,000 cash seizure was further developed to identify over £700,000 of laundering. At court, the ELE independent expert witnesses gave expert evidence around the operation

<sup>6</sup> A method of laundering criminal proceeds by placing them into the bank account of a non-complicit person/business, who is expecting a corresponding sum from a third party as part of the transfer of value in an Informal Value Transfer System.

of International Controller Networks in money laundering. All defendants pleaded guilty at the start of the trial. The case was the result of close work between police, prosecutors and the NCA.

- NCA-CEOP's Education team delivered an ambassador training event in March in Glasgow. This event saw 58 new professionals trained in the nature of online offending against children, how young people use the internet, including risk taking behaviour, and school/organisation responses and policies addressing this threat.

## Northern Ireland

On 20 May 2015 the NCA became fully operational in Northern Ireland and since that date has had full powers in Northern Ireland, including the ability to recover criminal assets in relation to offences that are devolved. At that time, the Northern Ireland General Authorisation was agreed and interim MoUs were put in place between the NCA and PSNI and the Northern Ireland Policing Board (NIPB) respectively. These MoUs were formally signed in March 2016.

Upon the activation of NCA's constabulary powers in Northern Ireland, the scope of NCA's crime-fighting capability within the jurisdiction expanded.

Immediately the NCA and the PSNI launched a joint investigation into CSE – targeting those who access indecent images of children online. By year end there had been 25 arrests and 32 children had been safeguarded.

In Northern Ireland, the NCA contributed to the revisions of the Northern Ireland Organised Crime Strategy and worked in close partnership with the PSNI and other law enforcement agencies within Northern Ireland towards achieving the objectives set out in the strategy. The NCA continues to play an active role in the Organised Crime Task Force Stakeholder Group and a number of its subgroups.

The Director General of the National Crime Agency attended the NIPB for the first time

under the new statutory arrangements, most recently in March. The NCA provided quarterly performance reporting on the exercise of the NCA's functions in Northern Ireland, aligned to the key threat areas in the National Control Strategy.

In December the terms of reference for a new Joint Agency Task Force were agreed at a Ministerial Tri-lateral meeting held in Dublin. The NCA is a core member of both the strategic and operational tiers of the task force, detailed in the Northern Ireland Office paper 'A Fresh Start: The Stormont Agreement and Implementation Plan'.

Operational successes in Northern Ireland this year included:

- In December, in the first sentencing resulting from the joint CSE investigation mentioned above, a Belfast man was ordered to attend a two-year sexual offenders programme after he pleaded guilty to 11 counts of making an indecent photograph of a child. His Honour Judge Kerr stated that this case would have necessitated a one year sentence. In light of the fact that ██████████ had already been in custody on remand for six months, he considered this to be his custodial sentence. ██████████ was released on three years' probation, subject to attendance at a sexual offenders programme. He was also made subject to a Sexual Offenders Prevention Order and placed on the Sexual Offenders register for five years.
- A self-employed toy retailer, who was jailed for five years in September for attempting to smuggle Class B drugs into the UK in containers of toys.
- In a joint investigation by the NCA and the PSNI, searches were undertaken in February to deal with offenders possessing, making and distributing indecent images of children. NCA-CEOP child protection advisors (CPAs) provided guidance, support and advice to the operation. The enforcement activity resulted in the arrest of nine suspects. 16 children were safeguarded and a number of child protection organisations were also made aware of risk surrounding the subjects and safeguarding measures put into place.

- In December the NCA secured a two-year sentence at Leeds Crown Court against a man for assisting the importation of Class B drugs into the UK. This flowed from the seizure of over 45kg of various Class B drugs and precursor chemicals that were capable of producing £10m worth of amphetamine sulphate. Some of these drugs were destined for Northern Ireland.
- In September, a Northern Ireland based man pleaded guilty to the importation of 24kg of a class B controlled drug mephedrone, following an NCA Investigation. He was sentenced to five years' imprisonment.
- In April, two people were sentenced at Belfast Crown Court to a total of 14 years' imprisonment for their roles in the importation, export and supply of Class A, B and C controlled drugs. The criminal activity was facilitated by trading on the Silk Road 'dark web' marketplace. The investigation led to the successful disruption of the organised crime group being reported. The NCA also obtained Serious Crime Prevention Orders against those convicted.

# Sustainability report

## Introduction

This is the NCA's second full year sustainability report, detailing how the agency continues to manage its obligations towards a sustainable environment. The report includes a detailed breakdown of data required to meet HM Treasury sustainability reporting guidelines.

## Overall strategy for sustainability

Energy efficiency and energy security, now and in the future, are critical to the agency's business and law enforcement capability. Greening Government Commitment (GGC) targets are now in place to ensure estate and infrastructure energy performance improves by 2020 based on the 2013/14 baseline year set. In this reporting year, greenhouse gas emissions from energy reduced by 9% compared to 2014–15.

This report describes how continuous improvement in managing the NCA's sustainability obligations continues to be embedded within the agency's operations. The NCA works continually to protect the natural resources that its business and wider society depend on, not least by addressing climate change impacts, taking a sustainable approach to waste management and minimising its use of resources across all business streams.

## Summary of performance

		2015–16 Consumption	2014–15 Consumption
Energy <sup>1</sup>	(GWh)	29.3	30.2
Waste	(tonnes)	494	423
Water	(m <sup>3</sup> )	41,979	41,208
Travel	(million km)	42.7	45.8

<sup>1</sup> 1GWh = 1,000MWh = 1,000,000kWh

The NCA's sustainability strategy is to cut greenhouse gas emissions from estate and business travel, reduce waste, water and paper consumption in line with targets set within the GGC for sustainable operations to the year 2020. The data is verified externally by the environmental organisation Carbon Smart on an annual basis.

## Greenhouse gas (GHG) emissions

The NCA reports on greenhouse gas (GHG) emissions in terms of scope as follows:

- **Scope 1** Direct greenhouse gas emissions from sources owned or controlled by the NCA. For example emissions resulting from gas for heating and fuel used in NCA vehicles;
- **Scope 2** Indirect emissions from the usage of purchased electricity; and
- **Scope 3** Other indirect emissions as a consequence of NCA actions. This comprises emissions from business travel.

Performance takes into account the size of the NCA estate at the end of March 2016, data included is collated from 24 sites.

All tables below are for the reporting period 2015–16. Note that the figures shown for 2014–15 may differ from the published 2014–15 report having been adjusted with data not available at the time of publication.

## Carbon Footprint – Energy and Travel

### Total Energy and Travel CO<sub>2</sub>e Emissions

	2015–16 tonnes CO <sub>2</sub> e	2014–15 tonnes CO <sub>2</sub> e
Energy	12,536	13,748
Travel	6,311	6,838
<b>Total</b>	<b>18,847</b>	<b>20,586</b>

### Energy

The NCA continues to receive most of its electricity supply from fixed half-hourly accounts and all of these supplies deliver green energy from renewable sources as part of the continuous improvement in sustainability management.

Fixed half-hourly supplies account for around 85% of the NCA's energy

consumption. The remainder is met through smaller non half-hourly accounts; the majority of which are also sourced from green renewable energy supplies.

Unoccupied NCA sites require continuous service maintenance using all utilities. Whilst this continues to impact on overall consumption figures, each unoccupied site is maintained at the absolute minimum and appropriately regulated settings.

	Energy consumption <sup>1</sup>		Emissions from buildings	
	2015–16 MWh	2014–15 MWh	2015–16 tonnes CO <sub>2</sub> e	2014–15 tonnes CO <sub>2</sub> e
Electricity	22,561	23,168	11,288	12,453
Gas	6,714	6,892	1,238	1,275
Oil <sup>2</sup>	57	122	9	20
<b>Total</b>	<b>29,332</b>	<b>30,182</b>	<b>12,536</b>	<b>13,748</b>

<sup>1</sup> Consumption data is reported for locations where NCA pays utilities directly.  
1GWh = 1,000MWh = 1,000,000kWh

<sup>2</sup> oil data is estimated

During the year, a number of initiatives to improve energy efficiency across the estate have been rolled out. These include;

- site specific audits – individual sites are assessed to identify opportunities for improvement. Consumption information is analysed to identify buildings with high usage patterns, which have the scope to offer significant savings from implementing a range of recommendations such as lighting improvements, environmental controls and draught proofing.

- Energy saving projects – Examples include installation of passive infrared (PIR) sensors, replacement of existing lamps with light emitting diode equivalent lamps on refurbishment projects and sourcing construction materials from sustainable sources.

## Travel: road, rail and air

The nature of work that the organisation has become involved in has changed over the course of 2015–16 and this has had an impact on the requirement to travel. The NCA continues to maintain robust policies to ensure that all official journeys are managed properly, to reduce both cost and carbon. The travel authorisation process exists to prompt staff to challenge the need for travel, and when it is essential, to

do so in the most efficient manner possible. Staff are encouraged to use alternatives to travel to face to face meetings, such as the use of telephone and video conferencing.

During the reporting year, NCA staff undertook 5,037 domestic and 7,083 international official flights, although the nature of the business means there are more short haul flights than in previous years, resulting in lower overall air miles.

	Distance travelled		Emissions from travel	
	2015–16 Km ('000)	2014–15 Km ('000)	2015–16 tonnes CO <sub>2</sub> e	2014–15 tonnes CO <sub>2</sub> e
Road	27,738	28,856	5,155	5,454
Rail (national)	6,993	6,911	315	327
Air (domestic)	1,443	1,375	227	213
Air (incl. international)	7,991	9,984	841	1,057
<b>Total</b>	<b>44,165</b>	<b>47,126</b>	<b>6,538</b>	<b>7,051</b>

## Travel: fleet vehicles

The NCA's fleet carbon footprint in 2015–16 has seen a reduction as in previous years due to the continued purchase of fuel efficient vehicles. The 2015–16 vehicle replacement programme included the trial of an electric hybrid vehicle. If this is successful, it is anticipated that further vehicles would be purchased in subsequent years which would have a significant impact on reducing the NCA's carbon footprint.

Phase 1 of the vehicle fleet review identified a number of underused vehicles, following a corporate decision to reduce the size of the fleet by 200 vehicles. A total of 152 vehicles have been disposed of to date, with the remainder retained due

to operational requirements or because they are awaiting further reviews by other business areas.

Phase 2 of the vehicle review is currently underway and is reviewing the general purpose fleet, including the costs and benefits of extending the new model for centrally managing fleet. This includes:

- hire vehicles;
- the Directors' designated group fleet;
- the home to duty policy;
- an approach to authorising vehicle procurement to ensure that the fleet is maintained at affordable levels; and
- establishing whether there is a case for the introduction of telematics to the NCA fleet and what the telematics data will be used for.

## Waste

	2015–16 tonnes	2014–15 tonnes
Landfill	153	105
Recycled	241	245
Incinerated with energy recovery	98	74
Composted	2	0
<b>Total</b>	<b>494</b>	<b>423</b>

Waste data for this reporting period is more accurate following continual proactive supplier agreements being put in place. This means that some waste figures have increased in this reporting year.

69% of the NCA waste is recycled or incinerated for energy recovery; this represents an increase of 10% from the baseline year of 2013–14. Waste incinerated for energy recovery originates primarily from offices in London.

Although the NCA aims to manage waste responsibly and wherever possible re-use items such as furniture within the organisation, landfill waste increased during to the reporting year owing to the exit from a number of buildings. Processes will be reviewed in 2016–17 to ensure waste is minimised in the future.

## Water

The NCA has 34 water meters; consumption figures for around half of these are estimated at year end as a result of invoices not yet being available at the time of reporting.

	2015–16	2014–15
	m <sup>3</sup>	m <sup>3</sup>
Water consumption	41,979	41,208

## Carbon Reduction Commitment Energy Efficiency Scheme (CRC EES)

CRC EES is a mandatory emissions trading scheme for non-energy intensive organisations and is focused on the public and private sector not covered by EU Emissions Trading Scheme or Climate Change Agreements. This is regulated by the Environment Agency in England and Wales. Charges are levied on the amount of carbon produced in the period reported.

In 2015–16 the NCA:

- recycled 241 tonnes of waste;
- incinerated with energy recovery 98 tonnes;
- sent 153 tonnes to landfill; and
- composted 2 tonnes of waste.

Since 2010 no IT equipment has been disposed of through landfill or incineration. Electrical components are reused if viable, or recycled to extract copper and precious metals to be used in new components.

The NCA has continued to reduce waste by repair and redeployment of used equipment by the following means:

- Reuse by resale of equipment;
- Recycling of non-reusable equipment; and
- Recovery of waste-to-energy.

Where equipment and packaging is non-reusable it is recycled in compliance with the Waste Management Regulations 2011.

Water usage continues to be monitored and six sites fall within the best practice for water threshold at 4.6 cubic metres per FTE; a further 4% use less than 6 cubic metres per FTE. We are reviewing procedures at all sites to learn lessons from the better performing sites in order to increase this number.

During this reporting year, 13,363 tonnes of carbon emissions were reported under the scheme for 2014–15. Allowances were purchased from the Environment Agency at £16.90 per tonne to cover these emissions.

## Climate change adaptation

The greatest risk posed by climate change to the work of the NCA remains the potential disruption caused by severe weather events on operational activities. Maintaining and reviewing robust business continuity arrangements remains the most effective way to ensure preparedness in this way.

## **Biodiversity**

The NCA continues to be active on biodiversity throughout the estate. The organisation has installed bird boxes and taken steps to preserve the conservation habitat set aside on its site in Warrington.

The newt habitat at the Warrington site continues to be maintained; water levels in the pond are monitored and a supply remains on hand to add water as necessary in times of drought.

Bat boxes are maintained in order to support breeding and evidence indicates these are being used

## **Sustainable procurement**

The NCA use government contracts for utilities, travel and accommodation, car hire, stationery and are currently transferring to a Crown Commercial tendered facilities contract. These contracts include comprehensive controls for sustainable procurement

The NCA has put in place a policy to apply Building Research Establishments Environmental Assessment Method (BREEAM) to capital builds and large refurbishment projects. BREEAM sets the standard for best practice in sustainable design, construction and operation, minimising energy demands created by our buildings.

## **Cycle to work**

The Bike2work scheme is a government-approved salary sacrifice initiative allowing eligible employees to hire a bicycle and accessories up to the value of £1,000 from their employer. The scheme encourages staff to cycle to work, thus improving their health and fitness levels, and save money spent on travel.

In June 2015, 25 applications were approved with a total value £18,780. The average bicycle was valued at £751.

## **Summary of 2015–16 Activities**

A number of energy efficiency technical projects have been completed:

- The installation of energy efficient lighting on all new and refit projects in accordance with BREEAM methodology;
- Rebalancing air conditioning systems; and
- Targeted sub metering to identify high usage sites is now available.

A comprehensive energy efficiency audit is in progress across the estate to 'baseline' each of our premises and, more importantly, to identify and highlight potential savings in both financial and carbon emission terms.

Findings and recommendations are disseminated to all stakeholders to assist in future planning, budget calculation and decision making.

## **National Police Aid Convoy (NPAC)**

The NCA continues to work with the NPAC initiative, reusing where appropriate seized goods and obsolete kit. Schools and communities all over the world have benefited from the excess and redundant equipment the NPAC is trusted to fix, clean and deliver.

Donations included 24 packages of body armour, destined for incineration. Basic body armour can cost between £200 and £300 to purchase, and is now being reused with the help of NCA International Liaison Officers.

## **Staff Awareness**

The NCA is committed to raising awareness of environmental and sustainability matters throughout the organisation.

During 2015–16, sustainability awareness roadshows were held in two of our larger establishments under the banner of 'Count the Cost'.



Staff were encouraged to engage with the Sustainability Team, join in a competition to win energy and water saving devices and generally learn how to save resources both at home and at work.

Roadshows were well attended, and feedback from staff was very positive. Local initiatives have since taken place to reaffirm the 'save it' message and continue to educate staff at a local level.

A number of initiatives to embed best practice are currently being considered. They follow on from the positive article published in the NCA internal magazine, advising staff how to make savings in the workplace and consider more sustainable ways of working.

### **Progress made in 2015–16**

The majority of emissions are from the use of electricity in buildings for lighting, air conditioning, computer equipment and other plug-in devices. This year the NCA has focused on embedding sustainability into facilities management arrangements. For example;

- Electric wall heaters were removed and replaced with radiators, giving greater control over when and to what extent heaters are used. Using thermostatic radiator valves controls the required temperature and does not lead to overheating, and can therefore be timed to match occupancy levels rather than being in 24/7 use;

- Electric showers were removed and replaced with more efficient 'on demand only' systems;
- LED lights have been installed where it was cost effective to replace. Based on replacing 10 x 60 watt bulbs with a 6W LED equivalent; the running costs will be just one tenth – or 7.3p per day, 51p per week, £2.19 per month and £26.65 per year compared to £266.45 a year.

### **Conclusion**

The NCA continues to make improvements in reducing its impact on the environment through improved data collection, staff awareness and involvement of its facilities management suppliers.

Significant unusual events in year, such as the waste caused by exiting buildings, may temporarily increase emissions or waste but the overall trend is to reduce environmentally damaging outputs.

Sustainability impact assessment is embedded within all projects by ensuring the Sustainability team is consulted at the inception of new projects. Implementation of the energy saving projects throughout the business will have a significant impact in managing sustainability.



**Lynne Owens CBE QPM MA**  
**Director General**  
**Date: 18 July 2016**

# Glossary

ACE	NCA's Asset Confiscation team
ACU	Anti-Corruption Unit
AKEU	Anti-Kidnap and Extortion Unit
BPC	Border Policing Command
CEOP	Child Exploitation and Online Protection Command
COPFS	Crown Office and Procurator Fiscal Service
CPS	Crown Prosecution Service
DWP	Department for Work and Pensions
EAW	European Arrest Warrant
ECC	Economic Crime Command
FIU	Financial Intelligence Unit
FRO	Financial Reporting Order
HMIC	Her Majesty's Inspectorate of Constabulary
HMRC	Her Majesty's Revenue and Customs
ICPC	International Child Protection Certificate
IE	Immigration Enforcement
ICU	International Corruption Unit
ILO	NCA International Liaison Officer
NCARRB	NCA Remuneration Review Body
NCCU	National Cyber Crime Unit
NCS	National Control Strategy
NFA	National Fraud Authority
NFIB	National Fraud Intelligence Bureau
NOMS	National Offender Management Service
Novo	The NCA's agency-wide programme of transformation
NSA	National Strategic Assessment
NSTCG	National Strategic Tasking and Coordination Group
NTTCG	National Tactical Tasking and Coordination Group
OCC	Organised Crime Command
OSCC	Organised Crime Coordination Centre
OCG	Organised Crime Group
OCGM	Organised Crime Group Mapping
OCTF	Organised Crime Task Force (Northern Ireland)
PSNI	Police Service of Northern Ireland
ROCC	Regional Organised Crime Coordinator
ROCU	Regional Organised Crime Unit
SCPO	Serious Crime Prevention Order
SGGs	Strategic Governance Groups
SOC Strategy	Serious and Organised Crime Strategy
TRO	Travel Restriction Order
UKICB	UK International Crime Bureau

# NCA output data for 2015–16

## NCA Casework

UK arrests	1763
UK convictions	915
International arrests	1,300

## Disruptions

Major impact	110
Moderate impact	332
Minor impact	887
<b>Total</b>	<b>1,329</b>

## Drug interdiction (in tonnes, unless otherwise specified)

Cocaine	78.1
Heroin	3.9
Opium	3.5
Ecstasy (Kg)	7
Other Class A (Kg)	164
Ecstasy tablets	61,441
Other Class A tablets	12,000
Amphetamine (kg)	48
Cannabis (plus 3119 plants)	120.8
Cutting agents (kg)	171
Precursor chemicals (kg)	41.3
Precursor chemicals (litres)	289,604
In-production drugs	29.8

## Asset Recovery

Assets Denied	£70.3m
Assets Assessed	£33.0m
Assets Recovered	£26.9m

## Firearms interdictions

Firearms <sup>7</sup> (guns)	323
Firearms (other)	16

**Ammunition recovered** 2842

**Other weapons** 35

**Irregular migrants detained** 162

**Passports seized** 33

**Other documents seized** 29

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<sup>7</sup> Firearms (guns): All types of guns including replica and imitation guns  
Firearms (other): All other types of firearm (not guns) as defined in the Firearms Act 1968 for example CS gas, tasers, stun guns.

<b>Children safeguarded or protected</b>	<b>1,802</b>
<b>ThinkUKnow Programme</b>	
Primary school children reached	<b>1,522,201</b>
Secondary school children reached	<b>1,922,913</b>
<b>CSE Bureau referrals</b>	<b>22,606</b>
<b>Counterfeit currency seized (face value)</b>	<b>£49.3m</b>
<b>Assessed reports</b>	<b>55</b>
<b>Alerts</b>	<b>49</b>
<b>Ancillary orders</b>	<b>99</b>
SCPOs obtained	<b>14</b>
Other ancillary orders <sup>8</sup> (including 59 Sexual Harm Prevention Orders)	<b>85</b>
<b>EAWs executed<sup>9</sup></b>	
Part 1 (wanted from the UK)	<b>2,102</b>
Part 3 (wanted by the UK)	<b>150</b>
<b>Threats to life reports</b>	<b>73</b>
<b>Firearms deployments</b>	<b>105</b>
<b>Reported kidnaps</b>	<b>410</b>
<b>Reported cases of blackmail</b>	<b>758</b>
<b>Reported cases of product contamination</b>	<b>15</b>
<b>Subject Access Requests received</b>	<b>83</b>

<sup>8</sup> Includes compensation orders and being recommended for deportation.

<sup>9</sup> An EAW executed is one where the individual has been arrested.

# Accountability report

## Directors' report

### Composition of Management Board

	Date Appointed	Contract End Date
<b>Director General</b>		
Keith Bristow*	7 October 2013	3 January 2016
Lynne Owens	6 January 2016	3 January 2021
<b>Deputy Director General</b>		
Phil Gormley†	7 October 2013	31 October 2015
David Armond‡	27 July 2015	-
<b>Directors</b>		
Johnny Gwynne	9 December 2013	10 February 2017
Tim Symington§	7 October 2013	-
Donald Toon	31 March 2014	-
Sue Steen	1 April 2015	-
Ian Cruxton	2 July 2014	-
Jamie Saunders	1 July 2014	-
Gerry Cantwell¶	1 October 2015	-
Mark Webster#	27 July 2015	-
<b>Non-Executive Directors</b>		
Jane Furniss CBE	2 December 2013	-
Dr Stephen Page	2 December 2013	-
Justin Dowley	2 December 2013	-

\* On 3 January 2016 Keith Bristow retired from the NCA.

† On 31 October 2015 Phil Gormley retired from the NCA.

‡ On 27 July 2016 Dave Armond was appointed temporary Deputy Director General (ex Director of the Intelligence and Operations Directorate) following the departure of Phil Gormley on retirement.

§ Tim Symington was appointed permanently as Director of Change and Finance from 28 April 2015.

|| Sue Steen was appointed permanently as Director of Corporate Services from 1 April 2015.

¶ Gerry Cantwell joined on 3 February 2015 on secondment from the Ministry of Defence as Chief Information Officer, being appointed permanently to the NCA on 29 May 2015. The post of Chief Information Officer was made a Board appointment from 1 October 2015.

# On 27 July 2015 Mark Webster, Deputy Director of Security and Standards, Performance, Planning and CT/OC Collaboration, was appointed as the temporary director for the Intelligence and Operations Directorate.

## Register of interests

Details of company directorships and other significant interests held by Board members during the accounting period are available at the following web address; <http://www.nationalcrimeagency.gov.uk/about-us/how-we-are-run/board-declarations>

## Results and financial position

The Departmental Expenditure Limit (DEL) outturn to 31 March 2016 reports an underspend of £1.0m (2014–15: £6.9m) resource and £0.4m (2014–15: £2.3m) capital.

The resource outturn represents an underspend of 0.2% of budget. Capital represents an underspend of 1%. The agency monitored the in-year expenditure closely with regular forecasting for the operating and investment costs and depreciation. The provisional outturns delivered for 2015–16 are broadly consistent with the position forecast before the end of the year.

The Annually Managed Expenditure (AME) budget consisted of estimates for movements in provisions, and police pensions in-year charges and movements in reserves Government Actuaries Department. The pension movements in previous years have been +/-£100m.

During the year, the agency engaged in discussions with HM Treasury in relation to the AME budget and interpretation of the Consolidated Budgeting Guidance for the NCA. It was agreed that the agency should no longer retain a budget for movements in pension reserves or revaluation reserves.

This advice came after submission of the Supplementary Estimates, so changes will not be made to the AME budget held until 2016–17. The agency is therefore showing a large underspend in AME of £180m for 2015–16.

## Remuneration of the External Auditors

The remuneration for the National Audit Office is disclosed in note 4 of the accounts totalling £0.13m (2014–15: £0.14m).

No remuneration has been paid to the National Audit Office for non-audit work (2014–15 nil).

## 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.

## Statement of the Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed the NCA to prepare for each financial year a Statement of Accounts in the form and on the basis set out in the Accounts Directions. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the NCA and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer was 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 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 disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis.

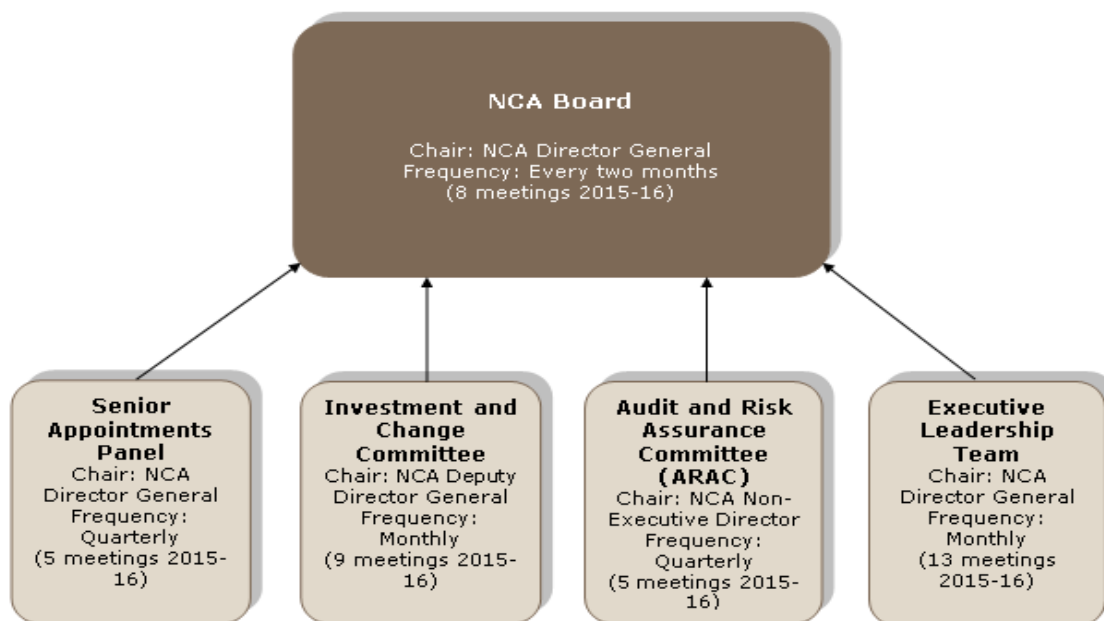
The Secretary of State for the Home Department has appointed the Director General as Accounting Officer of the NCA. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the NCA's assets, are set out in '*Managing Public Money*' published by the HM Treasury.

# The governance statement

## Introduction from the Director General of the NCA, Lynne Owens

This governance statement sets out the governance, risk management and internal control arrangements for the National Crime Agency (NCA). It applies to the financial year 1 April 2015 to 31 March 2016 and up to the date of approval of the Annual Report and Accounts.

### The NCA's governance structures



The remit of the Board and each committee is set out in the *Board Operating Framework* [available at: <http://www.nationalcrimeagency.gov.uk/publications/529-nca-board-operating-framework/file>].

As Board and committee members, we are responsible for sound financial management, setting the risk appetite and ensuring appropriate controls are in place within this framework. Members manage risk, scrutinise the performance of the agency and ensure that the NCA has the capacity to deliver against current and anticipated needs. We have opened up Board meetings to observers and representatives from trade unions, the internal communications team, and the Home Office regularly attends. Visibility and transparency on all of the decisions we make as a Board is important, and by inviting a variety of observers along, we are demonstrating not only how decisions

are made, but also committing to an open leadership approach.

During this period the agency was led by 10 senior operational leaders, including a Chief Information Officer, and three Non-Executive Directors. I have been Chair of the Board since January 2016 in my capacity as the Director General/Accounting Officer.

The Board varied slightly during the year, due to senior management changes.

Biographies of current Board members are available at: <http://www.nationalcrimeagency.gov.uk/about-us/how-we-are-run/the-board>

The Board, and its associated committees, monitor the performance of the agency using management information, such as data on performance, our financial position, major investments and contracts, human resources and updates on the



NCA's transformation programme. We continually seek to improve the breadth and quality of our data, and use controls to ensure that the data used for making decisions is sound and reliable.

On a quarterly basis the NCA Board considers a performance report which assesses the agency's performance in cutting serious and organised crime. The NCA has improved performance reporting on the National Strategic Assessment (NSA) threats using NCA, Regional Organised Crime Units (ROCU) and other agency data relating to Serious Organised Crime. National performance is scrutinised at National Tasking and Intelligence meetings and by the Home Office Serious and Organised Crime Strategy Board, which I attend as NCA Director General. Quarterly Performance is also reported to the Northern Ireland Policing Board and the Scottish Serious Organised Crime Task Force in relation to these geographical areas.

Board appointments are based on merit and the skills and experience that the individual can contribute to the agency. However improving diversity continues to be a priority, and we recognise the benefits that a diverse workforce brings to the whole agency, as well as to the Board.

Board members are required to declare any personal or business interests which might influence, or appear to influence, their judgement in performing their roles. These are recorded in a register of interests. Where a Board member declares a potential conflict at meetings, it is recorded in the minutes and the Board member would be required to absent himself or herself from the meeting for the duration of that item.

We comply, where relevant, with the spirit and principles of the '*Corporate Governance in Central Government Departments: Code of Good Practice*' (Cabinet Office, July 2011).<sup>10</sup> As the NCA is a non-ministerial department, some of the Code is not applicable or appropriate to follow. We have diverged from adoption of the Code in certain aspects where its application was not practical to our agency as a non-ministerial department. One example of this is that a lead Non-Executive Director (NED) has not been appointed because, following discussion at the Senior Appointments Panel, it was agreed that all of our NEDs have distinct skills and knowledge and each of them take on a lead role where this lends itself to the agency's needs.

The NCA's specific governance and accountability arrangements are covered by the Crime and Courts Act 2013 and the NCA framework document.

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<sup>10</sup> The Code states that its focus is on ministerial departments. Non-ministerial departments and arms length bodies are encouraged to adopt the practices set out in the Code wherever this is relevant and practical.

## Board Performance

NCA Board			
<p><b>Role and Responsibilities:</b> The Board’s functions are:</p> <ul style="list-style-type: none"> <li>• <b>advisory</b>; setting strategic and business direction for the agency within the scope of the Home Secretary’s strategic priorities, and</li> <li>• <b>supervisory</b>; scrutinising performance, ensuring strong corporate governance and challenging the agency on delivery. The Board sets the standards for how the NCA does its work and the culture it promotes</li> </ul>	<p><b>Significant Issues Covered:</b></p> <ul style="list-style-type: none"> <li>• People Strategy</li> <li>• Quarterly Performance Reports</li> <li>• Project 500</li> <li>• NCA Annual Report and Accounts</li> <li>• Board Effectiveness</li> <li>• Novo Updates</li> <li>• Strategic Risk and Compliance Report</li> <li>• Strategic Equality Forum Update</li> <li>• Finance Updates</li> <li>• Spending Review Settlement and Finance Update</li> <li>• Approval of Budgets for 2016–17</li> <li>• IT Strategy</li> <li>• HMIC Inspection</li> </ul>		
<p><i>The NCA Board appoints committees and delegates specific and distinct functions and powers to those committees. Board committees are chaired by a Board member.</i></p>			
Committees of the NCA	<p><b>Senior Appointments Panel</b></p>		
	<p><b>Role and Responsibilities:</b> The NCA’s Senior Appointments Panel is responsible for the appointment of the agency’s senior leaders</p>	<p><b>Significant Issues Covered:</b></p> <ul style="list-style-type: none"> <li>• senior appointments at director and deputy director level, including succession planning;</li> <li>• future leadership schemes and nominations for senior talent programmes;</li> <li>• extension of NED contracts and NED recruitment;</li> <li>• SCS 360 feedback and performance management.</li> </ul>	
	<p><b>Investment and Change Committee</b></p>	<p><b>Role and Responsibilities:</b> The Investment and Change Committee monitors and reviews the NCA’s current and planned investment activity and spend. It ensures the NCA has a fit-for-purpose investment management process to control and monitor allocation of investment in accordance with government protocols.</p>	<p><b>Significant Issues Covered:</b></p> <ul style="list-style-type: none"> <li>• corporate strategy and investment priorities;</li> <li>• decisions and progress on the transformation programmes;</li> <li>• the change programme’s expenditure and financial position;</li> <li>• issues and risks impacting investment decisions and the change programme;</li> <li>• investments in vehicle replacement, modernisation, estates proposals and continued investment in key IT systems.</li> </ul>
	<p><b>Audit and Risk Assurance Committee</b></p>	<p><b>Role and Responsibilities:</b> The ARAC provides the Board with assurance on governance; risk management; the control environment; and the integrity of financial statements and the annual report. The ARAC acts in an advisory capacity and has no executive powers. It was attended by the Head of Internal Audit and representatives from the National Audit Office (NAO).</p>	<p><b>Significant Issues Covered:</b></p> <ul style="list-style-type: none"> <li>• the NCA’s Annual Reports and Accounts 2014–15;</li> <li>• financial updates;</li> <li>• the establishment of a compliance function for the agency;</li> <li>• Internal Audit’s work against their audit programme;</li> <li>• strategic risks managed within the NCA’s Corporate Risk Register.</li> </ul>

<b>Executive Leadership Team</b>	
<p><b>Role and Responsibilities:</b> The Executive Leadership Team delivers against the strategic direction set by the Board, and considers matters relating to the management and leadership of the agency.</p>	<p><b>Significant Issues Covered:</b></p> <ul style="list-style-type: none"> <li>• NCA Response to managing out of hours operational and organisational risk.</li> <li>• Desktop/laptop provision across the NCA Estate</li> <li>• The NCA’s Community Fund</li> <li>• Victims’ Code</li> <li>• Bribery and Corruption Enforcement Review</li> <li>• NCA Long Service Awards and NCA Good Conduct Medal</li> <li>• On Call Responsibilities and Resilience</li> <li>• NCA Accountability Arrangements</li> <li>• 18 box grids for all Threat Areas – to outline both the NCA and partners’ responsibilities at international, national, regional and local level and alignment with Strategic Action Plans (SAPs).</li> </ul>

## Board Effectiveness Review

I commissioned a review of Board effectiveness by *Independent Board Evaluation*<sup>11</sup> in March 2016. Findings will be reported to the Board in May 2016 in order to take forward any necessary changes.

A review of the effectiveness of the Audit and Risk Assurance Committee was also commissioned, which confirmed that the committee is operating in line with good practice, but could make some adjustments to be even more efficient.

We’re currently addressing the recommendations set by the ARAC review to:

- improve the quality of reporting to the Board;
- produce an Audit Committee Annual Report in line with HMT guidance;
- develop an annual forward plan; and
- improve the ARAC secretariat, taking best practice guidance from other HMG ARAC secretariats.

Effectiveness Reviews were also conducted for all other Board committees: Executive Leadership Team, Senior Appointments Panel and Investment and Change Committee. Recommendations were drafted following each review with a view to making general improvements and increasing effectiveness.

<sup>11</sup> Independent Board Evaluation is an independent consultancy working exclusively on board effectiveness reviews.

## Board and Committee Attendance

Board members' attendance at Board meetings and committee meetings of the Board, for the period 1 April 2015 to 31 March 2016 was as follows:

Attendance						
Board Members <sup>12</sup>	Board	ELT	ARAC	I&CC	SAP	Comments:
<b>Directors</b>						
Keith Bristow	4/6	6/10	2/4		4/4	<i>Left the NCA on 3 January 2016.</i>
Lynne Owens	2/2	3/3	1/1		1/1	<i>Joined the NCA on 4 January 2016. Prescribed end date 3 January 2021</i>
David Armond	4/8	13/13	1/1	6/7	2/2	<i>Promoted to temporary DDG 27 July 2015.</i>
Phil Gormley	3/4	3/7			3/3	<i>Left the NCA in October 2015.</i>
Gerry Cantwell	4/4	5/6	2/2	5/5		<i>Became an NCA Board member on 1 October 2015.</i>
Ian Cruxton	5/8	8/13		3/7		
Johnny Gwynne	5/8	11/13		3/7		<i>Secondment extended until 10<sup>th</sup> Feb 2017</i>
Jamie Saunders	7/8	13/13		4/7		
Sue Steen	8/8	12/13	5/5	7/7	4/5	<i>Became an NCA Board member on 1 April 2015.</i>
Tim Symington	7/8	12/13	3/5	7/7		
Donald Toon	8/8	12/13		5/7		
Mark Webster	4/5	8/9		5/7		<i>Became an NCA Board member on 27 July 2015.</i>
<b>Non-Executive Directors</b>						
Justin Dowley	6/8		5/5	4/7		
Jane Furniss	7/8		5/5		5/5	
Stephen Page	7/8		2/5	3/7		

<sup>12</sup> Figures relate to attendance when an individual was a Board member only.

## Approach to Risk Management

Risk management remains at the core of NCA activity and is embedded across the agency. The NCA's operational remit means dealing with the most serious and complex areas of crime and with this comes inherent risk which is managed on a day to day basis by NCA officers in line with legislation, codes of practice and internal policies and procedures. Though not recorded at the organisational level, effective management of these operational risks ensures we have upheld the NCA's mission of leading the UK's fight to cut serious and organised crime.

The NCA's organisational risk management framework, designed around management of risk best practice, is subject to continuous improvement to ensure risks are managed at the most appropriate level. Our risk management policy, operating procedure and handbook support delivery of the framework by clearly defining the risk management process and responsibilities within it. We operate within the principles of the National Decision Making Model.

A central risk management team engages with officers across the agency to support compliance with the risk framework. The NCA Risk Improvement Forum meets quarterly to share best practice and enable coordinated risk management activity across the agency.

Organisational risks are subject to active review and management recorded in a risk register and exposed to regular scrutiny at monthly Senior Leadership Team meetings. The NCA Risk Moderation Panel meets quarterly to manage the escalation and de-escalation of organisational risks into the NCA Corporate Risk Register. This forum additionally provides assurance that organisational risks are subject to management at the appropriate level across the agency. The timely reporting of issues to the Home Secretary via the NCA's Home Office Sponsor Unit is also embedded into NCA risk processes.



External inspection reports also provide an opinion on the adequacy of risk management processes and controls in the agency. Legislation provides for various bodies to undertake inspections of NCA functions or activities, including but not limited to:

- The Office of the Surveillance Commissioner
- The Office of the Interception Commissioner
- The Office of the Information Commissioner
- Her Majesty's Inspectorate of Constabulary (HMIC)
- The Independent Police Complaints Commission (IPCC)
- The Police Investigations and Review Commissioner (in Scotland)
- The Police Ombudsman for Northern Ireland

All recommendations from inspections completed within 2015–16 have been, or are being addressed, and we continue to work with stakeholders internally and externally, to ensure any outstanding activity is appropriately completed.

HMIC completed two inspections of the NCA during the reporting period: an inspection of the UK International Crime Bureau (UKICB) and an inspection of the NCA's progress against outstanding recommendations made in the report 'An Inspection of the NCA', published in March 2015.

HMIC's inspections were completed during the reporting period, the reports themselves will be published in due course.

The Internal Audit team has provided the agency with a **moderate assurance**<sup>13</sup> on our risk control and governance arrangements for this year. This is, in part, due to the significant improvements made during the second half of the year. The notable strength of risk and performance governance, as evidenced through the audits on these areas, and the introduction of a new compliance function in the NCA, contributed to the moderate assurance rating. Whilst the overall trajectory is one of improvement there are, however, areas which require attention, in particular Operational Deployment, Business Resilience and Novo Business Change, which achieved Limited Assurance audit ratings. The recommended actions from all 2015–16 Internal Audits are being actively managed to address the Internal Audit findings.

Internal Audit commented that we had:

- developed clear governance arrangement to achieve our strategic priorities;
- improved our ICT infrastructure;
- established a robust risk management framework and
- established a central compliance function to monitor and ensure the implementation of audit recommendations.

Overall we have improved during this year, particularly in the second half of 2015/16, although it is important that some of the recent initiatives to ensure recommendations are implemented are supported and developed.

### **Confiscation orders**

In December 2013, the NAO published a report which found that the government's administration of confiscation orders was not working well enough and did not provide value for money. Confiscation

orders are the main way through which the government carries out its policy to deprive criminals the use of their assets and to disrupt or deter criminality. In January 2014, the PAC held a hearing into confiscation orders and published a report making six recommendations for improvement. Since 2014 the criminal justice bodies have improved how they administer confiscation orders, with greater focus on enforcement and better joint working across the bodies. Nevertheless, a second NAO report, and a further PAC hearing this year, were critical of the rate of progress. A second PAC report was published on 5<sup>th</sup> July 2016 made further recommendations.

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<sup>13</sup> The definition of 'moderate' is that '*some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control*'.

## Significant risks in 2015–16 and key mitigating factors

The highest category organisational risks to the agency are recorded on a Corporate Risk Register, which is updated and formally reviewed on a quarterly basis by

members of the NCA Board at the Strategic Risk and Compliance Meeting, and the Audit and Risk Assurance Committee.

Risk:	Mitigations:
<p><b>Information and communications technology</b> We continue to address the need to replace legacy business-critical, information systems. The costs associated with this process are considerable, and are the subject of ongoing discussion with the Government as a way forward is sought.</p>	<ul style="list-style-type: none"> <li>• Improvements to operational capability were achieved by the deployment of encrypted laptops operating at Tier 1 of the Government Security Classification Scheme (GSC).</li> <li>• Standalone CEOP Command information technology systems were successfully migrated onto wider NCA systems, which improved the efficiency of the agency’s ability to search across all its information holdings.</li> <li>• Work to support the migration of NCA investigations managed via Home Office Large Major Enquiry System (HOLMES) to an upgraded version of the system is underway. A project is also on-going to embed HOLMES as one of the corporate systems for investigations within the NCA.</li> <li>• We are nearing completion of the Windows 7 roll out and have instituted a continuous service improvement plan. Rationalisation of the applications estate has resulted in 20 applications being removed in the last quarter of the financial year.</li> </ul>
<p><b>Information management</b> We continue to record information management amongst the highest corporate risks. This includes legacy and archive material as well as information held on live systems. This risk is subject to active management through NCA programmes. For our CEOP Command this is particularly pertinent given the broad terms of the Independent Inquiry into Child Sexual Abuse (known as the Goddard Inquiry).</p>	<ul style="list-style-type: none"> <li>• A project to examine paper records in secure storage enabled the agency to more readily comply with requests for disclosure of information.</li> <li>• The agency has enhanced the governance of information risk and allied management processes to make escalation and assurance more effective. Our governance has been enhanced through ensuring that the assessment of information risk by Information Asset Owners was fully integrated with the mainstream organisational risk processes, thereby simplifying reporting and escalation through the Strategic Risk and Compliance meeting. The Senior Information Risk Owner has continued to monitor and review wider components, including cyber and insider threats, to meet his mandatory responsibility to evaluate and report to the Board and ARAC on the aggregated information risk borne by the NCA.</li> <li>• The Information Department was transferred to the new Technology Command, headed by the NCA’s Chief Information Officer (CIO). Supported by a team of senior, experienced and skilled resources from outside the NCA, the CIO continues to drive implementation of the IT strategy agreed by the Board in September 2015.</li> </ul>

Risk:	Mitigations:
<p><b>Workforce Management</b> During the year it was identified that approximately 15% of funded posts were vacant due to ongoing organisational change and reshaping.</p>	<ul style="list-style-type: none"> <li>• To oversee and coordinate an organisational response to this threat, a Gold Group (Project 500) was established to address the resourcing gap. The scope of the project identified 667 posts to be recruited across the agency. As of 31 March 2016, 399 vacancies were filled and the remainder were in progress.</li> <li>• Through Project 500 a talent pipeline has also been created to respond to turnover and resourcing demands in year.</li> <li>• In parallel a full review of our recruitment processes was conducted, resulting in significant improvements. A full set of service level agreements for all stakeholders was being produced covering engagement with the agency's recruitment team, vetting function and operational managers to ensure our recruitment processes are efficient and effective.</li> </ul>
<p><b>Communications data</b> One risk regarding changes to communications data legislation was subject to joint active management with the Home Office.</p>	<ul style="list-style-type: none"> <li>• The NCA coordinated the law enforcement input into the drafting of the Investigatory Powers Bill, including providing evidence to the pre-legislative review and scrutiny of the draft legislation. While the Bill has yet to be passed into law, the NCA-led contributions have ensured that, in its current form, the Bill meets the operational requirements of law enforcement.</li> </ul>
<p><b>BCP Risk</b> The review and stress testing of critical function<sup>14</sup> business continuity plans (BCPs) at regular intervals is supported by central monitoring. Opportunities for improvement identified are managed locally. During the year NCA areas have successfully invoked their plans in response to incidents, planned events, or during the course of BCP stress tests. In particular, the Airwave<sup>15</sup> communication BCP was successfully invoked in response to planned site maintenance activity.</p>	<ul style="list-style-type: none"> <li>• A comprehensive review of NCA critical functions was conducted in-year to provide assurance that all qualifying functions are subject to appropriate management.</li> <li>• An improved critical function business continuity plan template has been devised and subject to stress testing in advance of roll out across the agency.</li> <li>• The central coordination function has continued to provide support and advice to critical function areas.</li> </ul>

<sup>14</sup> The definition of a critical function is one where the disruption to the continued delivery of time-bound activities and processes may result in a failure to protect the public, threaten life, jeopardise legal compliance or damage the reputation of the agency. Critical functions are identified and reviewed by the NCA Command Team on an annual basis.

<sup>15</sup> Airwave is the communications system for the police service in England, Wales and Scotland, based on Terrestrial Trunked Radio (TETRA) technology.



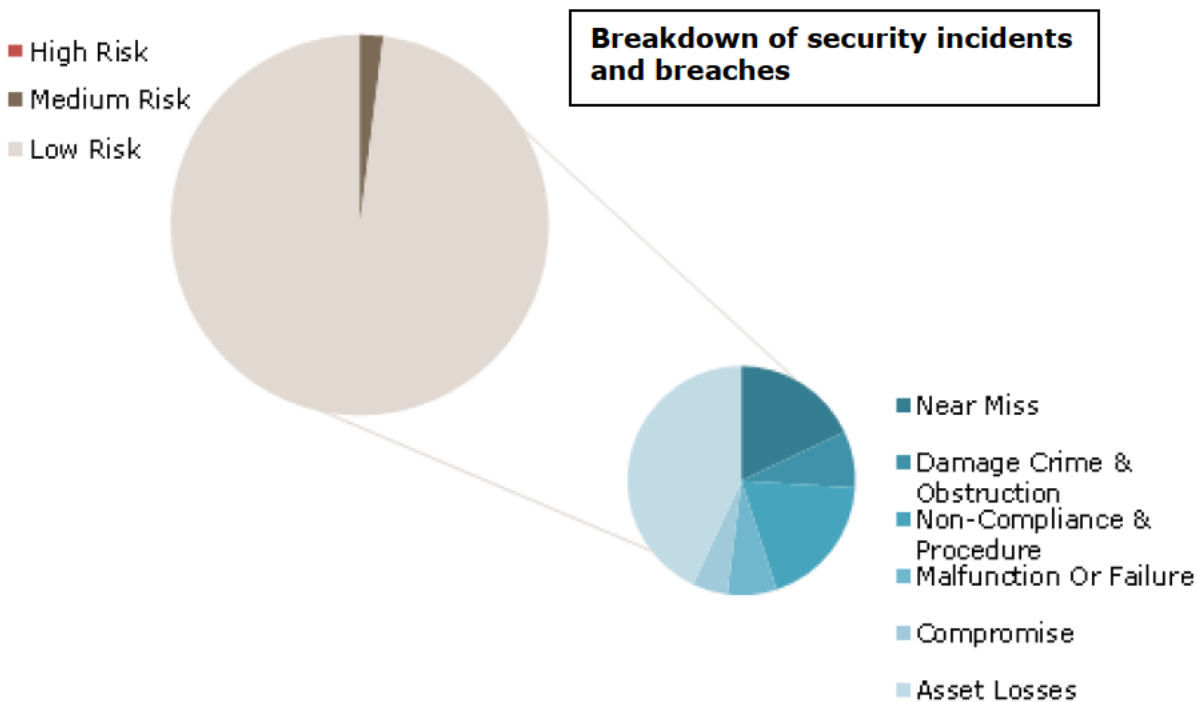
Risk:	Mitigations:
<p><b>Warrants and Production Orders Review</b></p> <p>Following the identification of deficiencies in the warrants and production orders in two separate operations, the NCA established a comprehensive review to examine its existing warrant processes and review all warrants and orders in live pre-conviction criminal cases for potential deficiencies. This response was led by a Gold Group.</p>	<ul style="list-style-type: none"> <li>• An independent review panel was established to review all of the warrants and orders obtained under PACE and POCA in live pre-conviction criminal cases. It was chaired by a senior NCA lawyer, with participation from senior lawyers in the Organised Crime Division of the CPS, external counsel and senior operational managers. The review panel assessed all of the warrants and orders obtained from the courts in live cases during a review of documents which took approximately six months to complete.</li> <li>• The warrants and orders obtained in 326 operations were reviewed. The review panel found potentially significant deficiencies in 51 operations and more minor deficiencies (mostly technical in nature) in 242 operations. The findings have been passed to the Senior Investigating Officers and Crown Prosecution Service to handle. In cases where deficiencies have been identified, disclosure has been, is being or will be made to the defence (or suspect if the case is pre-charge). To date, no prosecutions have been discontinued as a result of the deficiencies identified and no bad faith or misconduct was identified on the part of individual officers.</li> <li>• An independent advisory panel (IAP) chaired by a non-Executive Director of the NCA, was convened to provide assurance to the NCA's Board that the warrant review had been carried out appropriately, and provided external scrutiny and challenge to the NCA's review. The IAP was satisfied that the review had been undertaken independently in partnership between the NCA and the Crown Prosecution Service. It recognised that in some cases the deficiencies to warrants were relatively minor. The panel was also satisfied that the processes applied during the Warrant Review were thorough and robust. The IAP recommended that there should be an external review of the NCA's warrant processes and standards in approximately 18 months, to ensure sustainable improvements had been made through the application of lessons learnt. The agency accepted this recommendation, and the other recommendations made in the IAP report,<sup>16</sup> and will liaise with Her Majesty's Chief Inspector of Constabulary and Her Majesty's Chief Inspector of the CPS Inspectorate to plan such a review during the next reporting year.</li> </ul>

<sup>16</sup> The IAP report was published in April 2016, as an Annex to the Warrant Review Closing Report.

Risk:	Mitigations:
<p><b>Suspicious Activity Reporting (SARs)</b></p> <p>The NCA, as owner of the UK Financial Intelligence Unit, is responsible for the operation of the SARs regime as part of the UK response to the risk of money laundering. The IT supporting the SARs regime has significant operational and supportability issues and is at high risk of suffering a severe outage. The risk is that a system failure will result in significant loss of operational capability due to loss of law enforcement access to valuable financial intelligence, which would extend internationally to partners under Financial Action Task Force, Egmont and other protocols. It would also cause significant reputational damage through a failure to meet legal requirements, bringing criticism from reporting sectors, HMG and law enforcement partners. (Despite remedial work, SARs-system related ICT incidents continue to occur which have heightened the risk profile).</p>	<ul style="list-style-type: none"> <li>• The UKFIU, Technology Command and CGI are working to agree further system sustainment work based on analysis of service outages/infrastructure vulnerability assessment. This includes a review of the service model for the SARs ICT Suite.</li> <li>• The SARs system will be migrated to a new, more stable IT platform as early as possible in 2016–17. This should deliver a significant reduction in the risk of system outages.</li> <li>• Economic Crime Command is engaged closely with the SARs reporting sectors to ensure that they are kept fully informed of work to mitigate system risks. This includes working with reporters to minimise the risk that change to their IT systems will impact on the operation of the SARs system.</li> <li>• Economic Crime Command is engaged with Home Office and others on the establishment of a SARs Reform Programme to include a technology replacement project supported by appropriate governance and a robust business case.</li> </ul>

Risk:	Mitigations:
<p><b>CEOP Command risks</b> The nature of the work undertaken by officers in the CEOP Command requires a significant and sustained focus on officer welfare and psychological wellbeing. Working in the Command is voluntary and all officers are required to undergo a psychological assessment prior to commencing a role in CEOP and on a regular basis to ensure the well-being of officers.</p> <p>The NCA Child Sexual Exploitation Referral Bureau is now receiving over 1,800 referrals a month, primarily from industry, compared with 400 in 2010. There continues to be pressure when they face delays in translating intelligence leads about IP addresses into real people, suspect locations or delays which can impact operational activity.</p>	<ul style="list-style-type: none"> <li>• The CEOP Command has a welfare group which ensures that there is a consistent approach across the wider NCA and policing in respect of officer wellbeing and best practice shared.</li> <li>• During the year there was a change in the occupational health service provider to the agency, with significant issues in the transition, however by the year end these had improved.</li> <li>• Through the £10 million funding announced at WeProtect in 2014, we have enhanced the level of resources focussing on communications data. We also made a small increase in the resourcing of the bureau; however given significant increases in the level of referrals pressures remain.</li> <li>• The NCA closely monitors demand into the bureau and flexes resource appropriately.</li> </ul>

## Security Incidents and Breaches



The number of security incidents and breaches recorded (453) across the agency reflected a marginal increase over the previous year (440). Of the 453, the

majority were due to human error and recorded as low risk, with only 11 recorded as medium risk and none as high risk.

All incidents and breaches were responded to in proportion to the seriousness of the events by the Standards and Security Department in liaison with the business areas concerned. Losses of assets (e.g. identity cards, mobile 'phones and other small items of equipment), although showing a drop on the previous year, continued to contribute substantially (45%) to the total.

*Two new categories of incident were recorded to reflect activity by non-NCA people. In the year 2015–16, there were 40 denial of service attacks against the NCA's website, some apparently in retaliation for action taken by the National Cyber Crime Unit against facilitators of cyber criminality. None of the attacks had more than a low impact. There were also 26 reports of individuals – some based abroad – fraudulently purporting to be NCA officers for the purposes of committing economic crime against members of the public. Where enough information is provided by the victims e.g. IP addresses, bank accounts and phone numbers, the details are 'packaged' and disseminated to the appropriate police force. On each occasion where an attempted fraud is reported by the public they are advised to report it to Action Fraud.*

Four personal data breaches were notified to the Information Commissioner in 2015–16, compared with two in the previous year. They arose mainly from simple, human error comprising emails sent to the wrong destination or with attachments not intended for the addressee. No enforcement action resulted, but recommendations for improved processes were taken forward, and bespoke briefing by the ICO was arranged to enhance compliance.

## **Financial Management**

We implement effective financial management in accordance with HM Treasury (HMT) principles, ensuring regularity, propriety and value for money for NCA expenditure.

We secure our budget settlement from Parliament through the Supply Estimate

process. The Main Estimate reflected priorities set by the Home Office and were agreed with HMT alongside the 2015 Comprehensive Spending Review (CSR). The Main Estimate was approved in June 2015. This budget covered the financial year from 1 April 2015 to 31 March 2016.

The NCA delivered both capital and resource outturn spends close to budget in 2015–16. Capital was under spent by £0.4m (0.9%) compared to budget of £41.8m and Resource was under spent by £1.0m (0.2%) compared to budget of £433.0m

The agency recorded and reviewed financial risks on a monthly basis. Significant areas included: financial control, system procurement, finance, payroll and payments, statutory financial reporting and internal fraud.

We monitored capital programmes closely, with regular forecasting of investment costs and depreciation. In addition to standard financial governance requirements (incorporated in 'Managing Public Money' and the 'Financial Reporting Manual'), our financial governance was controlled externally by HM Treasury through a delegation letter, and by the Home Office in line with the published framework document together with Cabinet Office additional controls. These documents detail the delegated limits for a range of financial approvals for both capital investments and resource expenditure.

The 2011 Departmental Minute on Indemnities expired on 31 March 2015. Finance worked with HM Treasury, and the Home Office to draft the updated Minute which came into effect 1 April 2015. We worked with all parties to regulate, inform and report, as per agreed protocols, on any indemnities that may have given rise to potential liabilities incurred by the agency.

In line with the CEOP six principles set out in the NCA framework document, CEOP Command is the only command with a delegated pay budget. Its core budget therefore consists of a pay and non-pay

element. In addition, the £10 million funding announced at the 2014 WePROTECT Summit has been utilised during 2015/16 and forms parts of CEOP's core funding from 2016/17. The Command has closely monitored both of these funding streams through robust Command led governance arrangement.

## **Comprehensive Spending Review**

The Chancellor announced the results of the 2015 Spending Review on 25 November. The agency worked closely with Treasury and Home Office throughout this process and our settlement protects the NCA's budget in cash terms until April 2020. Alongside this, the government will provide new capital investment of £200 million which will fund the continued transformation of the NCA, with a particular focus on new digital and investigative capability to tackle cybercrime, child exploitation and criminal finances.

## **Strategic Defence and Security Review**

The NCA was closely engaged in the development of the National Security Strategy and Strategic Defence and Security Review 2015. Serious and organised crime is recognised as a national security risk, with the NCA leading the operational response to that threat. Relevant Government commitments in the SDSR include:

- continuing to take a comprehensive approach to tackling serious and organised crime and terrorism;
- strengthening our domestic resilience and law enforcement capabilities against global challenges which increasingly affect our people, communities and businesses;
- introducing new measures to make the UK a more hostile place for people seeking to move, hide or use the proceeds of crime and corruption;
- strengthening our approach to tackling online child sexual exploitation and abuse;
- continuing work to choke off the supply and availability of illegal firearms;

- strengthening digital intelligence and investigative capabilities at national, regional and local levels;
- reinforcing law enforcement's specialist capabilities, making it more difficult for cyber criminals to operate from within the UK;
- working with industry to strengthen our ability to disrupt cybercrime, sharing more information on the threat; and
- creating a new intelligence unit dedicated to tackling the criminal use of the dark web.

## **Other Key Governance**

### **Victims' Code**

On 16 November 2015, we became subject to the provisions in the revised edition of the Code of Practice for Victims of Crime (the 'Victims' Code'). The cross agency team oversaw the implementation of operating procedures, and internal and external communications; to ensure that the NCA complies with its obligations under the Code, including supporting victims of crime in NCA investigations and the victims' right to review.

### **Accounting Officer's Annual Review**

Keith Bristow was Director General and Accounting Officer of the NCA for 9 months of the reporting period (01 April 2015 to 3 January 2016). He provided me with a formal handover interim governance statement before he left the agency, which outlined the issues around his stewardship of the NCA during this time. I formally signed off this interim statement and all relevant information from this period has been included in this statement.

As Director General and Accounting Officer of the NCA I have reviewed the information on governance, internal control and risk management alongside independent advice and assurance provided by the Audit and Risk Assurance Committee. I am satisfied with the reasonable assurance of effectiveness regarding the internal control systems in place.

# Remuneration and staff report

Certain disclosures within this Remuneration and Staff Report are subject to audit. Audited sections are noted individually.

## Remuneration Policy

Senior management salaries were based on recommendations of the Review Body on Senior Salaries, an independent body providing advice to the Prime Minister and others on senior civil servants' salaries.

In reaching its recommendations, the review body has regard to the following considerations:

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

In making recommendations, the review body considers any factors that the government and other witnesses may draw to its attention. In particular, it has regard to:

- differences in terms and conditions of employment between the public and private sector and between the remit groups, taking account of relative job security and the value of benefits in kind;
- changes in national pay systems, including flexibility and the reward of success, and job weight in differentiating the remuneration of particular posts; and,
- the relevant legal obligations, including anti-discrimination legislation regarding age, gender, race, sexual orientation, religion and belief and disability.

The review body may make other recommendations as it sees fit:

- to ensure that, as appropriate, the remuneration of the remit groups relates coherently to that of their subordinates, encourages efficiency and effectiveness, and takes account of the different management and organisational structures that may be in place from time to time;
- to relate reward to performance where appropriate;
- to maintain the confidence of those covered by the review body's remit that its recommendations have been properly and fairly determined; and
- to ensure that the remuneration of those covered by the remit is consistent with the Government's equal opportunities policy.

The review body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the review body can be found at [www.ome.uk.com](http://www.ome.uk.com).

Changes to the Board of Directors of the NCA during the reporting period are described under the Governance Statement within the Role and Composition of the Board.

A number of Board Members held directorships in other companies or organisations which are not related parties. Information on these can be found on the NCA website.

Pool cars were available to Directors for business purposes.

## **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.

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

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

The following sections provide details of the remuneration and pension interests of the Board members.

### **Remuneration (salary and payments in kind) (Audited)**

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

## National Crime Agency 1 April 2015 – 31 March 2016

Single total figure of remuneration											
Officials Date appointed – appointment ended	Salary (£'000)		Bonus Payments (£'000)		Benefits in kind (to nearest £100)		Pension benefits <sup>17</sup> (£'000)		Total (£'000)		
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	
	<b>Director General</b>										
Keith Bristow † 7 Oct 13 – 3 Jan 16	165-170 (225-230)	225-230 (220-225)	-	-	1,600	2,000	N/A	48	165-170 (225-230)	275-280 (270-275)	
Lynne Owens CBE ** 4 Jan 16 – 3 Jan 21	50-55 (215-220)	N/A	N/A †	N/A	-	N/A	299	N/A	350-355 (515-520)	N/A	
<b>Deputy Director General</b>											
Phil Gormley ‡ 7 Oct 13 – 31 Oct 15	100-105 (180-185)	185-190 (180-185)	-	-	2,700	5,600	N/A	223	105-110 (185-190)	415-420 (410-415)	
David Armond § 27 Jul 15	150-155 (155-160)	140-145	-	-	-	-	37	52	185-190 (190-195)	190-195	
<b>Directors</b>											
Johnny Gwynne 9 Dec 13	135-140 (140-145)	135-140	-	-	3,600	3,500	-*	-*	140-145	140-145	
Tim Symington # 7 Oct 13	130-135 (135-140)	105-110	-	-	-	-	30	47	160-165 (165-170)	155-160	
Donald Toon 31 Mar 14	140-145	140-145	-	-	-	-	40	355	180-185	495-500	
Sue Steen 1 Apr 15	130-135	100-105 (115-120)	-	-	-	-	51	38	180-185	140-145 (150-155)	
Ian Cruxton 2 Jul 14	105-110	75-80 (105-110)	-	7.5	-	-	41	11	145-150	95-100 (115-120)	
Jamie Saunders ¶ 1 Jul 14	145-150 (140-145)	100-105 (135-140)	-	-	-	-	514	161	660-665 (650-655)	155-160	
Gerry Cantwell 1 Oct 15	65-70 (135-140)	N/A	-	N/A	-	N/A	223	N/A	290-295 (360-365)	N/A	
Mark Webster 27 Jul 15	65-70 (100-105)	N/A	-	N/A	-	N/A	32	N/A	100-105 (130-135)	N/A	
<b>Non-Executive Directors</b>											
Jane Furniss CBE 2 Dec 13	10-15	10-15	-	-	-	-	-	-	10-15	10-15	
Dr Stephen Page 2 Dec 13	10-15	10-15	-	-	-	-	-	-	10-15	10-15	
Justin Dowley 2 Dec 13	10-15	10-15	-	-	-	-	-	-	10-15	10-15	

\* It was not possible for the police pension scheme administrator used by the NCA and associated police forces to actuarially determine the present value of promised retirement benefits for officers with police pensions in the previous period.

† On 3 January 2016 Keith Bristow retired from the NCA as DG. The pay award for the DG for 2014-2015 was made as a non consolidated lump sum. The impact of its payment meant that the DG's remuneration in aggregate for the year was in a higher pay band than his salary.

\*\* The pensions disclosure for Lynne Owens represents the full year.

‡ On 31 October 2015 Phil Gormley retired from the NCA. The pay award for the DDG for 2014-2015 was made as a non consolidated lump sum. The impact of its payment meant that the DDG's remuneration in aggregate for the year was in a higher pay band than his salary.

§ On 27 July 15 Dave Armond was appointed temporary Deputy Director General ex Director of the Intelligence and Operations Directorate (IOD).

¶ Lynne Owens is not be eligible for any form of non-consolidated performance related pay whilst DG.

¶ Jamie Saunders received a one off payment for annual leave untaken on leaving his previous organisation and joining the NCA. The impact of its payment meant that his remuneration in aggregate for the year was in a higher pay band than his salary.

# Tim Symington was appointed permanently as Director of Change and Finance from 28 Apr 15 (previously interim director).

These figures represent the values for the full year.

<sup>17</sup> The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contribution made by the individual). The real increase excludes increases due to inflation or any increase or decreases due to a transfer of pension rights.



## 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 were calculated as the taxable value and relate to the private mileage element of assets (vehicles) placed at the employee's disposal.

Benefits in kind may include provision of a vehicle and driver to certain Directors (the Director General's driver is treated differently as vehicles and a driver are provided for security purposes).

## Bonuses

Bonuses are based on performance levels attained and were made as part of the appraisal process.

Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2015–16 relate to performance in 2015–16 and the comparative bonuses reported for 2014–15 relate to performance in 2014–15.

## Notice periods for senior officers

Notice periods for the Director General, Directors and Non-Executive Directors are three months.

## Median earnings of the work force and ratio between this and the highest paid Director (Audited)

Reporting bodies are required to disclose the relation between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in the NCA for the reporting period was £215–220k (2014–15: £230–235k). This was 6.2 times (2014–15: 6.4) the median remuneration of the workforce (excluding the highest paid director), which was £35,589 (2014–15: £36,118). The NCA's calculation of the median earnings of the work force (excluding the highest paid director) and the ratio between this and the highest paid director was based on full-time equivalent officers as at 31 March 2016 on an annualised basis.

Remuneration during the reporting period ranged from £15k to £219k.

There were no employees who received remuneration in excess of the highest-paid director.

No contingent labour costs are included in the median pay calculation. The impact of excluding contingent labour and seconded officers does not have a material impact on the calculation.

Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions. The NCA's median pay included allowances but not overtime.

## Benefits and pension contributions

In addition to salaries paid and taxable benefits in kind for travel and the associated taxes paid by the NCA, the pension entitlements of the current senior management team are disclosed below.

## Pension entitlements 2015–16 (Audited)

All figures in the table below are provided by MyCSP or analogous arrangement for those board members (employees and seconded) with Civil Service pension arrangements.

	Real increase in pension 2015–16 £'000	Real increase in lump sum 2015–16 £'000	Total accrued pension at age 60 in 2015–16 £'000	Total lump sum at age 60 in 2015–16 £'000	Cash equiv transfer value 2015–16 £'000	Real increase in cash equiv transfer value 2015–16 £'000
David Armond	0–2.5	-	20–25	-	477	37
Tim Symington*	0–2.5	2.5–5	0–5	0–5	31	24
Donald Toon	0–2.5	5–7.5	45–50	135–140	889	33
Sue Steen	2.5–5	-	5–10	-	71	22
Ian Cruxton	0–2.5	-	50–55	-	863	31
Jamie Saunders	25–30	-	70–75	-	1179	420
Gerry Cantwell	7.5–10	25–30	45–50	145–150	906	180

\* Tim Symington joined the PCSPS scheme on permanent appointment to the NCA from 28 April 2015 from which date the benefits disclosed are taken. Benefits disclosed in prior years relate to membership of a separate analogous scheme to which contributions are no longer made.

All figures in the table below are provided by the agency's Police Pensions Administrator for those board members who are employees with Police Pension Scheme arrangements.

	Real increase in pension 2015–16 £'000	Real increase in lump sum 2015–16 £'000	Total accrued pension as at 31 March 2016 £'000	Total lump sum as at 31 March 2016 £'000	Cash equiv transfer value 2015–16 £'000	Real increase in cash equiv transfer value 2015–16 £'000
Lynne Owens CBE*	15–20	-	85–90	-	1975	438
Mark Webster	0–2.5	-	45–50	-	686	31

\* The pensions disclosure for Lynne Owens represents the full year.

Both Keith Bristow and Phil Gormley retired during 2015–16.

The Non-Executive Directors are non-pensionable appointments.

Johnny Gwynne was seconded and remains a member of the pension schemes managed by his home police force. The NCA is not responsible for his pension.

## Police Pension scheme (PPS)

Directors with a police pension are either members of the Police Pension Scheme 1987 or the Police Pension Scheme in Scotland.

The Police Pension Scheme 1987 is a 'final salary' scheme, the pension calculated as a proportion of final average pensionable pay, generally pay in the last year of service as a member of the scheme. The pension received depends on pensionable service, which for most officers will be the length of service in the police force for which they have paid pension contributions, with appropriate adjustments for part-time service. 30 years' service is required to qualify for the maximum pension.

The scheme provides the following benefits:

- a maximum pension is two-thirds of average pensionable pay;
- there is an option to exchange ('commute') part of the pension for a lump sum;
- average pensionable pay is in effect the highest pensionable pay for the three years before retirement; and
- each year of pensionable service for the first 20 years gives entitlement to a pension of 1/60 of final pay and each year for the final 10 years gives 2/60, up to a limit of 40/60.

The pension for the Director General is administered by the NCA. Seconded Directors who are police officers are members of the pension schemes managed by their respective police forces.

As part of this scheme, the NCA accepts liability for payment of the pension benefits in respect of the officer's 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 while employed by the Agency. Pension benefits are paid as they fall due from the NCA resources. Pensions paid in the year are charged against the Pension Provision (see Accounts and Notes to the Accounts). In order to comply with HM Treasury's

Financial Reporting Manual and Accounts Guidance, the NCA is required to provide in these accounts for the full value of the expected future pensions liabilities of the officers. The NCA commissioned the Government Actuary Department (GAD) to value the scheme liabilities as at 31 March 2014. For further detail see Note 3 c) to the Accounts.

## Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (**classic**, **premium** or **classic plus**) with a normal pension age of 60; and one providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

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**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022.

All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures

quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes.) 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 3% and 8.05% of pensionable earnings for members of **classic** (and members of **alpha** who were members of **classic** immediately before joining **alpha**) and between 4.6% and 8.05% for members of **premium**, **classic plus**, **nuvos** and all other members of **alpha**.

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 uprated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. 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% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of 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 up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 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**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

## **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 NCA and related precursor 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 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.

## **Reporting of Civil Service and other compensation schemes – exit packages**

There were no compulsory redundancies in 2015–16 or 2014–15.

There were no Voluntary Exit Schemes (VES) in 2015–16. The 2014–15 VES was accepted by 173 officers (at a cost of £9m), did not include Directors and did not require a provision to meet future years' costs. All costs associated with the scheme, which was open to officers at NCA Grade 5 and above, were incurred in 2014–15.

Redundancy and other departure costs were paid or agreed in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for on an accruals basis. Where the agency had agreed early retirements, the additional costs were met by the agency and not by the Civil Service Pension Scheme. Ill-health retirements were met by the pension scheme.

## Officer costs (Audited)

	Permanently Employed Staff	Others	Total	Total
	2015-16 £'000	2015-16 £'000	2015-16 £'000	2014-15 £'000
Wages and Salaries	163,652	23,509	187,161	189,104
Social Security Costs	13,685	-	13,685	14,313
Other Pension Costs	30,601	-	30,601	25,379
<b>Sub Total</b>	<b>207,938</b>	<b>23,509</b>	<b>231,447</b>	<b>228,796</b>
Less recoveries in respect of outward secondments	(992)	-	(992)	(981)
<b>Sub Total</b>	<b>206,946</b>	<b>23,509</b>	<b>230,455</b>	<b>227,815</b>
Exit package costs	-	-	-	9,003
<b>Sub Total</b>	<b>206,946</b>	<b>23,509</b>	<b>230,455</b>	<b>236,818</b>
Current service cost net of employee contributions	9,496	-	9,496	34,752
<b>Total Net Costs</b>	<b>216,442</b>	<b>23,509</b>	<b>239,951</b>	<b>271,570</b>

The £23.5m cost incurred in the year comprises £0.5m Agency officers, £12.3m Contract officers, Overseas officers £3.1m and £7.5m Seconded officers (2014-15: £15.5m comprising, £0.7m Agency officers, £4.8m Contract officers, Overseas officers £2.4m and £7.6m Seconded officers).

## Pension benefits

### Principal Civil Service Pension Scheme (PCSPS)

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as “alpha” are unfunded multi-employer defined benefit schemes but the NCA is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012. Details can be found in the Annual Report and Accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2015-16, employers’ contributions of £26.6m were payable to the PCSPS and CSOPS (2014-15 £25.4m) at one of four rates in the range 20.0 to 24.5 per cent (2014-15: 16.7 to 24.3 per cent) of

pensionable pay, based on salary bands. The scheme’s actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

### Partnership and Stakeholder Schemes

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers’ contributions of £0.28m (2014-15 £0.21m) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8.0 to 14.75 per cent (2014-15: 3.0 to 12.6 per cent) of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay.

## Average number of persons employed (Audited)

The average number of full-time equivalent officers employed during the period was as follows:

	<b>2015-16 Total</b>	<b>2014-15 Total</b>
Permanently Employed	3,962	4,103
Other	254	186
Officers engaged on capital projects	2	1
<b>Total Average number of officers</b>	<b>4,218</b>	<b>4,290</b>

In addition to the above directly employed officers, the NCA had 67 attached from other organisations as at 31 March 2016 (2014-15: 63) who are excluded from the above figures as they do not form part of the NCA establishment. The NCA is not charged for the attached officers who are considered to be working for the benefit of their employers.

It is estimated that the cost of employing the officers attached to the NCA in 2015-16 would have been £3.1m (2014-15: £3.3m).

Costs totalling £0.3m (2014-15: £0.4m) were capitalised during the period for work carried out on capital projects.

## Gender breakdown (Audited)

At 31 March 2016, the breakdown of officers by gender was as follows:

	<b>Male</b>	<b>Female</b>	<b>Total</b>
Directors	11	3	14
Senior Managers	18	8	26
Other Employees	2,880	1,824	4,704
<b>Total*</b>	<b>2,909</b>	<b>1,835</b>	<b>4,744</b>

\* This total represents the NCA headcount as at 31 March 2016, including agency officers, commercial contractors, seconded officers and officers on career break.

## Numbers of Senior Civil Servants (Audited)

NCA's senior staff grades are analogous to SCS equivalents. Numbers of Senior Civil Servants (or equivalent) by pay band:

<b>SCS Grade</b>	<b>NCA Equivalent</b>	<b>2015-16 Total</b>
SCS 3	DG	1
SCS 2	DDG and Directors	10
SCS 1/1A	Deputy Directors	20
<b>Total</b>		<b>31</b>

\* For the purposes of disclosure the DG and DDG are represented once reflecting establishment rather than incumbents in year. Disclosure also includes secondees where occupying a permanent position

## Officers' sickness reporting

NCA officers were absent on sick leave for an average of 4.6 days per employee during the year to 31 March 2016 (2014-15: 5.5 days).

## Inclusion, diversity & equality

The NCA is committed to treating everyone with dignity and respect, valuing diversity, working in partnership, and sharing knowledge and best practice.

It seeks to create and maintain an environment which values all officers and respects the contribution they make and where fairness and equality of opportunity are assured. Inclusion, diversity and equality issues are embedded in strategic planning, policy development and organisational processes.

The NCA 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, sex, gender reassignment, race, religion, belief, sexual orientation, marital/civil partnership, pregnancy/maternity status and political opinion.

The NCA supports a range of work styles for individual officers, while meeting organisational need. Respect is an integral part of the NCA values and behaviours and is part of its recruitment process and annual individual performance reviews.

The NCA is committed to the employment and career development of disabled officers and is the holder of Jobcentre Plus 'Positive about disabled people' Two Ticks symbol. The symbol is a recognition given to employers who demonstrate that they are serious about achieving equality of opportunity for disabled people.

The NCA actively ensures that disability is not regarded as a barrier to recruitment or promotion. The NCA has a policy of inviting people who have a disability, and who meet the minimum behavioural and technical entry criteria to

interview/assessment. Once in post, disabled officers are provided with any reasonable support/adjustments they might need to carry out their duties.

Within the NCA, the Disability Network Advisory Group (DNAG) provides information and advice on a range of disability issues to all officers. DNAG works with the occupational health and welfare department, Business Disability Forum and MIND, the mental health charity.

### Monitoring spending on consultancy and temporary staff

The NCA is required to report for the year spending on consultancy and the use of contingent labour (temporary staff). This expenditure includes, as separate line items, total consultancy expenditure and contingent labour expenditure incurred.

### Temporary (non-payroll) Staff

The table below gives the cost of providing Contingent Labour to cover business-as-usual or service delivery activities with the Agency.

Temporary staff are employed either through an agency or recruitment consultancy and are engaged on an ad hoc or temporary basis to fulfil requirements within established posts which involves providing cover (e.g. for a vacancy, holiday or sickness) or additional resource (e.g. for a seasonal peak in workload) and can undertake operational or professional roles.

	<b>2015-16</b>
	<b>£'000</b>
<b>Temporary (non-payroll) Staff</b>	
<b>Temporary Workers – Admin and Clerical*</b>	4,389
Admin & Clerical agency staff are normally lower grade individuals who are actually filling in for a role within the organisational structure	
<b>Interim Managers †</b>	8,836
Middle- to senior-grade staff working in an organisation, concerned with the fulfilment of particular professional functional or senior management positions within the organisational structure	
<b>Specialist Contractors/Services</b>	6,765
Specialists are normally middle to senior grades, used to provide expertise that is not available in-house, fulfilling functional or senior positions within the organisational structure	
	<b>19,990</b>

\* This total includes £1.28m expenditure on temporary workers within externally funded special operations.

† This total includes £0.66m expenditure on interim managers within externally funded special operations.



'Temporary workers' are interim staff at NCA junior grades. Whereas 'interim managers' are all staff at NCA middle management grades and above; this also includes senior interim staff at Director level where applicable.

Staff seconded to the NCA from within Government and related arms-length bodies are excluded from the disclosure as they are not considered 'non payroll'.

The increase in temporary staff was driven by the increase in externally funded special operations, the establishment of new Technology Command and related strategy and portfolio management support for the NCA's transformation programme.

### **Consultancy**

Consultancy expenditure covers the provision to management of objective advice relating to strategy, structure, management or operations of the NCA, in pursuit of its purposes and objectives. Such advice will be provided outside the business-as-usual environment when in-house skills are not available and will be time-limited.

Resource employed for the purpose of supporting the business-as-usual environment when in-house skills are not available, but are not expressly contingent labour, are used exclusively for the delivery of services, providing further flexibility to fill unavoidable short term operating gaps.

For the purposes of disclosure, the NCA classifies such expenditure as specialist contractors; middle to senior grades, used to provide expertise that is not available in-house, fulfilling functional or senior positions within the organisational structure, engaged on a short term basis though not always provided through an agency.

### **Reporting of high paid off-payroll appointments**

The Review of Tax Arrangements of Public Sector Appointees requires the NCA to publish information on the agency's highly paid and/or senior off-payroll engagements.

The NCA had no high paid off payroll appointments during 2015-16.

# Parliamentary accountability and audit report

## Statement of parliamentary supply

### Summary of Resource and Capital Outturn 2015–16

								2015–16 £'000	2014–15 £'000
		Estimate			Outturn			Voted outturn compared with estimate: saving/(excess)	Outturn Total
SoPS Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total			
<b>Departmental Expenditure Limit</b>									
- Resource	1.1	<b>433,021</b>	-	433,021	<b>432,025</b>	-	432,025	<b>996</b>	414,017
- Capital	1.2	<b>41,840</b>	-	41,840	<b>41,444</b>	-	41,444	<b>396</b>	35,875
<b>Annually Managed Expenditure</b>									
- Resource*	1.1	<b>210,000</b>	-	210,000	<b>29,652</b>	-	29,652	<b>180,348</b>	49,220
- Capital	1.2	-	-	-	-	-	-	-	-
<b>Total Budget</b>		<b>684,861</b>	-	<b>684,861</b>	<b>503,121</b>	-	<b>503,121</b>	<b>181,740</b>	<b>499,112</b>
<b>Non-Budget</b>									
- Resource	1.1	-	-	-	-	-	-	-	-
<b>Total</b>		<b>684,861</b>	-	<b>684,861</b>	<b>503,121</b>	-	<b>503,121</b>	<b>181,740</b>	<b>499,112</b>
Total Resource		<b>643,021</b>	-	643,021	<b>461,677</b>	-	461,677	<b>181,344</b>	463,237
Total Capital		<b>41,840</b>	-	41,840	<b>41,444</b>	-	41,444	<b>396</b>	35,875
<b>Total</b>		<b>684,861</b>	-	<b>684,861</b>	<b>503,121</b>	-	<b>503,121</b>	<b>181,740</b>	<b>499,112</b>

\* The 2014–15 AME resource outturn includes movements in reserves re police pensions. Following agreement with HM Treasury, the reserves figure has been excluded from the 2015–16 outturn and will be removed from Estimates from 2016–17 onwards.

### Net Cash Requirement 2015–16

SoPS Note	2015–16 £'000 Estimate	2015–16 outturn compared with estimate saving/(excess)	2014–15 £'000 Outturn
3	<b>452,861</b>	<b>437,219</b> 15,642	434,452

### Administration Costs 2015–16

SoPS Note	2015–16 £'000 Estimate	2015–16 £'000 Outturn	2014–15 £'000 Outturn
3.2	30,761	30,558	27,958

Figures in the areas outlined in bold are voted totals subject to Parliamentary control. In addition, although not a separate voted limit, any breach of the administration budget will also result in an excess vote. Explanations of variances between Estimates and outturn are given in SoPS Note 2 (Analysis of net outturn by section) and in the Results and Financial Position on page 43.

# Notes to the Statement of Parliamentary Supply

## SOPS 1 Net outturn

### SOPS 1.1 Analysis of net resource outturn by section

										2014-15 £'000
Outturn							Estimate		Outturn	
Administration			Programme			Total £'000	Net Total £'000	Net total compared to Estimate £'000	Total £'000	
Gross £'000	Income £'000	Net £'000	Gross £'000	Income £'000	Net £'000					
<b>Spending in Departmental Expenditure limit</b>										
Voted:										
A – National Crime Agency										
30,743	(185)	30,558	441,765	(40,298)	401,467	432,025	433,021	996	414,017	
<b>Annually Managed Expenditure</b>										
Voted:										
B – National Crime Agency AME										
-	-	-	29,652	-	29,652	29,652	210,000	180,348	49,220	
<b>Total</b>	<b>30,743</b>	<b>(185)</b>	<b>30,558</b>	<b>471,417</b>	<b>(40,298)</b>	<b>431,119</b>	<b>461,677</b>	<b>643,021</b>	<b>181,344</b>	<b>463,237</b>

### SOPS 1.2 Analysis of net capital outturn by section

							2014-15 £'000
Outturn				Estimate		Outturn	
Administration			Net £'000	Net Total £'000	Net total compared to Estimate £'000	Total £'000	
Gross £'000	Income £'000						
<b>Spending in Departmental Expenditure limit</b>							
Voted:							
A – National Crime Agency							
43,873	(2,429)		41,444	41,840	396	35,875	
<b>Annually Managed Expenditure</b>							
Voted:							
B – National Crime Agency AME							
-	-		-	-	-	-	
-	-		-	-	-	-	
<b>Total</b>	<b>43,873</b>	<b>(2,429)</b>	<b>41,444</b>	<b>41,840</b>	<b>396</b>	<b>35,875</b>	

## SOPS 2. Reconciliation of outturn to net operating expenditure

### SOPS 2.1 Reconciliation of net resource outturn to net operating expenditure

	SoPS Note	2015-16 £000 Outturn	2014-15 £000 Outturn
Total resource outturn in Statement of Parliamentary Supply			
Budget	1.1	461,677	463,237
Non-Budget	1.1	-	-
Less: Capital Grants		(1,947)	(28,554)
<b>Net Operating Expenditure in Statement of Comprehensive Net Expenditure</b>		<b>459,730</b>	<b>434,683</b>

## SOPS 3. Reconciliation of Net Resource Outturn to Net Cash Requirement

	SoPS Note	Estimate £000	Outturn £000	Net total outturn compared with Estimate savings/(excess) £000
<b>Resource Outturn</b>	1.1	643,021	461,677	181,344
<b>Capital Outturn</b>	1.2	41,840	41,444	396
<b>Accruals to cash adjustment</b>				
<i>Adjustments to remove non-cash items:</i>				
Depreciation		(37,000)	(37,047)	47
New provisions and adjustments to previous provisions		(212,640)	(13,735)	(198,905)
Departmental Unallocated Provision				
Other non-cash items		-	79	(79)
<i>Adjustments to reflect movements in working balances:</i>				
Increase/(decrease) in receivables		-	(14,595)	14,595
Increase/(decrease) in payables		15,000	(3,482)	18,482
Use of provisions		2,640	2,878	(238)
		<b>452,861</b>	<b>437,219</b>	<b>15,642</b>
<b>Removal of non-voted budget items</b>				
Consolidated Fund Standing Services		-	-	-
Other adjustments		-	-	-
<b>Net cash requirement</b>		<b>452,861</b>	<b>437,219</b>	<b>15,642</b>

# Remote contingent liabilities, losses and special payments

This section is subject to audit.

## Indemnities

A Departmental Minute was laid before Parliament in March 2015 which enables the NCA to indemnify bodies against losses when using their facilities for firearms training purposes, to a maximum value at any one time of £50m. The NCA entered into 17 agreements with suppliers during the reporting period (2014–15: 34), with a maximum value at any one date of £11m (2014–15: £5m). At 31 March 2016, the NCA had 2 indemnities in place with firearms training establishments (2014–15: nil). Controls were in place to ensure that these did not exceed the £50m limit at any specific date. No individual indemnity held during the reporting period exceeded £5m in value.

NCA has the authority to enter into other indemnities for operational need of up to £1m in any particular case. The NCA entered into three new indemnities during the year for a value of £1.46m (2014–15: nil).

A PF78 (solicitor's undertaking as to expenses) occurred in circumstances where a person, by dint of their age or capacity, was unable to defend their own interests. In these cases, the court would direct that their interests were independently represented by the office of the Official Solicitor. In such circumstances, the NCA was requested by the court to provide an undertaking to

indemnify the Official Solicitor's reasonable costs. No new PF78s were established in the year to 31 March 2016 (2014–15: nil).

The following indemnities are in place as at 31 March 2016:

- 5 indemnities (2014–15: 5) with banks relating to the recovery of criminal assets with an estimated value of £0.569m (2014–15: £0.545m). The change in value is due to Euro/Sterling exchange rate movements.
- 5 indemnities (2014–15: 5) with clearing banks with a maximum aggregated value of £1.2m (2014–15: £0.674m).
- 6 operational indemnities (2014–15: 4) with a combined maximum estimated value of £2.46m (2014–15: £1m).
- 5 PF78 solicitor's undertakings as to expenses (2014–15: 5). PF78's are to cover all "reasonable expenses" with a potential liability of less than £0.125m (2014–15: £0.125m).

No liabilities crystallised during the period. The NCA continually reviewed indemnities according to the quantum of risk and likelihood.

## Losses and Special Payments

There were no losses during the year.

One payment above the NCA's delegated threshold was made during the year after approval was obtained from HM Treasury.



**Lynne Owens CBE QPM MA**  
**Director General**  
**Date: 18 July 2016**

# 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 National Crime Agency (NCA) for the year ended 31 March 2016 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report that is described in that report as having been audited.

## Respective responsibilities of the Accounting Officer and auditor

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

## Scope of the audit of the financial statements

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

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## **Opinion on regularity**

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2016 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2016 and of the Department's 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 parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures 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 Performance and Accountability 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 parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## **Report**

I have no observations to make on these financial statements.

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

**Date: 18 July 2016**

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

# Financial statements

## Statement of comprehensive net expenditure

for the year ended 31 March 2016

	<b>Note</b>	<b>2015-16 £'000</b>	<b>2014-15 £'000</b>
Operating income	5	(42,430)	(47,801)
<b>Total operating income</b>		<b>(42,430)</b>	<b>(47,801)</b>
Officer costs	3	239,951	244,466
Other costs	4	201,392	172,739
Depreciation and amortisation	6/7	37,047	38,172
<b>Total operating expenditure</b>		<b>478,390</b>	<b>455,377</b>
<b>Net operating expenditure</b>		<b>435,960</b>	<b>407,576</b>
Tax		-	3
Interest on pension liabilities	3b)	23,770	27,104
<b>Net expenditure for the year</b>		<b>459,730</b>	<b>434,683</b>
<b>Other Comprehensive Expenditure</b>			
	<b>Note</b>	<b>2015-16 £'000</b>	<b>2014-15 £'000</b>
Net (gain)/loss on revaluation of Property, Plant and Equipment	4	(1,968)	(6,036)
Actuarial (gain)/loss on pension reserve	3b)	5,860	30,526
<b>Comprehensive net expenditure for the year</b>		<b>463,622</b>	<b>459,173</b>

The notes on pages 81 to 101 form part of these accounts.



# Statement of financial position

as at 31 March 2016

	Note	2015-16 £'000	2014-15 £'000
<b>Non-current assets</b>			
Property, plant and equipment	6	136,418	128,909
Intangible non-current assets	7	33,700	32,689
<b>Total non-current assets</b>		<b>170,118</b>	<b>161,598</b>
<b>Current assets</b>			
Trade and other receivables	11	32,292	46,887
Cash and cash equivalents	10	15,642	11,132
<b>Total current assets</b>		<b>47,934</b>	<b>58,019</b>
<b>Total assets</b>		<b>218,052</b>	<b>219,617</b>
<b>Current liabilities</b>			
Trade and other payables	12	(93,024)	(84,424)
Provisions falling due within 1 year	13	(2,853)	(3,409)
<b>Total current liabilities</b>		<b>(95,877)</b>	<b>(87,833)</b>
<b>Total assets less current liabilities</b>		<b>122,175</b>	<b>131,784</b>
<b>Non-current liabilities</b>			
IAS 19 Pension Liability	3d)	(691,980)	(674,980)
Provisions	13	(7,954)	(7,681)
Other payables	12	(1,857)	(2,465)
<b>Total non-current liabilities</b>		<b>(701,791)</b>	<b>(685,126)</b>
<b>Total assets less total liabilities</b>		<b>(579,616)</b>	<b>(553,342)</b>
<b>Taxpayers' equity and other reserves:</b>			
General Fund		(67,281)	(43,579)
Pension Reserve		(522,060)	(516,200)
Revaluation Reserve		9,725	6,437
		<b>(579,616)</b>	<b>(553,342)</b>

The notes on pages 81 to 101 form part of these accounts.



**Lynne Owens CBE QPM MA**  
**Director General and Accounting Officer, National Crime Agency**  
**Date: 18 July 2016**

# Statement of cash flow

for the year to 31 March 2016

	2015-16	2014-15
Note	£'000	£'000
<b>Cash flows from operating activities</b>		
Net operating cost	(459,730)	(434,683)
Adjustments for non-cash transactions	37,177	38,312
Loss/(gain) on asset revaluation	4/6 (209)	194
(Surplus)/Loss on disposal of non-current assets	4 24	96
Pension costs	3b) 33,266	34,752
Employee contribution	2,180	2,420
(Increase)/Decrease in receivables	14,595	(13,844)
Increase/(Decrease) in trade and other payables	3,482	(1,660)
Increase/(Decrease) for use of provisions	(283)	1,278
<b>Net cash outflow from operating activities</b>	<b>(369,498)</b>	<b>(373,135)</b>
Police Pension Payment made	(24,326)	(21,280)
Cash Transfers in from other police pension schemes	20	-
<b>Net cash outflow from police pension payments</b>	<b>(24,306)</b>	<b>(21,280)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	6 (32,190)	(23,844)
Purchase of intangible assets	7 (11,683)	(16,547)
Proceeds of disposal of property, plant and equipment	458	354
<b>Net cash outflow from investing activities</b>	<b>(43,415)</b>	<b>(40,037)</b>
<b>Cash flows from financing activities</b>		
From the Consolidated Fund	441,729	372,170
<b>Net financing</b>	<b>441,729</b>	<b>372,170</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period</b>	<b>4,510</b>	<b>(62,282)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>11,132</b>	<b>73,414</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>15,642</b>	<b>11,132</b>

The notes on pages 81 to 101 form part of these accounts.

# Statement of changes to taxpayers' equity

for the year ended 31 March 2016

	Note	General Fund £'000	Pension Reserve £'000	Revaluation Reserve £'000	Total Reserves £'000
<b>Balance at 31 March 2014</b>		<b>(47,971)</b>	<b>(485,674)</b>	<b>4,884</b>	<b>(528,761)</b>
Net gain on revaluation of property, plant & equipment	6	-	-	6,036	6,036
Actuarial gain/(loss) on pension reserve	3	-	(30,526)	-	(30,526)
Comprehensive net expenditure for the year		(434,683)	-	-	(434,683)
Non-cash charges – Auditor's Remuneration	4	140	-	-	140
Transfer between reserves		4,483	-	(4,483)	-
Supply payable		(11,132)	-	-	(11,132)
Net parliamentary funding		445,584	-	-	445,584
<b>Balance at 31 March 2015</b>		<b>(43,579)</b>	<b>(516,200)</b>	<b>6,437</b>	<b>(553,342)</b>
Net gain on revaluation of property, plant & equipment	6	-	-	1,968	1,968
Actuarial gain/(loss) on pension reserve	3	-	(5,860)	-	(5,860)
Comprehensive net expenditure for the year		(459,730)	-	-	(459,730)
Non-cash charges – Auditor's Remuneration	4	130	-	-	130
Transfer between reserves		(1,321)	-	1,320	(1)
Supply payable		(15,642)	-	-	(15,642)
Net parliamentary funding		452,861	-	-	452,861
<b>Balance at 31 March 2016</b>		<b>(67,281)</b>	<b>(522,060)</b>	<b>9,725</b>	<b>(579,616)</b>

The notes on pages 81 to 101 form part of these accounts.

# Notes to the accounts

## 1. Statement of accounting policies

### Basis of preparation

These financial statements have been prepared in accordance with the 2015–16 *Government Financial Reporting Manual* (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the NCA for the purpose of giving a true and fair view has been selected. The particular policies adopted by the NCA are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

The NCA is a non-ministerial department which is accountable to the Home Secretary for its performance. Accordingly, it has been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

### 1 a) Accounting convention

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

### 1 b) Income recognition

In accordance with FReM, where assets are financed by government grant from other departments, the funding element is recognised as income and taken through the Statement of Comprehensive Net Expenditure. The NCA met all conditions regarding the consumption of future economic benefits set by the funding providers so the funding was not deferred. Where income is expected but has not been received by the end of the year, the income is accrued and taken through the Statement of Comprehensive Net Expenditure.

### 1 c) Foreign currency

Transactions denominated in foreign currency are converted into sterling at the rate of exchange ruling on the date of each transaction, except where rates have not fluctuated significantly, then 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 Statement of Comprehensive Net Expenditure.

### 1 d) Leases

Payments made under operating leases on land and buildings and equipment are charged to expenditure. Discounts received for rent-free periods are recognised over the term of the lease through the Statement of Comprehensive Net Expenditure.

The NCA does not hold any finance leases or PFI contracts.

## **1 e) Pensions Reserve**

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

## **1 f) Pension costs**

Employer contributions to the Principal Civil Service Pension Scheme are charged to the Statement of Comprehensive Net Expenditure 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 employee's 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 the NCA, although no funding is received from the officer's previous employer in relation to this past service. The annual charge to the Statement of Comprehensive Net Expenditure 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. The Police Pension liability includes a provision for future injury awards. A payment to cover the net pension deficit is included in the NCA budget annually. The deficit is caused by expenditure on pensions exceeding contributions.

The Government Actuaries Department (GAD) has, in accordance with IAS 19, advised that any obligation that arises from other long-term employee benefits that depend on length of service needs to be recognised when service is rendered. As injury awards under the Police scheme are dependent on service, GAD values the liability expected to arise due to injury awards in respect of service prior to the valuation date. GAD uses historic data

from police authorities to determine the expected incidence and size of future injury awards.

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

## **1 g) Value Added Tax**

Most of the activities of the agency are outside the scope of VAT and, in general, output tax does not apply and input tax is not recoverable. Input tax is recovered in accordance with services listed in HM Treasury's Contracting-Out of Services Direction, which is provided for in section 41(3) of the VAT Act 1994. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

## **1 h) Donations received**

The Child Exploitation and Online Protection (CEOP) Command receives cash donations, donated assets and donations in kind, including officers' time and use of assets, from various external sponsors and agencies.

Donations in kind are offset by notional expenditure such that there is a net nil effect on the accounts.

## **1 i) Liquid resources**

Liquid resources comprise cash balances held in bank accounts and as cash in hand. The NCA receives bank interest on its cumulative bank balance. Any bank interest received relating to seized third party assets is required to be paid to the Home Office.

## **1 j) Estimation techniques**

The preparation of financial statements requires management to make appropriate judgements and assumptions that affect

the amounts reported for assets and liabilities for the year ending 31st March 2016, and for amounts reported for income and expenses during the relevant period.

#### *Provisions*

A provision is recognised when the agency has a present legal or constructive obligation which has arisen as a result of a past event, when payment is probable and the amount can be estimated reliably. In determining the value to recognise as a provision in the accounts we use estimates provided by suitably qualified professionals.

### **1 k) Non-current assets**

Expenditure incurred by the NCA on the acquisition of capital assets or expenditure which adds to the value of existing assets is capitalised, provided that the assets gives benefit to the NCA for a period of more than one year. Where appropriate, the NCA capitalises the cost of salaries directly attributed to developing the non-current assets as permitted within IAS 16.

Capital assets, both tangible and intangible, are assets that cost or are valued at or above a capitalisation threshold of £5,000 which is set by the NCA Board and with an expected working life of more than one year. Individual assets which cost less than £5,000 but are required to be grouped together to form one capital asset with a total value greater than £25,000 are capitalised. Technical equipment assets, the individual components of which cost less than £5,000 but which are non consumable in nature, are also treated as capital assets.

Non-consumable is defined as a multiple use item, of long duration (beyond one year), reconfigurable and could be a component part of an item that could 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 could include the costs of new furniture and equipment that individually cost less than £5,000, but collectively cost greater than £25,000, where it is more appropriate to capitalise the initial costs. Tangible non-current assets are carried at fair value for existing use.

The NCA proactively reviews the content of its Non-Current Asset Register (NCAR). Capital investment development programme business case reviews and approvals enabled the NCA to validate the existence, utilisation and value of assets recorded in the NCAR.

### **1 l) Depreciation and amortisation**

A full month's depreciation or amortisation is provided in the month following first use or availability for use and apportioned to the date of disposal. No depreciation is provided on assets under construction until they are brought into use or are available for use.

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

<b>Asset type</b>	<b>Useful life</b>
Land and buildings	Land is not depreciated. Buildings are depreciated to their estimated residual value over the remainder of the buildings' estimated economic lives. The range of leasehold buildings' lives at 31 March 2015 to 2036 was 1 to 21 years.
Improvements to leasehold buildings	The shorter of the duration of lease or anticipated useful life of improvements, subject to maximum period of 10 years.
Motor vehicles	3 – 9 years
Plant and equipment	5 years
Furniture and fittings	10 years
IT equipment and software	3 – 5 years
Intangible non-current assets – IT licences and software	5 years (or the duration of the licence)

Tangible assets are revalued annually and are reported at current cost.

### **1 m) Revaluation**

The NCA has a policy of revaluing its non-current assets (excluding freehold properties) annually by applying government-approved indices per asset type.

Freehold properties are subject to two-yearly professional revaluations. A full professional valuation was carried out by Knight Frank Chartered Surveyors in March 2015.

Intangible assets are not revalued.

### **1 n) Provisions**

The Legal provision assesses the likelihood, potential risk and value of legal actions against the NCA. The provision incorporates estimates for both legal costs and compensation.

The Retirement provision was created to provide for expected future pension obligations arising from the HM Treasury approved exit scheme, which the NCA adopted in October 2010. The valuation, as advised by HM Treasury, includes a discount factor of 1.37% that is applied to future years' cash flows with effect from 31 March 2016 (1.30% from 31 March 2015).

The Dilapidation provision assesses and values expected dilapidation costs on buildings which the NCA intends to leave. The provision is based on an estimated charge for the specific sites involved and allows for the reversal of any changes to the buildings made by the NCA and the costs of redecoration.

The Bad Debt provision assesses outstanding debts for the potential risk of the debt not being recovered and a provision is made where deemed necessary.

The Onerous Lease provision is for offices vacated by 31 March 2016 for which there is a lease obligation beyond this date. The provision takes into account known future lease breaks and lease end dates.

### **1 o) Recovered assets**

The criminal confiscation, civil recovery and taxation provisions under the Proceeds of Crime Act 2002 (PoCA) are utilised by the NCA to deprive criminals of their illicit profits and assets. Consequently, proceeds from recovered assets are received and paid over to the Home Office. The NCA continues to participate in the incentivisation scheme whereby the NCA and referring law enforcement agencies receive a portion of the remittances,

treated as income, as an incentive to build their asset recovery capacity (see note 1p).

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

The NCA manages bank accounts where recovered cash is 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.

Section 280 subsection 3, of the Crime and Courts Act 2013 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. 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. Assets and cash held by the NCA on behalf of third parties in relation to these activities are not included in the NCA's accounts but are separately reported in note 15 to the accounts.

### **1 p) Assets Recovered Incentivisation Scheme (ARIS)**

ARIS income is required to be spent within the year it was earned. ARIS income is accounted for under the accruals concept. This is in line with the treatment in 2014-15.



## 2. Statement of Operating Costs by Operating Segment

	Change and Finance (including Externally Funded Projects)	Technology Command	DDG and Professional Stds	Intelligence and Operations	Corporate Services	Corporate Affairs and Central costs	CEOP	Economic Crime Command	Organised Crime Command	National Cyber Crime Unit	2015-16 Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Gross Expenditure</b>	43,586	53,658	9,552	199,019	71,925	72,494	11,725	21,097	13,975	5,129	<b>502,160</b>
<b>Income</b>	(24,021)	(240)	-	(1,048)	(204)	(14,833)	(1,151)	(923)	(10)	-	<b>(42,430)</b>
<b>Net Expenditure</b>	<b>19,565</b>	<b>53,418</b>	<b>9,552</b>	<b>197,971</b>	<b>71,721</b>	<b>57,661</b>	<b>10,574</b>	<b>20,174</b>	<b>13,965</b>	<b>5,129</b>	<b>459,730</b>

No segmental data is shown for assets or liabilities, as many of these costs, such as depreciation, are posted to a central cost centre within Corporate Affairs and Central Costs. Any analysis of assets and liabilities by cost centre would not provide any meaningful data and so has not been included in these accounts.

The 2014-15 comparatives are shown in the table below:

	Change and Finance *	Technology Command*	DDG and Professional Stds	Intelligence and Operations*	Corporate Services*	Corporate Affairs and Central costs*	CEOP command	Economic Crime Command	Organised Crime Command	National Cyber Crime Unit*	2014-15 Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Gross Expenditure</b>	41,256	35,897	8,113	189,113	75,150	83,398	7,273	21,718	16,189	4,377	<b>482,484</b>
<b>Income</b>	(28,490)	(117)	-	(463)	(472)	(15,311)	(1,863)	(800)	(285)	-	<b>(47,801)</b>
<b>Net Expenditure</b>	<b>12,766</b>	<b>35,780</b>	<b>8,113</b>	<b>188,650</b>	<b>74,678</b>	<b>68,087</b>	<b>5,410</b>	<b>20,918</b>	<b>15,904</b>	<b>4,377</b>	<b>434,683</b>

\* The 2014-15 totals shown on the comparatives are unchanged, however, to aid comparisons between the two years, the individual figures within Corporate Services and Change & Finance (previously known as Projects) have been amended to reflect the new Technology Command, and the move of Finance from Corporate Services to Change and Finance. National Cyber Crime Unit totals have been removed from the Intelligence and Operations totals and are now shown separately.

## **Description of segments**

The segmental analysis is consistent with how financial performance is reported to the NCA Board.

The underlying factors in identifying the reportable segments are driven by the budget allocations, departmental priorities and financial risks. This provides the board with decision making information based upon sound financial reporting. It enables the determination of resource spend by entity, departmental priority and operational activity.

## **Change and Finance**

The Change Team is responsible for the design, delivery and change management of the agency's transformational change programme (the Novo programme). Finance takes the overall responsibility for organising the financial affairs of the organisation, providing statutory returns, paying suppliers and officers.

## **Technology Command**

The Technology Command looks across the whole information continuum, from back-office to operations. It defines IT strategy, policy and architecture, considering how to meet the Agency's future requirements for information systems (operational, infrastructure and corporate), managing the delivery of new technology driven capabilities and the supply chain, and then operating and defending the agency-wide IT estate.

## **DDG and Professional Standards**

The role of Standards and Security is to enable the NCA and its officers to operate safely and securely at all times. Through a clearly defined professional standards and security posture and embedded culture, commensurate with the threat, operating environment and the agency's risk appetite, it will safeguard the NCA from threats to its officers, operations, assets and reputation both in the UK and overseas.

## **Intelligence and Operations**

The NCA Investigations provide a flexible, shared operational capability to the NCA. It has an investigative network based across the UK, with integral financial investigators and intelligence support. The NCA Intelligence hub provides a single picture of all threats from serious and organised crime. This information has been subjected to a defined evaluation and risk assessment process in order that it can be used to assist the NCA, and its partners, in making decisions, allowing it to have maximum impact to combat crime. Border Policing leads, coordinates and supports border and overseas partners and conducts operations to respond to the threats both overseas and at the UK border. The NCA work with international partners and coordinate UK law enforcement overseas to gather intelligence, conduct operational activity (through partner agreement) and enhance international delivery, including capacity building, training & joint European & International taskforce.

## **Corporate Services**

Corporate Services provides an integrated approach providing the NCA with sound financial planning and management, a modern infrastructure, efficient logistical support, responsive HR systems and trained, motivated officers. It includes all the estates, IT and fleet costs which contribute to operational activity.

## **Corporate Affairs**

Corporate Affairs manages and supports the governance functions and structures of the NCA on behalf of the NCA Board and Command Team. It has responsibility for developing and disseminating the NCA's strategic positioning, in particular with government, key domestic and international partners.

## **CEOP Command**

The CEOP Command is dedicated to eradicating the sexual exploitation and abuse of children and young people. As noted above, CEOP also benefits from services received from other areas, such as Investigations, Intelligence and Corporate Services.

## **Economic Crime Command**

The Economic Crime Command of the NCA is delivering a step change in understanding and infiltrating how crimes such as fraud, identity crime, counterfeit currency, intellectual property crime, bribery and corruption, manifest and is leading a coordinated multi agency response that looks to undermine criminal intention as well as educate and empower those who are most susceptible to attack. As noted above, Economic Crime Command also benefits from services received from other areas, such as Intelligence and Operations and Corporate Services.

## **Organised Crime Command**

The Organised Crime Command is responsible for the national overview of the threat from organised crime. It provides a unified operational response, based on a clear national picture of the threats, harms and risks posed by organised crime groups. As noted above, the Organised Crime Command also benefits from services received from other areas, such as Intelligence and Operations and Corporate Services.

## **National Cyber Crime Unit (NCCU)**

The NCCU leads the UK's law enforcement response to serious organised cyber crime. This includes leading operations against the most significant and technically complex cyber criminals and groups, using specialist capabilities to support law enforcement partners across the UK and overseas and coordinating the UK's entire law enforcement response to cyber crime.

### 3. Officer Costs

	<b>Total 2015–16 £'000</b>	<b>Total 2014–15 £'000</b>
Wages and Salaries	187,161	189,104
Social Security Costs	13,685	14,313
Other Pension Costs	30,601	25,379
<b>Sub Total</b>	<b>231,447</b>	<b>228,796</b>
Less recoveries in respect of outward secondments	(992)	(981)
<b>Sub Total</b>	<b>230,455</b>	<b>227,815</b>
Exit package costs	-	9,003
<b>Sub Total</b>	<b>230,455</b>	<b>236,818</b>
Current service cost net of employee contributions	9,496	7,648
<b>Total Net Costs</b>	<b>239,951</b>	<b>244,466</b>

#### 3 a) Police Pension Scheme

The agency operated a defined benefit Police Pension Scheme for former police officers.

The Police Pension Fund was established under the Police Pension Fund Regulations 2007 (SI 2007/1932).

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

Pension benefits were paid from the NCA resources as they fell due. In the year ending 31 March 2016, £23.9m was paid to pensioners (2014–15: £21.3m).

The 2015–16 total included £0.7m paid to pensioners in respect of the Milne vs. GAD determination. Additional costs payable as a result of the determination are shown as a Past Service cost.

Officers in the 1987 pension scheme make contributions of 14.25% to 15.05% of salary (according to salary threshold), those joining the 2006 scheme pay 11.00% to 12.75% and those in the 2015

scheme pay 12.44% to 13.78%. The schemes have different accrual rates and retirement ages. Pensions paid in the period were charged against the Pension liability. The NCA incurred the cost of employer contributions at the rate of 24.2% of pensionable pay in the period totalling £3.3m (2014–15: £4.1m). The employee's contribution is set nationally by the Home Office and is subject to triennial revaluation by the Government Actuary's Department (GAD).

In order to comply with the Government Financial Reporting Manual and Accounts Guidance, the NCA was required to provide in these accounts for the full value of the expected future pensions liabilities of the officers. Since 2010–11 the Government Actuary's Department (GAD) has valued contingent injury awards, the previous approach valued injury awards as they came into payment. This change in practice is due to the adoption of IAS 19. The NCA commissioned GAD to value the scheme liabilities as at 31 March 2016. Full provision for pension liabilities at 31 March 2016 of £691.98m (2014–15: £674.98m) includes liability of £0.1m in respect of the Milne determination, and is reflected in the Statement of Financial Position, and is based on the assumptions and information set out below.

	<b>2015–16 £'000</b>	<b>2014–15 £'000</b>
Present value of liabilities	691,980	674,980
<b>Net pension liabilities</b>	<b>691,980</b>	<b>674,980</b>

The main assumptions used by the Government Actuary's Department were as follows:

	<b>2015-16</b> %	<b>2014-15</b> %
Inflation assumption	2.20	2.20
Rate of increase in salaries	4.20	4.20
Rate of increase in pensions	2.20	2.20
Rate of discounting scheme liabilities	3.60	3.55

### The net scheme assets at 31 March 2016

<b>Remeasurements of net defined liability/(asset) for year</b>	<b>2015-16</b>	<b>2014-15</b>
<b>Direct Recruits Scheme</b>	<b>£'000</b>	<b>£'000</b>
Experience gains/(losses)	(41,656)	18,610
Effect of changes in demographic and financial assumptions	34,830	(49,150)
<b>Remeasurements of net defined liability/(asset)</b>	<b>(6,826)</b>	<b>(30,540)</b>

The results of any actuarial valuation are inherently uncertain because of the assumptions which must be made. In recognition of this uncertainty, the approximate effects on the actuarial liability as at 31 March 2016 of changes to the main actuarial assumptions are set out below:

	<b>Approximate effect on total liability</b>	
	%	£'000
<b>Rate of Return</b>		
i. Rate of discounting scheme liabilities: -0.5% a year	10.5	71,900
ii. Rate of increase in salaries: +0.5% a year	0.3	1,700
iii. Rate of increase in pensions / deferred revaluation: +0.5% a year	9.3	64,000
<b>Pensioner Mortality</b>		
iv. Life expectancy: Pensioners living (on average) one year longer	2.0	13,400
v. Early Retirement: member to retire 1 year earlier	0.3	2,200

### 3 b) Changes in pension assets and liabilities for the year

The change in the pension liabilities resulting from operating and finance costs have been charged to the Statement of Comprehensive Net Expenditure. This charge is reduced by the contributions

receivable in the year from the active members.

The remeasurement of net defined liability/(asset) calculated by GAD has been reflected in the Statement of Financial Position (Pension Reserve).

### Changes in pension assets and liabilities for the year:

	<b>2015-16</b>	<b>2014-15</b>
	<b>Total</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>
<b>Operating cost:</b>		
Current service cost net of employee contributions	9,496	7,648
<b>Finance cost:</b>		
Interest on pension liabilities	23,770	27,104
<b>Net Return</b>	<b>33,266</b>	<b>34,752</b>
<b>Actuarial gain/(loss):</b>		
Experience gain/(loss) on pension liabilities	(40,690)	18,624
Changes in demographic & financial assumptions	34,830	(49,150)
<b>Total Actuarial Gain/(Loss) charged to Pension Reserve</b>	<b>(5,860)</b>	<b>(30,526)</b>

**Movement in Pension Liabilities during the year**

	<b>2015-16 Total £'000</b>	<b>2014-15 Total £'000</b>
Net liabilities at start of year	674,980	628,562
Current and past service cost	11,676	10,068
Pensions paid in the year	(24,326)	(21,280)
Pension transfers-in	20	-
Net finance charge	23,770	27,104
Actuarial (gain)/loss	5,860	30,526
<b>Net (assets)/liabilities at end of year</b>	<b>691,980</b>	<b>674,980</b>

## 4. Expenditure

	2015-16 £'000	2015-16 £'000	2014-15 £'000	2014-15 £'000
Operating Costs:				
Indirect employee costs	16,374		11,301	
Premises costs (excluding onerous lease provision)	50,084		50,742	
Onerous lease provision	(30)		(762)	
IT expenses *	50,767		42,518	
Accommodation, subsistence and general expenses	17,847		16,590	
Transport costs	7,199		8,886	
Office and general expenses	1,931		2,798	
Conference set up and running costs	797		756	
Office equipment and repairs	774		460	
Operational and communication costs †	31,374		20,656	
Interpol subscription	2,454		2,784	
Other operating subscriptions	703		254	
(Surplus)/loss on disposal of non-current assets	24		96	
Foreign exchange (gain)/loss	101		42	
		<b>180,399</b>		<b>157,121</b>
Fees:				
Forensic fees	5,460		4,351	
Interim Receivers' fees	67		28	
Professional services and fees	13,417		7,303	
		<b>18,944</b>		<b>11,682</b>
Other Expenditure:				
Grants to forces and other public sector bodies	1,473		1,994	
		<b>1,473</b>		<b>1,994</b>
Non-Cash items:				
Revaluation (gain)loss on non-current assets		(209)		194
Auditor's remuneration and expenses		130		140
Notional expenditure covered by donations		655		1,608
		<b>201,392</b>		<b>172,739</b>

\* The increased resource costs in IT and Communications relates to the development of the IT Transformation programme and an increase in service charges during the year as current year and prior year contract updates went live.

† The increase in Operational and communication costs reflects the increased operational activity, particularly overseas.

## 5. Income

	<b>2015-16</b>	<b>2015-16</b>	<b>2014-15</b>	<b>2014-15</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Funding received:				
Scottish Executive contributions	5,212		5,423	
Police Service of Northern Ireland contributions	1,391		1,011	
Recovered Asset Incentivisation Fund	7,383		8,873	
EU Funding	125		546	
Civil recoveries applied to receivers' fees	679		18	
Specific operational funding*	19,715		27,561	
		<b>34,505</b>		<b>43,432</b>
Donation of goods and services (excl cash):				
Donations over £250k	-		941	
Donations under £250k	655		667	
		<b>655</b>		<b>1,608</b>
Other operating income:				
Cash Donations	-		159	
Others	2,629		1,776	
		<b>2,629</b>		<b>1,935</b>
Recovery of costs	4,513		473	
Rents and service charges	128		353	
		<b>4,641</b>		<b>826</b>
<b>Total Income</b>		<b>42,430</b>		<b>47,801</b>

\* Specific operational funding relates to funding received to undertake a number of discrete projects.



## 6. Property, plant and equipment

### At 31 March 2016

	Buildings £'000	Land £'000	Improvements to leasehold buildings £'000	Motor vehicles £'000	IT Assets £'000	Plant & Machinery £'000	Furniture & Fitting £'000	Payments on account & assets under construction £'000	Total £'000
<b>Cost or valuation</b>									
At 1 April 2015	22,458	3,172	120,690	40,294	81,125	34,070	7,211	11,489	320,509
Additions	510	-	3,587	222	11,890	2,476	507	12,998	32,190
Disposals	-	-	(3,888)	(4,047)	(9,963)	(325)	(118)	-	(18,341)
Reclassifications	371	-	(194)	901	9,438	942	38	(11,496)	-
Revaluations	-	-	3,354	56	890	(3)	(11)	-	4,286
<b>At 31 March 2016</b>	<b>23,339</b>	<b>3,172</b>	<b>123,549</b>	<b>37,426</b>	<b>93,380</b>	<b>37,160</b>	<b>7,627</b>	<b>12,991</b>	<b>338,644</b>
<b>Depreciation</b>									
At 1 April 2015	12,113	-	70,443	25,210	52,452	25,897	5,485	-	191,600
Charge in year	1,288	-	10,688	3,435	8,096	2,647	221	-	26,375
Disposals	-	-	(3,888)	(3,582)	(9,964)	(307)	(118)	-	(17,859)
Reclassifications	-	-	-	-	-	-	-	-	-
Revaluations	-	-	1,706	24	387	-	(7)	-	2,110
<b>At 31 March 2016</b>	<b>13,401</b>	<b>-</b>	<b>78,949</b>	<b>25,087</b>	<b>50,971</b>	<b>28,237</b>	<b>5,581</b>	<b>-</b>	<b>202,226</b>
Carrying amount at 31 March 2015	10,345	3,172	50,247	15,084	28,673	8,173	1,726	11,489	128,909
<b>Carrying amount at 31 March 2016</b>	<b>9,938</b>	<b>3,172</b>	<b>44,600</b>	<b>12,339</b>	<b>42,409</b>	<b>8,923</b>	<b>2,046</b>	<b>12,991</b>	<b>136,418</b>

All assets were owned by the NCA

### At 31 March 2015

	Buildings £'000	Land £'000	Improvements to leasehold buildings £'000	Motor vehicles £'000	IT Assets £'000	Plant & Machinery £'000	Furniture & Fitting £'000	Payments on account & assets under construction £'000	Total £'000
<b>Cost or valuation</b>									
At 1 April 2014	18,814	3,172	107,761	37,917	73,687	30,904	6,823	9,630	288,708
Additions	76	-	3,913	1,057	3,800	3,143	360	11,495	23,844
Disposals	-	-	-	(4,679)	-	-	-	-	(4,679)
Reclassifications	-	-	(2)	6,059	3,575	4	-	(9,636)	-
Revaluations	3,568	-	9,018	(60)	63	19	28	-	12,636
<b>At 31 March 2015</b>	<b>22,458</b>	<b>3,172</b>	<b>120,690</b>	<b>40,294</b>	<b>81,125</b>	<b>34,070</b>	<b>7,211</b>	<b>11,489</b>	<b>320,509</b>
<b>Depreciation</b>									
At 1 April 2014	9,358	-	54,961	26,421	44,153	23,085	5,237	-	163,215
Charge in year	1,022	-	10,444	3,087	8,277	2,759	231	-	25,820
Disposals	-	-	-	(4,271)	-	44	-	-	(4,227)
Reclassifications	-	-	-	-	-	-	-	-	-
Revaluations	1,733	-	5,038	(27)	22	9	17	-	6,792
<b>At 31 March 2015</b>	<b>12,113</b>	<b>-</b>	<b>70,443</b>	<b>25,210</b>	<b>52,452</b>	<b>25,897</b>	<b>5,485</b>	<b>-</b>	<b>191,600</b>
Carrying amount at 31 March 2014	9,456	3,172	52,800	11,496	29,534	7,819	1,586	9,630	125,493
<b>Carrying amount at 31 March 2015</b>	<b>10,345</b>	<b>3,172</b>	<b>50,247</b>	<b>15,084</b>	<b>28,673</b>	<b>8,173</b>	<b>1,726</b>	<b>11,489</b>	<b>128,909</b>

All assets were owned by the NCA

## 7. Intangible assets

### At 31 March 2016

	Purchased software £'000	Payments on account & assets under construction £'000	Total £'000
<b>Cost or valuation</b>			
At 1 April 2015	82,434	742	83,176
Additions	7,003	4,680	11,683
Disposals	(11,365)	-	(11,365)
Reclassifications	742	(742)	-
<b>At 31 March 2016</b>	<b>78,814</b>	<b>4,680</b>	<b>83,494</b>
<b>Amortisation</b>			
At 1 April 2015	50,487	-	50,487
Charge in year	10,672	-	10,672
Disposals	(11,365)	-	(11,365)
Reclassifications	-	-	-
<b>At 31 March 2016</b>	<b>49,794</b>	<b>-</b>	<b>49,794</b>
Carrying amount at 31 March 2015	31,947	742	32,689
<b>Carrying amount at 31 March 2016</b>	<b>29,020</b>	<b>4,680</b>	<b>33,700</b>

All intangible assets were owned by the NCA

### At 31 March 2015

	Purchased software £'000	Payments on account & assets under construction £'000	Total £'000
<b>Cost or valuation</b>			
At 1 April 2014	66,276	353	66,629
Additions	15,805	742	16,547
Disposals	-	-	-
Reclassifications	353	(353)	-
<b>At 31 March 2015</b>	<b>82,434</b>	<b>742</b>	<b>83,176</b>
<b>Amortisation</b>			
At 1 April 2014	38,135	-	38,135
Charge in year	12,352	-	12,352
Disposals	-	-	-
Reclassifications	-	-	-
<b>At 31 March 2015</b>	<b>50,487</b>	<b>-</b>	<b>50,487</b>
Carrying amount at 31 March 2014	28,141	353	28,494
<b>Carrying amount at 31 March 2015</b>	<b>31,947</b>	<b>742</b>	<b>32,689</b>

All intangible assets were owned by the NCA

## 8. Capital and other commitments

### 8 a) Contracted capital commitments for 31 March 2016 for which no provision has been made:

	2015-16 £'000	2014-15 £'000
Not later than one year	8,848	6,048
Later than one year and not later than five years	2,114	4,366
Later than five years	-	-
<b>Total</b>	<b>10,962</b>	<b>10,414</b>

Commitments include contractual obligations for the provision of information technology and communications services and the acquisition of motor vehicles.

### 8 b) Commitments under leases

The NCA was committed to pay for the following operating lease rentals in the future financial years:

	2015-16 £'000	2014-15 £'000
Obligations under operating leases comprise:		
Buildings:		
Not later than one year	17,462	20,184
Later than one year and not later than five years	58,380	63,412
Later than five years	80,207	95,166
<b>Total</b>	<b>156,049</b>	<b>178,762</b>

### 8 c) Other financial commitments

Other commitments include contracts for the provision of information technology, communication services and facilities management.

	2015-16 £'000	2014-15 £'000
Other financial commitments:		
Not later than one year	28,494	73,252
Later than one year and not later than five years	85,042	96,567
Later than 5 years	-	17,715
<b>Total</b>	<b>113,536</b>	<b>187,534</b>

## 9. Financial instruments

As the cash requirements of the department are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the agency's expected purchase and usage requirements and the agency is therefore exposed to little credit, liquidity or market risk.

## 10. Cash and cash equivalents

	2015-16 £'000	2014-15 £'000
Balance at 1 April 2015	11,132	73,414
Net change in cash and cash equivalents balances	4,510	(62,282)
<b>Balance at 31 March 2016</b>	<b>15,642</b>	<b>11,132</b>

The following balances at 31 March 2015 were held at:

Commercial banks and cash in hand	3,533	8,806
Balance held with Government Banking Service	12,109	2,326
<b>Balance at 31 March 2016</b>	<b>15,642</b>	<b>11,132</b>

The NCA operated a number of bank accounts and cash imprest accounts during the year. The NCA does not draw down funds from Treasury in advance of need.

The UK accounts operated some commercial accounts under a pooling arrangement which allowed some accounts to be overdrawn, as long as the main NCA account was in credit to cover the overdrawn balances. Cash and cash equivalent balances held at 31 March 2016 were converted to sterling at the prevailing spot rate.

Interest of £11k was received during the year on bank balances (2014-15: £7k).

## 11. Trade receivables, financial and other assets

	2015-16 £'000	2014-15 £'000
<b>Amounts falling due within one year:</b>		
Trade receivables	1,757	5,538
Accrued income*	15,141	27,946
Other receivables	6,770	4,073
Prepayments	8,624	9,330
	<b>32,292</b>	<b>46,887</b>

\* Accrued income and balances in 2015-16 has decreased significantly from 2014-15 due to the move of a number of externally funded projects to baseline funding and the timing of receipts from devolved administrations and project funders.

## 12. Trade payables and other current liabilities

	2015-16 £'000	2014-15 £'000
<b>(a) Amounts falling due within one year:</b>		
Other Tax and Social Security	10,699	6,013
Trade Payables	27,771	9,542
Other Payables	2,144	650
Amounts issued from the Consolidated Fund for supply but not spent at year end	15,642	11,132
Accruals and deferred income	36,768	57,087
	<b>93,024</b>	<b>84,424</b>
<b>(b) Amounts falling due after more than one year:</b>		
Other payables*	1,857	2,465
	<b>1,857</b>	<b>2,465</b>

\* Other payables relates to the elements of the rent discount that fall due after more than one year.

## 13. Provisions for liabilities and charges

	Legal Provision £'000	Retirement Provision £'000	Dilapidation Provision £'000	Bad Debt Provision £'000	Onerous Lease Provision £'000	Total Provision £'000
<b>Balance at 1 April 2015</b>	<b>(2,920)</b>	<b>(2,879)</b>	<b>(2,983)</b>	-	<b>(2,308)</b>	<b>(11,090)</b>
Provided in year	(1,986)	-	(1,566)	-	-	<b>(3,552)</b>
Provisions not required written back*	631	-	974	-	-	<b>1,605</b>
Provisions utilised in the year**	663	900	965	-	350	<b>2,878</b>
Cost of borrowing (Unwinding of discount)	-	(426)	98	-	(320)	<b>(648)</b>
<b>Balance at 31 March 2016</b>	<b>(3,612)</b>	<b>(2,405)</b>	<b>(2,512)</b>	<b>0</b>	<b>(2,278)</b>	<b>(10,807)</b>

	Legal Provision £'000	Retirement Provision £'000	Dilapidation Provision £'000	Bad Debt Provision £'000	Onerous Lease Provision £'000	Total Provision £'000
<b>Balance at 1 April 2014</b>	<b>(1,872)</b>	<b>(3,637)</b>	<b>(1,228)</b>	<b>(5)</b>	<b>(3,070)</b>	<b>(9,812)</b>
Provided in year	(1,620)	-	(2,367)	-	(483)	<b>(4,470)</b>
Provisions not required written back*	488	-	384	5	672	<b>1,549</b>
Provisions utilised in the year**	84	754	112	-	744	<b>1,694</b>
Cost of borrowing (Unwinding of discount)	-	4	116	-	(171)	<b>(51)</b>
<b>Balance at 31 March 2015</b>	<b>(2,920)</b>	<b>(2,879)</b>	<b>(2,983)</b>	-	<b>(2,308)</b>	<b>(11,090)</b>

\* Provisions not required written back is a credit to Annually Managed Expenditure (AME). This occurs when the provision is reviewed and confirmed to be over stated.

\*\* Provisions utilised in the year are a charge to DEL and reflect expenditure incurred that off-set in part or in total the original provision.

The provisions are anticipated to crystallise in the NCA as follows:

	Legal Provision £'000	Retirement Provision £'000	Dilapidation Provision £'000	Bad Debt Provision £'000	Onerous Lease Provision £'000	2015-16 Total Provision £'000	2014-15 Total Provision £'000
Within 1 year	-	541	1,850	-	462	<b>2,853</b>	<b>3,409</b>
2 - 5 years	3,612	970	440	-	1,277	<b>6,299</b>	<b>6,067</b>
Over 5 years	-	894	222	-	539	<b>1,655</b>	<b>1,614</b>
<b>Balance at 31 March 2016</b>	<b>3,612</b>	<b>2,405</b>	<b>2,512</b>	<b>0</b>	<b>2,278</b>	<b>10,807</b>	<b>11,090</b>

The legal provision of £3.6m relates to provision for claims and costs relating to potential civil recovery cases, and cases in progress to cover estimates on litigation costs for officers undertaking action because of injury, loss of employment, changes in conditions of service and operational activity. The provision allowed for both costs and compensation payments.

The retirement provision of £2.4m was created to provide for expected future pension obligations in accordance with the HM Treasury approved exit scheme SOCA adopted in October 2010 for 48 officers until they reached 60 years of age. There are currently 20 members left on this scheme. The valuation, as advised by HM Treasury, included a discount factor of 1.37% (2014-15: 1.30%) that is applied to future years' cash flows.

The dilapidation provision assessed and valued expected dilapidation costs on buildings the NCA have already exited or with a published date of exit. An amount was provided for in the accounts based on an estimated charge per sq. ft of leased space and allowed for the reversal of any changes to the building made by the NCA and the costs of redecoration.

The bad debt provision assessed outstanding debts for the potential risk of the debt not being recovered and a provision was made where deemed necessary. A significant amount of work was undertaken to reduce bad debts to a minimum. As such, no bad debt provision was required for the year to 31 March 2016.

The onerous lease provision was created in accordance with IAS 37 and related to four offices vacated for which there was a lease obligation beyond 31 March 2016. The provision took into account known future lease breaks and lease end dates. The NCA endeavoured to dispose of these properties in line with the NCA Board's Estates Strategy.

## 14. Contingent liabilities

### 14 a) Lease dilapidations

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

The lease dilapidations in note 14 relate to buildings still occupied by the NCA at 31 March 2016 with no published plans to vacate. Lease dilapidations for buildings already exited or with a publish date of exit are shown in the dilapidation provision (note 13).

The costs to the NCA on vacation of leased premises were estimated as £5.2m (2014-15: £3m). This estimate was based on a charge per square foot of leased space and allowed for the reversal of any changes to the building made by the NCA and the costs of redecoration. This potential liability at 31 March 2016 was estimated to fall due as follows:

	<b>2015-16</b> <b>£'000</b>	<b>2014-15</b> <b>£'000</b> <b>restated</b>
Not later than one year	309	171
Later than one year and not later than five years	2,604	2,167
Later than 5 years	2,332	2,835
	<b>5,245</b>	<b>5,173</b>

### 14 b) Litigation costs

The NCA had a small number of claims from employees, members of the public and suppliers that could result in compensation payments to be made on settlement. The probability of the NCA being successful in litigation was less than 50% and claims were at an early stage of action, making the determination of costs impossible.

## 15. Related party transactions

The NCA undertook a significant number of material transactions with Government Departments and other Government bodies.

No minister, board member, key manager or other related parties has undertaken any material transactions with the NCA during the year.

## 16. Third-party assets

Seized property is that which is appropriated by the NCA and other law enforcement bodies but which may still be liable to be returned. Seized property held by the NCA as at 31 March 2016 consisted of £11.6m (2014–15: £12.2m) in cash, motor vehicles and other valuables suspected of being derived from criminal activity.

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

	<b>2015–16</b> <b>£'000</b>	<b>2014–15</b> <b>£'000</b>
Third party assets:		
Monies	9,449	11,059
Physical assets	2,140	1,185
<b>Total</b>	<b>11,589</b>	<b>12,244</b>

## 17. Recovered assets

The NCA currently manages 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.

	<b>2015–16</b> <b>£'000</b>	<b>2014–15</b> <b>£'000</b>
Recovered assets receipts for the year to 31 March 2016:		
- Civil	5,962	8,097
- Criminal	598	32
- Tax	1,950	1,771
	8,510	9,900
Recovered assets receipts for the year to 31 March 2016:		
Asset recoveries applied against receivers' fees (see below)	(42)	(28)
<b>Net recovered receipts</b>	<b>8,468</b>	<b>9,872</b>
Receipts paid to the Home Office for the year to 31 March 2016	(6,998)	(5,871)
<b>Recovered asset proceeds held at 31 March 2016</b>	<b>1,470</b>	<b>4,001</b>

NCA pays to the Home Office, quarterly in arrears, recovered asset receipts net of estimated receivership and enforcement costs. A final payment for £0.5m is due from the monies held in the separately identified third party bank accounts will be paid to the Home Office by June 2016.

The civil and tax figures quoted above differ from the NCA's reported performance against the Home Office civil and tax recovery target in the annual report as a result of the deduction of allowable costs and cases under appeal in the above figures.

The criminal receipts figure quoted above relates to the NCA's ongoing responsibility to enforce payment against criminal confiscation orders obtained in previous years by the Assets Recovery Agency (ARA) or where the NCA has obtained a confiscation order in connection with an investigation commenced by ARA. It is by its nature a small and diminishing amount. All other existing confiscation orders obtained by the NCA and new confiscation orders unconnected with ARA 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 the NCA 1 April 2015 – 31 March 2016; nor to the value of receipts banked by the courts in fulfilment of confiscation orders obtained by the NCA from 1 April 2015 – 31 March 2016 and previous years.

## 18. Forfeiture and confiscation orders

Receipts paid to the Home Office during the year in fulfilment of cash forfeiture orders obtained in the period 1 April 2015 – 31 March 2016 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.

	<b>2015-16</b> <b>£'000</b>	<b>2014-15</b> <b>£'000</b>
Forfeiture and confiscation monies paid over	7,356	3,609

## 19. Events after the reporting period

The result of the referendum held on 23 June was in favour of the UK leaving the European Union. This is a non-adjusting event. A reasonable estimate of the financial effect of this event cannot be made.

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



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